



Generalitat de Catalunya

Government of Catalonia

October 2010

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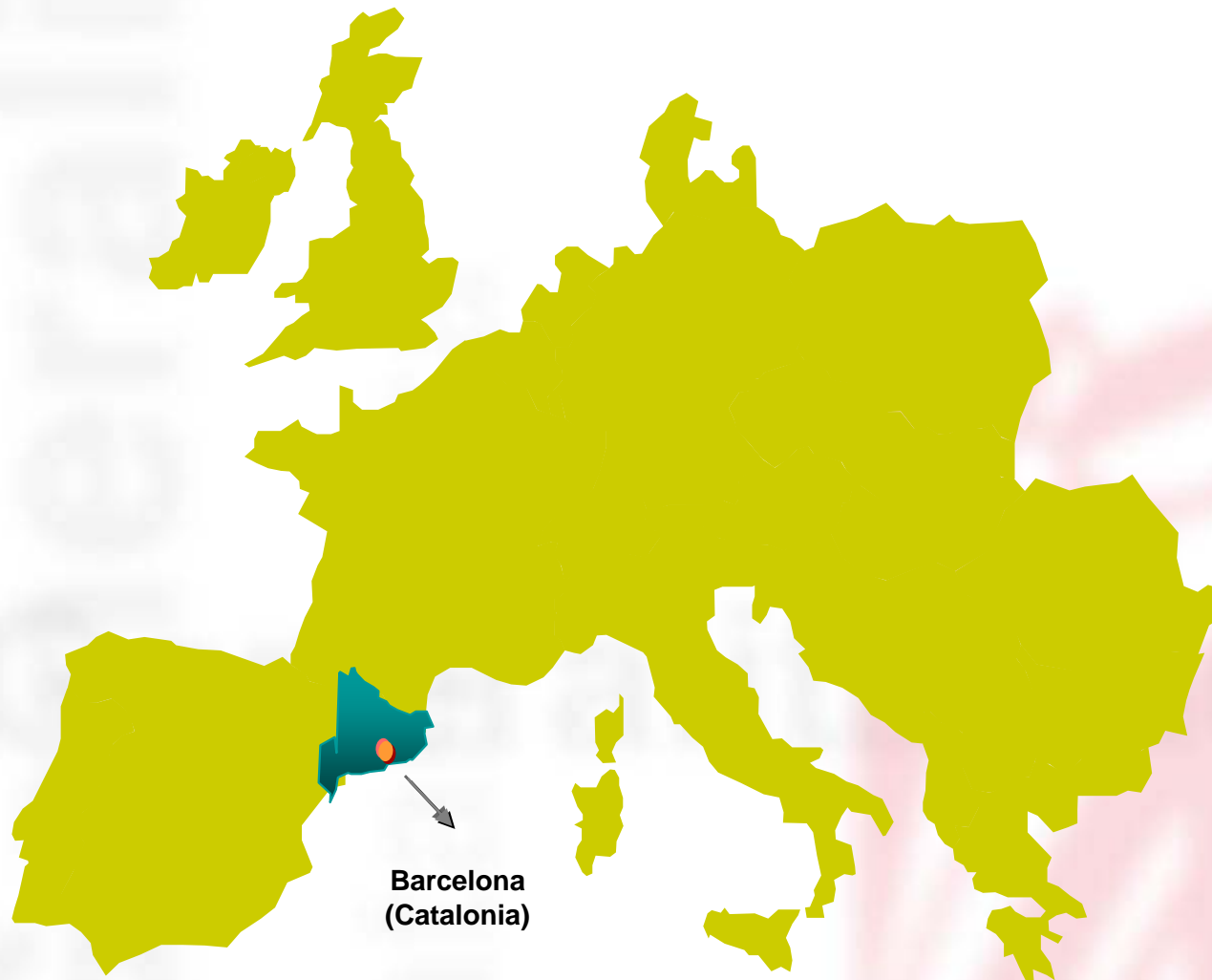
1. Key points

- **Dynamic and highly-diversified economy**, with high purchasing power and a large export capacity: a leading region in Europe
- **High level of tax resources and autonomy**, coming from:
 - Solid and significant tax base
 - Highly significant increase in resources thanks to financing system reforms approved in 2009
- **Strong, joint commitment for fiscal consolidation by Spanish public administrations (state and autonomous communities)** for the 2010-2013 period thanks to the Budget Consolidation and Public Spending Restructuring Plan

2. Economic context

2.1 Basic facts about the Catalan economy

Catalonia, strategically located



Area: 31,895 km²
Similar to Belgium

Population: 7.4 million
Similar to Austria or
Switzerland

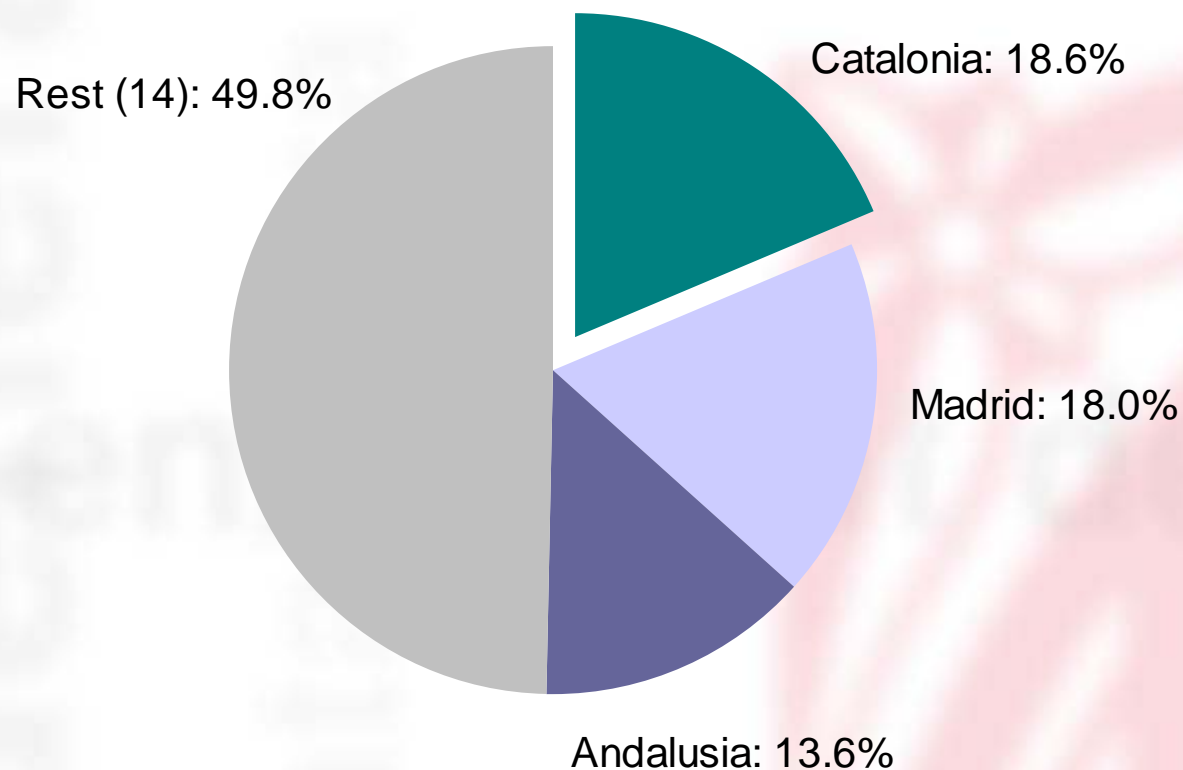
**Barcelona: The largest
metropolitan region in the
Western Mediterranean and 5th
in Europe for overall GDP**

Spain is a very decentralised country and Catalonia is one of its 17 autonomous communities



Catalonia is Spain's first economic engine

% of Spanish GDP (2009)



**6.3% of total territory
16.0% of the population**

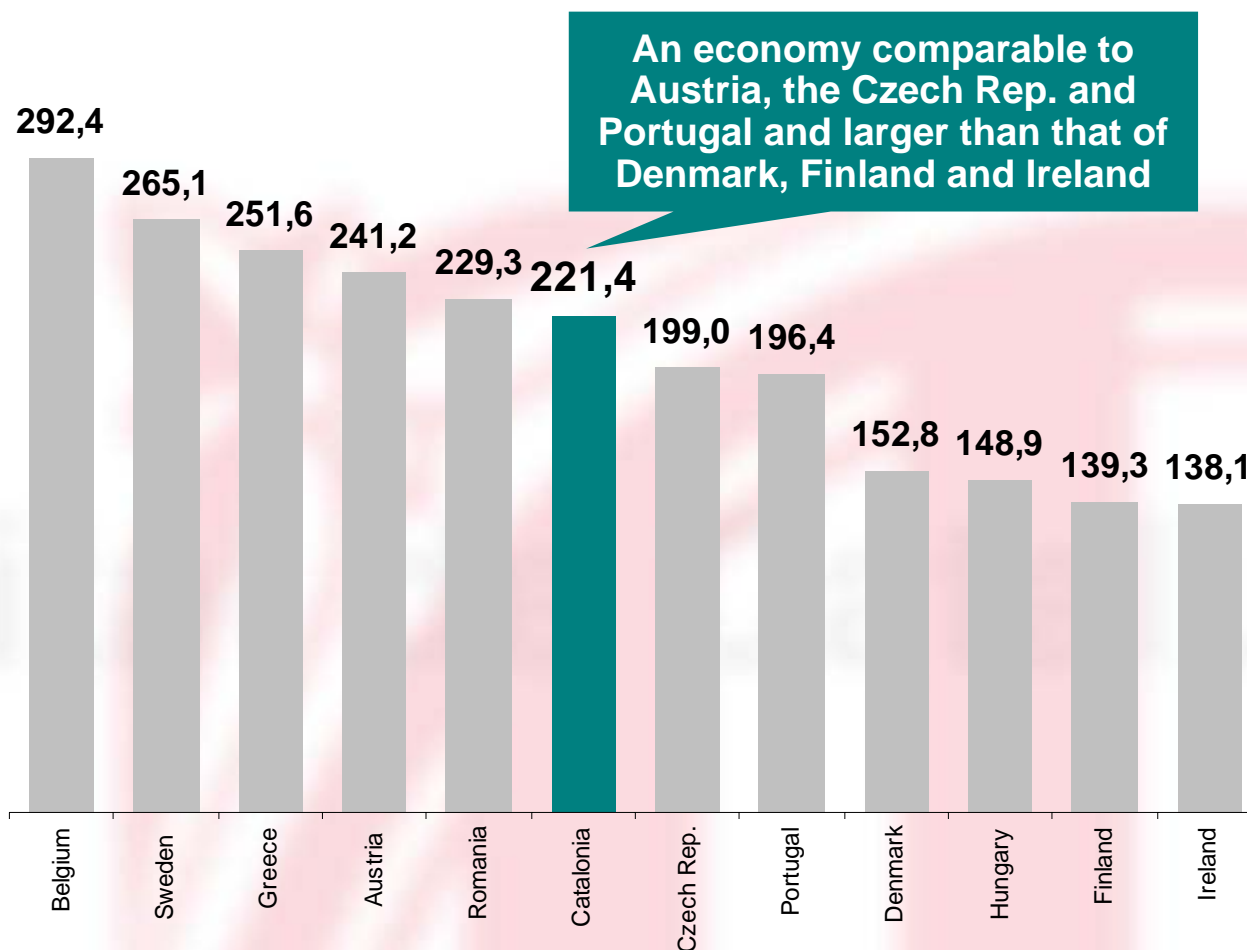
The fundamentals of the Catalan economy

1. An economy **comparable** to that of **mid-sized European countries**
2. Catalonia has had a **long period of growth** clearly **higher than the European average**
3. In **terms of GDP per capita**, Catalonia has caught up with the main European industrial regions
4. A territory that enjoys one of the highest levels of **GDP per capita** in Europe
5. The **sixth region in Europe in terms of industrial employment**
6. One of the European regions with the **highest levels of employment in technology** and knowledge-intensive industries
7. A **profound transformation of the competitiveness model** towards the most sophisticated technology and knowledge-intensive industries
8. An extremely **open and internationalised** economy
9. A **true surge of** internationally renowned **research centres**
10. Barcelona, **one of the most attractive cities in Europe for doing business** and in terms of quality of life

1. An economy comparable to that of mid-sized European countries

Ranking (total 2008 GDP PPP*)	Country
1	Germany
2	United Kingdom
3	France
4	Italy
5	Spain
6	Poland
7	Netherlands
8	Belgium
9	Sweden
10	Greece
11	Austria
12	Romania
→	Catalonia
13	Czech Republic
14	Portugal
15	Denmark
16	Hungary
17	Finland
18	Ireland
19	Slovakia
20	Bulgaria
21	Lithuania
22	Slovenia
23	Luxembourg
24	Latvia
25	Estonia
26	Cyprus
27	Malta

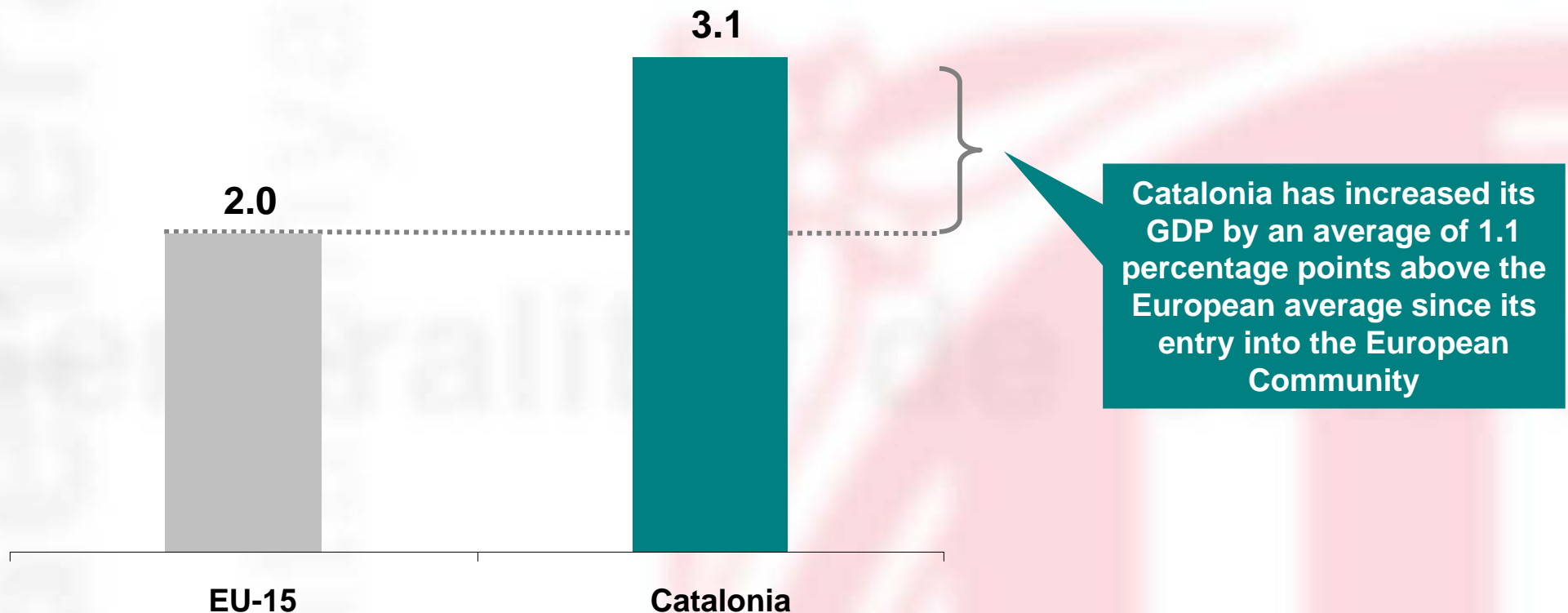
**Total GDP of comparable EU countries and Catalonia
(billions of €, PPP*) (2009)**



2. Catalonia has had a long period of growth clearly higher than the European average

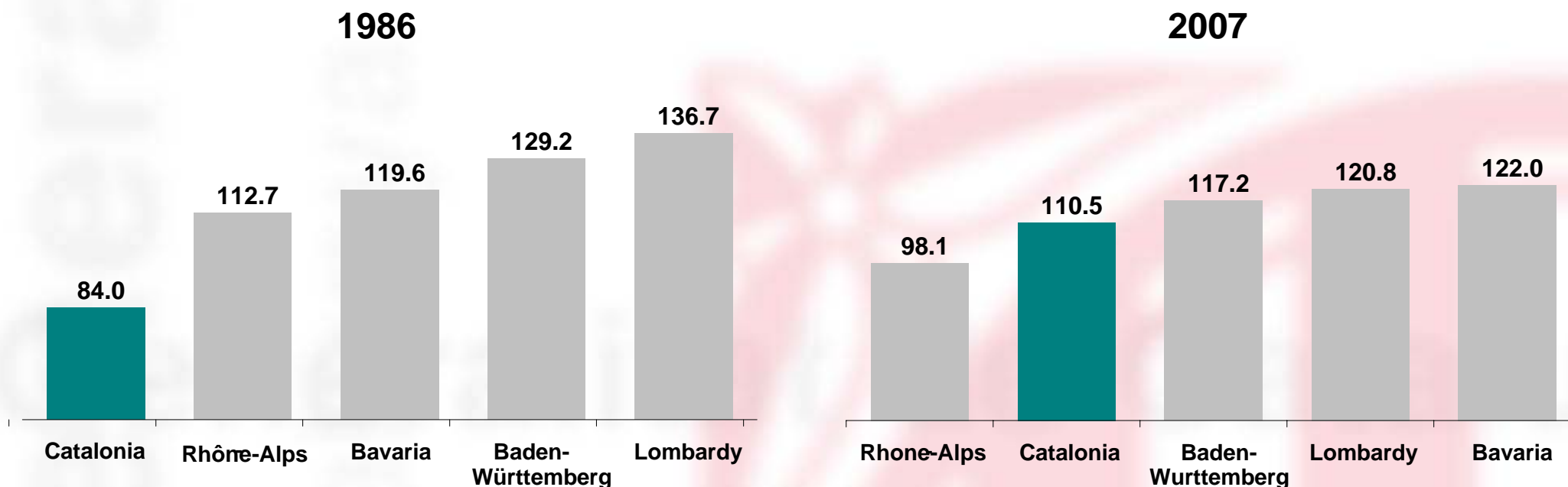
GDP Growth

Average annual growth rates between 1986 and 2009 (%)



3. In terms of GDP per capita, Catalonia has caught up with the main European industrial regions

Changes in GDP per capita in different European regions (EU-15 = 100)

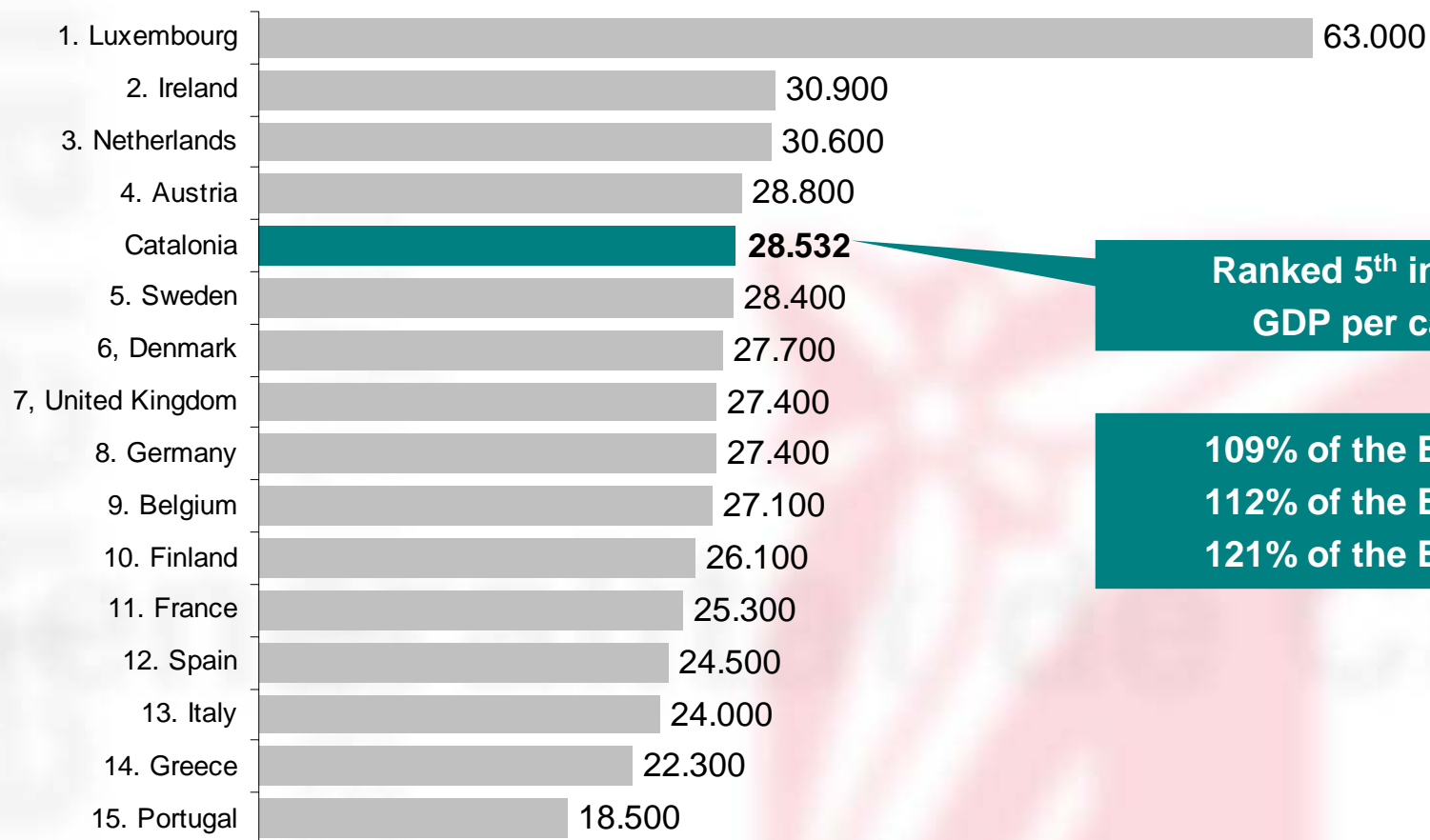


Source: Eurostat

1986: Estimate using EU-12 100 index based on CRENOS data (Centre for North South Economic Research)

4. A territory that enjoys one of the highest levels of GDP per capita in Europe

GDP per capita in Catalonia compared to the EU-15 (€ PPP) (2009)

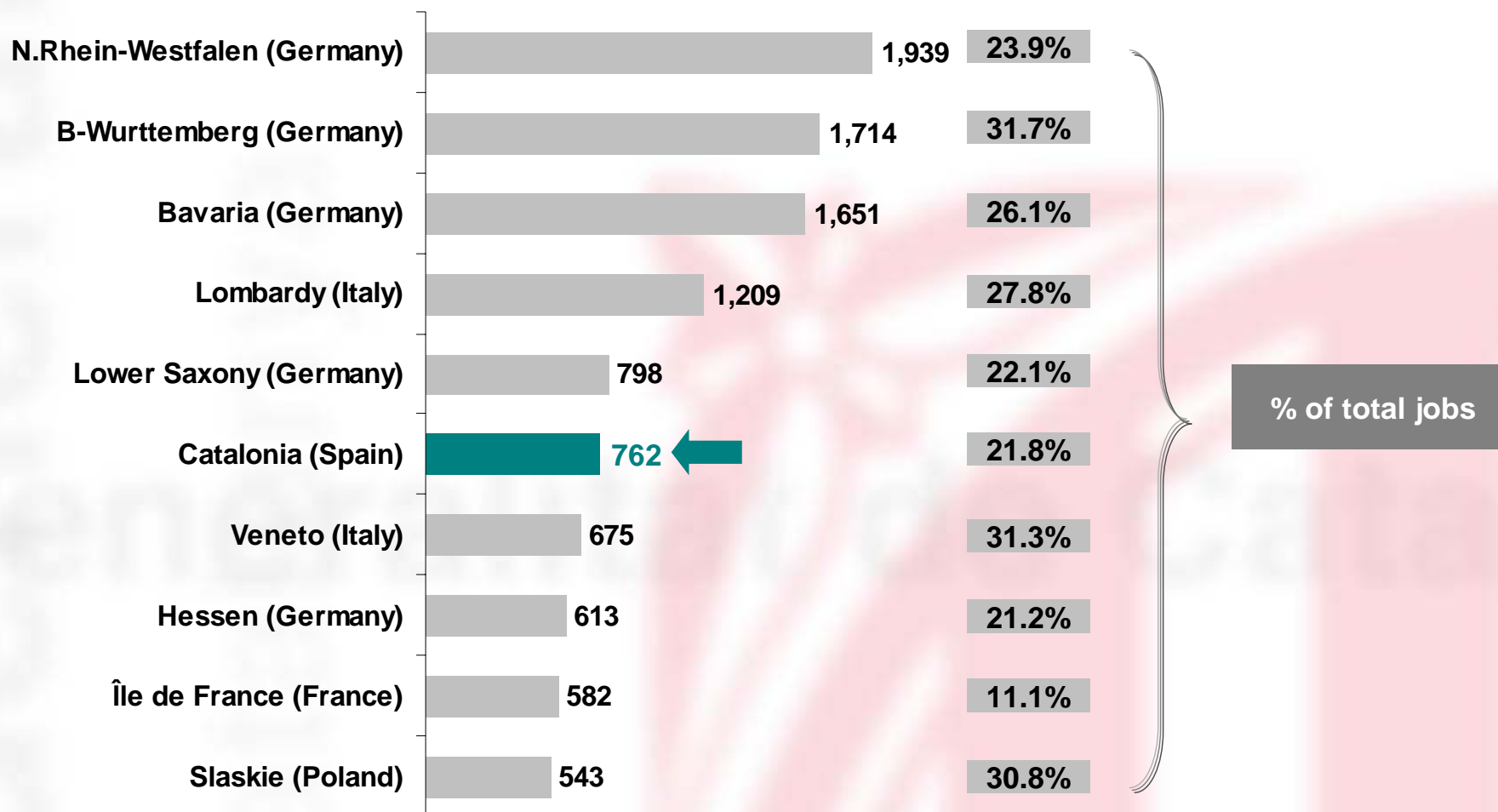


Ranked 5th in the EU-15 in
GDP per capita (PPP)

109% of the EU-15 average
112% of the EMU average
121% of the EU-27 average

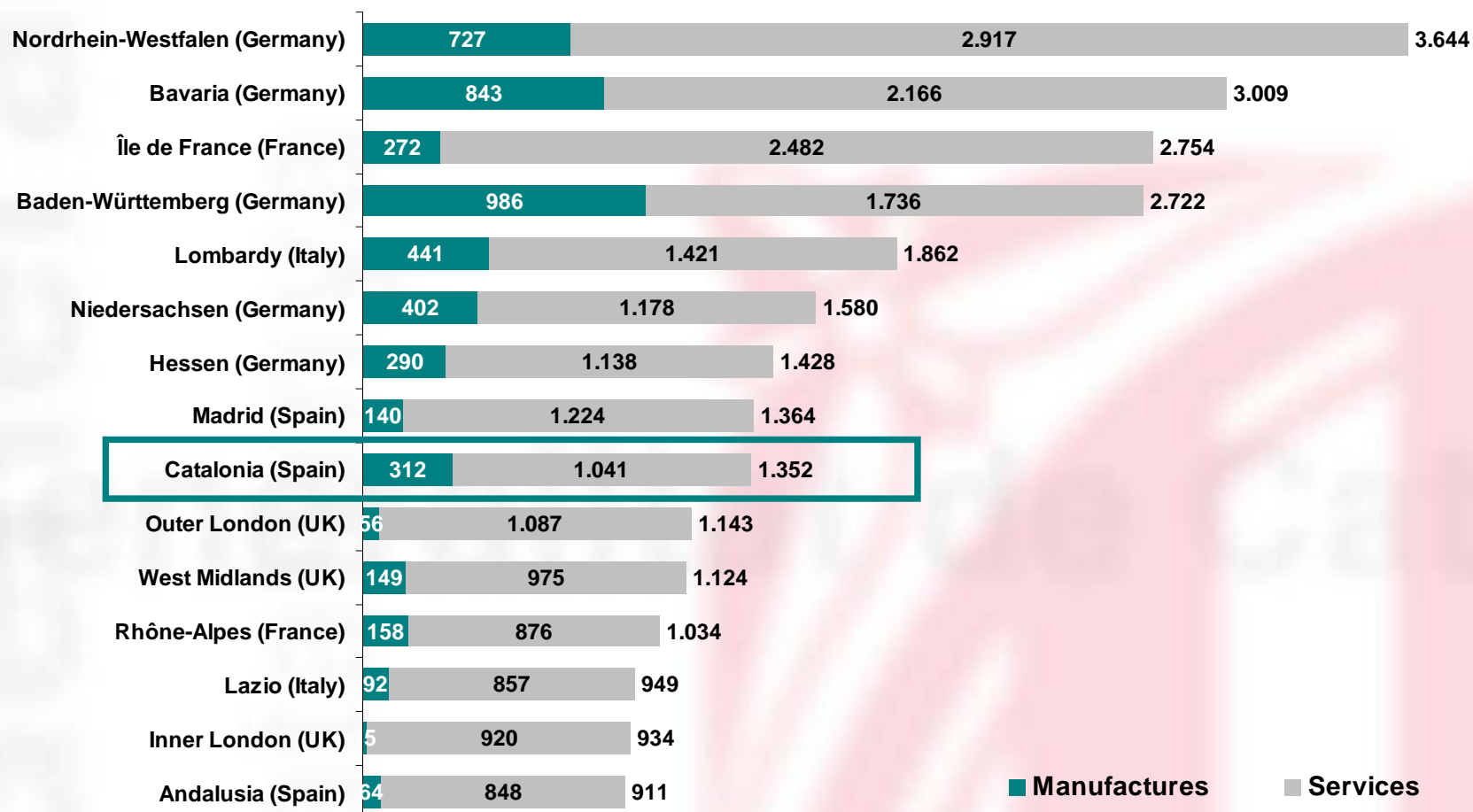
5. The sixth region in Europe in terms of industrial employment

Total industrial employment, thousands (2008)



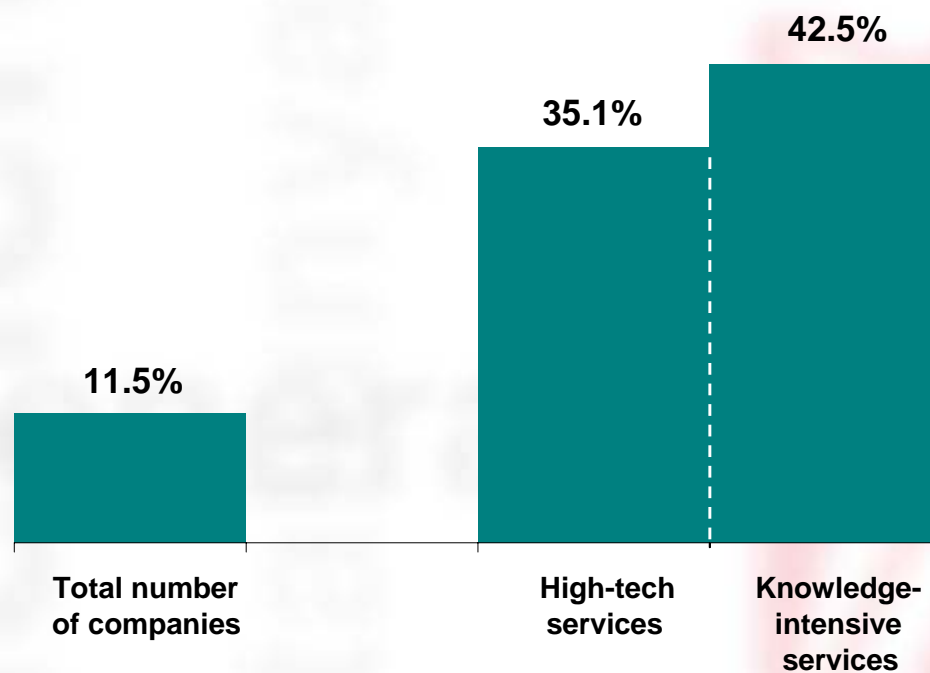
6. One of the European regions with the highest levels of employment in technology and knowledge-intensive industries

Main European regions by employment in technology and knowledge-intensive manufacturing and services (thousands) (2008)

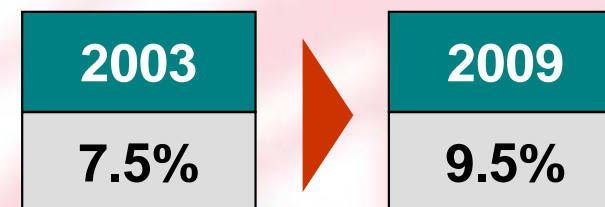


7. A profound transformation of the competitiveness model towards the most sophisticated technology and knowledge-intensive industries

Growth in number of companies
(2003 to 2009)

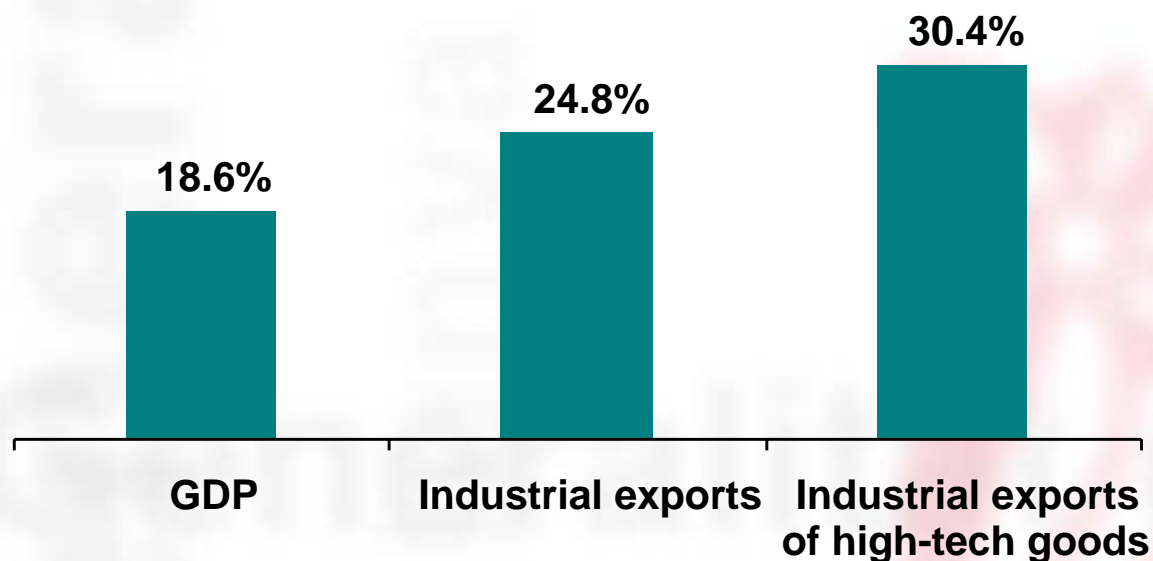


High-technology and
knowledge service companies
as a % of total companies



8. An extremely open and internationalised economy

Catalonia within Spain, selected variables (2009)



Economic foreign-trade ratios for Spain and for Catalonia (2009)

Catalonia	55.8%
Spain	49.4%
Rest of Spain (excluding Catalonia)	47.8%

Catalonia's economy is clearly focused on external markets and represents the engine for Spanish exports

*Foreign-trade ratio = (exports + imports) / GDP

Source: Statistics Institute of Catalonia

9. A true surge of internationally renowned research centres

- Catalonia has **4 research institutions among the top 100 in the world** according to standardised citations rankings
- **19 of the top 25 research institutions in Spain** are Catalan including **6 of the top 10 universities**
- Since 2001, R&D investment in Catalonia has **increased at a steady rate of 13.7% per year**

10. Barcelona, one of the most attractive cities in Europe for doing business and in terms of quality of life

The most attractive European cities for doing business

City	2009 ranking	2008 ranking
London	1	1
Paris	2	2
Frankfurt	3	3
Barcelona	4	5
Brussels	5	4

Source: Cushman & Wakefield, European Cities Monitor 2009

Top European cities of the future

City	2010/2011 ranking
London	1
Paris	2
Moscow	3
Stockholm	4
Barcelona	5

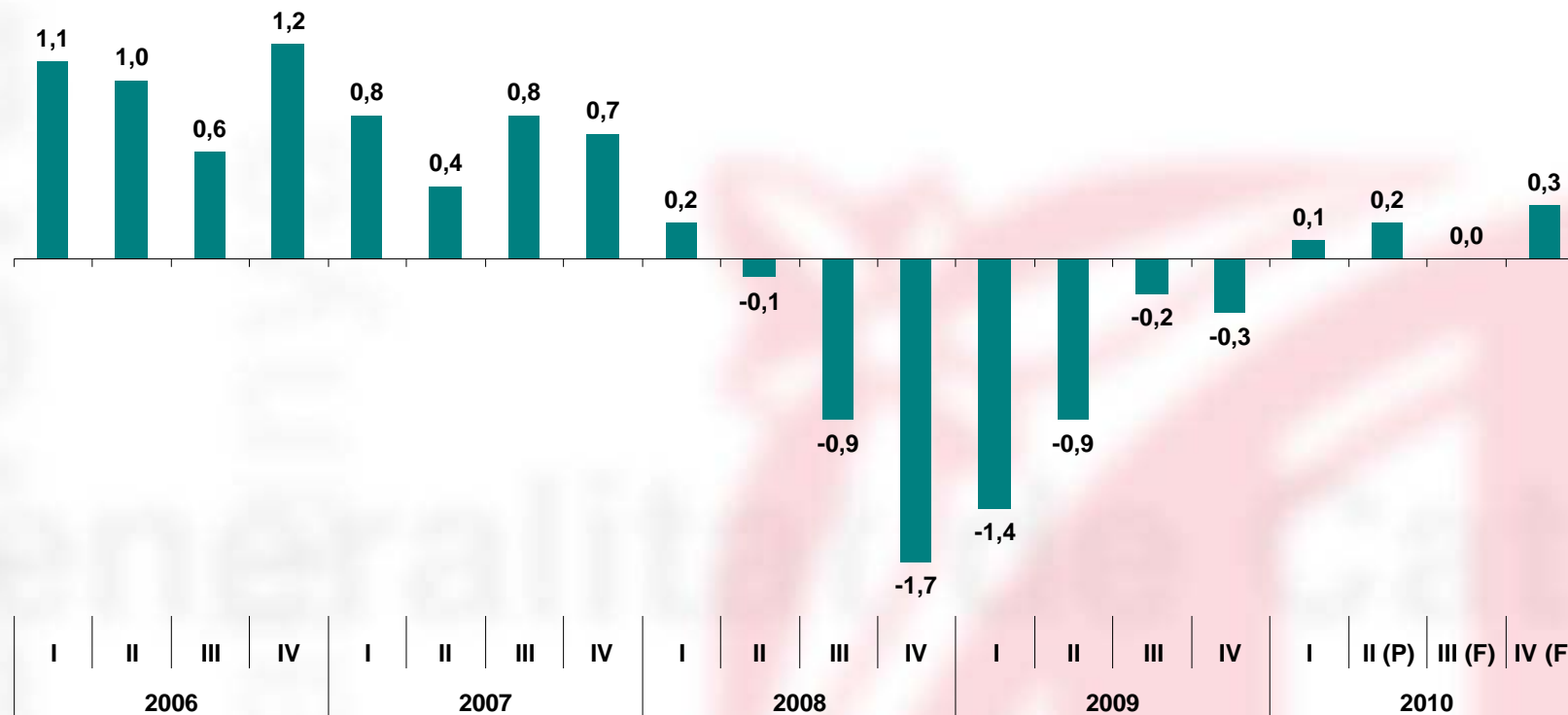
Source: FDI Magazine, (Financial Times Group), March 2010

2.2 Present economic situation

1. After seven quarters, the **economy has come out of recession**
2. The main advanced **indicators of economic activity** show **clear signs of recovery**
3. This reality allows the Government to establish a moderate **economic recovery scenario** for upcoming years
4. The crisis has had a **strong impact on unemployment**, but the **worst period of job destruction has been overcome**
5. **Inflation remains under control**, with no risk of deflation

1. After seven quarters, data show that the economy has come out of recession

Quarter-on-quarter GDP growth rate (%)

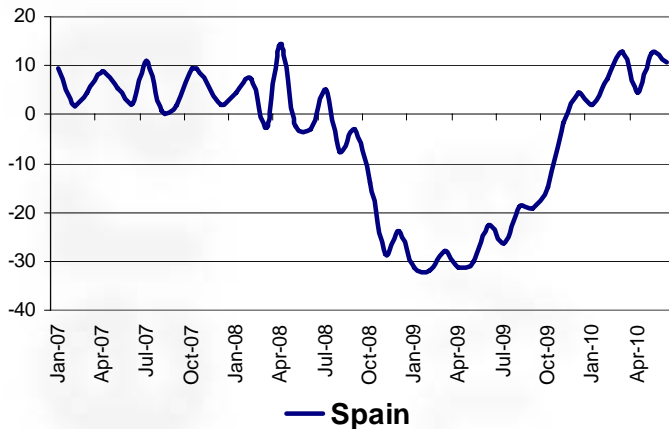


(P): Provisional (F) Forecast

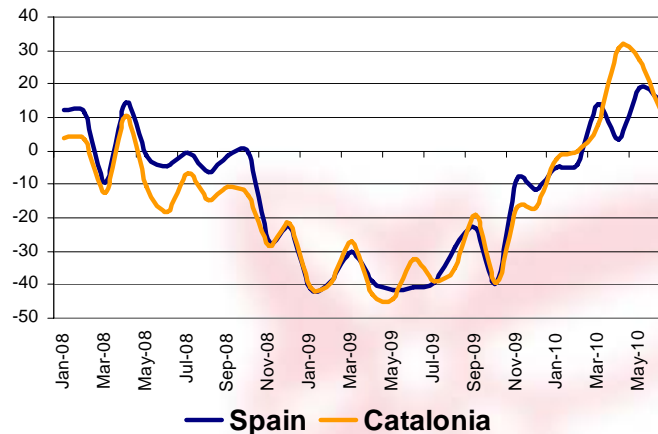
Source: Statistics Institute of Catalonia

2. Main advanced indicators of economic activity show clear signs of recovery (I)

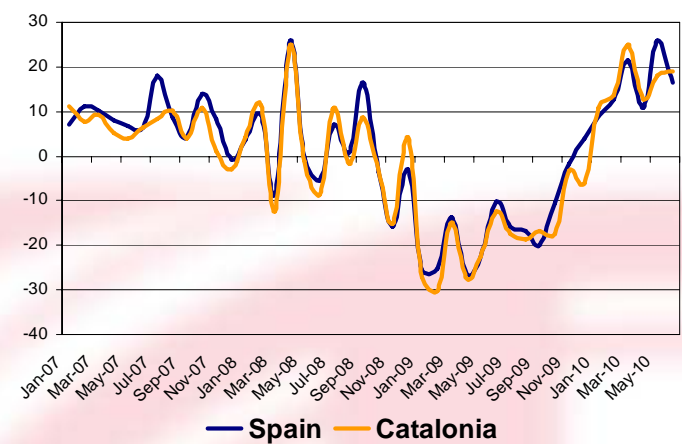
**Industrial orders indicator
(% year-on-year variation)**



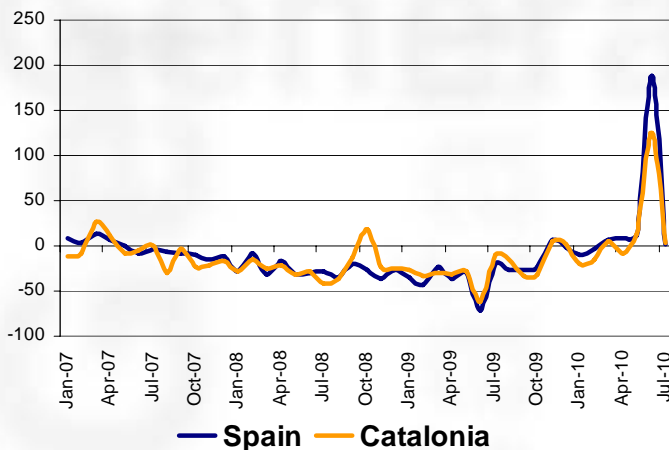
**Imports of capital goods
(% year-on-year variation)**



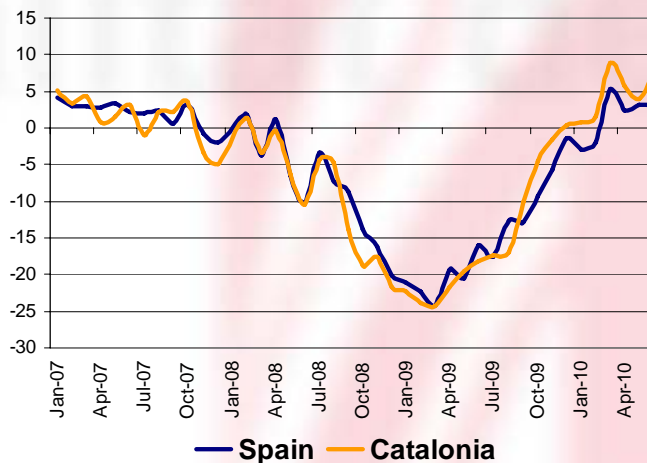
**Exports of goods
(% year-on-year variation)**



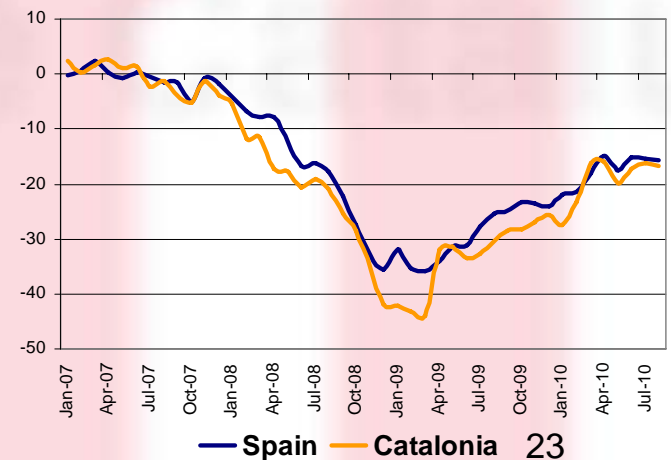
**Creation of new companies
(% year-on-year variation)**



**Industrial production indicator
(% year-on-year variation)**



Industrial climate Indicator

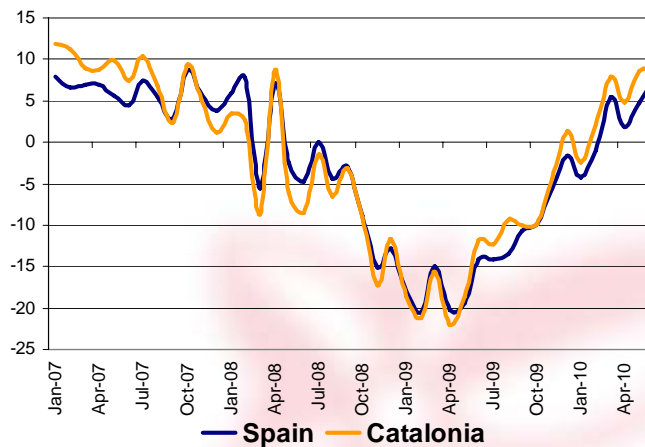


2. Main advanced indicators of economic activity show clear signs of recovery (II)

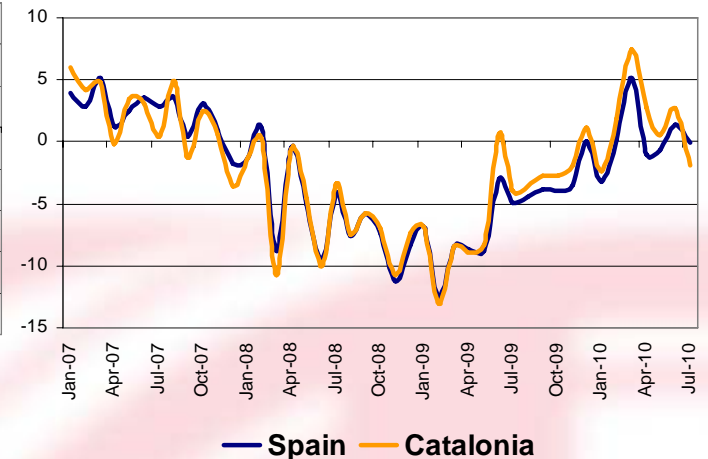
Consumer confidence indicator, Spain



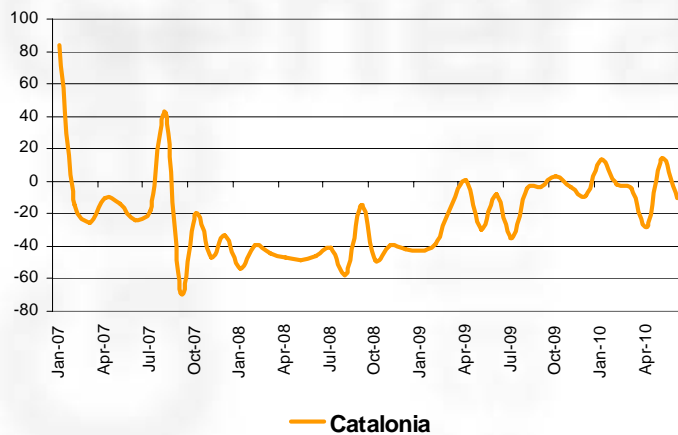
Service sector activity indicator



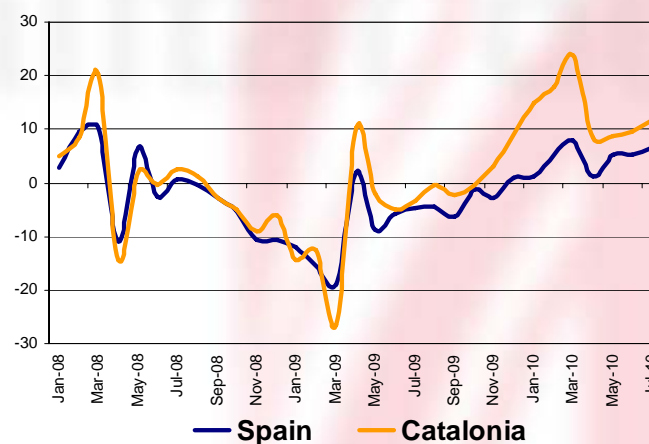
Retail sales (% year-on-year variation)



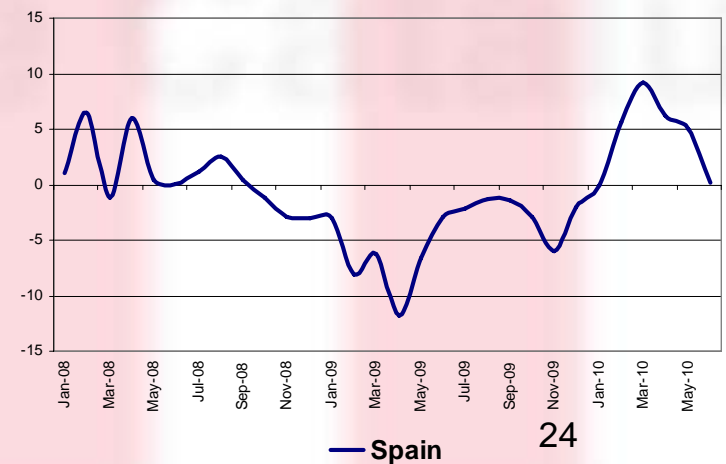
Revenue from stamp duty tax and similar, Catalonia (% year-on-year variation)



Hotel reservations (% year-on-year variation)



Iberian Peninsula electricity demand (% year-on-year variation)



3. This reality allows the Government to establish a moderate economic recovery scenario for upcoming years

Forecast evolution of real GDP in Catalonia, 2006-2013



(F): Forecast

Source: Catalonia's Fiscal rebalancing plan, Spanish Fiscal Rebalancing Plan, OECD.

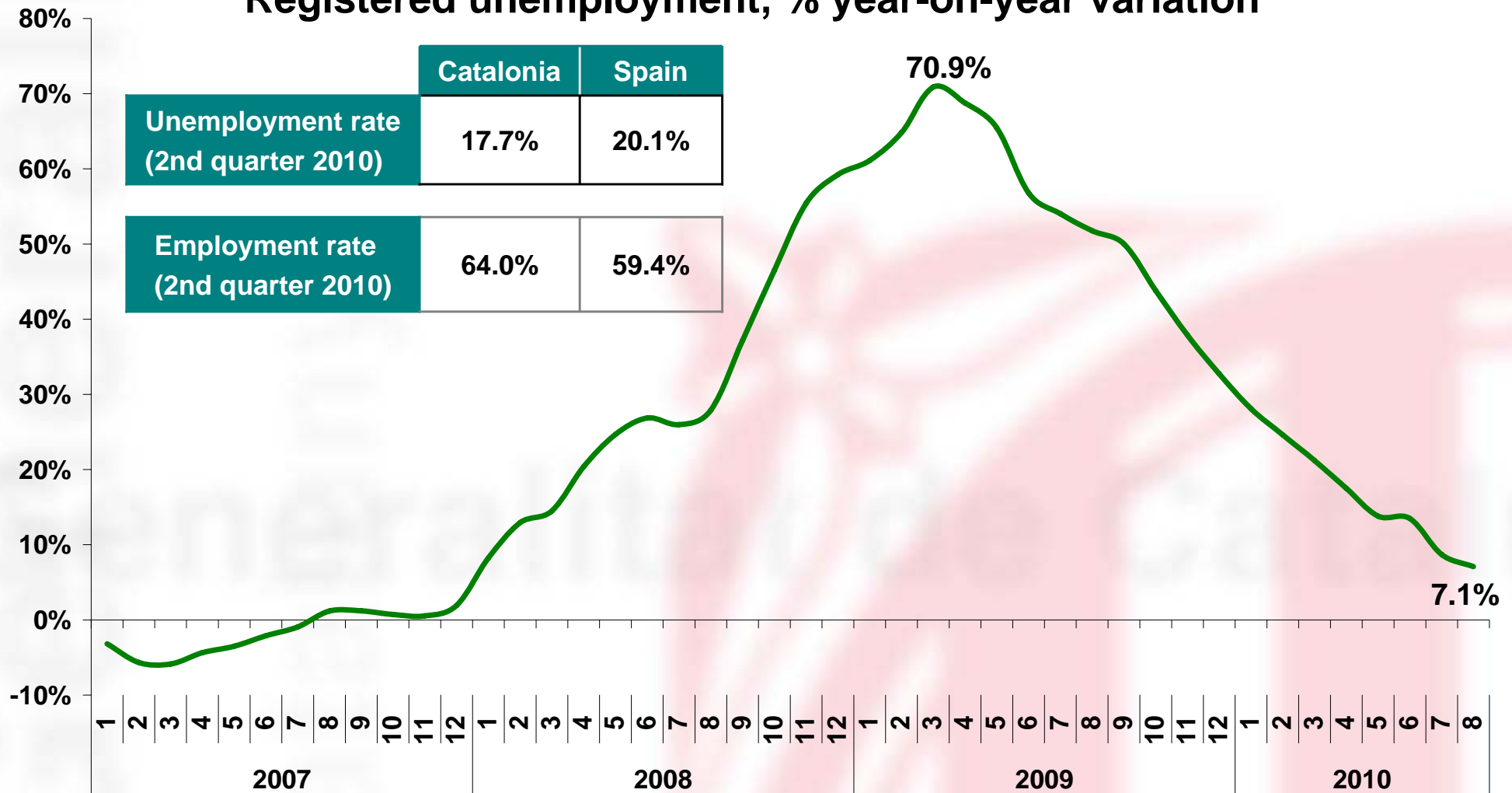
Note: Catalonia's growth forecast for 2011, 2012 and 2013 is assumed equal to that of Spain

* Spanish Government forecast

** OECD forecast for Spain

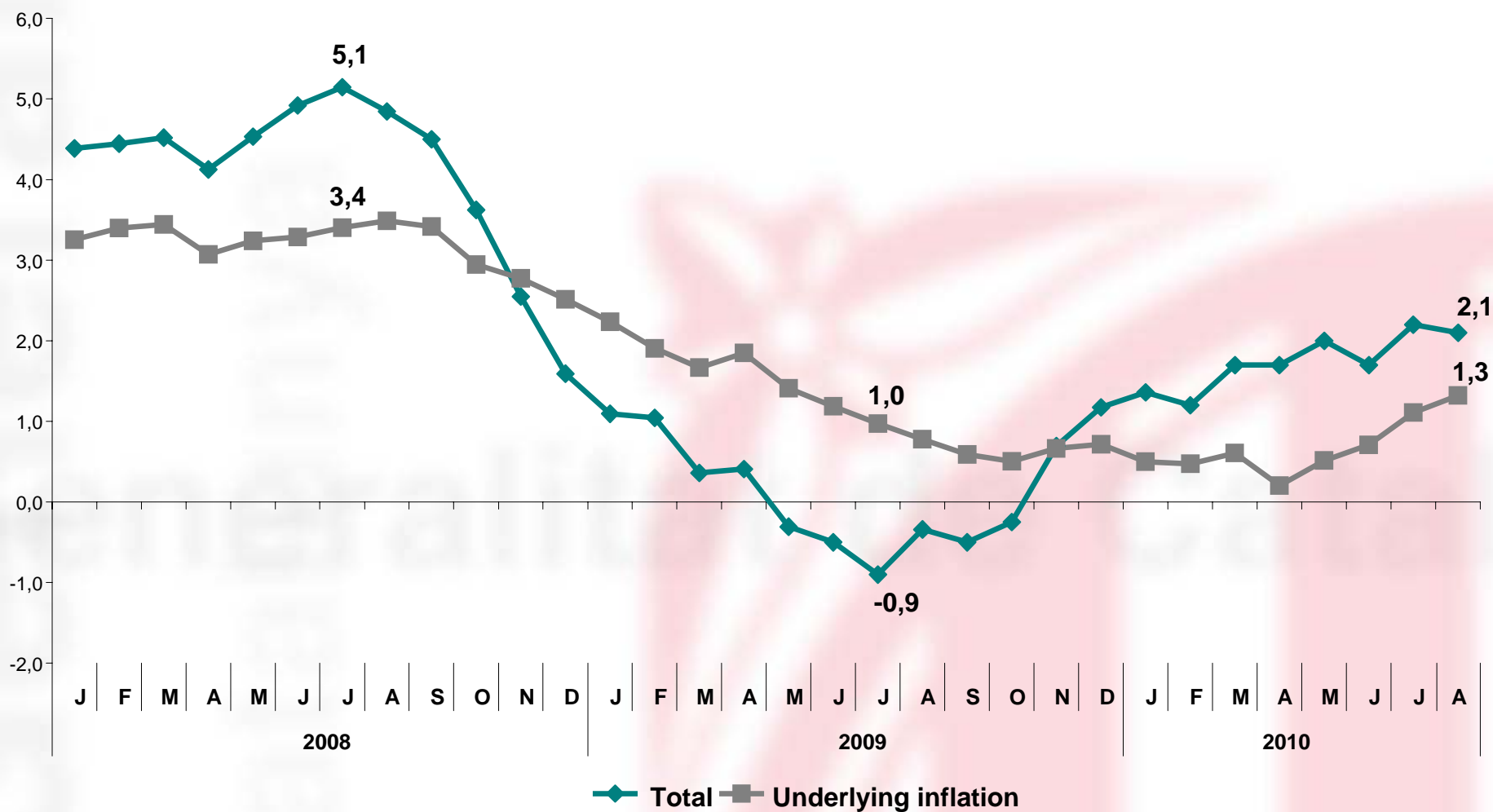
4. The crisis has had a strong impact on unemployment, but the worst period of job destruction is over

Registered unemployment, % year-on-year variation



5. Inflation remains under control, with no risk of deflation

CPI, year-on-year growth rate (%)



3. Institutional and budgetary context

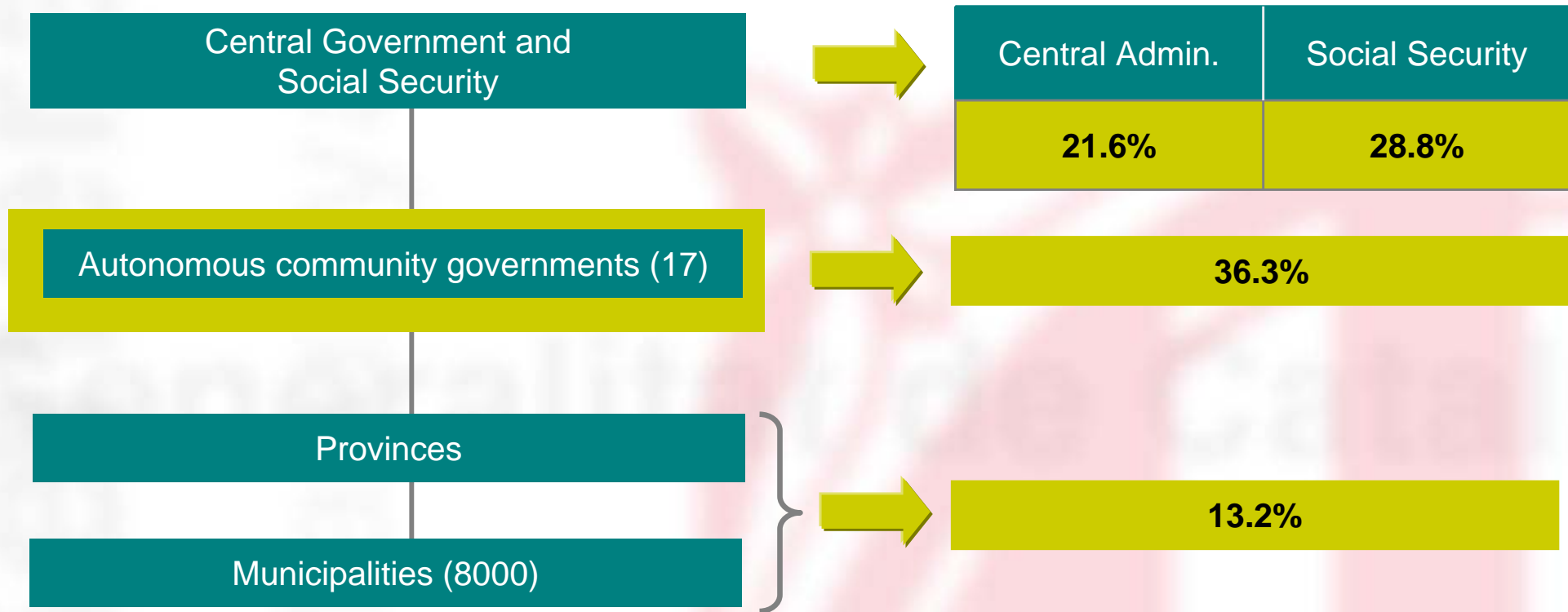
3.1. Institutional context

1. Public sector structure by government level
2. The budget of the Catalan public sector represents **close to €40,000 M**
3. The Government of Catalonia has **highly significant responsibilities**, including the provision of the main services linked to the Welfare State
4. The financing of the Government of Catalonia is **based to a large degree on tax revenues**
5. The Government has a **remarkable regulatory and administrative capacity** over its taxes
6. In 2009, a **new financing model** was approved that guarantees a growing and significant contribution of new resources to the Government of Catalonia's budget

1. Public sector structure by government level

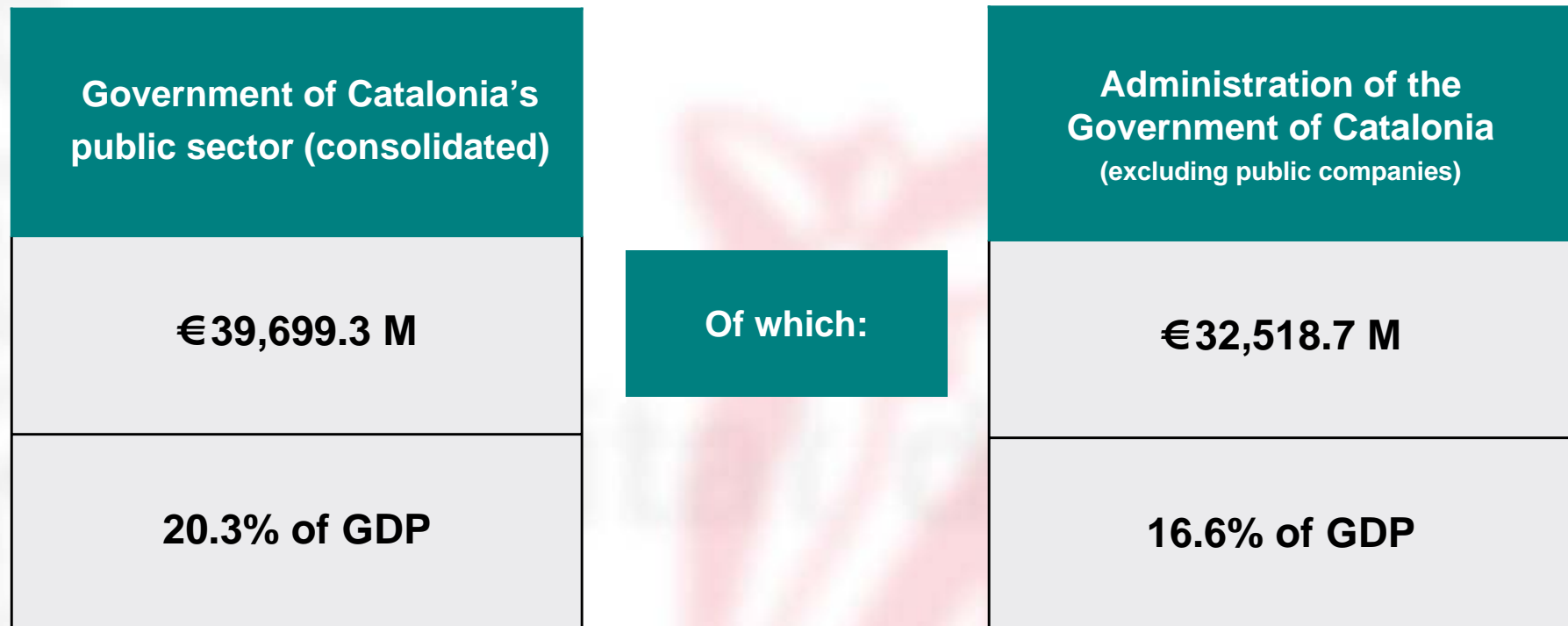
Administrative levels in Spain

% of total of non-financial expenditure of public administrations (2008)



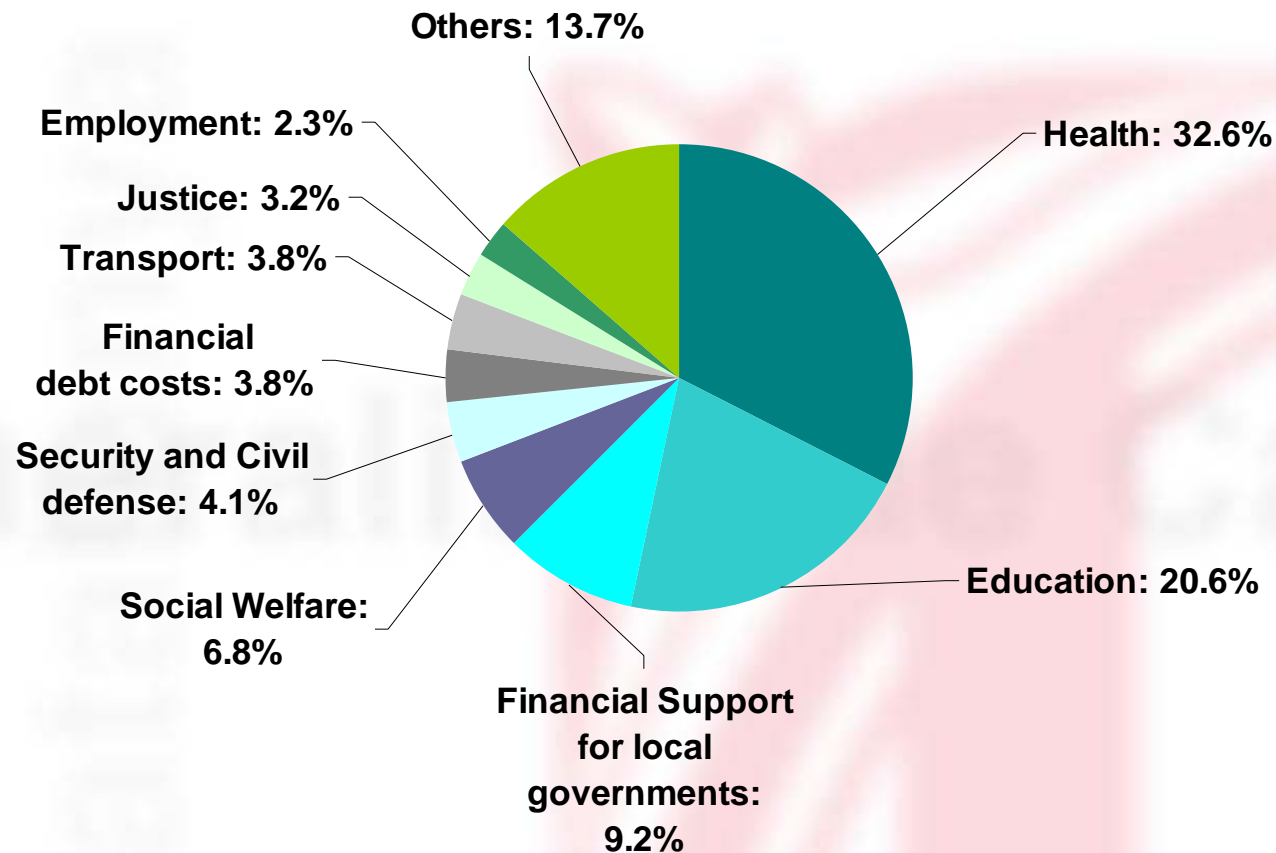
2. The budget of the Catalan public sector represents close to €40,000 M

Total public sector budget (including financial operations) (2010)



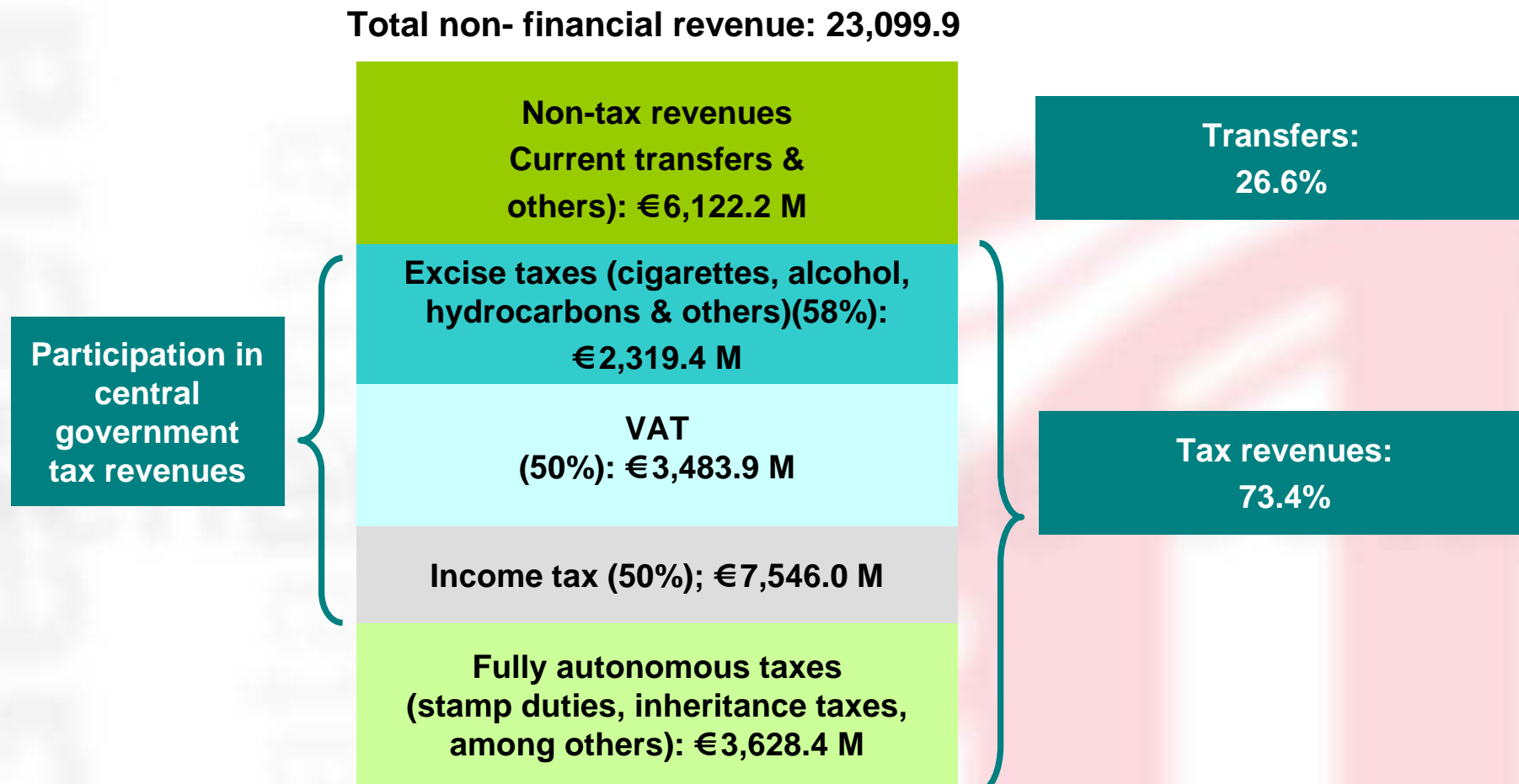
3. The Government of Catalonia has highly significant responsibilities, including the provision of the main services linked to the Welfare State

Distribution of non-financial spending of the Government of Catalonia by segment (2010)



4. The financing of the Government of Catalonia is based to a large degree on tax revenues

Financing sources of the Government of Catalonia, non-financial revenue (€M, 2010)



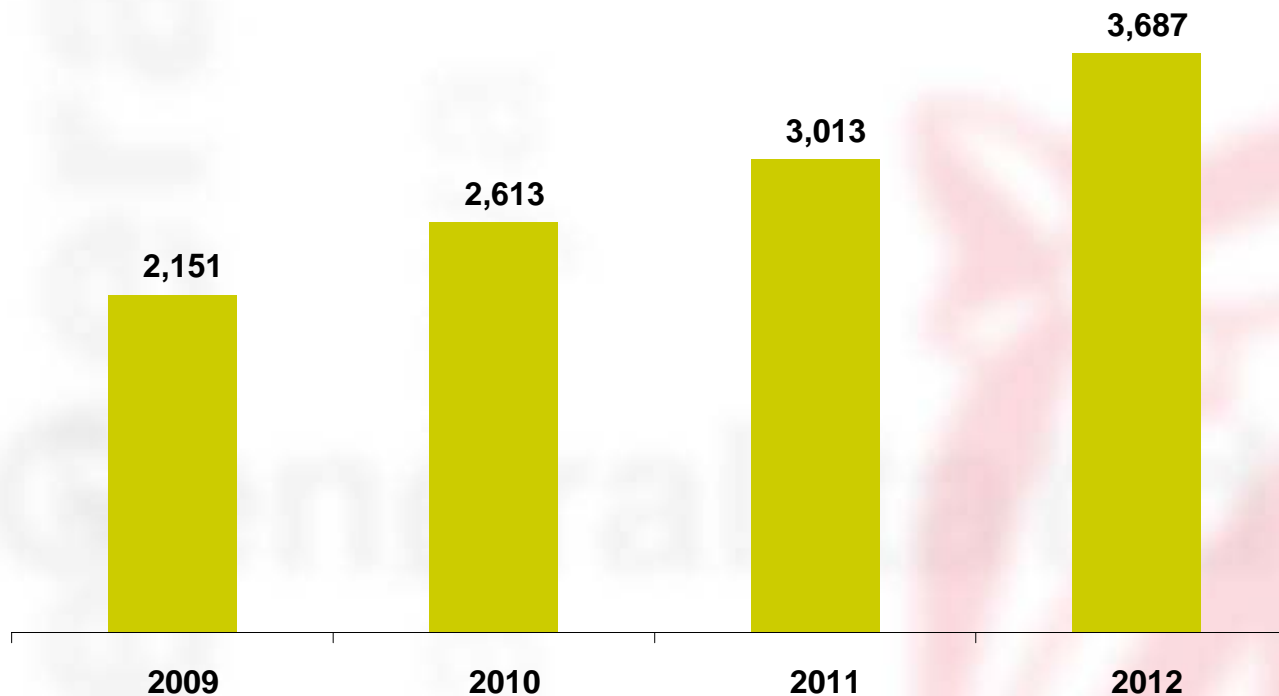
5. The Government has remarkable regulatory and administrative capacity over its taxes

	Personal and family minimum (*)	Taxation rate	Deductions and/or bonuses	Inspection	Tax collection & management
Income tax	✓	✓	✓	✗	✗
Stamp duties		✓	✓	✓	✓
Inheritances and donations		✓	✓	✓	✓
Lottery		✓	✓	✓	✓
Vehicle registration		✓	✗	✓	✓
Hydrocarbon retail sales		✓	-	✓	✓

The Government has regulatory power over 64% of its tax revenue

6. In 2009, a new financing model was approved that guarantees a growing and significant contribution of new resources to the Government of Catalonia's budget

Additional resources from new financing model (M€)



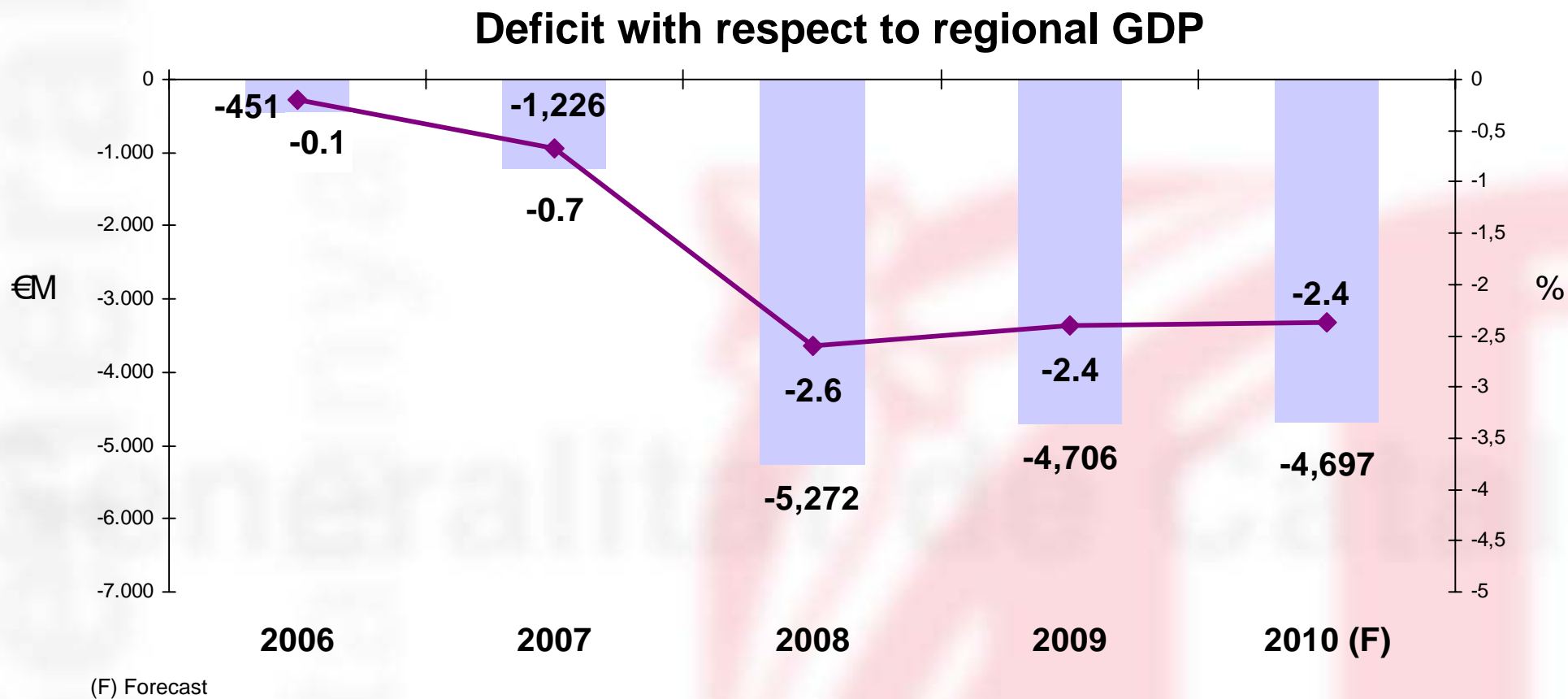
The new model entails a qualitative leap in the financial capacity of the Government of Catalonia

The model guarantees sufficient resources thanks to the annual updating of its most relevant variables (population, tax capacity)

3.2 Budget, deficit and budget consolidation plan

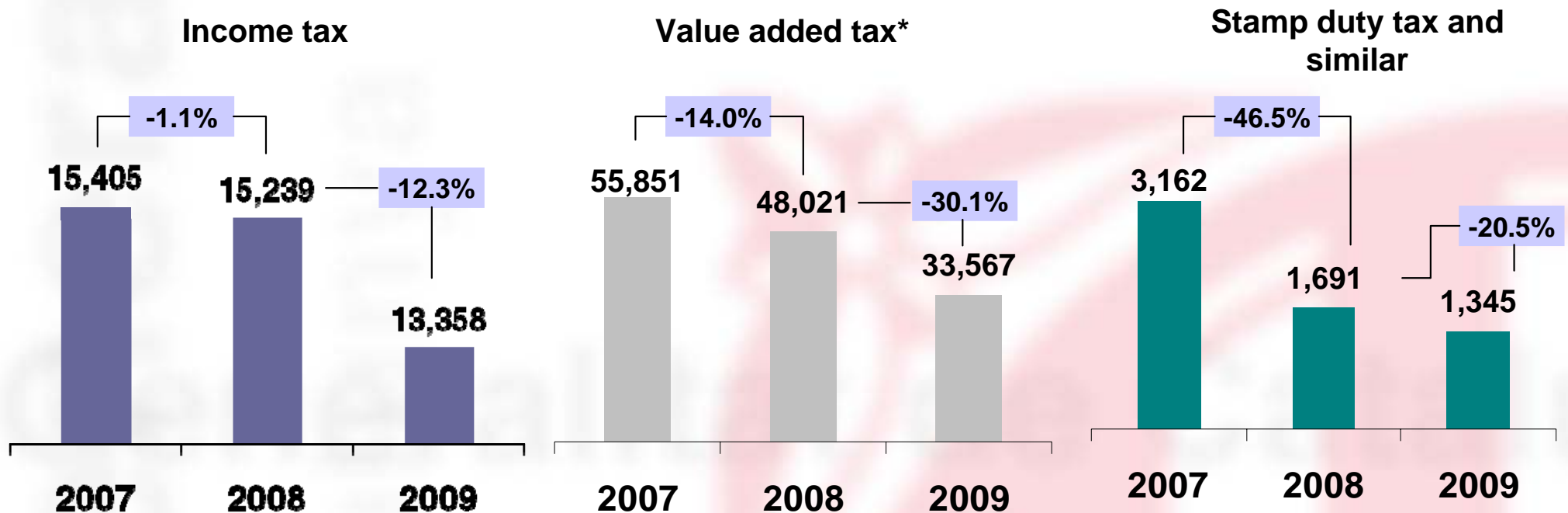
1. The extent of the **crisis** has led to a **significant increase in the public deficit**
2. This rise in the deficit **is completely due to the recession**, which has led to a **steep drop in tax revenue, but tax revenues are now recovering**
3. In fact, the recession has caused **high public deficits in all the main world economies**
4. Spain has a **Budgetary Stability Law** that **guarantees fiscal discipline** by the autonomous communities
5. The Government's **consolidation plan**, will **reduce the deficit to less than half of its current value, going from 2.4% of GDP in 2010 to 1.1% of GDP in 2013**
6. The consolidation plan will lead to the attainment of **positive current savings in 2013**
7. **Fiscal consolidation** strategy: improvement in revenue sources and moderation of spending
8. Since the beginning of the crisis, the Government of Catalonia has **enacted a package of spending austerity measures**
9. Catalonia has **solid foundations for fulfilling this plan**

1. The extent of the crisis has led to a significant increase in the public deficit



2. This rise in the deficit is completely due to the recession, which has led to a steep drop in tax revenue...

Evolution of tax revenue in Catalonia (€M)



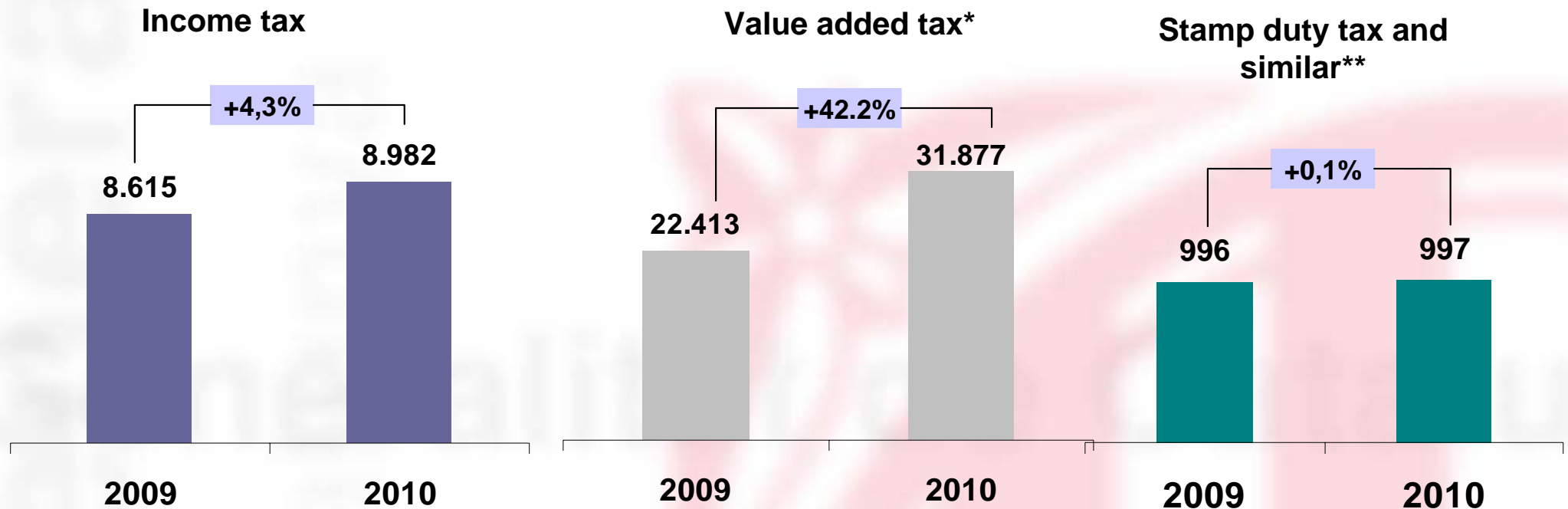
Source: Catalan Ministry of Economy and Finance, State Tax Administration Agency (AEAT)

* Data for all of Spain

2. ... but tax revenues are now recovering

Evolution of tax revenue in Catalonia (€M)

January to July 2010, cumulative



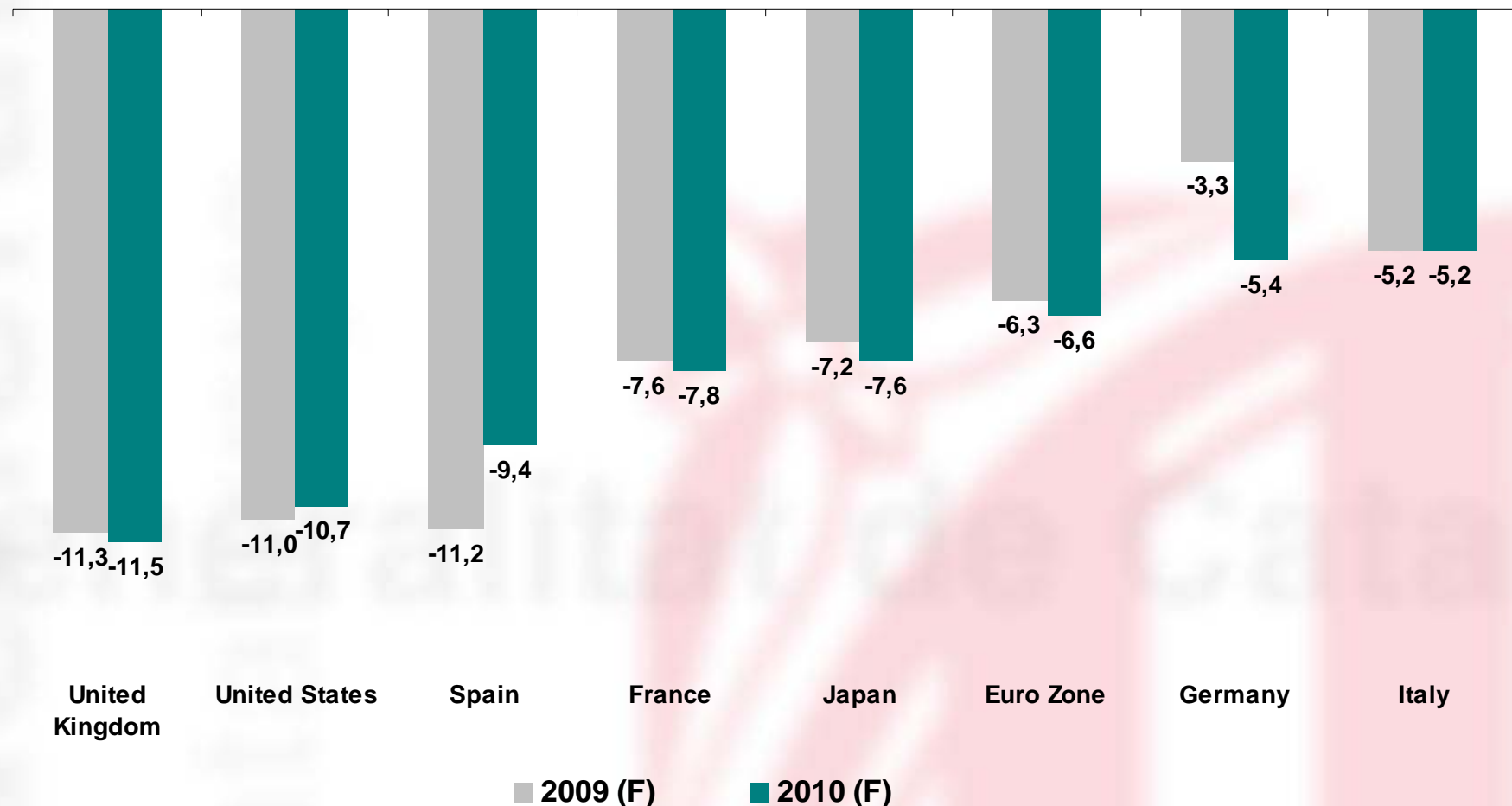
Source: Catalan Ministry of Economy and Finance, State Tax Administration Agency (AEAT)

* Data for all of Spain

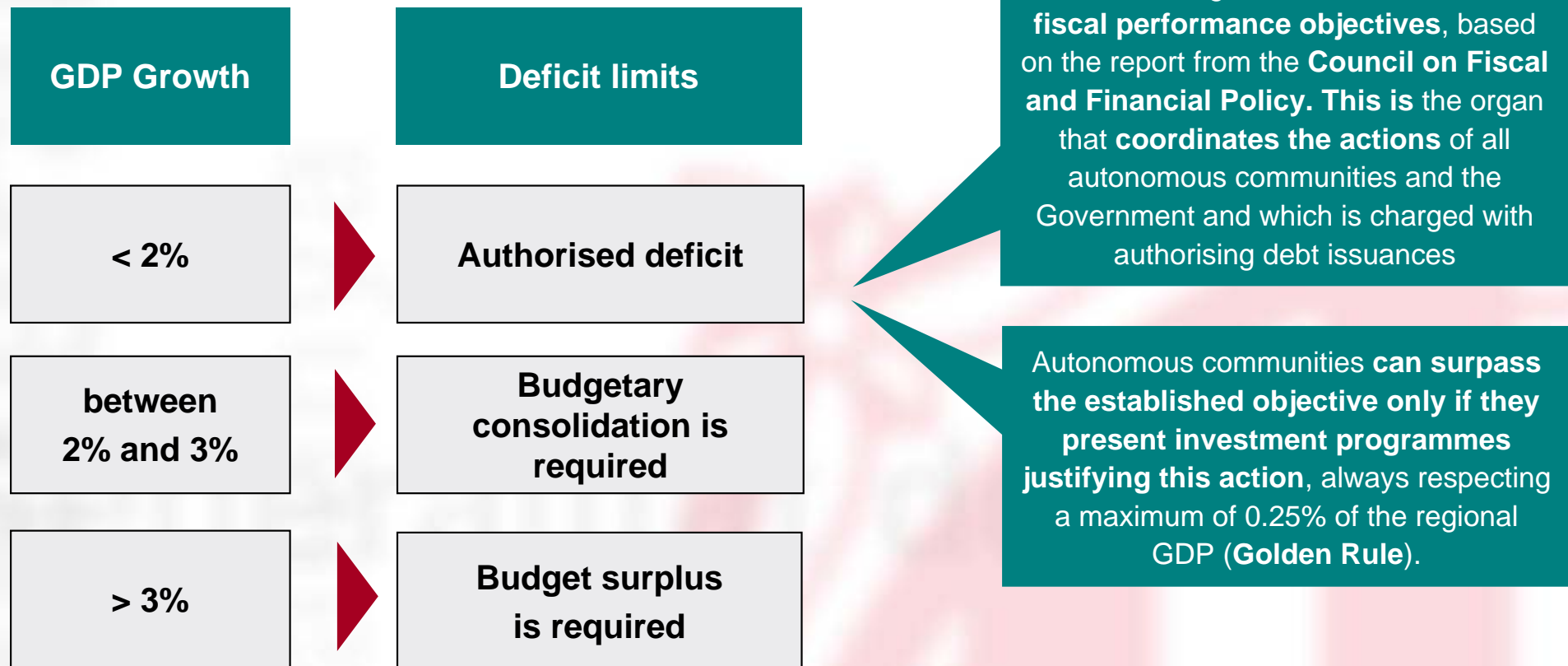
** January to August 2010

3. In fact, the recession has caused high public deficits in all the main world economies

Public sector balance of the main economies (% of GDP)

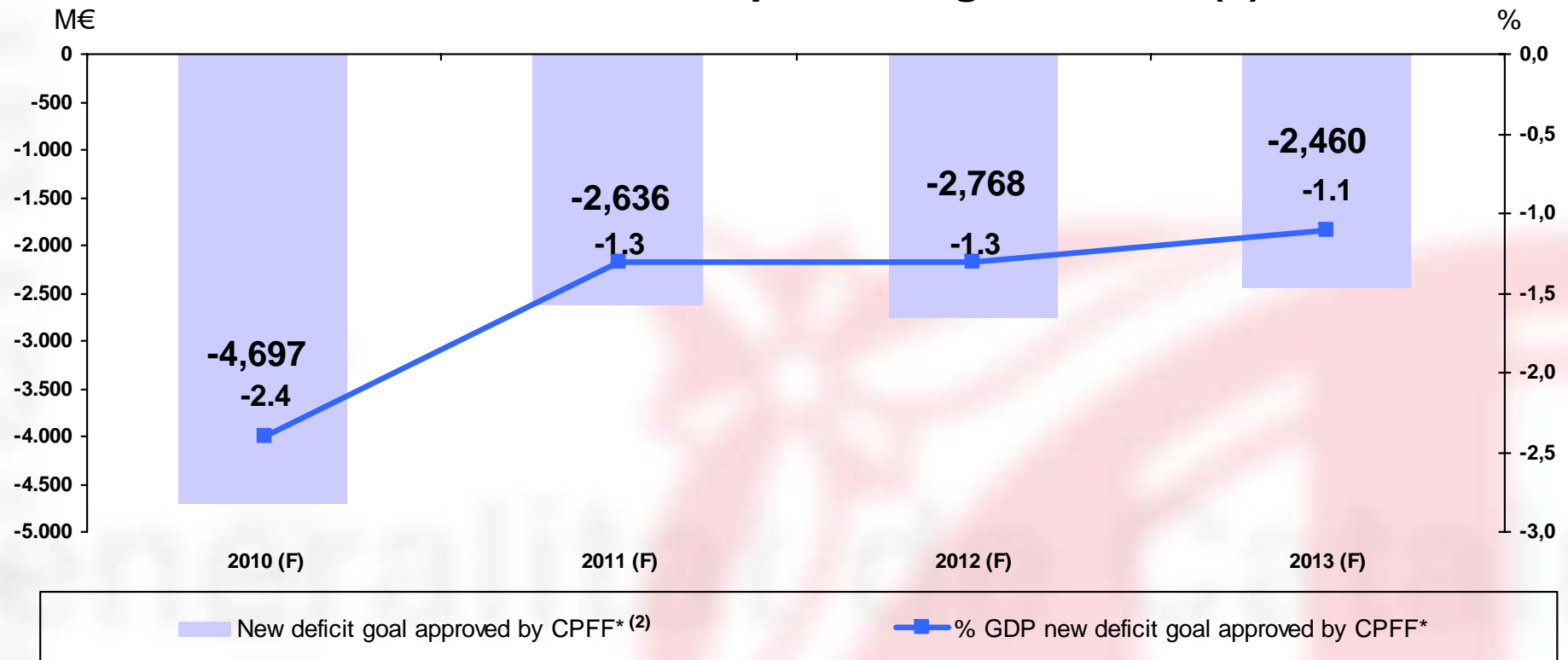


4. Spain has a Budgetary Stability Law that assures tax discipline by the autonomous communities



5. The Government's consolidation plan, will reduce the deficit to less than half of its current value, going from 2.4% of GDP in 2010 to 1.1% of GDP in 2013

Forecast deficit with respect to regional GDP (1)



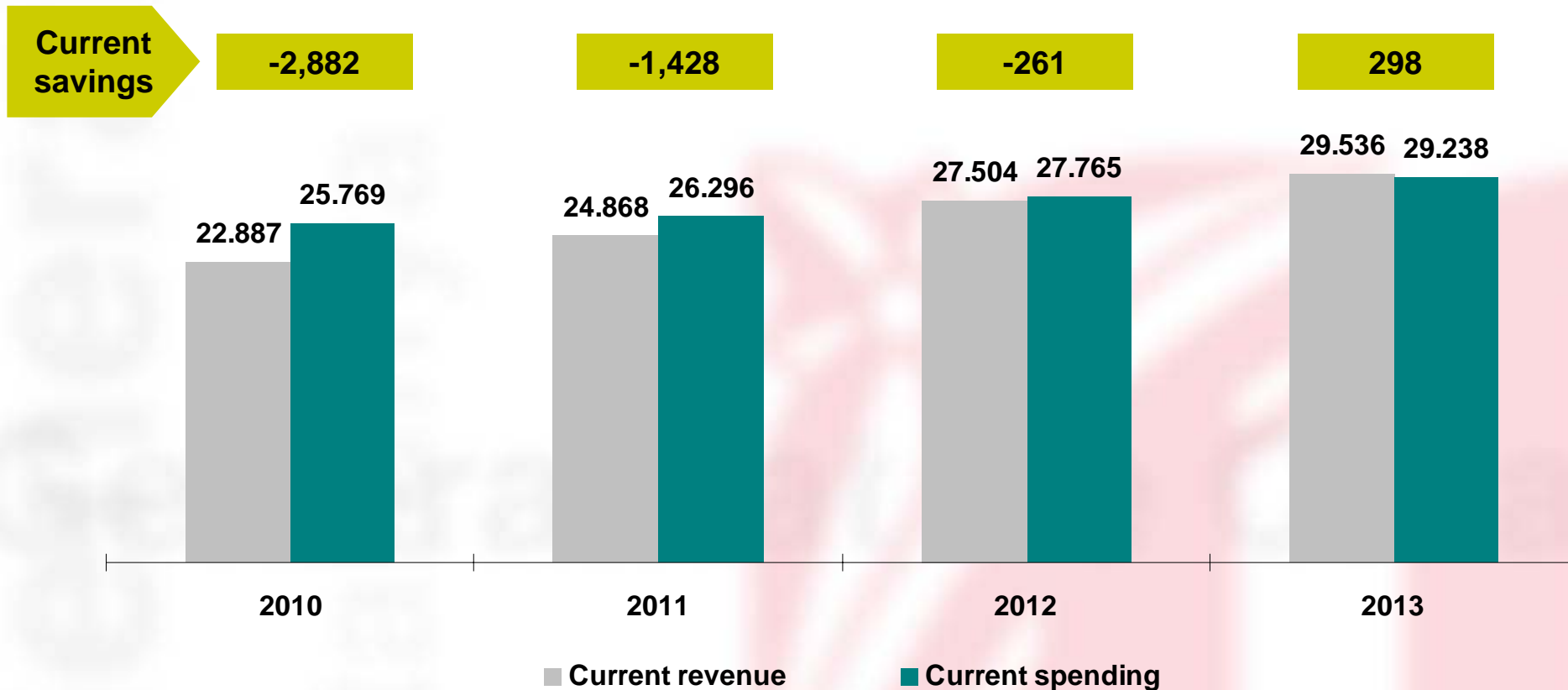
(1) New path of fiscal consolidation, approved by the CPFF on June 15th, 2010.

* CPFF: Consejo de Política Fiscal y Financiera (Fiscal and Financial Policy Council). It is the organ where the Central Government and the Autonomous Communities coordinate their fiscal policies and set budgetary goals.

² Not including the effect of the settlement of the financing system for the years 2008 and 2009

6. The consolidation plan will lead to the attainment of positive current savings by 2013

Financial scenario of the Autonomous Community of Catalonia:
Consolidation plan of current savings and deficit (M€)



7. Tax consolidation strategy (I): reducing spending

PERSONNEL EXPENDITURES

- **Reduction of public sector salaries by an average of 5%** (up to 15% reduction for high-ranking officials), saving a total of 364.7 M€ in 2010.
- **Reduction** of 1,021 government employee posts and structural personnel in 2010, and **reduction** in personnel via partial covering of job vacancies
- **Wage freezing** in 2011 for the entire public sector.

OPERATING COSTS

- Reduction of **discretionary costs**.
- **Centralised purchasing** procedures.
- Reduction of **financial expenditures**.

CURRENT TRANSFERS

- **Public sector restructuring:** reforms to the entities and bodies linked to the public sector, including cost reductions (elimination of 63 public entities, 26% of the total).
- **Austerity and moderation plans** in the areas of healthcare and social services (reduction in expenditure on drugs, and new restrictions on retroactivity in dependence payments), **with total savings of 316.1 M€**

CAPITAL SPENDING

- **Reviews of projects,** adjustments and review of investment plans of companies and public organisations, postponing a minimum of 6 months

7. Fiscal consolidation strategy (II): improvement in revenue sources

ECONOMIC SITUATION

- **Economic recovery** will lead to a significant increase in revenue.

FINANCING SYSTEM

- **Improvement of financing system revenues** that will provide up to **3,700 million euros more each year** starting in 2012

TAX INCREASES

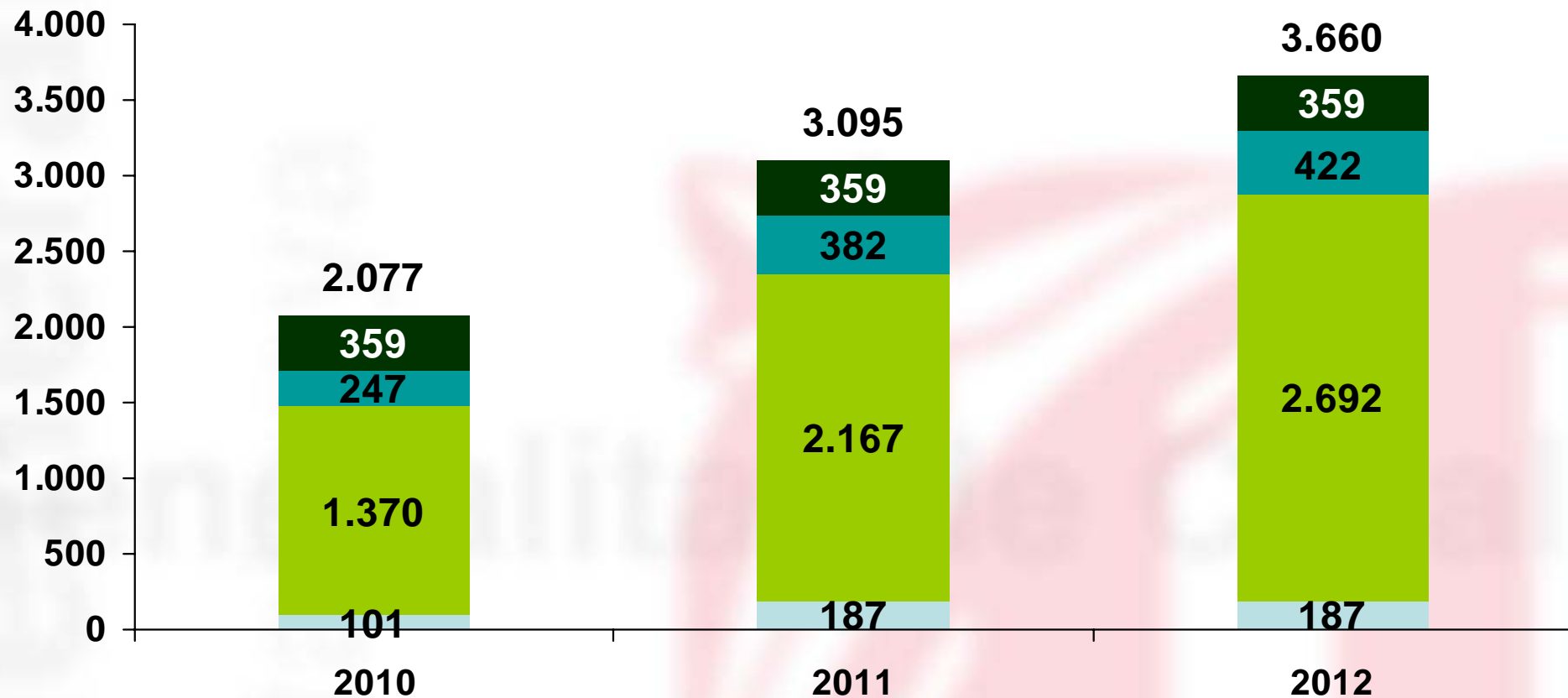
- Increase of 100 basis points in real estate transactions tax (7% to 8%) and 20 basis points in stamp duties (1% to 1,2%)
- Increase of 125 basis points in vehicle registration tax (to 16%) for vehicles with high levels of carbon emissions.
- Increase in income tax top marginal rate for highest-earning households. Individuals earning over 120.000 € will see their top marginal rate increase 200 b.p, from 43% to 45 %. Those earning over 175.000 € will see an increase in their top marginal rate of 400 b.p., from 43 % to 47%.

BUDGETARY MANAGEMENT AND FIGHT AGAINST FRAUD

- **Strengthening of plans for fighting tax fraud and improvement of tax management** thanks to initiatives executed by the **Tax Agency of Catalonia**

7. Tax consolidation strategy (II): Impact of austerity measures

Impact of austerity measures (cumulative, M€)



■ Higher revenues
 ■ Lower current expenses
 ■ Lower capital expenses
 ■ Adjustments

8. Since the beginning of the crisis, the Government of Catalonia has enacted a package of spending austerity measures

Austerity measures implemented between 2008 and 2010

- **25% reduction in spending on advertising**, protocol and studies, with an annual savings of € 73 M (2008 to 2010)
- **Budget adjustment** plan of € 850 M (2009)
- **Elimination of 1,021 jobs** in the administration and general services, with savings of € 35 M annually (2010)
- **Wage freezing** of ministers, high ranking officials and public managers (2008, 2009 and 2010)
- **Wage rises limited to 0.3% in 2010** for Government employees
- **Reduction in non-financial spending**, excluding debt interest payments of **0.4%** in 2010

9. Catalonia has solid foundations for fulfilling this plan

Good economic base

- Diversified, technology and knowledge-intensive economy
- Solid industrial and production base
- Open and internationalised economy
- Capacity to generate and attract knowledge and talent

Good financing system

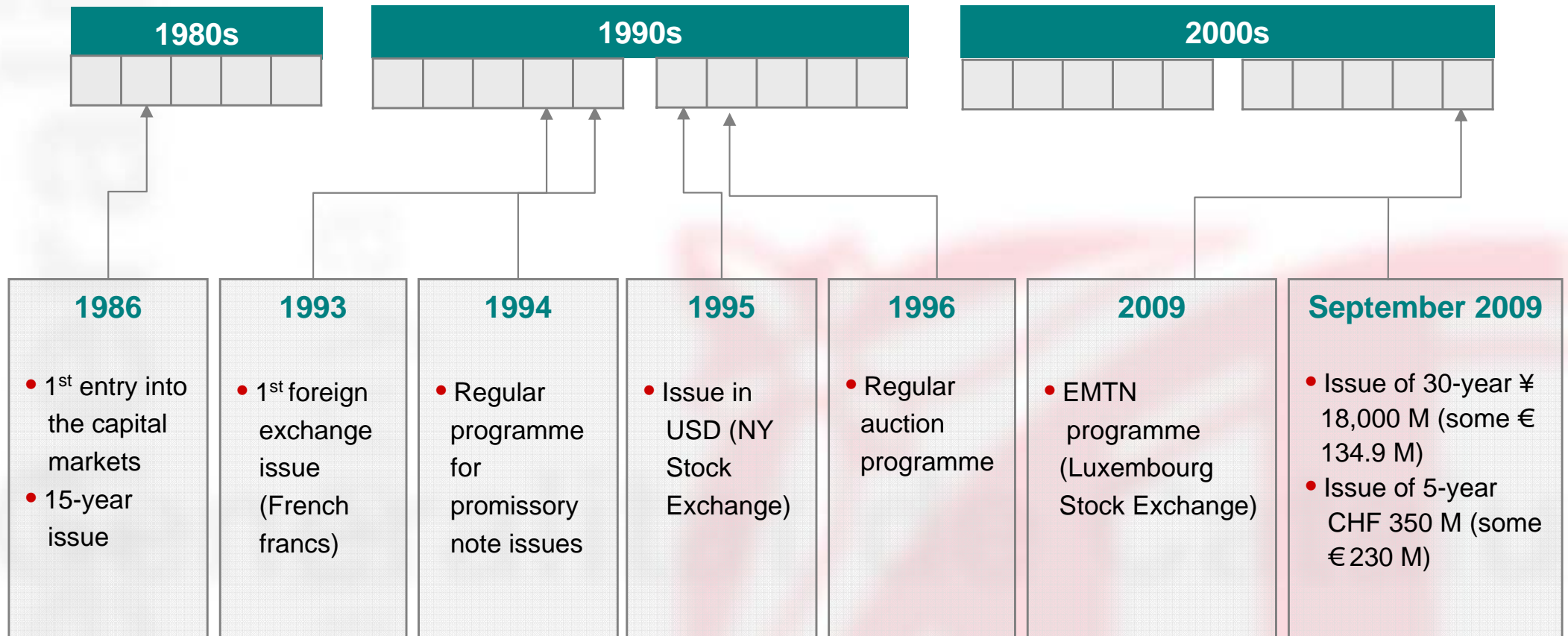
- Dynamic and solid tax base
- High level of tax autonomy
- New financing system that will lead to a progressive growth in resources in upcoming years

Good budgetary management

- Strict execution of austerity plans in the past
- Transparency in drawing up public accounts
- Rigorous and professional management

4. Financing and activity in capital markets

The Government of Catalonia has a proven track record with respect to issuances in international capital markets



Features of the issued securities: ratings

Government of Catalonia ratings:

- **Moody:** A2 (negative outlook) *October 18th 2010**
- **Standard & Poor's:** A+ (negative outlook) *July 21st 2010**
- **Fitch:** A (negative outlook) *September 17th 2010**

Maximum flexibility of financing instruments

ISSUES: Domestic program and EMTN program (in Euros and other currencies)

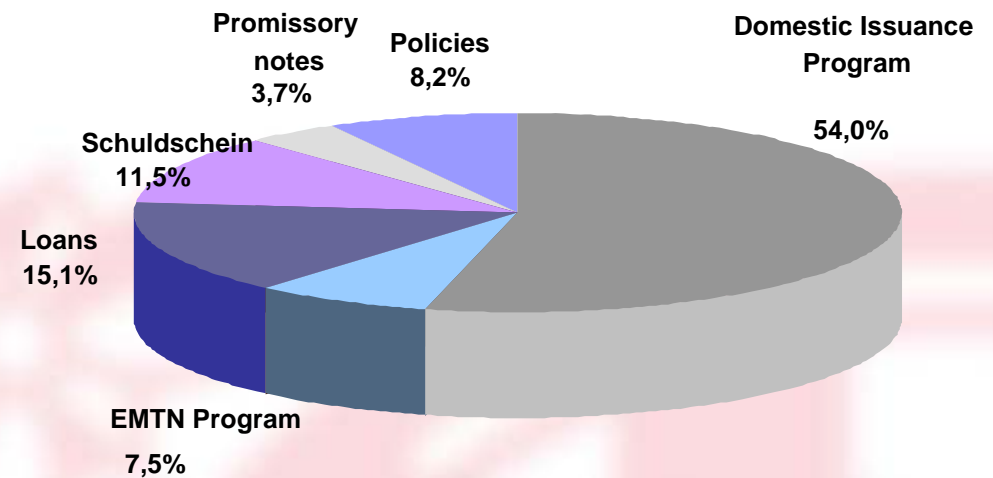
- Public Issues
- Private placements
- Taps
- Regular tenders of promissory notes

LOANS

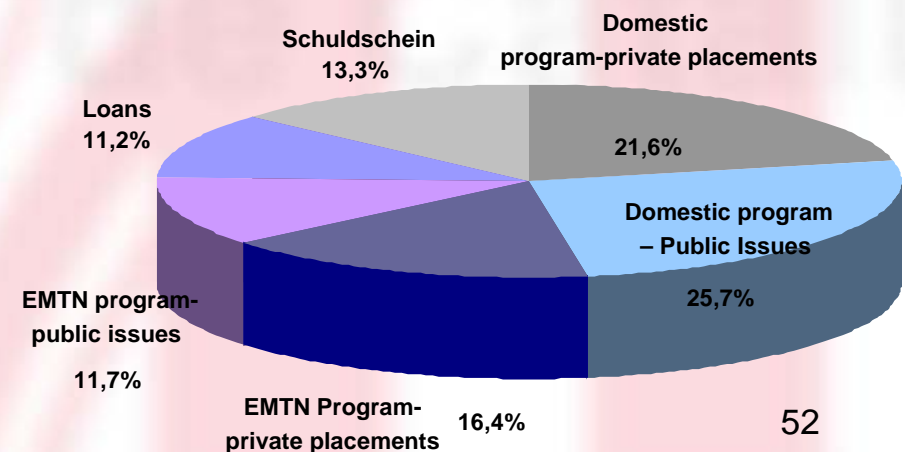
- Promissory notes loan (Schuldschein)
- Bilateral and syndicated loans
- Credit lines

DERIVATIVES: plain vanilla or structured swap

Distribution per Portfolio instrument type, Dec. 2009



Operations carried out during 2009



Financing policy: investor base

- Issues in different currencies (CHF, JPY, EUR, USD) and with different maturities
- Recurrent issues throughout the year
- Fluent relationship with investors
 - Presentation to investors
 - Periodic publication of economic and financial bulletins

Market Makers



Dealers

EMTN



ECP

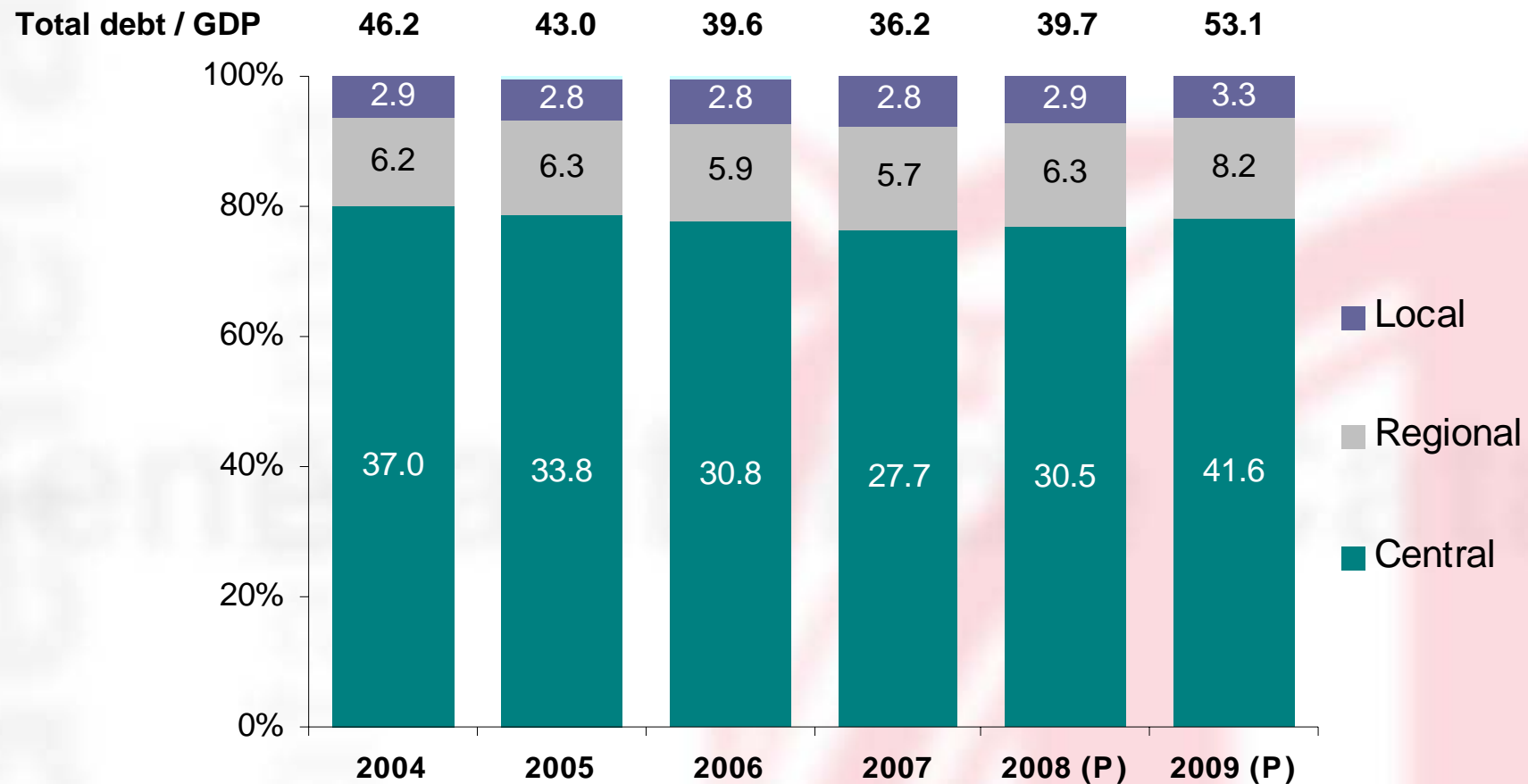


- Website created especially for investors

http://www.gencat.cat/economia/ambits/finances/deute_public/index.html

Financing policy: Debt / GDP

Debt distribution by administration level

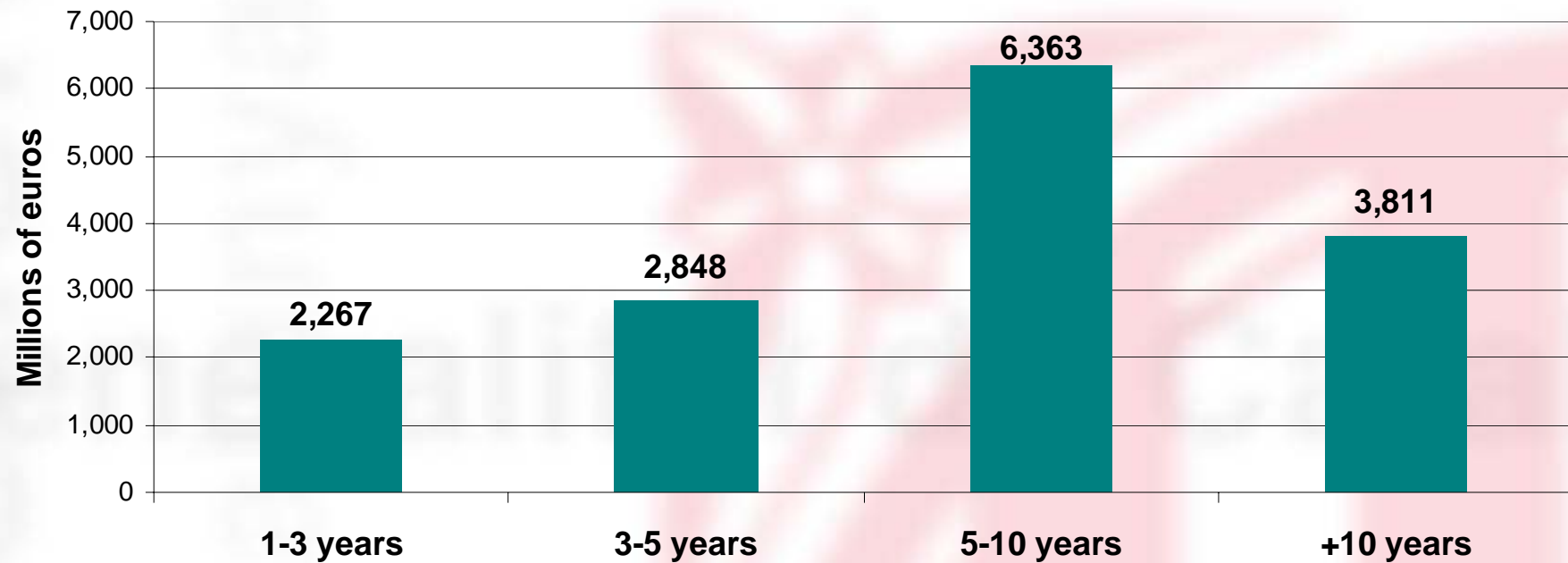


Source: Bank of Spain statistics bulletin

Note: Social Security represented 0.1% of the debt / GDP until end 2006 and then represents 0% (P) Provisional figures

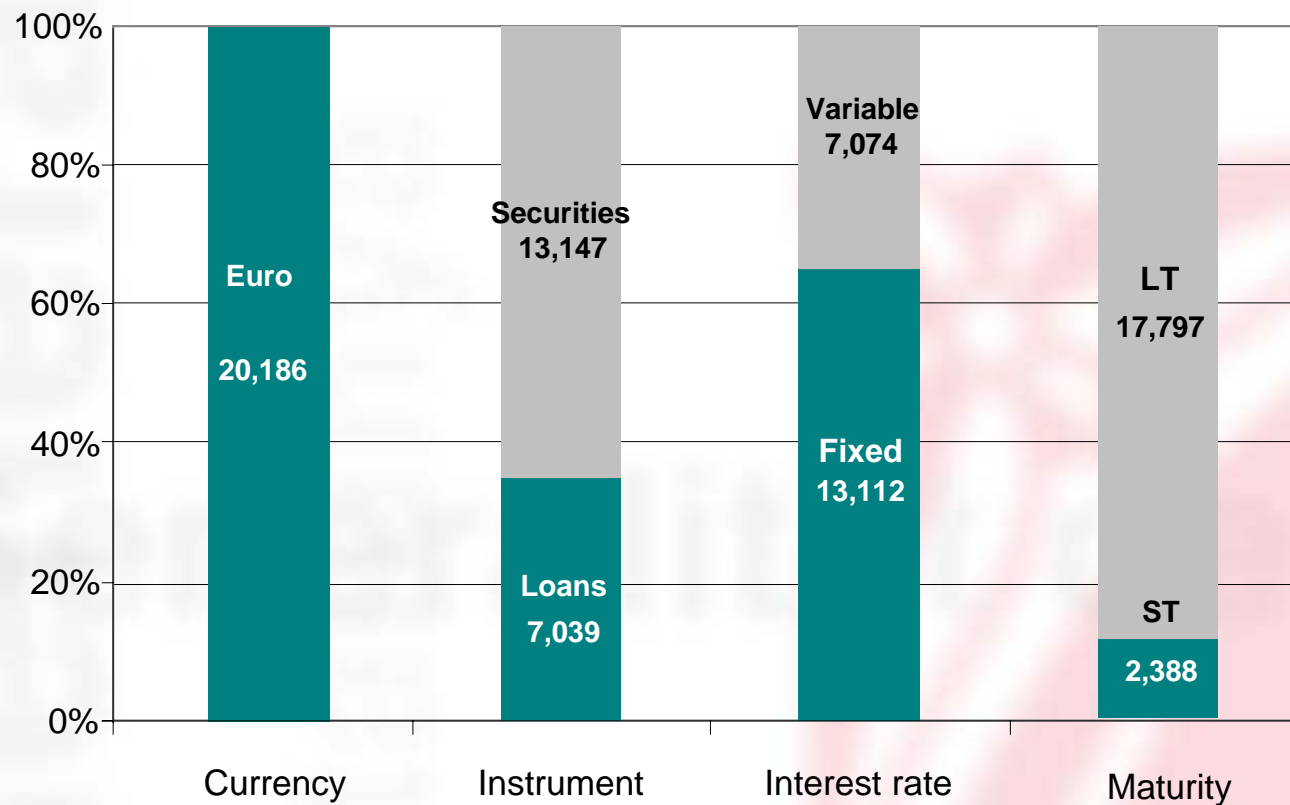
Financing Policy: presence along the entire curve

Outstanding circulation (bonds), June 2010 (€M)



Debt portfolio: features

Total debt portfolio, Dec. 2009 (M€) (with hedging)

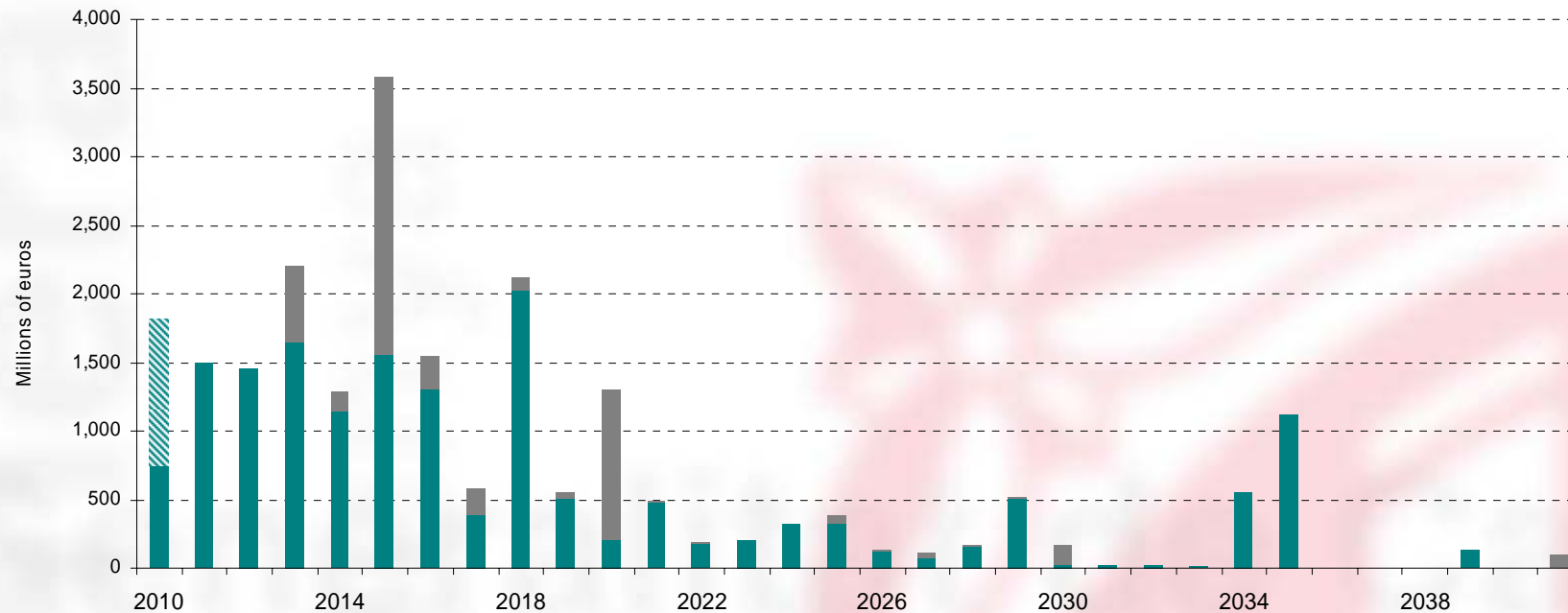


Rate risk and exchange risk management:

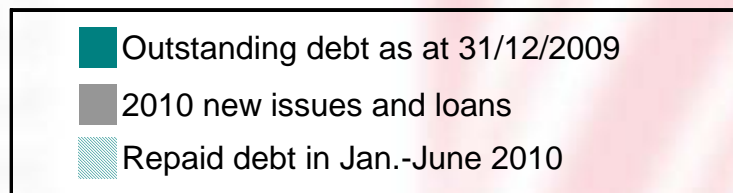
- Interest rate swaps on 8.25% of total debt volume
- Exchange rate risk hedging on all issues executed in foreign currency

Debt portfolio: characteristics

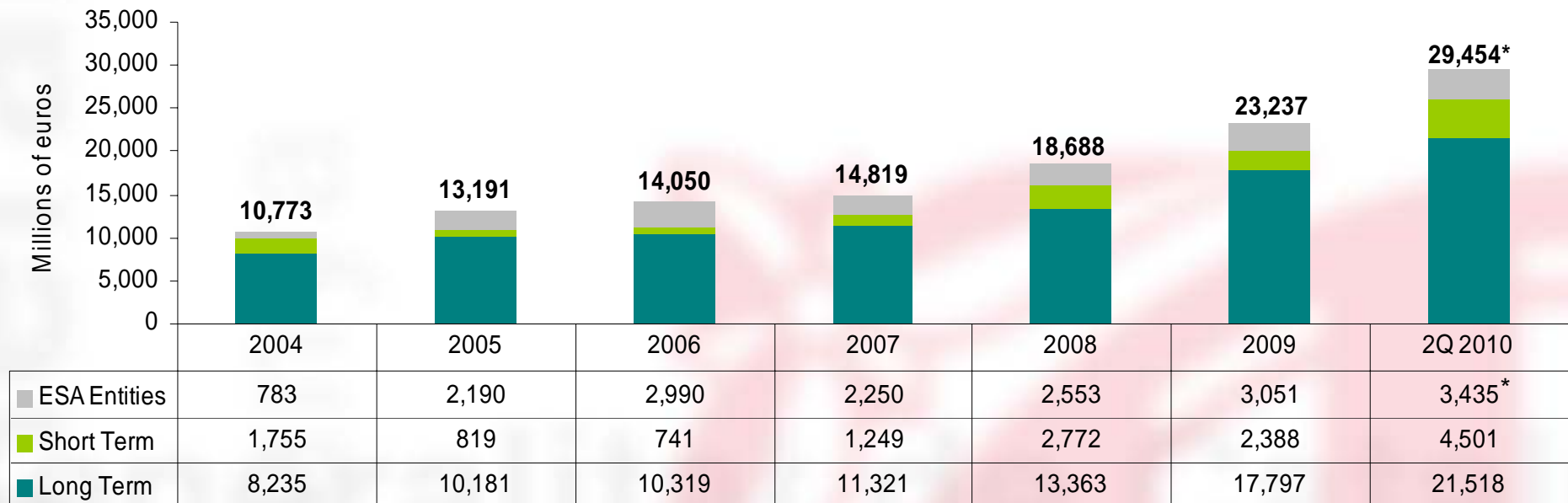
Debt maturity profile, June 2010 (LT debt)



- Average term of debt portfolio: 8.56 years (7.15 if ST debt is included)
- Debt portfolio duration: 5.01 years



Debt portfolio: Generalitat of Catalonia according to ESA



* Provisional data

DEBT REFINANCING OF:

2004-2005: Universities € 742.1 M

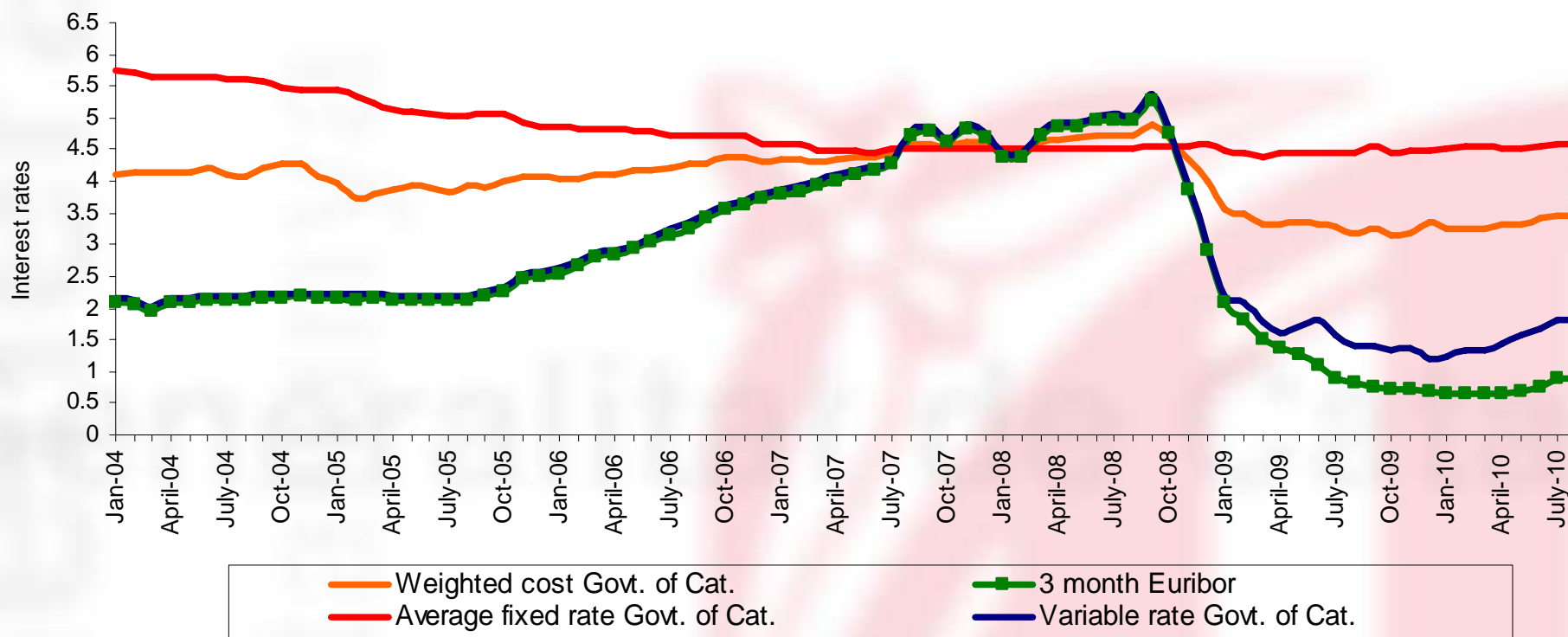
2007-2008: CCMA € 1,046.7 M

2008: GISA, REGSA and PSPV € 750.3 M

2009: ADIGSA € 47.6 M

Cost of debt

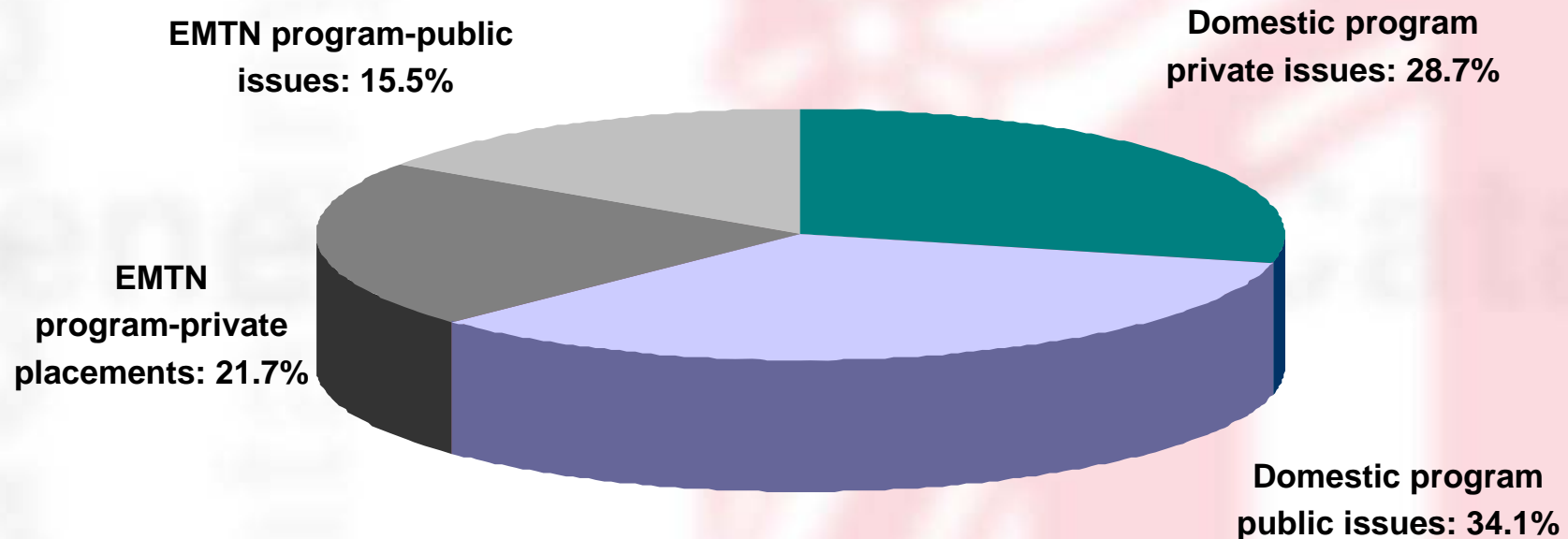
Cost of debt of the Government of Catalonia



2009 Issues

- The total amount of the debt issued in 2009 was 4,061 M €
- 32 issues made in 2009: 6 public issues (average balance: 335.8 M €) and 26 private issues (average balance: 78.7 M €)

2009 instruments of issue

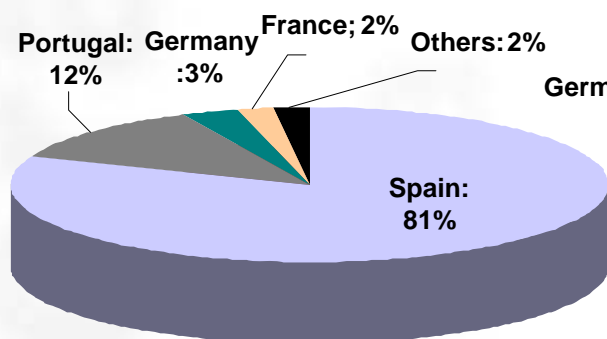


Issues of 2010

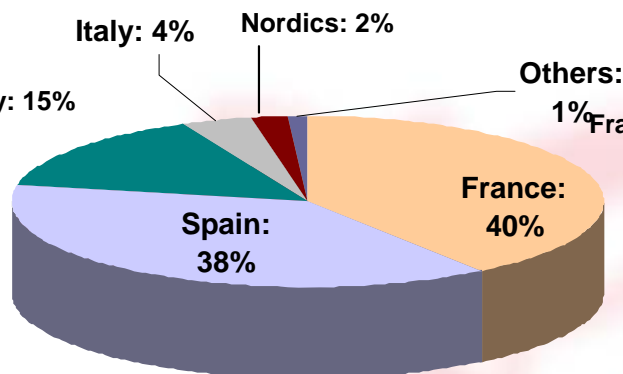
	First issue		Second issue
	3 years	10 years	5 years
NOMINAL	500 M€	800 M€	850 M€
DATE OF ISSUE	February 11 th , 2010		April 7 th , 2010
COUPON	Euribor 3m + 0.95%	4.95% annual	3.875% annual
RE-OFFER SPREAD	Euribor 3m + 1.00%	MS + 160 bp	MS + 145 bp
ISSUE PRICE	99.852%	99.545%	99.902%
MATURITY	Feb. 11 th , 2013	Feb. 11 th , 2020	April 7 th , 2015
LEAD MANAGERS	BBVA, La Caixa, Crédit Agricole and HSBC		Société Générale, BBVA, Deutsche Bank, Barclays Capital

Issues of 2010: Distribution by geography and investor type

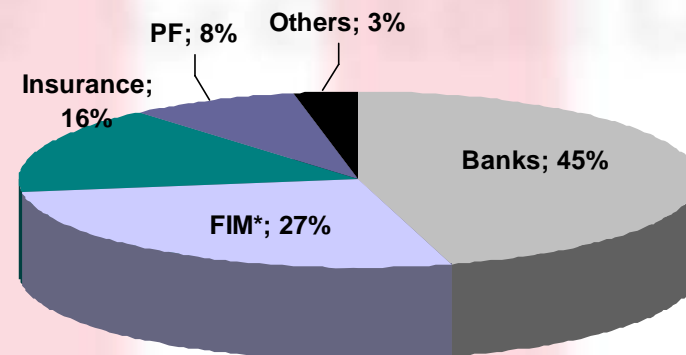
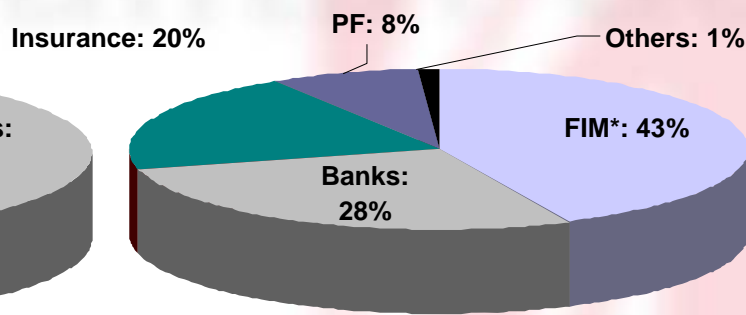
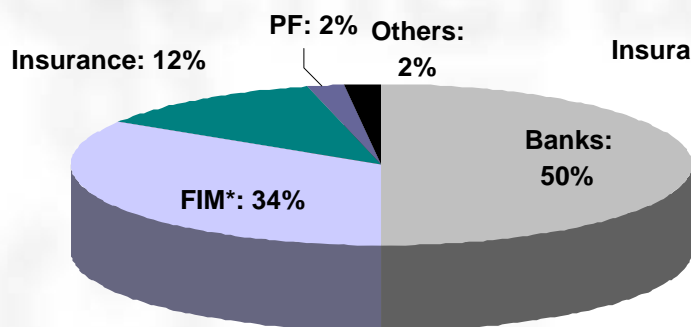
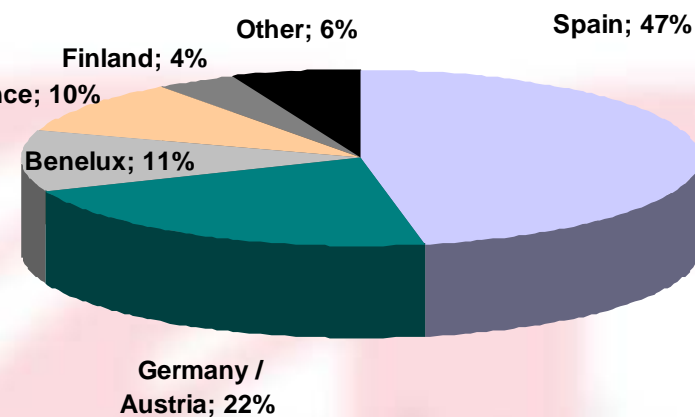
Ref. 3 years



Ref. 10 years



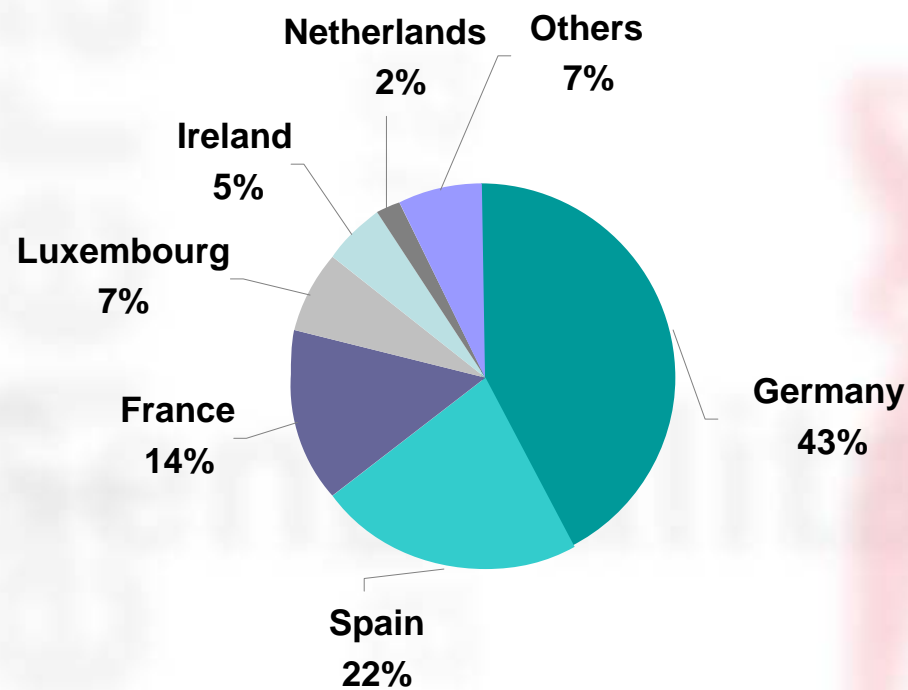
Ref. 5 years



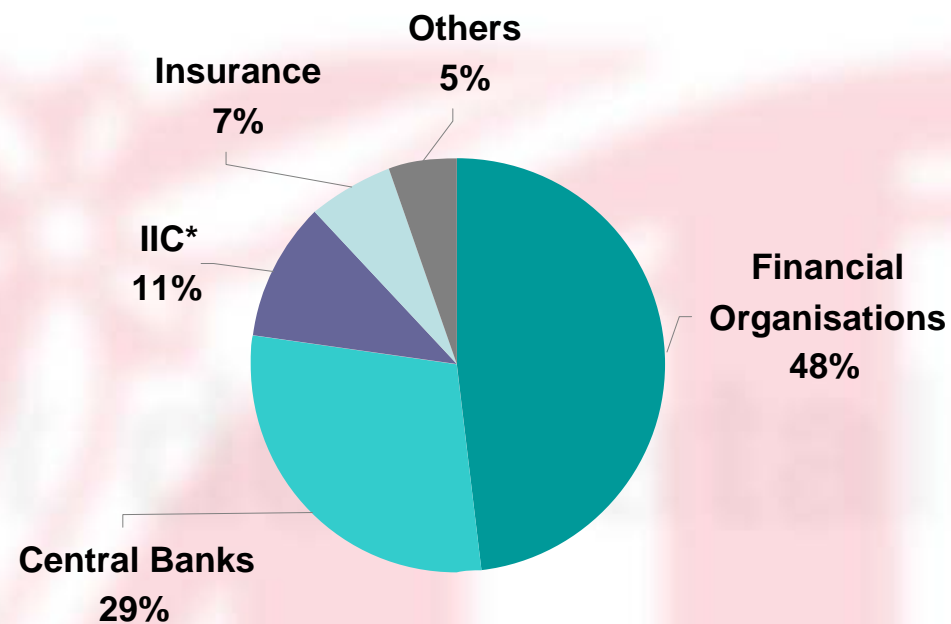
*FIM: Investment funds

Holders of Government debt: December 2009

Per country



Per investor type



Source: Information taken from the disbursement of public program investment

*IIC: Investment funds, pension funds or money market funds.

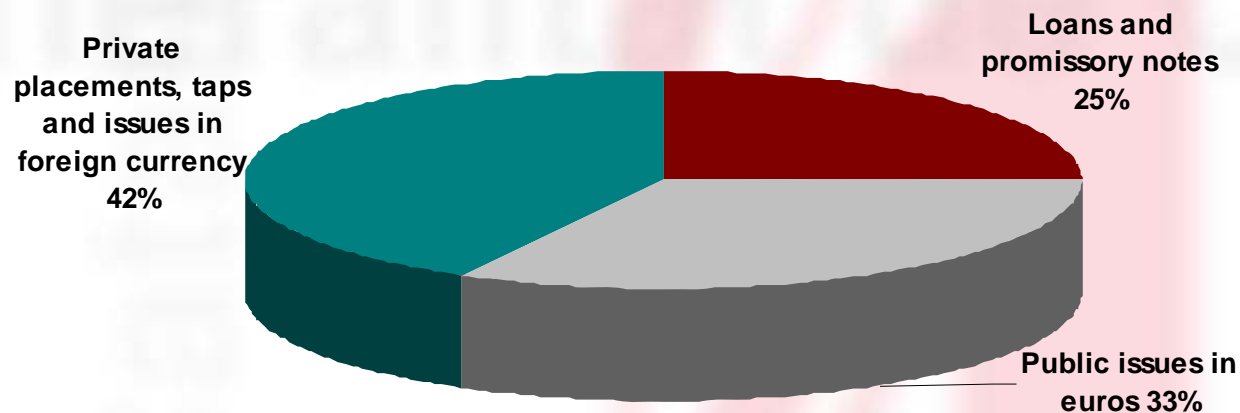
Estimate of needs for 2010

2010 indebtedness needs (€M)		
	2010 Budget	Rebalancing Plan (June 2010)
Refinancing of maturing debt	1,795	1,795
Additional needs	7,624	5,432
2010 deficit	6,370	4,697
Financial asset variation	1,255	735
Gross new debt	9,418.8	7,226.6

Note: There are needs from previous years financed provisionally with short-term liabilities that could be refinanced for the long term if State authorisation is received

Despite the estimate done for the schedule and debt formalisation instruments, the definition of the final characteristics of the parameters will be determined by the market, as well as investor demand and preferences

2010 strategy estimate (instruments)



Characteristics of the issued securities

- **Same advantages and conditions** as Spanish state Debt (article 14.5 of Organic Law 8/1980 of 22 September on Financing the Autonomous Communities, LOFCA)
- Eligible as **collateral for ECB**
- Equivalent retention to that of **public debt** of Spanish state
- Security placement in **international capital markets**
- **Generic weighting (*) on consumption of capital: 0%**

(*) According to the legislation of each country

Thank you for your time

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