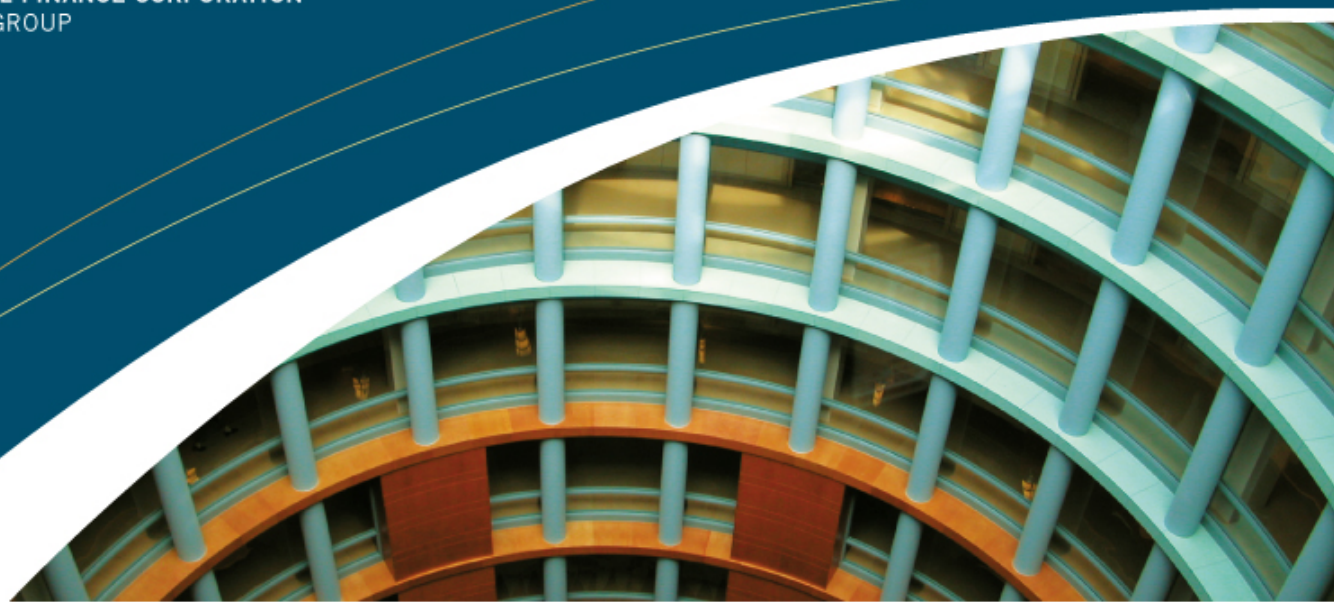




INTERNATIONAL FINANCE CORPORATION
WORLD BANK GROUP



IFC's Financing of Steel Projects

August 8, 2006

<http://www.ifc.org>

**International
Finance
Corporation**

IFC's
Activities in
Steel Sector

IFC is the private sector arm of the World Bank Group

World Bank Group

International Finance Corporation (IFC)

Multilateral Investment Guarantee Agency (MIGA)

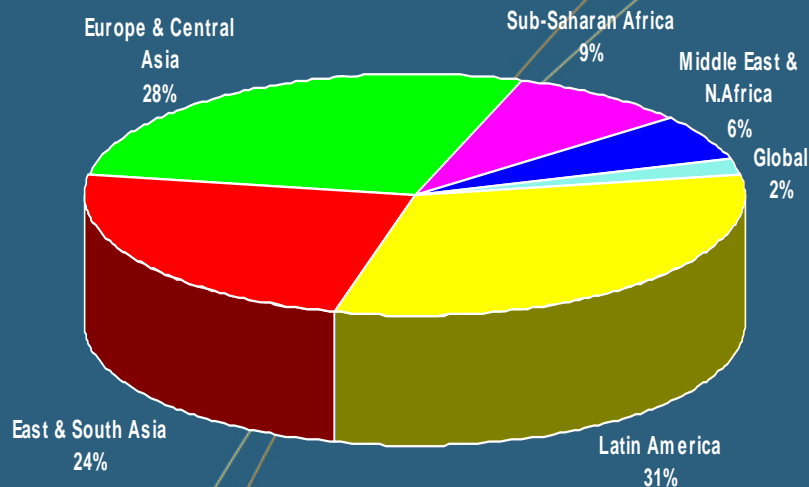
International Development Association (IDA)

International Bank for Reconstruction and Development (IBRD)

- IFC's fundamental role is to promote economic development by encouraging private investment, both foreign and domestic, in developing member countries
- IFC participates in private ventures that benefit the host country economy, promote high environmental standards, and provide strong demonstration effect

IFC is the largest source of loan and equity financing for the private sector in emerging economies

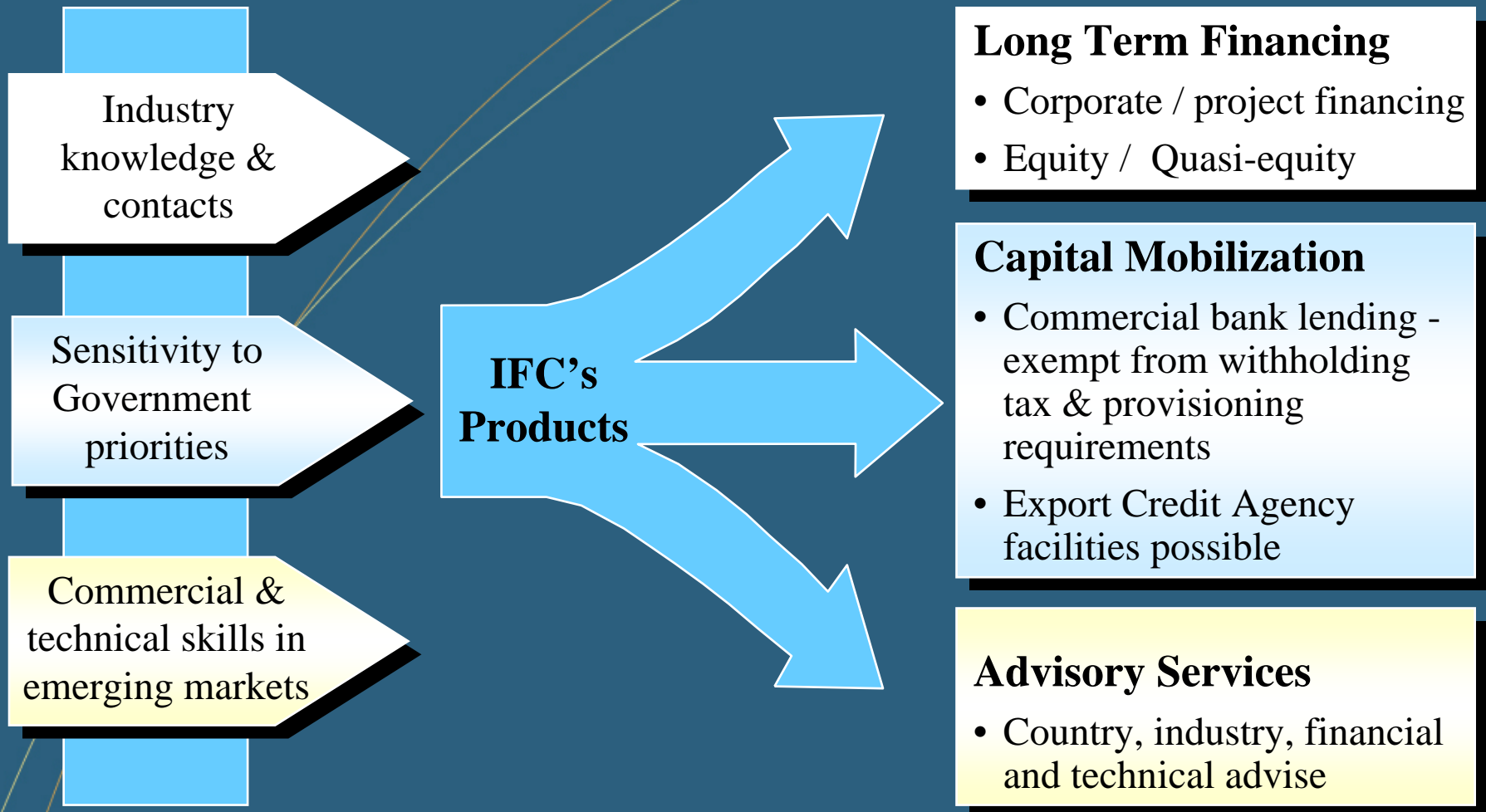
\$19.2 bn committed portfolio



- AAA rated member of the World Bank Group
- Major source of IFC's borrowings is the international markets, \$2 bn in FY05
- FY05 commitments: \$5.4 bn in 236 projects
- Authorized capital: \$2.5 bn
- FY05 Net Worth: \$9.8 bn
- FY05 Net income: \$2.02 bn

Since 1956, approximately \$50 bn invested in 3,379 companies in 140 developing countries

IFC combines the resources of a development bank with the flexibility of a merchant bank



Defining Characteristics of IFC

- Participates only in private sector ventures
- Shares same risks as other investors
- Invests in equity
- Has market pricing policies
- Does not accept government guarantees
- Is profit oriented

IFC works with the sponsors in the Southern Europe & Central Asia region


IFC's Southern Europe & Central Asia (SECA) Region

- Albania
- Azerbaijan
- Bosnia and Herzegovina
- Bulgaria
- Croatia
- Kazakhstan
- Kyrgyz Republic
- Macedonia
- Moldova
- Romania
- Serbia and Montenegro
- Tajikistan
- Turkey
- Turkmenistan
- Uzbekistan

- IFC's investments in the SECA region have reached record highs the last two years: from \$587 million in FY03 to \$842 million FY04 and \$811 in FY05
- Additional \$174 million syndicated loans have been provided from partner banks in FY05
- Turkey is IFC's 5th largest country exposure with a \$1.04 bn portfolio as of September 30, 2005
- Hub office for the SECA region is located in Istanbul, Turkey, with representative offices in other countries


IFC's experience in the SECA region is extensive

COUNTRY & CLIENT EXAMPLES in SECA

 Azerbaijan
<ul style="list-style-type: none">• Azerigazbank• Rabitabank• Park Hyatt Baku• Caspian Oil Project• Azerdemiryolbank• Baku Coca Cola• Microfinance Bank• Joint Venture Bank

 Bosnia
<ul style="list-style-type: none">• Lukavac Cement• Raiffeisen Bank• SEF Kopex• SEF Lijanovici• Sarajevska Pivara• Microcredit Bank• PBS Group

 Bulgaria
<ul style="list-style-type: none">• Unionbank SME• PCBulgaria Loan• Pasa Bulgaria• Trakya Bulgaria• Drujba A.D.• Stomana Pernik• Galata Gas Field• Sofia Med

 Croatia
<ul style="list-style-type: none">• Belisce• Pliva• PBZ Privredna Bank• Tvornica Cementa• Trscanska Stedionica• Bjelovarska Banka• Schwarz

 Kazakhstan
<ul style="list-style-type: none">• Lukeoil Overseas• Rambutya LLP• Citibank Kaz• BTA Leasing• LP-GAZ• Alautransgas• Neftebank• CASPO Limited

 Romania
<ul style="list-style-type: none">• Banca Tiriac• RAEF Facility• Arcelik – Arctic• ICME ECAB• Banca Romaneasca• Bilstein Compa• Mobil Rom S.A.• Lukoil

 Turkey
<ul style="list-style-type: none">• Arcelik• Acibadem Hospital• OPET Petrolculuk• Oyak Bank• Sise ve Cam• Eczacibasi Ceramic• Borcelik• Modern Karton

 Uzbekistan
<ul style="list-style-type: none">• Asaka Bank• Uzbekistan Leasing• UzCase Service• UZCASEMASH• UzCase Agroleasing• Parvina Bank

International
Finance
Corporation

**IFC Activities
in Steel
Sectors**

Our Understanding of the Industry

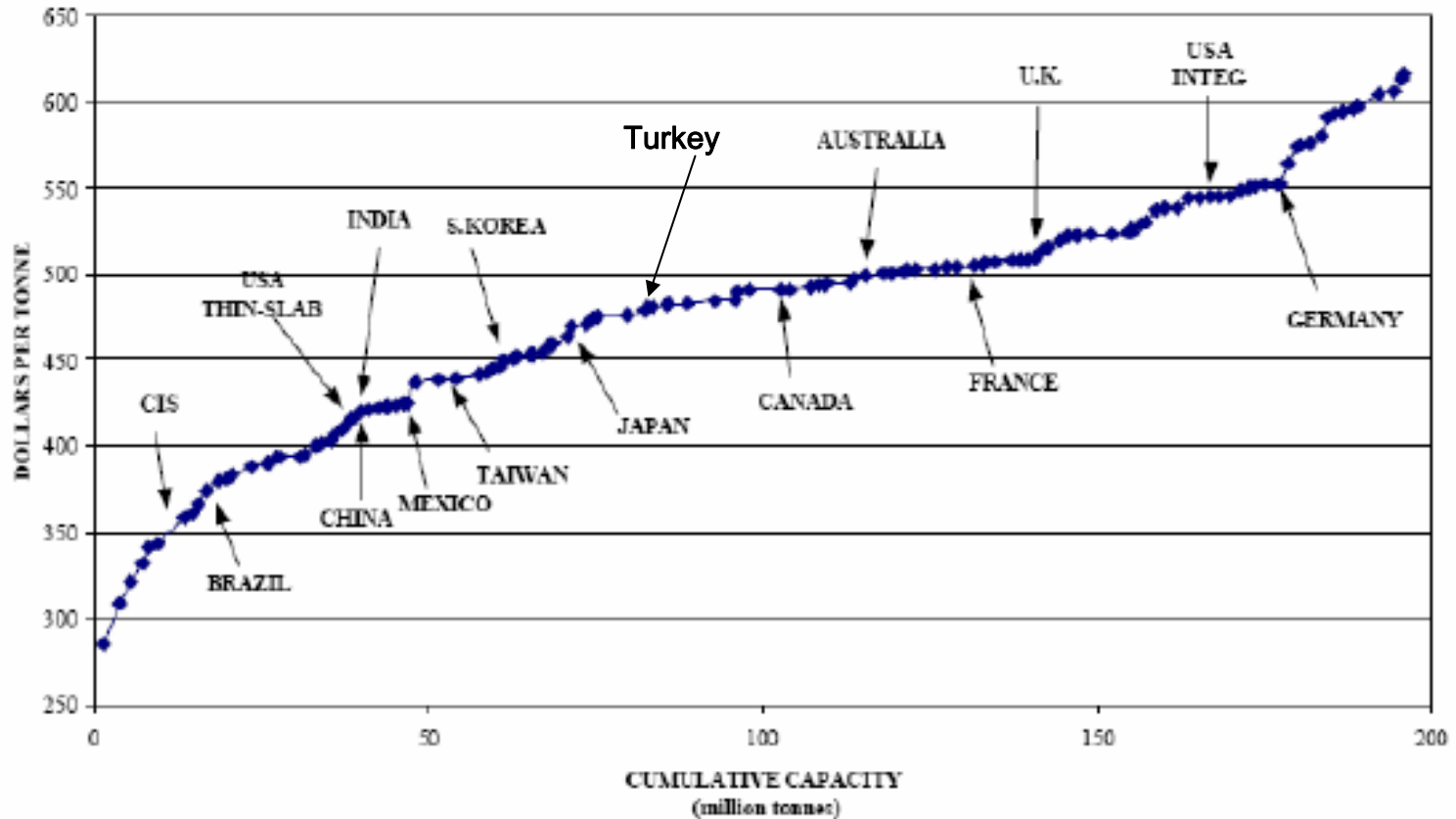
- Need for sound infrastructure support;
- Economies of scale;
- Long investment period;
- Cyclical;

Hence:

- Capital intensive => Recourse to leverage;
- Emphasis on low-cost position.

Cost Curve, the Major Industry Driver

WSD 2005 World Cost Curve showing reference plants for Cold-rolled Sheet Operating Cost with Overhead



IFC Strategy

Countries with competitive advantage:

- Natural resources;
- Adequate steel;
- Competitive cost of labor;
- Favorable dynamics in the domestic demand.

Globally competitive local companies:

- In/close to the lower quartile of the global cost curve;
- Potential to serve effectively their domestic markets and fully participate in the globalization.

Satisfy Industry Financial Needs by leveraging IFC's own resources with established loan syndication capabilities

IFC Strategy “Dos” and “Don’ts”

Dos	DON'Ts
<p data-bbox="129 401 306 444"><u>Projects</u></p> <ul data-bbox="129 472 972 1053" style="list-style-type: none"><li data-bbox="129 472 830 644">■ Producers in the low quartile of production costs for most or all of their product mix; Cost Curve is a vital guide!<li data-bbox="129 715 807 793">■ With significant modernization and/or rationalization components;<li data-bbox="129 865 807 901">■ With strong domestic customer base;<li data-bbox="129 972 972 1053">■ Downstream capabilities/sector players often represent attractive opportunities.	<p data-bbox="1030 401 1207 444"><u>Projects</u></p> <ul data-bbox="1030 472 1785 1115" style="list-style-type: none"><li data-bbox="1030 472 1519 551">■ With products which are oversupplied;<li data-bbox="1030 622 1658 701">■ With uncertain, expensive inputs (raw material, energy);<li data-bbox="1030 772 1553 808">■ With unfavorable logistics;<li data-bbox="1030 879 1785 958">■ With uncertain and/or low conversion margins;<li data-bbox="1030 1029 1601 1115">■ That rely on subsidies and or tariff protection.

IFC Role

- Help local private companies position themselves to become strong global or regional players and improve their developmental impact;
- Contribute to improvements in environmental management of client companies.
e.g. phasing out outdated polluting technologies, such as open hearth furnaces.

Desired Client Characteristics

- Good management;
 - Low operating/overhead costs;
 - Loyal, skilled, productive workers;
 - Strong balance sheet;
 - Pricing power with large buyers;
 - Efficient computerized management information system;
 - Key joint ventures
 - Control of steel scrap situation;
 - Geographic advantages;
 - Economy-of scale benefits;
 - Low price paid for electricity;
 - Sizable cost-cutting efforts;
 - High proportion of sales in the domestic market;
 - Access to funds from outside sources on a favorable basis.
- In the Downstream / conversion sector the following factors are of particular importance:
- ✓ Advanced technology
 - ✓ Competitive input costs (energy, labor)
 - ✓ Economies of scale
 - ✓ Either large domestic market or nearby large export

Our Experience in the Industry

- IFC Primary Metals Sector Portfolio:
~US\$540 million (June 2006)
- Major Deals:
 - Industrial Union of Donbass (Ukraine) US\$100 million + US\$250 million syndicated
 - Tata Steel (India): US\$100 million
 - OMK (Russia): US\$70 million
 - Ispat Karmet (Kazakhstan): US\$30.7 million
- Smaller Deals: ~US\$10 million

Please contact the following for further information:

- Nena Stoiljkovic
E-mail : nstojkovic@ifc.org
Phone: +90 212 385 3000
- Ugur Turkmen
E-mail : uturkmen@ifc.org
Phone: +90 212 385 3000