

Investor presentation



Generalitat de Catalunya
Government of Catalonia

December 2016

1. Key economic drivers of Catalonia

2. Fiscal consolidation

3. Debt and treasury overview

4. Summary

The Catalan economy in numbers: 2015

Catalonia has its **own language, Catalan**, a Roman language close to French, Italian, Occitan or Spanish.

Population (2015) 7.5 million

Similar to Switzerland, Austria and Denmark.

16.1 % of the Spanish population.

GDP (2015) €214.9 billion

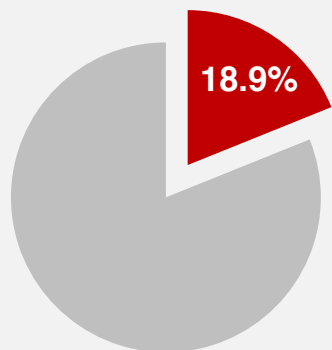
Similar to Finland, Denmark and Ireland.
18.9 % of the Spanish GDP.

GDP per capita PPP (EU-28=100) (2015) Catalonia: 113.8
Spain: 92.0

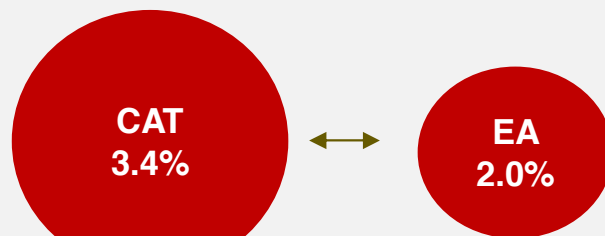
- Located between the **Mediterranean** and the **Pyrenees**, the Catalan landscape is diverse. **Barcelona**, its capital city, is cosmopolitan, a centre of trade, culture and services, and a first-rate tourist destination.
- **Catalonia's strategic location** favors close linkages with the other Mediterranean countries, as well as with continental Europe and Asia.

The Catalan economy in numbers: 2015 (II)

Share of Spanish GDP



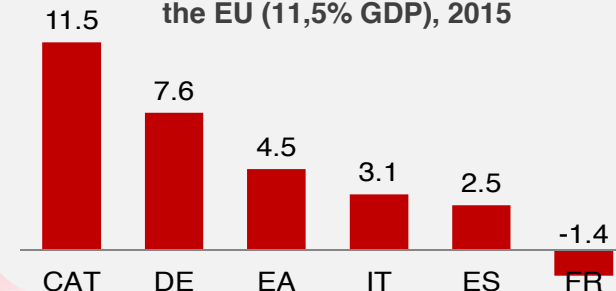
Growing at a stronger pace than the EA



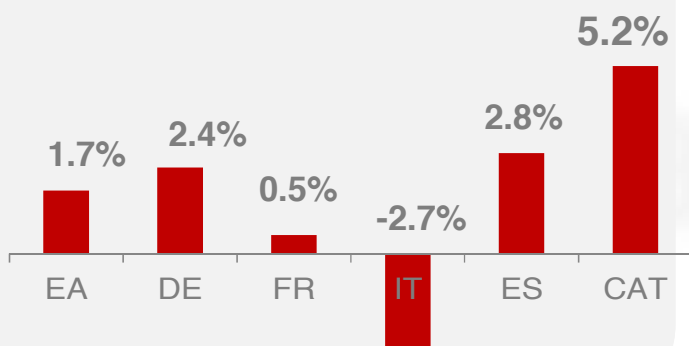
2016 forecast: 3.4% CAT, 1.7% EA

Foreign trade balance (% GDP)

Catalonia has the third largest trade surplus in the EU (11,5% GDP), 2015

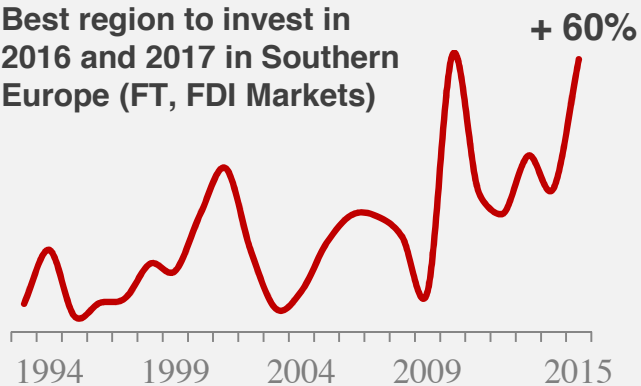


Industrial production 2012-2015

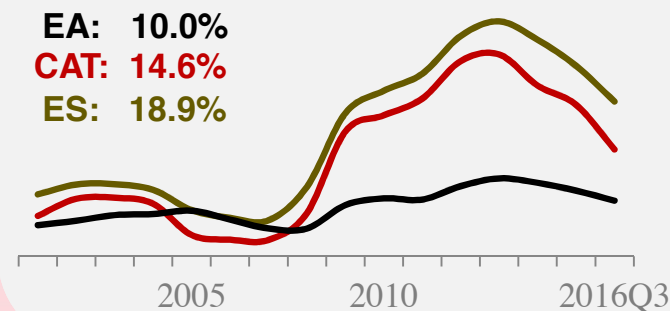


Foreign Direct Investment

Best region to invest in 2016 and 2017 in Southern Europe (FT, FDI Markets)



Sharply reducing Unemployment



Strong economic recovery

- Real GDP growth is the highest one since 2006.
- The most dynamic component of GDP in 2015 was investment in equipment goods (+6.4%). It reflects an improvement of expectations and has a positive link with labor productivity. Investment in construction turns positive (3.1%) for the first time in 8 years.

Evolution of GDP in Catalonia (Base 2010)

(% annual change)

	2013	2014	2015
GDP	-1.1	2.0	3.4
Domestic demand	-4.0	1.7	4.0
Household consumer expenditure	-3.6	1.4	3.6
Public administration consumer expenditure ¹	-5.0	0.0	3.3
Gross capital formation ²	-4.2	4.0	5.7
Equipment goods and others	0.3	7.2	6.4
Construction	-7.8	-3.2	3.1
Exterior trade balance ^{3,4}	2.5	0.5	-0.1
Foreign balance ⁴	1,3	-0,8	-0,5
Total exports of goods and services	2.8	4.0	4.8
Total imports of goods and services	-0.8	7.5	7.3

¹ Includes the expenditure consumption by non-profit making institutions at the service of households.

² Includes the stock variation.

³ Includes the foreign trade balance and the trade balance with the rest of Spain

⁴ Contribution to the GDP growth.

Source: Idescat.

Growth will continue in 2016

GDP growth by sectors

(% annual change)

	2013	2014	2015	2016		
				Q1	Q2	Q3
Agriculture	5.5	5.9	-1.2	-0.3	0.1	0.1
Industry	-2.7	1.5	2.7	3.7	4.2	4.9
Manufacturing industry	0.1	2.1	2.5	-	-	-
Construction	-9.8	-2.5	3.4	4.6	3.7	3.9
Services	0.1	2.5	3.6	3.7	3.4	3.0
GDP	1.1	2.0	3.4	3.7	3.5	3.3

Source: Idescat.

- **Strong recovery from the second half of 2013 onwards. Growth was reinforced in 2014 (+2%) and 2015 (+3.4%). 2016 is the third year of sustainable growth.**
- **Most recent data indicates that growth remains solid: 0.8% GDP growth in 2016 Q1 and Q2, and 0.7% in Q3, with yoy growth of 3.3% in 2016 Q3. Our forecasts for 2016 have been improved from 2.9% to 3.4%.**

Key economic drivers of Catalonia (I)

Geostrategic location

- The Mediterranean is at the center of trade relations between Europe, Asia and North Africa.

Communication networks

- The Mediterranean railway corridor is included in the EU Core Network.
- High-speed railway line enhances communications with France.

Excellence in research

- Catalan-based state-of-the-art scientific facilities including Synchrotron ALBA, Barcelona Supercomputing Centre and the National Microelectronics Centre.
- Catalonia ranks second in the EU —and fourth in the European Research Area— in the number of European Research Council (ERC) grants obtained per million inhabitants
- More than 50% of all ECR grants awarded in Spain go to Catalonia

Diversified industry

- The industry accounts for 19.6% of GVA in 2015.
- The industry has increased its specialization in pharmaceuticals, bio-tech, and biomedicine.

Industry GVA by branches (% of total industry). 2013

Chemicals, pharmaceuticals and plastic products	25.5	Transport equipment	7.3
Energy and water	14.8	Wood and paper	6.4
Food and beverages	14.6	Textiles	5.3
Machinery and equipment	8.7	Electrical and electronic products	4.1
Metals	8.3	Other branches	5.0

Source: Idescat.

Key economic drivers of Catalonia (II)

Importance of services

- The service sector accounts for 74.8% of GVA.
- Great diversification :

Services GVA by branches (% of total services). 2015

Trade and motor vehicle repair ¹	21.9	Transport and storage ¹	7.3
Public Administration, Education and Health	18.8	Artistic, leisure and entertainment activities	5.7
Real estate activities	16.0	Financial activities and insurance	5.0
Professional, scientific and technical activities	12.1	Information and communication	4.8
Hotel and food service activities ¹	7.8	-	-

¹ 2013 data.

Source: Idescat

Tourism

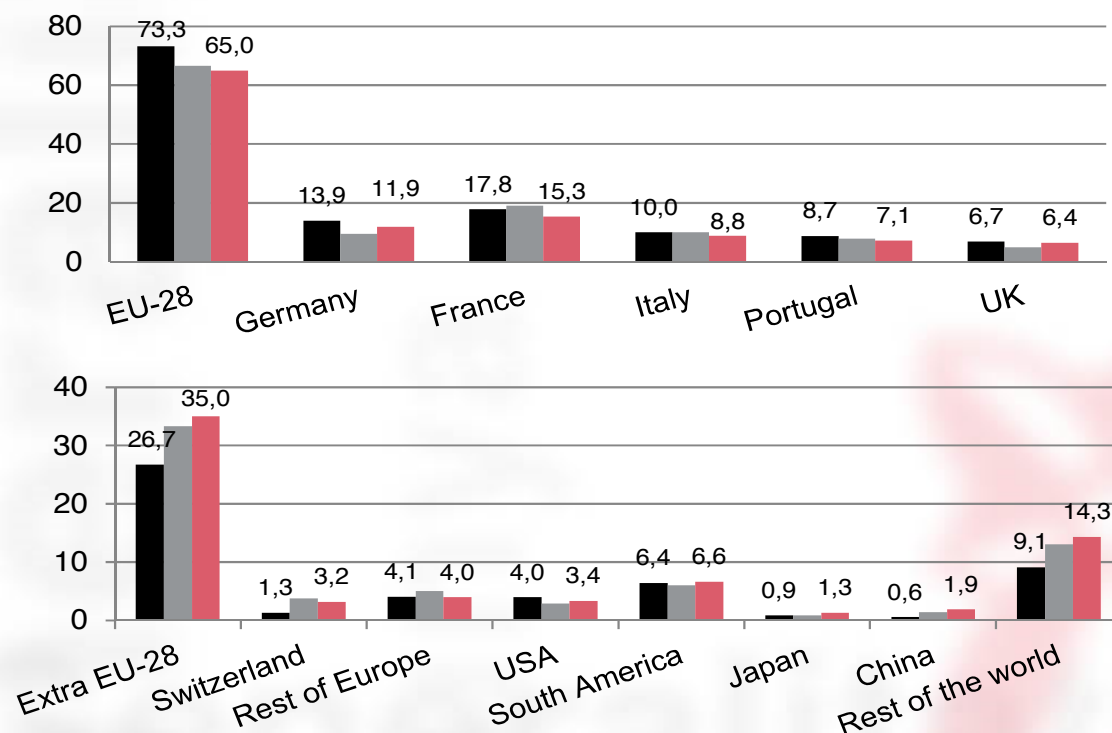
- Tourism represents 11% of the Catalan GDP.
- Catalonia received 19.3 million of foreign tourists, more than 25% of Spanish tourism in 2015.
- Foreign tourism expenditure grew by 2.7%, and the number of foreign tourists grew by 5.2%.
- Barcelona is the largest cruise port in Europe and it ranks 4th in the world.

Key economic drivers of Catalonia (III)

Catalan exports by partner country

(% of total)

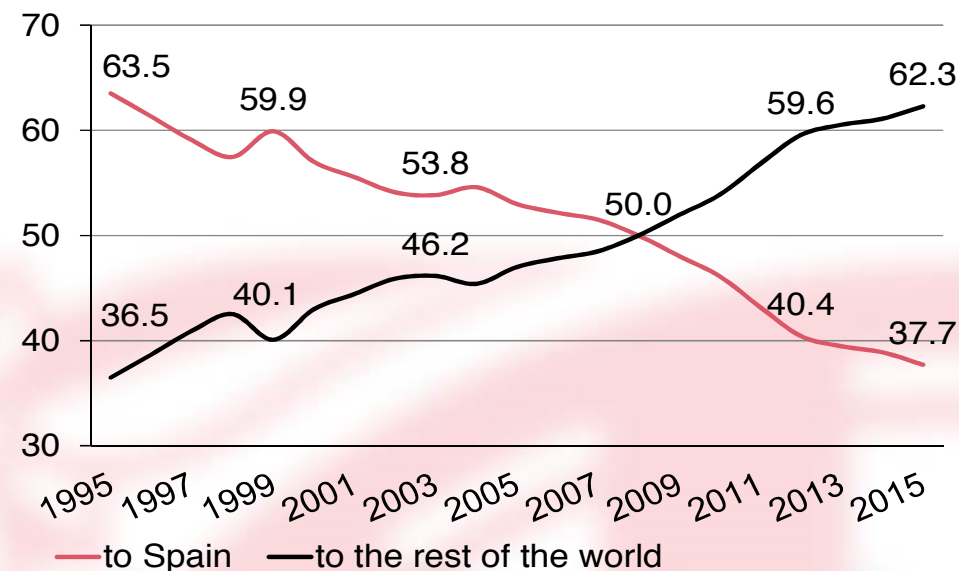
■ 2000 ■ 2010 ■ 2015



Source: Idescat.

Exports by destination

(% of total)



Source: C-Intereg.

- Economic international and interregional openness index is approximately 117%.
- 25.1% of Spanish exports of goods are Catalan.
- The EU-28 is still the main destination of foreign Catalan exports. Outside the EU, remarkable increase of exports towards Japan, China and the USA.
- Trade dependency with Spain has significantly declined in the past years.

1. Key economic drivers of Catalonia

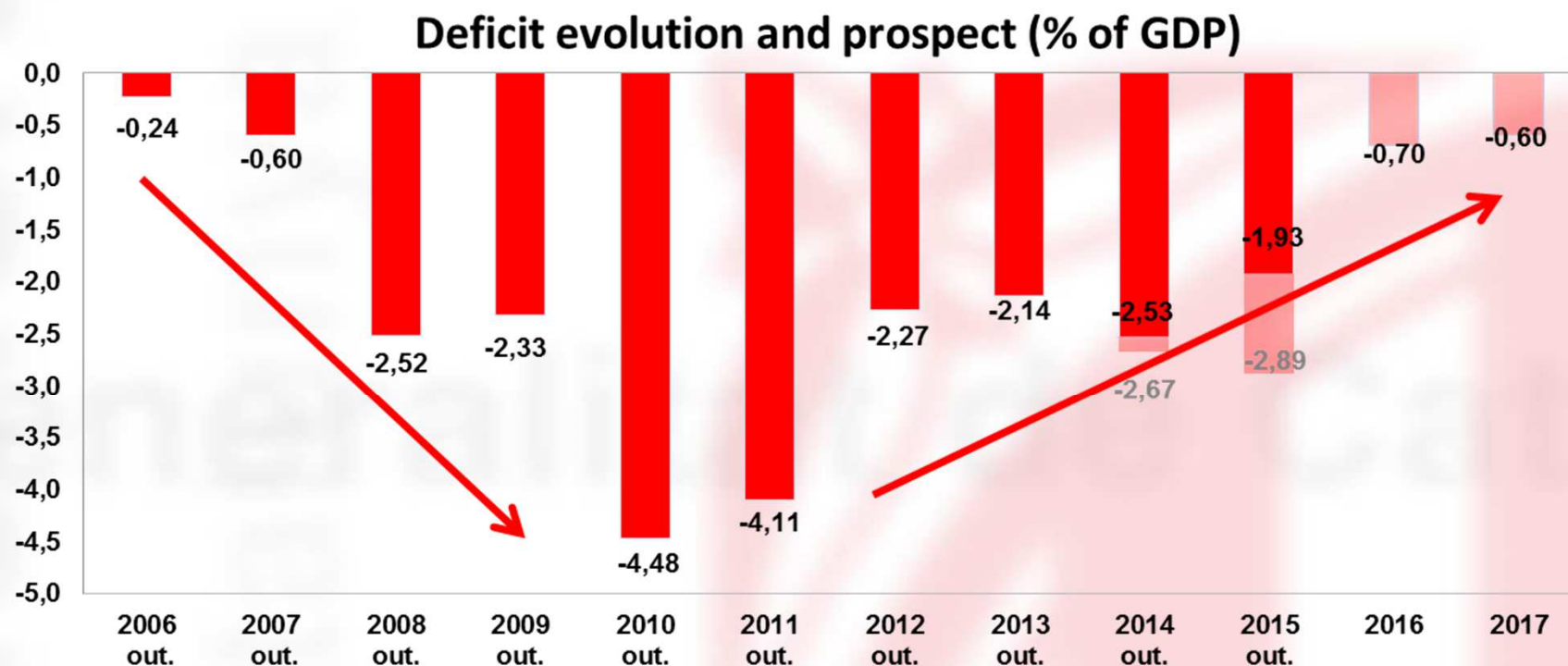
2. Fiscal rebalancing

3. Debt and treasury overview

4. Summary

Fiscal consolidation

- Rebalance the public accounts
- Principles: austerity and sustainability
- In 2011, 2012, 2013, 2014 and 2015 Catalonia has reduced its ESA deficit by 35%, from 4.48% of GDP in 2010 to 2.89% of GDP in 2015 (3,221M€ in 5 years)*. Without one-off adjustment, ESA 2015 deficit has been 1.93%
- Deficit commitments meet European deficit targets



*Including one-off operations

CPFF Deficit targets 2015-2018
(actualització del programa de estabilitat 2015-2018)

2015-2012 Income Measures

Million €

	2012	2013	2014	2015	% 2015 distrib.
Tax revenues	411	820	850	1,014	100%
Wealth tax	305	563 (1)	431	462	46%
Tax on transfers and documented legal acts	40	46	49	64	6%
Tax on hydrocarbons (regional rate)	61	139	109	106	10%
Tourist accommodation tax	--	35	41	43	4%
Property transfer tax	--	35	175	199	20%
Reform of inheritance tax	--	--	45	131	13%
Court fee	5	2	0	2	0%
Tax on content by providers of electronic communications	--	--	--	7	1%
Tax on gas emissions and particles in the atmosphere	--	--	--	0	0%
Non recurrent incomes	1,358	212	331	--	--
Sale of real assets	18	212	331	--	--
Concessions and other property revenue	1,340	0	0	--	--
Total income measures	1,769	1,032	1,181	1,014	100%

(1) Including the impact of the tax amnesty

Source: Generalitat de Catalunya. Ministry of the Vice-presidency and of the Economy and Finance

2015-2010 Expenditure Measures

Million €

Variation from 2010	2011	2012	2013	2014	2015	%2015 distrib.
Current expenditures measures (a)	1,328	2,950	3,554	3,292	2,030	38%
Chap.I: Employees compensation	355	1,033	1,232	1,196	597	11%
Chap.II: Current expenditures on goods and services	541	534	755	550	217	4%
Chap.IV: Current transfers	432	1,383	1,567	1,546	1,216	23%
Capital expenditure measures (b)	201	821	832	1,088	1,245	23%
Chap.VI: Real investments	283	464	497	615	734	14%
Chap.VII: Capital transfers	-82	357	335	473	511	10%
Measures public sector entities (c)	176	804	1,298	1,473	1,678	31%
Reduction accrual expenditure adjustment (d)*	787	451	586	406	406	8%
Total expenditure measures (a+b+c+d)	2,492	5,026	6,270	6,259	5,359	100%

*It doesn't include one-off accrual expenditures

Source: Generalitat de Catalunya. Ministry of the Vice-presidency and of the Economy and Finance

2015-2010 Expenditure cuts

Million €

	2010	2012	2013	2014*	2015*	Variation 2014-2010		Variation 2015-2014		Variation 2015-2010	
	Outturn	Outturn	Outturn	Outturn	Outturn	Amount	%	Amount	%	Amount	%
Total non-financial expenditure financed by non-earmarked revenues, excl. interests (ESA terms)	27,115	22,061	20,952	21,528	22,278	-5,587	-20.6%	750	3.5%	-4,837	-18.0%
Healthcare	10,371	9,002	8,780	8,831	9,291	-1,540	-14.8%	460	5.2%	-1,080	-10.4%
Education	5,100	4,406	4,248	4,140	4,520	-960	-18.8%	380	9.2%	-580	-11.4%
Social welfare and family	2,044	1,718	1,641	1,652	1,804	-392	-19.2%	152	9.2%	-240	-11.7%
Other (excluded interest)	9,600	6,935	6,283	6,905	6,663	2,695	-28.1%	-242	-3.5%	-2,937	-30.6%
Total non-financial expenditure financed by non-earmarked revenues (ESA terms)	28,170	23,854	22,892	23,456	23,000	-4,714	-16.7%	-456	-1.9%	-5,170	-18.4%
Interests (ESA terms)	1,055	1,793	1,940	1,928	722	873	82.7%	-1,206	-62.6%	-333	-31.6%


* One-off adjustments not included

Generalitat public sector entities included in the budget (2017)	N° entities	
	2011	2017
Generalitat	1	1
Catalan Healthcare Service, Catalan Institute of Health and Catalan Institute of Assistance and Social Service	3	-
Autonomous administrative entities	25	20
Autonomous commercial and financial entities	5	2
Public law companies	46	44
Trading companies	52	27
Consortiums	62	54
Foundations	46	34
Total entities of Generalitat public sector	240	182
Other PA-SEC entities non-majority shareholding	28	19
Total entities of Generalitat public sector	268	201

Job positions included in the public sector consolidated budget (2017)	2011	2017
Executive and consulting personnel	549	566
Civil servants	168,113	166,392
Private regulation personnel	62,351	60,620
Total public sector	231,013	227,578

Source: Generalitat de Catalunya. Ministry of the Vice-presidency and of the Economy and Finance.
Presentation of Budget 2017.

 **-3,435 (-1%) job positions compared to 2011**

 **-67 entities
(-25%)**

2015 financial performance

- **Revenues increased by 0.7%**
 - Tax collected and transferred from Central Government (funding system) increased by 4.7%
 - Self collected taxes decreased by -6,1%
- **Non financial expenditures increased by 7.4%** (includes the registration of one-off expenditures 2014)
 - Employee compensations increased by 9.1%
 - Current expenditures on goods and services and current transfers increased by 16.4% and 10% due to 2014 one-off expenditures.
 - Interests decreased by 37.5%
 - Capital expenditures increased by 0.1%
- **1,953M€ one off ESA adjustment increased deficit by 0.96pp GDP (PPP investments)**
- **Deficit 2015 was 2.89% of GDP. Without one-off adjustments, it was 1.93%**

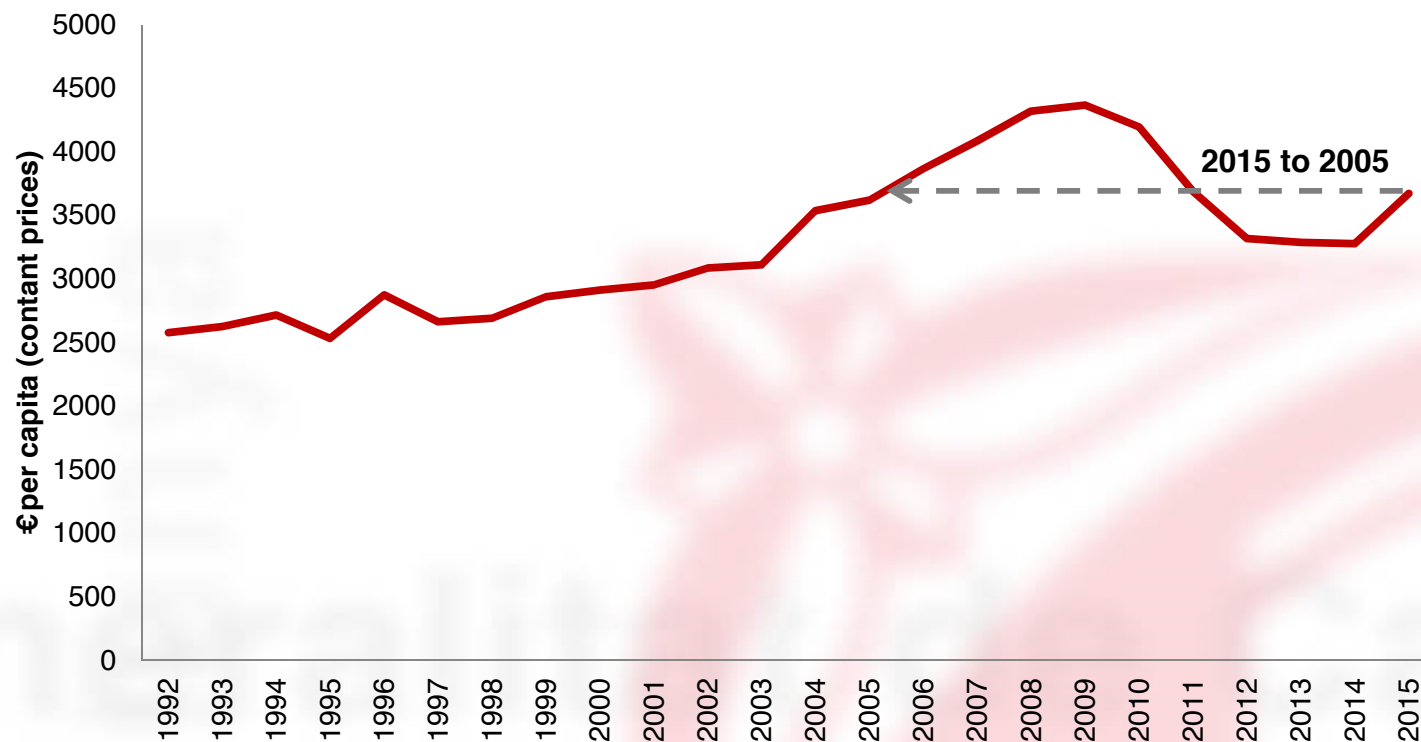
Persistent effort to reduce deficit 2015

	2014 Outturn	2015 Outturn	Variation 2014-2015
ESA2010 DEFICIT (M€)	5,233	5,879	646
% GDP	2.67	2.89	0.22

2015 measures (Rebalancing Plan)

	Million €	
INCREASING INCOME	1,014	
Chap.I: Direct taxes	592	-Inheritance and donations tax reform.
Chap.II: Indirect taxes	420	-Tax on stays in tourist establishment (43.2M€); Tax provision of content by providers of electronic communications (7.3M€)
Chap.III: Fees and sales	2	-Court fees
Chap.IV: Current transfers		
Chap.V I VI: Concessions and real inv disp.		
REDUCING EXPENDITURE	100	
Chap.I: Employees compensation	-599	- Restoration of the eliminate bonus pay, and other measures adopted since 2011
Chap.II: Current expend. on goods and serv.	-333	
Chap.III: Interests	1,206	- Improving financial conditions of the operations under the FLA
Chap.IV: Current transfers	-330	
Chap.VI: Real investments	119	
Chap.VII: Capital transfers	38	
Measures public sector entities	-178	
Subtotal expenditure and entities	-78	
TOTAL	936	

We have started the recovery of public expenditures per capita*



* Note: General administration expenditures excluding debt interest and calculated in terms of homogeneous public services (new social welfare law and other policies transferred from Central Government)

- **Non-financial and non-earmarked revenues will increase by 7.8%**
 - Tax collected and transferred from Central Government will increase by 17.7% (2,718M€)
 - Self collected taxes will increase by 28.1%

- **Expenses will increase moderately**
 - Moderate increase of non-financial expenditure 4.5%
 - Increase in employees compensation due to the consolidation of the salary increase of 1% in 2016 and the partial return of the eliminated bonus pay in 2012
 - Interest payments will decrease by 53.3%

- **Improved performance of public sector**
 - Budget balance expected

- **Deficit target of 0.60% of GDP (1,314M€)**

Rebalancing plan 2017

	2012 Outturn	2013 Outturn	2014 Outturn	2015 Outturn	2017 Budget	Variation 2017-2012
ESA2010 DEFICIT (M€)	4,437	4,114	5,233	5,879	1,314	-3,123
% GDP	2.27	2.14	2.67	2.89	0.60	-1.7

2017 measures (Rebalancing Plan)

	Million €	
INCREASING INCOME	110	
Chap.I: Direct taxes	15	-Tax on large commercial property
Chap.II: Indirect taxes	86	-Tax on excess sugar drinks (31M€), tax environmental risk production, handling and transport, storage and transmission radiological toxic elements (28.3M€); tax on stays in tourist establishment (3.8M€)
Chap.III: Fees and sales	9	-Increase rate in taxes on gambling and betting
Chap.IV: Current transfers		
Chap.V I VI: Concessions and real inv disp.		
REDUCING EXPENDITURE	-48	
Chap.I: Employees compensation	-88	-Consolidation of the salary increase of 1% ; the partial return of the eliminate bonus pay in 2012 (88M€, 52M€ Chapter I; 22 M€ Chap. II and 14M€ Chapter IV)
Chap.II: Current expend. on goods and serv.	85	
Chap.III: Interests	-85	
Chap.IV: Current transfers	40	
Chap.VI: Real investments		
Chap.VII: Capital transfers		
Measures public sector entities	0	Measures included in previous chapter IV and II
Subtotal expenditure and entities	-48	
TOTAL	62	

Structural adjustment by level of administration

- ✓ Autonomous communities concentrate 32.7% of the 2010-2015 adjustment, according their public expenditure contribution (32%)
- ✓ Central and Social Security System administrations participate 44.8% on the deficit reduction
- ✓ Government of Catalonia's effort represents 9.3% of the total deficit reduction. This percentage is 3.6 percentage points higher than its share to the total public spending

Subsectors Financing Capacity (+) / Need (-)							
	2010	2015	Adjustment			2010-2015	2015 (1)
			% GDP	M€	€ per capita	Adjustment distribution	Public spending distribution
Total Public Administrations (TPA)	-9.46	-5.08	-4.38	-47,589	-1,021	100.0	100.00
Central and Social security system adm. (CSSA)	-5.77	-3.81	-1.96	-21,338	-458	44.8	56.19
Central Administration	-5.54	-2.59	-2.95	-32,055	-688	67.4	23.15
Social security system administration	-0.23	-1.22	1.00	10,717	230	-22.5	33.05
Autonomous communities (AC)	-3.17	-1.74	-1.43	-15,565	-334	32.7	32.53
Local government (LG)	-0.52	0.47	-0.99	-10,686	-229	22.5	11.28
Government of Catalonia	-4.48	-2.89	-1.59	-3,221	-429	6.8	6.04

(1) Non-financial public expenditures, excluding State aid to financial institutions

Source: Compilation based on IGAE (State Government Comptroller's Office) data. SEC 2010

Spanish Fiscal Deficit can only be understood under a consolidated view

Regional revenues based on a complex and unbalanced financing model

- Financial analysts can not spend enough time to understand it
- And in any case it is not a sustainable framework and has to be renegotiated

While regional expense basis is strongly influenced by the “basic legislation” set by central Government

- Universal and free education and health care is a basic right which can not be changed at Regional Level
- Many rigid regulations in Social Welfare (*dependencia*), environment, labor regulations, ...

So the central Government has the power to decide:

- The share of resources allocated to Regions (over 90% of our revenues)
- Mandatory levels of the welfare society: Constraint over 90% of our cost
- Legal changes to enable public sector restructuring

Catalonia does not have a structural financial problem

- Regional public expenses are below the Spanish average in PPP
- Regional tax collection is well above the Spanish average

1. Key economic drivers of Catalonia

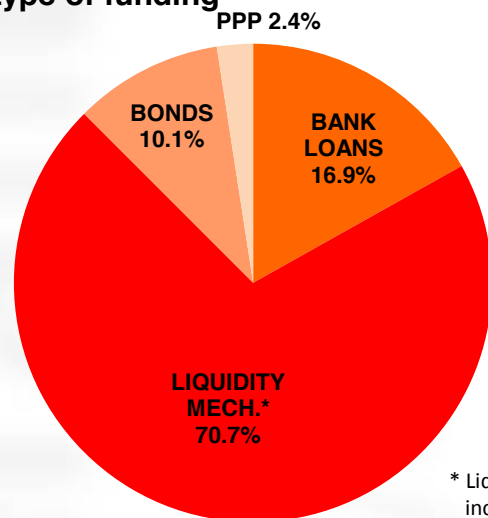
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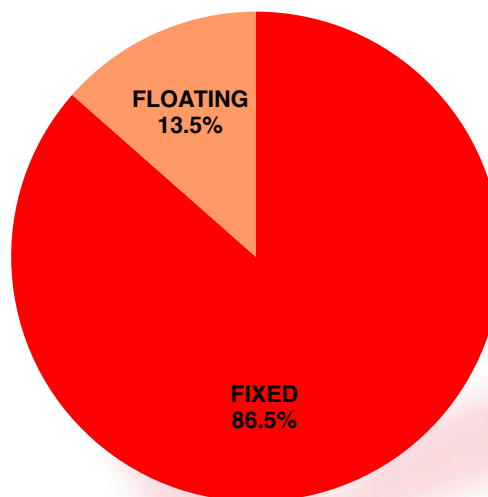
Current debt portfolio

GENERAL ADMINISTRATION
By type of funding



* Liquidity Mechanisms include FLA, Suppliers Payment Fund and Social Fund

GENERAL ADMINISTRATION
Fixed/Floating



**GENERALITAT'S
RATING**

11/30/2016

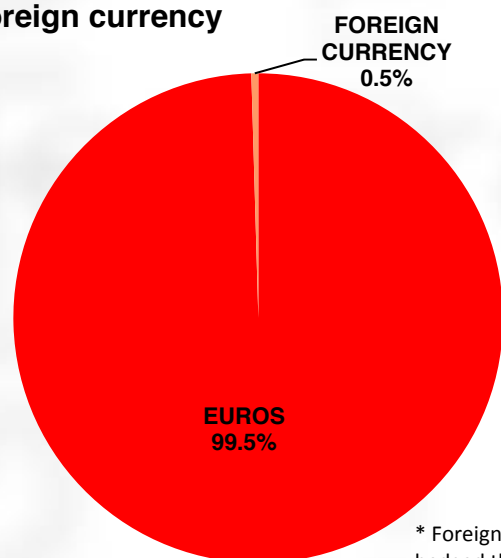
Moody's	Ba3 (negative outlook)
S&P	B+ (negative outlook)
Fitch	BB (negative outlook)

OUTSTANDING DEBT SEPTEMBER 2016

General Admin.	66,143 M€
ESA Entities	8,257 M€
TOTAL	74,400 M€

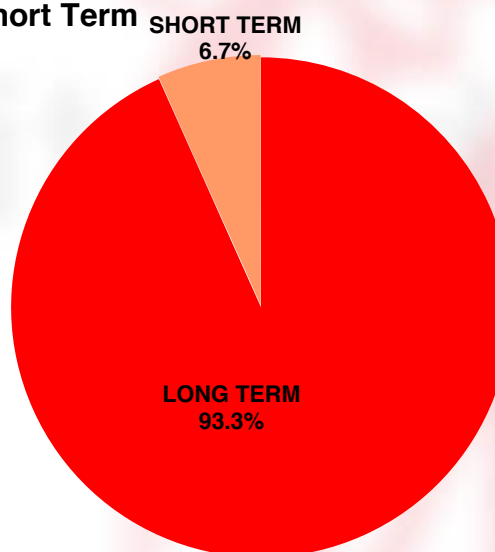
Source: Banco de España. Provisional data.

GENERAL ADMINISTRATION
Euro/ Foreign currency



* Foreign currency debt is hedged through derivatives

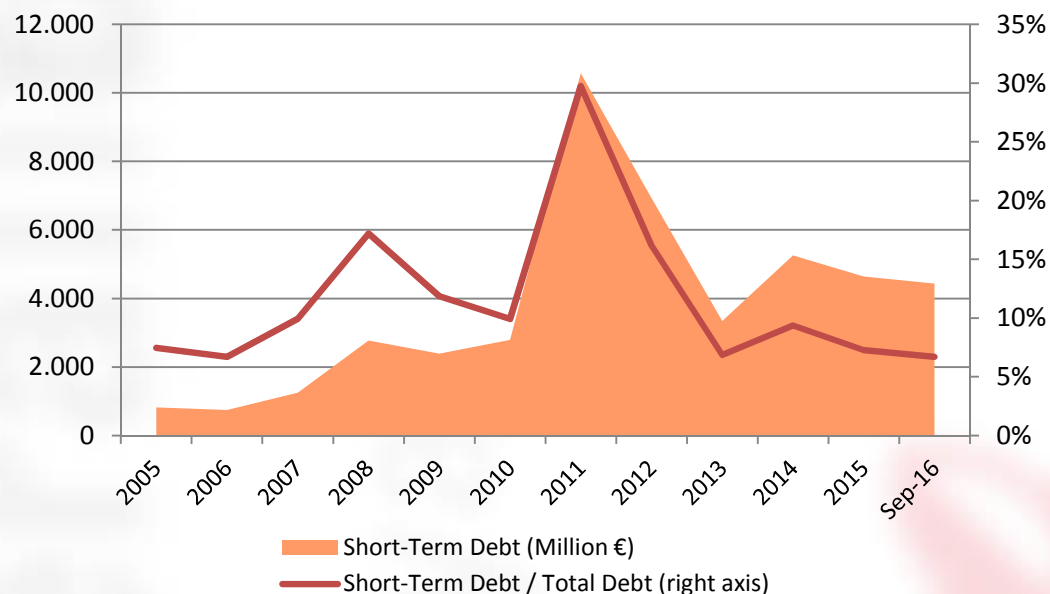
GENERAL ADMINISTRATION
Long/Short Term



Liquidity Mechanisms 46,731 M€

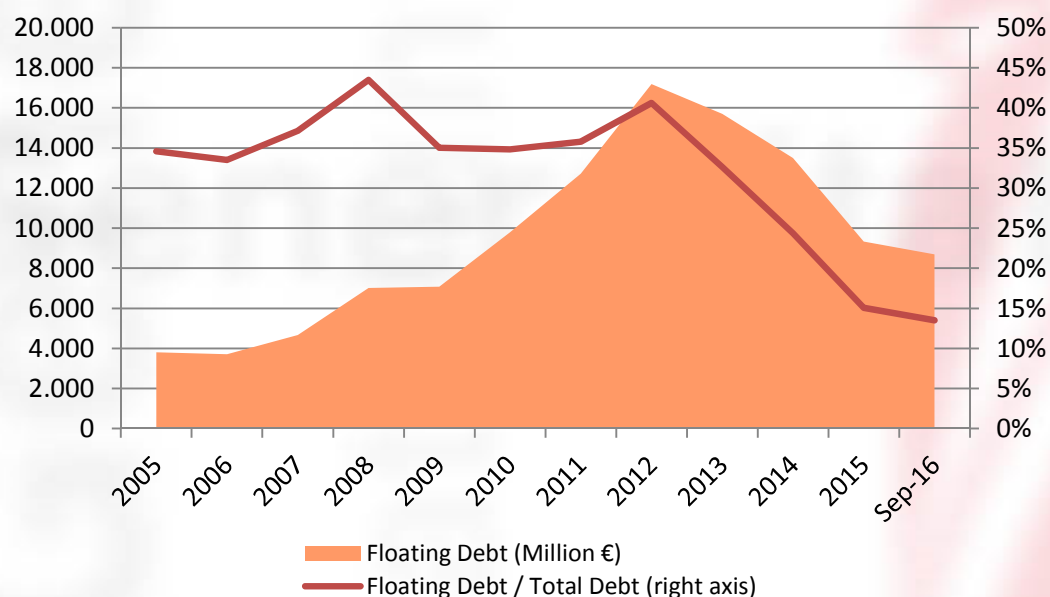
Liq.Mech. / Total Debt 62.8%

Moving towards a more balanced debt portfolio



In the period 2011-2016, Generalitat has reduced its short-term and floating debt.

This change in the debt structure makes Generalitat less vulnerable to interest-rate and refinancing risks.



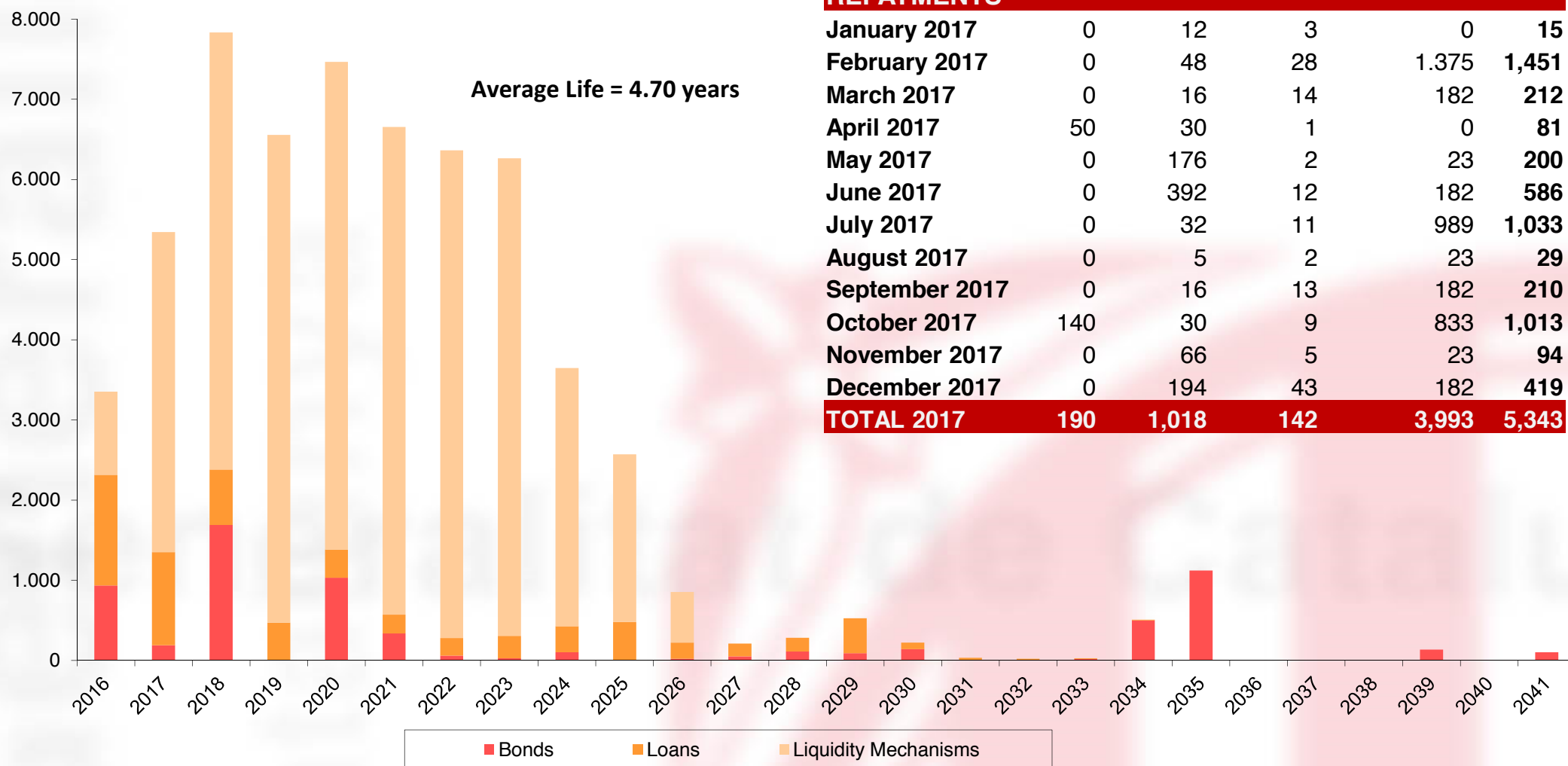
Liquidity mechanisms set by the Central Government will allow Generalitat to move on in the same direction in 2017.

Debt repayments

LONG TERM DEBT REPAYMENTS - GENERALITAT DE CATALUNYA

SITUATION AS OF 09/30/2016

Million €



SHORT TERM OUTSTANDING DEBT (09/30/2016)

Loans & Credit Lines (Million €)

4,432

Liquidity mechanisms

	Million €			
	CATALONIA	SPAIN (CCAA's)	Average cost (Catalonia)	
			Initial	Current (11/30/2016)
ICO financial maturities ¹	1,304	5,397	6.23%	-
Suppliers payment fund (Part 1) ²	2,020	17,705	5.91%	0.834%
FLA 2012 ²	6,665	16,638	5.20%	0,834%
TOTAL 2012	9,989	39,740		
FLA 2013 ²	10,815	22,921	4.04%	0.834%
Suppliers payment fund (Part 2)	738	939	4.18%	0.834%
Suppliers payment fund (Part 3 – 1 st Tranche) ²	1,489	3,606	3.34%	0.834%
TOTAL 2013	13,042	27,466		
Suppliers payment fund (Part 3 – 2 nd Tranche) ²	2,309	7,970	3.34%	0.834%
FLA 2014	7,913	23,215	2.05%	0,834%
TOTAL 2014	10,222	31,185		
Financial Facility 2015	0	14,267	-	-
FLA 2015	11,292	22,830	0%	0.834%
Social Fund 2015	397	683	0%	0.834%
TOTAL 2015	11,689	37,780		
Financial Facility 2016	-	2,679	-	-
FLA 2016	8,884	24,238	0.537%	0.537%
TOTAL 2016	8,884	26,917		

¹ Totally repaid.

² Partially repaid.

2016 needs and strategy

2016 Funding Needs (estimate) Million €

Non-financial needs	3,493
2016 Deficit goal (0.7% of GDP)	1,486
2015 Non-financed excess of deficit	1.882
Devolution 2008-09 neg. liq. of fin. system	125

2016 Maturities (Generalitat)	5,998
Long term loans	4,731
· Liquidity Mechanisms	2,868
· Foreign Banks	204
· Spanish Banks ¹	1,594
· PPP	65
Bonds	1,267

2016 Maturities (ESA Entities)	748
Long term loans	748
· Foreign Banks	153
· Spanish Banks ¹	562
· PPP	33

2016 GLOBAL GROSS NEEDS	10,239
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Note 1:

2016 maturities do not include short term debt with Spanish banks.

2016 Funding Strategy (estimate) Million €

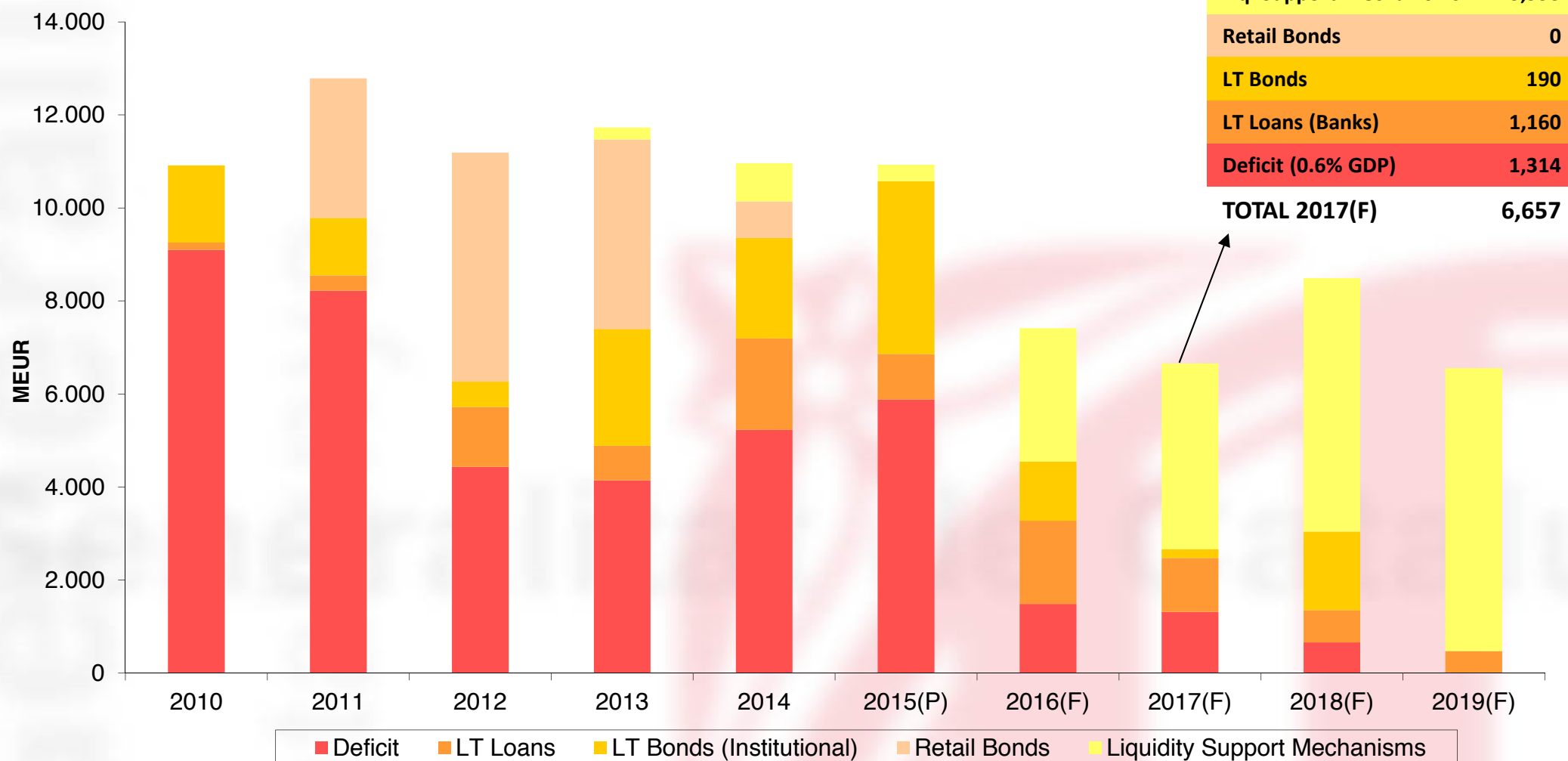
DONE AS OF NOVEMBER 2016			
FLA 2016	8,884	637	2016 Deficit goal (0,3% of GDP)
		1,366	2015 Non-financed excess of deficit
		6,756	2016 Maturities (bonds; long term loans; liquidity mechanisms; others)
		125	Others

Evolution of funding needs

GENERALITAT OF CATALONIA

FUNDING NEEDS (Deficit + LT Maturities + ST Retail Bond Maturities)

Situation as of 09/30/2016



(P) Provisional

(F) Forecast

2010-2015 Deficit outturn

2016-2019 Deficit goal approved by the Spanish Government (12/02/2016)

2017 needs and strategy

2017 Funding Needs (estimate)

Million €

Non-financial needs	1,439
2017 Deficit goal (0.6% of GDP)	1,314
Devolution 2008-09 neg. liq. of fin. system	125

2017 Maturities (Generalitat) 5,343

Long term loans	5,153
· Liquidity Mechanisms	3,993
· Foreign Banks	142
· Spanish Banks ¹	889
· PPP	128
Bonds	190

2017 Maturities (ESA Entities) 610

Long term loans	610
· Foreign Banks	147
· Spanish Banks ¹	426
· PPP	37

2017 GLOBAL GROSS NEEDS 7,392

Note 1:

2017 maturities do not include short term debt with Spanish banks.

2017 Funding Strategy (estimate)

Million €

FLA 2017	7,392	1,314	2017 Deficit goal (0.6% of GDP)
		5,953	2017 Maturities (bonds; long term loans; liquidity mechanisms; others)
		125	Others

Liquidity support mechanisms should fix our Treasury

- **Historical non-financed deficits up to 2014 have been fixed via Suppliers Payment Fund and FLA.**
- **2015 non-financed deficit should be included in FLA 2016**
(Art. 21 e) RDL 17/2014, of Dec. 26th)
- **Ongoing financial needs**
 - Deficit will be covered by existing FLA
 - Maturities from bonds, long term loans and liquidity support mechanisms will be covered by FLA
 - Short term maturities with local banks are rolled over under the framework of “Principle of Financial Prudence”

- 1.** Key economic drivers of Catalonia
- 2.** Fiscal rebalancing
- 3.** Debt and treasury overview
- 4.** Summary

➤ **We are highly competitive within Spain and Europe**

- Spain has already done major structural reforms
 - Labour reform
 - Strong salary and real estate devaluation
- Catalonia is one of the most dynamic regions of Spain

➤ **Catalonia does not have a structural financial problem**

- Regional public expenses are below the Spanish average in PPP
- Regional tax collection is well above the Spanish average

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