Financial Market Report
Slovenia

In cooperation with AUSSENWIRTSCHAFT ÖSTERREICH (AWO) at WKÖ (the Austrian Federal Economic Chamber)

Country Profile: Slovenia

Raiffeisen Research. As in April 2009.

Currency: euro

Gross Domestic Product and Budget	**2007**	**2008**	**2009 (est.)**
Real GDP growth, % p.a.	6.8	3.5	(3.0)
Nominal GDP, €bn	34.5	37.1	36.9
Per capita GDP, PPP basis, €	22,200	23,300	23,300
Growth in industrial output, % p.a.	6.2	(1.5)	(6.0)
Consolidated budget surplus, % of GDP	0.5	0.5	(1.0)
Inflation and Employment			
Jobless rate, annual average, %	7.7	6.7	8.5
Average monthly gross wage, €	1,284	1,391	1,454
Consumer price inflation, annual average, % p.a.	3.6	5.7	1.5
Balance of Trade and Current Account			
Goods exports, €bn	19.8	20.3	18.0
Goods imports, €bn	21.5	22.9	19.5
Current account deficit, €bn	1.5	2.2	1.1
Current account deficit, % of GDP	4.2	5.9	3.0
Foreign debt, % of GDP	100.8	105.0	113.8
Rates of Exchange and Interest Rates			
Local currency/US$ (average)	1.37	1.47	1.42
3-month money market rate (EURIBOR), average, %	4.28	4.64	1.46

Country Ratings	
S&P	AA
Moody's	Aa2

The Slovenian Financial Market

Important:

Despite thorough research and the use of reliable sources, we cannot accept responsibility or liability for the completeness or accuracy of this brochure's contents. The purpose of this brochure is to give you initial, general information to help you develop business relationships in Slovenia. The content of this brochure does not constitute any form of advice or offer or invitation to make an offer.

Prepared in cooperation with AUSSENWIRTSCHAFT ÖSTERREICH (AWO) at WKÖ (the Austrian Federal Economic Chamber).

Sources:
Raiffeisen Zentralbank Österreich AG
WKO: AWO Slovenia Country Report; AWO Special Reports: Setting up a Company and Taxes in Slovenia, Property and Receivables in Slovenia.

Copy deadline: April 2009.

1. The Economic and Political Situation in Slovenia

On the heels of the older EU Member States

As a small Alpine country with a population of just two million, Slovenia attracted international attention when the EU Presidency baton was passed to it in the first half of 2008. Slovenia was the first of the new EU Member States to have the privilege of presiding over the European Union. Moreover, on 1 January 2007, Slovenia became the first of the new EU Member States to join the eurozone, becoming its 13th member. The year 2007 was a turning point for Slovenia. Its good macroeconomic performance proved that it had been ready to join the European Monetary Union (EMU) as well as reinforcing Slovenia's standing as the most mature of the 10 new accession States. The positive impact of joining the euro gave added impetus to GDP growth. Because of the introduction of the common currency and the implementation of the ECB's monetary policy guidelines, financial policy has now become the most important tool for ensuring stable macroeconomic conditions in Slovenia. Slovenia's *per capita* GDP (PPP basis) has already reached over 90 per cent of the EU-27 average.

Danilo Türk was elected President of the Republic of Slovenia with a majority of about 68 per cent in November 2007. Parliamentary elections took place in September 2008. The social democratic opposition (SD) won with about 30 per cent of the vote to hold 29 of the 90 seats in parliament. The Slovenian social democratic party (SDS) won 29 per cent of the vote and 28 seats. At the end of November 2008, the social democratic party and the new premier Borut Pahor — who thus succeeded Janez Jansa — formed a coalition government with the "Zares" party, the liberal democrats (LDS) and the pensioners' party ("Desus"). Together, these four parties hold 50 seats in parliament. The new government has taken on a tough challenge in this precarious financial markets environment. It needs to create incentives to stimulate Slovenia's competitiveness.

Slovenia's economic growth has accelerated steadily since 1993 (with annual growth averaging over 4 per cent), giving Slovenia the highest income levels in Central and Eastern Europe. The rate of growth was already impressive in 2006, at 5.7 per cent, and it continued to rise in 2007, reaching 6.8 per cent. This was the fastest GDP growth since Slovenian independence. Besides cyclical effects, Slovenia's above-average GDP growth in recent years has been boosted by the effects of EU accession and joining the euro as well as by reforms. In particular, these have included reforms of the tax system. A lower rate of growth of real GDP would be attributable to the predicted decline in the rate of growth of export demand and the adverse effects of the financial markets crisis. The volume of infrastructure and capital investment will rise again in the medium term, especially in the road and rail building, residential and commercial premises and machinery, plant and equipment sectors. Robust investment activity should thus resume after a brief delay and continue to make an important contribution to GDP growth. A number of key Slovenian enterprises are still government owned. In the past, the country has been very cautious about endeavours to privatize, so the private sector still accounts for a relatively small proportion of total economic output.

2. Company Law

2.1. Legislative foundations

The Slovenian business enterprises act recognizes the following forms of foreign investment: creation of a branch; formation of an enterprise that is wholly foreign owned (subsidiary); 100 per cent takeover of an existing enterprise; acquisition of a stake in an existing enterprise (the foreign stake or foreign share of the votes must be at least 10 per cent and the foreigner(s) must be able to exert a significant influence on the enterprise's management); formation of an equity joint venture with a Slovenian partner (the foreign stake or foreign share of the votes must be at least 10 per cent and the foreigner(s) must be able to exert a significant influence on the enterprise's management). Besides legal entities (business enterprises, cooperatives, local authorities), Slovenian investment partners can also be individuals. Under Slovenian competition law, corporate mergers (business concentration) of enterprises whose joint annual revenues in the Slovenian market in the two preceding financial years, without tax, came to more than €33 million or whose joint market share exceeds 40 per cent must be reported to the office of fair trading. In addition, the provisions of the takeovers act must be observed.

2.2. Setting up a branch

Slovenia's business enterprises act distinguishes between foreign enterprises domiciled inside and outside the EU. Enterprises domiciled in EU Member States can operate in Slovenia either directly or, if the business activity is a continuous one, through a Slovenian branch or subsidiary. A branch acts in the name and for the account of the foreign enterprise (its "parent") and must use the name and registered address of the parent. It can operate for profit and act as an importer within the meaning of the customs act. The foreign parent is liable for the branch's obligations in Slovenia with all its assets. A foreign enterprise domiciled in the EU or European Economic Area can immediately set up a branch in Slovenia, whereas enterprises domiciled in non-member countries must already have been registered in the companies register in their country of domicile for at least two years. The branch must must be registered with the locally competent registry court. The application must be made by the branch's representative. The head of the branch does not have to be a Slovenian national or resident in Slovenia. Once the ruling on registration in the companies register has been received, the branch must be registered with the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES), stating the object of the enterprise in accordance with the standard Slovenian classification of activities. Finally, the branch must open a transaction account at one of the banks authorized to execute payments. Foreign investors rarely opt for the branch as a legal form because it does not have any tax advantages over a subsidiary. If annual financial statements have been prepared in accordance with EU standards, they must be submitted. Otherwise, separate annual financial statements must be prepared for the branch. An investor is only advised to opt for legal form of a branch if that investor does not want to have to raise the minimum capital stock required to form a limited liability company.

2.3. Setting up a subsidiary

A wholly owned subsidiary of a foreign enterprise without any Slovenian shareholders or partners is a superior form of direct investment.

Company law
Essentially, Slovenian company law recognizes the same forms of enterprise as Austrian law. Apart from self-employed sole proprietors and silent partnerships, all companies (including partnerships) are legal entities that can own movable and immovable assets, acquire rights and obligations and sue and be sued. In general, one can opt for any legal form. The legal form of joint-stock company is only mandatory for certain activities (e.g. banking and insurance). Slovenia does not have business supervision law (*Gewerberecht*) in the Austrian sense. Generally, the principle is that a company can only carry on the activities that it has registered in the companies register, so it is necessary already to have any planned activities listed in detail in the memorandum and articles of association. On the other hand, Slovenia does have a large number of regulated professions (from salesperson to doctor or lawyer) that require special training or for which one must at least furnish proof of a certain period of appropriate practical experience. One can acquire the qualification needed to carry on a regulated profession in Slovenia, and foreign proofs of qualifications can be accredited in Slovenia within the scope of a special procedure for accrediting professional qualifications at the Slovenian Ministry of Labour, Family and Social Affairs. During the procedure, other proofs such as proof that one has a command of the Slovenian language may be required. If the activities is a craft or similar activity within the meaning of the Slovenian craft industries act, the right to carry on the activity will be acquired upon registration in the crafts register kept by the Slovenian Chamber of Craft Industries.

Self-employed sole proprietor
A self-employed sole proprietor (Slovenian: *Samostojni podjetnik*, abbreviated as s.p.), who is liable with all of his or her assets, can commence an activity once following registration with AJPES.

One can also register electronically (http://evem.gov.si/sp), but registration must take place in Slovenian. Sole proprietors can do single-entry bookkeeping so long as they meet the following criteria:

- no more than three employees;
- annual revenues not exceeding €42,000;
- assets not exceeding €25,000.

A self-employed sole proprietor must also open a separate transaction account at a bank and have a stamp made. If the sole proprietor wishes to have social insurance as a self-employed person, he or she must register with the pension insurance authority within eight days. EU citizens do not need a work permit.

Partnerships

d.n.o.
The unlimited liability company (Slovenian: *Družba z neomejeno odgovornostjo*, abbreviated as d.n.o.) is comparable to an *Offene Handelsgesellschaft* in Austria. It is formed by way of an agreement between the partners (memorandum and articles of association). They are liable for the partnership's obligations and, in the second degree, with all their personal assets. Insofar as the memorandum and articles of association do not specify otherwise, every partner is entitled and obliged to manage the partnership and represent it externally.

k.d.
The limited partnership (Slovenian: *Komanditna družba*, abbreviated as k.d.) is a partnership in which one partner is liable with all of his/her/its assets (the general partner) but at least one other partner (limited partner) is not liable. The limited partner is not entitled to manage the partnership of represent it externally.

Silent partnership
A silent partnership (Slovenian: *Tiha družba*, abbreviated as t.d.) does not have external relationships. A silent partners' contribution merely entitles that partner to a share of profit.

Corporations
Limited liability company
A limited liability company (Slovenian: *družba z omejeno odgovornostjo*, abbreviated as d.o.o.) is liable for its obligations with all its assets but the partners in that company are only liable up to the amount they have subscribed to its capital stock. Without the express permission of the Slovenian Ministry of Economic Affairs, a limited liability company is not allowed to have more than 50 partners. A "one-man" company is legally permissible. A limited liability company must have capital stock of at least €7,500, and each capital contribution must be at least €50. Partners holding a total of at least 10 per cent of the capital stock have the right to call a shareholders' meeting. One or more managers or directors must be appointed as a managing body. A supervisory board is not mandatory.

Joint-stock company
A joint-stock company (Slovenian: *delnižka družba*, abbreviated as d.d.) is only liable to creditors for its obligations with its own assets; the shareholders are not liable to its creditors for its obligations. A joint-stock company can be formed by one or more individuals or legal entities by adopting a memorandum and articles of association (in the form of a notarial deed). When forming a "one-man" joint-stock company, the shares must be paid up in full before the company is registered. The company must have capital stock of at least €25,000. The minimum par value of one share is €1. The joint-stock company can be run on a single-tier basis (by a board of directors) or two-tier basis (by a managing board and supervisory board).

European company
The act now also recognizes the "European company" (Slovenian: *evropska delnižka družba*, abbreviated as SE) formed and run in accordance with Council Regulation (EC) No. 2157/2001. A partnership limited by shares (Slovenian: *komanditna delnižka družba*, abbreviated as k.d.d.) is essentially a limited partnership whose limited partnership capital takes the form of shares.

Business lobby group
Slovenian law also recognizes business lobby groups (Slovenian: *gospodarsko interesno združenje*, abbreviated as GIZ; the activity of such a business lobby group must be connected with a business activity of its members and should only play an auxiliary role in relation to that activity), which are regulated in the business enterprises act, and cooperatives (Slovenian: *zadruga*), which are regulated in the cooperatives act. Associations (an unlimited liability company; Slovenian: *družba s polno odgovornostjo*, abbreviated as p.o.) are now very rare.

Companies acquire legal personality by being registered in the companies register. A company can set up branches, but these too must be registered in the companies register. The company's name must be in Slovenian and must express its object and legal form. A company must be clearly distinguishable from other companies that are already registered.

Changeover to the euro
Investment companies whose shares had an individual par value of less than €1 on 1 January 2007 must amend their memorandum and articles of association as of not later than their financial year beginning in 2011 to bring them into line with the new act. Above all, the company's capital stock must be converted and/or adjusted.

3. Accounting

Slovenian financial reporting standards are based on the International Accounting Standards (IASs) and the corresponding EU directives. The business enterprises act contains provisions that require all the legal forms regulated in the act, in varying degrees, to apply these financial reporting standards when preparing their annual financial statements and keeping their books. Annual financial statements must be prepared and submitted to the tax authorities within three months of the end of a financial year. Any difference between a company's financial year and the calendar year must be reported to the tax authorities. Medium-sized and large corporations must have their annual financial statements certified by an independent auditor within six months of the end of the financial year. The managing board must submit the (revised) annual financial statements and auditor's opinion to the competent body within eight days. The annual financial statements of an enterprise whose accounts are subject to a statutory audit must be published within eight months of the end of the financial year. The annual financial statements of other enterprises must be published within three months of the end of the financial year. Simple bookkeeping (cash basis of accounting) is restricted to sole proprietors who do not exceed the following:

- average assets of €25,000;
- annual revenues of less than €42,000;
- an average of three employees.

If they exceed these criteria, they must do double-entry bookkeeping. Subsidiaries of foreign companies are also subject to the same requirements and bookkeeping obligations.

Records must be kept for 10 years with the exception of records relating to real estate, which must be kept for 20 years. Ledgers, balance sheets and annual financial statements must be kept indefinitely. The books must be kept in Slovenian.

4. Taxes and Legislation

4.1. Income tax

(*Zakon o dohodnini*; official gazette of the Republic of Slovenia, Nos. 117/2006, 10/2008, 78/2008). Individuals resident in the Republic of Slovenia and individuals who are in Slovenia continuously for at least six months and derive income in Slovenia have unrestricted tax liability (residents). All other individuals who derive income in Slovenia have limited tax liability (non-residents). Income tax is progressive, with rates of 16, 27 and 41 per cent (the latter from annual income of €14,820.83). Tax thresholds are adjusted for each assessment year. Various allowances and deductions reduce the tax liability. Given the level of income in Slovenia, the top rate is quickly reached compared with Western European countries.

4.2. Corporation tax

(*Zakon o davku od dohodkov pravnih oseb*; official gazette of the Republic of Slovenia, Nos. 117/2006, 90/2007, 56/2008, 76/2008, 92/2008, 5/2009). All legal entities carrying on an activity for profit on the territory of the Republic of Slovenia have either unrestricted or limited tax liability (therefore including cooperatives as well as corporations and partnerships). Corporations domiciled in Slovenia have unrestricted tax liability. Corporations domiciled abroad have limited tax liability in Slovenia if they derive profits from a permanent establishment or permanent representative on the territory of the Republic of Slovenia. The corporation tax rate is gradually being lowered. It is 21 per cent in 2009 and will be 20 per cent from 2010. Dividends distributed to foreign companies are generally subject to a withholding tax at a rate of 15 per cent. However, withholding tax will not be charged on dividends and similar income or on income from proprietary rights if they are derived from subsidiaries in a number of EU Member States that apply the common tax system. However, hidden profit distributions and realized hidden reserves will be taxed when a company is liquidated. The new corporation tax act includes tax allowances for investments in research and development (20 per cent) and regional abatements for investments in research and development (30 to 40 per cent), for employing disabled people and apprentices, for voluntary supplementary pension insurance contributions and for donations. In addition, the act provides for tax relief for investments in production plant and intangible non-current assets (30 per cent of the invested amount up to a maximum of €30,000).

4.3. VAT

(Official gazette of the Republic of Slovenia, No. 117/06). The standard VAT rate is 20 per cent. The reduced rate is 8.5 per cent, applied, among others, to the following goods and services: food, animal feed, seeds and fertilizer, water, drugs, medical aids, public transport, books and periodicals, various artistic, cultural, sporting and literary events, accommodation in hotels and similar accommodation, the use of sporting facilities and undertakers' services.

VAT registration is compulsory in the following cases:

- A taxpayer is resident in Slovenia or has a permanent establishment there from which he/she/it renders services or supplies goods (and is likely, in the respective financial year, to record revenue of more than €25,000).
- A foreign taxpayer makes taxable supplies (supplies of goods and services) in Slovenia to customers or other taxable Slovenian individuals, legal entities or other recipients unless said taxpayer only makes supplies in respect of which the recipient is taxable.
- A taxpayer in another EU Member State sends supplies to private individuals in Slovenia.

There are three possible scenarios in which a foreign taxpayer must be VAT registered:

- A foreign taxpayer carries on a business activity in Slovenia via his/her/its branch or as a branch.
- A foreigner carries on a business activity in Slovenia and appoints a tax representative.
- A foreigner carries on a business activity in Slovenia and has neither a branch nor a tax representative.

Registration in the tax register must take place at the locally competent inland revenue office before the foreigner commences the activity. If the foreigner does not apply for a VAT number, the recipient of goods and services must pay the VAT. The VAT number (*identifikacijska Številka za DDV*, abbreviated as IS) is the taxpayer's tax reference number preceded by the country code SI.

4.4. Excise

- Excise act (official gazette of the Republic of Slovenia, No. 2/2007);
- Excise act implementing regulation (official gazette of the Republic of Slovenia, Nos. 141/2006, 52/2007, 120/2007, 21/2008, 123/2008).

The following are liable for excise duty:
- manufactures of consumer goods;
- authorized recipients of goods that are liable for excise duty from another Member State;
- importers of goods that are liable for excise duty;
- individuals and legal entities engaging in wholesale trade in goods that are liable for excise duty.

In addition, tax representatives, the senders of goods sent from within the European Union or the recipients thereof (if this is the more practical solution under the circumstances) are also liable for excise duty. Excise duty is charged on the following products:
- alcohol and alcoholic beverages;
- tobacco products;
- energy sources and electricity.

Those carrying on an activity that is liable for excise duty or receiving goods that are liable for excise duty from within the European Union or sending them there must report this fact to the competent customs office (contact addresses are provided at http://www.carina.gov.si/si/kontakt) in Slovenian at least 15 days before the goods are dispatched or received or the activity commences. The minister of finance can lay down simplified procedures for regular consignments or unusual cases.

4.5. Double tax agreement between Slovenia and Austria

A double tax agreement with Austria entered into force on 1 February 1999. The agreement is valid for individuals and legal entities resident in Austrian and/or Slovenia. The residence of an individual in one of the two countries will depend on their home address, permanent abode, centre of vital interests, usual place of abode and nationality. If a legal entity is domiciled in both contracting states, it will be considered to be domiciled solely in the country where it has its place of management. The principal taxes covered by the agreement are income, PAYE and corporation tax.

5. Privatization

There are no transitional periods for buying land and other real estate. Consequently, EU citizens can buy real estate under the same conditions as Slovenians. However, property prices are very high, especially on the Slovenian coast, so demand is limited.

6. Arbitration

Slovenia has ratified the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention). In it, the contracting states undertake to recognize and enforce arbitral awards made in another contracting state.

Consequently, the jurisdiction of the International Chamber of Commerce (ICC) or another arbitrator can be agreed in a contract concluded with a foreign party. The International Chamber of Commerce is a globally represented organization based in Paris.

The arbitration clause of the International Chamber of Commerce (ICC) reads as follows: "All disputes arising out of or in connection with the present contract shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules."

This arbitration clause is also available in many other languages.

Useful agreements to supplement the arbitration clause:

- The number of arbitrators shall be .... (one or three).
- The applicable law shall be ....
- The language used in arbitration proceedings shall be ....

7. Support and Subsidies

The EU Cohesion Policy (2007 – 2013)

Point of Departure and Status Quo

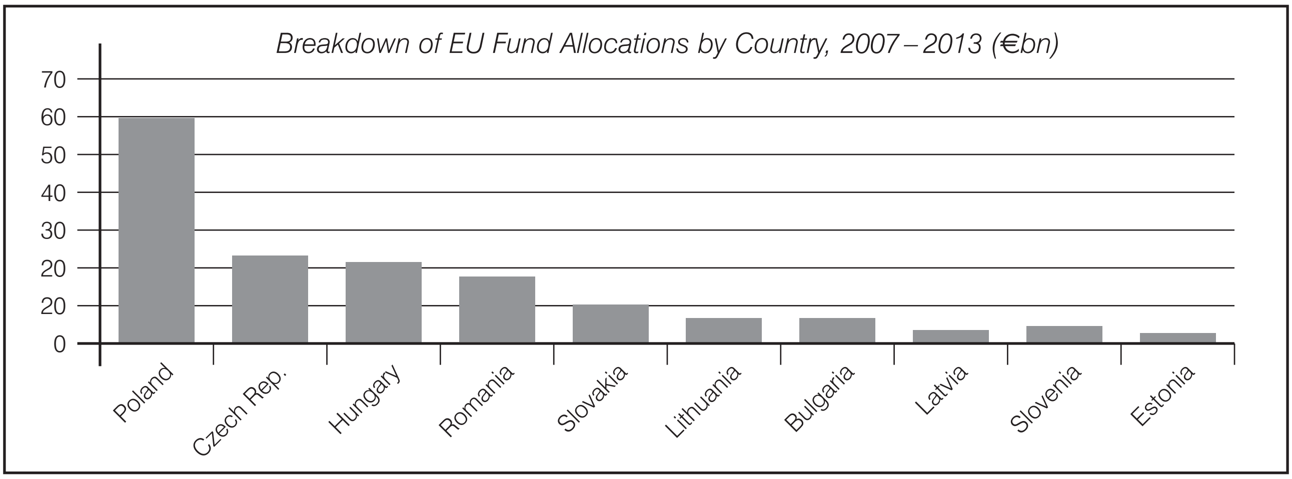
There are considerable economic and social disparities between the different regions of Europe, and this is particularly true in Central and Southeastern Europe.

The EU has set itself three policy objectives to create a balance within these regions:

Objective	Priorities
Convergence	Support for development and restructuring in the less developed regions (formerly Objective 1)
Regional competitiveness and employment	Promotion of innovation and sustainable development, support for the adaptation and modernization of education, training and employment policies
European territorial cooperation	Strengthening of cross-border, transnational and interregional cooperation (formerly INTERREG)

Source: Enterprise Europe Network.

In order to realize these policy objectives, the European Union has allocated structural funds (European Regional Development Fund [ERDF], European Social Fund [ESF] and European Cohesion Fund)) in the amount of €347.4 billion. This EU aid consists of non-repayable grants.



Structure of the Support Programmes: From EU Objective to National Promotional Programme

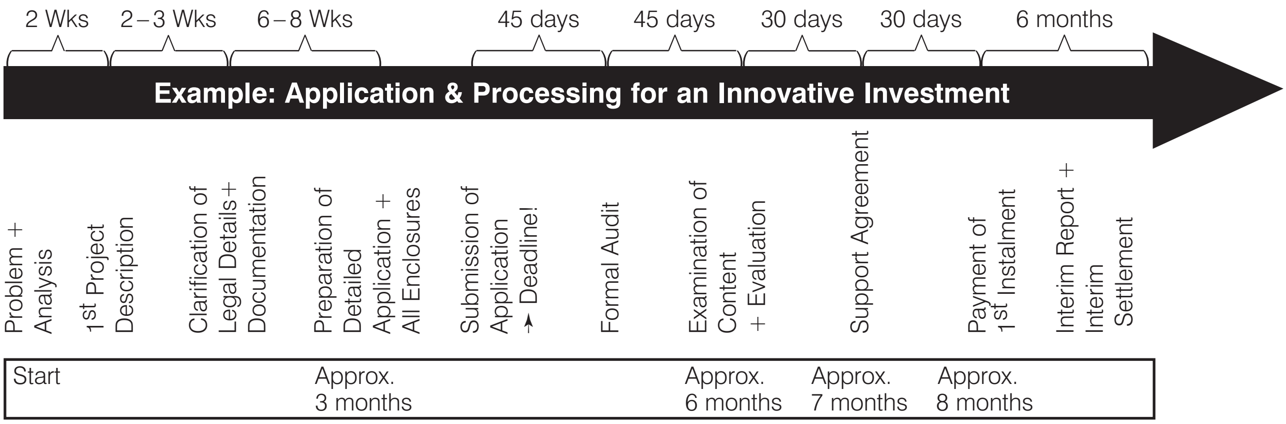
The individual EU Member States define their national and regional priorities on the basis of the EU objectives named above and derive individual operational support programmes (OPs) from them. The OPs are structured according to region and theme. Support focuses (so-called *priority axes*) regulated by guidelines approved by Brussels are defined within these programmes. The following themes are deemed to be the principal focuses for the individual countries: innovation, research and development, creating jobs, environmental protection, training, SMEs, transportation and regional support.

Special national funding agencies (ministries and investment agencies) are responsible for distributing promotional funds. While support can be continuously applied for in Austria within the scope of framework programmes, in Eastern Europe it is granted within the scope of "calls" (tender invitations). Calls for each of the focuses of support named above take place once or twice a year, and they are open for between one and three months. The principal criteria of assessment for the granting of support to companies are the size of a company, its location and the nature of the project to be supported.

How can your company apply for support?

One can submit applications for clearly defined projects while calls are open. Applications will only be accepted if they are complete (project description, approvals, budgeting, …) and in the language of the country concerned. Projects that have been submitted are then assessed by evaluators using a points system in accordance with the guidelines that have been stipulated or laid down in the programme. All the projects in a call compete with one another. Only those with the largest number of points will be shortlisted for support.

Timescale of a project receiving support:



A complex and time-consuming process takes place between the time of the application and any disbursement of funds. One needs experience dealing with pubic authorities and the targets they set.

National Subsidies

In addition to the EU structural funds, companies can also apply for support from national funds. To be worthy of support, it is very important for an investment project to be of economic importance to the country or region. The criteria of assessment are the minimum size of the investment, the number of jobs it will create and the minimum period those jobs will continue to exist.

The following investment incentives are possible:
- tax reductions, tax deferrals and tax exemptions;
- grants;
- loans;
- guarantees;
- equity investments;
- cheaper land.

However, these incentives are subject to the national regulations applicable in the particular country (special economic zones, investment certificates, ...) and must be applied for to regional funding bodies.

Please note:

- An application for support must be made before the project begins.
- The guidelines for support must be mirrored in the project description.
- Details of the guidelines may change during a call, so one must always keep up to date with them.
- Investment plans must never depend on support. A project must also be viable without support.
- There is no legal right to support.

For more information, go to http://www.ri.co.at/index.php?id=307&L=1 or contact our support and subsidy experts.

8. Risk Mitigation and Finance

Guarding against investment risks abroad

aws (*Austria Wirtschafts Service GmbH* = the federal government's funding agency)

aws provides guarantees to protect Austrian companies against financial risks arising from their equity investments abroad within the scope of *Ost-West-Fonds* (East-West Fund) guarantees.

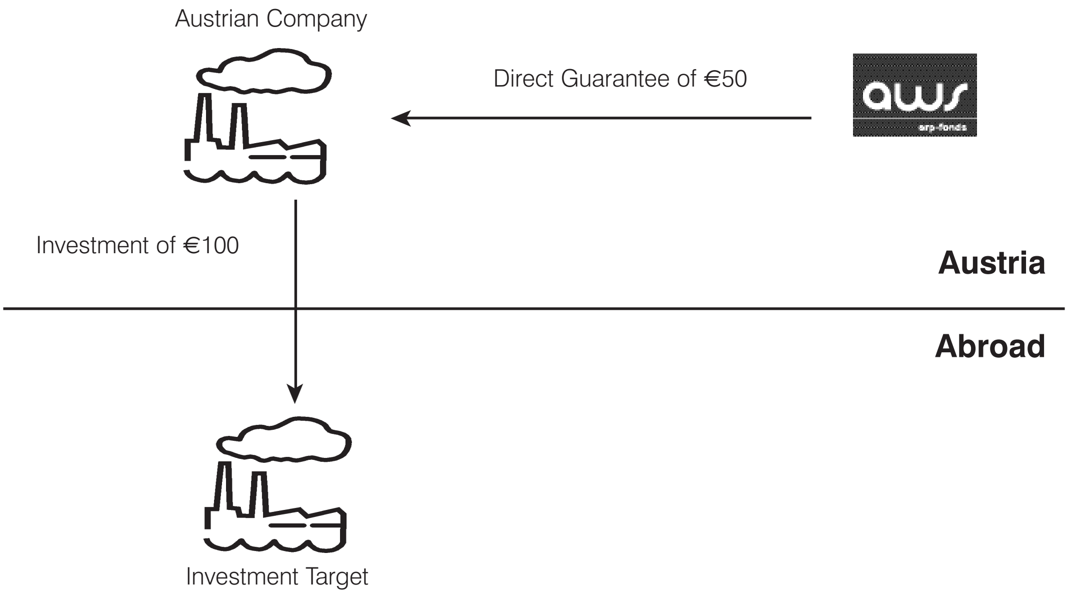
Two kinds of protection are available, the direct guarantee and the finance guarantee (with or without risk sharing).

www.awsg.at

The Direct Guarantee

An *aws* direct guarantee provides protection against the possible failure (insolvency or similar circumstances) of an equity investment project. *aws* undertakes to provide a specific capital sum up to the maximum guaranteed amount.

Direct guarantee to cover project risk:



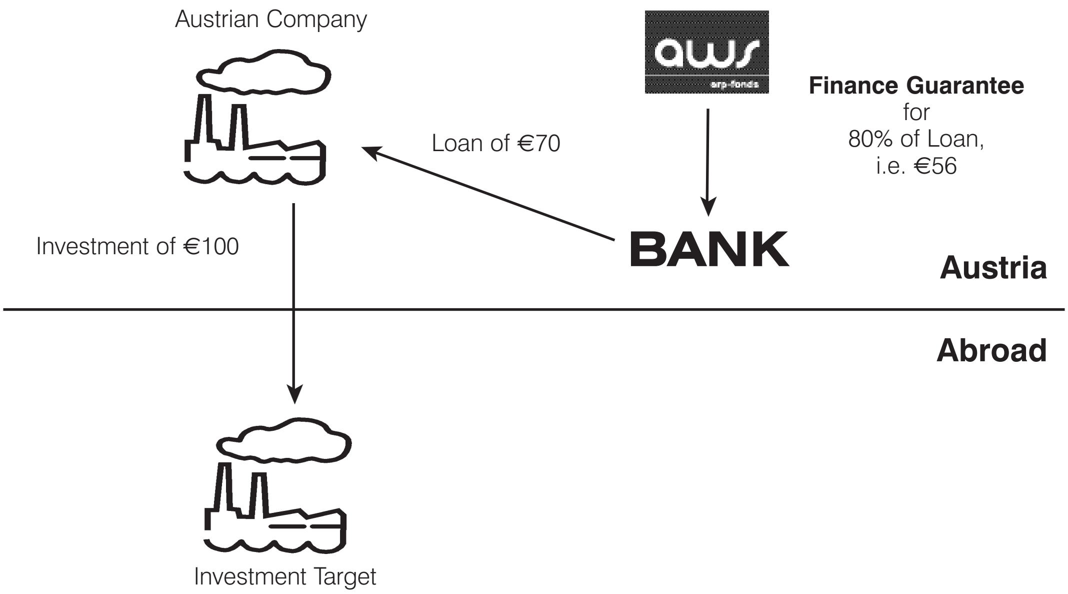
aws guarantees up to 50 per cent of the amount invested by the Austrian company should a project in another country fail. The guarantee will cost SMEs 0.5 per cent of the guaranteed outstanding loan amount per half year.

In the case of large enterprises, the maximum guarantee is one third of the value of the project. The guarantee fee will be set in line with the market.

Finance Guarantee

An *aws* finance guarantee safeguards the bank with protection against the investor's financial risk (loan loss caused by the Austrian company's insolvency). A finance guarantee covers up to 80 per cent of the loan.

Finance guarantee to provide cover against credit risk:



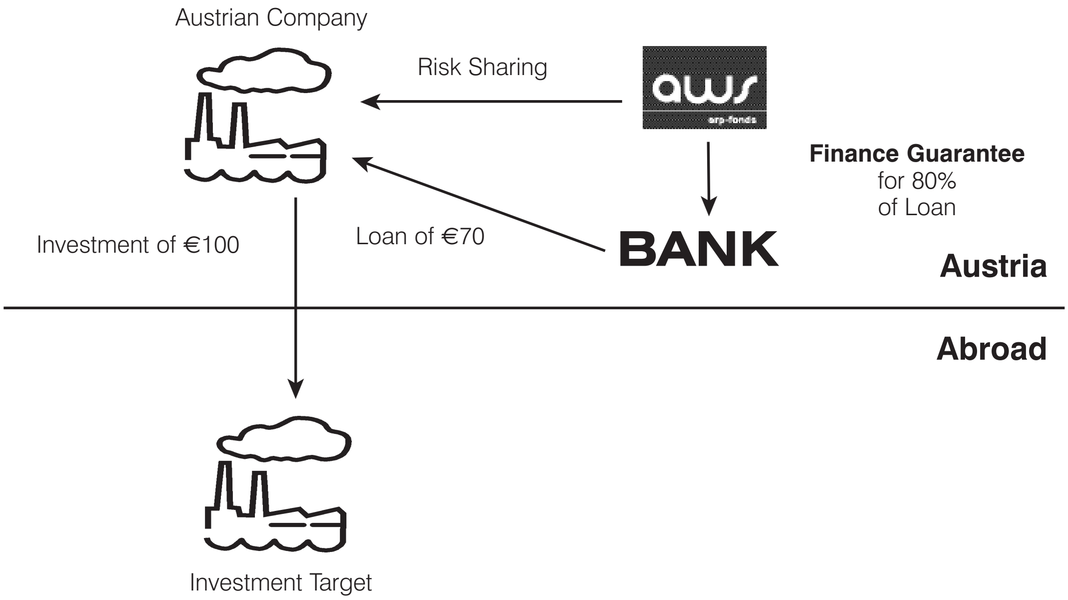
In the case of large enterprises, *aws* guarantee up to one third of a project's value. The guarantee will cost SMEs from 0.3 per cent of the guaranteed outstanding loan amount per half year. In the case of large enterprises, the guarantee fee will be set in line with the market.

Finance Guarantee with Risk Sharing or Combination of Direct Guarantee and Finance Guarantee

It is possible to supplement a finance guarantee with protection against the financial risk associated with an equity investment project in another country (finance guarantee with risk sharing).

If the equity investment project fails, *aws* takes on the role of financier, offering the investor a cheaper form of finance (soft loan). Alternatively, it may offer the investor a settlement on a present value basis to allow early repayment of the loan. It is important to note that *aws* will only agree to risk sharing if it is ensured that the Austrian parent company is not in a position to deliberately make the equity investment fail (e.g. by charging excessively high internal prices).

Finance guarantee with risk sharing to cover the credit risk and project risk:



The guarantee will cost SMEs 0.3 per cent of the guaranteed outstanding loan amount per half year plus another 0.2 per cent per half year for risk sharing. In the case of large enterprises, the guarantee fee will be set in line with the market.

Low-interest finance, credit for internationalization projects:

OeKB *(Österreichische Kontrollbank AG)*

Good risk management and attractive sources of funds are essential if companies are to achieve sustainable success as exporters and when investing abroad. *OeKB* offers federal export guarantees, bill guarantees and funding variants that are processed through a company's own bank, thus providing instruments that strengthen Austrian companies and their partners in the global competitive environment.
By issuing and processing export guarantees, *OeKB* therefore acts as the Republic of Austria's export credit agency (ECA). Export guarantees give Austrian companies protection against manufacturing and default risks when exporting abroad (whether caused by economic or political events in the importing country), and an export guarantee provides protection against political risks when investing abroad. The broad range of possible forms of protection is available to all small, medium-sized and large enterprises. If the export transaction or investment abroad helps improve Austria's current account (e.g. export of goods or services that are predominantly of Austrian origin, repatriation of dividends, repatriation of interest and capital, creation of jobs in Austria, know-how transfers), one of the key prerequisites for an *OeKB* guarantee has already been met. Further information about protecting oneself with federal export guarantees can be obtained directly from the *OeKB* website (www.oekb.at).

In addition to protecting export transactions and investments, you can also apply for *OeKB* funds to finance exports and investments abroad through your bank.

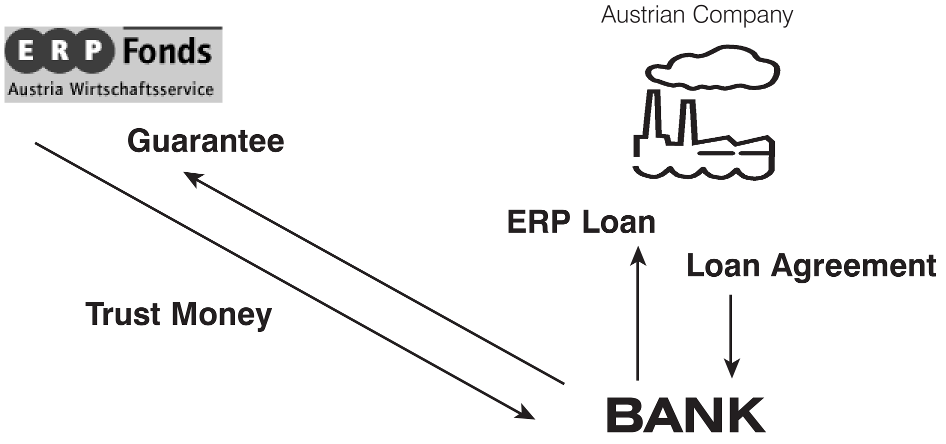
The principal prerequisites are:
- the assumption of liability by the Republic of Austria in the form of a bill guarantee or other guarantee or
- a guarantee from a loan insurer or
- an *aws* guarantee or
- a guarantee from an international organization and
- a direct or indirect improvement to Austria's current account.

ERP Fund

The ERP Fund is a fund with a separate legal personality that has been affiliated with *aws* (*Austria Wirtschaftsservice*) since 2002. The fund's assets derive from capital allocated within the scope of the United States' Marshall Plan. The Marshall Plan (European Recovery Program, or ERP for short) was set up to promote Europe's economic recovery after World War II. Low-interest advances with grace periods of several years are available within the scope of ERP loans:

The ERP internationalization programme for direct investments abroad:

- Target group: Austrian SMEs, large enterprises within the *de minimis* limit (present value of loan not more than €200,000 within 3 years) .
- Support for: equity and other investments that will improve the applicant's strategic position.
- Equity and other investments in the following countries: Albania, Algeria, Argentina, Bosna and Herzegovina, Brazil, China, Croatia, Egypt, India, Indonesia, Iran, Korea, Libya, Malaysia, Morocco, Macedonia, Mexico, Montenegro, Pakistan, Russia, Saudi Arabia, Serbia, Sri Lanka, Thailand, Tunisia, Turkey, the Ukraine.



- Terms and conditions:
  - Maximum loan: €7.5 million
  - Duration: 6 years
    - Period of utilization: 0.5 years
    - Grace period: 2 years, interest rate of 1.75% p.a. (fixed)
    - Redemption period: 4 years, interest rate of 2.25% p.a. (fixed)
  - In a number of programmes, longer grace periods and redemption periods are also on offer: sunrise industries within the technology programme, regional programme with a longer duration.
  - Interest charged on an accrual basis.
  - Processing fee: 0.9% of the ERP loan.
  - In addition to these costs, there will also be the guaranteeing bank's guarantee fee.

- Projects eligible for support:
  - investments in:
    - manufacturing facilities
    - setting up subsidiaries
    - manufacturing joint ventures
  - acquisition of a minority stake (at least 25%)

- Costs that can be subsidized:
  - capital contributions
  - partners' loans
  - cost of acquiring an equity investment
  - costs directly associated with investments

The KfW Banking Group (Kreditanstalt für Wiederaufbau, Frankfurt, Germany)

KfW-Bank offers subsidized, fixed-rate loans to pay for investments carried out abroad in connection with internationalization projects by German companies or by their subsidiaries or joint ventures with German partners (German stake > 25%). They can be applied for through partner banks (e.g. RZB).

The following programmes come into question in connection with internationalization projects:

Corporate Loans, the *KfW Environmental Programme*, and *KfW Capital for Jobs and Investment* (all three programmes may be combined).
Essentially, any investment can be financed (e.g. corporate acquisitions, investments in plant, equipment, land and buildings).
Link: www.kfw-foerderbank.de/

9. Payment and Account Services at Raiffeisen Banka d.d.

9.1. Cash management products

Account Services

	National Currency (NC)	NC Deposits	Foreign Currencies (FCs)	FC Deposits
Residents	✓	✓	✓	✓
Non-residents	✓	✓	✓	✓
Interest on credit balances	✓	✓	✓	✓
Overdrafts	✓			

Cash Management: Local Products and Services

Payments, Deposits
- Domestic payments (NC)
- Domestic payments (FCs)
- Foreign payments (NC)
- Foreign payments (FCs)
- Domestic debits
- Cheques
- Cheque collections
- Travellers cheques
- Cash deposits / withdrawals (NC)
- Cash deposits / withdrawals (FCs)
- Foreign currency buying and selling
- Bank cards
- Credit cards

Electronic Banking
- Local Electronic Banking
- Internet Banking solutions
- SWIFT MT940

Liquidity Management
- Overdrafts

Cash Management: Group Products and Services

- International Account Reporting
- International Disbursement Service*
- Intragroup Payments (IGP)
- Cash Payments

* Subject to restrictions due to local regulations.

9.2. Legislative Provisions and Exchange Control

Account Services

- Use of IBANs.
- Multi-currency services,
- There are no restrictions on residents or non-residents holding euro or foreign currency accounts.
- Accounts held by residents abroad must be reported to the central bank (as must all account movements).

Domestic Payments

- There are no restrictions on euro payments.
- Incoming and outgoing payments by non-residents are deemed to be international payments.

Foreign Payments

- No restrictions.
- The stated reason for outgoing and incoming payments exceeding €12,500 must include a statistical code (*osnova*).

Cash Deposits / Withdrawals

- There are no restrictions on euro cash deposits and withdrawals.
- Money laundering prevention: EU directive.
- Foreign currency cash deposits and withdrawals from/to company accounts and euro cash deposits by non-residents are treated like foreign payments.

9.3. Clearing mechanisms

Mechanisms

- Description: Domestic clearing: same-day clearing of giro payments in five batches.
  RTGS local payments via TARGET.
  Foreign payments: STEP2 payments are cleared through RZB, TARGET, correspondents and Intragroup Payments.
- Transaction volumes: Local giro clearing: up to €50,000.
  Local RTGS: over €50,000.
  STEP2: up to €50,000.
  TARGET: priority and large volume payments.
  Correspondents, Intragroup Payments: no limit.
- Value dates and processing:
  TARGET: real-time.
  Local giro clearing: 8:00, 10:00, 12:00, 14:00, 16:00 CET.
  STEP2, Intragroup Payments: D+1.
  Correspondents: D+2; D, D+1 for priority payments.

Banks' clearing system memberships

Local: GIRO, RTGS.

International: TARGET, STEP 2, Correspondent Banking.

9.4. Value dates

Order Type	Cut-off Times
• DPs, paper-based • DPs, electronic • FPs, paper-based • FPs, electronic • MT101	15:00 CET 15:30 CET 13:00 CET 14:30 CET 13.00 CET

Process	DPs	FPs
• Debit from customer's account	D	D
• Transmission to other bank	D	D, D+1, D+2
• Credit to beneficiary's account	C	C

D = Day order is received from customer
C = Day order is received from customer's bank
DPs = Domestic payments
FPs = Foreign payments
CET = Central European Time

10. Raiffeisen Banka d.d.

Assets, €m	1,509
Branches	16
Staff As at 31 December 2008	344

Shareholder structure:	
Raiffeisen International Bank Holding	85.71%
Raiffeisen-Landesbank Steiermark AG	9.90%
Raiffeisenlandesbank Burgenland und Revisionsverband registrierte Genossenschaft mit beschränkter Haftung	3.00%
Other	1.39%

In 2002, *Raiffeisen* acquired *Krekova banka*, which was founded in 1992. Today, it operates under the name of *Raiffeisen Banka d.d*. At year-end 2008, *Raiffeisen*'s balance sheet total in Slovenia came to €1.5 billion. Its 71,000 customers were being serviced by roughly 340 employees working at 16 business outlets and by nearly 40 mobile customer service staff. *Raiffeisen Banka*'s business activities focus on high net worth private banking clients and SMEs. During 2008, the aggregate customer loan portfolio grew by 10.4 per cent to €1.2 billion, and customer deposit balances increased by 23.3 per cent to €545 million.

After a successful trial run in the summer of 2008, the bank launched its "affluent banking" concept to drive further growth in its high net worth private banking operations. The launch of this special advisory and service package at every one of the bank's business outlets will be completed in the course of 2009. Another key focus will be on cross-border lending to corporate customers.

11. Your International Business Specialists at Raiffeisen Banka d.d. and the Global Raiffeisen Network

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Notes

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