

S2M

SOCIETE MAGHREBINE DE MONETIQUE

PROSPECTUS SUMMARY

INCREASE OF CAPITAL BY CASH CONTRIBUTION RESTRICTED TO SOME EMPLOYEES OF S2M DECIDED BY THE EXTRAORDINARY GENERAL ASSEMBLY HELD ON NOVEMBER 29TH, 2013.

CHARACTERISTICS OF THE CAPITAL INCREASE:

Number of offered shares: 25,000 shares

Price of the share: MAD 161.15

Total amount of the operation: MAD 4,028,750

Consultant body



Brokerage firm



APPROVAL BY THE COUNCIL FOR THE CODE OF ETHICS IN SECURITIES (CDVM)

Pursuant to the provisions of the CDVM circular, in application of Article 14 of the Royal Edict as law Nr.1-93-212 of September 21st, 1993 relating to the Council for the Code of Ethics in Securities (CDVM) and to the information required from legal entities making public call on savings, as amended and supplemented, the original of this prospectus has been approved by the CDVM on December the 6th under the reference VI/EM/034/2013.

Warning

On 6th December the CDVM approved a prospectus relating to the increase of the capital reserved for some employees of S2M.

The prospectus approved by the CDVM is available at any time at S2M head office and with its financial advisors. It is also available within a maximum period of 48 hours with order-collecting institutions.

The prospectus is available on the CDVM site www.cdvm.gov.ma.

I. PRESENTATION OF THE OPERATION

I.1. OBJECTIVES OF THE OPERATION

The founders of S2M have understood from the beginning the importance of associating the managers in the development of the company, and their participation has been reinforced during the listing on the Stock Exchange, in December 2011. It is in this way that after the stock exchange listing and the transactions which have immediately followed the same, the holding company owned by the managers, Chadha holding, has found itself in a position where it ranks as the second reference shareholder, with 22% of the capital, behind the investment funds managed by Maroc Invest.

Within this context, and given the permanent pressure to recruit and retain necessary skills to maintain the constant innovation course, required for the sustainability of the company, the Supervisory Board has desired to set up a mechanism that would reinforce the feeling of belonging and increase the loyalty of some key persons by associating them attractively in the capital. The purpose of the annual capital increases restricted to some profiles is to strengthen the stability of the shareholding structure by completing the portion currently held by Chadha and Aziz Daddane.

Thus, it is intended that this operation should be repeated every year for 5 years, allowing for the association at each and every time of an additional promotion of S2M employees through annual increases of the capital reserved for them.

I.2. INFORMATION RELATING TO SECURITIES TO BE ISSUED

Nature of securities	S2M shares all of the same class
Form of securities	Shares are registered or bearer shares and they are entirely materialized and entered into account with Maroclear
Numbers of securities to be issued	25,000 shares
Price per share	MAD 161.15 including a MAD 50 par value and a MAD 111.15 issue premium.
Par value	MAD 50
Paying up of securities	The assigned shares are fully paid up and free of any liabilities.
Dividend date	The shares carry right to the dividend on January 1 st , 2013.
Listing compartment	2 nd compartment
Listing line	1 st line

Preferential subscription rights	None. The extraordinary general assembly held on November 29 th , 2013 has decided the cancellation of the preferential subscription right for some employees.
Negotiability of securities	The shares forming the subject-matter of this operation are freely tradable. No clause in the bylaws restricts the free negotiability of shares making up the capital of the company. However, subscribers undertake to hold their shares for three years following the final completion of the capital increase, except in specific circumstances set forth below.
Rights attached to securities	All subscribed shares will be immediately assimilated to old shares and will grant the right to any distribution of dividends the payment of which will be decided after their creation, and voting right when General Assemblies are held.

I.3. ITEMS OF PRICE APPRAISAL

The S2M appreciation, leading to the price of the shares proposed as part of this operation, is based on the following valuation methods:

- Listed comparables
- Analysis of the market price history
- Important transactions or operations in the previous year.

I.3.1. LISTED COMPARABLES METHOD

Used comparables

This approach is based on the valuation ratios provided by the Moroccan market for the securities of HPS and M2M, the only two institutions operating in the computerized banking sector listed on Casablanca Stock Exchange.

Composition of the sample for comparables:

Companies	Listing market	Stock market Capitalization as at 27 Nov 13 (in KMAD)	P/E 2013	P/B 2013
HPS	Casablanca exchange	stock 266,664	8.95 x	1.57x
M2M	Casablanca stock exchange	158,705	19.84 x	1.14x

Source: Casablanca stock exchange, *Malya Conseil*

Weighting of the chosen sample:

Companies	Weighting
HPS	50%
M2M	50%

Source: S2M management

Weighting of ratios:

Adopted multiples	Valuation induced at 100% of FP
P/E 2013	50%
P/B 2013	50%

Source: S2M management

Valuation synthesis

	Average ratio	Induced valuation	Weighting
		190	
PER 2013	14,39	855,34	50%
		98	
P/B 2013	1,35	677,62	50%
		144	
S2M valuation		766,48	
Induced price		180,96	

Source: Malya Conseil

I.3.2. MARKET PRICE HISTORY

The listing of the company on the stock exchange took place in December 2011 at the price of MAD325 per share. Since this listing, S2M security has been affected by the bearish trend witnessed by the market in general, with a fall of its price in comparison with its listing level (MAD 325). The price reached a high at MAD 330 on December 27th, 2012 and a low at MAD 150.40 on March 29th, 2013 and it currently stands at around MAD 175.

The averages of the last three and six months are as follows:

	Weighted average price	Volume in number of securities	Volume in MAD
3 months	179.06	12,829	2,297,174
6 months	190.43	34,622	6,593,236

I.3.3. IMPORTANT TRANSACTIONS OR OPERATIONS

The listing of the company on the stock exchange has been accomplished through the assignment by the investment funds of 240,000 shares, i.e. 30% of the capital, at the price of MAD 325 per share. As part of the operation of the listing on the stock exchange, a tranche of 18,000 shares, i.e. 2.25% of S2M capital, has been reserved for the staff of the company with a 20% discount on the public offering price.

In January 2012, investment funds fulfilled a commitment they had taken at the time of their acquisition of the shareholding, and which aimed at making the management interested in the development of the company: one fund directly assigned 9% at a price of MAD 270 to Chadha, enabling it thus to increase its interest to 22% of S2M capital.

Moreover, on March 16th, 2012, investment funds assigned in the central market 71,000 shares at the price of MAD 270.

I.3.4. SYNTHESIS OF THE APPRECIATION OF THE PROPOSED PRICE

In the light of the different approaches, the price of MAD xx proposed for the operation shows the following discounts or premiums:

	price	Allowance/premium
Weighted average price 3 months	xxx	xx%
Weighted average price 6 months	xxx	xx%
Valuation of comparables	xxx	xx%
OPI for employees (*)	210	xx%

(*) *adjusted distributed dividends*

I.4. STOCK EXCHANGE LISTING

I.4.1. OPERATION SCHEDULE

Stage	Designation	Time limit
1	Receipt by Casablanca Stock Exchange of the operation complete file	6-dec.-13
2	Issue by Casablanca Stock Exchange of approval notice for the operation	6-dec-13
3	Receipt by Casablanca Stock Exchange of the prospectus duly approved by the CDVM on June 20 th , 2012	6-dec-13
4	Publication of the notice relating to the operation in the official list	9-dec-13
5	Publication of the extract of the prospectus by S2M	10-dec-13
6	Opening of the subscription period	16-dec.-13
7	End of the subscription period	20-dec.-13
8	Allotment of subscriptions by S2M	20-dec.-13
9	Receipt by Casablanca Stock Exchange of the letter of the board of directors approving the increase of the capital in cash	23-dec.-13
10	Delivery of the results of the operation to Casablanca Stock Exchange	24-dec.-13
11	Settlement / Delivery	25-dec.-13
12	Admission of the new securities and registration of the operation of the capital increase in cash	27-dec.-13
13	Publication of the results of the capital increase in the official list by Casablanca Stock Exchange	27-dec.-13
14	Deduction of the commission relating to the admission of the new securities	30-dec.-13

I.4.2. DENOMINATION OF SHARES, BUSINESS SECTOR AND CODE

Designation	Société Maghrébine de Monétique - S2M
Compartment	2 nd compartment
Business sector	Hardware, software & computer services
Listing method	Continuous
ISIN code	MA 0000012106
Ticker	S2M
Date of the 1 st listing	27 December 2011

I.5.1 MARKET INTERMEDIARIES

Name or firm name	Crédit du Maroc Capital
Legal representative	Mr. Yacine BEKBACHY
Function	Chairman of the Board of Directors
Address	Rue Ibnou Hilal, Casablanca
Phone number	(212) 0522 94 07 56
Email	<u>Yacine.bekbachy@ca-cdm.ma</u>

Credit du Maroc Capital is the stockbroker appointed by S2M to collect subscriptions, open the necessary securities accounts and ensure the registration of the operation with Casablanca Stock Exchange.

II- INFORMATION ON THE ISSUER

II-1. GENERAL REPRESENTATION

Firm name	Société Maghrébine de Monétique - S2M
Head office	Casa Nearshore Park – 2C-306-1100, Bd El Qods, Sidi Maârouf, 20270, Casablanca
Chairman of the board of directors	Aziz DADDANE
Phone	(212) 0522 87 83 00
Fax	(212) 0522 87 83 33
Internet Site	www.s2m.ma
Email address	s2m@s2m.net.ma
Legal form	A joint stock company with a board of directors and supervisory board
Date of incorporation	September 1983.
Life span	99 years
Nr. of the trader register	43 625 in Casablanca.
Fiscal year	From January 1 st through December 31 st
Registered capital as at June 30 th , 2013	MAD 40,000,000
Access to legal documents	<ul style="list-style-type: none"> ▪ The corporate, accounting and legal documents required to be disclosed by law and the bylaws to shareholders and third parties may be viewed at the Company's head office.
Purpose of the company	<p>The purpose of the company both in Morocco and abroad is as follows:</p> <ul style="list-style-type: none"> ▪ Computer data processing and especially multiple information arising from payment cards, identification and electronic transaction cards, ▪ Transfer, development and hosting of computer applications for works and firms set out above, ▪ Creation and adaptation of software special to these works for their operations both in Morocco and abroad, ▪ Import, export and trade in general of any software, computer and telecommunication equipment, ▪ Desktop publishing in all forms, printing, binding and publication of any book, newspaper, magazine, information and sundry documents,

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- Printing, manufacturing, marketing of any means of payment,
 - Any operation of miniaturization of manuscripts, cards, vouchers, photographs and any other documents, on paper, paper board, microfilms or otherwise,
 - Study and accomplishment, either on its own account or for a third party, of any works of implementation, operations, assembly, reproduction, development, classification and preservation of films, plates, photographs, microfilms, microfiches and other processes of miniaturization and microminiaturization for artistic, industrial, advertizing, documentary, legal, scientific and other usage,
 - Printing, in all its forms, marketing of information stemming from computer or peripheral equipment and coming from any information supports, of any nature whatsoever, especially magnetic, optical, etc...
 - And more generally, any commercial, industrial, financial, movable activities and operations that may be directly or indirectly connected with the purpose of the company or which facilitate its achievement.
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Legal texts

The company is governed by the Moroccan laws, the Act 17-95 relative to joint stock companies as well as by its bylaws.

As it is listed on the Stock Exchange, it is submitted to all legal and regulatory provisions relating to the financial market and especially:

- Royal Edict as law Nr.1-93-211 of September 21st, 1993 relating to the Stock Exchange as amended and supplemented by the Acts 24-96, 29- 00 and 52-01;
 - General regulations of the Stock Exchange approved by the order of the Minister of Economy and Finance Nr.499-98 of July 27th, 1998 and amended by the order of the Minister of Economy, Finance, Privatization and Tourism Nr.1960-01 of 30th October 2001. This order has been modified by the amendment of June 2004 which has become effective in November 2004;
 - Royal Edict as law Nr.1-93-212 of 21st September 1993 relating to the Council for the Code of Ethics in Securities (CDVM) and to the information required from legal entities making public call on savings, as amended and supplemented by the Act Nr.23-01;
 - Royal Edict Nr.1-96-246 of 9th January 1997 promulgating the Act Nr.35-96 relating to the creation of a central depository and the institution of a general scheme for the entry in account of some securities (amended and supplemented by the Act Nr.43-02);
 - General regulations of the general depository approved by the order of the Minister of Economy and Finance Nr.932-98 of 16th April 1998 and amended by the order of the Minister of Economy, Finance, Privatization and Tourism Nr.1961-01 of 30th October 2001;
 - Royal Edict Nr.1-04-21 of 21st April 2004 enacting the Act Nr.26-03 relating to public bids on the Moroccan stock market.
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II-2- SHAREHOLDING STRUCTURE

Shareholders	12/31/2010	en % (*)	31 Dec. 2011	en % (*)	31 Dec. 2012	in % (*)	29 Nov. 2013	in % (*)
Maghreb Private Equity Fund	89,699	60.0%	266,773	33,3%	160,245	20.1%	157,727	19.72%
Maghreb Private Equity Fund II – Cyprus	30,221	20.2%	89,880	11.2%	53,815	6.7%	53,815	6.7%
Maghreb Private Equity Fund II - Cayman	6,570	4.4%	19,540	2.4%	11,700	1.5%	11,700	1.5%
AfricInvest Ltd – Mauritius	18,214	12.2%	54,171	6.8%	32,433	4.1%	32,433	4.1%
Accumulation of investment funds	144,704	96.8%	430,364	53.8%	258,193	32.3%	255,675	31.9%
Mr. Aziz Daddane	4,485	3.0%	23,974	3.0%	23,974	3.0%	24,536	3.0%
Chadha Holding S2M	-	0.0%	104,004	13.0%	176,004	22.0%	176,004	22.0%
employees	-	0.0%	18,000	2.3%	18,000	2.3%	18,000	2.25%
Floating stock	-	0.0%	222,000	27.8%	319,430	39.9%	325,759	40.7%
Sundry shareholders	311	0%	1,658	0%	4,399	0.5%	0	%
Total shares	149,500	100,0 %	800,000	100,0%	800,000	100%	800,000	100%

Source: S2M

(*) in percentage of the capital and voting rights

The investment funds Maghreb Private Equity Fund I, II and AfricInvest are the major shareholders of the company, with an accumulation of 32.4% of the shareholding. The second major shareholder is now the holding company of the managers, Chadha, with 22% (more than 3% held directly by Mr. Daddane). As the float is important, at 36.8% of the capital, it has been fed by various assignments made by investment funds since the listing on the stock exchange.

II- SUPERVISORY BOARD AND BOARD OF DIRECTORS

The bylaws of S2M, relating to the composition, convening methods, powers and running of the Board of Directors and the Supervisory Board are consistent with the Act Nr.20-05 supplementing and amending the Act Nr.17-95 relative to joint stock companies. The bylaws were updated in November 2013 and they incorporate the recent amendments to the same.

II-1. SUPERVISORY BOARD

Powers

- To exercise continuous control over the management of the company
- To appoint the members of the board of directors, and appoint the chairman of the same,
- To endorse the strategic orientations of S2M submitted by the board of directors;
- To approve the plans and budgets proposed by the board of directors,
- To approve any major structural modification.

Composition

The supervisory board consists of three members at least and fifteen members maximum.

The members of the supervisory board are appointed by the ordinary general assembly and they are as follows:

Member of the supervisory board	Function	Date of appointment or renewal	Date of tenure expiry	Relationship with the issuer
MAGHREB PRIVATE EQUITY FUND represented by Mr. Ibrahim EL JAI	Member of the supervisory board	Ordinary general assembly of 28 th June 2013	Ordinary general assembly ruling on 2015 fiscal year accounts	No relationship with the issuer
MAROCINVEST FINANCE GROUP represented by Mr. Farid BENLAFDIL	Member of the supervisory board	Ordinary general assembly of 28 th June 2013	Ordinary general assembly ruling on 2015 fiscal year accounts	No relationship with the issuer
Mr. Ibrahim EL JAI	Chairman of the supervisory board	Ordinary general assembly of 28 th June 2013	Ordinary general assembly ruling on 2015 fiscal year accounts	No relationship with the issuer
Mr. Omar BEKKALI	Vice-chairman of the supervisory board	Ordinary general assembly of 28 th June 2013	Ordinary general assembly ruling on 2015 fiscal year accounts	No relationship with the issuer

II.3- ACTIVITIES OF S2M

S2M has developed expertise and know-how in electronic payment businesses ranging from the customization of payment means to most advanced electronic banking solutions. The company proposes a complete, integrated and modular electronic transaction system focusing on three core businesses:

One S2M SOLUTIONS, focusing on the offer of S2M key package: SelectSystem ®

The SelectSystem®, an electronic payment system, is native EMV, complete and modular, allowing to perform payment and withdrawal transactions in a secure manner. This integrated system covers all the processing chain of financial transactions linked to electronic payment. It has been especially designed for the institutions which manage payment cards in order to maximize their flexibility and their productivity. Thus, it meets the payment standards laid down by international networks, Visa, MasterCard, American Express.

The Select System solution has witnessed regular upgrades since the packaging of the software under the mark Select System in 2005 (the first version of the software, named MultiXpac, has been developed as from 1983 under the supervision of the American company FBS, and has underwent several evolutions).

The currently marketed version incorporates the following developments:

- Technical developments in order to ensure the portability of SelectSystem ® V6 on the new versions of operating systems, database and application servers,
- Periodical regulatory developments Visa, MasterCard, Amex,
- Functional developments to meet specific needs of new clients and respond to requests of developments from existing clients.

This version has been certified PA-DSS V2.0.

It incorporates also a strong additional authentication solution, based on the technology of the partner Vasco, that can be coupled with 3D-Secure modules ensuring thus the security of Internet transactions.

The next version, V8, has been under development by R&D team of S2M since the beginning of 2012; it mobilizes persons working fulltime. This new version is a technological breakthrough as it relies on JAVA technology. It will improve performance, robustness and upgradeability and will bring new customer-oriented functionalities. The two first lots have already been delivered, the 3rd lot will be delivered by the end of 2013 and the project will be entirely finalized in 2014.

In addition to the supply of the software package, S2M offers to its clients all associated services in order to with the issues of electronic payment, to wit: the advice, the implementation, the integration, the technical assistance as well as the maintenance. In particular, the product implementation with clients incorporates the study of the customer's requirements and the specific developments for each client; the installation of the product and its parameterization; the training of users; the integration tests; certifications of customer's site; the bringing into production and the assistance to start-up.

PRODUCTION BUSINESS

In addition to being a supplier of e-money solution, S2M provides other services through its production business, which includes mainly four business lines:

Card customization

The company proposes customization services of bank cards (EMV technology cards or stripe cards) and private services: it ensures the raised print of data allowing for the identification of the holder of this card, it ensures the coding of the card, then the production and printing of confidential codes.

The service of card personalization ensures also the management of the supply chain (supply, stock, delivery...), which enables banks to outsource this activity in complete safety.

Personalization of checks and standardized bill of exchange

Similarly, S2M ensures the production of turnkey checkbooks through a service of check and standardized bill of exchange personalization. The personalization of checks and standardized bills of exchange takes place in a secure environment and allows thus to provide financial bodies with a comprehensive and reliable solution enabling them to outsource entirely this activity.

Desktop publishing

S2M proposes to its clients a service of printing, folding and automatic postage of all documents which the company must regularly produce and send in bulk, to customers, suppliers, employees, partners or shareholders. In particular, S2M ensures that bank account statements, transaction notice, loyalty card statements, invoices, mailings, sundry marketing materials, surveys, pay vouchers, etc, are sent to clients.

Electronic pay terminals

In conjunction with the solutions of electronic payment, the company proposes also the development and the maintenance of applications on electronic pay terminals, as well as the sale and the maintenance of the terminals of Ingenico brand.

Transaction business

In 2012, the “transactions” activity, which until then had been housed in S2M Solutions, has been made autonomous in view of its characteristics and its potential for development. This activity consists of the offer of a comprehensive outsourcing of operations of an overall e-money solution which ensures integration, maintenance and hosting in S2M servers according to a billing model corresponding to the processed volume. This offer of e-money outsourcing, alias SAAS for “Software As A Solution”, enables the client to economize on material and human investments.

Thus, the service incorporates the rental of licenses, the implementation, the operations and the technical assistance and includes in particular the safe remote connection, the supervision of the system and the execution of treatments, as well as the securing of stored, processed and conveyed data.

BREAKDOWN OF THE TURNOVER PER ACTIVITY

in KMAD	2010	in % of the turnover	2011	in % of the turnover	2012	in % of the turnover	S1-13	in % of the turnover
<i>Solutions turnover</i>	51,904	36%	48,926	35%	65,491	38%	29,229	35%
<i>Production turnover</i>	87,181	61%	88,679	64%	101,439	59%	61,880	64%
<i>ASP/Transactions turnover</i>	3,880	3%	1,041	1%	4,518	3%	897	1%
Total turnover	142,965	100%	138,646	100%	171,448	100%	92,006	100%

If the Solutions activity is the technological might of S2M and enables it to position itself amongst the leaders of payment means market at the international level, it generates only 35 to 40% of the turnover. As a matter of fact, it is rather S2M Production, along with the card personalization activity, which realizes more than 50% of the turnover in average. This combination of activities allows for the transformation of meticulous technological advances (sale of licenses) into recurrent revenues (maintenance and card personalization). It ensures also a continuous increase in revenues, smoothing the contingencies linked to the sale of high-tech products such as licenses.

The Solutions activity is snapped up by more than 90% across the borders (in Morocco, S2M invoices the “embarked” applicative part on some electronic pay terminals, especially sold to oil companies. As to it, the Production activity is mainly realized for Moroccan clients, but it develops also a card personalization activity for foreign banks, contributing to export turnover.

S2M has a broad portfolio of customers, present in over 25 countries. It operates mainly in Africa and the Middle East, and more punctually in Asia and Europe. In 2008, it created a subsidiary in Tunisia acting thus more competitively in this market.

S2M is positioned as a major exporter, with in average more than 40% of its turnover realized abroad:

in KMAD	2010	2011	2012
<i>Total turnover exclusive of taxes</i>	149,230	138,646	171,448
<i>Including the turnover on the export market</i>	60,045	58,231	72,009
<i>Including export Production turnover</i>	8,113	8,290	11,300
% export turnover / total turnover	40%	42%	42%

III-. FINANCIAL DATA

III-1. ANALYSIS OF THE BALANCE SHEET

Assets (K MAD)	2010	% total balance sheet	2011	% total balance sheet	2012	% total balance sheet	s1-13	% total balance sheet
Fixed assets in no-value	1,305	1.0%	1,977	1.2%	1,552	0.9%	1,192	0.7%
Intangible assets	777	0.6%	473	0.3%	420	0.2%	325	0.2%
Tangible assets	18,413	14.6%	17,347	10.3%	18,065	10.6%	19,131	10.6%
Financial assets	610	0.5%	610	0.4%	546	0.3%	546	0.3%
Total fixed assets	21,105	16.7%	20,407	12.1%	20,583	12.1%	21,194	11.8%
Stocks	11,582	9.2%	14,288	8.4%	23,526	13.8%	29,413	16.3%
Accounts receivable and related accounts	71,468	56.6%	81,596	48.2%	97,220	57.2%	102,697	57.0%
State	14,954	11.8%	11,348	6.7%	12,411	7.3%	15,839	8.8%
Other accounts of the circulating assets	6,890	5.5%	12,007	7.1%	11,177	6.6%	9,329	5.2%
Total circulating assets	104,894	83.1%	119,239	70.5%	144,334	85.0%	157,278	87.3%
Securities and investment letter stock	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Assets Cash Flow	210	0.2%	29,519	17.4%	4,982	2.9%	1,742	1.0%
GENERAL TOTAL	126,209	100.0%	169,166	100.0%	169,899	100.0%	180,215	100.0%

Liabilities (K MAD)	2010	% total balance sheet	2011	% total balance sheet	2012	% total balance sheet	s1-13	% total balance sheet
Registered capital	14,950	11.8%	40,000	23.6%	40,000	23.5%	40,000	22.2%
Issue premium, reserves and amount brought forward	32,119	25.4%	25,923	15.3%	21,639	12.7%	14,132	7.8%
Result of the fiscal year	15,043	11.9%	14,232	8.4%	13,293	7.8%	6,190	3.4%
Shareholders' equities	62,111	49.2%	80,155	47.4%	74,932	44.1%	60,322	33.5%
Similar equity capital	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Long and medium term financing debts	0	0.0%	0	0.0%	0	0.0%	687	0.4%
Long term provisions for risks and expenses	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total permanent equities	62,111	49.2%	80,155	47.4%	74,932	44.1%	61,009	33.9%
Accounts payable	16,900	13.4%	27,291	16.1%	39,813	23.4%	34,677	19.2%
Partners' accounts	10,104	0	28,415	0	247	0.1%	21,147	11.7%
State	7 263	5.8%	11,023	6.5%	9,406	5.5%	11,890	6.6%

Other accounts of the circulating liabilities	5,332	4.2%	9,788	5.8%	25,457	15.0%	26,462	14.7%
Total circulating liabilities	39,599	31.4%	76,517	45.2%	74,923	44.1%	94,176	52.3%
Total liabilities cash flow	24,498	19.4%	12,494	7.4%	20,044	11.8%	25,030	13.9%
GENERAL TOTAL	126,209	100.0%	169,166	100.0%	169,899	100.0%	180,215	100.0%

III-3. ANALYSIS OF THE OPERATING ACCOUNT

The table below highlights the main data of profit and loss account of S2M for the fiscal years ended on 31st December 2010, 2011, 2012 and for the first half of 2013 fiscal year.

K MAD	2010	2011	Var 11/10	2012	Var 12/11	S1-12	S1-13	Var S1
Sales of goods in unaltered condition	6,265	3,548	-43%	32,078	804%	20,591	5,508	-73%
Sales of produced goods and services	136,700	135,099	-1%	139,370	3%	69,179	86,498	25%
Turnover	142,965	138,646	-3%	171,448	24%	89,770	92,006	2%
Miscellaneous revenues	710	5,476	671%	1,488	-73%	8	1,206	NS
Inventory changes	-1,048	2,761	-363%	7,597	175%	-485	-2 754	467%
Operating revenues	142,627	146,883	3%	180,533	23%	89,293	90,458	1%
Purchase of resold goods	3,702	2,546	-31%	24,139	848%	16,834	4,937	-71%
<i>Gross margin</i>	2,563	1,002	-31,0%	7,939	848,0%	3,757	571	-71.0%
<i>Gross margin in % of the turnover</i>	1.8%	0.7%		4.6%		4.2%	0.6%	
Consumed purchases of materials and supplies	39,453	43,454	10%	50,259	16%	22,106	30,646	39%
Other external expenses	26,451	29,510	12%	28,331	-4%	12,919	16,104	25%
<i>Added value</i>	72,311	65,898	12.0%	76,316	-4.0%	37,426	37,565	25.0%
<i>Added value in % of the turnover</i>	50.6%	47.5%		44.5%		41.7%	40.8%	
Levies and taxes	397	510	28%	558	9%	259	260	1%
Staff expenses	39,021	42,554	9%	45,989	8%	22,174	23,340	5%
Other operating expenses	100	100	0%	243	143%	122	100	-18%
Operating allocation	4,660	4,745	2%	4,572	-4%	2,191	4,407	101%
Operating expenses	113,785	123,420	8%	154,091	25%	76,605	79,794	4%
Operating income	28,842	23,463	-19%	26,442	13%	12,688	10,664	-16%

<i>Operating income in % of the turnover</i>	20.2%	16.9%		15.4%		14.1%	11.6%	
Financial proceeds	941	1,097	17%	1,236	13%	726	1,716	136%
Financial expenses	2,436	2,418	-1%	3,313	37%	1,672	2,154	29%
Financial result	-1,495	-1,321	-12%	-2,077	57%	-946	-438	-54%
Non-current proceeds	10,224	6,149	-40%	220	-96%	61	167	174%
Non-current expenses	21,248	10,212	-52%	9,609	-6%	5,127	3,422	-33%
Non-current result	-11,024	-4,063	-63%	-9,389	131%	-5,066	-3,255	-36%
Income before taxes	16,323	18,080	11%	14,976	-17%	6,676	6,970	4%
Corporate income taxes	1,280	3,848	201%	1,683	-56%	427	780	83%
Net result of the fiscal year	15,043	14,232	-5%	13,293	-7%	6,249	6,190	-1%
<i>Net result in % of the turnover</i>	10.5%	10.3%		7.8%		7.0%	6.7%	

Source: S2M financial statements

IV-. RISKS

S2M is exposed to three kinds of risks: risks linked to human resources, relating to the positioning of S2M, or risks linked to the operational implementation of S2M strategy.

IV-1- RISKS LINKED TO HUMAN RESOURCES

The development of the human potential is an essential component of S2M environment. The performance of the company depends to a significant extent on the capacities and services supplied by its teams. The nature of its very specialized activity requires competent resources and highly qualified in its different markets.

The loss of the key members of the management may have a significant negative impact on S2M ability to implement its strategy. Similarly, in order to mitigate the risk of human resources volatility and know-how loss likely to affect the sustainability of its activity, the company has developed a set of measures in order to reinforce the motivation of its team members. And it is in this context that the current capital increase is to be made.

IV-2- RISKS RELATING TO S2M POSITIONING

RISK OF REDUCING THE USE OF THE CARD, OVERTHROWN BY THE MOBILE PHONE

The current trend is towards the multiplication of functionalities of the mobile phone: access to the Internet, GPS, agenda, etc. The development of the Near Field Communication (NFC) technology based on the use of RFID (Radio Frequency Identification) radio waves enables it to integrate an additional functionality: contactless payment. Thanks to the inclusion of a chip in the device, containing the elements to identify the holder of the bank account, the user may pay his purchases by swiping his cell phone over the card reader at the time of payment. The "mobile payment" has a number of benefits, mainly the one which consists in providing

unbanked population with a payment means and to accelerate payments, especially of small amounts generally paid in cash. May the development of the mobile payment supersede the use of the card and limit to a reduced number of applications? The multiplicity of possible scenarios makes any medium term forecasting difficult, but it is worth noting that this alternative of the bank card has the following disadvantages:

- The risk of hacking bank codes inherent to contactless technology which requires the transmission of information in the form of waves.
- This payment is not visual, contrary to card payment which requires the insertion of the card in a reading terminal: this may lead to the reluctance of users.
- In order to be competitive, this technology must be proposed at a price lower or equal to that of the bank card. If this is not the case, consumers should be free to choose between the two payment methods and thus, traders have to be equipped with two different readers.

On account of its intrinsic advantages and the generalization of the use of the mobile phone, the mobile payment channel is an asset, and it is a complementarity to other channels. Likewise, the scenarios adopted as the most probable by specialists are those of the coexistence of several channels, on the Internet, by card and by phone, corresponding to different customer segments or consumption methods or circumstances.

RISK OF TECHNOLOGICAL PROGRESS

The electronic payment sector is characterized by very swift technological developments, a progress of standards and an emergency of new services, software and other products.

The development of new technologies may make some serves of the company uncompetitive. S2M could fail to identify in due time the new opportunities that would arise and must make important additional investments in order to remain competitive and maintain its customer base.

The future success of S2M will depend on its ability to anticipate the trends of the sector and to take a position ahead by adapting its offers in order to serve better its clients.

The impact of the technological developments is currently controlled by the company through the regular follow-up of the recommendations made by the international bodies of payment (Visa and MasterCard), the participation in different events of technological surveillance (Symposiums, shows...) and its Research & Development activity.

COMPETITIVE RISK

The strong growth of the e-money sector results naturally in the regular arrival of new competitors in the market, and in the continuous pressure from clients for more efficient solutions and at an increasingly tight price. In order to remain competitive despite its relative small size among major international operators, S2M has taken the following measures:

- Establishing strategic alliances with partners who have specific requests;
- Full control of the value chain;
- Total involvement of its human resources and mobilization of external teams in large

scale projects;

- Introduction of integrated management systems aiming at minimizing non-quality costs.

RISK OF PRODUCT DEFECTS

Like any other software developer, S2M is exposed to defect risk. Products may sometimes cause important damages to users. In order to limit this risk, the company complies strictly with the standards and rules set forth by the main international bodies, which enables it to be certified by Visa and MasterCard. Moreover, the company has set up appropriate measures by relying on international good practices, among which we may cite:

- The prevention of emergency situations by establishing tests before final delivery of products to the customer,
- The setting up of a complete identification in order to make the feedback of doubtful operations more efficient and to accelerate corrective measures;
- The development of the capacity of the intervening parties to react in case of incidents;
- The application of appropriate monitoring and measurement activities.

RISK TO IMAGE

S2M internationalization is sometimes impeded by the perception of Morocco being a country with a low technological potential. This label makes it difficult to penetrate new markets, especially North America and English-speaking Africa.

RISK OF FRAUD

The fraud risk is mainly linked to the nature of S2M activity. As a matter of fact, the electronic payment activity is permanently submitted to intrusion attempts.

In order to cope with fraudulent manipulations, the company has set up safety procedures meeting Visa and MasterCard standards which consist of the blocking of payment software. The certification of this software is an efficient means to ensure protection against failures for clients.

On the other hand, S2M has taken out a professional liability insurance to cover the risk of improper handling of a client software by its teams, which would make a fraud attempt possible or which would cause losses for the client.

IV-3- RISKS OF OPERATIONAL IMPLEMENTATION

Exchange risk

Like all Moroccan import and export companies, S2M is affected by exchange rate changes between foreign currencies and the dirham which may affect upwards or downwards the results of the company.

The company conducts currently more than 95% of its import operations in Euros and in dollar

with foreign suppliers, mainly through the purchase of cards. Moreover, 40% of S2M turnover is realized in foreign currencies. Consequently, S2M is exposed to the risk of exchange rate fluctuation.

As it has widely fluctuated these recent years, the future trend of the exchange rates may pose an exchange risk for the company and may have a favorable or an adverse effect on its future results.

However, this financial risk is mitigated by a balanced Euros Dollars billing basket.

RISKS LINKED TO INTERNATIONAL CLIENTS

With a turnover share of more than 40% realized with international clients, S2M is exposed at the same time to classical risks in a client-supplier relationship, in addition to risks linked to the international dimension (political risk, exchange risk, macroeconomic risk, etc.).

With regard to the classical risk of client creditworthiness, it should be specified that S2M clients are mainly big financial institution and that they have generally no solvency concern. It is worth mentioning that an important part of the contracts are entered into with the assistance of a business finder which supports S2M throughout the relationship and may intervene to secure the payment process, if need be.

As to the risks arising from the international dimension (political risk, macroeconomic risk, exchange risk), they are inherent to the operations of the international commerce and they may never be totally covered. They may be mitigated through a good familiarity with the countries to which it exports and by setting up contact networks such as those established by S2M partners.

WARNING

The foregoing information is only a part of the prospectus required by the CDVM under the reference VI/EM/034/2013. The CDVM recommends the reading of all the prospectus made available to the public in French.