

1. FORM, DENOMINATION AND TITLE; CURRENCY OF PAYMENT

The €42,897,000 4.50 per cent. Notes due 2019 (the "Notes", which expression includes any further notes issued pursuant to Condition 13 and forming a single series therewith) of SIJ – Slovenska industrija jekla, d.d. ("the Issuer") are in uncertified and dematerialised registered form in the denomination of €1,000.00.

The Notes are issued in accordance with the provisions of the Dematerialised Securities Act (Zakon o nematerializiranih vrednostnih papirjih, Uradni list RS No 2/2007 – uradno prečiščeno besedilo, 67/2007 58/2009 and 78/2011, hereinafter: the "ZNVP") as entries in the central register (the "Central Register") maintained by KDD d.d., Tivolska cesta 48, SI-1000 Ljubljana, Slovenia ("KDD"). No global or definitive Notes or interest coupons will be issued in respect of the Notes in any circumstances.

The Notes are transferable in accordance with the provisions of the ZNVP, other applicable Slovenian legislation and the rules and regulations applicable to, and/or issued by, KDD. Title to the Notes will pass by registration in the Central Register.

Each person that is for the time being recorded in the Central Register as the holder of a particular number of the Notes (in which regard any certificate or other document issued by KDD as to the number of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer as the legal holder of such number of Notes for all purposes (and the expressions "Noteholder" and the "holder of Notes" and related expressions shall be construed accordingly).

The legal holder of any Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein) and no person shall be liable for so treating such holder.

No person other than the Issuer and the respective Noteholder shall have any right to enforce any term or condition of any Note. Notwithstanding the aforesaid, the right to

receive payments in respect of a Note may be enforced by the Beneficiary (as defined in Condition 5.1) of such payments or by an Accountholder (as defined in Condition 5.3).

"€" or "euro" means currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

2. STATUS OF THE NOTES

The Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will at all times rank pari passu and without any preference among themselves and at least equally with all the other present and future unsecured and unsubordinated indebtedness of the Issuer.

3. INTEREST

The Notes bear interest from 24 November 2014 (the "Issue Date") at the Interest Rate, payable in arrear on 24 November in each year commencing 24 November 2015 (each, an "Interest Payment Date"), subject as provided in Condition . Each Note will cease to bear interest from the due date for final redemption. If payment of principal is improperly withheld or refused, the Beneficiary of such payment will be entitled to receive interest at the rate specified above (after as well as before judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Beneficiary (as defined in Condition 5.1) or (b) the day which is five business days after the Issuer has notified the Beneficiaries that all sums due in respect of such principal and interest will be paid subject only to the receipt by the Issuer of a notice specifying the details of the euro account of the relevant Beneficiary in accordance with Condition 5.2 (except to the extent that there is any subsequent default in payment).

The amount of interest due in respect of any Notes will be calculated by reference to the aggregate principal amount of Notes held by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01.

Where interest is to be calculated in respect of a period which is shorter than an Interest Period, it will be calculated on the basis of the number of days in the relevant period, from and including the first day of such period to but excluding the last day of such period, divided by the number of days in the Interest Period in which such period falls.

As used herein:

(i) "business day" means any day which is a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) payment system which utilises a single shared platform and which was launched on 19 November 2007 is operating;

(ii) "Interest Rate" means, up to and including the Release Date (as defined in Condition 7.1) 4.50 per cent. per annum and at any time thereafter 4.80 per cent. per annum; and

(ii) "Interest Period" means the period from and including the Issue Date to but excluding the first Interest Payment Date and each period from and including an Interest Payment Date to but excluding the next Interest Payment Date.

4. REDEMPTION AND PURCHASE

4.1 Principal amount of the Notes

The principal of a Note at any given time is equal to the nominal amount of such Note^{4.3}.

4.2 Scheduled redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 24 November 2019, subject as provided in Condition 5.

4.3 Purchase and cancellation

The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Any Notes so purchased may be cancelled or held and resold.

5. PAYMENTS

5.1 Principal and interest

Payments of principal and interest will be made in euro by transfer to the euro accounts of the Beneficiaries (as defined below) of such payments. Each payment so made will discharge the Issuer's obligation in respect thereof.

In this Condition5:

(i) "Beneficiary" means, in relation to any amount payable in respect of a Note, the person registered at the Relevant Time (as defined below) in the Central Register as the person entitled to receive such amount;

(ii) "Relevant Time" means, in relation to any amount payable in respect of a Note, the end of the third KDD Business Day (as defined below) prior to the due date for such amount;

(iii) "KDD Business Day" means any day which is a day on which KDD is open for business;

and

(iv) "euro account" means, in relation to a person, an account nominated by or on behalf of such person pursuant to Condition 5.2 and into which euro payments in respect of the Notes may be credited or transferred.

5.2 Notification of euro account

Each Noteholder or Beneficiary shall nominate its euro account by notifying details in respect thereof to the Issuer either (a) in the manner notified to the Noteholder or Beneficiary by the Issuer or its paying agent (if any) appointed in accordance with Condition 5.6 following a request from such Noteholder or Beneficiary in accordance with Condition 14 or (b) in such other manner as may from time to time be specified in a notice

given by or on behalf of the Issuer in accordance with Condition 14.

If a Beneficiary of any amount payable in respect of a Note fails to nominate its euro account in accordance with the foregoing before the third KDD Business Day prior to the due date for payment of such amount, such Beneficiary shall not be entitled to payment of the amount due until the fifth business day after details of its euro account have been properly nominated in accordance with the foregoing, and the relevant Beneficiary shall not be entitled to any interest or other payment in respect of any such delay.

5.3 Assignment of Clearing Systems' rights

In the case of an Event of Default described in Condition 8.48.1, any right to receive payment in respect of a Note held at the Relevant Time by Clearstream Banking, société anonyme or Euroclear Bank SA/NV (each a "Clearing System", and together the "Clearing Systems") or by any other person on behalf of a Clearing System (each such person a "Fiduciary") shall be deemed assigned on the due date for such payment to the person recorded in the records of the relevant Clearing System as the holder of such Note at the Relevant Time (the "Accountholder") (in which regard a statement of accounts issued by the relevant Clearing System and, where applicable, its Fiduciary as to the nominal amount of Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding evidence of a right to receive such payment) and such Accountholder shall be entitled to enforce the obligation of the Issuer to make such payment (including any further interest due in accordance with Condition 3 to the euro account of the Beneficiary of such payment (being the relevant Clearing System or, where applicable, its Fiduciary).

5.4 Payments subject to fiscal laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 6 The Issuer shall bear all commissions or expenses shall charged by its payment services provider in respect of such payments.

5.5 Payments on business days

If the due date for payment of any amount in respect of any Note is not a business day, the Beneficiary shall not be entitled to payment of the amount due until the next succeeding business day and shall not be entitled to any interest or other payment in respect of any such delay.

5.6 Paying agent

The Issuer reserves the right at any time to appoint or terminate the appointment of a paying agent who acts solely as an agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Beneficiaries.

6. TAXATION

All payments of principal and interest in respect of the Notes by the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Slovenia or any political subdivision or any authority thereof or therein having power to tax (a "Tax"), unless such withholding or deduction is required by law.

In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Beneficiaries of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable:

- (i) in respect of any amount payable in respect of a Note received by or on behalf of a person who is subject to such Tax in respect of such payment by reason of his being connected with the Republic of Slovenia (or any political subdivision thereof) otherwise than merely by holding such Note or receiving principal or interest in respect thereof; or
- (ii) in respect of any amount payable in respect of a Note received by or on behalf of a

person who would not be liable for or subject to such withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the Issuer or relevant tax authority if, after having been requested to make such a declaration or claim, such person fails to do so; or

(iii) in respect of any amount payable in respect of a Note received more than 30 days after the Relevant Date (as defined below) except to the extent that the recipient thereof would have been entitled to such additional payment on the last day of such 30 day period; or

(iv) where such withholding or deduction is imposed on a payment to or for an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26 - 27 November 2000 on the taxation of savings income (the "Directive"), or any law implementing or complying with, or introduced in order to conform to, the Directive; or

(v) if and to the extent that such withholding or deduction would have been required to be made pursuant to the laws applicable on the Issue Date.

In these Conditions, "Relevant Date" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the payment in question is improperly withheld or refused, the day on which the Issuer has notified the relevant Beneficiary that the amount in question will be paid subject only to the receipt by the Issuer of a notice specifying the details of its euro account in accordance with Condition 5.2 (except to the extent that there is any subsequent default in payment).

Any reference in these Conditions to principal or interest in respect of the Notes shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 6.

7. COVENANTS

7.1 Interpretation

For the purposes of these Conditions:

- (a) "Release Date" means the date on which the purchase price for the Notes is paid to the Noteholders who accepted the Tender Offer (as defined below);
- (b) "Cash" means cash in hand or at bank and (in the latter case) credited to an account in the name of a member of the Group and to which a member of the Group is alone (or together with other members of the Group), is beneficially entitled.
- (c) "Cash Equivalent Investments" means:
 - (i) certificates of deposit and deposits maturing within one year;
 - (ii) any investment in marketable debt obligations issued or guaranteed by the government of the Republic of Slovenia, any member state of the European Economic Area, any Participating Member State, the United Kingdom or the United States of America or by an instrumentality or agency of any of them having an equivalent credit rating, maturing within one year after the relevant date of calculation and not convertible or exchangeable to any other security;
 - (iii) open market commercial paper not convertible or exchangeable to any other security:
 - (1) for which a recognised trading market exists;
 - (2) issued by an issuer incorporated in the the Republic of Slovenia, any member state of the European Economic Area, any Participating Member State, the United Kingdom or the United States of America;
 - (3) which matures within one year after the relevant date of calculation; and

(iv) bills of exchange eligible for rediscount by a national bank (or equivalent institution) in the Republic of Slovenia, any member state of the European Economic Area, any Participating Member State, the United Kingdom or the United States of America ;

in each case and to which any member of the Group is beneficially entitled at that time.

(d) "EBITDA" means, in respect of a fiscal year, the consolidated net income of the Group, before taking into account (without double-counting):

(i) any provision or payment on account of taxation, including deferred taxation;

(ii) any interest incurred or payable by the group in respect of the Financial Indebtedness;

(iii) any items treated as exceptional or extraordinary items including any amounts in relation to the revaluation of an asset or any gain or loss of book value arising on the disposal of an asset by the group outside the normal course of its business; and

(iv) any amount attributable to amortization or impairment of intangible assets and depreciation or impairment of tangible assets.

(hereinafter, the items referred to in (i) to (iv) above; "excluded items")

adjusted as follows:

(1) by adding the net income before taking into account the excluded items, earned by a company which became a member of the Group during the course of the relevant fiscal year, during the part of that fiscal year in which it was not yet a member of the Group;

(2) by deducting the net income before taking into account the excluded items, earned by a company which ceased to be a member of the Group during the course of the relevant fiscal year, during the part of that fiscal year in which it was still a member of the Group.

- (e) "Financial Indebtedness" means any indebtedness for or in respect of:
 - (i) moneys borrowed;
 - (ii) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;
 - (iii) any amount raised pursuant to any note purchase facility or the issue of notes, bonds, commercial papers or any similar instrument;
 - (iv) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance lease;
 - (v) any counter-indemnity obligation in respect of a guarantee, indemnity, standby or documentary letter of credit or any other instrument issued, covering a liability of a third party which is not a member of the Group and is not issued in respect of commercial trading partners (including capital expenditure and acquisitions) of the Group.
- (f) "Net Debt" means the consolidated Financial Indebtedness of the Group minus Cash and Cash Equivalent Investments held by any member of the Group.
- (g) "Existing Liabilities" means liabilities, including liabilities coming into existence after the Issue Date, the aggregate amount of which does not exceed:
 - (i) during the period from the Issue Date until the publication of the first audited annual financial statements of the Group after the Issue Date, the aggregate amount of the liabilities secured by Security which are disclosed in the Prospectus;
 - (ii) at any other time, any liabilities secured by Security, neither the aggregate amount of the liabilities secured with Security which are disclosed in the most recently published audited annual financial statements of the Group, nor the aggregate amount of the liabilities secured with Security which are disclosed in the Prospectus;
- (h) "Holding Company" means, in relation to a company (Company A), any person in

respect of which Company A is a Subsidiary.

(i) "Tender Offer" means a notice of the Issuer given to all Noteholders in accordance with Condition 14, containing a binding offer for the purchase of all Notes, which meets the following requirements:

(I) the offer is valid for at least 14 days since the date of such notice; and;

(ii) the price offered for each Note equal to or higher than the sum of its nominal amount and accrued interest calculated for the period from the most recent Interest Payment Date up to the Release Date.

(j) "Subsidiary" means, in relation to a person (Person A), each company which is (or would be, if Person A would be a company) considered, in accordance with the Slovenian Companies Act (Zakon o gospodarskih družbah, ZGD-1), to be a subsidiary ("odvisna družba") of either Person A or of another Subsidiary of Person A.

(k) "Affiliate" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

(l) "Merger" means amalgamation, demerger, merger or any other transaction for which a resolution of the Issuer's shareholders must be passed with a majority in accordance with the Slovenian Companies Act (Zakon o gospodarskih družbah, ZGD-1)

(m) "Prospectus" means the prospectus published by the Issuer in relation to the admission of the Notes to trading on the stock exchange market of Ljubljanska borza vrednostnih papirjev, d.d., Ljubljana;

(n) "Relevant Indebtedness" means any obligations having an original maturity of more than one year arising out of financial instruments which are or are intended to be or are capable of being listed, quoted or dealt in or traded on any stock exchange or other organised market for securities (whether or not initially distributed by way of public offering);

- (o) "Group" means the Issuer and each of its Subsidiaries from time to time.

- (p) "Security" means a mortgage, pledge, lien, assignment or other security interest over any asset securing any obligation of any person or any other agreement or arrangement having a similar effect (excluding, for the avoidance of doubt, guarantees, indemnities or pledge over, or assignment of, receivables payable by members of the Group).

7.2 Negative Pledge

- (a) Except as permitted under paragraph (b) of this Condition 7.2, the Issuer shall not, and shall ensure that no other member of the Group will, create or permit to subsist any Security over any of its assets unless equivalent Security will also be created for the Issuer's obligations under the Notes.

- (b) Paragraph (a) above does not apply to:
 - (i) Security securing Existing Liabilities, other than Relevant Indebtedness;

 - (ii) Security arising by operation of law in the ordinary course of business and securing obligations other than Relevant Indebtedness;

 - (iii) Security securing liabilities arising under any derivative financial instruments protecting against or benefiting from fluctuations in any rate or price entered into by a member of the Group in the ordinary course of its business;

 - (iii) Security over goods, documents of title to goods and related documents and insurances and their proceeds to secure liabilities of any member of the Group in respect of a letter of credit issued for all or part of the purchase price and costs of shipment, insurance and storage of goods acquired by any member of the Group in the ordinary course of trading as inventory;

 - (iv) Security over goods and their proceeds and arising by virtue of the supplier's retention of title clause to secure only the purchase price of the goods, but only if the

goods are inventory purchased by any member of the Group in the ordinary course of trading;

(v) Security over cash deposits or marketable investment securities securing the performance by a member of the Group of bid, tender, advance payment, retention money, performance bonds issued in the ordinary course of the contracting business of such member of the Group;

(vi) Security over an asset:

(a) acquired by a member of the Group after the Issue Date, to the extent that such Security is existing at the time of such acquisition; or

(b) of a company which became a member of the Group after the Issue Date, to the extent that such Security is existing at the time when such company becomes a member of the Group;

in each case to the extent that neither such Security was created nor the secured amount increased in contemplation of the acquisition of that asset by a member of the Group or of such company becoming a member of the Group;

(vii) any Security created over any asset acquired after the Issue Date to secure indebtedness incurred solely for the purpose of financing all or any part of the purchase price or acquisition cost of that asset;

(viii) at any time after the Release Date, any other Security securing any indebtedness other than Relevant Indebtedness.

7.3 Mergers

(a) Except as permitted under paragraph (b) of this Condition 7.3, the Issuer shall not, and shall ensure that no other member of the Group will, enter into any Merger.

(b) Paragraph (a) above does not apply to:

- (I) any Merger where all participants are the members of the Group; or
- (ii) a spin-off, by which the Issuer transfers to a newly established company:
 - (a) 5,000,000 shares issued by the company Perutnina Ptuj d.d.;
 - (b) 43,197 shares issued by the company Holding PMP d.d.;
 - (c) up to EUR 10,000,000 of retained profits in cash; and
 - (d) its obligations arising out of the loan borrowed to finance the acquisition or payment of the shares referred to in indents (a) and (b) above, having a principal amount of EUR 44,319,700 EUR;
- (iii) any Merger which occurs after Release Date.

7.4 Loans

- (a) Except as permitted under paragraph (b) of this Condition 7.4, the Issuer shall not, and shall ensure that no other member of the Group will, make any loans or otherwise be a creditor in respect of any indebtedness for borrowed moneys.
- (b) Paragraph (a) above does not apply to:
 - (I) any advance payment or trade credit extended by any member of the Group to its customers and/or suppliers on normal commercial terms and in the ordinary course of its trading activities; or
 - (ii) a loan made by any member of the Group to another member of the Group;
 - (iii) any loans made at the time when the Net Debt / EBITDA ratio, calculated by reference to the data contained in the Group's most recently published audited consolidated annual financial statements, is below 4.25;

- (iv) any loans made after the Release Date.

7.5 No Guarantees

(a) Except as permitted under paragraph (b) of this Condition 7.5, the Issuer shall not, and shall ensure that no other member of the Group will, incur or allow to remain outstanding any guarantee in respect of any obligation of any person.

(b) Paragraph (a) does not apply to a guarantee which is:

(I) guaranteeing performance by a member of the Group under any contract entered into in the ordinary course of its trading activities;

(II) guaranteeing liabilities of a person which is not a member of the Group, provided that the amount of such guarantees does not, in aggregate, exceed €1,000,000.00; or

(ii) issued after the Release Date.

7.6 Dividends and share redemption

(a) Except as permitted under paragraph (b) of this Condition 7.6, the Issuer shall not, and shall ensure that no other member of the Group will:

(I) pay any dividend to the holders of shares in its share capital;

(ii) pay or allow any member of the Group to pay any management, advisory or other fee to or to the order of any of its shareholders; or

(iii) redeem or purchase any of its share capital or resolve to do so.

(b) Paragraph (a) above does not apply to:

(i) payments made by the members of the Group other than the Issuer to their

shareholders; or

- (ii) transactions disclosed in the Prospectus; or
- (iii) transactions required by applicable law; or
- (iv) payments of dividends made by the Issuer on its shares after publication of the Group's audited consolidated annual financial statements for the financial year to which such dividend relates, provided that the Net Debt / EBITDA ratio, calculated by reference to the data contained in such consolidated financial statements but taking into account the cash paid as dividends, is lower than 4.25; or
- (v) payments or other transactions made after Release Date

7.7 Publication of information

The Issuer shall publish in accordance with Condition 14 the following information as soon as it becomes aware of the relevant facts if it becomes aware of such facts at any time before the Release Date:

(a) in connection with any Security over the asset of the Issuer or any other member of the Group, except any Security referred to in sub-paragraph (l) of paragraph (b) of Condition 7.2, which was not disclosed in a prior notice given in accordance with this Condition 7.7:

- (i) the description and the market value of the assets on which such Security exists;
- (ii) the amount, final maturity and the debtor of the obligations secured by such Security;
- (iii) an explanation as to any exemptions set out in paragraph (b) Condition 7.2 applicable to such Security;

(b) in connection with any Merger taking place after the date of the Prospectus:

- (i) a description of such Merger;
- (ii) an explanation as to any exemptions set out in paragraph (b) Condition 7.3 applicable to such Merger,
- (c) in connection with any loan made by the Issuer or by any other member of the Group, except the loans referred to in sub-paragraphs (i) or (ii) of paragraph (b) of Condition 7.4:
 - (i) the amount, final maturity and the borrower of such loan;
 - (ii) an explanation as to any exemptions set out in paragraph (b) Condition 7.4 applicable to such loan,
- (d) in connection with the assumption of liability by the Issuer or by any other member of the Group for the obligations of any other person, except the guarantees referred to in sub-paragraph (i) of paragraph (b) of Condition 7.5:
 - (i) the amount, final maturity and the debtor of the relevant obligation;
 - (iii) an explanation as to any exemptions set out in paragraph (b) Condition 7.5 applicable to such guarantee,
- (e) in connection with any payment referred to in paragraph (a) of the Condition 7.6, other than payments referred to in sub-paragraph (i) of paragraph (b) of Condition 7.6:
 - (i) a description of the nature and the amount of such payment;
 - (ii) an explanation as to any exemptions set out in paragraph (b) of Condition 7.6 applicable to such payment..

8. EVENTS OF DEFAULT

At the request of its holder, each Note shall become immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events (each an "Event of Default") occurs and is continuing:

8.1 Non-payment

the Issuer fails to pay any amount of principal or interest in respect of the Notes within 5 days of the due date for payment thereof; or

8.2 Breach of other obligations

the Issuer does not perform or comply with any one or more of its other obligations under the Notes, which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after notice of such default has been given to the Issuer by any Noteholder; or

8.3 Cross Default

any of the following events occurs in respect of indebtedness for borrowed money owed by the Issuer or any other member of the Group either as a principal debtor or as a guarantor which, individually or in aggregate, amounts to at least €10,000,000 (or its equivalent in any other currency):

- (a) such indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity by reason of an event of default (however described); or
- (b) the Issuer or any other member of the Group fails to make any payment in respect of such indebtedness when due nor within any originally applicable grace period; or
- (c) any Security given by the Issuer or any other member of the Group for such indebtedness becomes enforceable; or

8.4 Insolvency, etc.

(i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator (upravitelj prisilne poravnave) or liquidator (stečajni upravitelj) of the Issuer or the whole or a substantial part of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made), (iii) by reason of its financial difficulties the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or (iv) the Issuer ceases or threatens to cease to carry on all or any substantial part of its business; or

8.5 Winding up, etc.

an order is made or an effective resolution is passed by any competent authority for the winding up, liquidation or dissolution of the Issuer; or

8.6 Analogous event

any event occurs which under the laws of the Republic of Slovenia has an analogous effect to any of the events referred to in paragraphs 8.4 (Insolvency, etc.) to 8.5 (Winding up, etc.) above.

9. PRESCRIPTION

Claims for principal shall become void unless claimed for payment within five years of the appropriate Relevant Date (as defined in Condition 6. Claims for interest shall become void unless claimed for payment within three years of the appropriate Relevant Date.

10. MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER

10.1 Definitions

In these Conditions, the following expressions have the following meanings:

- (a) "Chairman" means, in relation to any Meeting, the individual who takes the chair in accordance with Condition 10.4;
- (b) "Extraordinary Resolution" means a resolution passed at a Meeting duly convened and held in accordance with this Condition 10 by a majority of at least:
 - (i) in the case of a Reserved Matter, 75 per cent. of the aggregate principal amount of the outstanding Notes; or
 - (ii) in the case of a matter other than a Reserved Matter, 66²/₃ per cent. of the aggregate principal amount of the outstanding Notes which are represented at that meeting;
- (c) "Meeting" means a meeting of Noteholders (whether originally convened or resumed following an adjournment);
- (d) a Note shall be considered to be "outstanding" unless one or more of the following events has occurred:
 - (i) it has been redeemed in full or purchased under Condition 4, and if purchased under Condition 4, has been cancelled in accordance with Condition 4.2; or
 - (ii) for the purposes of Condition 9, it is being held by or on behalf of the Issue or an Affiliate of the Issuer (as defined in Condition 7.1);
- (e) "Initiator" means the Issuer in the capacity of the person convening the Meeting;
- (f) "Proxy" means, in relation to any Meeting, a person appointed to vote on behalf of one or more Noteholders, other than:
 - (i) any such person whose appointment has been revoked and in relation to whom the Issuer has been notified in writing of such revocation by the time which is at least 24 hours before the time fixed for such Meeting; and

- (ii) any such person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the Meeting when it is resumed;
- (g) "Reserved Matter" means, subject as provided in the paragraph below (Matters requiring unanimity), any proposal of the Initiator:
 - (i) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;
 - (ii) to change the currency in which any amount due in respect of the Notes is payable or the manner in which any payment is to be made;
 - (iii) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution, Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;
 - (iv) to change this definition, the definition of "Extraordinary Resolution", the definition of "outstanding" or the definition of "Written Resolution";
 - (v) to change or waive the provisions of the Notes set out in Condition 2; or
 - (vi) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 8.1.
- (h) "Matters requiring unanimity": means any proposal:
- (i) to change the law governing the Notes, the courts to the jurisdiction of which the

Issuer has submitted in the Notes or the waiver of immunity by any of them, in respect of actions or proceedings brought by any Noteholder, in each case set out in Condition 15;

(ii) to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer (except in such case where an exchange of Notes is to occur solely as a result of the operation of Condition 13) or any other person, which would result in the Conditions as so modified being less favourable to the holders of Notes which are subject to the Conditions as so modified than:

(A) the provisions of the other obligations or securities of the the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or

(B) if more than one series of other obligations or securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series having the largest aggregate principal amount; or

(iii) to modify the provisions of this paragraph above (Matters requiring unanimity),

which may only be given effect with the consent of the Issuer and the holders of all of the outstanding Notes;

(l) "Modifications" means a modification of these Conditions approved, subject as provided in the paragraph above (Matters requiring unanimity), by an Extraordinary Resolution or a Written Resolution as well as by the Issuer;

(j) "Voter" means, in relation to any Meeting, any person registered in the Central Register as the holder of any Note 48 hours before the time fixed for such Meeting or a Proxy appointed by such Noteholder;

(k) "Written Resolution" means a resolution in writing signed by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding Notes, in the case of a Reserved Matter, or 66²/₃ per cent. of the aggregate principal amount of the outstanding Notes, in the case of a matter other than a Reserved Matter. Any Written

Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders;

(l) "24 hours" means a period of 24 hours including all or part of a day upon which banks are open for business in the place where the relevant Meeting is to be held (disregarding for this purpose the day upon which such Meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid; and

(m) "48 hours" means 2 consecutive periods of 24 hours.

10.2 Convening of Meeting

the Issuer may convene a Meeting at any time and the Issuer shall be obliged to do so upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes.

10.3 Notice

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the relevant Meeting is to be held) specifying the date, time and place of the Meeting shall be given to the Noteholders. The notice shall set out (i) the full text of any resolutions to be proposed, (ii) details of the manner in which Proxies may be appointed and the deadline for any such appointment, which shall be 24 hours before the time fixed for such Meeting and (iii) the name of the Chairman appointed by the Initiator.

10.4 Chairman

An individual (who may, but need not, be a Noteholder) appointed by the Initiator may take the chair at the respective Meeting. If the individual appointed is not present within 15 minutes after the time fixed for the Meeting, those present shall elect one of themselves to take the chair failing which, the Initiator may appoint a Chairman.

10.5 Quorum

The quorum at any Meeting convened to vote on an Extraordinary Resolution will be:

- (i) one or more persons present and holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Notes; or
- (ii) where a Meeting is adjourned and rescheduled owing to a lack of quorum, at any rescheduled Meeting, one or more persons present and holding or representing at least 25 per cent. of the aggregate principal amount of the outstanding Notes,

provided, however, that any proposals relating to a Reserved Matter may only be approved by an Extraordinary Resolution passed at a Meeting at which one or more persons present and holding or representing at least 75 per cent. of the aggregate principal amount of the outstanding Notes form a quorum.

10.6 Adjournment for want of quorum

If within 15 minutes after the time fixed for any Meeting a quorum is not present, then:

- (i) in the case of a Meeting requested by Noteholders, it shall be dissolved; and
- (ii) in the case of any other Meeting, it shall be adjourned for such period (which shall be not less than 14 days and not more than 42 days) and to such place as the Chairman determines;

provided, however, that the Meeting shall be dissolved if the Initiator so decides and no Meeting may be adjourned more than once for want of a quorum.

10.7 Adjourned Meeting

The Chairman may, with the consent of (and shall if directed by) any Meeting, adjourn such Meeting from time to time and from place to place, but no business shall be transacted at any adjourned Meeting except business which might lawfully have been

transacted at the Meeting from which the adjournment took place.

10.8 Notice following adjournment

Condition 10.4 shall apply to any Meeting which is to be resumed after adjournment for want of a quorum save that:

- (i) 10 days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be resumed) shall be sufficient; and
- (ii) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

It shall not be necessary to give notice of the resumption of a Meeting which has been adjourned for any other reason.

10.9 Participation

The following may attend and speak at a Meeting:

- (i) Voters;
- (ii) representatives of the Issuer;
- (iii) the financial advisers of the Issuer;
- (iv) the legal counsel to the Issuer;
- (v) the financial advisers of the Noteholders present or represented at the Meeting;
- (vi) the legal counsel to the Noteholders present or represented at the Meeting; and
- (vii) any other person approved by the Meeting.

10.10 Show of hands

Every question submitted to a Meeting shall be decided in the first instance by a show of hands. Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed, passed by a particular majority, rejected or rejected by a particular majority shall be conclusive, without proof of the number of votes cast for, or against, the resolution.

10.11 Poll

A demand for a poll shall be valid if it is made by the Chairman, the Issuer or one or more Voters representing or holding not less than one fiftieth of the aggregate principal amount of the outstanding Notes. The poll may be taken immediately or after such adjournment as the Chairman directs, but any poll demanded on the election of the Chairman or on any question of adjournment shall be taken at the Meeting without adjournment. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business as the Chairman directs.

10.12 Votes

Every Voter shall have: (i) on a show of hands, one vote; and (ii) on a poll, one vote in respect of each Note represented or held by him.

A Voter shall not be obliged to exercise all votes to which he is entitled or (in case of a poll) to cast all the votes which he/she exercises in the same way.

10.13 Validity of Votes by Proxies

If the Initiator requires, a notarised copy of each document appointing a Proxy and satisfactory proof of the identity of each Proxy named therein shall be produced at the Meeting, but the Initiator shall not be obliged to investigate the validity of any such appointment or the authority of any Proxy.

Any vote by a Proxy shall be valid even if the appointment of such Proxy or any instruction pursuant to which it was given has been amended or revoked, provided that the Initiator has not been notified in writing of such amendment or revocation by the time which is at least 24 hours before the time fixed for the relevant Meeting. Unless revoked, any appointment of a Proxy in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment; provided, however, that no such appointment of a Proxy in relation to a Meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such Meeting when it is resumed. Any person appointed to vote at such a Meeting must be re-appointed as a Proxy to vote at the Meeting when it is resumed.

10.14 Powers

A Meeting shall have the power (exercisable by Extraordinary Resolution), without prejudice to any other powers conferred on it or any other person:

- (i) to approve any Reserved Matter;
- (ii) to approve any proposal by the Initiator for any modification, abrogation, variation or compromise of any of the Conditions or any arrangement in respect of the obligations of the Issuer under or in respect of the Notes;
- (iii) to approve the substitution of any person for the Initiator (or any previous substitute) as principal obligor under the Notes;
- (iv) to waive any breach or authorise any proposed breach by the Initiator of its obligations under or in respect of the Notes or any act or omission which might otherwise constitute an Event of Default under the Notes;
- (v) to authorise any person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- (vi) to give any other authorisation or approval which is required to be given by

Extraordinary Resolution; and

(vii) to appoint any persons as a committee to represent the interests of the Noteholders and to confer upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution.

10.15 Extraordinary Resolution binds all holders

Any Extraordinary Resolution duly passed at a Meeting duly convened and held in accordance with this Condition 10 and approved by the Issuer shall be binding upon all Noteholders whether or not present at such Meeting, and whether or not they voted in favour, and each of the Noteholders shall be bound to give effect to it accordingly. Notice of the result of every vote on an Extraordinary Resolution shall be given by the Initiator to the Noteholders within 14 days of the conclusion of the Meeting in accordance with Condition 14.

10.16 Minutes

Minutes shall be made of all resolutions and proceedings at each Meeting. The Chairman shall sign the minutes, which shall be prima facie evidence of the proceedings recorded therein. Unless and until the contrary is proved, every such Meeting in respect of the proceedings of which minutes have been summarised and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

10.17 Written Resolution

A Written Resolution shall take effect as if it were an Extraordinary Resolution and shall be binding on all Noteholders whether or not signed by them.

11. MANIFEST ERROR

The Notes and these Conditions may be amended without the consent of the Noteholders to correct a manifest error or for the purposes of any amendment which is of a formal,

minor or technical nature as determined by a major international law firm and evidenced by a signed legal opinion from that law firm.

12. EXCHANGE OF THE NOTES

If (a) an Extraordinary Resolution is passed or a Written Resolution is signed, approving in each case an amendment, modification, variation or abrogation of any provision of the Notes or these Conditions or the substitution of any person for the Issuer as obligor under the Notes; or (b) an amendment of the Notes or these Conditions is permitted pursuant to Condition 11, such amendment, modification, variation, abrogation or substitution shall, to the extent required under Slovenian law, be effected by way of deemed redemption of the Notes prior to their scheduled maturity date and by the the Issuer procuring that, on the Exchange Date (as defined below). Replacement Notes (as defined below) are credited to the account of each Noteholder with KDD in exchange for each Note which had been credited to the account of such Noteholder with KDD at close of business on the KDD Business Day prior to the Exchange Date.

It shall be deemed that each Noteholder has consented to the exchange of Notes in accordance with the foregoing and has authorised KDD to debit its securities account maintained with KDD accordingly.

In this Condition 13:

- (i) "Exchange Date" means the date specified by the Issuer in a notice given to the Noteholder in accordance with Condition 14 not less than seven days before such date; and
- (ii) "Replacement Notes" means securities differing from the Notes solely in such respects as had been approved by the relevant Extraordinary Resolution or Written Resolution or as permitted pursuant to Condition 11.

13. FURTHER ISSUES

the Issuer may from time to time, without the consent of the Noteholders, create and issue

further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

14. NOTICES

A notice to a Noteholder or a Beneficiary shall be valid if either (at the sole discretion of the Issuer, subject to any mandatory provisions of the applicable law) (a) sent to such Noteholder or Beneficiary at the address registered for a Noteholder or Beneficiary in the Central Register or at the address notified by such a person to the Issuer in accordance with this Condition 14, and any such notice shall be deemed to have been given on the eighth day following the day the notice was sent by mail or (b) published in the manner required by the then applicable law for publication of regulated information. Any such notice given by publication shall be deemed to have been given on the date of publication or, if so published more than once on different dates, on the date of the first publication.

Notices to the Issuer shall be sent by letter, by e-mail or by facsimile to the following address:

SIJ – Slovenska industrija jekla, d.d.

Gerbičeva 98

SI-1000 Ljubljana

Slovenija

Fax: + 386 (0)1 242 98 55

E-mail: info@sij.si

or, in any case, to such other address or fax number or for the attention of such other person or department as the Issuer has specified for a particular purpose by prior notice to the Noteholders and Beneficiaries.

Notices to the Issuer shall be valid upon receipt by the addressee provided, however, that any such notice or communication which would otherwise take effect after 4.00 p.m. on any particular day or on any day which is not a business day in the place of the addressee shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the addressee.

All notices hereunder shall only be valid if made (a) in the case of Notices to the Noteholders or Beneficiaries, in English and Slovenian; and (b) in the case of Notices to the Issuer, in English or Slovenian or in any other language provided that such notices are accompanied by a certified English or Slovenian translation thereof. Any certified English or Slovenian translation delivered hereunder shall be certified a true and accurate translation by a professionally qualified translator or by some other person competent to do so.

15. GOVERNING LAW AND JURISDICTION

15.1 Governing law

The Notes and any non-contractual obligations arising out of or in connection with these are governed by and shall be construed in accordance with Slovenian law.

15.2 Jurisdiction

The Issuer agrees for the benefit of the Noteholders and Beneficiaries that the courts of the Republic of Slovenia shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (collectively, "Proceedings") and, for such purposes, irrevocably submits to the jurisdiction of such courts.

15.3 Non-exclusivity

The submission to the jurisdiction of the courts of the Republic of Slovenia shall not (and shall not be construed so as to) limit the right of any Noteholder or Beneficiary to take

Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

15.4 Consent to enforcement, etc.

The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.

15.5 Waiver of immunity

To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise and whether on the grounds of sovereignty or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer or the Republic of Slovenia agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.