

Invest Colombiaⁱⁿ

Work Commitment Ingenuity

Iron & Steel Sector

September 2009



Libertad y Orden
Ministerio de Comercio,
Industria y Turismo
República de Colombia

I. An opportunity in Iron & Steel Sector

II. Trends Iron & Steel sector

III. Proexport Services



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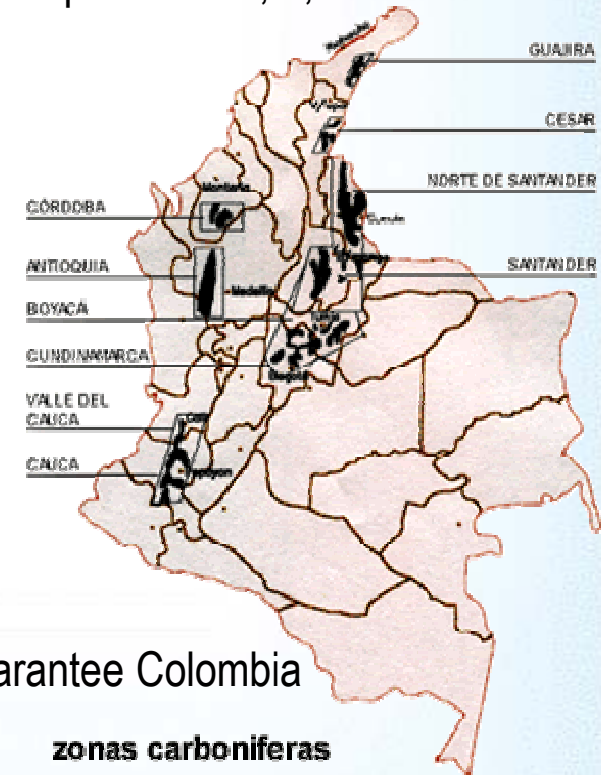
PROEXPORT
COLOMBIA
Aliando Puertos, Camando Negocios

Abundant raw material and natural resources reserves (2,470 Mt Coking Coal reserves)

- Colombia is the country with greater coal reserves in Latin America, with potential resources of 16,992 Mt, from which 7,063 Mt are measured reserves, 4,571 Mt pointed out, 4,237 Mt inferred and 1,119 Mt hypothetical reserves

Coking Coal Reserves

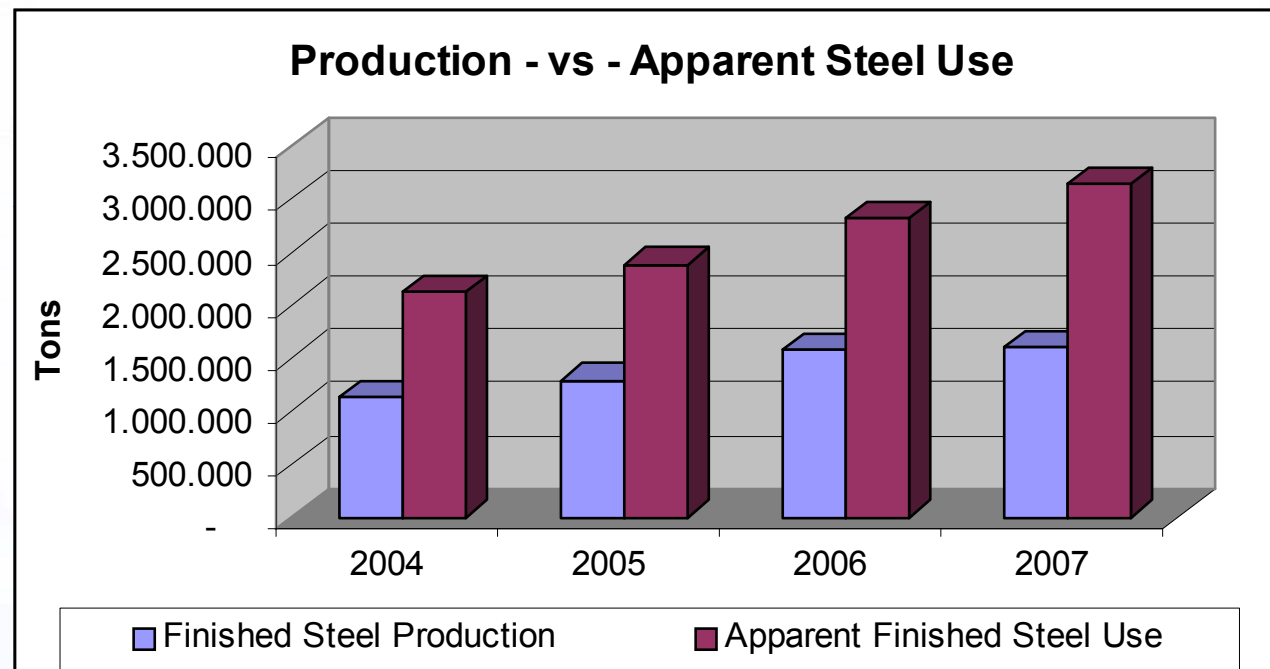
| MT Reserves | Norte de Santander | Santander | Boyacá | Cundina marca | Total |
|--------------|--------------------|------------|-------------|---------------|--------------|
| Proved | 44 | 133 | 681 | 607 | 1.465 |
| Probable | 50 | 26 | 590 | 339 | 1.005 |
| Total | 94 | 159 | 1271 | 946 | 2.470 |



- With the current exportation rate, the measured coal reserves guarantee Colombia production for 120 years

Apparent Finished Steel Use more than Mt 3.1 Colombia just produce Mt 1.5, Imports up to Mt 1.6

Apparent finished steel production in Colombian reached, 1'597.658 Tons by 2007 (basically Long steel production 74%) working in leves of 85% of our currency capacities. The increasing domestic consumption has to be cover with imports for more than Mt 1.6 per year.

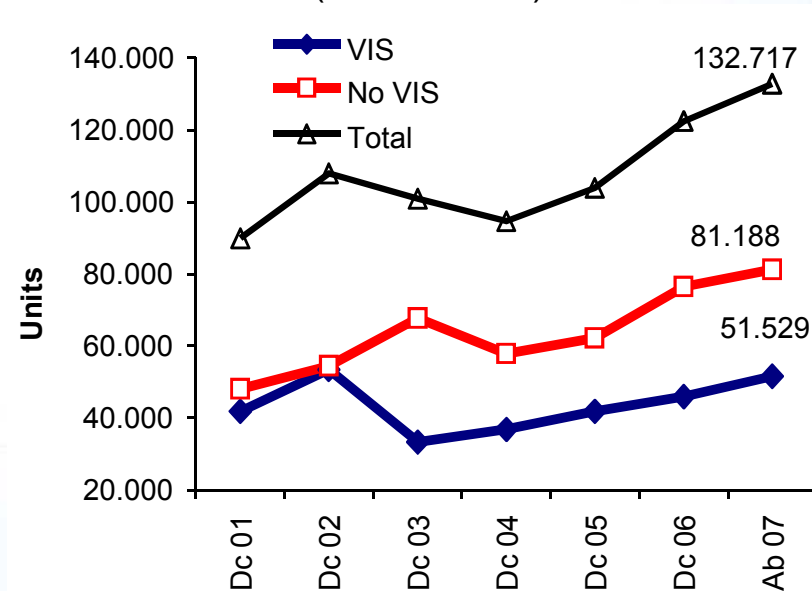
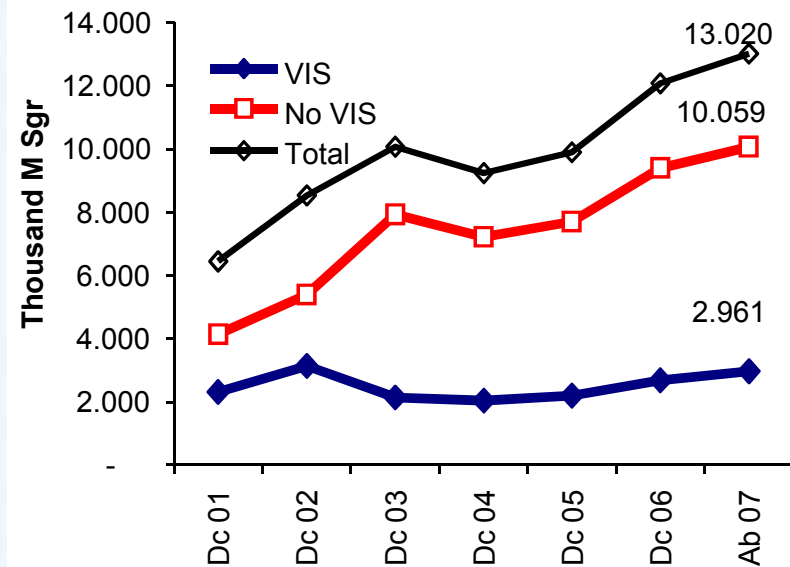


Attractive construcción sector growth by 10%

- During the last years as a result of a huge number of new houses under the Governmental Housing Solutions, the low interest rates in the financial sector for buying house the construction sector has achieved growth of 10%
- The Colombian housing deficit was estimated to be around 1.1 M units. And the geographical position of the country allows to export construction products to the Andean region where the deficit reached 3.5 M units.

Source: ECLAC – Economic Commission for Latin America and the Caribbean <http://www.eclac.org/>

CONSTRUCTION LICENSES
ANNUAL GROWTH AND ACUMULATE GROWTH (2001 – 2007)



Infrastructure projects with Government budget of US\$ 15,000 Million

Some projects in progress:

- ***US\$ 14,000 MII for Road Infrastructure** : Under the document Vision Colombia 2019 the National Planning Department (DNP) define goals, plans and projects to ensure a coherent development of the country.
- ***US\$ 400 MII Transmilenio**: (Public System Transport). By 2010 the national government and the municipal government of Bogotá expected an investment of US\$ 400 MII for the Transmilenio Phase III

Source: <http://web.presidencia.gov.co/> - <http://www.transmilenio.gov.co/>



Investment Incentives

- I. Free Trade Zones Regime
- II. Income Tax
- III. Legal Stability Contracts

The most competitive FTZ's in Latin America: 15% income tax and allows sales to the local market

- ✓ Single 15% income tax rate for 30 years extendable for an equal period of time.
- ✓ No customs taxes (VAT or CUSTOMS DUTIES).
- ✓ Exports made from Free Trade Zones to foreign countries benefit from international trade agreements. (Except Peru).
- ✓ No customs duties for any machinery directly related with the business' operation.
- ✓ Quick and simplified customs procedures.
- ✓ Two different types of FTZs are available:
Permanent FTZ and Single Enterprise FTZ.



Two types of Free Trade Zones

1. PERMANENT
FTZ

2. SINGLE
ENTERPRISE FTZ

1. PERMANENT FREE TRADE ZONE (PFTZ)

Various companies can locate in a free trade zone already established.

Requirements of PFTZ's for Industrial users of goods and services:

| Total Assets (USD) | Investment (USD Million) | AND direct jobs |
|------------------------|-----------------------------|-----------------|
| 0 – 113,000 | 0 | 0 |
| 113,001 – 1.13 Million | 0 | 20 |
| 1.13 – 6.78 Million | 1.13 | 30 |
| More than 6.78 Million | 2.60 | 50 |



Exchange rate used: USD 1 = COP 2,200. Minimum Monthly Legal Wage for 2009 is COP 496,900. The M.M.L.W, as well as the exchange rate is subject to variations.



Two types of Free Trade Zones

1. PERMANENT FTZ

2. SINGLE ENTERPRISE FTZ

2. SINGLE ENTERPRISE FREE TRADE ZONE (SEFTZ)

A company can benefit from a free trade zone by establishing in any location of Colombia.

| Type of SEFTZ | Investment (USD Million) | AND direct jobs |
|-------------------|--------------------------|-----------------|
| Goods (1) | 33.88 | 150 |
| Services (2) | 2.26 – 10.39 | 500 |
| | 10.39 – 20.78 | 350 |
| | 20.78 or more | 150 |
| Port Services (3) | 33.88 | 20 |

| Type of SEFTZ | Investment (USD Million) | OR direct jobs |
|-------------------------|--------------------------|----------------|
| Agribusiness (Biofuels) | 16.94 | 500 |

- (1) Each additional investment of USD 5.19 MM reduces the number of jobs required by 15; in any case 50 jobs must be created.
- (2) For recognized entities which provide health services, 50% of the jobs may be outsourced.
- (3) 50 jobs may be outsourced instead of the 20 direct jobs.

Exchange rate used: USD 1 = COP 2,200. Minimum Monthly Legal Wage for 2009 is COP 496,900. The M.M.L.W, as well as the exchange rate is subject to variations.



Why take advantage of Colombia's Free Trade Zones?

Tax deduction of 40% of the value of the Fixed Productive Assets acquired.

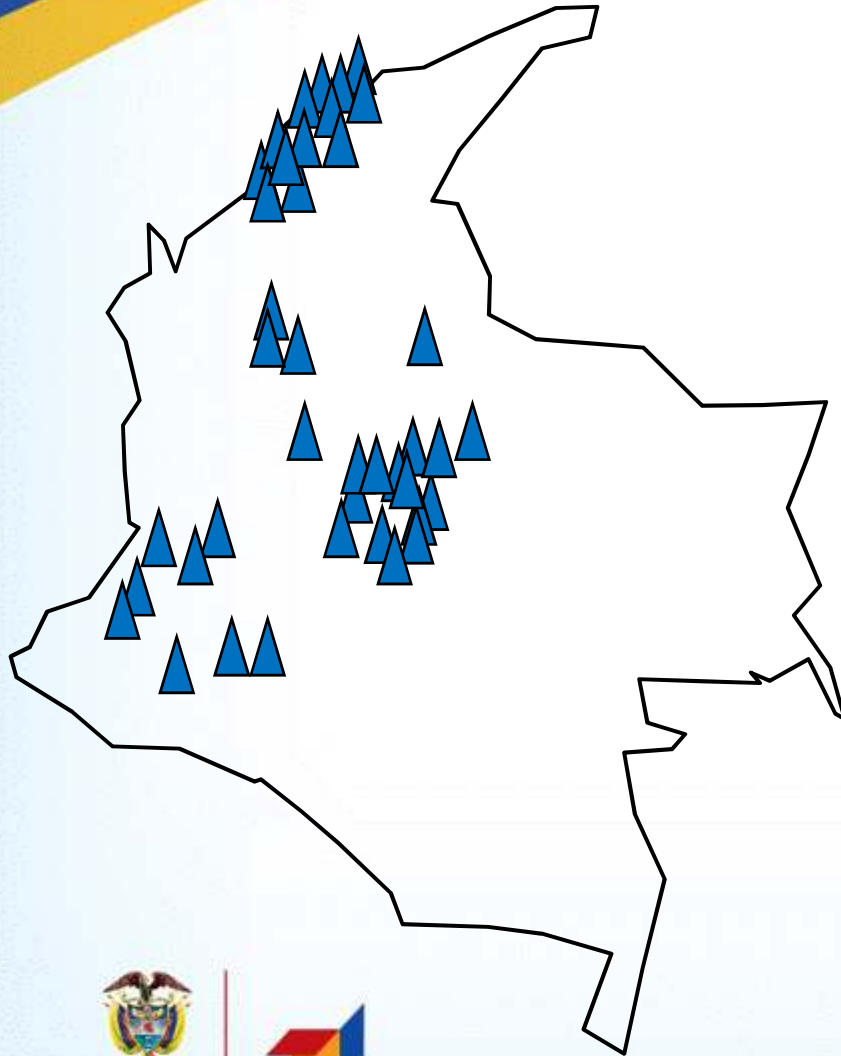
Tax deduction of the 100% of the Industry and Commerce Tax and the Real State Tax, paid in the corresponding tax year and which have direct relation with the taxpayer.

Tax deduction of the 25% of the financial operations tax withholding, regardless the economic activity of the taxpayer.

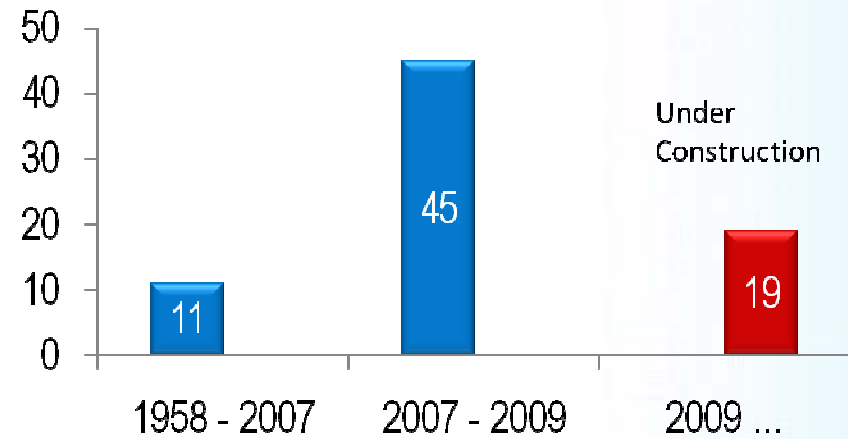
VAT Tax exemption on all the products exported.

Plan Vallejo: VAT Tax exemption on all the import operations of raw materials and inputs for the production process of export goods.

New Free Trade Zones



Number of Approved Free Trade Zones



New FTZs in Figures

| | |
|--------------------------------|--------|
| Total Investment (USD Million) | 5,305 |
| Direct Jobs | 39,620 |
| Indirect Jobs | 86,137 |

Investors can sign Stability Contracts with the Colombian Government

Objective

Guaranteeing the legislation and administrative interpretation as a determining factor for the investment project.

Conditions

Investments over USD 1,690,000*

Investor considered must pay a premium to the Government equivalent to 1% of the investment made.

Period

From 3 to 20 years maximum.



* These contracts exclude rules regarding the social security system, the obligation to report and pay taxes levied by the government under a state of emergency, indirect taxes (i.e., the VAT or the tax on banking transactions), prudential regulations of the financial system and the utility rate system.

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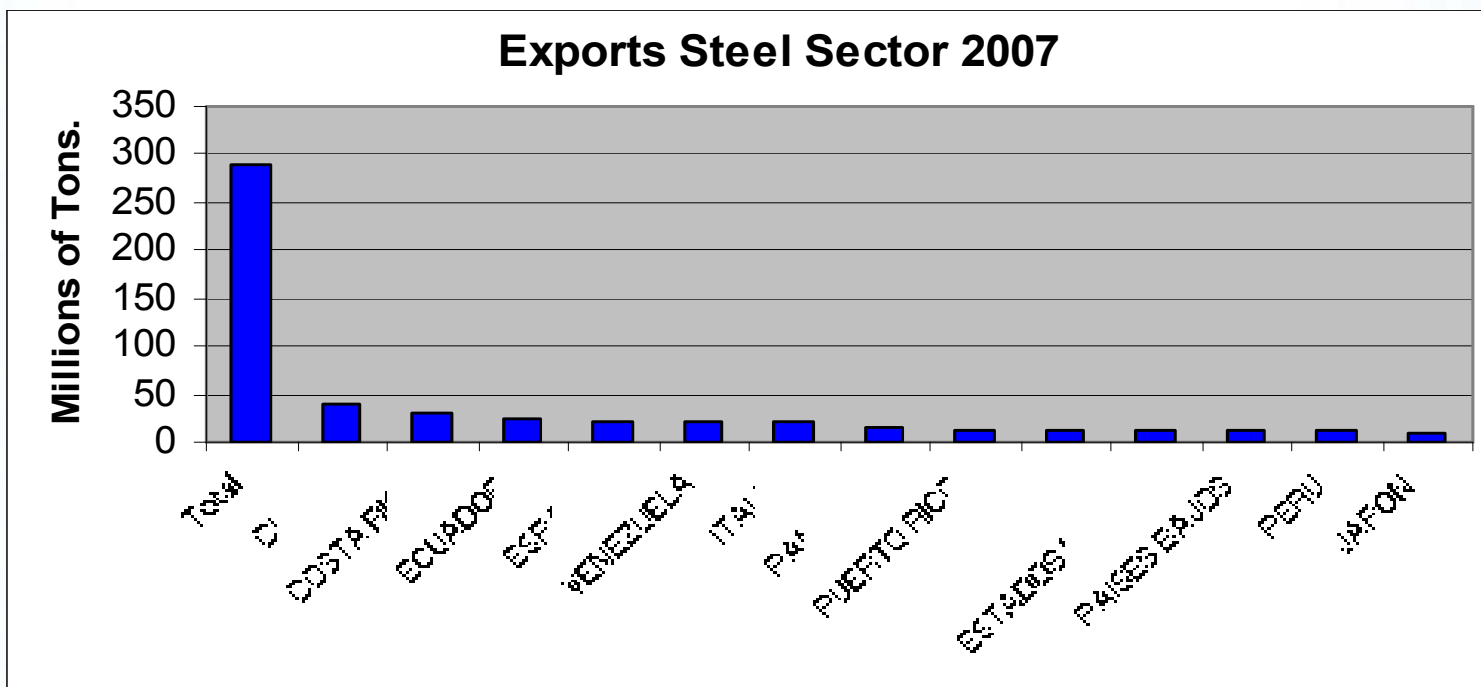
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Steel Sector Exports (HS Chapter 72) 2007 by Country



Source: DIAN

Colombian exports of the HS Chapter 72 (Iron and steel) reached 288 millions Tons. Estimate USD 1,858,776,691 by 2007.

Steel Sector Imports (HS Chapter 72) 2007 by Country



Source: DIAN

Colombian imports of the HS Chapter 72 (Iron and steel) reached 2 thousand millions Tn with USD 1,453,916,204 by 2007. (Scrap represent 210 millions Tn)

Colombian Steel Companies

Long products

Acerías Paz del Río (Votorantim)
Diacó (Gerdau)
Siderúrgica Nacional- Sidenal
Acerías de Caldas- ACASA
Siderúrgica del Orinoco- SIDOC
Siderúrgica del Norte- SIDUNOR

Flat products

HR :Acerías Paz del Río
CR : Acerías de Colombia-ACESCO
CORPACERO
Recubiertos: ACESCO, CORPACERO, HOLASA

Welded Tubes

TuboCaribe (TENARIS)
Corpacero
Colmena
Perfilamos del Cauca
Fanalca

Wire Drawing Products

Productora de Alambres- Proalambres
El Caballo
Industrias Corsán
Productora de Alambres Colombianos-
Proalco
Armalco
Alambres y Mallas- Almasa



International players in steel industry have invested in Colombia



Votorantim (Brasil) The Votorantim Group acquired 52% of Acerias Paz del Rio (APR). The only integrate colombian mill steel. Investment US\$ 490 M by public bid on March 2007



Gerdau (Brasil) The biggest steel maker in America and 14th in the world. They have facilities in Brazil, Argentina, Canada, United States and Uruguay. Bought 2005 Diaco and Sidelpa.



Arcelor-Mittal (Reino Unido) They have a trading operation in Bogota and recently by September 2007 set up an stainless steel process in a permanent Free Trade Zona in Barranquilla, They also participated in APR bid



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Proexport: Investment Promotion Agency offers world class services to foreign investors

- ✓ **Tailor made information request**
- ✓ **Contacts** with public and private sectors
- ✓ **Set up of agendas** when investors decide to visit to Colombia
- ✓ **Aftercare services** for investors that are already established in the country
- ✓ **Assessment and improvement** of business climate



Conclusions

- ✓ Colombia shows favorable conditions and continued improvements in economy, security, and labor force stability.
- ✓ Remarkably competitive mechanisms such as Free Trade Zones and Legal Stability Agreements are the result of the development of government policies regarding investment promotion.
- ✓ As a result of all the improvements, a high level of trust is perceived from entities and business persons around the world.



Proxeport's overseas offices



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Colombia
is passion!



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