Emerging Morocco: A Gate to Opportunities

Focus in Aerospace

Madrid, march 2012
Morocco: a unique platform location
"Morocco is to Europe what Mexico is to USA"

- Monthly average labor cost in Spain: 2700$/m
- Monthly average labor cost in Morocco: 360$/m
- Distance from Europe to Tangiers Med: 14 km
Over past 10 years, Morocco has modernized to become a highly attractive platform for investors

- Solid macro-economic fundamentals
- Massive Government-backed plans
- Major upgrade of infrastructures
Solid macro-economic fundamentals

**Steady GDP Growth**

- GDP growth (%)
  - 1998-2000: 3.2
  - 2002-2009: 5.1
  - 2010: 4.0

**Reduced Inflation**

- Inflation (%)
  - Mean 1990-1995: 6.2
  - Mean 2006-2008: 2.0
  - 2009: 1.0
  - 2010: 2.0

**Decreasing Unemployment**

- Unemployment rate (%)
  - 1999: 22.0
  - 2009: 13.8
  - 2010: 12.7

**Increasing Foreign Direct Investments**

- FDI – yearly average (in Bn $/year)
  - 95-99: 0.8
  - 00-04: 1.7
  - 05-10: 3.2

**Decreasing Public Debt**

- Public Debt (% of GDP)
  - 2000: 68.1
  - 2009: 46.9
  - 2010: 47.0

Source: AMDI, estimates for 2010

---

- **S&P raises Morocco’s rating to investment grade**
  March 2010
  “very clear consensus on the reforms that have set up strong dynamic trajectory for the country”

- **Fitch Ratings-London-2009–Investment Grade**

- **International Monetary Fund**
  “The recent economic performance of Morocco is favorable” (2008)

- **Stable currency**
  *Currency based on a Euro-Us Dollar basket*
Massive Government-backed development plans

**Industry**
"Emergence"

- Launched in 2009 to boost industry and services
- Creation of 22 Industrial platforms & Free-Trade Zones
  - Priority sectors: automotive; aeronautics; electronics; ITO/BPO; agri-business & fishing; textile; cleantech
- Objectives
  - Generate +1.6% additional annual GDP growth
  - Create 220,000 industrial new jobs

**Tourism**
"Vision 2020"

- After ambitious "Vision 2010", "Vision 2020" is to be launched
- Vision 2010 objectives: 10 M tourists by 2010
  - 6 mega tourist stations / 9 $Bn investment
  - 100,000 new beds, 600,000 new jobs
- Vision 2020 objectives: 20 M tourists in 2020
  - 200,000 new beds, Tourism GDP: from 6 B$ in ’10 to 14 B$ in ’20

**Agriculture**
"Green Morocco"

- Launched in 2008 to modernize agriculture
- Objectives
  - ~10 $Bn additional agriculture GDP
  - ~15 $Bn investment

**Energy**
"Solar and Wind"

- Launched in 2009 (solar) and 2010 (wind)
- Objectives
  - >40% national production through renewables, in particular
  - New capacities: 2,000 MW solar + 2,000 MW wind
- Budget: 15 $Bn
Major Upgrade in Infrastructure, now among the best

Airports
- 14 international airports
- Casablanca #1 Europe-Africa hub

Tramways
- Rabat and Casablanca
- 1 €Bn

Highways
- 2000 : 150 km
- 2010 : 1.000 km
- 2015 : 1.800 km

Railways
- First High-speed railway in Africa (Tangier-Casablanca) by 2015 – 1.8 €Bn

Tangiers Med: world-class infrastructure in a strategic location
- Current capacity of 3 million containers
- 8.5 million containers capacity by 2015
- Target: ranked among World Top 15
- Integrated offer of Industrial, Logistical and Commercial Zones with multimodal infrastructure

Hub & Spoke port to serve Mediterranean, as well as Western African countries
Morocco uniquely combines 3 decisive strategic and long-term attractiveness factors for investors:

1. Ideal location to serve Europe and Africa
2. Competitive Labor costs
3. Unique set of Free Trade Agreements
Morocco's unique value proposition
Uniquely combining low cost-to-serve and market proximity

Unique location for Europe, Africa and USA
+ Highly competitive labor costs
+ Unique set of Free trade Agreements

Morocco as a crossroad between Europe, Africa and Americas (e.g. with shipping distance)

US$/month

Morocco's unique value proposition
Uniquely combining low cost-to-serve and market proximity

Morocco's unique value proposition
Uniquely combining low cost-to-serve and market proximity

Morocco's unique value proposition
Uniquely combining low cost-to-serve and market proximity

Morocco's unique value proposition
Uniquely combining low cost-to-serve and market proximity

Romania's average manpower cost is ~50% higher than Morocco's

# Free trade agreements by country

Free trade agreements leading to 1.0 billion consumers markets

1. in 2005  2. Estimates : ~half Romania's average wage
Source: ILO, INEGI, IMD, ONE, Press Search, Searates
Opportunities in Aeronautic Sector in Morocco

1. Morocco's fast growing aeronautic market

2. Morocco has a three step approach to target the aviation sector
Accelerated development of Aeronautics since 2002
Morocco’s aeronautical sector is already formed, and includes many foreign participants

- 1960’s - 1990’s: Maintenance industry
  - Historical presence of the maintenance facility of Royal Air Maroc since 60’s
  - Development of an important know-how for maintenance professions

- 1999 – 2001: Emergence of aeronautics in Morocco
  - Installation of international referenced actors: EADS, Safran and Boeing
  - Realization of the sector through the presence of « aircraft-carriers »

- Since 2002: Sustained development of the industrial network
  - Accelerated development and reinforcement of the Moroccan industrial basis
  - Multiplication of referenced actors
  - Profession diversification
  - Enlargement of the presence along the value chain

Morocco’s aeronautical sector represents today more than 7,500 employees, for 100 Morocco installed companies

Sources: GIMAS AMDI and McKinsey
(*) GIMAS: Industrial Association of Moroccan Aerospace Companies
Fact Sheet – The Aerospace Sector in Morocco today

- **Almost a 100 companies**
- **+25% growth year on year**
- **More than 7500 employees**
- **Last Investment:** Bombardier
  - $M 200, ~ 850 employees
We have signed a National Pact with all the stakeholders whose contribution is required to support the success of this sector (public / private partnership)

Morocco’s Sectors of Focus
56 Measures

- Sectors oriented to attract FDI
  28 Measures
- Traditional sectors
  28 Measures

Company Competitiveness
48 Measures

- Business Environment
  17 Measures
- SME Competitiveness
  12 Measures

Governance and Execution
7 Measures

- Institutional Organisation
  2 Measures
- Observatory
  2 Measures

Public / Private Program — Pact
2009-2015

- A participative work, with mutual commitments from Public and Private sectors
- Clear, specific and shared objectives
- A real action plan with shared roles and responsibilities
- 111 Precise Measures
- Budgeted Measures
A three-step approach to target Morocco’s aviation sector specialties and modules

**STEP 1**
Basic specialties & offshorables industrial technologies filtering

**Strategic interest**
Non-core specialties Offshoring
• Low risk level
• Unthreatened intellectual property
• Simple or unneeded technical support

**Economic attractivity**
• Cost advantages: low-cost countries vs Europe for labor-intensive specialties

Source: AMDI and McKinsey

**STEP 2**
Specialties competitiveness of Morocco vs. competitors

**Cost & strategic advantages**
• Labor forces
• Logistics
• Cultural proximity
• Intellectual property protection

**Track record**
• Examples of success stories
• Possible synergies with other industrial sectors (automotive, electronics)

**STEP 3**
High potential Modules/parts to be developed in Morocco

• Morocco’s high potential modules identification, in line with Morocco’s basic identified specialties
• Major players identification in Europe, in line with the identified modules

List of specialties to be developed in Morocco
Filtering offshorable specialties / technologies: About 17 identified specialties (excluding electronics)

**STEP 1**

<table>
<thead>
<tr>
<th>Strategic stake</th>
<th>Low « Non core »</th>
<th>Medium « Non needed technical support »</th>
<th>High « Core »</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Low risk level</td>
<td>• Unthreatened intellectual property</td>
<td>• Light or unneeded technical support</td>
<td></td>
</tr>
</tbody>
</table>

**High potential specialties**

- Low risk level
- Unthreatened intellectual property
- Light or unneeded technical support

**Examples**

- Light Machinery fabrication
- Heavy machinery fabrication
- Light Machinery fabrication
- Heavy machinery fabrication
- Maintenance
- Iron forging
- Mechatronics
- Engineering services
- Repairing
- Assembly
- Wiring
- Prototype Testing
- Architecture / Design 3D
- Concept
- Technical support
- Assembly support
- Engineers certification
- Composites

**Economic interest**

Potential cost reduction in %

- <10
- 10 - 15
- 15 - 20
- 20+

Source: AMDI and McKinsey
## Major targeted modules, in line with the identified specialties

### STEP 3

<table>
<thead>
<tr>
<th>Commodities</th>
<th>Composites</th>
<th>Engineering services</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Forgings</td>
<td>• Prepreg</td>
<td>• Engineering services :</td>
</tr>
<tr>
<td>• Aluminium castings</td>
<td>• Advanced material preparation (molding)</td>
<td>– Concept design</td>
</tr>
<tr>
<td>• Titanium castings</td>
<td>• Machining (cutting, trimming, testing)</td>
<td>– Technology</td>
</tr>
<tr>
<td>• Aluminium rolled and</td>
<td></td>
<td>– Architecture / 3D design</td>
</tr>
<tr>
<td>extruded products</td>
<td></td>
<td>– 2D drawing</td>
</tr>
<tr>
<td>• Titanium rolled and</td>
<td></td>
<td>– Prototyping / testing</td>
</tr>
<tr>
<td>extruded products</td>
<td></td>
<td>– Software development</td>
</tr>
<tr>
<td>Metal working</td>
<td>• Composites Part assembly</td>
<td>– Industrial engineering / fleet support</td>
</tr>
<tr>
<td>• Boiler-making</td>
<td>• Composite aerostructure assemblies</td>
<td>/ certification process</td>
</tr>
<tr>
<td>• Machining</td>
<td>• Metal aerostructure assemblies</td>
<td>• Data processing and technical</td>
</tr>
<tr>
<td>• Chemical milling</td>
<td>• Motor and equipment assemblies</td>
<td>documentation</td>
</tr>
<tr>
<td>• Electromechanical</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auxiliary parts fabrication</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Fasteners</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Bearings</td>
<td></td>
<td>• Wire bundles</td>
</tr>
<tr>
<td>• Machines, tools, and test</td>
<td></td>
<td>• Avionic equipment :</td>
</tr>
<tr>
<td>equipment</td>
<td></td>
<td>– Monitoring systems</td>
</tr>
<tr>
<td>• Interior material (floor</td>
<td></td>
<td>– Communication systems</td>
</tr>
<tr>
<td>panel, beam, lavatory, seats,</td>
<td></td>
<td>– Aircraft flight control systems</td>
</tr>
<tr>
<td>kitchen etc.)</td>
<td></td>
<td>– Radio navigation systems</td>
</tr>
<tr>
<td>• Hydraulic systems</td>
<td></td>
<td>– Weather Radar systems</td>
</tr>
<tr>
<td>Maintenance / Tranformation /</td>
<td></td>
<td>– TCAS systems</td>
</tr>
<tr>
<td>Repair</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Airframe and engine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>maintenance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Engine and components</td>
<td></td>
<td></td>
</tr>
<tr>
<td>repair</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Modification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Cabin interior or systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>upgrades and retrofits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Pax to Freighter conversions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Aircraft dismantling/demolition services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Morocco's Government has put the growth of Foreign Investments as a top-priority

- Direct implication of Government officials
- Highly attractive set of incentives
- Competitive Human Resources pool and Training Support
- Free Zones Areas
Morocco's Government has put the growth of Foreign Investments as a top-priority - Illustration

<table>
<thead>
<tr>
<th>Direct implication of Government officials</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Meetings and direct line with Minister of Industry</td>
</tr>
<tr>
<td>• Support from newly created AMDI (Moroccan Investment Development Agency): “one-stop” shop approach ensuring the overall investment process execution</td>
</tr>
<tr>
<td>- Administrative, operational and commercial support</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>World Class Infrastructures</th>
</tr>
</thead>
<tbody>
<tr>
<td>• No tariff and simplified customs procedures</td>
</tr>
<tr>
<td>• No company profit tax for 5 years then 8.75% for 20 years</td>
</tr>
<tr>
<td>• No restriction on benefits repatriation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competitive Human Resources pool and Training Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>• National training Plan, focused on industrials’ needs, objective to train up to 13,500 people by 2015</td>
</tr>
<tr>
<td>• Very attractive training incentive schemes (initial and continuous for the first 3 years of employment)</td>
</tr>
<tr>
<td>• Specialized training institution IMA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Highly attractive set of incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Financial aids for installation from the Hassan II fund</td>
</tr>
<tr>
<td>• Several tax reductions</td>
</tr>
<tr>
<td>- Examples: VAT; import duties on equipment; income tax…</td>
</tr>
</tbody>
</table>

Source: AMDI
THANK YOU