

Summary of the report on compensation for the year 2025

INTRODUCTION

In 2024, the global market for basic commodities continued to experience high volatility in the wake of persistent geopolitical, economic, logistical and climatic challenges. Despite falling inflation and the prospect of monetary easing, world energy and food prices have proved more resilient, showing only a slight decline on the levels recorded in 2023, and remaining well above the conventional levels recorded before the succession of crises since 2021.

For the period January to August 2024, the price of Brent crude oil fluctuated between \$75.9/bbl and \$91.2/bbl, with an average of \$82.9/bbl, representing a year-on-year increase of 3%. For butane gas, the Moroccan formula price fluctuated over the same period between a low of \$445/T and a high of \$601/T, with an average of \$537/T, representing a slight year-on-year decline of 0.7%.

These price levels, almost comparable to those of 2023, are the result of the consequences of the Russian oil embargo and a supply policy marked by increased OPEC+ intervention to regulate prices. Geopolitical tensions in the Middle East and falling global inventories of the product also accentuated the upward trend in the Brent market for much of 2024. Nevertheless, weakening oil demand in the world's major economies led to a fall in the price of the commodity, which fluctuated between \$69.1/bbl and \$73.7/bbl in the first half of September 2024.

The butane gas market was considerably impacted by the high volatility of the oil market. Indeed, world trade in these two products and their prices were affected by crises in the Suez and Panama canals, considered the two main intercontinental sea crossings for world trade. The Suez Canal suffered the repercussions of regional geopolitical tensions, while the Panama Canal saw a significant drop in its water level due to the El Niño meteorological phenomenon.

For liquid petroleum products, prices showed negative correlations with crude oil prices. For the first eight months of 2024, gasoil and premium prices recorded year-on-year declines of 1.8% and 4.4% respectively, bringing their averages for the period to \$800/T and \$884/T.

World prices for subsidized food products fell over the period from January to August 2024, while remaining highly volatile. The sharpest decline was seen on the soft wheat market, where prices contracted by over 16% compared with the same period last year, reaching an average level of \$233/T. This situation is explained by a significant increase in supply, resulting from abundant harvests in North America, Europe and Asia, as well as by the continuity of Ukrainian soft wheat exports under the UN-supervised Black Sea Initiative.

For raw sugar, after reaching multi-year highs in 2023, prices fell by 12% year-on-year over the period January to August 2024, averaging \$483/T. This drop in prices is the result of a significant improvement in Brazilian production, despite India's continuation of its export restriction policy for the second year running, aimed at supporting the local market in the face of prospects for lower sugarcane production.

In short, the first few months of 2024 were characterized by the persistent rise in prices of subsidized products on the international market, on the one hand, and by the drought conditions of the 2023/2024 agricultural campaign at national level, which had a considerable impact on the level of local production of sugar and soft wheat, on the other. As a result, in order to contain inflation and ensure a steady supply of basic products to the country, and to stabilize domestic prices with a view to supporting citizens' purchasing power, the Government has taken a number of measures.

For the 12 kg butane gas cylinder, despite the increase in its selling price of 10 DH from May 20, 2024, the subsidy granted by the State to support its consumer price remains high, averaging 63 DH for the period January-August 2024, down 9% on the same period the previous year. As a result, the butane gas compensation charge for this period amounted to almost MAD 10.45 billion.

With regard to sugar, in order to maintain the selling price unchanged on the national market, despite the recent revaluation of sugar crop purchase prices, effective since April 14, 2023, and with the aim of encouraging farmers to boost national white sugar production, the flat-rate subsidy granted by the State for sugar consumption was revalued upwards by 27%, reaching 3.6 DH/kg. As a result, the consumption subsidy charge for refined sugar for the period January to August 2024 amounted to MAD 3.08 billion, an increase of around 15% year-on-year.

As for raw sugar, and in order to offset the growing shortfall in national white sugar production resulting from drought conditions, in an international context characterized by high raw sugar prices, the State granted an additional weighted average import subsidy of DH2.18/kg for the period January to August 2024. The cost of importing raw sugar during this period amounted to MAD 1.35 billion, up 10% on the same period the previous year.

As a result, the overall cost of sugar support (refined and raw sugar) totaled MAD 4.43 billion over the period, up 13.36% on the same period last year.

With regard to national soft wheat flour, the Government maintained the unit subsidy of 143.375 DH/quintal for the same level of national soft wheat flour quota, i.e. 6.26 million quintals. This has resulted in a budgetary charge of almost 880 million dirhams for the period from January to August 2024, including actions taken to enhance the value of local soft wheat production, notably by covering storage and warehousing costs.

For soft wheat, in view of the shortfall in national production of this product for the 2023/2024 crop year due to the effects of drought, and the fact that the cost price of soft wheat imports continues to exceed the target price, the State has maintained, in addition to the suspension of import customs duties for 2024, the granting of an import subsidy for soft wheat. The aim is to secure supplies of this commodity to the national

market and stabilize the price of bread at 1.20 DH, as well as flour prices.

As a result, the flat-rate premium granted by the State for the import of soft wheat recorded an average of DH13.17/Quintal for the period January-August 2024, compared with DH62.15/Quintal for the same period in 2023, a decline of 79%. Import support for soft wheat amounted to MAD 687 million at the end of August 2024, down 69% on the same period in 2023.

As a result, the overall cost of supporting imported wheat and domestic soft wheat flour came to MAD 1.57 billion over the same period, down 50% year-on-year.

The State is also continuing to support the consumer prices of certain food products for the populations of the southern provinces, to the tune of 88 MDH for the period January-August 2024;

With regard to fuels, and as part of its ongoing policy to combat inflation, in particular by stabilizing tariffs for the transport of people and goods, the State has maintained, for the year 2024, the exceptional support granted to road hauliers. The amount allocated to this operation for the period from January to August 2024 is MAD 1.55 billion, compared with MAD 800 million for the same period last year.

In addition, the State will continue to support the prices of butane gas, sugar and national soft wheat flour, through the programming of a budget of 16.536 billion dirhams under the 2025 Finance Bill.

TRENDS IN THE INTERNATIONAL MARKET FOR SUBSIDIZED PRODUCTS

The crude oil market has been characterized by high price volatility over the past two years, under the influence of multiple macroeconomic and geopolitical factors.

In 2023, global demand for oil reached 101.7 million barrels per day, up 2 million compared to 2022, driven by economic recovery in China and increased air travel. In OECD countries, demand remained stable, while it rose sharply in non-OECD countries, mainly China. In 2024, demand growth slows, with more modest increases in the

first and second quarters, mainly due to lower consumption in China and favorable weather conditions. The trend should remain moderate in 2025, with an estimated increase of 1 million b/d.

In 2023, global oil supply reached a record 101.9 million barrels per day, thanks to increased production in the USA, Brazil and Guyana, offset by OPEC+ cuts. In 2024, the market will continue to be marked by fluctuations linked to production adjustments and economic uncertainties. Non-OPEC+ production, particularly in the USA, continues to grow, while OPEC+ cuts influence market balance.

Global inventories showed wide variations, rising at the start of the year before falling from June onwards. According to projections, stocks should continue to fall in 2024, due to production cuts, but could rise again in 2025 with the expiry of OPEC+ voluntary cuts.

As for world oil trade, in 2023 it was reorganized, with a rise in Russian exports to Asia and an increase in European imports from the USA. In 2024, growth in non-OPEC exports partially offset OPEC+ production cuts, while Chinese imports slowed. The Red Sea crisis disrupted global flows, leading to delays and pressure on stocks, prompting some importers to diversify their supplies.

For petroleum products, the average annual price of Brent crude oil was \$82/bbl in 2023, compared with \$99/bbl in 2022, representing a decline of almost 17%. Between January and August 2024, the price of a barrel of Brent fluctuated between \$76 and \$91/bbl, reaching an average of \$83/bbl, an increase of almost 3% compared with the same period in 2023.

Between January and August 2024, the price of diesel fluctuated between \$699/T and \$921/T, with an average of \$800/T, down 1.84% on the same period in 2023. Gasoline prices fluctuated between \$764/T and \$1010/T, with an average of \$884/T, down \$41/T on the same period last year.

The global liquefied petroleum gas (LPG) market showed relative stability in 2024, despite supply challenges such as disruptions at the Panama Canal and tensions in the Red Sea. Global demand continued to grow, rising by 14.8 MT in 2023 compared to the previous year, reaching 357 MT, an increase of 4.33%. This

increase was driven by Asia-Pacific, the main consuming region with 47% of global demand.

Global supply of this product grew by a significant 4.05% year-on-year, reaching a total volume of 358 million tonnes (MT). This expansion was mainly driven by North America, and more specifically by the United States, where production rose by 7.7%. Most of this increase was due to the ever-increasing flow of natural gas liquids from upstream shale deposits.

Global trade remains buoyant, with Asia absorbing the majority of exports, despite temporary logistical constraints. Forecasts point to continued growth in 2024, in both demand and supply, consolidating LPG's strategic role in the global energy mix. In 2023, the average annual price of butane gas, according to the Moroccan formula, stood at \$546/T, marking a significant drop of \$193/T compared with the peak in 2022.

In 2024, regional butane prices followed their usual seasonal trajectory, with much less volatility. Whereas price falls in 2023 exceeded 40% between peaks at the beginning of the year and troughs, those observed in 2024 were limited to 14% over the first nine months. In fact, for the period January-August 2024, the Moroccan butane gas formula ranged between \$445/T and \$601/T, with an average of \$537/T, compared with \$541/T year-on-year, recording a slight drop of 0.8%.

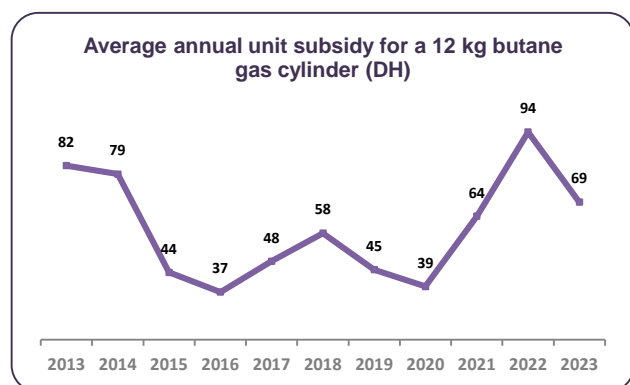
The global sugar market experienced complex dynamics during the 2023/24 campaign. Despite record production in Brazil and recoveries in Europe and China, the deficit campaigns of previous years, export restrictions by India, and logistical tensions maintained pressure on prices. Global production, estimated at 181.263 MT, rose by 1.98%, while consumption increased by 1.43% to 181.463 MT, resulting in a deficit of 0.2 MT. World trade for 2023/24 is estimated at 64 MT, dominated by raw sugar (62%). Higher exports from Brazil offset declines in Thailand and a halt in India. Between 2019 and 2023, raw sugar prices rose by 92%, reaching \$566/T in 2023. In 2024, between January and August, prices ranged from \$416/T to \$575/T, with an average of \$483/T, marking a 12% drop compared to the same period in 2023, mainly thanks to abundant Brazilian supply.

The world cereals market showed moderate growth in the 2023/24 campaign, with production estimated at 2,852.8 MT, up 1.39%. This growth was driven by increases in coarse grain (+3.4%) and rice production, while wheat production fell

by 2.18%, mainly due to unfavorable weather conditions in the Black Sea region. At the same time, world cereal consumption rose by 2% to 2,846.5 MT, driven by increased demand for wheat and coarse grains. World trade in cereals rose by 4.74% to 502.1 MT, thanks to higher wheat and corn exports. Although down on 2023 and the high levels of 2022, soft wheat prices maintained notable volatility in 2024, fluctuating between \$206 and \$275/T, averaging \$233/T.

BUTANE GAS COMPENSATION

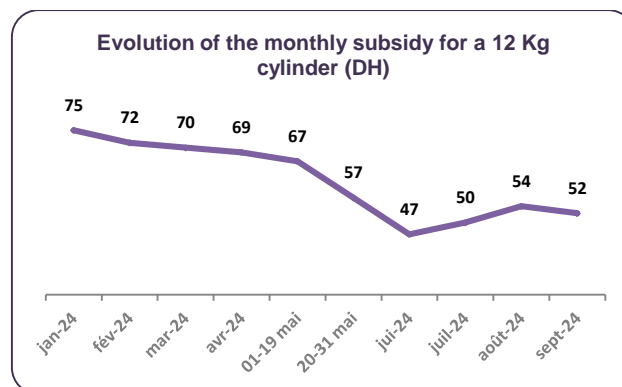
The average annual subsidy for a 12 kg butane gas cylinder in 2023 fell significantly by 25 DH on an annual basis. This represented 63% of the selling price to the consumer, reaching an average of 69 DH in 2023, the second highest level in the last nine years.



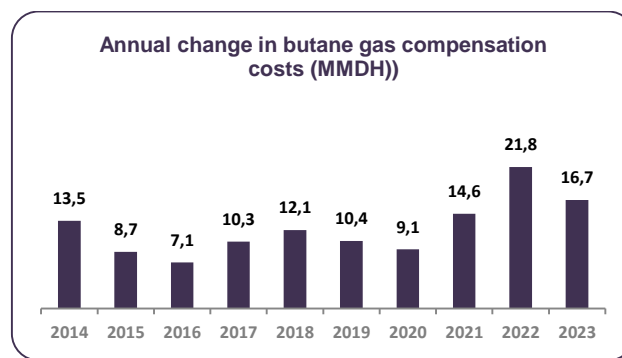
Over the period from January to September 2024, the subsidy granted for a 12kg cylinder fluctuated between DH47 and DH75, with an average of DH61. This average represents a 10.3% (DH7) drop compared with the same period the previous year.

During the first seven months of 2024, the State subsidy followed a downward trend, reaching its lowest point in June. This reflects the trajectory of butane gas prices, marked by successive monthly declines to annual lows.

However, in the third quarter, this trend was reversed, with the subsidy increasing to over DH50, despite the increase in selling prices in May 2024 and the 3.4% decline in the exchange rate between April and August.



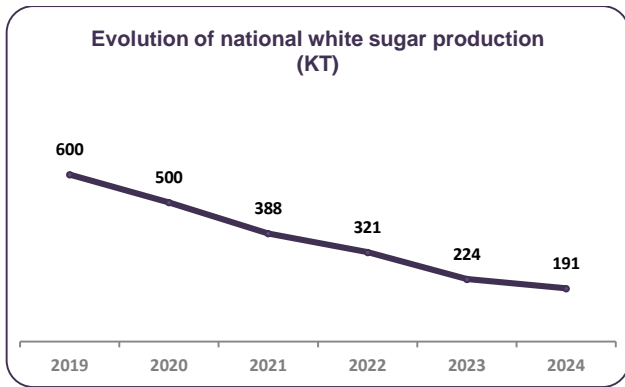
The sharp fall in butane gas prices in 2023, of over 26% year-on-year, led to a significant reduction in the compensation charge, which fell by 23.4% to MAD 16,737, down MAD 5,075 on the previous year. Despite this contraction, the budget allocated to butane gas support for 2023 remains at its second-highest level ever, after that recorded in 2022.



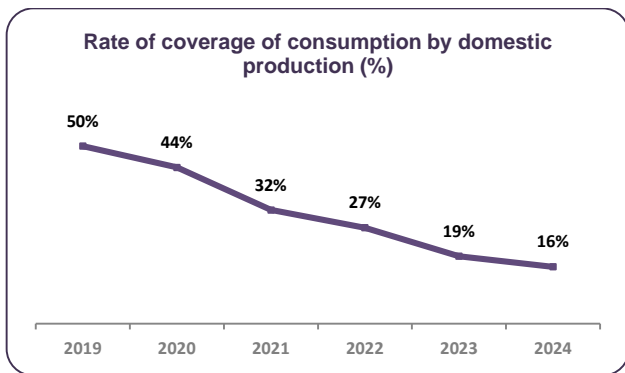
SUGAR COMPENSATION

National sugar production in Morocco fell drastically between 2019 and 2024, by almost 68%. In 2019, production was at its highest level, reaching 600 KT. However, from 2020 onwards, a significant decline was observed, with production reduced to 500 KT. This downward trend continued in subsequent years: 388 KT in 2021, 321 KT in 2022, and a pronounced drop to 224 KT in 2023. In 2024, production reached its lowest level, at just 191 KT. Over this period, production averaged around 371 KT.

This sharp decline is due to a succession of drought years and a growing shortage of water resources, presenting the sugar industry with major challenges. As a result, Morocco's dependence on the international market to satisfy domestic consumption has increased considerably. This situation is taking place in a global context marked by high volatility in sugar prices.

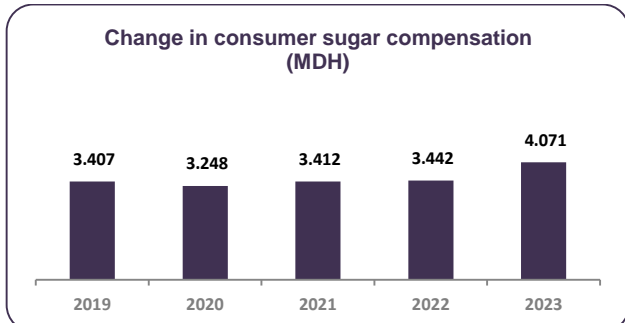


As a result, the rate of coverage of consumption by domestic production will fall from 50% in 2019 to 19% in 2023 and 16% in 2024.



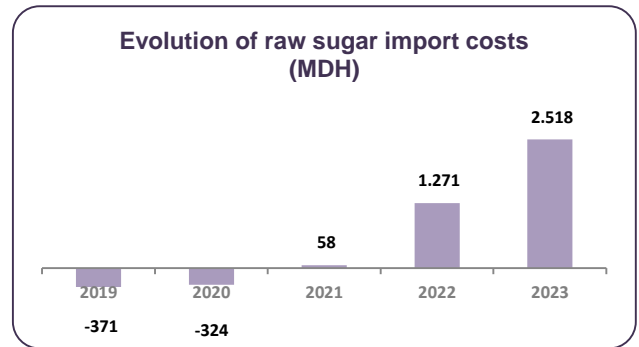
Before the revision of the flat-rate consumer subsidy by almost 27% from April 14, 2023, to reach almost 3.60 DH/KG compared with 2.84 DH/KG previously, following the revaluation of sugar crop prices, the sugar compensation charge stood at an annual amount of almost 3.4 billion DH.

However, with the implementation of the new subsidy, the compensation charge for sugar consumption has reached 4.07 billion DH in 2023 and could rise to almost 4.38 billion DH in 2024.



The soaring price of raw sugar on the international market and the significant increase in quantities imported to compensate for the growing shortfall in domestic production have led to a considerable rise in the cost to the State of import refunds. After benefiting from import refunds on raw sugar for the State between 2018 and 2020, due to the downturn in world prices,

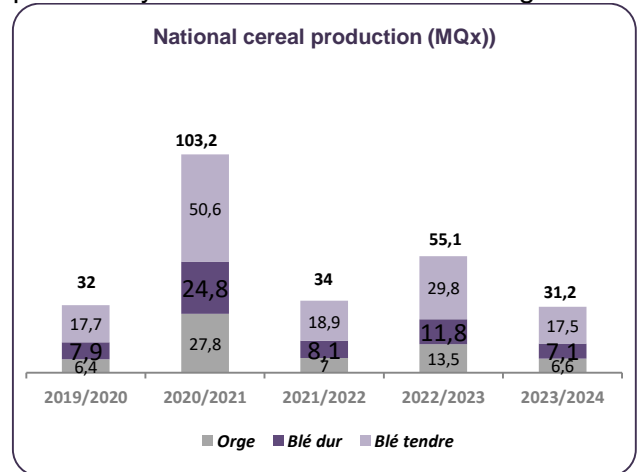
the trend was reversed from 2021 onwards. This new situation led to a qualitative leap in the amount allocated to the regularization of import files, which reached 1.27 billion DH in 2022 and 2.5 billion DH in 2023.



COMPENSATION FOR SOFT WHEAT AND SOFT WHEAT FLOUR

According to the Ministry of Agriculture, Sea Fisheries, Rural Development and Water and Forests, cereal production reached 31.2 MQx for the 2023/24 season, down 43% on the previous season and almost 70% on the peak of the good 2020/21 crop year.

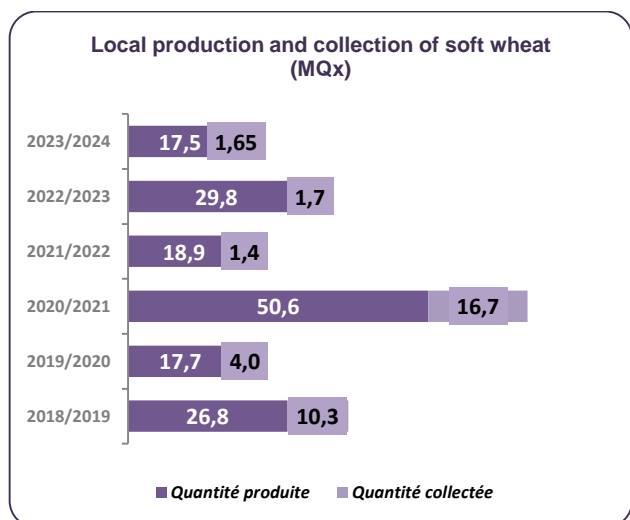
This drop was due to unfavorable weather conditions for the third year running, and to water stress affecting many of the country's cereal-growing areas, causing significant crop losses, particularly in the Casablanca-Settat region.



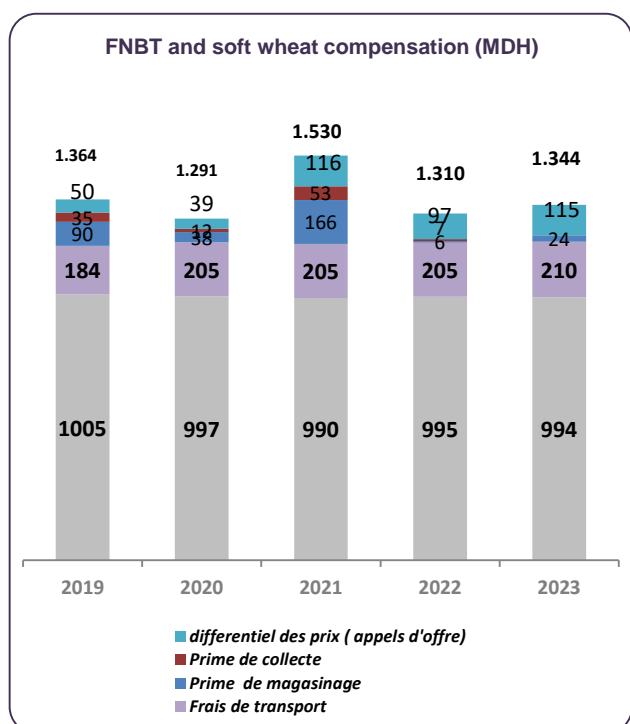
The quantity of soft wheat collected for the 2023/24 campaign amounted to 1.65 MQx, i.e. almost 9.4% of national production of this product, compared with 6% for the previous campaign and 33% for the good 2020/2021 campaign.

The marketing ratio (quantity collected/quantity produced) depends not only on the harvest, but is also influenced by other factors such as quality, available stocks at the start of the season

and the dynamics of the market for flour and other related products.



Compensation expenses for local soft wheat and national soft wheat flour totaled DH1,344 million (excluding the import refund system) at the end of 2023, up 5.77% on the previous year. Over the last five years, compensation costs for these products have fluctuated between DH1.29 billion and DH1.53 billion.



Measures to support citizens' purchasing power for 2024

As part of the State's strong commitment to continuing to support citizens' purchasing power, several measures have been deployed to help stabilize domestic prices of basic consumer

products, despite the volatility of their world prices:

Butane gas: Despite the increase in the selling price of a 12 kg butane gas cylinder by MAD 10 from May 20, 2024, the subsidy granted by the State to support the consumer price of this cylinder remains high, averaging MAD 63 for the period January-August 2024, down 9% on the same period the previous year. As a result, the butane gas compensation charge for this period amounted to almost MAD 10.45 billion;

Refined sugar: in order to maintain the same selling price for sugar on the national market, despite the latest revaluation of sugar crop purchase prices since April 14, 2023, to encourage farmers to boost national white sugar production, the flat-rate subsidy granted by the State for sugar consumption has been revised upwards by 27% to reach a level of 3.6 DH/Kg. As a result, the consumption subsidy for refined sugar for the period January-August 2024 amounts to MAD 3.08 billion, up almost 15% year-on-year.

Raw sugar: in order to make up for the increased shortfall in domestic white sugar production, following drought conditions, and in an international context marked by a steep rise in raw sugar prices, the State granted an additional weighted average raw sugar import subsidy of 2.18 DH/Kg for the period January-August 2024. As a result, the cost of importing raw sugar for this period amounted to MAD 1.35 billion, up 10% on the same period the previous year.

National common wheat flour: The maintenance of a unit subsidy of 143.375 DH/quintal for the same level of the national common wheat flour quota of 6.26 million quintals has resulted in a budgetary charge for supporting this product of almost 880 million dirhams for the period January-August 2024 (including actions deployed to enhance the value of local common wheat production, in particular the assumption of storage and warehousing costs).

Imported soft wheat: in view of the shortfall in national production of this product for the 2023/2024 crop year, due to the effects of the drought, and the fact that the cost price of importing soft wheat continues to exceed the target price, in addition to suspending import

duties for the year 2024, the State has maintained the granting of an import subsidy for soft wheat. The aim is to secure supplies of this commodity to the national market and stabilize the price of bread at 1.20 DH, as well as flour prices.

As a result, the flat-rate premium granted by the State for the import of soft wheat recorded an average of DH13.17/quintal for the period January-August 2024, compared with DH62.15/quintal for the same period in 2023, a decline of 79%. Import support for soft wheat amounted to MAD 687 million at the end of August 2024, down 69% on the same period in 2023.

Southern Provinces Support (APS): the continuation of support for certain food products for the populations of the southern provinces for an amount of 88 MDH for the period January-August 2024.

Road transport sector: in order to stabilize passenger and freight transport tariffs, the Government is continuing to provide exceptional support for road hauliers in 2024. The amount allocated to this operation for the period January-August 2024 is MAD 1,550 million, compared with MAD 800 million year-on-year.

Appropriations programmed under the 2025 Finance Bill

The State will continue to support the prices of butane gas, sugar and national soft wheat flour, through the programming of an envelope of 16.536 billion dirhams under the finance bill 2025.