

SUMMARY OF PROPOSED INVESTMENT
(SPI)

Disclaimer

This Summary of Proposed Investment is prepared and distributed to the public in advance of the IFC Board of Directors' consideration of the proposed transaction. Its purpose is to enhance the transparency of IFC's activities, and this document should not be construed as presuming the outcome of the Board decision. Board dates are estimates only.

Project Identification:

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| <i>Country:</i> Southern Europe Region | <i>Project Name:</i> Scholz Balkans | <i>Project No.:</i> 30327 |
| <i>Region:</i> EUROPE & CENTRAL ASIA | | <i>Environment Category:</i> B - Limited |
| <i>Dept./Div.:</i> CM3M3 - Reg Manufact, Agri & Services, Emena/Manufacturing-EMENA | <i>Company Name:</i> Scholz AG | |
| <i>Project Business Sector:</i> I-AF - Other Steel Products (Including Wire, Metal Sheets etc.) | <i>Project Status:</i> Active | |

Parent Project Identification:


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|----------------------|-----------------|
| Parent ID: | |
| Parent Short Name: | |
| Parent Relationship: | No Relationship |

Document Status:

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| Date Disclosed | |
| Date Revised SPI Disclosed (if appropriate) | |
| Enter Projected Board Date [or internal management date] | |
| Date of Clearance by client for factual accuracy | |

Description of the Project:

The project of approximately US\$120 million is to support operations of Scholz A.G. Germany ("Group" or the "Sponsor") in Croatia, Serbia, Bosnia and Herzegovina, Kosovo, FYR Macedonia, Montenegro, Romania and Albania. (referred to as the "Balkan" countries or the "Region") over the next 4 years. The investment will finance modernization and working capital needs of the Group in the Region.

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|  International Finance Corporation <small>Member of the World Bank Group</small> | Project ID 30327 | |
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Project Sponsor and Major Shareholders of Project Company:

Scholz Group, headquartered in Essingen, Germany, is one of the leading metal waste management and recycling player in Europe and in the Balkan countries with developing presence in Asia, Central America, Middle East and North Africa.

Total Project Cost and Amount and Nature of IFC's Investment:

The Project cost is estimated at US\$120 million. The IFC investment will consist of a loan of up to US\$60 million in Euro equivalent.

Location of Project and Description of Site:


The Project will be focused (but may not be limited to) on the Group subsidiaries' plants in Croatia, Serbia, Bosnia and Herzegovina, Montenegro, Albania and Romania.

Expected Development Impact of the Project:

An important aspect of this investment lies in the climate change element related to recovery of resources and creation of scrap as a raw material for steel making out of metal waste. Production of steel out of scrap significantly reduces CO2 emission and lowers energy and water consumption as compared to the traditional method. In addition to the environmental impact, metal waste management is vital for growth and sustainability of the Balkan economies, many of which are struggling with high unemployment and with management metal waste. The Group's operations and the Project address both issues by providing direct and indirect employment for collecting the waste metal and cleaning up the areas from the waste

IFC's Expected Additionality:

Provision of long-term financing and counter cyclical support for the aftermath of the steel sector downturn experienced in 2008-early 2010. Tenor of the proposed IFC financing is expected to improve the risk profile of the Group's balance sheet.
Long-term partnership. IFC, as a strategic partner may support the Group's new business activities in the new regions.
IFC will ensure compliance of the Group's Balkan operations with the IFC's environmental and social standards. IFC's standards will also help validate the Group's existing practices and procedures.

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Environmental and Social Issues B - Limited :

The Project has limited potential adverse environmental and social impacts which can readily be addressed through effective implementation of good international industry practices in line with the requirements of IFC's Performance Standards as well as Environmental, Health and Safety (EHS) guidelines. This proposed investment is therefore a Category B project according to IFC's Environmental and Social Review Procedures.

The key environmental and social issues reviewed with this investment include: Labor and working conditions including occupational health and safety considerations relating to Scholz' employees and within the supply chain, relevant treatment of vulnerable groups which may include underage workers, management of storm-water run-off from scrap metal collection and processing centers, soil and groundwater pollution control, handling and storage of hazardous materials, transportation safety, expansion of collection and processing capacity that may require land acquisition, avoidance of involuntary resettlement, community, health, safety and security.

While all Performance Standards are applicable to this investment, IFC's environmental and social due diligence indicates that the investment can have impacts which must be managed in a manner consistent with the following Performance Standards:

- PS1 – Social and Environmental Assessment and Management Systems;
- PS2 – Labor and Working Conditions;
- PS3 – Pollution Prevention and Abatement;
- PS4 – Community Health Safety and Security;
- PS5 – Land Acquisition and Resettlement

Further information can be found in the Environmental and Social Review Summary and the relevant action plan.


For inquiries and comments about the project contact:

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Local access of project documentation:

www.ciosgrupa.com

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For inquiries and comments about IFC:

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Comment:

Approval Status:

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