TOWARDS NEW BORDERS TO GROW: DESTINATION MOROCCO

TEXTILE & CLOTHING IN MOROCCO
Textile and Clothing in Morocco: Key Figures

Why Morocco is representing an alternative sourcing for several brands?

2025 Textile Plan
One of the core sectors according to the economic and social development in Morocco

**Contribution to industry employment**
- **36%**
  - 1st employer in Morocco with more than 175,000 employees

**Contribution to GDP**
- **4%**
  - Exports turnover is equal to 4% of the national GDP

**Contribution to exports**
- **20%**
  - 2013: 20% of exports of goods

**Other information**
- ~1600 companies
- Manufacturing capacity of 1 billion articles (including 50% to be exported)

*Exports of Goods*
Textile and Clothing exports have shown a steady growth until 2008. Such trend is to be seen again since 2010.

Southern Europe markets remain strategic: Spain 42%, France 31%, Italy 4%.

In Morocco, short circuit, restocking and updating represent the main sourcing modes of international and particularly European fashion brands.

A rich line (Middle high, middle and middle low) and wide range of products.

Destinations of Moroccan textile and clothing exports:

- **Spain**: 42% (1,152 Mls EUR)
- **U.K.**: 31% (850 Mls EUR)
- **France**: 6% (165 Mls EUR)
- **Germany**: 6% (162 Mls EUR)
- **Italy**: 4% (110 Mls EUR)

Total European exports: more than 93% of textile and clothing exports.
Textile and Clothing in Morocco: Key Figures

1. Correlation between the evolution of consumption and the evolution of imports.
2. Distribution favours more and more late purchases, re-ordering and updating (25%) and limits the risk-taking linked to long term orders (72%).
3. The Euromed started to recover in 2013 after a tough 2012 year (-2% in tonnage and +2% in value) which indicates less pressure on prices.
Both the government and the private sector offer a complete and over-improving package

Administrative and customs easiness
- Tailored facility for major clients
- Preoccupation of clearance delays reduction

Communication / Profiling
- Financial support for communication actions towards imported products from Morocco and distributed by the Group
- Partners identification (ones can match the needs) and personalized meetings organization

Investment and logistic infrastructures
- Integrated Industrial Platforms and parks
- « Port Tanger Med » : dedicated way via specific customs regime: integrated logistic platforms, big ship capacity/rotation

Competitive delay (restocking and updating)
- A competitive short delivery ensured towards every European destinations between 1 to 3 days and 2 days toward France

Competitive cost
- A competitive production cost compared to cross-border countries

Government
Private
Mix

Textile and Clothing in Morocco an alternative sourcing for several brands
Textile and Clothing in Morocco: an alternative sourcing for several brands

Several brands operating in Morocco: professionalism, competition and know-how of the Moroccan textile and clothing industries
Morocco may represent an alternative sourcing zone according to new sourcing strategy in restocking and updating...

- **Port Tangier Med** allowed the Textile and Leather industry gained in reactivity:
  - Detaxing < 1h30 : approved ; 0% customs rights from the EU;
  - Dedicated way for major clients
  - Big **ship capacity/rotation**
  - Opening to corporations dedicated only to trucks transportation (RoRo)
- TIR delivery towards every european destination between 1 to 3 days, et 2 days toward France

- Morocco is competitive in terms of production responsiveness and delivery, which matches the « Fast Fashion » short cycle of restocking and updating

<table>
<thead>
<tr>
<th>Competitive delay</th>
<th>Costs</th>
<th>Capacity, Quality, Competencies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Production responsiveness**
  - 1 to 2 weeks if commodities import from Europe and Turkey
  - Less than a week if local supply of commodities
  - A week of production in Morocco
  - 2 to 3 days if export in Europe

- Through the organization of supplying platforms and inputs manufacturors, Morocco wishes to reduce the delivery time of two weeks accross Europe (would be reduced by **50%**)
Textile and Clothing in Morocco an alternative sourcing for several brands

...and hereby offers competitive advantages in terms of delay and cost

1) Estimated Cost in 2010
2) Average delay for product transportation towards the following countries: Germany, Austria, Belgium, France, Holland, Switzerland

Source: CEDITH / Clothe source & Werner International / Textile Industry Labor Cost Comparisons
Study of ministère de l’Equipement et du Transport
Textile and clothing products represent many advantages in terms of capacity, quality and competencies

| Capacity, Quality | • Important global capacity of 1 billion/ year  
|                  |   – Sub-contracting: 620 million  
|                  |   – Co-contracting: 270 million  
|                  |   – Own collections: 110 million  
|                  | • High quality according to European standards  
| Competencies     | • Experienced sector operating for 50 years within European and American markets  
|                  | • Competencies improvement is at the very middle of the sector strategy: 2 000 engineers and 30 000 operators in 2015  
| Originality      | • Creation of “Ecole de Mode et de Design” in October 2010  
|                  | • SME’s Financial and operational assistance for originality development via dedicated funds (Moussanada, Imtiaz, Information Systems and Products development…)  
| Structure,       | • Sector organization towards structured associations « AMITH », which regroup more than 90% of exports corporations within the sector  
| Communication    | • Communication and interaction with major clients (culture, language)  
| Ethics           | • Moroccan legislation  
|                  | • International standards of sustainable development: adopted label  

Textile and Clothing in Morocco: an alternative sourcing for several brands
Textile and Clothing in Morocco an alternative sourcing for several brands

Existing and given advantages to major clients made them increase their supply in Morocco

Feed-back on major clients supplying choice (Study IFM* ; 2011)

- **Time**
  « Being close is everything. »

- **Quality**
  « There are good fabrication units: they did acquire a good know-how and an acceptable level of flexibility, hence the presence of good suppliers. »

- **Historic**
  « Morocco is an experienced production system, in which we have experienced partners for 15 years. »

- **A right mix**
  « We are only working on markets that offer the best delay/quality/cost ratio. We have such a right mix in Morocco. »

*French Fashion Institute Study*
Great capability of adaptation

The Moroccan textile industry proved a great capability of adaptation facing the effects of two consecutive crisis.

However, constraints and challenges to get over related to the unbalance of the sector

Manufacturers are operating in exports mainly on a CM/CMT basis. The market share and activities in the branches Technical Textiles and Home Textiles is still weak.

Weak integration of the supply chain in its whole (raw materials, dying, printing), the distribution system including the domestic market level.

The domestic market, despite its great potential, remains marginalized.

But there are real opportunities to seize

Change of context and paradigm:
- Manufacturer in Asia are reoriented to satisfy their domestic markets.
- Begin of withdrawal of customers in favor of the Mediterranean basin, because of logistic costs, environmental constraints, increase of costs.
- Only industries that are well prepared in terms of integration and competitiveness will benefit of the withdrawal.

THE WILLPOWER of PRO ACTIVITY
Define the position and the role of the Moroccan Textile Industry at the horizon of 2025 and determine the strategy of AMITH—Public Authorities that aims to support the actors in Textiles.

Beside apparel and fashion, there are interesting opportunities/potentials for development, in exports as well as on the domestic market.

New economic context: the return to industrialisation is considered as an essential value.

Successful company models exist (i.e. upstream and distribution) and show the way.

An association more than ever mobilized next to their partners.
5 PILLARS of the « 2025 TEXTILE PLAN »:
to develop an underdeveloped sector into a branch, that is well-balanced, horizontally integrated, innovative and competitive

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Balanced strategy for the moroccan textile sector</strong>, through the offensive development of the <strong>3 poles</strong> (apparel/home textiles/technical textiles), that reflects the competitiveness of Morocco</td>
</tr>
<tr>
<td>2</td>
<td><strong>1 big gamble: industrialisation</strong> to improve the competitiveness of the morrocan offer (in exports and domestic markets)</td>
</tr>
<tr>
<td>3</td>
<td><strong>A responsible and innovative approach</strong> to solve the difficulties with the informal sector, focalized on strengthening the competitiveness of the actors in the formal sector</td>
</tr>
<tr>
<td>4</td>
<td><strong>Renewal of the actors</strong> within a balanced approach: between attracting <strong>new actors</strong> (including foreign investment) and reinforcing the <strong>existing industrials</strong> (y.c. PME)</td>
</tr>
<tr>
<td>5</td>
<td>Deployment of a new offer of support for the textile sector (<strong>v.2.0</strong>), that is <strong>long terme orientated</strong>: in breaking with the past, with actions that are <strong>coherent with the strategic interests</strong> of the sector</td>
</tr>
</tbody>
</table>
POTENTIAL TO MULTIPLY PER 2 to 3 THE SIZE OF THE SECTOR AT THE HORIZON of 2025 – VISION CONSOLIDATED –

**DIRECT EFFECTS**

<table>
<thead>
<tr>
<th><strong>PIB</strong></th>
<th>Mds MAD</th>
<th>2010</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>16</td>
<td>46-48</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Labour force</strong></th>
<th>000’ ETP</th>
<th>2010</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>~200</td>
<td></td>
<td>450-500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Turnover</strong></th>
<th>Mds MAD</th>
<th>2010</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>46</td>
<td></td>
<td>130-140</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Exports</strong></th>
<th>Mds MAD</th>
<th>2010</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>29</td>
<td></td>
<td>85-95</td>
</tr>
</tbody>
</table>

SOURCE: HCP, MCI, OC
Thank you for your interest!