

Presentation for the



Corporate Reporting Conference

Due Diligence: Investor's Point of View

September 2004

Moscow, Russia



INTERNATIONAL FINANCE CORPORATION
A Member of the World Bank Group

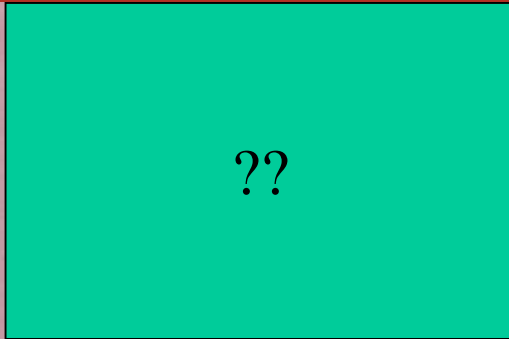
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- Why and What
- In more detail
- Introduction to IFC

Why Due Diligence

- Due diligence helps understand the company, its business, its position in the marketplace, and externalities
- Financial institutions do not know how to build businesses – they know how to finance them





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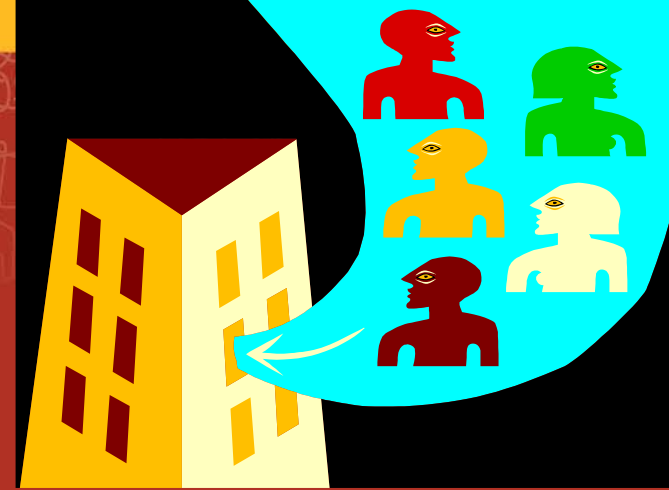
IFC due diligence scope

- Project Overview
- Project Company
- Capital Investments
- Project Timeline
- Production Process
- Marketing and Sales
- Sponsors, Management, Personnel
- Financing
- Other (insurance, environment, social, etc.)



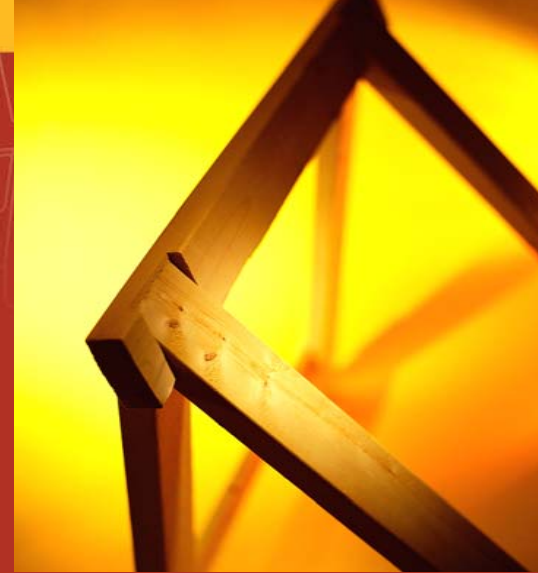
Project Company

- Ownership structure
 - Structuring
- Legal status
 - Often “work-in-progress”
- Board of directors
 - Independents? Affiliated persons?
 - Corporate governance



Capital Investments

- Site
- Works and Buildings
 - Permits
- Equipment
- Pre-op and start up
 - Working capital
- Contingencies





Production Process

- Technology
- Scale and scope of production / capacity
- Production process
- Production requirements and costs
- Annual CAPEX
- Quality control
- Environmental impact
- Technical assistance agreements

Marketing and Sales

- Competitive market position
- Market structure
- Marketing / sales arrangements, fees
- Prices and volumes, historical trends



Sponsors, Management, Personnel

- Background
- Management structure and responsibilities
- Management targets and incentives
- Management agreements
- Personnel practices



Financing



- Capital structure
 - Debt/equity, shareholder structure, debt structure, relationship bankers
- Margins and breakeven analysis
- Financial projections

Major issues in Russia

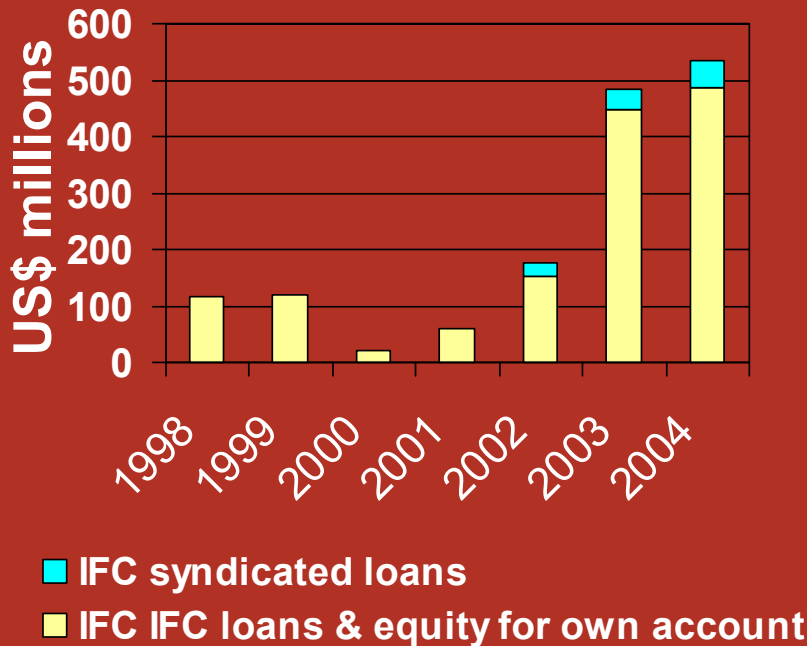
- Private sector is 13 years “young”, oftentimes the corporate history spans less than 5 years
 - Working on the first set of IFRS-audited financial statements
 - Building up a comprehensive legal structure
 - Understanding the sponsors – background, history of asset acquisitions
 - Tax structuring and cash flow analysis

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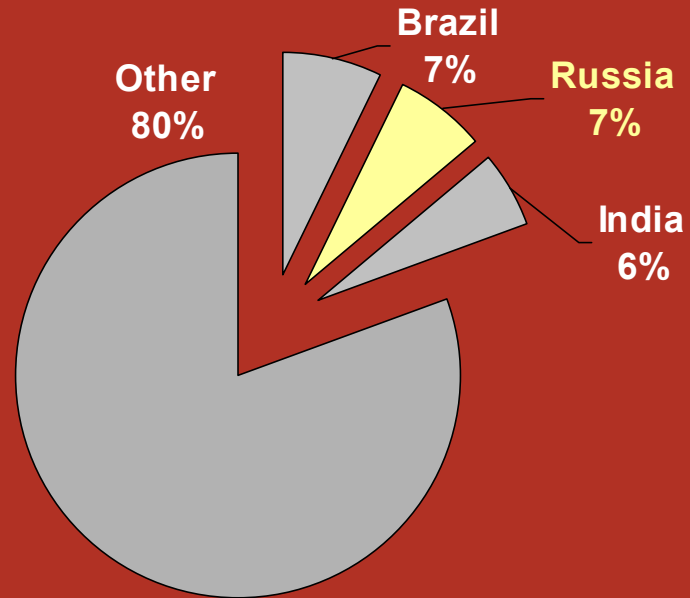
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IFC Has Reached Record-High Commitments and Exposure in Russia

Total Commitments in Russia
FY1998-2004

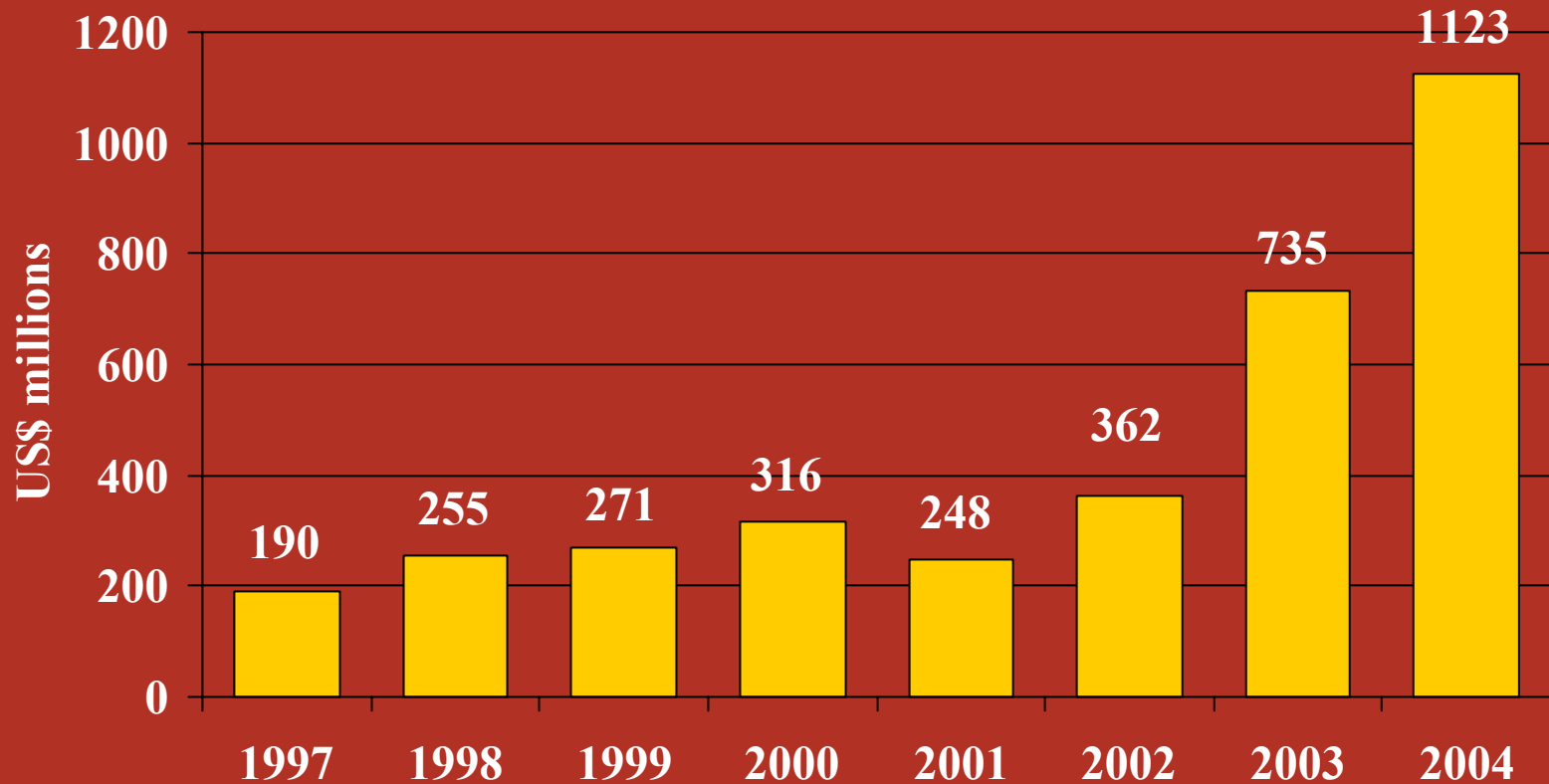


IFC Committed Portfolio by Country
FY2004

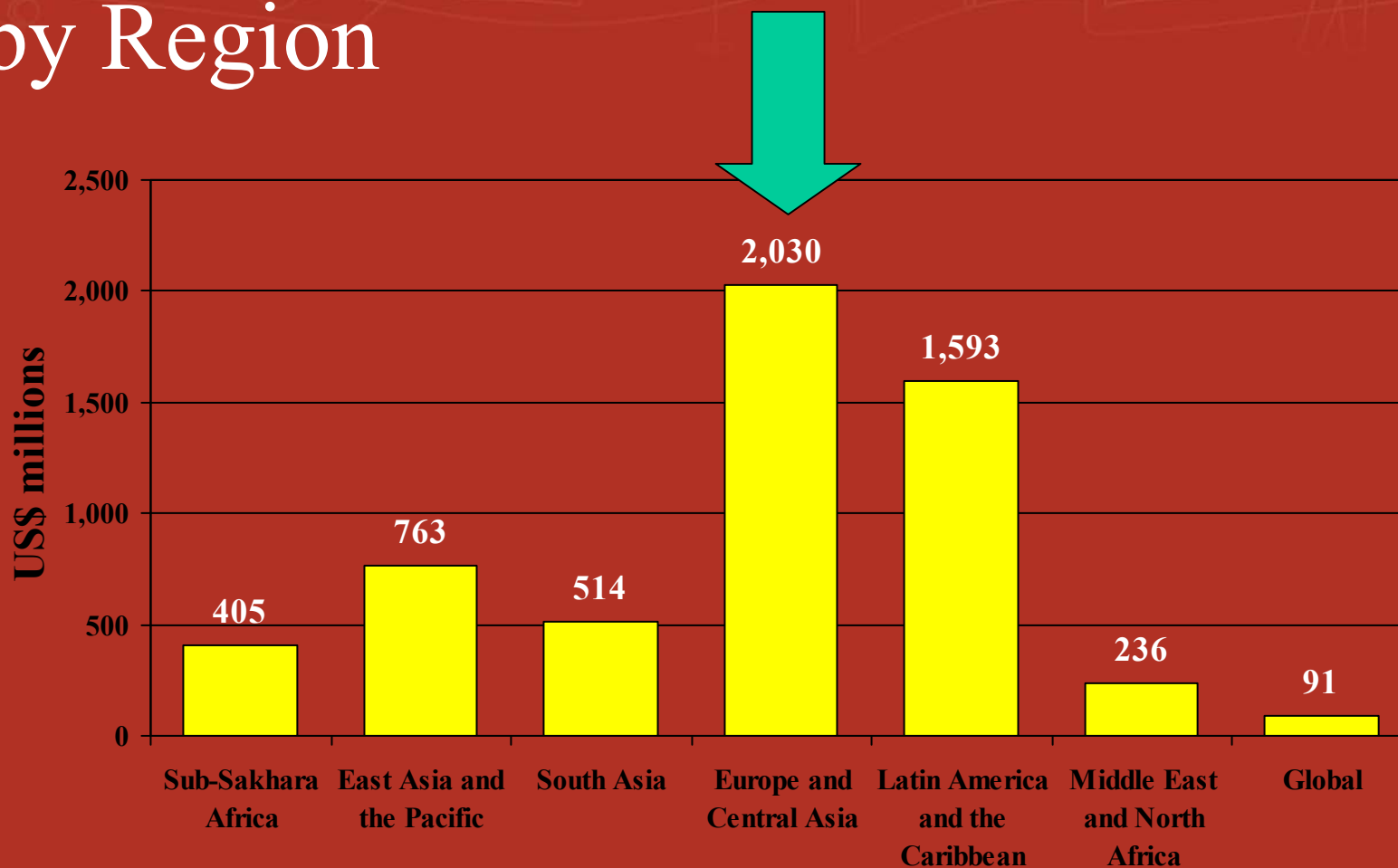


Russian Portfolio: \$1.2 billion
(for own account)

IFC Portfolio in Russia by Year



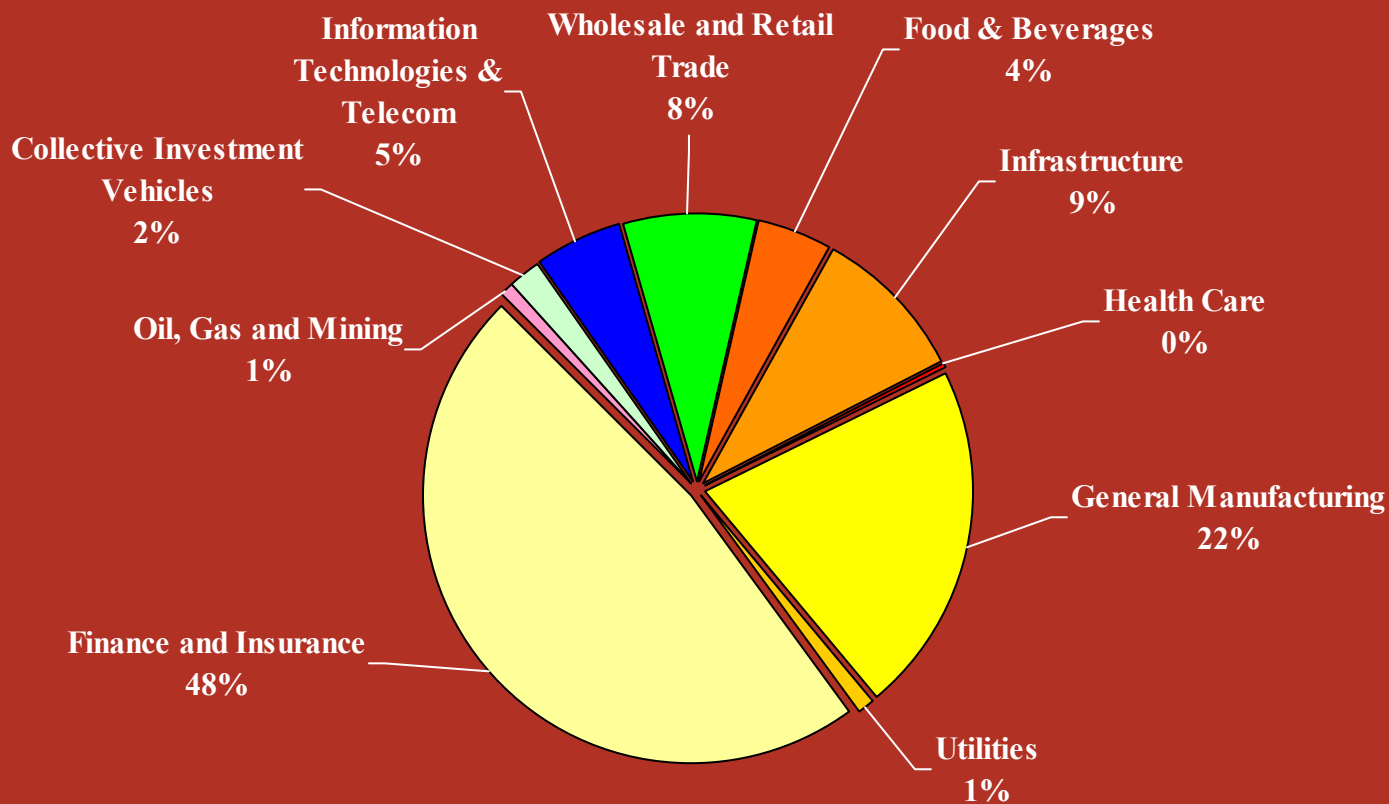
IFC Commitments in FY04 by Region



Total \$5,633 million
(IFC account and syndications) 18

IFC Portfolio in Russia by sector

(as of June 30, 2004)



IFC is a Part of The World Bank Group



**International Bank for
Reconstruction and Development, 1945**



**International Finance
Corporation, 1956**



**International Development
Association, 1960**



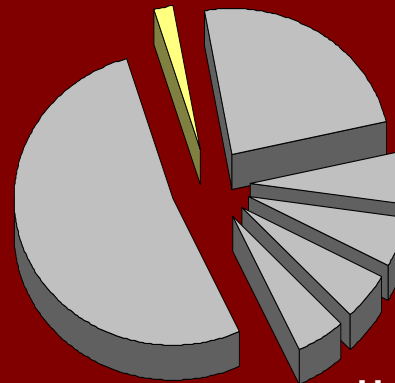
**International Center for Settlement
of Investment Disputes, 1966**



**Multilateral Investment
Guarantee Agency, 1988**

176 member countries

**Russian Federation 3.4%
Shareholder since 1993**



United States 23.7%

Japan 5.9%

Germany 5.4%

France 5.1%

United Kingdom 5.1%

Other 51.4%

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

- AAA rated
- Worldwide Portfolio: \$17.9 billion* (FY2004)
- Total commitments: \$ 4.75 billion** (FY2004)
- Operating income: \$ 0.98 billion (FY2004)

1956-2004: \$67 billion invested in
3,143 companies in 140 countries

Thank you!

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