



**SLOVENE
EXPORT
CORPORATION**

Products and Services

- **export & domestic credit insurance**
(against short term commercial and/or non-commercial risks)
 - credit information
 - debt collection
 - legal and business advice
 - factoring
- **medium & long term export credit insurance**
- **investment insurance**
- **export financing**
- **guarantees**

Slovenska izvozna družba

družba za zavarovanje in financiranje izvoza Slovenije, d.d., Ljubljana
(Slovene Export Corporation, Export Insurance and Finance Corporation of Slovenia, Inc., Ljubljana)

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Compared to export credit agencies (ECAs) from other countries, SEC belongs to those one-stop agencies, which offer their customers a wide and complete range of financial and other products and services of

- **insurance,**
- **financing, and**
- **issuing guarantees,**

complemented by some additional services, like credit information (credit ratings of banks, companies, and foreign markets), legal and business advice, assistance with debt collection, etc.

SEC is the only financial institution in Slovenia, which insures credits against commercial as well as non-commercial risks, and at the same time insures investments of Slovenian companies abroad against political risks. It also provides direct or indirect financing of business transactions, including factoring and forfeiting, in domestic or foreign currency, and issues guarantees. SEC does not only support its customers in entering foreign markets, it also insures their domestic credits against short-term commercial risks. Through such comprehensive cover SEC can thus insure their whole turnover, which is also true for SEC guarantees, which can be issued to foreign or domestic beneficiaries.

With its advisory and preventive function of insurance SEC supports Slovene companies when entering their sales markets, pays their losses at the occurrence of insured events, and thereby insures them against the risks of non-payment from their domestic and foreign buyers, debtors or guarantors, irrespective of the reason for non-payment: commercial or non-commercial risks.

With its services of insurance, financing and issuing guarantees SEC supports companies in increasing their sales at competitive terms and utilizing business opportunities by creating necessary business security and by providing effective management of risks that could endanger their business or even existence. SEC also supports its customers by providing credit rating and other credit information, collection of debts, as well as legal and business advice.

Export, import, and domestic credit and investment insurance through assignment of insurance rights also facilitates hiring of loans, necessary for business development, at banks and other financial institutions.

In contemporary international trade the market position and negotiating power have changed mostly in favour of customers who require purchase on credit. By granting credit without demanding any additional securities the seller can increase the volume of business substantially when competing with others in the market. The seller can finance its credits himself or with a help of financial institutions (banks, factoring companies, ...)

In contemporary credit economy it holds true that there's no business without credit, but also that there's no credit without risk. Unfortunately, it happens quite frequently that the buyers are not able or willing to meet their payment obligations. The risk of late or non - payment can be devastating for company's business or even its existence if the debt has not been properly insured.

By transferring business risks to a specialized credit insurer the management of commercial and non-commercial risks as well as the necessary security of operations have been facilitated for sellers of goods and services. An export credit agency can insure various business transactions, export and domestic sales on credit, investments abroad, etc. Considering the variety of business transactions and standard credit terms for sales of goods and services (consumer goods are usually sold at short term credit, whereas equipment, capital goods and projects require medium or long term credits) the available credit insurance products protect the insured against commercial and/or political and other non-commercial risks of short or medium term export and domestic credits.

SEC INSURANCE PRODUCTS

SEC provides insurance of short-term (normally up to 180 days) export, import, and domestic credits against commercial (marketable) risks on its own account. This part of its portfolio is reinsured on the private market with first-rate reinsurers.

As the authorized (official) export credit agency SEC covers certain (non-marketable) risks on the account of the Republic of Slovenia, i.e. export credits and outward investments of Slovenian companies against political and other non-commercial risks. On state account it also insures medium term export credits against commercial risks and short-term credits to private buyers in risky countries, which, as a rule, cannot be insured and/or reinsured on the private market.

SEC customers are mainly Slovenian companies (mostly exporters) regardless of their size, legal status or ownership structure, and/or their banks. In principle, all trade on credit is suitable for SEC insurance, whether financed in form of supplier credits, buyer credits (including lines of credit) or leasing. SEC also insures investments abroad against political and other non-commercial risks, issue bank guarantees against unfair calling of on-demand guarantees due to non-commercial risks, goods at exhibitions and fairs abroad, equipment at construction sites abroad, etc. SEC insures exports of both consumer and capital goods, exports of services, especially in transport and tourism, construction works, and others. Its insurance covers post-shipment credit risks, and also pre-shipment (manufacturing) risks, which is particularly important for exporters of equipment and machinery.

On its own account SEC insures international trade (exports and imports of goods and services) regardless of their origin. However, when insuring on state account and under special terms and conditions, only exports of goods or services with limited foreign content may be covered or, under specific conditions, also foreign manufacturers, suppliers, contractors, investors or guarantors.

EXPORT & DOMESTIC CREDIT INSURANCE

Insurance of trade transactions of companies that sell goods and services on domestic and foreign markets at short-term credit (normally up to 180 days, but also up to one year), without demanding additional securities (usually a whole turnover cover, exceptionally cover of individual transactions) is a well-developed credit insurance product that provides companies with necessary business security, effective management of bad debt risks and competitive sales terms.

SEC products of credit insurance are available in a variety of combinations, custom-made and under competitive conditions. SEC insurance policies relieve companies of credit risks, which have been transferred to a specialized insurer. Beside the payment of indemnification in the case of an insured event SEC offers to companies also other complementary services like quality credit information, assistance with debt collection, legal and business advice, etc.

INSURANCE OF SHORT-TERM EXPORT CREDITS

Companies exporting on open account can insure their short-term credits against **commercial risks**, combined with the possibility of insurance against non-commercial risks (s. "Insurance against non-commercial risks").

By using this simple, effective, and price-competitive insurance product exporters can increase sales, reduce their operational risks, improve their risk management, facilitate planning of cash flow and access to favourable financing (for instance by assigning insurance rights to banks or other financial institutions, which in this case do not have to build up provisions in the total amount of the granted loan). At the same time the policy holders can improve collection of debts in cooperation with their credit insurer.

In conditions of modern economy in the global market crediting of customers is a well-established practice in most branches, without which it is very hard to get business deals since the advantageous position has changed in favour of buyers. This means considerably higher risks for suppliers and their operations. The SEC insurance policy effectively protects exporters against increasingly frequent bankruptcies, and similar events which represent permanent insolvency, or protracted default when the purchaser fails to pay his due debts arising from correctly performed supply of goods, or performed services, or postpones payment for a longer period of time (as a rule, 6 months). In such a case SEC, within 30 days following the receipt of evidence on an insured event pays the claim to the exporter in the total equivalent of the export transaction currency on the day of payment, reduced by the insured's self retention which usually represents 15 percent (in order to stimulate prevention of claims). For smaller buyers (discretionary limits) or customers from countries with high risk rating this percentage may be even higher.

In order to ensure the best possible distribution of risks, lower premiums, and to avoid the so-called negative selection of risks by policy holders, SEC normally signs revolving insurance contracts on a whole turnover basis, insuring export credits resulting from sales on open account to buyers, to whom SEC determines credit limits (i.e. maximal insurance cover) based on their credit rating which is closely monitored during the period of the insurance contract.

SEC insurance conditions are competitive with other instruments and comparable to terms and conditions of other export credit insurers. SEC offer and quality of services are benchmarked to those of the best related institutions abroad. Premium rates paid by exporters for insurance cover depend predominantly on the volume of sales, average payment terms, payment experiences, buyers' credit rating, country risk rating, and on the insured's self retention. Insurance premiums are usually invoiced retroactively on a monthly basis, based on actual exports. In case of smaller exports volume, they can be invoiced quarterly, semi-annually or yearly in advance.

By insuring export credits against commercial risks in package with non-commercial risks these transactions can also be financed or refinanced by SEC, thus achieving more favourable credit terms.

Beside insurance facilities SEC offers also high quality and up-to-date credit information on foreign and domestic buyers (SID-BON), access to such information and also to insurance services being available online (SIDNET) through the website (<http://www.sid.si>).

INSURANCE OF DOMESTIC CREDITS

SEC also insures short-term credits granted to Slovenian private buyers against commercial risks. This insurance is an adequate response to problems created by late payment or insolvency of Slovenian buyers and is based on the same principles as the insurance of short-term export credits against commercial risks.

CREDIT INSURANCE FOR SMALL AND MEDIUM-SIZED COMPANIES

Insurance of short-term credits allows small and medium-sized companies, with annual sales volumes of up to 1.5 million EUR, an easier access to insurance cover against commercial risks of late or non-payment under more favourable conditions and with minimum administration. SMEs usually have limited number of employees who could handle documentation required by financial institutions providing financing and insurance, therefore, SEC tried to facilitate access to its services with a special program for SMEs.

The program is performed in cooperation with commercial banks and other financial institutions (e.g. factoring companies) through which all the paper work is processed. This insurance facility allows SMEs also to finance their export transactions under more favourable conditions, and to refinance their export loans with SEC.

At the banks and financial institutions, which entered the arrangement of management of the so called collective policies with SEC, SMEs can perform all the operations of insurance and financing, including the assignment of rights from the insurance policy, as security for granted loans.

CREDIT RATING AND OTHER CREDIT INFORMATION

Nowadays, companies and financial institutions are operating in a highly competitive, dynamic, rapidly-changing, and uncertain environment, which all requires from them - in order to have effective risk management - to be well informed and to respond quickly and adequately to the changing situation on the market.

In order to provide its customers with quality credit information, help them with debt collection, and give them adequate legal and business advice SEC uses contemporary and professional methodology of risk assessment, established within its own information system and upgraded with up-to-date credit information and analyses, information about markets, paid and potential claims, buyers, debtors, and guarantors.

In addition to country risk ratings and information on export markets, customers may obtain the following information:

- credit rating information on Slovene companies (SID-BON),
- credit rating information on Slovene banks,
- credit rating information on foreign banks, in particular in SE, C and E Europe,
- credit rating information on foreign companies, in particular in SE, C and E Europe.

FACTORING

Among Slovenian companies factoring is becoming popular as a dynamic, flexible, and comprehensive facility and an important technique of external business financing that also provides safe sales on credit. SEC offers factoring as a complementary service to credit insurance through its daughter company PRVI FACTOR, Factoring Company, Ltd. (Slovenska 17, Ljubljana, tel.: +386/1/200 54 10; fax: +386/1/200 54 20).

Factoring (domestic, import, and export) is a synthetic product that comprises various services chosen by companies when selling their short-term trade receivables to a factoring company and provides companies with

- a flexible external (re)financing technique,
- an effective protection against risks of non-payment (and also against exchange rate risks) through assignment of rights from the insurance policy.

Factoring facilitates companies' access to financing under favourable conditions, whereby the factor can also perform other administration services, like

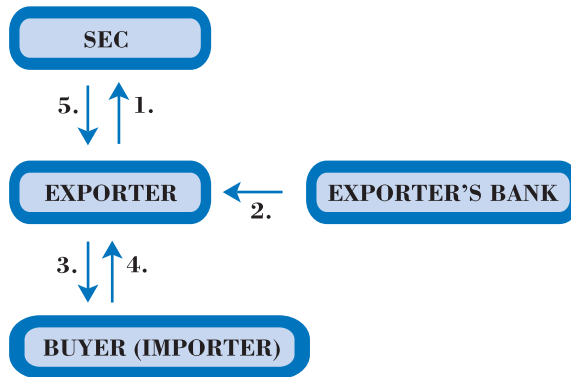
- handling the bought ledger, managing sales statistics and analyses,
- monitoring and collection of debt, taking legal actions, etc.

Insurance of medium term export credits against commercial risks

When dealing with bigger projects of exporting equipment, capital and quasi-capital goods or investments abroad the exporter is usually expected to provide financing as well.

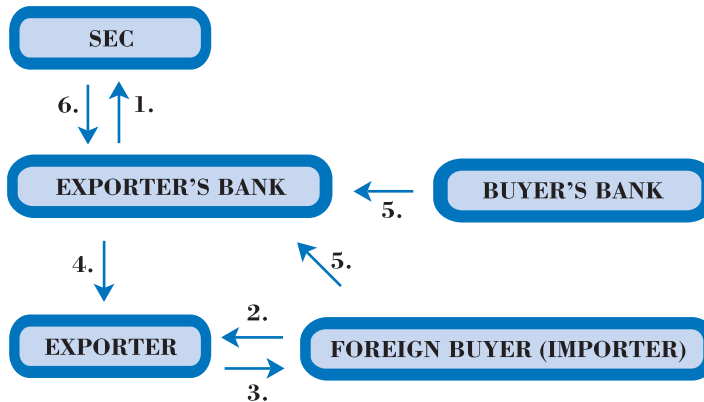
Long term financing under competitive terms and conditions is essential to arrange a deal. Banks and financial institutions are willing to provide financing only if the deal has been properly insured. SEC insures medium term export credits against commercial risks on state account in package with insurance against political and other non-commercial risks. The insurance cover can be provided on a case by case basis for various types of credits and purchase of receivables (e.g.: supplier / buyer credits, lines of credit) and for pre- and post-shipment risks.

Supplier Credit

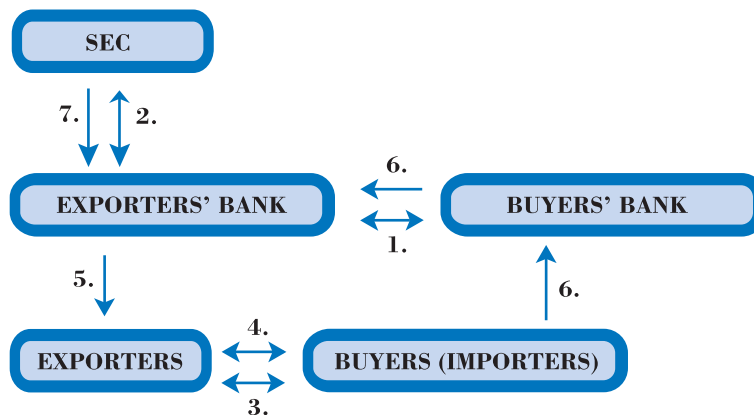


1. Exporter signs an insurance contract with SEC and pays insurance premium.
2. Exporter's bank (or a financial institution) extends loan to the exporter based on the assignment of rights from the insurance policy.
3. Exporter supplies goods / services according to the commercial agreement.
4. Foreign buyer and / or his bank begin to repay the loan.
5. If the foreign buyer fails to repay the loan or if his bank, transferring payment and perhaps acting as guarantor, does not fulfill its obligations, SEC shall pay the claim to the exporter (or to his bank).

Buyer Credit



1. Based on the loan agreement with a foreign buyer and / or a foreign bank, the exporter's bank signs an insurance contract with SEC and pays the premium.
2. Foreign buyer pays the agreed advance payment.
3. Exporter supplies goods / services as agreed in the commercial agreement.
4. Exporter's bank approves the use of the loan in accordance with the commercial agreement.
5. Foreign buyer and / or his bank begin to repay the loan.
6. If the loan is not repaid by the buyer or his bank (the guarantor), the claim is paid by SEC to the exporter's bank.



1. A Slovenian and a foreign bank sign a credit line agreement.
2. The established line of credit is insured by SEC with an insurance contract signed between SEC and the Slovenian bank.
3. Payment terms in commercial agreements are determined in accordance with the terms and conditions of the line of credit.
4. After signing the agreement, the foreign buyer pays the agreed advance payment to the exporter, and the exporter supplies the agreed goods and / or services.
5. On the basis of acceptable export documentation the Slovenian bank pays the supplied goods or services to the exporter.
6. Foreign buyer and his bank repay the loan.
7. If the foreign bank fails to pay the loan, SEC shall pay the claim to the exporter's bank.

Prior to approval of an insurance cover to exporters or banks, SEC makes a detailed assessment of credit rating of the buyer, country risk rating, reviews commercial and loan agreements, the export project itself, types of security, as well as credit rating and credit worthiness of banks and / or other guarantors the participation of which is, as a rule, required by SEC when insuring such transactions. In these transactions SEC usually does not cover the exporter's performance risk under the agreement. Therefore, in the case of exporter's failure to fulfill his obligations arising from the commercial agreement, SEC maintains the recourse right toward the exporter.

Before the commercial agreement is signed, SEC can, against payment of a fee, which is - in case of closing the deal - included into insurance premium, issue a non-binding or binding offer valid only for a limited period of time (usually three months with the possibility of prolongation). The binding offer cannot be cancelled or changed, unless the export transaction risks or the country risk have considerably aggravated within the period of offer's validity. The offer for insurance of medium term export credit makes financing arrangements with banks or other financial institutions and also signing of the commercial or loan agreement much easier for the exporter.

Insurance against non-commercial risks

Risks of non-payment or late payment may occur due to reasons that are under the buyer's control, e.g. when he is not able or willing to meet his obligations because of the insolvency. However, in the international trade, where debtors and guarantors can be state agencies or other public buyers, or where buyers and guarantors come from countries in which political risks can affect business deals, the non-commercial risks, which are outside the buyer's control, have to be considered as well, especially when investing abroad or exporting on credit.

Insurance against **political and other non-commercial risks** is an extremely useful, effective, and appreciated instrument of security for Slovenian companies in their operations on foreign markets where these risks are often quite evident, higher, and differently expressed than those on the domestic market. This instrument is often essential for financing business transactions by banks and other financial institutions (assignment of rights from insurance policies or the lender as a policy holder). On many markets this instrument is a basic condition for closing business deals. SEC insurance policies and guarantees are considered as the first-rate insurance, that does not require building up of special provisions, also by the Bank of Slovenia. This is of special importance to commercial banks when they grant credits to exporters or foreign buyers and/or their banks.

Insurance of export credits and investments against non-commercial risks can cover: risks of non-payments or delayed payments; breach of contract by public buyers (foreign states, their authorities, public buyers or guarantors); political risks like war or civil disturbances; import ban, moratorium, conversion and/or transfer risks, expropriation or similar events; acts of God which can result in non-payments, delayed payments or unilateral breach of contracts, and non-acceptance of goods or documents. Insurance of short-term and medium term export credits against non-commercial risks can be underwritten independently or in package with export credit insurance against commercial risks so that the whole transaction is covered, irrespective of the risks that caused a loss.

In principle, practically all export transactions of Slovenian companies can be insured against non-commercial risks, be it export of consumer and capital goods and/or export of services (especially in transportation and tourism, construction works etc.). The insurance may cover post-shipment (credit) and also pre-shipment (manufacturing) risks. This is especially important in the case of export of custom-made goods, equipment and machinery, and for construction works. Export credits insured against non-commercial risks can be granted in the form of supplier credit, buyer credit, including lines of credit. SEC can also insure leasing transactions. Usually the principal is insured, however, the exporter can choose to insure also reasonable or regular contractual interest. The condition for insurance on state account is that the credit terms are harmonized with the internationally agreed understandings and rules of OECD and the Berne Union, which determine terms and conditions for various types of exports (appropriate advance payments, local costs, starting point of credit, grace periods, maximal credit periods, minimal interest rates, payments in equal installments, terms of issued insurance offers, etc.).

Apart from export credit insurance SEC also offers some special types of insurance against political and other non-commercial risks:

- insurance of export credits resulting from selling of goods or services on CAD basis (cash against documents),
- insurance of goods in customs warehouses, exhibitions, and fairs abroad,
- insurance of equipment used for performing construction works abroad,
- insurance against unfair calling of guarantees which can serve the guarantor bank as security for the issued guarantee.

Considering the fact that SEC insurance against non-commercial risks is performed on account of the state that guarantees for SEC liabilities arising from these transactions, the insurance conditions depend on the insurance policy adopted. For insurance of transactions in individual countries, conditions can be adopted which may deviate from the standard terms. Thus certain countries can be off-cover, country limits can be established as well as special limit per transaction, buyer, and/or guarantor; the insured's self retention can exceed the standard five percent for cover of non-commercial risks; the waiting period in which the claim is paid can be prolonged, etc. There may also be some other limitations and conditions (e.g. about foreign content), especially for long-term transactions of higher value in countries where SEC capacities in comparison with the demand are limited.

Insurance conditions and the pricing are based on the permanent country risk assessment and classification of countries into seven categories. Premiums depend also on the length of transactions, types of covered risks, insurance terms and conditions, securities, and are to a considerable extent comparable to those of other export credit agencies.

Investment insurance

By insuring direct investments abroad against political and other non-commercial risks which are not under the direct influence of investors, Slovenian exporters and investors gain easier entry into foreign markets and ensure their presence there for the duration of the investment, regardless of political and other changes in the host country. In case of a loss arising out of the insured risks, claim is paid to the investor after a waiting period, reduced by the uninsured percentage (usually 10 percent). This actually means that investor's risks connected with the country and government of the host country were transferred to the domestic market. The status of the agency performing this insurance on account of the state, together with bilateral treaties on investment protection, allow to the policy holder easier and more effective solving of any possible complications and disputes with the government of the host country, which is - due to its sovereignty over the private foreign investor - in a privileged position. Based on SEC investment insurance policy holders may also have (more favourable) ways of external financing of investments with bank loans or by issuing of bonds by the project company.

Investment insurance against non-commercial risks is approved case by case, based on the investor's preliminary and definitive application and paid fee for processing of application. The insurance covers the risks of war, civil disturbances, expropriation, and other forms of dispossession, bans or limitations of conversion and/or transfer of dividends and other proceeds from the investment, and/or repatriation of the invested capital. The cover against the risks of breach of contract by the government of the host country, denial of justice (as independent cover or additionally to the cover of the breach of contract), and cover of risks against natural catastrophes can also be added to the standard insurance package - although in individual cases SEC can, on request of the policy holder and/or depending on the insurance policy, exempt certain insurance risks from the standard risk package and/or the cover of individual risks can be limited.

As a rule, the investors are encouraged to apply for cover already in the preliminary stage of an investment when necessary security measures for prevention of possible losses can still be taken. Insured can be direct (primarily new) equity investments (under certain conditions, when all investments of an insured are to be covered or in the case of extending the current investments, also existing investments can be insured) and other investments, expressed in monetary value, in the form of real estate or movables, especially equipment and various rights such as patents, licenses, trademarks, securities, retained profits, and others, invested into a project company, other legal entities or business units - and/or financial investments abroad on behalf of those companies. Insured can be also loans extended to a project company. The insurance can last from min. 3 to max. 15 years, depending on the investor's decision and the period of ROI.

The investor is free to choose the percentage and/or the amount of the insurance cover for each individual risk. Before signing the insurance policy and in accordance with investment dynamics, the investor can include only a part of the whole investment under the current amount of insurance for the individual year. The other part of the investment, which will not be implemented within this insurance period, and eventual retained earnings can be included under the stand-by amount of insurance for which the premium is usually considerably lower. The investor can also reserve insurance capacities that could later on be exhausted. Besides, investment insurance premiums, based on indicative premium rates for individual types of risks and economic sectors, are determined case by case in accordance with the risk rating of individual investments and close examination of factors arising from investment projects and the host country.

GENERAL OVERVIEW OF INSURANCE FACILITIES

Facility	Risks covered	Beneficiary	Period	Max % of cover	Waiting period	Notes
1. Short-Term Commercial Risks: - export credits	Commercial: - insolvency - protracted default	Exporter	ST	85 %	6 months	- revolving system (insurance contract shall be automatically prolonged at the end of the year) - as a rule, whole turnover, exceptionally for individual transactions (also in combination with insurance against non-commercial risks) - possibility of assigning rights from insurance policies to a bank or a financial institution
2. Short-Term Commercial Risks: - domestic credits	Commercial: - insolvency - protracted default	Supplier	ST	85 %	6 months	- revolving system (insurance contract shall be automatically prolonged at the end of the year) - as a rule, whole turnover, exceptionally for individual transactions (also in combination with insurance against non-commercial risks) - possibility of assigning rights from insurance policies to a bank or a financial institution
3. SME Programme	Commercial: - insolvency - protracted default	Exporter	ST	85 %	6 months	- SMEs, export value up to SIT 250 million p.a.; - programme implemented through banks or other financial institutions (collective insurance policies; automatic assignment of rights from insurance policies) - revolving contracts, exceptionally also for individual transactions - also in combination with insurance against non-commercial risks; possibility of refinancing loans
4. Supplier Credit	Commercial	Exporter	ST/MT/LT	85 %	6 months	Commercial risks: non-payment of a private buyer or guarantor (insolvency / protracted default); Insured events: 1. final administrative decision on bankruptcy procedure/decision on division of bankrupt's assets 2. judicial settlement in non-bankruptcy proceedings 3. unsuccessful judicial execution 4. final court decision on introduction of judicial settlement 5. protracted default

Facility	Risks covered	Beneficiary	Period	Max % of cover	Waiting period	Notes
	Non-commercial	Exporter	ST/MT/LT	90 %	6 months	Non-commercial risks: 1. non-payment within 6 months after the due date if debtor or guarantor is a state, a state authority or a public law institution 2. political events (wars, revolutions, general strikes...) in debtor's country or in the country of the only available transport route 3. general de iure/de facto moratorium 4. prohibition of conversion/transfer 5. import ban imposed by a foreign country 6. unilateral breach of contract by a state (and/or persons of its authority) acting as buyer 7. confiscation, seizure, nationalization, expropriation, damage of goods / documents (by a state) 8. natural disasters (earthquakes, floods, hurricanes, volcanic eruptions,...)
5. Buyer Credit	Commercial, non-commercial (1,2,3,4,7,8)	Bank	ST/MT/LT	95 % 95 %	6 months	- the same cover also for purchase of receivables - recourse against exporter if he fails to fulfill his contractual obligations
6. Line of Credit	Commercial, non-commercial (1,2,3,4,7,8)	Bank	ST/MT/LT	95 % 95 %	6 months	
7. Pre-shipment (manufacturing) risks	Commercial (1,2) non-commercial (2,5,6,8)	Exporter	ST	85 % 95 %	6 months	- cover of costs for custom-made products or loss in case of a salvage sale (in case of a breach of contract from a public buyer before shipment or in the event of non-commercial risks which prevented shipment)
8. Bank Guarantees	Unfair calling - non-commercial (1,2,5,6)	Guarantor/ Exporter	ST/MT/LT	95 %	6 months	- bid bonds, performance bonds, advance payment bonds, retention money bonds, warranty bonds - guarantee text requires prior approval by SEC
9. Construction Equipment	Non-commercial (2,7,8)	Exporter	ST/MT/LT	95 %	6 months	- total/partial damage of equipment or loss of property, inability to leave the country where works were performed
10. Investments abroad	Non-commercial: expropriation, war/civil disturbances/ban/	Investor/Bank	MT/LT	95 %	depends on types of risks (from 90 to 180 days)	- as a rule, application for insurance should be submitted before definite investment - any type of investment in the territory of the host country, directly or indirectly owned or under control of the policy

Facility	Risks covered	Beneficiary	Period	Max % of cover	Waiting period	Notes
	Transfer risks, breach of contract (option: denial of justice; option: natural disasters)					holder (equity investment, LT shareholders' loans, etc.); - beside the current amount of insurance the insured can get cover for additional investments within the stand-by amount of insurance - the following shall be submitted: feasibility studies, environmental studies, joint-venture agreements, and investment treaties with the host government, licenses and permits, ... - unless otherwise stipulated in the policy, the insurance period is min. 3 and max. 15 years - for payment of claim the net book value method is used
11. Project Finance	Non-commercial	Exporter/ Investor/ Bank	ML/LT	95 %	6 months	- risks covered/waiting period (s. investment insurance/buyer credit); - restricted recourse financing (information memorandum); - securities: mortgage, pledge of shares in the project company, long-term agreements (payments to escrow accounts), supplier/guarantees, ...
12. Cash against Documents Sales (CAD)	Non-commercial, commercial	Exporter		95 % 85 %	6 months	- non-payment/non-purchase of documents by the buyer due to non-commercial or commercial risks
13. Goods in Consignment, Exhibitions and Fairs Abroad	Non-commercial (2,7,8)	Exporter	ST	95 %	6 months	
14. Short-Term Commercial Risks: -export credits outside OECD	Commercial -insolvency -protracted default	Exporter	ST	85 %	6 months	- export credits to buyers in non-OECD countries - in package with non-commercial risks
15. Exchange Rate Risks (until adequate insurance capacities from the State are secured, the facility will not be offered)	Domestic currency appreciation	Exporter	MT	25, 50, 75 or 100 % (exporter's choice)	15 days	- offered in addition to short-term export credit insurance against commercial risks - real SIT - EUR exchange rate guaranteed for all insured payments to exporters within 1 year following the 6-months "passive" period which starts with signing the insurance agreement - exporter can participate in the exchange rate gains

Legend:

ST - short-term (up to 180 days, exceptionally up to one year)

MT - medium-term (over 1 year)

LT - long-term (over 5 years)

Nowadays there's practically no trade without credit; therefore, financing of export transactions and favourable credit terms are often essential for closing business deals and being competitive on foreign markets. By financing export transactions, working capital, and outward investments, SEC plays a very important role on the Slovenian market and complements financing of companies from their own funds, by commercial banks, and other financial institutions. As a rule, transactions financed by SEC, with the exception of working capital financing, should be insured at least against non-commercial risks.

SEC offers **pre-shipment** and **post-shipment** financing in form of **supplier and buyer credits**, including **lines of credit**.

Loans are available in **domestic** as well as in **foreign currency**.

Financing is performed by **refinancing** export credits, granted by banks or other financial institutions, **co-financing** or **direct financing**.

Re-, co- or directly financed export credits can be **short-term** (up to 180 days and from 181 days up to one year) or **long-term** (from one to ten years).

In the case of financing export transactions the length of which exceeds two years, credit terms shall comply with the OECD Arrangement and the Berne Union Rules and Understandings. For these transactions, for instance, at least 15 percent advance payment is required before delivery and payment in cash shall cover at least local costs. The maturity date of the first installment with credits exceeding one year is max. 6 months following the starting point of credit which shall be repaid (the principal) in equal, max. 6-months installments. The interest on the loan shall be due simultaneously with the corresponding part of the principal; the maximal length of the loan depends on the type of goods or services and shall not exceed 8.5 or 10 years, depending on the category of the import country.

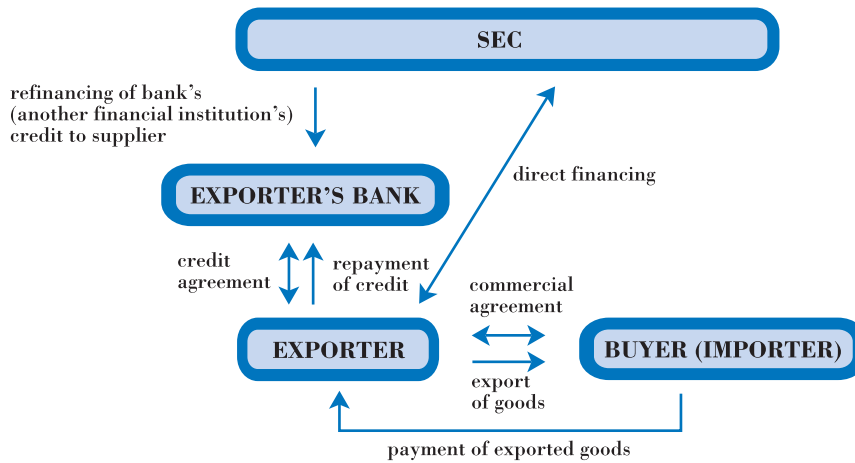
Supplier Credit

SEC finances export transactions and investments abroad by crediting Slovenian suppliers and/or investors in domestic and foreign currency so that transactions the length of which exceeds 1 year are either financed directly by SEC or co-financed by SEC and exporters' commercial banks. As a rule, export transactions are financed by SEC in form of refinancing short-term and/or medium- and long-term loans granted to exporters by their commercial banks or other institutions.

The percentage of refinancing banks' and other financial institutions' export credits granted to domestic exporters in Slovenian tolar is at least 50 percent and maximum 90 percent, whereas the percentage of refinancing of loans granted in foreign currencies for working capital and investment financing is 100 percent. The percentage of refinancing banks' and other financial institutions' credits granted to foreign buyers or their banks for financing purchases of Slovenian goods or services is 90 percent for credits in Slovenian tolar, and 100 percent for credits in foreign currencies.

In the case of co-financing when an exporter or an investor are financed by his commercial bank or another financial institution and by SEC at the same time, SEC can take maximum 80 percent of the granted credit. In such a case, SEC cannot refinance the bank's percentage.

Supplier Credit

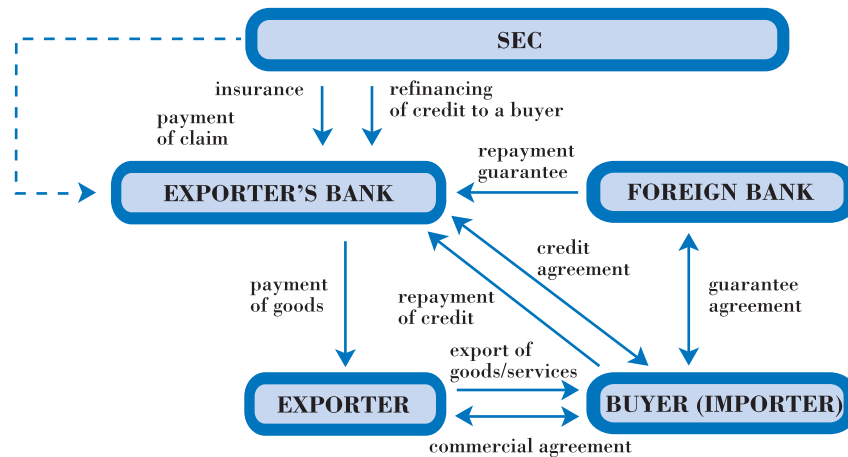


Buyer Credit

SEC finances transactions by granting credits (or lines of credit) to foreign buyers and/or their banks, in domestic or foreign currency with a credit period exceeding one year and on condition these transactions are insured at least against non-commercial risks; in the case of private buyers, they shall be also insured against commercial risks.

Buyer credits can be either financed directly by SEC or they can be co-financed by SEC and exporters' commercial banks or other financial institutions (in this case the percentage of co-financing is not stipulated), or else the credits granted can be refinanced by SEC. The refinancing percentage for financing in domestic currency is up to 90 percent (for financing in foreign currency up to 100 percent).

Buyer Credit (refinancing of credit to foreign buyer)

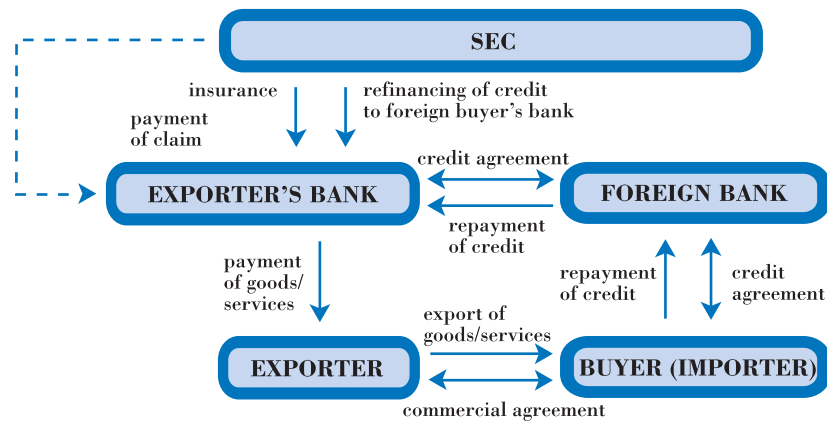


Note: In the case of direct financing SEC acts as the exporter's bank.

The following transactions are normally financed according to the buyer credit scheme:

- construction of complete plants, construction works, installation of equipment and premises, and other project services of high contractual value,
- export of capital goods, such as equipment, machinery, means of transportation, of high unit value intended for use in production processes or for commercial use,
- leasing of capital goods,
- export of quasi-capital goods, such as equipment and machinery of lower unit value intended for use in production processes or for commercial use,
- financing of direct investments abroad to promote exports of Slovenian goods and services,
- export of other goods and services.

Buyer Credit (refinancing of credit to foreign buyer's bank)



Note: In the case of direct financing SEC acts as the exporter's bank.

Interest rates

Interest rates for refinanced export credits of banks or other financial institutions, co-financed export credits to Slovenian companies or foreign buyers (or their banks), direct credits granted by SEC are, as a rule, fixed. They are regularly published in some of the Slovenian business magazines and on the website www.sid.si.

SME FINANCING

Working capital (re)financing programme

The SME financing programme provides favourable financing to small and medium-sized enterprises with max. 500 employees, with at least 50 percent of their income realized on foreign markets, and with their export credits insured under the so called collective policies administrated by banks or other financial institutions.

"KfW-CEB" programme

Together with the German Kreditanstalt fuer Wiederaufbyu (KfW) and Council of Europe Development Bank (CEB) SEC provides a special financing programme for SMEs. The programme, which is supported by the European Commission, provides financing of long-term investments in tangible assets through selected Slovenian commercial banks. The programme allows hiring of long-term loans in EUR and SIT (with an exchange rate clause) and also hiring of credits of up to 50.000 EUR. The funds available can only be used for financing of long-term investments into tangible assets and working capital financing.

GENERAL OVERVIEW OF FINANCING FACILITIES

Facility	Type of Financing	Financing percentage	Beneficiary	Currency	Length of Credit	Interest Rate
Supplier Credit	Refinancing	min. 50%, max. 90%	Bank (other Financial Institutions)	SIT/Foreign Currency	ST/LT	Fixed, depending on length of credits (s. www.sid.si)
	Co-financing	up to 80% (bank's 20% not refinanced)	Exporter	SIT/Foreign Currency	ST/LT	Fixed, depending on length of credits (s. www.sid.si)
	Direct financing	up to 100%	Exporter	SIT/Foreign Currency	ST/LT	Fixed, depending on length of credits (s. www.sid.si)
Buyer Credit (including Lines of Credits)	Refinancing	up to 90% for credits in SIT; up to 100% in foreign currency	Bank (other Financial Institutions)	SIT/Foreign Currency	ST/LT	Fixed, depending on length of credits (s. www.sid.si)
	Co-financing	not stipulated	Foreign Bank/ Buyer	SIT/Foreign Currency	ST/LT	Fixed, depending on length of credits (s. www.sid.si)
	Direct financing	up to 100%	Foreign Bank/ Buyer	SIT/Foreign Currency	ST/LT	Fixed, depending on length of credits (s. www.sid.si)
SME Financing	Refinancing		SMEs (Exporters)	SIT	ST	Fixed, depending on length of credits (s. www.sid.si)
Program "KRW-CEB"	Financing of LT investments through Slovenian banks		SMEs	EUR/SIT	ST/LT	Fixed, depending on length of credits (s. www.sid.si)
Factoring (through daughter factoring company PRVI FAKTOR)	Domestic/Export/Import (with and without Recourse) Purchase of Trade Receivables in Domestic and Foreign Currency/ (Re)financing / Protection against Credit and Exchange Rate Risks/ Administration of Receivables/ Debt Collection	80%	Enterprises	SIT/Foreign Currency	ST (as a rule, up to 180 days)	For interest rates and fees s. www.lbfactors.si
Earmarked deposits	Depending on the availability of funds, SEC offers to banks and other financial institutions possibilities to make use of earmarked deposits for exports and outward investments promotion.					

Legend:

ST - short-term (up to one year);

LT - long-term (from one year to up to 5, 8.5, 10 or more years)

Indicative List of Financed Transactions

- Export of goods and services (pre- and post-shipment financing):
 - construction of complete plants, construction works, installation of equipment and premises, and other project services of high contractual value,
 - leasing of capital goods,
 - export of quasi-capital goods, such as equipment and machinery of lower unit value intended for use in production processes or for commercial use,
 - export of capital goods, such as equipment, machinery, means of transportation, of high unit value intended for use in production processes or for commercial use,
 - export of other goods and services.

- Direct investments abroad.

- Working capital financing (import of material, equipment, etc.)

Guarantees of a first-class financial institution for whose liabilities state is the guarantor, as it is the case with SEC, represent for partners of Slovenian companies extremely safe and effective financial instruments. Thus the company does not have to "immobilize" its own funds for ensuring the necessary security for its partner, and can use them for other purposes. SEC guarantees are considered as first-class financial instruments also by the Bank of Slovenia.

SEC issues all types of bonds and guarantees for Slovenian companies, especially for exporters and operations of companies on the domestic market, but most often for suppliers of machinery and equipment and for contractors performing constructions works abroad. By insuring against unfair calling of on-demand guarantees and calling of guarantees due to non-commercial risks SEC can protect its clients against these risks, regardless of whether the guarantee was issued by SEC or by some other financial institution.

Bid Bonds

In accordance with terms of tender documentation SEC guarantees to beneficiaries that the bidder, commissioner of guarantee, will not withdraw its bid and will, if chosen at the tender, close an appropriate contract with the buyer or investor and provide an adequate performance bond after closing the contract.

Performance Bonds

By order of the supplier or contractor, SEC guarantees to its partner - domestic or foreign beneficiary - that the supplier or contractor will fulfill all his contractual obligations. Otherwise the guarantee will be paid to the beneficiary on his request in accordance with the terms of the guarantee.

Advance Payment Bonds

With these guarantees SEC guarantees the buyer - the beneficiary - that he will have his advance payments repaid if the supplier or contractor - the commissioner - does not fulfill all his contractual obligations.

Warranty Bonds

With this guarantee issued by a third party - a financial institution - the buyer / investor is effectively insured against the risk that the seller might not remove deficiencies on equipment during the warranty period or deficiencies which arose during performance of the investment works, supply of equipment, or selling of services.

Retention Money Bonds

With these guarantees the buyers will not insist on retaining certain amounts of payment for exported equipment and other goods and services for a certain period of time.

SEC issues numerous other guarantees as well (customs bonds, payment bonds, public tenders bonds), stand-by letters of credit, promissory notes, and sureties. Special concern is given to response time, flexibility and quick processing of applications. Depending on the transaction risks and credit rating of the commissioner, SEC may require certain security instruments as a guarantee for its recourse rights.

