



Number: 470-16/2007/3

Date: March 8, 2007

BUYBACK OFFER FOR THE REPUBLIC OF SLOVENIA'S RS38 RS49, RS53, RS57 UbxRS62 BONDS

This is to inform you that on March 8, 2007 the Government of the Republic of Slovenia has, in accordance with the section 3. of the Financing Program of the Republic of Slovenia Central Government Budget for the Fiscal year 2007, which sets the framework for buy back operations of existing bonds series RS38, RS49, RS53, RS57 in RS62 with the proceeds of the new 11-year government bond, approved a supplement to the financing program providing for a detailed proposal for the buyback operation execution.

On the basis of the Government's approval all holders of the Republic of Slovenia's RS38, RS49, RS53, RS57 in RS62 bonds (»the Bonds«) are hereby invited to participate in the March 16, 2007 buyback auction, its' settlement date being set on March 23, 2007. The buyback auction will be executed through primary dealers for the Republic of Slovenia's bonds for 2007¹ ("Primary Dealers") in a manner and using the procedures set by this Offer.

1. The Execution of the Buyback Auction

The buyback auction will be executed on the basis of the Rules of the Republic of Slovenia Government Securities' Auctions for 2007² save as otherwise provided herein. The buyback auction will be executed in one phase by competitive bidding.

The Bondholders may, as bidders, submit their proposals for buyback indirectly, through the Primary Dealers. At the auction, the Primary Dealers will submit the buyback bids in their own name and for own account as well in the name and for the account of other Bondholders (» the Bidders« or »Bidder« as the case may be).

1.1. Submitting the bids

- The Bidder may submit his order to a Primary Dealer for the sale of the Bonds to the Republic of Slovenia in the whole number of Bonds held or at a lesser number of Bonds, whereby the minimum number of Bonds of one bid is 1 Bond.
- The Bidder may bid only the Bonds that are **free and clear of any lien or encumbrance**.
- The order by the Bondholder to the primary dealer for submitting the bid must state:
 - **the number of Bonds bid,**
 - **the bid price** for the buyback of the Bond, expressed in percents of the nominal value of the bid, rounded to two decimals, and

¹ Primary Dealers for 2007 for the Republic of Slovenia's bonds are: Abanka Vipa d.d, Bank Austria Creditanstalt d.d., Ljubljana, Nova Ljubljanska Banka d.d., ABN AMRO, Dresdner KW, JP Morgan, Societe Generale, Deutsche Bank, BNP Paribas. The list of primary dealers is published on the Ministry of Finance website, page:

www.gov.si/mf/slov/vredn_papirji/seznam_prim_vpisl_obvezn.htm

² The Rules of the Republic of Slovenia Government Securities' Auctions for 2007 are published on Ministry of Finance's website <http://www.gov.si/mf/angl/obvezn/aobveznice.htm>

- **the account number and payment instructions** for payment of the settlement amount.

The buyback bids will be valid, if submitted into the auction in proper, complete and timely manner as set down by Section 1.1. and Section 1.2. of this Offer. Bids submitted at the auction, represent irrevocable and binding obligations for the bidder.

1.2. The Selection and Acceptance of the Bids

The selection and acceptance of the bids will be performed immediately after the closing time for submission of the bids.

In the process of selection and valuation of the bids, the Ministry of Finance will consider each submitted bid as a separate bid. In selecting the bids, all the bids will be ranked from the lowest priced to the highest priced bid. Each bid may be accepted at the bid price or rejected, in part or in total.

In the case that the Ministry of Finance is willing to accept the bids at a certain price but in the amount lower than the sum of bids at such a price, the bids at such a price will be accepted in partial amounts. To execute the split of the bids, the provisions of section 9.10 to 9.14 of the Rules for execution of Auctions of Government Securities for 2007³ will be used accordingly.

The Ministry of Finance may buy back the Bonds in partial or total nominal amount of the issue or, respectively, not to buy back any of them.

After the selection and acceptance of the bids, the Ministry of Finance will send to the Primary Dealers a confirmation of all of the accepted bids, both in their own name and account and in the name and on the account of the customers by telefax and by e-mail. The Primary Dealers are obliged to inform the Bidders whose bids they submitted to the auction, of their bids that have been accepted.

The auction results will also be published on the Ministry of Finance website, page http://www.gov.si/mf/angl/obvezn/auction_results.htm as well as through the information systems Reuters (page MFSLO5) and Bloomberg (page »SLRL« and »SLBA«).

1.3. Settlement

The Bidders whose bids were accepted will be obliged to transfer the Bonds sold to the securities account of the Republic of Slovenia, number 14481911, operated by Nova Ljubljanska bank, Ljubljana (»Securities Account«) at the latest by the date specified in the section 2.3. of this Offer, this being a precondition of payment of the settlement amount.

Following Section 2.3. of this Offer, the Republic of Slovenia will execute the settlement of the Bonds bought back and transferred to its Securities Account by paying to each Bidder whose bid has been accepted in the auction, through its' paying agent, the Public Payments Administration, the settlement value of the Bonds that will be bought back (i.e. the number of Bonds x bid price x nominal value of 1 bond) together with the accrued interest. In accordance with the Slovenian tax law, the Income Tax at the rate of 15% will be levied by way of withholding tax from the amount of interests payable to individuals, being Slovenian residents or residents of countries other than Members of the EU.

³ The Rules for Execution of the Government Securities' Auctions are published on the Ministry of Finance website, page http://www.gov.si/mf/slov/vredn_papirji/pravila_avkcij_2007.pdf

On the settlement date the Ministry of Finance will issue to KDD - Central Securities Clearing Corporation Inc. Ljubljana (»KDD«) an order for cancellation of Bonds bought back and transferred to its Securities Account, from the central registry of securities maintained by KDD.

The Ministry of Finance and the Bidder will each bear their own cost of fees charged by the KDD member for effecting the transfer of the Bonds to the Securities Account.

2. Buyback timetable

The buyback auction will be held on March 16, 2007, between 9.00 and 12.00 hours.

2.1. Submission of the bids

Primary Dealers will submit the bids between 9.00 and 12.00 hours, on the day of the auction.

Primary Dealers will accept the customers' orders until 11.00 o'clock on March 16, 2007; however, they may accept bids at a later time if they deem such an order executable within the timeframe of the auction.

2.2. Selection and acceptance of the bids

On auction day, the Ministry of Finance will send, by telefax and by e-mail, confirmations of the accepted bids, submitted in the name and for own account the Primary Dealers and the accepted bids, submitted in the name and on account of the customers, to the Primary Dealers no later than by 16.00.

The Ministry of Finance will publish the results of the auction by 16.00 on the auction day in the manner defined in Section 1.2. of this Offer.

2.3. Settlement

On March 23, 2007 the Ministry of Finance will pay to the Bidders the settlement amount for the Bonds bought back together with accrued interests for the period from the last interest payment date to the settlement date, in the manner defined in Section 1.3. of this Offer.

The Bidders whose bids were accepted must submit to the KDD member operating their securities account an irrevocable transfer order⁴ for the Bonds sold, in such a manner that the Bonds will be on the Securities Account of the Republic of Slovenia No. 14481911, operated by Nova Ljubljanska banka d.d. Ljubljana by and including March 20, 2007. **The transfer of the Bonds sold to the Securities Account of the Republic is a condition for payment of the settlement amount by the Republic of Slovenia.**

In the case that a Bidder fails to notify the Primary Dealer, when submitting a bid to the Primary Dealer in the manner set by Section 1.1. of this Offer, on the number of the account into which the settlement amount is to be paid and on the payment instructions pertinent, or in the case that such instructions are incorrect, following which the Bidder will not receive the settlement amount on March 23, 2007 on its account, the Bidder is to notify the Ministry of Finance, Central Government Debt Management Department, Beethovnova 11, 1502 Ljubljana, Slovenia, immediately (contact person Ms. Kristina Pišl Toličič, telephone: +386 01 369 6457 or +386 01 369 6440, e-mail: kristina.pisl@mf-rs.si). The Bidder is to notify the Ministry of Finance the correct account number and/or other data relevant for execution of

⁴ Transfer order in the forms 100 or 600.

the payment by the Ministry of Finance to the Bidder. Settlement amount not paid by the Republic of Slovenia due to incomplete information on the Bidder or its account, will not bear interest from March 23, 2007 onward.

3. Entering into Binding Contract

This Offer is binding for the Republic of Slovenia. The bidder submitting a bid to the auction is thereby accepting all the conditions of this Offer.

A buyback contract at the price and the amount of accepted bids and other conditions set by this Offer will be entered into between the Bidder and the Republic of Slovenia by delivery of the confirmation by the Ministry of Finance to the Primary Dealer.

Stanislava Zadavec C.
Director General