# ANNUAL REPORT 2016



COSUMAR, RESPONSIBLE GENERATOR OF SHARED AND SUSTAINABLE VALUES









**GOAL** «EXCELLENCE» ALL ALONG THE VALUE CHAIN



IN TUNE WITH **OUR CUSTOMERS** 



GLOBAL DEVELOPMENT, A LEVER FOR A SUSTAINABLE GROWTH



**PERMANENT OPERATIONAL** EXCELLENCE FOR A GLOBAL COMPETENCE





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INDEPENDENT AUDITORS' SPECIAL REPORT









AGRICULTURAL PERFORMANCE



INDUSTRIAL PERFORMANCE



FINANCIAL PERFORMANCE







#### MOHAMMED FIKRAT



2016 WAS AN EXCEPTIONAL YEAR, MARKED BY THE STRENGHTENING OF OUR COMMITMENT TO WIDEN OUR ECOSYSTEM

### The results of the crop year are always key for the business activity of the COSUMAR Group, so are there any noteworthy facts to report for 2016?

Last year the COSUMAR Group posted good results for the whole value chain. First of all, the sugar sector posted exceptional results in 2016, compared with previous years, in terms of sugar production, yield and content.

The volume of sugar from local crops reached 607, 000 tons, with an average yield of 12 tons of sugar per hectare. Hence, the local sugar production covered about 50% of the market needs. These results are a direct payoff of the investments carried out by the Group in the past years in terms of upgrade and competitiveness of the upstream chain.

These results are also illustrating one of the mainstreams of our strategic orientation: the determination of COSUMAR to consolidate its role as generator of sustainable values within its ecosystem and as a promoter of performance throughout the whole value chain. The Group is moving in alignment with its stake holders towards a common goal: reach a coverage of 56% of the Moroccan sugar consumption, in alignment with

the Framework Agreement established in the "Plan Maroc Vert". Moreover, the sugar plant producers saw their revenue improve by 10% in 2016, following the steady trend observed in the past 10 years.

#### What is your analysis of the very good financial results of last year?

The turnover grew by 12.8% and reached 7.865 billion dirhams. On one hand, these results can be allocated to the strengthening of our export business, capturing opportunities on the international markets. On the other hand, the growth can be explained by the continuous improvement of our industrial and commercial activities, following our commitment to operational excellence on our core activities. We are a large Group, operating in a market where the stakes related to competitiveness and profitability are key. Mastering our core activities and expertise is a key asset to a sereine continuation of our efforts. We attach huge importance to the confidence granted to us by our partner-farmers, our customers, our suppliers, the shareholders and the civil society, and we give the utmost care and attention at deserving their trust by making the right choices and staying on this path.

#### COSUMAR Group informed that they were about to co-invest in a brand new sugar refinery. Is it a new step towards COSUMAR going-international?

For sure it is quite a milestone. For a few years, the Group has been expressing a firm ambition of international growth, particularly in Africa where we launched different market studies. Today, the construction of the refinery is clearly demonstrating that our ambition is being put to action. The project "Durrah Sugar Refinery" will stretch over 15 hectares in the northeast of Saudi Arabia, within "King Fahd" industrial port in the city of Yanbu. This ambitious project is backed on one side by our strong knowledge of refining and on the other side by the expertise of our main shareholder WILMAR in sugar trading. The potential market in the region amounts to 1.4 million tons and we are planning for this new refinery an annual production capacity of about 840,000 tons and a startup date on the first half of the year 2019. We commited to 48.275% of the equity of "Durrah Advanced Development Co", which carries the Durrah Sugar Refinery project. The rest of the capital is held by Saudi partners.

# You often promote your company as a model in terms of Corporate Social Responsibility. In practical terms, how is COSUMAR involved in corporate and social responsibility?

For COSUMAR, it is not a new trend at all, as CSR has always been at the core of our Group's DNA. Even before the definition of CSR, all of Cosumar's activity was held in an environment of respect for the stakeholders and of winwin relationships.

We have been recognized today by CGEM's label as aggregator of the sugar sector and by other entities that recently distringuished our social and environmental actions. But the Group's CSR strategy translates a real implication and a strong will for the creation of sustainable and shared value with all the stakeholders of the sugar ecosystem. This strategy is illustrated by the 3P model, representing the 3 pillars of our involvement: People, Planet, Profit. Very early, the Group realized its duties in all social, economic and environmental topics of our country. We put a strong emphasis on our role as aggregator in the financial, technical and social support of nearly 80 000 sugar beet and cane farmers. The Group is also present in the areas where it operates and where we are working towards the consolidation into socio-economic clusters.

We also promote exemplary behavior in order to control the environmental impacts of our activities, in a continuous improvement framework aimed at respecting the environemental rules. We launched a study evaluating the carbon footprint of the sugar sector and the impact of investments towards the modernization of our industrial activities, through clean technologies. This way, in 10 years, the carbon footprint of the sector was reduced by 44%.

### How are you approaching 2017 and what kind of challenge are you expecting to face this year at COSUMAR Group?

The work of COSUMAR is first and foremost to cover the sugar needs of the Moroccan market, to contribute to food safety and to offer our consumers and customers a level of service and quality in line with their expectations.

We completed in 2016 our Corporate Development Project "Cap vers l'Excellence 2016", which held in its core Excellence in our core activities, in order to satisfy our partners and our consumers.

We are now carrying our strategy with a new Project for 2017-2025, as challenging as "Cap vers l'Excellence".

Cosumar is a large player of the agro-food sector, with nearly 1700 Women and Men working every day with great commitment towards the success of the Group, getting involved in large projects. The support of our Moroccan institutional investors and of Wilmar are strengths we can leverage in order to increase our competitiveness and performance.

# Major actor of the Moroccan food-processing industry Soon 100 years old, the history of COSUMAR is strongly merged with the history of the

Soon 100 years old, the history of COSUMAR is strongly merged with the history of the industrial sugar sector in Morocco. Indeed, from 1929 up to date, COSUMAR Group has been pioneering the production of refined sugar in the country. This history is marked by the continuous modernization and strengthening of capabilities, so that the role of the Group is now unseparable from national food security, job creation and socioeconomic promotion of Moroccan regions.

# Aggregator committed in the development of the sugar farming upward of the chain

Due to its role of unique aggregator for a community of more than 80,000 farmers, COSUMAR works de facto at supporting in a sustainable way the whole sugar farming sector by strengthening its competitiveness. That is to say passing by a close supporton the technical, financial and social levels within the differentareas where we are settled such as in Doukkala, Gharb, Loukkos, Tadla and Moulouya.

# Strong Operator of the value chain

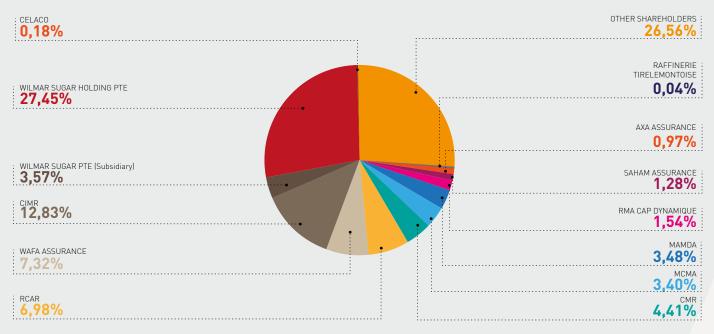
Thanks to a strong and multi-purpose production tool, COSUMAR handles the processing, the production, the conditioning and the distribution of the refined sugar in every shape and form: sugarloaf, sugar ingots, sugar cubes and caster sugar. A part of the finished product is also exported.

The finished product is made through the processing of sugar plants that have been produced and harvested locally (beet and sugar cane), and by refining the unrefined sugar imported as raw material.

# Ambitious shareholders

Whether be nationwide or worldwide, to understand the full extent of our Group ambitions, all it takes to is attending a board meeting of COSUMAR. Indeed, we combined the sharp expertise of reference shareholders as WILMAR Group, and the capital base of the biggest Moroccan institutions.

#### CAPITAL STRUCTURE ON MARCH 27<sup>TH</sup>, 2017



#### A listed stock

"COSUMAR" was among the most dynamic shares of the agri-food sector listed in the Stock Exchange of Casablanca. The good financial results posted by the Group in 2016 explain this upward trend of Cosumar shares, in particular the 12.86% increase of its turnover and the 45.55% progress of its consolidated net income compared to 2015. Besides, the strong basics and the promising future of the group often work in favour of its positive recommendation by the local experts.



#### «Creation and Sharing», a motto made reality

Major economic player of the agri-food sector in our country and real driving force working for a better competitiveness of the Moroccan sugar sector, COSUMAR is all commitment to its customers, the farmers, and to all of its partners, so as to enhance the competitiveness of the sugar cultures, to improve the farmers' income, to obey its obligations in terms of products quality, market supply, healthcare and protection of the natural resources.

Thanks to the expertise, the know-how and the mastering of their work, the highly skilled women and men belonging to COSUMAR work hard every day to reach growth and excellence targets set by the company.

COSUMAR keeps on working at fueling its ambition to become an agro-industrial regional operator running diversified activities. Thus, the Group goes on with its international breakthrough now branching out to more than 44 countries where we export refined sugar, which by the way is still submitted to the customs regulation of temporary transit and thus benefits from no subsidy. As well, Cosumar is now committed in the co-investment for the construction of "Durrah Sugar Company", a new sugar refinery in Saudi Arabia.







direct customers



suppliers



More 16companies created upward in farming and in industry



million working days upward the Agricultural Chain



member farmers



million ton production of beet and sugar cane









2016
RESULTS

7,87
billion dirhams of Turnover, that is to say an increase of 12.8%

MAD

MAD

MAD

MAD

1,79
billion dirhams of Group Net Profit (GNP), increasing by 45,5%

MAD

MAD

MAD

MAD

81,3% of the Group extraction rate for the Beet

73,2% of the Group extraction rate for the Sugar Cane

72,9
tons yield
per hectare for the Beet

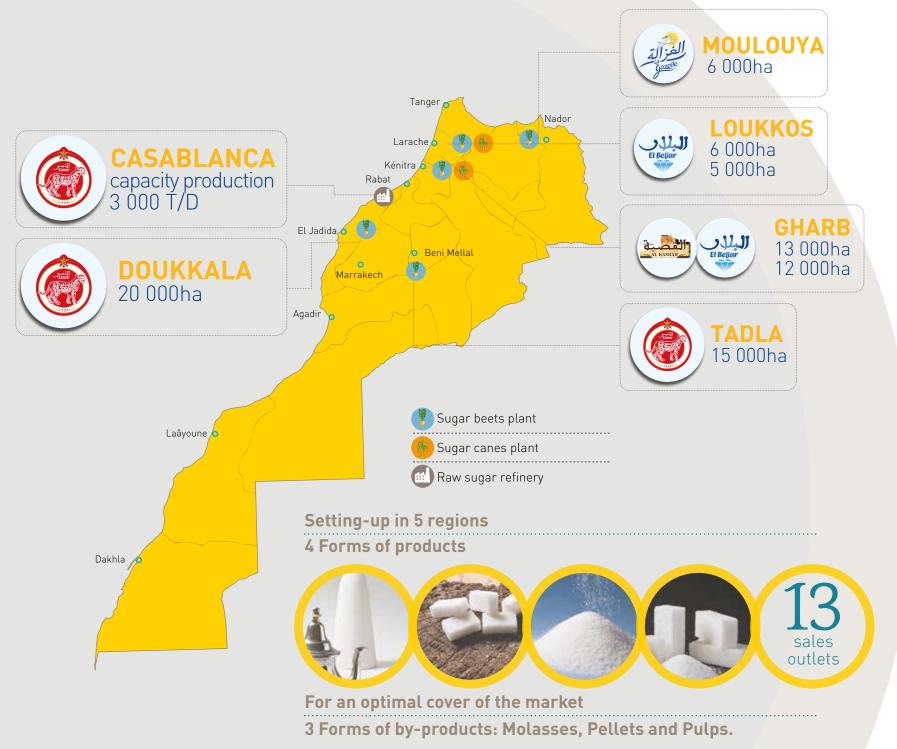


607 000 tons
of refined sugar stemming from the local sugar plants

50%
cover rate of the national needs in refined sugar (against 42% in 2015)

+320 000 tons of refined sugar exported

# SIDE BY SIDE WITH THE PRODUCER AND CLOSE TO THE CONSUMER





BOARD OF DIRECTORS

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Mohammed FIKRAT

#### **MANAGERS**

Mr. Abdellaziz ABARRO
Mr. Jean-Luc Robert BOHBOT
Mr. Khalid CHEDDADI
Mr. Jean-Vincent PIOT
Mr. Régis Karim SALAMON
MAMDA is represented
by Mr. Hicham BELMRAH
Wafa Assurance is represented
by Mr. Ali HARRAJ
RCAR is represented
by Mr. Hamid TAWFIKI

#### STRATEGY COMMITTEE

Mr. Jean-Luc Robert BOHBOT Mr. Mohammed FIKRAT Mr. Ali HARRAJ Mr. Régis Karim SALAMON

#### **AUDIT AND RISK MANAGEMENT COMMITTEE**

Mr. Khalid CHEDDADI Mr. Jean-Vincent PIOT Mr. Hamid TAWFIKI (RCAR)

#### **HUMAN RESOURCES COMMITTEE**

Mr. Jean-Luc Robert BOHBOT Mr. Mohammed FIKRAT Mr. Hicham BELMRAH (MAMDA)











Mohammed FIKRAT Chief Executive Officer



Mohamed Jaouad KHATTABI
Managing Director of COSUMAR sa in charge of the
doukkala refinery and sugar plants



Hassan MOUNIR Managing Director of SURAC, SUNABEL, SUTA and ZAIO SITE



Abdeljalil KADDOURY
Deputy Managing Director in charge
of the packaging and production at the Casablanca Refinery



Abdeljaouad SLAOUI Deputy Managing Director in charge of the doukkala Sugar factories





Moulay Ali ALAOUI Tarik BOUAI IIOui Sales and Supply Chain Director Director in charge of the Group's Finance and Management Control



Imad GHAMMAD Export and Purchasing Director







Abdelhamid CHAFAI EL ALAOUI Agricultural Upstream & Technical Coordination and Regulation Director, and CSR Director as Interim



Ahmed ECHATOUI Information Systems, Institutional Relationship and Human Resources Director



Youssef BENSBAHOU Director of ZAIO SITE



Samira ABARAGH Marketing, Communication and Public Relations Director



Abdelmotalib EL ABBADI Director of AGA Ingenierie



Jaafar EL AMRANI Internal Audit and Risk Management Director



Nizar EL ALAMI Development Director



Abdeslam HALOUANI Director of SUCRUNION







Rainfall for the 2015-2016 crop year was quite low and the cumulated rains did not exceed an average of 275 mm, vs 440 mm last year. This deficit has been covered by the use of irrigation waters from the dams, thus answering the needs in beet and sugar cane culture throughout the crop year.

Meanwhile, research and development clearly improved as for the agronomic results of our sugar cultures thanks to the efforts made for the selection of the best varieties and the implementation of the right technical measures (better distribution, reasonable spraying of the cultures, etc.).

Therefore, the harvest yield for beet and sugar cane improved in a significant way with regard to the previous crop year, passing from 63.6 tons per hectare to 72.9 t/ha for the sugar beet and from 63 t/ha to 65.8 t/ha for the sugar cane, that is to say a respective increase of 14.6% and 4.6%

As for the sugar plants processing to get refined sugar, the yield increased sharply too during this crop year, passing from 10.2t/ha to 12t/ha, that is to say a 17.6% progress. As for the sugar cane and in spite of the reduction of its culture, the yield in sugar leaped by 10.3% compared with the previous crop year, thanks to the development of new processes to lessen the rate of impurities in the plant.

In a nutshell, the increase of the supplying plantations as well as the yield improvement let COSUMAR be ending 2016 with a sharp rise of the refined sugar production which reached 607,000 tons, increasing by 98,500 tons with regard to the previous crop year.



# INTERNATIONAL CONTEXT AND SUGAR PRICE TRENDS

For the second year in a row, the world production of sugar (168 million tons) cannot cover the global demand estimated at 174 million tons. In spite of the record crop expected in Brazil, this lack is due to the decrease of the production in China, and to a quite hard economic context in India and in Thailand, respectively second and fourth producers worldwide.

Hence, with a global consumption steadily progressing by 2%, the world reserves of sugar saved during 5 years thanks to the surpluses could reach their lowest level since 2010 and 2011.

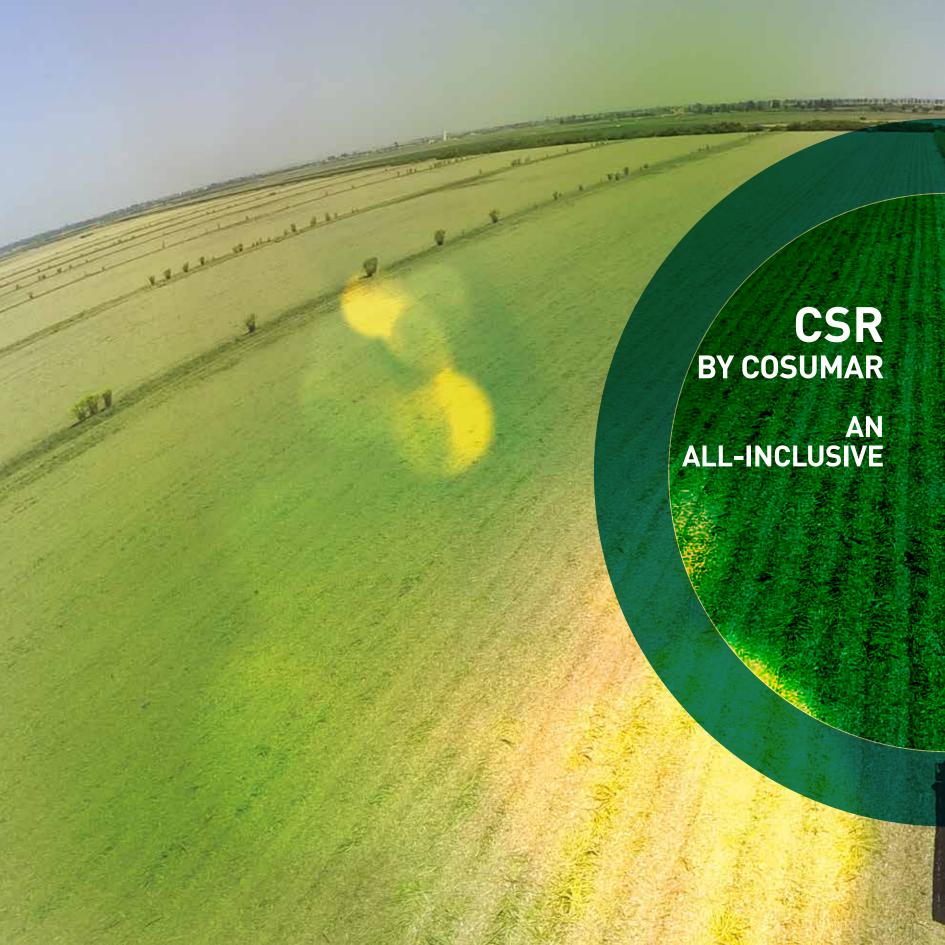
As a direct consequence, the price of the sugar on the world market increased almost twofold during the year 2016, passing from 12.50 centimes per pound to 23.90 cts/lb.

#### **OUTLOOK FOR 2017**

In general, the observers' analyses are based on positive forecasts concerning the weather and the rains, particularly in Asia, so that they can issue hypothesis about the soon-coming reduction of deficit. If one believes this scenario, the basics of the sugar market would go towards a well-balanced world production and consumption, and maybe even with a light surplus.

Depending on which country, the context is different. On one side, everything would be doing well in Brazil where the production would keep on growing by 4% on average per year till reaching a record score of 39.9 million tons. On the other side of the planet, India would be suffering an important reduction of sugar-plants harvest in the 2 main States of Maharashtra and Karnataka. The same goes for China which deficit is growing despite the improvement of its production this year, and the country should remain the first world importer for the 5<sup>th</sup> year in a row. Closer to our country, the European Union is expecting a sharp increase of its production which should reach some 19.8 million tons.

As a result, the world-reserve stocks should probably remain not that high, and this should greatly reduce any downward pressure on the price of the sugar on the world market.







By positioning at the core of an ecosystem which creates and equally redistributes added value to all its stakeholders, COSUMAR asserts its firm commitment in the service of the community, the country and the environment.

This commitment is made formal through our CSR strategy, which is dedicated to a sustainable implementation of our motto "Creation and Sharing". Set up as a 3-side model, our 3P strategy, standing for «People, Profit, Planet», is building a collective force, a profit-oriented business culture and an ecological awareness.

#### IMPROVEMENT IN 10 YEARS

-76%
Water
Consumption

#### **PEOPLE**

Act for the wellbeing of the employees and the farmers.

Act for the social, educational and solidarity development

-27%

Energy
Consumption

#### **PLANET**

Act to preserve water

Act for energy efficiency

Act for the protection of environment

-44%

Carbon
Footprint

**PROFIT** 

Act to create values to be shared



# A PATTERN FOR 80,000 WORK-PARTNER FARMERS

In the course of these decades, COSUMAR was polishing up its program of aggregation for the sugar sector. Recognized by the FAO, this unusual model of socioeconomic inclusion allows some 80,000 farmers operating in 5 regions where we are settled today, to join a community guided by the same values and embracing the same concept of creation and sharing.

At the core of the program, COSUMAR passes on to the farmers the teachings of an experience and a know-how built along several decades. To quote only for instance the technical support provided on the ground, which enables the farmers making the most of their sugar-plant cultures by using the innovative processes of the R&D led by the Group. But not only, as this support is backed by a financial aid, so that the farmers can get round the constraints limiting their capacities of investment and of raising funds prior to the harvests. In doing so, the profits of productivity do benefit directly to the farmers who by the way were able to increase their revenue by an average of 10%, year after year for more than a decade now.

But the management of the Group thinks bigger and intends to trigger a kind of mirroring between the farmers of here and there to create a healthy emulation,

by encouraging them at pooling their small plots of lands to turn into big plantations of beet and sugar cane.

Hence, by carrying on its effort for expanding the plantations surface and for improving the harvests yield, COSUMAR is concerned about the sustainability of the Moroccan sugar sector and works at strengthening its competitiveness, the one and only way to secure its long-term growth.

That growth, we want it to come from a fair-sharing system, thus positioning the life-enhancing at the heart of our approach. As such, COSUMAR gives the utmost importance to the well-being and the social advantages of our farmers' families. Speaking of which, many important measures were implemented by the Group, as for instance:

- · Access to health insurance for the benefit of our partner farmers;
- · Programs of literacy and campaigns of information about hygiene and healthcare intended for the farmers'wives and kids;
- · Reward for school merit and excellence by awarding special prizes and granting scholarships to the holders of high school diploma who are sons and daughters of farmers so that they can access to higher education;
- · Help and support to the rural schools through AL-JISR program for training the pupils to the eco-friendly Best Practices, and for initiation to artistic activities;



## PERSONAL WELL-BEING FOR PROFESSIONAL FULFILMENT

The promotion of the Human Resources is an full part of our CSR policy. Over the years, we built up a corporate culture which favors an adapted working context and supports the in-house career advancement. This culture is passed on from generation to generation and each newbie makes his all of our values, thus finding the means and resources for his professional and personal fulfillment.

We start at first by a strict management of talents that is not discriminating so as to uncover the staff capacities, our employees are trained all year round to the novelties and the techniques the most in adequacy with their skills and their in-house evolution. Then, we do focus on the work context and conditions to provide our staff a real quality of life at work which guarantees the self-fulfillment of each and every one of them and greatly improves the inter-communication and the teambuilding.

#### Among the measures implemented in line with this policy:

- The setting up of a social monitoring system allowing our HR policy to stick as much as possible to the expectations and needs of our staff members;
- The implementation of seminars and training programs on a regular basis, provided by renowned experts and covering specific topics, which are relevant for the business activity of our Group;
- A set of social benefits in favor of our staff members and their families, as for instance the contractual agreements with banking institutions and sports clubs, the free supply of purchase vouchers for Achoura, summer camps, galas for the families, etc.;
- The granting of merit-based scholarships to the most deserving holders of high school diploma to help out our collaborators' children affording the best higher education;
- The application of a HR Charter for implementing gender parity and equal opportunity at work.





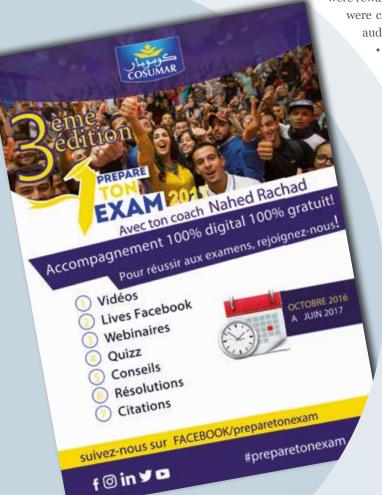
Our corporate commitment with our social and civic values is translated on the ground by concrete actionsfor the socioeconomic development the regions of sugar-plantcultures. Indeed, Cosumar Group is involved in many projects of sustainable development, whether be directly or in partnership with national NGOs:

• By assuring the chairmanship of ACADEMIA Foundation for Excellence, COSUMAR makes sure about the smooth-running of the organization and the follow-up of the Foundation operations, particularly those concerning the merit scolarships and grant-aid premiums to the most deserving students, thus giving them access to higher education;

• By sponsoring and by coaching the students and future young entrepreneurs within the framework of a partnership with INJAZ AL MAGHRIBAssociation;

• By fighting against the school-leaving, thanks to the work of the association COSUMAR-AL JISR, in particular the organization in 2016 of the National Artistic Contestwhichtopicwas the sugar. This playful and educational event was a big hit and more than a hundred of artworkswerepresented for the competition. The winners were rewarded during prize-giving ceremonies held in several regions, outside of which other actions were carried out, as for instance a wide campaign of information directed to the young public audience so that they get used to a daily eco-friendly attitude;

- By digitizing an original concept of coaching called "Prepare Your Exam", available online
  free of charge for all the students of the Kingdom, meeting a big success with 100,000
  subscribers who follow regularly through the page the recommendations of a renowned
  coach to help them preparing their exams;
  - By sponsoring several events in the socio-educational domain such as the contests of ENACTUS and Young Moroccan Leaders, or yet the scientific meetings in the Moroccan Grandes Écoles and universities.







The protection of the natural resources and their sustainability are another way for COSUMAR to do its bit towards the protection of the planet. So, we listed the environmentpart as a cross-requirement in all of our operations.

Besides, the Group triggered for a while now a process of gradualupgradingfor all its industrial sites till reachingperfectlevels in terms of environment quality. Today, we are ISO-certified 14001 and 50 001, and we keep on applying methodically the same approach with an ambitious program of environment protection and responsible management. Targeting among others the carbon footprint reduction forthe entire sugar sector, this project required aninvestment of 7 billion dirhams, for the upgrading of the production tool: the switch from the fuel to more appropriate and less energy-consuming industrial processes, and led at decreasing the waste of energy and the consequent CO2 emissions.

Further to these investments, an independent study showed that the decrease of our carbon footprint by late 2016 was of about 44% over the last 10 years. The results of this study were forwarded to all the stakeholders of the sugar ecosystem during an ad-hoc meeting, where the Group management enjoined all their partners to committo take part in the collective effort so as to lessenas much as possible any negative effect on the environment for the entire sector, though its CO2 emissions do not exceed 0.7% of the national emissions (to wit 0.52 kg of CO2 per kg of sugar). The Group set as major realthe reduction of these emissions by an additional now had a support to the section of these emissions by an additional now had a support to the section of these emissions by an additional now had a support to the section of these emissions by an additional now had a support to the section of these emissions by an additional now had a support to the section of the section of

goalthe reduction of these emissions by an additional 20% before 2020.



The sugar plants absorb more CO2 than they generate, but their culture suffers the effects of the climate change, so much that their protection became a vitalstake for the entire ecosystem. That is the reason why COSUMAR is dedicated at developing a modern sugar farming that is sustainable, all inclusive and resilient, so that the harvests reachgood levels of productivity and the farmers get a decent income.



The quality and the safety of COSUMAR products are our top priority. Indeed, the policy of the Group on the subject is a crosswise and holistic approach. All the sites are rallied to this issue and all the business process is concerned. Together, we are moving towards the same objective, which is the full and entire satisfaction of our customers.

Besides the regulatory standards and certifications in force, the quality within the Group is first and foremost a permanent work, a work of improvement, training and updating of the knowledge, in all of our subsidiaries and all year round.

Audit for the renewal of certification FSSC 22000 for the Refinery of Casablanca;

Certification FSSC 22000 SUNABEL KEK;

Certification of compliance to standards NM ISO 9001, ISO 14001, NM005801 for the refinery of Casablanca and all the sugar plants;

Certification of conformity NM ISO 9001 (Farming upward chain: SUTA) (Audit of follow-up);

Certification of conformity NM ISO 9001 for the Sales management and Supply Chain (Audit of follow-up);

Audit of accreditation of ISO 17025 for theacceptance laboratories of SUTA, SURAC (MBK and KSB), SUNABEL (KEK and MBK);

Audit of accreditation ISO 17025 for the laboratories of control belonging to SUTA and SUNABEL MBK;

Audit of accreditation ISO 17025 for the laboratory of the Refinery of Casablanca;

Audit of inter crop years for the Sugar refinery of Doukkala, SUTA, Sunabel MBK, Sunabel KEK and Sucrafor;

ISO certification 50001 for SUTA and SUNABEL KEK

ETI's SMETA Certification 4 pillars (responsible sourcing) and AIM PROGRESS, for the Refinery of Casablanca;

Certification of social conformity with NM 005601 for SUNABEL KEK.



The CSR model of COSUMAR Group comes from a deep and true commitment of all the women and men who brought to fruition our corporate development plan. Insomuch as this model could succeed and spark interest, we can nothing but be proud of the result, all of us.





CSR Trophy awarded by CGEM for 2011



"CSR and Green Economy Pioneers in Africa" in 2012



VIGEO CSR Top Performer for 2012 to 2015



Mers-Sultan Rotary Club Prize "Socially Responsible Company of the year 2013"



Morocco Awards'
Trophy for the
Centenary of the
Industrial Property
on 2016





- FSSC 22000 for the food safety
- ONSSA Food Safety Authorization
- ISO 14001 Eco-Friendly Management
- ISO 17025 Labs' Quality Management

- ISO 9001 Quality Management
- OHAS 18001 Management of Healthcare and Safety at Work
- ISO 50001 Energy Management in 2016
- « Halal » and « Kosher » certification for Enmer products

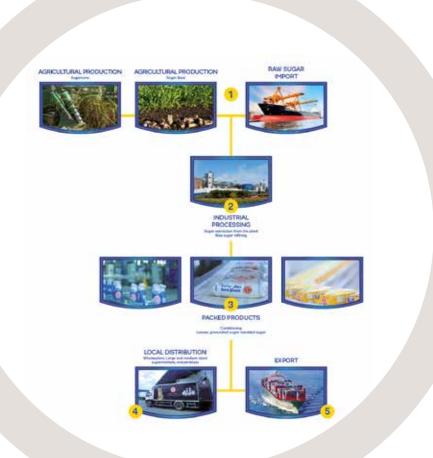




# GOAL "EXCELLENCE" ALL ALONG THE VALUE CHAIN

In 2016, the roadmap of our corporate development plan "Cap vers l'excellence 2016" was completely rolled out, with as a bonus the completion of several projects concerning all of our business activities.

Our quest for excellence is a longspan commitment, a steady one
which leaves aside no linking
sector of our value chain. The
results achieved in 2016 gave a new
momentum to this in-house policy,
making it stronger and firmer,
leading all our Business processes
towards their state of art, all the while
keeping on applying the same central
and transversal business philosophy
which is focusing on the Customer.





Our customers are our guide and our inspiration. Whether be individuals, professionals or end consumers, we are ceaselessly tuned to their expectations and completely dedicated to their satisfaction.

Our mission which target is to supply all of the Moroccan market does not divert our attention from the diversity of the existing needs and expectations of this market. Indeed, we lead all year round several focus groups of consumers and set up a system of monitoring which enables us anticipating all the requirements and integrating the slightest needs of certain specific segments. This closeness is shown through several concrete commitments:

### IN TERMS OF QUALITY

COSUMAR defined its own quality standards which go beyong the most

requiring standards of conformity for the sector. The Sales Management and that of the Supply Chain arein charge of checking this conformity in turn by using the corresponding tools and processes.



Thanks to the regular handling of the market information data and thanks

to the professionals' wide network, we can constantly adjustour offer and our services to the expectations of our partners.

### IN TERMS OF AVAILABILITY

Our networking of closeness covers 100% of the country thanks to a

distribution chain mastered from upward to downward of the production chain, and strengthened locally by 13 points of sale among which 8 sales outlets.



## GLOBAL DEVELOPMENT, A LEVER FOR A SUSTAINABLE GROWTH

# Export Activity: a strategic growth engine

In 2016, the good results achieved by COSUMAR in export smashed the records. With 320,000 tons of processed products sent out to about 40 countries, the part of export reaches 22% of the company's operations. Not to forget that the production corresponding to this rate is submitted to the customs regulation of temporary transit and benefits from no subsidy.

These promising results confirm the sharpness of the diversification strategy implemented by COSUMAR Group, bearing fruits since 2 years by an increasing penetration of theoverseas markets.

Backed by the expertise of WILMAR Group regarding the world trading of sugar, COSUMAR relies on the progressive upselling of its offer range and on its surplus-production capacities. An "export" committee of Business Intelligence has been set up to survey all the opportunities that could lead the Group at positioning much as possible on the global market demand.

COSUMAR is ambitioning to become in the medium term a regional operator of reference for the business and trade of refined sugar. Inasmuch as that goal is reached, the Group would be in a position to:

- · Strengthen its global competitiveness by diversifying its growth drivers;
- · Strengthen the global image of the corporate brand "COSUMAR" and make it match with the words "reliability" and "quality";
- $\cdot$  Make of the export activity a separate production line with full capacities.

# Starting to export products and ending exporting know-how: DURRAH Project

It is no random that COSUMAR Brand got such a high level of goodwill and trust on the global market, it is thanks to our expertise and our industrial know-how. We are carrying on many studies to go international,



and we are currently focusing on Africa. The Group aims at capitalizing on its perfect knowledge about the refining works and the sugar conditioning to get in situ any growth opportunity that the world market can offer.

This strategy is now turning out as a reality with the investment in "Durrah Sugar Refinery", a new sugar-processing plant which should be operational by 2019 in Saudi Arabia. By holding 43.27% of the capital, to wit 460 million MAD, COSUMAR is the industrial reference actor of the refinery,together with "Consolidated Brothers Company" and "Industrial Projects Development Company", two other partners of the project.

The construction works were launched in October, 2016, outside an official ceremony chaired by Prince Faisal Bin Salman Bin Abdul Aziz Al Saud, Governor of Medina Province, and by Mister Mohammed FIKRAT, Chairman and Chief Executive Officer of COSUMAR Group.

These ongoing construction works should last 30 months before the commissioning of the plant which is scheduled during the 2<sup>nd</sup> quarter of 2019 for a nominal capacity of 840,000 tons of refined sugar per year, intended essentially for the supply of the local market and the neighboring States.



# Agricultural upstream: improvement of the results for a better competitiveness

COSUMAR plays a leading role in the development and the modernization of the farming upward chain. Because the sustainability of the sugar culture is a key factor in the contribution to the food safety in the country, no expense is spared in terms of investments and no effort is spared to reach the results fixed in the objectives of the Framework Agreement included in the national strategy "Plan Maroc Vert". The goal set for 2020 is to reach a national production cover rate of 56% for the needs in sugar, and improving the competitiveness from upward to downward of the value chain is the main lever of growth for a sector ambitioning to position among the global reference operators in the sugar plants cultures, such as the beet and sugar cane ones.

# 2016, a record result in agriculture

The strategy dedicated at upgrading the agricultural chain from the upward did bear fruit in 2016, mainly in terms of local production volume which reached 607,000 tons of sugar, that is to say a cover rate of 50% and an average yield of sugar per hectare and per year of 12 tons, versus some 7 tons per hectare a decade earlier.

# And 80,000 aggregated partners

The model of aggregation set up by COSUMAR is at the core of our strategy dedicated at the development of the agricultural upstream. As a matter of fact,

the producers of beet and sugar cane can sign a contract of aggregation over 5 years allowing them to join the national sugar ecosystem run by COSUMAR.

Some 80,000 farmers are members now, and all of them benefit from a financial, social and technical support of the Group.

- Financial Support: the farmers are sure to sell their harvest to COSUMAR at a regulated price. As well, a solidarity fund was set up within the Moroccan Interprofessional Federation of Sugar (FIMASUCRE\*) to protect the farmers against the climatic hazards and exceptional disasters. COSUMAR pre-finances the inputs for the cultures of beet and sugar cane.
- **Technical Support:** the engineers and the technicians belonging to COSUMAR coach and supervise our member farmers on the ground. They give them the opportunity to shareand cross their experiences together, and they train them to the last innovations issued by the R&D labs run by the Group.
- Logistic Support: COSUMAR is in charge for the routing of the sugar plants towards the processing units to select and sort them by usingtop high-tech equipment.
- **Social Support:** the families of our farmers have access to a lot of socioeconomic benefits and to activities of educational and cultural promotion provided by the Group in all the regions where we have an established presence.

\*FIMASUCRE: Operating within COMADER, FIMASUCRE is the very first Moroccan inter-professional organization to get the State recognition, in line and in compliance with the law 03-12 concerning the agricultural and sea-fishing inter-professional organizations. It gathers the UNAPPSM, the National Union of the Associations of Sugar Plants Producers of Morocco and the APS, the Sugar Professional Association.





# Logistic services and transport: a double ambition

Besides our partner farmers, some corporate associations belonging to the farming upward chain are also targeted by COSUMAR project for their socioeconomic integration. That is the case for the carriers that we gathered within the framework of the autoentrepreneurs project, thus giving the transporters a regular acknowledged status.

Thereby, the whole transport and procurement parts of the chain are much better structured, gaining efficiency and saving time, especially now that the fleet is equipped with modern technological tools as the GPS tracers.

# Research and Development: lever of competitiveness

The R&D is one more segment where COSUMAR creates sustainable added value for the development of the national sugar sector, even for other farming sectors around the sugar cultures. Indeed, thanks to the Research Center for the Sugar Cultures (CRCS) created by the Group within FIMASUCRE in association with the Ministry of Agriculture and Sea fishing, a lot of progress was made, particularly concerning the development of mono-germ seeds, a widened choice of varieties, and easier cuttings.

In 2016, the use of many innovations stemming from the R&D researches did improve significantly the productivity and the yield of the plantations, especially as it came along with the strengthening of the mechanization tools.

Our research center, which stretches over 40 hectares, is also a place of regular operational partnerships between our R&D teams and those of big agronomic and sugar research institutes such as the IIRB, the ITB and the ERCAN.



# Sugar cane: new dynamics, new stakes

Implemented in 2015 in association with both FIMASUCRE and the Ministry of Agriculture and Sea Fishing, the program for relaunching the sugar cane plantations aims at promoting the culture of the sugar cane to the farmers in the bays of Gharb and Loukkos. This program is planning the plantation of 4,000 hectares a year targeting to reach a global surface of 20,000 hectares by 2019.

3,800 hectares out of the programmed 4,000 were achieved at the end of the very first year of the program, one of the promising signs for this sector that we intend to keep on supporting by applying several measures especially in terms of R&D, to make sure of the best adequacy between the varieties type of the plantations on one hand, and on the other hand the soils characteristics and the climate of each Moroccan region.

Indeed, the sector of the sugar cane cuture could grow as fast as that of the beet with the introduction of new varieties with high-performance and frost resistant, the adaptation of the technical tools used for this kind of cultures, and the supervision of the farmers.

Road map to 2020 of the sugar sector for a sugar yield target of 14 T/ha.

- Ongoing process of development for more interesting genetic varieties, better adapted to our soils and climates;
- Ongoing process for the upgrading of the technical equipment, and generalization as much as possible of the mechanization of the farming operations;
- Development of the use of new irrigation modes based on low-consuming water systems;
- Replication of the R&D platforms following the example of the CRCS in Gharbey of Moulouya Center;
- Procurement of any technologies or innovations leading at ceaselessly improving the results;
- Strengthening of the farmers' close supervision.

# From extraction till packaging: a perfect control for a better performance

From the extraction of the raw material until the packaging of the processed product, our constant determination is to focus on our goals which are reaching excellence and the complete satisfaction of our customers.

Consequently, we branch out our effort towards all the stages of the value chain and to do so, a lot of projects introduced in line with the corporate development plan "Heading for Excellence in 2016", were successfully completed, offering a new operational efficiency.

# Expansion of the storage capacity for the raw sugar of the refinery

Among other projects, COSUMAR is finalizing the construction of a silo for thestorage of the raw sugar with a capacity of 60,000 tons.

This newunitshouldlead at meeting the requirements of flexibility in terms of production and export of the refined sugar.

# Pallets stacking in the refinery of Casablanca

The installation of a new areafor the pallets stacking and storage of products meets the requirements of productivity set by COSUMAR. It aims at increasing the pace of the palletization and at paying attention to the quality of our products and our services so as to answer the national market demand.

# Information system: "IMPROVE" Project, the final stretch

IMPROVE is a project of upgradingfor the information system of COSUMAR, aiming at aligning it with the international Best Practices.

Once the fiabilisation phase of the project successfully completed, the team of IMPROVE Project dashed into the stages of "operating and dashboards systems" embarked on SAP. In 2016, several operations of technical and managerial roll out of IMPROVE Project were already carried out. They concerned the last adjustments of the operating system and the management of the new ERP, among which:

# Much better storage capacities for the sugar loaf

COSUMAR launched a new project of sugarloafs storage by starting the construction works for a platform with 6,500 tons storage capacity as well as a warehouse of automatic pallets stacking for the product.

# Setting up of a vertical cooler for sugar in SUTA factory

Energy saving and efficiency is also a necessity, that's why SUTA designed and constructed within its plant a vertical cooler for sugar which should allow reducing the consumption of energy.

- The implementation of operating-systemsolutions in several modules covering work functions and support functions;
- The roll out of SAP modules relative to the functions of management, maintenance and production;
- The implementation of solutions for the management of the PDR data reference sources;
- The launch in parallel of training workshops for all the users of the new IS to make a success of this major transition.

# Ecological imprint: towards the reduction of our emissions

Our eco-friendly commitment is a role model for all the economic players of our country and more particularly those belonging to the sugar ecosystem. As such, the Group made an official commitment during the COP22 which is to reduce by 20%the carbon footprint of all its activities before 2020. Making of COSUMAR one of the pioneer companies in the domain, this ecological leadership which greatly contributes in the national effort of emissions reduction is no random at all. It represents the crowning of a process triggered since many years by all the companies of the Group, the end goal being to switch to carbon-free for the whole national sugar sector.

Thus, in 2016, we updated our action plan dedicated at controlling the effects of our activities on the environment, by adding other actions or by extending orincreasing the pace of the ongoing ones. To quote only:

- The calculation of our carbon footprint;
- The strengthening of the green energies rate in our factories;
- The upgrading of our industrial installations with green technologies, within the framework of an adhoc investment program of more than 7 billion DH
- The lessening of the soils hydric stress by switching tolower-costirrigation techniques and by recycling a big part of the waste waters formerly discharged in the groundwater;
- The generalization of the technical processes allowing resilientsugar farming;
- On-the-ground information and communication campaigns taimored for our farmers;
- The organization of didactic events for the operators belonging to our ecosystem so as to include them in the collective commitment and effort to develop the sector.

About
our carbon
footprint

A comparative study led in 2016 reported that the CO2 emissions of the sugar sector represent 0.7% of the national emissions. The sugar plants take in more CO2 than the part generated by therefining process, to witminus some 0.24 kg of CO2 per kilogram of refined sugar. With such a low carbon footprint assessment, the sugar sector remains one of the least polluting activities in Morocco, all industrial activities combined.

Furthermore, according to the same study, the investments made by the Group in terms of green technologies, resulted by late 2016 in 44% reduction of the carbon footprint in just a decade for the whole sugar sector.

# A new CSR logo for the Group... A new step in our commitment

Our corporate identity is a common responsibility shared by all of our staff and partners, who adopted our values and who become at the same time providers and beneficiaries of this new Corporate and Social Responsibility.

Hence, a new graphic design has been prepared and our first CSR GROUP logo was presented during the COP22 together with the study of our carbon footprint evaluation.

With a design inspired by the beetleaf, the new logo represents a strong attachment to our pluralistic heritage, paying tribute to Earth, Mankind and Life.

Conference of presentation for the results of the study analysing the carbon footprint of the sugar

Organized for the benefit of the operators belonging to our ecosystem, the conference gatheredsome 450 participants who discussed for a long time about the climate change issue and its aftermath on the sugar sector.

Outside the presentation of the results reported by the evaluation study of the carbon imprint, the participants attended a gala to celebrate the concrete commitment of COSUMAR Group in obeying the Qualit'AirPact launched by the Mohammed VI Foundation for Environment protection together with the CGEM.



# Merger of COSUMAR and SUCRAFOR

COSUMAR took over SUCRAFOR Company once the merger plan has been agreed by the Board of Directors on October 14<sup>th</sup>, 2016. This merger is marked by the strong synergy of both companies activities and by the holding of 91% of SUCRAFOR capital by COSUMAR.

# Something new at the head of FENAGRI

The National Federation of the Food-processing industry, so called FENAGRI, is the professional organization gathering the sector of the food-processing industries, whether they are federations, professional associations, business companies, industrial companies, exporters or service providers.

With a 3-year assignment, the election of Mohammed FIKRAT as Chief Executive Officer at the Head of COSUMAR is a token of positive representation and defense of the interests which are common to the food-processing sectors, as well as the development of the entire activity.

# HR and training: individual and collective good results

Our human resources are our biggest asset. For their promotion and excellence, the Group set up a human resources policy which focuses on training and personal development. So, starting from their hiring, the members of our staff benefit from a management plan of career which gives priority to the emergence of talents and to the expression of their full potential. In 2016, different measures were implemented for that very purpose:



#### Leadership and operational management

It is a program of immersion in the Culture of Excellence promoted by our Group and followed by the newly hired executives. The training aims at improving their individual and collective work capacities, at developing their creativity and at sharpening their ability to solve problems.

#### Teams building

So as to strengthen the unity of the teams and to improve their collective competence, many sessions of teambuilding were organized in 2016 for the benefit of the managers supervising the Industrial and the Sales departments of the refinery.

#### Enhancing skills at work

Upgrading the technical knowledge of the employees and supervisors passes by tailored training courses in direct link with the concerned kind of job. All the worksites run by the Group provide these training sessions which end in an exam so that the participants validate their new experiences.

#### **Lean Manufacturing**

This approach is applied in all our sites. Since we include it in the program, we keep on providing trainings and application courses, targeting to generalize the concept as much as possible.

Many of our supervisors and technicians took part in this program in 2016 through different modules such as the Operational Excellence, the Business Intelligence or the implementation of the "5-S"method.

## Communication / Ishraq Abright project

Cornerstone of our corporate development plan "Heading for Excellence in 2016", the Ishraq program was launched in 2015 and kept on the right track in 2016 by carrying out a lot of local operations, but always with the same old basics, which are:

- · Strengthening the institutional brand image "COSUMAR", increasing its fame and guaranteeing its products as for its ecosystem;
- · Anchoring in the customers' mind the feeling of natural origin as full part of the brand;
- · Strengthening the image of socially-responsible company, by giving priority to the firm commitment of COSUMAR to the farmers;
- $\cdot$  Developing the marketing and sales dynamics of the different brands of the Group

#### New structuring of the brands

Using the many data gathered thanks to the consumers, Ishraq project enabled us redefining a new structure of our marks more in adequacy with the habits

and customs of the Moroccan people. Our traditional brand "ENMER" stays strongly anchored in the local market and heads now a portfolio of regional brands such as LA GAZELLE, EL BELLAR, and AL KASBAH, which the Moroccan consumers are very fond of. The packagings were redesigned to reflect the new reorganization of the products range, now much more trendy and more tuned to the expectations of the consumers.

#### An all-out media campaign, covering all the targets

The media campaign carried out in 2015 got a very positive reaction from our consumers and partners, especially as it was distributed through different mass-media channels.

Backed by this positive effect, the media campaign of 2016 has been distributed online, the digital way being the most used and offering different possibilities to target specific audiences. As well, the PR agenda was full too in 2016, mainly to cover the active participation of COSUMAR in the COP22, in the SIAM and in other big events. The media fallout from these events was quite good and did reaffirm the key values of COSUMAR and its flagship brand "ENMER".

#### Halima Mourid, ambassadress for ENMER...

During the holly month of RAMADAN 2016, COSUMAR made the promotion of ENMER national brand in partnership with Halima MOURID, the winner

of Masterchef culinary contest of 2014,. This collaboration resulted in the production of a Web serie of 33 episodes entitled "The sweet secrets of Halima". These video clips met a big hit with a wide public of women and some were viewed more than 100,000 times, a number which is still increasing as the serie is available on our official page in the social networks.

#### ... and ENMER, partner of Masterchef

The PR and marketing of the products reached its peak activityduring the successful sponsoring of Masterchef 2016 editionon 2M tv. Indeed, the products of ENMER brand benefited from a very visible Produc Placement, as they were the main ingredient of the sweets recipes, and the public could perfectly see them many times in many episodes of the serie. The operation was strengthened by TV spots and the broadcasting of our spots during the commercial breaks of the emission. For this purpose, two new short spots were produced, the first one dedicated to the sugar loaf and the other one to the caster sugar of ENMER.

This advertising hype lasting the whole season of Masterchef gave a lot of visibility to our brands and to our values, which are "taste, quality, authenticity and national identity"; especially as the tv programis top popular in Morocco and in the Maghreb and is regularly followed by wide audiences, to quote only that of Morocco exceeding 12 million people.









COSUMAR Group renews every year its deep commitment to strengthen its part of sustainable value-creation and sharing through its own ecosystem. The bright achievements of the year 2016 let us foresse the future with confidence. Our already good results become even better, with a domino effect all along the value chain, not to forget that our researches for new ways of growth and for diversification ended by paying off.

The forecasts are positive for the crop year. Indeed, the farming sector remains one of the main missions of the Group, which intends to keep on investing in order to increase the productivity of the sugar-plants culture, synonymous with income improvement for the farming partners.

So far so good, the schedule is okay and our results of 2016 are completely in line with the roadmap to 2020. And we keep on working hard to reach the fixed goal, to wit a cover rate of 56% by 2020 for the local needs.

In terms of capital expenditure, the operational excellence remains the top priority in all the activities, starting from the extraction and going until the packaging of our products.

With more than 7 billion dirhams invested for the procurement of high-tech equipment, the part of sustainable development is definitely included all along the value chain. That is the reason why COSUMAR works hardat developing a modern sugar farming that is sustainable, all inclusive and resilient, its contribution in guaranteeing the food safety of the Kingdom. So by 2020, the effect of the activities and the industrial processes should be gradually reduced and the carbon footprint of the sugar sector should lessen by an additional 20%. Therefore, the launch of the new corporate development plan "Leader@25", confirms the ambition of COSUMAR to become a regional leader of a diversified and value-creating industry of food-processing that would be sustainable and socially responsible. This new project aims at boosting the excellent dynamics already triggered by the Group for quite a few years now.









#### **EVOLUTION OF MECHANICALLY SOWN AREAS (in %)** 2014/2015 2015/2016 % 09 100 100 49 09 Gharb-Groupe BAS Loukkos Doukkala Tadla Moulouya BAS **EVOLUTION OF HARVESTED AREAS (in ha)** 2014/2015 619 2015/2016 381 19 12 935 872 16 16 6 472 J Ŋ 9 Gharb-Groupe BAS Groupe Doukkala Tadla Moulouya Loukkos CAS BAS **EVOLUTION OF MECHANICALLY HARVESTED AREAS (in %)** 2014/2015 % ٠, 2015/2016 % 26 % 22 18 10 100 100 Gharb-

Loukkos

BAS

Doukkala

Tadla

Moulouya

Groupe

BAS

Groupe

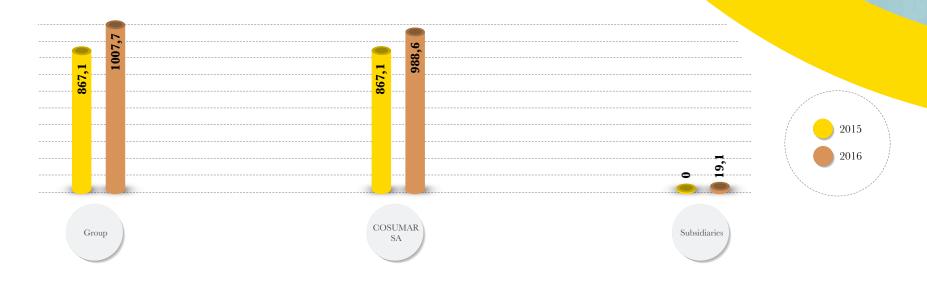
CAS

# INDUSTRIAL PERFORMANCE

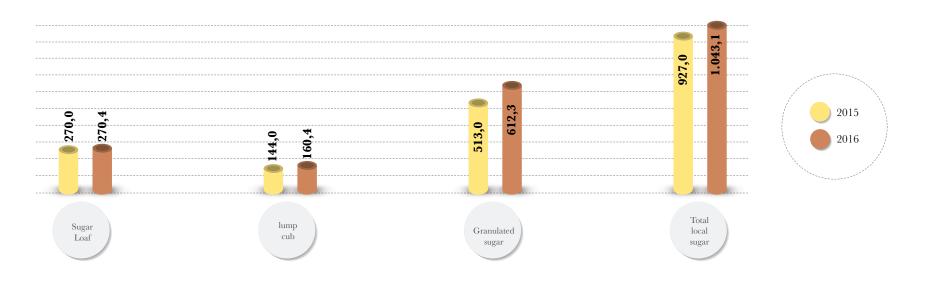
#### REFINING OF THE IMPORTED RAW SUGAR

The volume of the refining activity production is growing by 140.6 thousand tons despite the increase of the local production, and all this thanks to the improvement of the export activity.

#### **REFINING** (in thousands of tons)



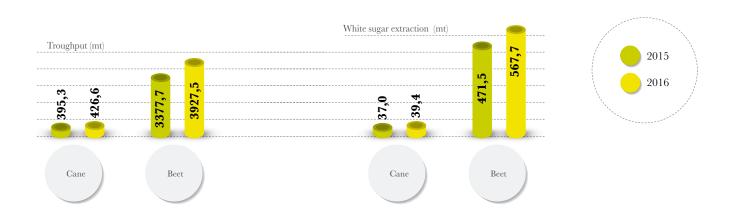
#### THE PACKAGED PRODUCTION OF THE REFINERY (in thousands of tons)





#### **EXTRACTION FROM SUGAR PLANTS**

#### WHITE SUGAR PRODUCTION (in thousands of tons)

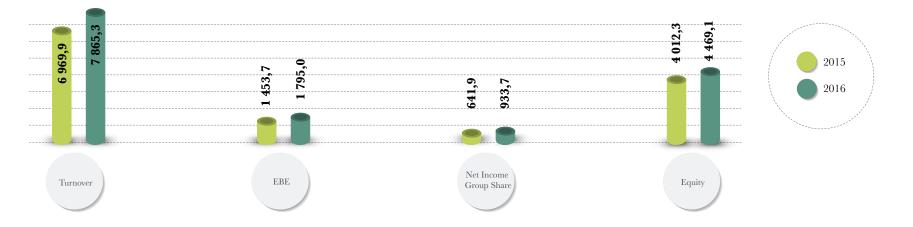




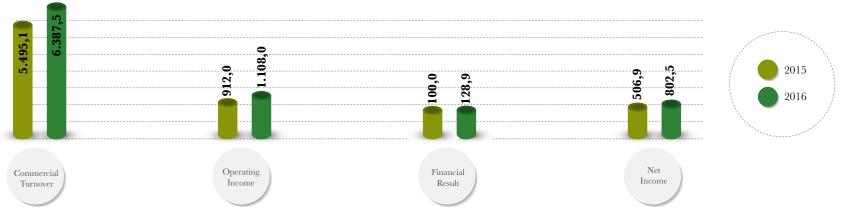


# FINANCIAL PERFORMANCE

SOCIAL ACCOUNTS (COSUMAR SA) (in MAD millions)



### CONSOLIDATED ACCOUNTS (COSUMAR SA) (in MAD millions)







## FINANCIAL SITUATION STATEMENT / (In MAD millions)

ASSETS Dec-1d	Dec-15
Goodwill 196,	196,1
Intangible assets 28,0	30,6
Tangible assets 4 220,	4 037,6
investment properties 63,	63,7
Other financial assets 183,	150,4
- Loans and debts 106,	7 103,2
- Available-for-sale assets 77,	2 47,1
NON-CURRENT ASSETS 4 691,7	4 478,4
Other financial assets 110,2	31,6
- Coverage hedging derivatives 110,2	31,6
Stocks and outstanding bills 2 024,7	1 485,0
Customer receivables 635,3	253,7
Other current debtors 2 603,	1 694,8
Liquid assets and equivalent liquid assets 700,	1 044,5
CURRENT ASSETS 6 073,	4 509,7
TOTAL ASSETS 10 765,0	8 988,1

LIABILITIES dec-16	dec-15
Turnover 419,9	419,1
Premiums on issue and merger 176,0	34,6
Reserves 2 934,1	2 897,4
Group share net profit 933,7	641,9
Equity attributable to the regular shareholders of the parent company 4 463,7	3 992,9
Minority interests 5,4	19,3
Consolidated shareholders' equity 4 469,1	4 012,3
Reserves 112,7	22,8
Staff benefits 223,6	244,2
Not current financial debts 201,8	251,7
- Amount owed to credit institutions 201,8	251,7
Deferred tax liabilities 627,1	558,2
Other non-current account-payables 31,4	6,4
NON-CURRENT LIABILITIES 1 196,6	1 083,3
Current financial debts 500,8	498,8
- Amounts owed to credit institutions 500,8	419,4
- Coverage hedging derivatives	79,4
Suppliers current debts 4 163,8	2 894,8
Other current account-payables 435,3	498,9
CURRENT LIABILITIES 5 099,9	3 892,4
TOTAL LIABILITIES 6 296,5	4 975,8
TOTAL EQUITY AND LIABILITIESS 10 765,6	8 988,1



### **CONSOLIDATED PROFIT AND LOSS ACCOUNT / (In MAD millions)**

	Dec-16	Dec-15
T		
Turnover	7 865,3	6 969,9
Other products	3 678,5	3 073,6
Regular Products	11 543,8	10 043,5
Purchases	(8 751,7)	(7 537,3)
Other external charges	(526,6)	(473,9)
Staff costs	(424,0)	(537,9)
Taxes and duties	(46,6)	(40,7)
Depreciations and operating provisions	(342,3)	(308,2)
Other products and net operating charges	16,2	10,4
Current operating costs	(10 074,9)	(8 887,7)
Current operating profit	1 468,9	1 155,9
Other products and operating costs	(106,1)	(115,1)
Operating Profit	1 362,8	1 040,8
Statement of Account	58,1	(112,2)
Profit before tax of the branching-out companies	1 420,9	928,6
Due taxes	[433,4]	(325,8)
Deferred taxes	(52,8)	41,8
Net profit of the branching-out companies	934,7	644,7
Equity companies' shareholding		
Net profit of the ongoing activities	934,7	644,7
Profit of the left-aside activities		
Global consolidated profit	934,7	644,7
Minority interests	(1,0)	(2,8)
Net profit - Group share	933,7	641,9

### GLOBAL CONSOLIDATED PROFIT STATEMENT $\ \ / \ (\operatorname{In\ MAD\ millions})$

	Dec-16	Dec-15
Financial-year profit	934,7	644,7
Loss and profit concerning AFS revaluation	0,0	0,0
Actuarial margin on the bonds of the defined-benefit plans	[4,8]	6,7
Global profit	929,9	651,4
Minority interests	(1,0)	(2,8)
Global Net Profit - Group share	928,9	648,5

## STATEMENT OF CHANGES IN EQUITY / (In MAD millions)

	EQUITY	ISSUE AND MERGER PREMIUMS	UNDISTRIBUTED RESERVES	PROFIT AND LOSS ACTUARIAL CHANGES	GROUP GLOBAL SHARE	MINORITY INTEREST	TOTAL
UP TO JANUARY 1 <sup>ST</sup> , 2015	419,1	34,6	3 316,5	5,9	3 776,1	18,4	3 794,6
Effect of the accounting methods changes and corrections N-1 error corrections:			0,0	0,0	0,0	0,0	0,0
RESTATED AMOUNTS AT OPENING	419,1	34,6	3 316,5	5,9	3 776,1	18,4	3 794,6
CP FLUCTUATION IN 2015							
Net income for the period			641,9		641,9	2,8	644,7
Actuarial profit and loss				6,7	6,7	0,0	6,7
TOTAL ALL-IN INCOME FOR THE YEAR	0,0	0,0	641,9	6,7	648,5	2,8	651,4
Dividends paid			-431,7		-431,7	-2,0	-433,6
TOTAL TRANSACTIONS WITH SHAREHOLDERS	0,0	0,0	-431,7	0,0	-431,7	-2,0	-433,6
UP TO DECEMBER 31 <sup>ST</sup> , 2015	419,1	34,6	3 526,7	12,6	3 992,9	19,3	4 012,3

	EQUITY	ISSUE AND MERGER PREMIUMS	UNDISTRIBUTED RESERVES	PROFIT AND LOSS ACTUARIAL CHANGES	GROUP GLOBAL SHARE	MINORITY INTEREST	TOTAL
UP TO JANUARY 1 <sup>ST</sup> , 2016	419,1	34,6	3 526,7	12,6	3 992,9	19,3	4 012,3
Effect of the accounting methods changes and corrections N-1 error corrections:			0,0	0,0	0,0	0,0	0,0
RESTATED AMOUNTS AT OPENING	419,1	34,6	3 526,7	12,6	3 992,9	19,3	4 012,3
CP FLUCTUATION IN 2015							
Net income for the period			933,7		933,7	1,0	934,7
Actuarial profit and loss				-4,8	-4,8		-4,8
Other elements of the global result							
TOTAL ALL-IN INCOME OF THE YEAR	0,0	0,0	933,7	-4,8	928,9	1,0	929,9
Dividends paid			-452,6		-452,6	-0,7	-453,3
Other transactions with shareholders	0,8	141,4	-147,8		-5,5	-14,2	-19,8
Transfer in undistributed income					0,0		0,0
TOTAL TRANSACTIONS WITH SHAREHOLDERS	0,8	141,4	-600,4	0,0	-458,2	-14,9	-473,1
UP TO DECEMBER 31 <sup>ST</sup> , 2016	419,9	176,0	3 860,0	7,8	4 463,7	5,4	4 469,1

## $\textbf{CONSOLIDATED CASH FLOW CHART /} \ (\operatorname{In MAD millions})$

	Dec-16	Dec-15
Global net consolidated profit	934,7	644,7
ADJUSTMENTS FOR		
Depreciation and amortization, impairment loss	415,2	434,6
Other adjustments	(85,0)	111,6
LIQUID ASSETS AFTER COST OF NET FINANCIAL DEBT AND TAX	1 264,8	1 190,8
Elimination of the tax charges	486,2	283,9
Elimination of the net financial debt cost	(7,0)	10,5
CASH FLOW BEFORE COST OF NET FINANCIAL DEBT AND TAX	1 744,0	1 485,2
Impact of WCR variation	(699,5)	955,0
Paid tax and duties	(433,4)	(325,8)
NET CASH FLOW FROM OPERATING ACTIVITIES	611,1	2 114,5
Acquisition of tangible and intangible assets	(508,7)	(583,6)
Acquisition of financial assets	(55,9)	
Tangible and intangible assets sale	3,9	6,3
Other flows	21,7	(8,8)
NET CASH FLOW FROM INVESTMENT ACTIVITIES	(539,0)	(586,1)
Repayment of loans	(50,0)	(505,2)
Dividends paid to the shareholders of the parent company	(452,6)	(431,7)
Dividends paid to minority shareholders of subsidiaries	(0,7)	(2,0)
Cost of net financial debt	7,0	(10,5)
Variation in partners' accounts	(1,4)	12,2
NET CASH FLOW FROM FINANCING ACTIVITIES	(497,6)	(937,1)
VARIATION OF CASH AND CASH EQUIVALENTS	(425,5)	591,2
Net cash and cash equivalents at the opening	625,1	33,9
Net cash and cash equivalents at the closing	199,7	625,1
VARIATION OF CASH AND CASH EQUIVALENTS	[425,5]	591,2

# SUMMARY OF NOTES TO THE CONSOLIDATED ACCOUNTS

### NOTE 1.

# ACCOUNTING RULES AND METHODS

#### 1.1. Accounting standards

In compliance with the Bill # 5 of the National Accounting Council (CNC) dated May 26th, 2005 and as per the terms and conditions of Item 6, paragraph 6.3 of the Memorandum # 07/09 issued by the Transferrable Securities Ethics Council (CDVM) on July 15th, 2009, the consolidated financial statements of COSUMAR Group are prepared in accordance with the global accounting standards applied in the European Union as from December 31st of 2015. The Global Accounting Standards include the IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) and their SIC and IFRIC interpretations (Standards Interpretations Committee and International Financial Reporting Interpretations Committee).

The Group proceeds on a regular basis to the monitoring of the latest publications of the IASB and IFRIC.

As from 2013, the Group applied the normative changes provided by IFRS repository regarding the IAS 19 revised standard, the revision being the elimination of the corridor rule for the recognition of the actuarial profit and loss, which are now fully recognized within the year following their identification in return for the other elements of the overall income by using an inter-generation life table.

Thus, in 2010, the Group applied the revised IFRS 3 "Companies Pooling" to these very financial statements, which main terms are that the Goodwill can be determined only at the date of the takeover, and that as from 2010 it was no longer possible to adjust it beyond the evaluation period. From then on, the additional acquisitions made after a majority takeover do not change the amount of the Goodwill.

In line with the IAS 1 standard, the COSUMAR Group decided to issue in 2009 its Overall Operating Result in two Statements:

- 1st statement detailing the components of the income (statement of income);
- 2nd statement starting with the income and then detailing the other components of the overall income (statement of overall income).

#### 1.2. Principles of consolidation

The consolidated accounts are set up according to the former-cost agreement, apart from certain specific categories of assets and liabilities, in line with

IFRS principles. All of the companies belonging to COSUMAR Group are consolidated through annual accounts stated for December 31st of 2016.

In compliance with the IFRS, there is no exemption to the Group's scope of consolidation. The non-significant shareholdings are handled as AFS securities.

#### 1.3. Tangible capital assets

#### Rule specific to the first implementation:

As per the first application of IFRS standards and in compliance with the terms of IFRS 1 Standard, the company proceeded in January 1st of 2006 to the fair-value evaluation for all of its intangible and tangible fixed assets, and hold back that value as deemed cost. The fair value measurements were carried out by independent experts.

#### Applicable principles as from January 1st, 2006:

In compliance with IAS 16 Standard, the tangible fixed assets are accounted at the regular cost or the original manufacturing cost, minus the accumulated depreciation and, inasmuch as applicable, any accumulated impairment loss. The write-down of the inventory is made according to the expected useful life. The amortization method applied by the Group is the linear one.

#### 1.4. Stocks

The stocks are estimated at their lower factory cost or net realizable value. The outlay corresponds to the cost of procurement or the cost of production incurred to bring the stocks to the state and the place where they are. These include, based on a normal pace of activity, direct and indirect costs of production, which are tabulated by applying mainly the weighted average cost method.

The stocks net realizable value is the estimated selling price in normal conditions of business, less the estimated costs to process the products and the estimated costs to market the product and achieve the sale.

#### 1.5. Employees Benefits

As for the plans of healthcare coverage with defined benefits and for the end-ofservice payments, the Group's commitments are determined in compliance with IAS 19 Standard, based on the Accrued Benefit Method and taking into account the specific economic conditions in Morocco. These commitments are covered by provisions recorded in the balance sheet as and when the acquisition of rights by employees.

The retirement indemnities are also submitted to a provision, which is set up by taking into account the chances the employee is still working for the Group at the date of his retirement. This provision is updated at each closing of accounts.

## **NOTE 2. Scope of consolidation** at december 31st, 2016

COMPANIES	TAKE-OVER %	EQUITY %	CONSOLIDATION METHOD
COSUMAR (Parent Co)	100,00%	100,00%	Global Integration
SUNABEL	99,15%	99,15%	Global Integration
SURAC	100,00%	100,00%	Global Integration
SUTA	99,84%	99,84%	Global Integration

Additionally, the complete set of Consolidated Financial Statements of the Group up to December 31st of 2016, prepared in compliance with the Global Standards, shall be put online and thus available for the public on the company's website. This complete set includes the consolidated statement of financial position, the statements of income and consolidated statements of comprehensive income, the statement of consolidated cash flows as well as the consolidated statement of changes in equity and other explanatory side notes.



To the Shareholders of COSUMAR S.A. 8, Rue El Mouatamid Bnou Abbad

This is a free translation into English of the independent audit report related to consolidated financial statements issued in French and it is provided solely for the convenience of English-

We have audited the accompanying consolidated financial statements of COSUMAR S.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31st, 2016, the consolidated statement of profit and loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These consolidated statements show a net consolidated equity of MAD 4 489,1 millions, including a net consolidated profit of MAD 934,7 millions.

Management's responsibility

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, and making accounting estimates that are reasonable in the circumstances.

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

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

In our opinion, the consolidated financial statements, mentioned in the first paragraph, present fairly, in all material respects, the financial position of the Group as at December 31st, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards

Casablanca, March 28th, 2017

The independent auditors

**ERNST & YOUNG** 

PRICE WATERHOUSE

French original signed by Abdeslam BERRADA ALLAM French original signed by Aziz BIDAH

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## BALANCE SHEET (ASSETS) / (In MAD millions)

Exercice du 01/01/ 2016 au 31/12/2016

	ASSETS		FISCAL YEAR		PREVIOUS YEAR
		Brut	Amortissements et provisions	Net	Net
	WRITE-OFF FIXED ASSETS (A)	4 388 308,97	943 187,27	3 445 121,70	-
	Preliminary costs	-	-	-	-
	Costs to be charged over a number of fiscal years	4 388 308,97	943 187,27	3 445 121,70	-
	Redemption premiums	-	-	-	-
	INTANGIBLE ASSETS (B)	61 644 252,57	5 935 224,66	55 709 027,91	46 777 613,11
	Research and Development funds	-	-	-	-
	Patents, trademarks, rights and others	30 924 398,39	3 158 791,66	27 765 606,73	30 314 612,11
	Goodwill	30 622 333,78	2 776 433,00	27 845 900,78	16 463 001,00
	Other Intangible assets	97 520,40	-	97 520,40	
	TANGIBLE ASSETS (C)	5 235 918 261,34	3 120 701 990,98	2 115 216 270,36	1 716 883 009,09
ENT	Land and property	400 891 269,28	-	400 891 269,28	107 700 774,28
CURR	Buildings	602 345 409,95	342 252 890,77	260 092 519,18	249 460 941,11
ASSETS CURRENT	Technical facilities, machinery and equipment	3 401 549 374,38	2 556 365 034,48	845 184 339,90	887 595 357,88
AS	Transport equipment	50 370 974,21	27 627 083,68	22 743 890,53	5 011 986,17
	Office equipment, furniture and others	231 522 419,62	194 456 982,05	37 065 437,57	35 931 806,33
	Other tangible assets	-	-	-	-
	Current tangible assets	549 238 813,90	-	549 238 813,90	431 182 143,32
	FINANCIAL ASSETS (D)	1 592 560 552,33	26 290 290,99	1 566 270 261,34	1 630 222 938,95
	Fixed loans	6 725 128,20	1 250 090,99	5 475 037,21	8 731 006,57
	Other financial claims	2 076 666,02	-	2 076 666,02	1 284 447,22
	Equity securities	1 583 758 758,11	25 040 200,00	1 558 718 558,11	1 620 207 485,16
	Other equity securities	-	-	-	-
	TRANSLATION GAIN OR LOSS ON ASSETS (E)	-	-	-	-
	Lessening of non-performing loans	-	-	-	-
	Increase of financial claims	-	-	-	-
	TOTAL I (A+B+C+D+E)	6 894 511 375,21	3 153 870 693,90	3 740 640 681,31	3 393 883 561,15

	ASSETS		FISCAL YEAR		PREVIOUS YEAR
		Brut	Amortissements et provision	Net	Net
	STOCKS (F)	1 377 896 731,02	37 126 658,57	1 340 770 072,45	890 434 542,36
	Goods	-	-	-	-
	Materials and consumables	618 870 354,18	37 126 658,57	581 743 695,61	528 134 787,20
	Goods under processing	221 998 356,28	-	221 998 356,28	229 063 751,37
	Semi-processed products and leftovers	28 895 313,41	-	28 895 313,41	20 603 469,35
ENT	Processed products	508 132 707,15	-	508 132 707,15	112 632 534,44
MAN	OPERATING RECEIVABLES (G)	2 827 879 986,90	24 423 335,62	2 803 456 651,28	1 441 946 864,68
T PER	Receivables from suppliers, advances & deposits	15 638 335,80	-	15 638 335,80	20 407 331,47
FINANCEMENT PERMANENT	Customers & related accounts	623 391 560,15	15 377 037,00	608 014 523,15	220 480 838,81
	Staff	21 586 034,53	-	21 586 034,53	23 441 803,20
E N	Status	1 361 455 562,12		1 361 455 562,12	709 225 058,87
	Partners' accounts	229 700 000,00	-	229 700 000,00	213 000 000,00
	Other receivables	567 150 514,18	9 046 298,62	558 104 215,56	164 565 319,72
	Assets settlement accounts	8 957 980,12	-	8 957 980,12	90 826 512,61
	INVESTMENT SECURITIES (H)	216 355 032,39	-	216 355 032,39	300 000 000,00
	TRANSLATION GAINS OR LOSS ON ASSETS (I) (Current assets)	3 144 661,80	-	3 144 661,80	195 601,77
	TOTAL II (F+G+H+I)	4 425 276 412,11	61 549 994,19	4 363 726 417,92	2 632 577 008,81
	LIQUID ASSETS	401 425 425,60	-	401 425 425,60	629 740 169,26
	Checks & bills to be collected	106 550 110,49	-	106 550 110,49	47 635 465,96
TRESOR	Bank, Finance Office and Post Office	291 551 796,52	-	291 551 796,52	578 646 934,72
¥	Petty Cash, imprest accounts & credit letters	3 323 518,59	-	3 323 518,59	3 457 768,58
	TOTAL III	401 425 425,60		401 425 425,60	629 740 169,26
	GRAND TOTAL I + III + III	11 721 213 212,92	3 215 420 688,09	8 505 792 524,83	6 656 200 739,22



Fiscal year from 2016/01/01 to 2016/12/31

	LIABILITIES	FISCAL YEAR	PREVIOUS YEAR
	EQUITY	3 266 926 935,89	2 774 801 364,74
	Capital stock or equity shares (1)	419 942 860,00	419 105 700,00
	less shareholders, uncalled subscribed capital Called-up capital serving to settle:		
	Premiums for merger transactions and capital contributions	175 981 922,22	34 564 369,70
	Revaluation variance	-	-
	Legal reserve	41 910 570,00	41 910 570,00
	Other reserves	1 824 503 925,82	1 786 503 925,82
	EQUITY  Capital stock or equity shares (1)  less shareholders, uncalled subscribed capital Called-up capital serving to settle:  Premiums for merger transactions and capital contributions  Revaluation variance  Legal reserve	2 082 643,22	2 229 397,71
o	Net results due for assignment (2)	-	-
	Net result for the financial year (2)	802 505 014,63	490 487 401,51
돌	TOTAL EQUITY (A)	3 266 926 935,89	2 774 801 364,74
ENT	QUASI-EQUITY (B)	445 308 437,69	465 669 950,54
PERMANENT FUNDING	Subventions d'Investissement	7 588 300,54	-
PER	Provisions réglementées	437 720 137,15	465 669 950,54
	FINANCING LIABILITIES (C)		
	Bond debts		
	Other financing debts		
	TERM PROVISIONS FOR RISKS AND CHARGES (D)	148 466 066,71	173 058 116,24
	Provisions for risks and charges	148 466 066,71	173 058 116,24
	TRANSLATION ADJUSTMENTS - LIABILITIES (E)		-
	Increase in long-term receivables	-	-
	Decrease in financing liabilities	-	-
	TOTAL I (A+B+C+D+E)	3 860 701 440,29	3 413 529 431,52
	CURRENT LIABILITIES DEBTS (F)	4 181 400 657,50	2 989 371 491,55
	Suppliers and corresponding accounts	3 821 659 151,41	2 569 682 831,19
	Creditor customers, advance payments and deposits	7 558 222,53	9 799 920,23
IES	Staff	41 002 031,83	38 851 152,17
E LIABILITIES	Social organizations	11 642 429,18	11 453 821,66
I	State	135 300 962,74	208 450 532,37
≥	Partners Accounts	56 707 528,86	51 219 450,36
CIRCULATI	Other creditors	14 419 580,39	5 585 674,75
CIRC	Accruals and deferred income	93 110 750,56	94 328 108,82
_	OTHER PROVISIONS FOR CONTINGENCIES AND LOSSES (G)	81 522 661,80	192 580,78
	CONVERSION ADJUSTMENTS - LIABILITIES (H) (Current items)	1 583 762,00	1 294 454,04
	TOTAL II (F+G+H)	4 264 507 081,30	2 990 858 526,37
	CASH FLOW-LIABILITIES	380 584 003,24	251 812 781,33
	Discount credits	380 584 003,24	251 812 781,33
CASH	Cash flow loans	-	-
5	Factoring banks	380 584 003,24	251 812 781,33
	TOTAL III	380 584 003,24	251 812 781,33
	GRAND TOTAL   +    +	8 505 792 524,83	6 656 200 739,22

## ACCOUNTS OF REVENUES AND EXPENSES (EXCLUDING TAXES) /(In MAD millions without taxes)

			OPER/	ATING	TOTAL OF YEAR	TOTAL OF THE PREVIOUS YEAR
	NATURE		REPORTORIAL TO THE FINANCIAL YEAR	REPORTORIAL TO THE PREVIOUS YEARS		
			1 2			4
	1	OPERATING REVENUE	9 182 014 594,39	-	9 182 014 594,39	7 477 548 628,45
		Sale of goods (in their current state)	-	-	-	-
		Sale of the produced goods & services	6 387 473 512,69	-	6 387 473 512,69	5 273 601 226,17
		TURNOVER	6 387 473 512,69	-	6 387 473 512,69	5 273 601 226,17
		Variance of the products stocks (1)	322 967 789,00		322 967 789,00	-205 233 172,81
		Capital assets generated by the company for its own use	-	-	-	-
		Operating grant-aids	2 432 766 847,53	-	2 432 766 847,53	2 383 269 390,13
		Other operating income	416 502,68	-	416 502,68	376 410,00
		Operating takeovers: charges transfers	38 389 942,49		38 389 942,49	25 534 774,96
NG NG		TOTAL I	9 182 014 594,39		9 182 014 594,39	7 477 548 628,45
OPERATING	Ш	OPERATING EXPENSES	8 143 882 427,69	-69 880 415,22	8 074 002 012,47	6 596 514 110,00
₽		Resold procurements (2) of goods	-	-	-	-
		Cost of supplies (2) and consumable materials	7 141 119 277,01	-69 880 415,22	7 071 238 861,79	5 725 497 718,54
		Other external charges	364 797 988,29		364 797 988,29	288 756 295,93
		Taxes & duties	23 731 557,44		23 731 557,44	16 966 905,40
		Staff expenses	333 925 708,18	-	333 925 708,18	321 278 606,91
		Other operating charges	907 440,00	-	907 440,00	640 480,00
		Operating endowments	279 400 456,77		279 400 456,77	243 374 103,22
		TOTAL II	8 143 882 427,69	-69 880 415,22	8 074 002 012,47	6 596 514 110,00
	III	OPERATING RESULT (I-II)		-	1 108 012 581,92	881 034 518,45
	IV	FINANCIAL REVENUE	161 331 413,44	-	161 331 413,44	140 681 107,59
		Equity investment and other securities' income	138 384 539,00	-	138 384 539,00	117 341 695,00
ICIAL		Exchange gains	1 865 370,67	-	1 865 370,67	3 334 266,28
FINANCIAL		Interests and other financial products	20 888 922,99	-	20 888 922,99	20 005 146,31
_		Financial takeovers: charges transfers	192 580,78	-	192 580,78	-
		TOTAL IV	161 331 413,44	-	161 331 413,44	140 681 107,59

### ACCOUNTS OF REVENUES AND EXPENSES (EXCLUDING TAXES) /(In MAD millions without taxes)

			OPERATING		TOTAL OF YEAR	TOTAL OF THE PREVIOUS YEAR
	NATURE		REPORTORIAL TO THE FINANCIAL YEAR	REPORTORIAL TO THE PREVIOUS YEARS		
			1		3 = 1 + 2	
	V	FINANCIAL EXPENSES	32 398 246,77	-	32 398 246,77	37 148 756,24
		Interest expenses	1 852 716,75	-	1 852 716,75	10 041 574,49
4		Exchange losses	2 400 868,22	-	2 400 868,22	653 859,33
FINANCIAL		Other financial charges	-	-	-	26 260 741,64
E Z		Financial endowments	28 144 661,80	-	28 144 661,80	192 580,78
		TOTAL V	32 398 246,77		32 398 246,77	37 148 756,24
	VI	FINANCIAL RESULT (IV - V)			128 933 166,67	103 532 351,35
	VII	CURRENT RESULT (III - VI)			1 236 945 748,59	984 566 869,80
	VIII	NON CURRENT REVENUES	103 121 600,70	-	103 121 600,70	197 786 783,38
		Revenue of capital disposals	936 073,94	-	936 073,94	237 760,00
		Balancing subsidy	-	-	-	
		Takeovers through investment grants	936 663,02	-	936 663,02	
		Other non-current income	5 161 745,56	-	5 161 745,56	15 895 041,93
NON CURRENT		Non-current takeovers: charges transfer	96 087 118,18	-	96 087 118,18	181 653 981,45
CURI		TOTAL VIII	103 121 600,70	-	103 121 600,70	197 786 783,38
NON	IX	NON CURRENT CHARGES	175 036 136,66	-	175 036 136,66	455 208 609,67
		Sold assets net value	1 203 739,75	-	1 203 739,75	11 982 187,63
		Grant-aids awarded	-	-		
		Other non-current expenses	44 934 421,49	-	44 934 421,49	217 390 950,19
		Non-current expenses to depreciation, amortization and provisions	128 897 975,42	-	128 897 975,42	225 835 471,85
		TOTAL IX	175 036 136,66	-	175 036 136,66	455 208 609,67
	Х	NON CURRENT RESULT (VIII - IX)		-	-71 914 535,96	-257 421 826,29
	XI	BEFORE-TAX RESULT (VII + X)		-	1 165 031 212,63	727 145 043,51
	XII	TAX ON RESULT	362 526 198,00	-	362 526 198,00	236 657 642,00
	XIII	NET RESULT (XI - XII)		-	802 505 014,63	490 487 401,51

- (1) Stock variance: ending inventory initial inventory; increase (+); decrease (-)
- (2) Resold or consumed purchases: purchases stock variance.

XIV	TOTAL REVENUES (I + IV + VIII)	-	-	9 446 467 608,53	7 816 016 519,42
XV	TOTAL LIABILITIES (II + V + IX + XII)	-	-	8 643 962 593,90	7 325 529 117,91
XVI	NET RESULT (XIV - XV)	-	-	802 505 014,63	490 487 401,51



37, Bd Abdellatif Ben Kaddour 20 050 Casablanca Marco

To the Shareholders of COSUMAR S.A. 8, Rue El Mouatamid Bnou Abbad

This is a free translation into English of the statutory audit report issued in French and it is provided solely for the convenience of English-speaking users.

## provided solely for the convenience of English-speaking user STATUTORY AUDIT REPORT PERIOD FROM JANUARY 1st TO DECEMBER 31st, 2016

In accordance with our assignment as statutory auditors by the General Assembly of your company, we have audited the accompanying financial statements of COSUMAR S.A. as at December 31st, 2016 including the balance sheet, the income statement, the statement of management accounts, the cash flow statement and the notes to the financial statements for the year then ended, which show a net equity of MAD 3.712.235.373,58 including a net profit of MAD 802.505.014,63.

#### Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Moroccan GAAP. This responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, and making accounting estimates that are reasonable in the circumstances.

#### Auditor's responsibility

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

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

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

#### Opinion

We certify that the above-mentioned financial statements give a true and fair view, in all material respects, of the assets and liabilities and of the financial position of COSUMAR S.A. as at December 31st, 2016 and of the results of its operations for the year then ended in accordance with accounting principles generally accepted in Morocco.

#### Specific verifications and information

We have also performed the specific controls required by the law and made sure that the information provided in the management report to be presented to the Shareholders are consistent with the financial statements of the company.

According to the Article 172 of the law 17-95 as supplemented and amended by the laws 20-05 and 78-12, we inform you that the company « Cosumar» has acquired shares of the company « Durrah Sugar Refinery » up to 43% of its share capital.

Casablanca, March 28th, 2017

#### The statutory auditors

ERNST & YOUNG

French original signed by Abdeslam BERRADA ALLAM Partner

#### PRICE WATERHOUSE

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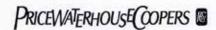
20 100 Casablanca

101, Bd Massira Al Khadra

French original signed by Aziz BIDAH Partner







To the Shareholders of COSUMAR S.A. El Mouatamid Bnou Abbad Street # 8 Casablanca

#### STATUTORY AUDITORS' SPECIAL REPORT

#### FISCAL YEAR FROM JANUARY 1ST TO DECEMBER 31ST, 2016

In our capacity as auditors of your company, we hereby issue our report on the regulated agreements in accordance with the provisions of articles 56 to 59 of law 17-95 as amended and supplemented by law 20-05 and its implementing decree as well as law 78-12.

It is our responsibility to submit to you the main characteristics and provisions of the agreements of which we were informed by the Chairman of the Board of Directors, or which we uncovered during our mission, without commenting as to their usefulness or appropriateness, or looking for the existence of other agreements. Commenting as to their approval is your own responsibility according to the law above.

We applied the procedures that we deemed necessary according to the auditing standards of Morocco. These procedures include the assessment of the adequacy of the information we were provided with, as well as its adequacy with the initial documents the said information is taken from.

#### 1- AGREEMENTS CONCLUDED DURING THE YEAR

- 1-1 Agreements previously authorized by your board of directors
- **1-1-1** Agreement between Cosumar and Sunabel to provide packaging services (written agreement)

Person involved: Mr. Mohammed FIKRAT is CEO for both Cosumar and Sunabel.

**Agreement nature and purpose:** this agreement rules the terms and conditions for the packaging of sugar between Cosumar and Sunabel as part of the production lines optimization strategy.

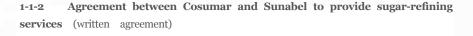
#### Main terms:

• Effective date: 2016

• Compensation: MAD 321 per ton excluding VAT for the packaging of 1 kg

MAD 267 per ton excluding VAT for the packaging of 2 kg

The total amount of provision of inventories recorded under year 2016 is of KMAD 2,263, fully withdrawn.



Person involved: Mr. Mohammed FIKRAT is CEO for both Cosumar and Sunabel.

**Agreement nature and purpose:** this agreement rules the terms and conditions for the refining of sugar between Cosumar and Sunabel as part of the production lines optimization strategy.

#### **Main terms:**

• Effective date: 2016

• Compensation: MAD 600 per ton excluding VAT

The total amount of provision of inventories recorded under year 2016 is of KMAD 4,061, fully withdrawn.

**1-1-3** Agreement between Cosumar and Surac to provide packaging services (written agreement)

Person involved: Mr. Mohammed FIKRAT is CEO for both Cosumar and Surac.

**Agreement nature and purpose:** this agreement rules the terms and conditions for the packaging of sugar between Cosumar and Surac as part of the production lines optimization strategy.

#### Main terms:

• Effective date: 2016

• Compensation: MAD 321 per ton excluding VAT for the packaging of 1 kg

MAD 267 per ton excluding VAT for the packaging of 2 kg

The total amount of provision of inventories recorded under year 2016 is of KMAD 1,632, fully withdrawn.

1-1-4 Agreement between Cosumar and Surac to provide sugar-refining services (written agreement)

Person involved: Mr. Mohammed FIKRAT is CEO for both Cosumar and Surac.

**Agreement nature and purpose:** this agreement rules the terms and conditions for the refining of sugar between Cosumar and Surac as part of the production lines optimization strategy.

#### Main terms:

• Effective date: 2016

• Compensation: MAD 600 per ton excluding VAT

The total amount of provision of inventories recorded under year 2016 is of KMAD 5,638. No provision was withdrawn in 2016 by virtue of this Agreement.

**1-1-5 Agreement between Cosumar and Suta to provide packaging services s** (written agreement)

Person involved: Mr. Mohammed FIKRAT is CEO for both Cosumar and Suta.

**Agreement nature and purpose:** this agreement rules the terms and conditions for the packaging of sugar between Cosumar and Suta as part of the production lines optimization strategy.

#### Main terms:

• Effective date: 2016

• Compensation: MAD 100 per ton excluding VAT for bags of 50 kg

The total amount of provision of inventories recorded under year 2016 is of KMAD 122, not withdrawn on December 31st of 2016.

## 2- PREVIOUS YEARS' AGREEMENTS WHICH EXECUTION IS ONGOING IN 2016 FISCAL YEAR

**2-1** Agreement between Cosumar and Sucrunion to provide packaging services (written agreement)

Person involved: Mr. Mohammed FIKRAT is CEO for both Cosumar and Sucrunion .

**Agreement nature and purpose:** this agreement rules the terms and conditions for the packaging of sugar between Cosumar and Sucrunion as part of the production lines optimization strategy.

#### Main terms:

• Effective date: 2009

• Compensation: MAD 376 per ton excluding VAT for both 1 kg and 2 kg boxes

The total amount of provision of inventories recorded under year 2016 is of KMAD 1,255, withdrawn up to KMAD 1,105.

2-2 Agreement between Cosumar and Sucrunion for service provision (written agreement)

Person involved: Mr. Mohammed FIKRAT is CEO for both Cosumar and Sucrunion.

**Agreement nature and purpose:** this agreement rules the terms and conditions between Cosumar and Sucrunion for the provision of services by Sucrunion to Cosumar in the framework of the strategy of support and development to Cosumar products and services in the pharmaceutical industry market.

#### **Main terms:**

• Effective date: 2015

The total amount of provision of inventories recorded under year 2016 is of KMAD 437, fully withdrawn.



**Person involved:** Mr. Jean Luc BOHBOT is administrator for both WILMAR and COSUMAR. **Agreement nature and purpose:** Through this agreement, Wilmar provides Cosumar with services in terms of strategy, technical-sales support, investment assistance, and financial assistance.

#### Main terms:

• Effective date: October 16, 2013

• Duration: renewable by tacit agreement

• Compensation: 0.425% of turnover up-limited to MMAD 12.5

The total amount of provision of inventories recorded under year 2016 is of KMAD 13,022, not withdrawn on December 31st of 2016.

2-4 Cash-flow management agreement between COSUMAR and SURAC, SUTA, SUNABEL and SUCRUNION companies (written agreement)

**Person involved:** Mr. Mohammed FIKRAT is the CEO of COSUMAR, SURAC, SUNABEL, SUCRUNION and SUTA.

**Agreement nature and purpose:** This agreement aims at centralizing the liquid assets operations so as to improve the use of credit as well as the surplus cash investment.

#### **Main terms:**

- Effective date: 2006 for Surac Suta et Sunabel, 2007 for Sucrunion
- Duration: One year renewable by tacit agreement
- $\bullet$  Compensation: an annual rate of 2.5% for accounts receivable and an annual rate of 5% for accounts payable

During the fiscal year 2016, the remuneration of accounts receivable of Surac, Suta, Sucrunion and Sunabel generated KMAD 8,489 of revenues for Cosumar, which were cashed up to KMAD 6,411.

2-4 Services' agreement between Cosumar and Suta, Sunabel, Surac and Sucrunion Companies (written agreement)

**Person involved:** Mr. Mohammed FIKRAT is the CEO of COSUMAR, SURAC, SUNABEL, SUCRUNION and SUTA.

**Agreement nature and purpose:** This agreement rules the execution of services provided by Cosumar to Suta, Sunabel, Surac and Sucrunion in terms of management control, investment assistance, financial assistance, human resources management, marketing, sales support, computer assistance and audit.

#### Main terms:

- Effective date: 2006 for Surac Suta et Sunabel, 2007 for Sucrunion
- Duration: One year renewable by tacit agreement
- $\bullet$  Compensation: 0.425% of the turnover and MAD 40 per ton of sugar sold for Suta, Sunabel and Surac, and for Sucrunion, 0.85% of the turnover and MAD 35 per ton of sugar sold.

The total amount of provision of inventories recorded by Cosumar for 2016 fiscal year is of KMAD 18,460, which were cashed up to KMAD 13,674.

Casablanca, March 28th, 2017

THE STATUTORY AUDITORS

**ERNST & YOUNG** 

Abdeslam BERRADA ALLAM Associé

PRICE WATERHOUSE

Aziz BIDAH

Associé
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### **FIRST RESOLUTION**

Having duly heard the reading of the reports issued by the Board of Directors and the Auditors, the General Assembly does approve the budget and the accounts of the fiscal year 2016 as they are presented, resulting in a net profit of MAD 802.505.014,63 DH.

As well, the General Assembly approves the operations reported in these accounts or summarized in these reports.

### SECOND RESOLUTION

As a result of taking on the above resolution, the General Assembly grants full discharge to the directors and the external auditors as for the achievement of their mandates for 2016 fiscal year.

### THIRD RESOLUTION

After having heard the auditors' special report on the agreements referred to in article 56 of Bill 17-95 such as amended and completed, the General Assembly approves the operations concluded or performed during the fiscal year.

### FOURTH RESOLUTION

The General Assembly approves the allocation of results herein below:

Net profit MAD Legal Reserve (to reach its upper limit) Balance brought forward to previous years	802.505.014,63 (-) 83.716,00 (+) 2.082.643,22
Balance	804.503.941,85
Optional reserve	(-) 256.000.000,00
Dividend	(-) 545.925.718,00
Balance	2.578.223,85

Therefore the General Assembly shall distribute a total dividend of MAD 545.925.718,00 corresponding to the 41.994.286 shares, which is a unit dividend of MAD 13,00 per share and shall allocate the balance carried forward

and not distributed, that is to say MAD 2,082,643.22. This dividend shall be paid as prescribed by the current regulations as of July, 15th of 2017.

### FIFTH RESOLUTION

The General Assembly shall grant to the directors an aggregate gross amount of MAD 960.000,00, representing MAD 120,000.00 per Director, as attendance fees for the fiscal year 2017.

### SIXTH RESOLUTION

The mandate of the statutory auditors Pricewaterhousecoopers and Ernst and Young shall expire by the end of this shareholders' meeting.

Thus, the decision of the General assembly is to:

1/ Renew the mandate of ERNST and YOUNG as Statutory auditor:

E&Y - LLC with a capital stock of 2,000,000 MAD

# 37, Boulevard Abdellatif Ben Kaddour - Casablanca represented by Mr. Abdeslam Berrada Allam

2/ and to appoint as new statutory auditor: DELOITTE AUDIT LLC with a capital stock of 1,000,000 MAD # 288, Boulevard Zerktouni-Casablanca represented by Mr. Fawzi Britel

For a statutory period of three years, expiring at the end of the Ordinary General Meeting which will decide on the annual accounts to be closed on December 31st, 2019.

### SEVENTH RESOLUTION

The General Assembly grants full authority to the Holder of a copy or an extract of the minutes of this meeting so that he can fulfil all legal formalities.

