1 MINISTRY OF FINANCE LEADERSHIP TEAM

Gonzalo Caprirolo, M.Sc.

Gonzalo Caprirolo joined the Ministry of Finance of Republic of Slovenia as chief economist. Until recently he was senior economist at the Institute of Macroeconomic Analysis. His research and publications cover a wide variety of topics including drivers of yield dynamics, the impact of the euro area crisis, fiscal rule in Slovenia, fiscal multipliers the impact of pension reform on fiscal stance, monetary integration, tax reform impact He was head of delegation of Slovenia to the Economic Policy Committee of the Council of Europe and Chairman of Labor market working group. He has held positions as consultant for the UNDP and IMF as well as the Ministries of Finance and Commerce of Mexico.

Gonzalo Caprirolo holds a Master degree from Columbia University (New York, USA) and Master degree in Economics from El Colegio de Mexico (Mexico City, Mexico).

2 NATIONAL ASSEMBLY APPROVED SUPPLEMENTARY BUDGET FOR 2014 ENVISAGING GENERAL GOVERNMENT DEFICIT OF 3.4% OF GDP

The National assembly approved the revised budget for 2014, which estimates a deficit of 3.4 per cent of GDP without one-offs and the headline deficit of 4.3 per cent of GDP including recapitalization of Banka Celje.

The Government remains committed to the main fiscal target of a general government deficit below 3 per cent of GDP in 2015, at 2.8 per cent (according to ESA methodology).

3 THE GOVERNMENT REACHED AN AGREEMENT WITH PUBLIC SECTOR TRADE UNIONS BY EXTENDING AUSTERITY MEASURES INTO YEAR 2015

The government and public sector trade unions reached an agreement on restraining the public sector wage bill for the year 2015. The agreement envisages the extension of existing austerity measures plus additional cuts in bonuses and top-up pension insurance, altogether of EUR 349 mln in the next year. In return the trade unions have been granted their demand for promotions for public sector employees to be made available again as of the end of the year 2015.

4 THE POSITIVE GROWTH TREND CONTINUES: IN THE THIRD QUARTER OF 2014 GDP INCREASED BY 3.2%*

In the third quarter of 2014 GDP increased by 3.2% over the same quarter of 2013. In the first nine months of 2014 GDP increased by 2.7% over the same period of 2013.

Seasonally adjusted GDP increased by 0.7% over the previous quarter and by 3.1% over the third quarter of 2013 which is well above the Euro area average of 0.8%.

- **Exports and gross fixed capital formation continue to be the main sources of economic growth**

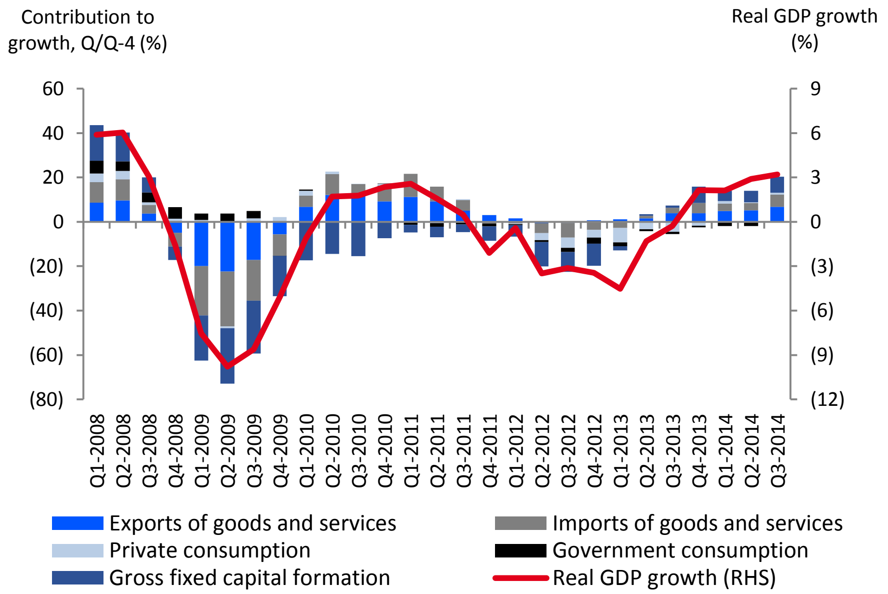
Exports grew for the eighth consecutive quarter seeing an increase by 6.8%, mainly due to higher exports of goods which grew by 8.2%. Imports are strengthening from quarter to quarter as well. The contribution of the external trade balance to economic growth remained positive and strong at the level of 1.4 percentage points.

Domestic consumption increased by 1.9% due to high growth of gross fixed capital formation. Gross fixed capital formation in construction continues to grow. In third quarter we saw an increase by 14% compared to the previous quarter due to the increase in gross fixed capital formation in other buildings and structures (by 21.7%). In parallel, due to higher imports of motor vehicles, gross fixed capital formation in transport equipment increased by 18.5%. Gross fixed capital formation in intellectual property products increased by 2.6%.

- **The value added of the whole economy is strengthening**

In the third quarter, the total value added of the economy increased by 3.7%, the highest growth since 2008. Value added again increased in almost all sectors of the economy. In manufacturing it increased by 5.2%, mainly due to high growth in manufacture of motor vehicles, trailers and semi-trailers (by 20.5%). Value added in construction increased slightly less than in the previous quarter, by 10.1%. In transport it increased by 3.7%. A significant increase in value added was recorded in other business activities (by 15.2%), due to high growth in employment activities. Decrease in the value added was recorded in accommodation and food service activities (by 2.1%).

Figure 1: Quarterly Real GDP Contributions to Growth (NSA)



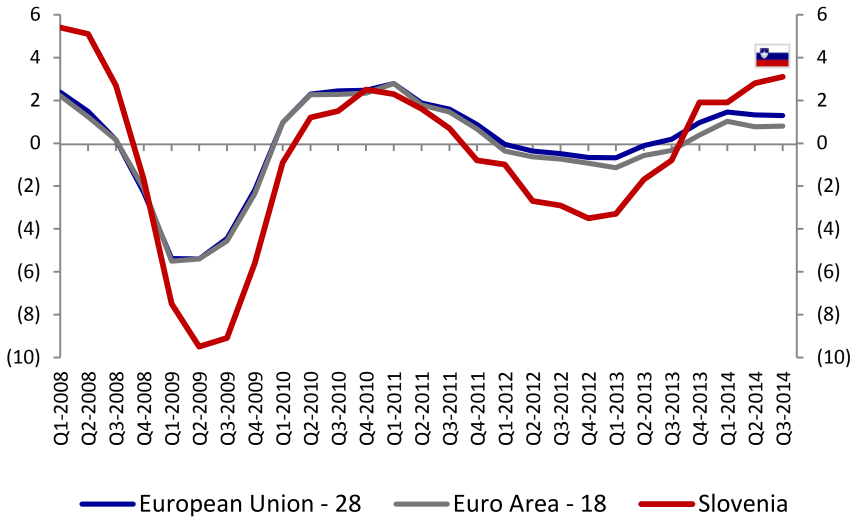
Source: SORS, 8th of December 2014

***Note:** Unless otherwise specified, all comparisons in this text refer to original data, to volume or real changes and to changes compared with the same quarter of the previous year.

- **GDP growth rate in Slovenia well above Euro area - 18 and EU-28 average**

Compared with the same quarter of the previous year, seasonally adjusted GDP rose by 3.1% in Slovenia, 0.8% in the euro area (EMU-18) and by 1.3% in the European union (EU-28) in the third quarter of 2014.

Figure 2: Seasonally adjusted Real GDP Growth Rate (% chg. Q/Q-4)



Source: Eurostat, SORS, 8th of December 2014

5 REPUBLIC OF SLOVENIA EUR BONDS INCLUDED IN MARKIT IBOXX EUROZONE SOVEREIGNS INDEX

The Markit decided to lower the cut-off for entry into the Markit iBoxx Eurozone Sovereigns index to EUR 1bn in order to ensure a consistent representation of countries that have acceded to the Euro. The new cut-off will only affect Eurozone Sovereign bonds in the Markit iBoxx EUR Benchmark indices. The cut-off for the Markit iBoxx EUR Liquid Sovereign indices will continue to be EUR 2bn.

With this change which is effective since 31st of October 2014, Slovenia has 11 bonds joining Markit iBoxx Eurozone Sovereigns index which is indeed a positive development for Slovenian euro bonds secondary market performance.

6 FURTHER INFORMATION

More information about the Republic of Slovenia and recent developments is available on our Ministry of Finance website:
http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/Invst/Slovenia_Investor_Presentation_December_2014_Web.pdf