

INTRODUCTION

With this document we want to present you the very great opportunities that currently exist in the area of metals trade in the market of Bosnia and Herzegovina, but also in the markets of neighboring countries in the Western Balkans. Although our company is relatively small, we can say with certainty that we have the necessary knowledge and adequate human resources and adequate distribution network that is able to start immediately with much larger jobs than we currently do. Therefore, we have decided to demonstrate to you that there are real possibilities and that with your help in we could dominate the local metal trade in just 3-4 years.

According to data from Chamber of Commerce of Bosnia and Herzegovina, our country alone is importing more than 1 2 billion KM (about 600 000 EURO).

The import structure is as follows:

	TOTAL	TURKEY	SHARE
Iron and steel	360.352.847 KM	11.349.088 KM	3,15 %
Iron and steel products	518.372.778 KM	21 395 993 KM	4,13 %
Aluminium and products	237.849.695 KM	14.139.110 KM	5,94 %
*. Copper and products	129.791.062 KM	1.316.587 KM	1,01 %
	1.246.366.382 KM	48.200.778 KM	3,87 %

It is clearly visible Turkey has a very limited share of our market despite the very good cooperation between our countries especially considering the potential. The situation is similar in other countries of the region.

We feel this can be significantly changed if we succeed in implementing a completely different approach to these markets.

We will explain to you how it is possible to become a regional power in the metal processing industry with an annual turnover of 500 million euro with an investment of approximately 75 million euro in just 4-5 years.

It should be noted that through this project can significantly change the structure of the supply of metals in this market, We believe that we are able, in a relatively short period of 3-4 years to redirect at least 50% of the metals companies from these regions not to purchase from the countries of Western and Central Europe, but to buy materials from companies from the Republic of Turkey.

In this time of crisis in Europe, companies from your country could export materials worth at least 300 million euros in 3-4 years, and considering that it is realistic to expect that in a few years, the economy in this region will have significant growth; your export could be higher than expected at this point

POTENTIAL OF METAL PROCESSING INDUSTRY IN BOSNIA AND HERZEGOVINA

Authors of this document are in trading business for over 30 years. During the last 15 years (after the war) we have established that the metal processing industry of Bosnia and Herzegovina has great potential for quick and successful growth despite current difficulties. Here are a few facts confirming our claim:

- a) Former great metal processing companies of Bosnia and Herzegovina have been all but devastated during the war. Companies like FAMOS Sarajevo, BNT Novi Travnik, Jelsingrad Banja Luka, TTU Tuzla etc. have either ceased production or are operating at 5 to 10% pre-war capacity. However, in the last 15 years, there is a myriad of small companies that started with one or two machines and a handful of employees that are now respectable businesses with 50, 100 and more employees. These companies today are technically and technologically capable to take on the foreign (European) competition. This new potential is the key argument of our claim. The fact that a third of these companies already have signed export contracts with customers in Europe and west Balkans.
- b) It is safe to assume that there will be a significant increase in activity in the next 10 years when it comes to road and railroad construction and power lines and facilities building which will put all of metal processing sector of Bosnia and Herzegovina to work
- c) Current crisis that is shaking the economies of Western Europe is forcing the companies to move their facilities to other countries seeking cheaper work force and energy Bosnia and Herzegovina is an ideal country for this kind of investment not only because it has cheaper work force and energy but also it has the know-how. its work force is highly qualified and the resources are in abundance. The companies from Western Europe can establish much cheaper mass production here that is equal in quality. This is where the local companies have a great advantage compared to countries like China, India and even some European countries like Romania, Bulgaria and Moldavia. More and more western companies are trying to relocate a part of their facilities to Bosnia and Herzegovina It may seem absurd, but the crisis in Western Europe is a great opportunity for Bosnia and Herzegovina and its metal processing industry.
- d) Factories that used to build machines for the military are starting to increase their production in the last year, especially in Federation of Bosnia and Herzegovina. According to available information that this trend will continue. This of course will create increasing amount of work for the metal processing sector.

- e) It is obvious that the requirements for steel products will increase in the next few years. This will create the necessary conditions for building raw material factories for metal processing industry making Bosnia and Herzegovina less dependent on import. There are no facilities like this currently in Bosnia and Herzegovina apart from Zenica Steel Plant which mainly covers the needs of construction industry.
- fj) Many ex-Yugoslavia countries are putting a lot of effort in establishing pre-war level of commerce. This would enable a significant increase in export of steel and steel products from B&H.

It is clear that the metal processing sector can be the key factor of Bosnia and Herzegovina industry, especially in the Federation of Bosnia and Herzegovina which houses 80% of the facilities. In order for this to happen, we have to eliminate the weaknesses in the production chain which are hindering the development and can possibly completely halt it. The key issues are:

1. The metal processing sector of Bosnia and Herzegovina current requirements for steel are estimated at 600 million EUR. Practically all of this is currently being imported. Even the import is handled by foreign trading companies (95%), leaving only 5% to domestic traders. The main reason for this is the fact that local companies just don't have the funds partly due to the situation in banking sector, while foreign companies have vast funds and are able to dominate the market. This is why powerful western companies can define the prices on their own forcing local manufacturing sector to purchase at prices that are 5 to 15% higher than in surrounding countries or other countries like Hungary, Poland and Slovakia etc. It is clear that in order to compete with these countries, our industry has to sell its products with very little profit. In other words, when it comes to export, our factories work extremely hard to break even while foreign traders take all the profit. Please note that these foreign traders also choose the countries we can import from limiting the Turkish presence on the market.
2. Since our manufacturing industry lacks the funds and the human resources to sell their products in the EU and Bosnia and Herzegovina as a country has no system implemented that would help the export, almost all of export is handled by foreign trade companies and agents which force our companies to produce with minimal profit in order to increase their profit. This way nobody in Bosnia and Herzegovina gains anything from export and all of the profit goes elsewhere.
3. As we already stated, currently there are no facilities in Bosnia and Herzegovina that produce steel sheets, angle profiles, beams etc. Because

of this, our companies have to import these materials directly or via various trading companies which makes them less competitive because of the inevitable transportation, customs and freight forwarding costs. They also have to purchase a lot more materials than they need at time of purchase. This in turn blocks additional funds and raises the costs because a lot more funds need to be used for bank interest. Apart from these problems, some parts of the metal processing sector like car industry or military industry have an additional hindrance. They are especially pressed by the traders which insist on unrealistic prices and delivery dates in order to create advantage for companies in their countries.

It's easy to conclude that local companies have to work very hard and be very persistent in order to gain very little profit. Most of the profit ends up in companies outside Bosnia and Herzegovina.

If we want the metal processing industry of Bosnia and Herzegovina to recover and grow at a faster rate keeping the profit in the country, we have to reduce the effects of the three main weaknesses mentioned above. This paper offers a plan to partly solve these problems in a short time. Our company can take 50% of the local market under certain conditions regardless of its current relatively small size. Also, at the same time we would be able to take 20% of the export currently held by the foreign companies and build the necessary facilities to provide stable and timely deliveries to our factories. These facilities include steel sheet rolling mill, surface treatment and calibrating factory and welded tubes factory.

If we succeed in implementing this project, the effects would be:

- a) Prices for certain materials they use would be lower from 5 to 15% compared to other countries because these would no longer be defined by foreign traders*
- b) The export would be much larger, more efficient and cheaper with most of the profit remaining in the country.
- c) Domestic production of materials would significantly reduce the need for importing. All the materials we can't produce would be imported from Turkey. At the same time, we would have a real opportunity to begin exporting which would be extremely significant if we look at the current trade deficit between our countries
- d) Military industry would be a lot less dependent on import from neighboring countries which is extremely important for the sector and strategically important for the country, especially in this delicate political and economic situation.
- e) The facilities we plan to build would satisfy the needs of Bosnia and Herzegovina market but also the needs of neighboring countries' markets as these countries don't have these facilities. This would create a significant boost in export to Croatia, Serbia, Macedonia,

Montenegro, Kosovo and Albania. Even countries in EU, especially Slovenia and Austria would be very interested in these products.

It is clear that we are too small a company to be able to just start up and implement a project like this, and it's also sadly clear that B&H has no adequate partner whose possibilities are such that together with us, they could successfully implement this project. Therefore, we feel that we need to seek a partner for this deal in the Republic of Turkey, because we believe that it is precisely the Turkish companies could significantly benefit from the implementation of this project.

Specifically, based on the information the Chamber of Commerce of our country, in the last two years, imports of metal products were worth approximately 1 billion euros, while the imports from the Republic of Turkey for the same products was merely 40 million euros, which is just a few percent of the total imports in our country. Our idea is that with your help we launch the production of those repro-materials that would be too expensive to transport from afar, and import all the others from you. **It means, that if you have a competitive price compared to the producers from the EU, and we have no doubt you do, then we could take over 50% of the B&H market in only 3-4 years, or about 350 million euros, which is almost 10 times more than what is your actual exports to our country.**

FOUNDING OF BOSNIA STEEL CENTER

To solve the problems that we have stated which hinder the development of a stronger metal processing industry in B&H, our idea is to create a unique and powerful steel center, which is planned to include three components:

1. Production capacity unrivaled by any existing in our country that would produce materials too expensive to import from afar,
2. Strong shopping center that would be able to redirect the current import of metals from other countries and focus them on the Republic of Turkey.
3. Very strong engineering group that can successfully negotiate export deals for the metal processing industry in B&H, which would also be able to provide all the necessary organizational and technical assistance to companies from B&H so they'd be able to successfully carry out agreed deals. This group would also focus the purchases to Turkish companies increasing both B&H and Turkish export.

The creation of such a center of steel which combines production, trade and engineering, all coordinated from one center would enable us achieve the following goals in a very short time:

1. To prevent the current situation where most of the profits is taken by foreign merchants and ensuring all that profits would remain in B&H
2. Enable a very fast development of small and medium sized metal processing companies which could get a lot of new business offers without employing highly

qualified personnel they lack, because these services would be provided by the steel center

3. Thanks to the efforts of steel center we could be able to redirect imports of necessary materials from the EU to Turkey in a relatively short time
- 4 Facilitate cooperation between B&H and Turkish steel processing companies
5. Would create all the necessary conditions for intensive employment of a great number of workers.

It should be emphasized that if we succeed in forming such a strong steel center, it would have virtually no serious competition in any of the countries in our region, which means that in this type of industry influence of B&H companies, and through us, also Turkish companies in the markets of these countries would be very strong. Thanks to this steel center it is realistic to expect that in 3-4 years, we can create a basis for creating a distribution network and seize the markets of neighboring countries. In other words, the influence of Bosnia and Herzegovina and through us, the Republic of Turkey in the field of metal processing would become very strong within a relatively short period of time, and enable the companies from B&H and Turkey to take a substantial part of the deals, and thus the profits from companies in Western and Central Europe.

Although we do not possess required funds, we have decided to found the Bosnia Steel Center a little over a year ago. Within this year we have proven the concept works extremely well on a smaller scale We are certain we can achieve all our goals within 4-5 years,

BUILDING OF PRODUCTION FACILITIES

As we have already emphasized, we plan to build the production facilities for those materials that are too expensive to import from further than 500 km. These materials are:

- Cold plates from 0,5 to 5,00 mm
- Hot rolled from 2,0 to 15.00 mm
- All types of welded tubes
- All types of L profiles, construction beams and flat steel

Based on the above, our idea is to make 3 separate manufacturing plants / factories:

- 1, Steel sheet rolling mill - annual capacity 300,000 tons
2. Welded tubes factory (round, rectangular and square) - annual capacity 100.000 tons
- 3 Construction beams factory - annual capacity 200 000 tons

Note that for these types of materials in Bosnia and neighboring countries (Croatia, Serbia, Slovenia, Kosovo, Montenegro, Macedonia and Albania), there is a real need much greater than approximately 600.000 tons per year planned for production capacities that we want to build. We emphasize the fact that many countries in the EU import great quantities of these

materials. This practically means that there is no problem with the demand immediately after construction works end.

BUILDING OF STEEL SHEET ROLLING MILL

Currently, of all of the products that are imported in Bosnia and Herzegovina, steel sheets are the most imported, and considering the production capabilities of local companies that trend will hold for many years to come. Therefore, the building of steel sheet rolling mill in Bosnia and Herzegovina is very important. Based on conversations we have had with potential suppliers of equipment, we came to the conclusion that such equipment can be installed in Bosnia and Herzegovina in a very short time and the entire investment can be realized in a year.

Our idea is to build a sheet rolling mill, which would be able to provide the following products:

- Cold-rolled sheets: 0,4 to 4 mm - these sheets would come in 4 basic qualities, namely: structural, galvanized, stainless, tin for hardening and improving
- Hot-rolled sheets: 2 to 15 mm in the same qualities as the cold-rolled sheets
- Non-ferrous metal plates: 0,5 to 10 mm, primarily plates of brass and copper

If we implement the entire investment this way we would practically cover 98% of the requirements for steel sheets and strips in Bosnia and Herzegovina.

Considering that in there is no production of sheets in Croatia, Serbia, Montenegro, Kosovo and Albania and that there is a high demand in many EU countries especially Slovenia and Austria, it is clear that the implementation of such investment would be very profitable and by our calculations money invested could be returned in 5 to 6 years. The prerequisite of this investment is that it can be implemented in stages and our idea is to implement production of sheets from "coils" in the first stage. This part of the investment will cost approximately 5 million EUR. In 3 to 4 years we could implement the second phase' production from ingots, which would allow us to be another 10% cheaper, but this investment's value amounts to 25 million EUR. Implementation of these investments could reduce imports by at least 50 million EUR, while exports could increase by a minimum of 30 million EUR. In addition, all of our manufacturers can get these plates 5 to 15% cheaper than they have so far and have an uninterrupted supply (even more important), which would allow them to cope with the competition with more success.

The main problem in the implementation of this project is the fact that the necessary raw materials for the production of sheets cost the same as the equipment itself. In other words the first phase of the investment that can be implemented immediately requires 6 million EUR for the purchase of a minimum stock of raw materials to the production to run smoothly in addition to 12 million EUR required for the purchase of equipment for a rolling mill, Based on what we've presented, the implementation of the investment would require 25

million EUR, but after only one year the production and sale of sheets would exceed 60 million per year.

After 2 years, when the mill is fully operational, even in pessimistic projections of working at 50 % capacity the total turnover of the mill would be at least 65 million euros, although it is realistic to expect it to be considerably higher and will likely exceed the amount of 100 million euros. Based on the current price of raw materials, as well as the cost of labor and energy in B&H even in crisis conditions, the price for sheets that can be achieved will guarantee a clean net profit of 6-7%

If we assume that the net profit will be only 4% and that the mill will only work at 1/3 capacity the investment will pay off in just 5 years.

BUILDING OF WELDED TUBES FACTORY

At this point, the total need for welded pipes in B&H is 150 - 200.000 tons annually. It should be noted that prior to the war in Bosnia and Herzegovina there were 3 tubes factories, and they were all extremely successful. Due to inadequate privatization, two factories have completely collapsed, while the third plant is operating with only one-third capacity. Because of this B&H became a great importer instead a great exporter of welded tubes it used to be. At this point most tubes are imported from Macedonia and Italy, and to a lesser extent from Bulgaria,

Our idea is to privatize the welded tubes factory in Prnjavor which is not working at the moment but it is ready and at this point can produce all kinds of tubes (diameters from 0 15 to 0 60), at an annual level of 30.000 tons. In order for this plant may to meet the market requirements and to be competitive in term of prices and thus profitable it is necessary to install another line within the factory that would produce tube diameters from 0 60 to 0 200, With the construction of additional lines the factory capacity would rise to 150.000 tons per year, and we would get a factory that is able to produce all the tubes currently in demand on our market and the markets of neighboring countries and almost completely suppress the Macedonian and Italian factories that now dominate the our market,

For the implementation of this part of the Bosnia Steel Center project, we chose Prnjavor because there we already have certain capacities that could be released into production in no time, and would not require any investment in infrastructure such as access roads, substation, system to drain waste water, etc. In addition, the plant covers 40 000 square meters of land, so we can build all the extra capacity needed, and no need to invest in the purchase of land or the necessity to obtain additional building permits and zoning, because these already exist. In order to implement the complete investment the following funds are required:

1. For the purchase the current factory and surrounding ground - around 3 million
- 2 For the purchase of additional lines for larger diameter Tubes and construction of necessary facilities to accommodate this equipment - 3 million

3. For the provision of storage space needed for the storage of raw materials and finished products - 2 million
- 4, Initial capital for raw materials necessary for the operation of the factory - 4 million

BUILDING OF CONSTRUCTION BEAMS FACTORY

The construction of such a plant is technically very demanding and financially the most expensive project among all projects within the Bosnia Steel Center. Yet this kind of factory is of extremely great importance for several reasons:

- 1, Factory of this kind does not exist in any of the countries of former Yugoslavia, and the need for these types of products is extremely high.
- 2 It is completely realistic that there will be a significant increase in investments in roads, railways, power plants and power lines of the Western Balkans over the next 20 years. For all of these investments, the materials produced in our factory are essential and will be required in large quantities, which in practical terms means that the market for the products of our factory is secured for the long term,
3. Almost all companies in the construction sector use these types of products in the construction of buildings.
4. A large number of small metal processing businesses use this kind of materials every day. Given that they are currently not manufactured in our country, they have to pay 20 - 30% more than the actual price so the construction of such a plant would substantially contribute to the production costs reduction for these companies, and this practically means that we would have a large number of small customers who would be our long-term buyers.

As you can see, there is a demand for the products of the factory and the needs of the country and surrounding countries far outweigh the projected plant production of 200.000 tons.

To make this investment a reality for the following funds are required:

Purchase of equipment - 8 million euro

Construction and reconstruction of buildings - 5 million euro

Initial capital for raw materials necessary for factory operation - 7 million euro

Realistic estimate for the completion of this part of the project is two years.

In order to implement this project, a total of 20 million euro is required. It should be noted that for the implementation of the investment 2 years will be required, and another one is needed for running in the production and signing of export contracts.

After that, we can expect the total turnover of the factory to be between 100 and 110 million euros. Based on our calculations if we want to be competitive with any manufacturer and merchant, the price we can achieve is such that we have a guarantee for a clean net profit of 6

to 7%. If we start from the assumption that net profits will be only 5%, and that the factory operates only at 2/3 capacity the investment will pay off in maximum 5 years.

FOUNDING OF METAL TRADING CENTRE

In the Bosnia Steel Center, we plan to intensify current metals trade, which would fulfill three basic tasks:

1. Providing a sale point for all products that would be produced in our three manufacturing plants
2. Procurement from the Republic of Turkey of all metal products not produced by our factories but required by the metal processing industry of B&H and also in the neighboring countries thus increasing its presence on this markets with the task to take a larger market share from the suppliers from Western and Central Europe, which currently dominate it.
3. With the help of engineering group that will facilitate the export of finished goods from metal processing industry of B&H, as well as products from the Republic of Turkey, which cannot be produced in Bosnia and Herzegovina.

In our opinion, the following materials produced in B&H would be sold in the trading centre;

- Cold plates 0.5 to 5.0 mm
- Hot-rolled plates from 2.0 to 15.0 mm
- All types of welded pipes
- All types of beams
- All types of flat iron

We would sell the following materials from the Republic of Turkey:

- Hot-rolled plates from 15.0 to 150 mm
- All types of seamless tubes
- All kinds of stainless steel
- All types of tool steels
- All types of steel for treatment and cementation
- All types of steel resistant to abrasion and high temperatures
- All types of spring steel and other special steel used in the automotive industry and industrial process equipment
- All types of electrodes and wires for welding
- All types of cutting and grinding plates, and other utilities that are used in the metals industry
- All kinds of non-ferrous metals such as aluminum, brass, bronze, copper etc.

To achieve the above goals, it is necessary to make a strong distribution network that would be able to make an annual turnover of at least one million tons per year in 3 to 4 years.

Our plan is to build two central warehouses in Sarajevo and Tuzla with storage capacity that can guarantee a yearly turnover of 1 million tons. Warehouse in Sarajevo would primary purpose would be to supply production materials to the metal processing industry in B&H, while the warehouse in Tuzla is intended for export to neighboring countries, but also for export to Central and Western Europe.

In addition to these two central warehouses we must form a series of smaller warehouses for raw materials closer to the direct users, and thus reduce their costs. Our idea is that we rent adequate spaces in cities where we believe that we should offer our metal rather than buy them. In this way, it would significantly reduce the need for investments while retaining the flexibility to convert from one warehouse to another city when the market conditions require it. According to our current plans, we anticipate that the number of such warehouses in B&H should be 5. in Serbia and Croatia 3, Slovenia and Montenegro 2 and Kosovo and Macedonia one.

We also plan to make our own warehouses in Hungary, Austria and Germany. Considering the fact that the port of Brcko in Bosnia can be reached via the Danube River which is extremely cheap river transport it will enable us to sell at competitive prices in the countries through which the Danube flows (Austria, Hungary and Germany) We expect that 15 to 20% of our total sales will be achieved in these countries.

As we noted, it is necessary to build two central warehouses, each of which must hold a minimum of 20.000 square meters of closed storage space and open storage of similar size, with all the associated equipment. According to the prices that we have, such stock would cost 5 million. This means that we 10 million euros for providing adequate space for metals trade.

It should be noted that we plan to install the equipment for cutting in all of our distribution centers, so that our future customers could get exactly the dimensions of the material they need, while having the least possible cost. This will surely help us successfully defeat the competition in these areas. It goes without saying that we will purchase this additional equipment from the Republic of Turkey.

ENGINEERING GROUP FORMING

According to the information we currently have, at the moment exporting of metal processing products from Bosnia and Herzegovina exceeds 200 million euros. The biggest buyers of our metal products are companies from Germany, Sweden, Norway and Spain, and to a

considerably lesser extent than is realistically possible companies from Italy and France. The main problem of our companies that export is the fact that most of these companies have no human resources and financial capabilities to independently contract business with customers of their products, but most of these jobs get thru foreign traders, who hold the lion's share of the profits for themselves, and our businesses are left only with "crumbs". In addition, the export business requires a very short delivery which implies extremely short deadlines for the procurement of materials, and the purchase of materials cannot be planed, but have to be procured where and if they are find, regardless of price, which makes it even more expensive for the trader.

If we succeed in channeling one part of these export transactions thru our company, we would automatically overcome two key issues: firstly, virtually all the profits from these operations would not leave the country, and the procurement of materials from these export deals that goes through our company, might be planned and would therefore be economically viable and would not be coming to a halt like now. The main issue is how to assume a greater share of exports. It can be done by hiring a critical mass of professional staff which is able to facilitate the export business and to provide all professional help to the companies.

If we want to arrange our own export business, we need to have offices in all the countries with which we will develop those jobs. Something like that at this moment is impossible because it would take enormous resources (one representative per year costs a minimum of 500.000 euros). However, this problem can be solved by hiring professionals and ambitious people of Bosnian origin who are numerous in all countries that are of interest to us. We have already contacted a number of these people, and thanks to them we are able to explore the markets of Italy, Austria, Sweden and Slovenia. These people are very capable and they are ready to immediately accept a job and find suitable exports.

Another problem to be solved is creating a stronger engineering group within the existing one in Bosnia Steel Center in order to be capable of properly deal with the technical documentation for export deals and find adequate local companies that can produce what is needed. It should not be hard to find adequate people for this task because there are a lot of qualified people in other companies that are failing or have already collapsed. These people are ready to come to our company immediately and begin working immediately and without any special training.

This approach to this issue has an obvious advantage. It calls for a very small amount of funds, and die results would be visible soon and it would be clear. In fact, according to our calculations, the creation of engineering group and networks of agents recruited from abroad in certain countries of the European Union should not cost more than a million euros in the first year, but in that year the exports would be worth between 10 and 25 million euros. It effectively means that invested funds would be repaid within the first year.

If we manage to realize this project, it could substantially employ the production capacities of those companies that currently do not have enough work to do, and in this way not only preserve existing jobs but also to create the conditions for new hiring. Also, implementation

of this project would significantly increase cooperation between steel processing companies of our countries which would also increase Turkish export.

PLAN PROPOSAL

Implementation of this project will cost about 75 million euro. We propose splitting into phases in order to reduce initial costs and give you a chance to evaluate the implementation. The phases are:

- a) Hot and cold rolled sheets rolling mill (300.000 tons capacity)
- b) BSC trading center
- c) BSC engineering center

These three projects would cost 35 million euro. Complete implementation would take 2 years at most. We would have full effect in the third year

If we use the most pessimistic assumptions of 50 % success we would easily be able to finance the bank loan of 35 million euro within 5 years with 2 years grace period.

ROLLING MILL

Income:

150.000 tons (50 % capacity) x 450 euro/ton	67 500.000 euro
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Costs:

- Workforce (150x1000 euro total)	1.800.000 euro
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- Raw material (150.000x320 euro)	48.000.000 euro
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- Electricity (average consumption based on similar facility in Italy)	
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250 000 euro/month	3.000.000 euro
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- Other (transportation, propaganda... 450.000 euro/month)	5.400.000 euro
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TOTAL COSTS:	58.200.000 euro
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PROFIT:	9.300.000 euro
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BSC TRADING CENTER

- Monthly turnover 5 000.000 (pessimistic)	60.000.000 euro
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PROFIT (avg. 5% much less than normal):	3.000.000 euro
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BSC ENGINEERING

- Monthly turnover	4.000.000 euro
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PROFIT (avg. 5% much less than normal):

2,400.000 euro

In total, yearly profit from these three projects would be 14.700.000 euro. If we plan to finance a 35 million euro loan in 36 months we need 13.200.000 euro. This simplified calculation leaves us with 1.500.000 euro of profit even at 50 % efficiency.

CONCLUSION

We can conclude that the main advantages of Bosnia Steel Project Center are as follows:

- a) Implementation of the entire project can be completed in only two years and after just one year, the entire project can give full effect in a material way
- b) Number of employees in relation to the size of the investment is extremely advantageous, since the turnover of 500 million EUR a year could be realized with less than 2200 employees
- c) Our industry would be less dependent on foreign traders and would be in a much better position regarding the competition, than it is today. This means that the most companies would opt to cooperate with us, and selling of products from Bosnia Steel Center would at no point be questionable.
- d) Military industry could have the domestic resources, and would be much less dependent on neighboring countries, which is of strategic importance to our country. Because of this Bosnia Steel Center is sure to have the support of the relevant government institutions which would be essential for its rapid development.
- e) In a very short period of time imports of metals would reduce, and the conditions for better exports would improve. According to available figures, after only a year or two of Bosnia Steel Center operation, exports could be at least 50% of the total company profit:-
- f) The structure of metal imports would change significantly and instead of importing metals from other countries in western and central Europe at least 50% could be redirected to the Republic of Turkey, in just 3-4 years;
- g) According to our estimate, it will take only 4-5 years for Bosnia Steel Center to become one of the most important companies in the field of metal processing in the region. This practically means that the influence of companies from B&H, and through them, the companies from the Republic of Turkey in the region will become significantly stronger than it is now, which means that the export of our products to these countries has increased radically.
- h) The creation of such Steel Centre would enable the employment of many people. Apart from 2200 that would work in the center, a large number of people will find jobs in other companies which will grow thanks to the activities of Bosnia Steel Center* According to our estimates, the total number of people directly or indirectly hired thanks to Steel Center will be between 6000 and 7000, of which the vast

majority would be returning to their previous homes within the country. Employment of returnees would be most pronounced in the areas of Prnjavor, Busovaca and Tuzla.

- i) BSC would be an efficient service to Turkish steel processing companies with competent workforce constantly working to improve the export of Turkey. This system will work well regardless of any political instability in Bosnia and Herzegovina or the region which is a great advantage.

We emphasize that this is only the "tip of the iceberg". Implementation of this project would spark development in other metal processing related areas like military industry, machine building, ferroalloy refinement etc. Also, Republic of Turkey would become the leading steel trade partner of Bosnia and Herzegovina and the region within 4 to 5 years.

We hope we have clearly explained and justified the reasons for this investment and that we'll get adequate assistance from you. We are sure that you will soon realize just how much this investment is profitable and that the risk of the endeavor is negligible. We emphasize that if we build such Bosnia Steel Center, a large variety of other projects in this field could be defined and implemented, which would eventually make BSC Ltd the largest metal processing company in southeast Europe in no more than 10 years.