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MODE OF BUYBACK EXECUTION FOR THE REPUBLIC OF SLOVENIA'S RS38, RS54 and RS57 BONDS

On December 20, 2007 the Government of the Republic of Slovenia has approved the Financing Program of the Republic of Slovenia Central Government Budget for the Fiscal year 2008, which in accordance with the section 3. sets the framework for buy back operations of existing bonds. Section 3.2 of the Financing Program includes a list of 14 government bonds, eligible for buybacks in 2008. According to this section before each auction the Ministry of Finance defines the buyback execution and the final list of the bonds to be bought back in specific buyback auction¹.

The buyback auction will be executed through primary dealers for the Republic of Slovenia's bonds for 2008² ("Primary Dealers") in a manner and using the procedures set by this Offer.

1. The Execution of the Buyback Auction for RS38, RS54 and RS57 bonds

The buyback auction will be executed on the basis of the Rules of the Republic of Slovenia Government Securities' Auctions for 2007³ save as otherwise provided with the buyback offer or 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-individual person may bid only the Bonds that are **free and clear of any lien or encumbrance**. The bidder-legal entity may bid Bonds that are not free and clear of any lien or encumbrance at the time of submitting the bids, but is obliged to

¹ Section 3.2.2. of the Financing Program for 2008 sets the timing of the first buyback auction synchronized with the first new benchmark bond issue. Further buyback auctions will be held monthly, every third Thursday of a month.

² Primary Dealers for 2008 for the Republic of Slovenia's bonds are: Abanka Vipa d.d, Unicredit Banka Slovenija 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

³ 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>

transfer the bought back bonds **free and clear of any lien or encumbrance** to the securities account of the Republic of Slovenia, operated by Nova Ljubljanska banka d.d. Ljubljana, in a manner and till the date, set by the section 2.2. of this document.

- 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,
 - **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 2. of this document. **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 of in the auction.

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 2007 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 at the auction, 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«).

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 144819113, operated by Nova Ljubljanska banka, Ljubljana (»Securities Account«) at the latest by the date specified in the section 2.2. of this document, this being a precondition of payment of the settlement amount.

Following Section 2.2, 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 20% 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.

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. Submission of the bids

For RS38, RS54 and RS57 Primary Dealers will submit the bids between 8 a.m. and 11 a.m. CET, on the day of the auction.

Primary Dealers will accept the customers' orders till the time which in their opinion still allows the execution of the orders within the timeframe of the auction.

2.1. Selection and acceptance of the bids

The Ministry of Finance will publish the results of the auction till 1 p.m. CET on the auction day via Bloomberg and till 3.30 p.m. CET at the latest on its website in the manner defined in Section 1.2. of this document.

On the auction day till 3.30 p.m. CET at the latest the Ministry of Finance will send to the Primary Dealers by telefax and by e-mail, confirmations of the accepted bids, submitted in the name and for own account of the Primary Dealers and the accepted bids, submitted in the name and on account of the customers.

2.2. Settlement

On the settlement day 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 document.

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. 144819113, operated by Nova Ljubljanska banka d.d. Ljubljana, by and including the date which is one business day before the settlement date.

The transfer of the Bonds free and clear of any lien or encumbrance 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, 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

⁴ Transfer order in the forms 100 or 600.

amount on the settlement date 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 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 the settlement date onward.

Boštjan Plešec
Secretary