DESCRIPTION OF THE ISSUER

This document dated 28 June 2019 (the "**Description of the Issuer**") contains a description of Région wallonne (the "**Issuer**") and its financial position.

The information contained in the Description of the Issuer must be read in conjunction with:

(i) The offering circular dated 28 June 2019 with respect to the Issuer's EUR 7,000,000,000 Euro Medium Term Note Programme (into which it is incorporated by reference) (the "**Offering Circular**").

The Offering Circular is available in an electronic form on the website of the Luxembourg Stock Exchange (http://www.bourse.lu) and on the Issuer's website (https://www.wallonie.be/fr/decouvrir-la-wallonie/la-wallonie-en-chiffres/financement);

(ii) The Prospectus dated 19 February 2010, as amended or supplemented from time to time, with respect to the Issuer's EUR 1,250,000,000 Multi-currency Treasury Notes Programme (into which it is incorporated by reference) (the "**Prospectus**").

The Prospectus is available in an electronic form on the Issuer's website (https://www.wallonie.be/fr/decouvrir-la-wallonie/la-wallonie-en-chiffres/financement).

The Description of the Issuer contains the following information:

The Description of the Issuer does not constitute a prospectus pursuant to Part II of the Luxembourgish Act of 10 July 2005 on prospectuses for securities (the "**Luxembourgish Act**") or within the meaning of the Belgian Law of 16 June 2006 concerning the public offering of investment instruments and the admission to the trading on a regulated market of investment instruments (the "**Prospectus Law**") and, does not purport to meet the format and the disclosure requirements of the European Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (as amended, replaced or supplemented from time to time, the "**Prospectus Directive**") and the Commission Regulation (EC) No.809/2004 implementing the Prospectus Directive.

The Description of the Issuer has not been approved by, nor been submitted to, and no advertising or other offering materials have been filed with the CSSF (Commission de Surveillance du Secteur Financier), the FSMA (Financial Services and Markets Authority) or any other competent authority within the meaning of the Prospectus Directive, under the Luxembourgish Act, the Prospectus Law or any other legal basis.

This Description of the Issuer and its distribution does not constitute a public offering or involve an investment service in Belgium or elsewhere.

The information provided in this Description of the Issuer is valid at the date of its publication and might be subject to modification over time. Pursuant (and without prejudice) to any statements made in the Offering Circular or the Prospectus, the Issuer shall prepare an amendment or supplement to the Offering Circular or Prospectus, or publish a new Offering Circular or Prospectus for any subsequent offering of Notes. The Issuer shall provide each Dealer with the number of copies of the amendment of or supplement to the Offering Circular or the Prospectus as the Dealer may reasonably request, if, at any time during the Euro Medium Term Note Programme or the Multi-currency Treasury Notes Programme, a significant change affecting any matter contained in the Offering Circular or Prospectus (including the "Description of the Issuer") is made which inclusion in the Offering Circular or Prospectus would reasonably be required by investors and their professional advisers for the purpose of making an informed assessment of the assets and liabilities, financial position and prospects of the Issuer and the terms and conditions of the Notes.

1. INSTITUTIONS, POWERS AND ECONOMIC SITUATION OF THE ISSUER

1.1. BELGIUM AS A FEDERAL STATE

1.1.1. Overview of the federalization process

Belgium became a federal state after a legislative process of nearly 50 years. The six main phases of the federalisation process can be summarised as follows:

1970 : - Creation of "cultural communities";

- Creation of the first regional institutions: regional economic councils and regional development companies;

1980 : - Transformation of the cultural communities into Communities ("*Communautés*");

- Extension of the powers of the Communities to personal matters and creation of the Regions ("*Régions*");

1989 : - Devolution of new powers to the Communities and Regions;

- Adoption of the Special Finance Act of 16th January 1989 (the "**Special Finance Act**"), which changed the financing system based on national grants into a financing system based on the contributory capacity of the Communities and Regions;

1993 : - Completion of the federal structure;

- Amendment of the Special Finance Act;

- Constitutive autonomy was granted to the Communities and Regions;

2001 : - Extension of the Communities and Regions' powers.

2014 : Agreement on the Sixth State Reform leading to a significant evolution of the Belgian federal system.

The first part of this institutional reform relates to the division of the Brussels-Halle-Vilvoorde district (BHV). In addition to the separation of the electoral constituency, BHV was also subject to a review of its judicial organization.

The second part of the reform ended in the beginning of 2014. On 6 January 2014, two related Statutes were published (i) the Special Statute on the Sixth State Reform [1] and (ii) the Special Statute on the reform of the financing system of Communities and Regions, on the expansion of fiscal autonomy of the Regions and on the financing of the new powers[2].

[1] http://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&table_name=loi&cn=2014010654
[2] http://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&table_name=loi&cn=2014010648

The amendments to the Constitution, the special statutes and the statutes which execute the Sixth State Reform were published *in the Belgian Official Gazette* on 31st January 2014.

Those texts foresee the delegation of additional powers to the Communities and Regions, and introduce a significant reform of the Special Finance Act (the budget for the Regions and the Communities being expected to grow with more than 40 %).

The list of powers that were transferred is particularly long and covers, *inter alia*, family benefits, healthcare, labour market/employment policy, social assistance to the elderly, road safety, tenancy regulation, driving education, technical inspection, houses of justice and fiscal expenses (on mortgage credits).[3]

Other significant outcomes of the reform include:

- More flexibility granted to the Regions and the Communities to pursue different policies, taking into account their own specific needs;

- More fiscal autonomy for the Regions, in particular with respect to fiscal control.

  This results in a shift from a system with uniform taxes throughout Belgium, the proceeds of which are divided between the authorities via endowments to a system of joint taxes via regional additions;

- A confirmed financial solidarity among the entities;

- Refinancing of the Brussels-Capital Region is refinanced

- Compensatory measures (*socles compensatoires*) in nominal terms during a period of 10 years (transition mechanism).

  They ensure budget neutrality during the first year of the reform. Afterwards, the compensatory measures will decrease and disappear at the end of the following period of 10 years.

- Involvement of the Regions and the Communities in the betterment of the public accounts and the burden arising from the ageing population.

2015 Pursuant to the Sixth State Reform the Région wallonne was transferred new powers in diverse activity sectors such as environment, agriculture, employment policy, mobility and road safety, health, social policies, urban planning, housing policies, economy and energy.

2019 Pursuant to the Sixth State Reform, powers related to family allowances were transferred from the Federal State to the Région wallonne.

[3] Source : http://www.wallonie.be/fr/dossier/la-wallonie-face-la-6eme-reforme-de-letat

1.1.2. The Belgian Constitution

The first article of the Belgian Constitution states that "*Belgium is a federal state composed of Communities and Regions".*

The country is organised as a federal state, with three main levels of authority:

- 1 federal government;
- 3 regional authorities (Flanders, Wallonia[4] and Brussels-Capital Region);
- 3 community authorities (Dutch-speaking, French-speaking and German-speaking).

Each authority has its own institutions, which consist of (i) a legislative power, (*i.e.* the regional and community parliaments which members are directly elected), and (ii) an executive power (*i.e.* the regional and community governments).

The powers of the Regions are based on the notion of "territoriality" and mainly relate to economic matters, such as economic policy, town and country planning, foreign trade, public works, environment, health care, etc., whereas the powers of the Communities are based on the notion of "personality" and mainly relate to personal matters, such as education and culture.

There is no hierarchy between the federal authorities, the Regions and the Communities. Their powers are divided in such a way that an authority is not authorised to interfere with the exclusive powers that are under the jurisdiction of another authority. As a consequence, the decrees / orders adopted by the Regions and the Communities have the same legal force as federal laws.

1.1.3. The powers of Wallonia

Wallonia is competent regarding the following matters:

- Local authorities;
- Economy, employment and research;
- Mobility and waterways;
- Buildings and roads (safety);
- Territory planning, housing, cultural heritage and energy;
- Agriculture, natural resources, environment and animal welfare;
- Some aspects of health, family allowances and social policies, and
- Taxation.

[4] Région Wallonne and Wallonia are terms that are used interchangeably.

The most significant powers transferred to Wallonia in the context of the Sixth State Reform are the following:

- Employment
  - The main part of the powers transfer relates to the reduction of social security contributions, service vouchers and activation policies;
  - The remaining part relates to the control of the availability of the unemployed persons, the activation of the beneficiaries of unemployment benefits and the social aid, paid educational leave, career breaks in the public sector, local employment agencies, …
- Healthcare and social assistance
  - The intra-francophone agreement named "de la Sainte Emilie" contains the internal transfer of the main part of the new powers in this field from the French Community to Wallonia;
  - Intervention with respect to aid for disabled persons, residence for elderly and long-term care, mental healthcare and primary health care;
  - Hospital infrastructures and medico-technical services management are transferred to Wallonia A new entity called "AVIQ" has been created to be the headquarter for healthcare assistance on the Walloon territory.
  - Family allowances.
- Taxation
  - Transfer of some fiscal expenditures with respect to the Personal Income Tax, (*i.e.* those linked to housing, energy-saving investment expenditure and tax credit for service vouchers).
- Other transferred powers:
  - Urban policy, the Belgian intervention and restitution office, the Participation Fund, the Disaster Fund, The Fund on reduction of the global energy costs, …

1.1.4. Annual budgetary value (in billion EUR) of the powers by the Federal State to other entities on 1 January 2015[5]

Communities and COCOM	**11.94**
Family benefits	6.84
Healthcare and social aid	5.10
Regions	7.83
Labour market and employment	4.78
Fiscal expenses	3.05
Other	**0.67**
Participation Fund (Regions)	0.20
Fines (Regions)	0.20
Urban policy (Regions)	0.04
Interuniversity Hubs (Communities)	0.03
Legal aid (Communities)	0.09
Adjustment	0.11
Total	**20.45**

1.1.5. Funding of Wallonia

The funding of Wallonia is regulated by the Special Finance Act (as modified in 1993, 2001, 2013 and 2014)[6]

The financing is composed of:

[5]Source : http://www.iev.be/getattachment/9624719e-522a-47da-92f9-ed6f6435ca7f/Les-nouveaux-mecanismes-de-financement-des-entites.aspx

[6] Source : http://www.ejustice.just.fgov.be/cgi/api2.pl?lg=fr&pd=2014-01-31&numac=2014003016

- Non-tax revenues;
- Tax revenues;
- A part of the personal income tax;
- The national solidarity intervention;
- The borrowing.

1.1.6. Administrative framework

From an administrative point of view, the Walloon finances are managed by the Minister for Budget.

Pursuant to the decree of 29 November 2018 concerning the budget of Wallonia for the budget year 2019[7], the said Minister is entitled to, amongst others:

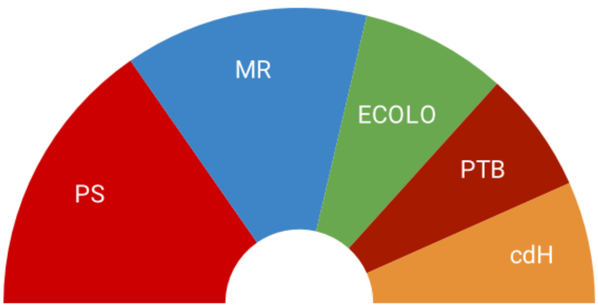
- Enter into loans on the behalf of Wallonia (deficit funding, amortisation of the loans, early repayments, ...);
- Issue commercial paper or other financial instruments;
- Conduct the daily management of the Treasury and its financial management (including the investments).

The said Minister may rely on two advisory bodies: the Regional Council of the Treasury and the Common Council of the Treasury (which is shared with the French Community), with which strategic orientations are discussed and which provide advice to the Minister.

1.2. POLITICAL STRUCTURE

Regional election took place on the 26th of May 2019. The elected Walloon Parliament is composed as follows[8]:

Number of seats (total: 75)	
PS	23
MR	20
Ecolo	12
cdH	10
PTB	10



[7] Décret wallon du 14 décembre 2018 contenant le budget des recettes de la Région wallonne pour l'année budgétaire 2019 ; Source: http://www.ejustice.just.fgov.be/cgi/article_body.pl?language=fr&c(...)

[8] Source : http://www.parlement-wallon.be/les-deputes-wallons

Before the appointment of a new Regional Government, the current one, remains into office. The current Regional Government (headed by Willy BORSUS, in charge since July 2017) is based on an alliance between the Reformist Movement (MR) and the Humanist Democratic Centre (cdH) and is therefore currently not supported by a majority.

1.2.1. The Marshall Plans[9]

a. **The Marshall Plan (2006-2009) and the 2.Green Marshall Plan (2009-2014)**

The "Marshall Plan" was initially launched in 2006. In 2009, a 2.Green Version was launched in addition to the Marshall plan.

The Marshall Plan represented EUR 1.7 billion:

- 1.050 billion EUR of regional funding
- 650 million EUR from alternative funding sources

The 2.Green Marshall Plan added 2.87 billion € to the initial plan:

- 1.798 billion EUR of regional funding
- 1.071 billion EUR from alternative funding sources

From 2006 onwards, the Walloon Government has injected 4.57 billion EUR in its economic recovery plan.

The resources from the 2.Green Marshall Plan, allowed the Issuer to complete projects in accordance with its initial goals and within the budgetary margins.

The Marshall Plan and the 2.Green Marshall Plan have been successful, as they have put forward a new governance culture based on network and project management. The Plan has changed the perception of the Region, its businesses and administration. The titling 'Marshall Plan' reveals that the purpose of the plan was to quickly create a more favourable economic climate. The plan has been perceived, not only as a trigger, but also as a positive strategy for the further development of the economy.

Besides the above, the Marshall plan has also resulted in a substantial increase in resources and the development of new alliances between relevant possible actors.

The Marshall Plan has been managed in accordance with its initial goals and has triggered a 'quantum leap' in regional governance.

[9] Source : http://www.wallonie.be/fr/actualites/plan-marshall-2vert-la-poursuite-de-la-reussite-0

The Plan has been implemented through an unprecedented strategy that has proven its efficiency. New procedures have been put into place in order to ensure strengthened cooperation. Professionalism and objectification have been constant guidelines throughout its implementation.

This strategy has globally been positive. It was effective in the sense that it was implemented in accordance with what had been initially announced, efficient in the sense that most of the projects have been concretely realized, and coherent with other policies and other institutional levels. Compared to the global budget for the plan, the costs of the implementation of the plan were rather limited.

The Marshall Plan has introduced new management techniques that contribute to objective decision-making, ensure rigorous follow-up, emphasize assessment and make expertization easier.

It is a major vector for a new culture of close follow-up of public outcomes. Budgetary steering was innovative and made the required budgetary transfers and adjustments possible.

b. The 4.0 Marshall Plan (2015-2019)[10]

After the 2.Green Plan, the 4.0 Marshall Plan, referring to the 4th industrial revolution, was launched.

Through this new plan of economic redeployment, the aim of the Walloon Government was to promote the economic success of the Region. Reducing energy and resources related costs, stimulating digital innovation and disseminate numerical technologies in all sectors (technologies, traditional industry, urban planning, e-health,...) are some key focuses of the 4.0 Marshall Plan.

The financial package was close to that of the previous plan and amounted to 2.9 billion €.

Marshall Plan 4.0 focused on 5 key areas[11]:

- Focus n°1: investing in human capital to improve the skills of the workforce : 304.5 million EUR
    - Apprenticeship
    - New equipment facilities in f centres
    - Easier access to higher education, and lifelong learning
    - Entrepreneurial spirit
    - Foreign languages
- Focus n°2: supporting industrial development through innovation and business growth policies : 850.5 million EUR
    - Innovative projects launched and managed through competitive clusters
    - Creation of innovative companies
    - Diversification of company financing means
    - Management support to innovative companies
- Focus n°3: mobilising the entire region to stimulate economic growth : 374 million
    - Reinforce economic attractiveness of Walloon territory though infrastructure projects
- Focus n°4: promoting the transition towards energy efficiency development and circular economy : 1.1 billion EUR

[10] Source: http://planmarshall.wallonie.be/
[11] Source: http://www.wallonie.be/sites/wallonie/files/pages/fichiers/pm4__complet_texte.pdf

- Energetic efficiency of the buildings
    - Development of renewable energies
    - Energy costs control
- Focus n°5: providing support to digital innovation: 244.8 million EUR
    - Integrated plan for digital transition
    - 4.0 Administration
    - Digital and technological territorial intelligence (“Smart-cities” concept)
    - Intelligent and sustainable mobility

1.2.2. Follow-up of the previous plans

A new investment plan, covering the next parliamentary term (2019-2024), is expected to be adopted by the new Regional Government which will be formed after the last elections.

1.3. GEOGRAPHICAL LOCATION AND DEMOGRAPHY[12]

1.3.1. Geographical location

Wallonia has a gross area of 16 901 sq. km (55.1% of the Belgian territory) and is located in the immediate vicinity of Brussels and other major western European cities.

Wallonia is also located in the centre of the European Union, which is a geographical advantage in terms of trade and commerce. This is especially true because Wallonia is equipped with a very dense road and railroad infrastructure and two international airports. Furthermore, many connections can be made with the large network of canals facilitating waterways traffic between the Rhine, the Maas and the Scheldt.

In 2010 the Walloon road network was 83,217.00 km long and had 869 km of motorways and 6,869.00 km of regional roads.

Wallonia’s railway network (1,665.00 km) is also the densest railway network per inhabitant in the world.

Wallonia benefits from 741 km of waterways.

[12] Source : Institut Wallon de l’Evaluation, de la Prospective et de la Statistiques (IWEPS) – mise à jour 15/09/2011.

1.3.2. Demography

According to the most recent figures available (01/01/2018), Wallonia has a population of 3,624,377 inhabitants. The inhabitants of Wallonia represent 31.86 % of the Belgian population[13]. With a density of 214.1[14] inhabitants per sq. km, Wallonia is far below the national average of 371.1 inhabitants per sq. km.

In Wallonia, going to school is mandatory from 6 to 18 years[15]. Currently, there are more than 3,000 schools on the territory. Investing in education has been considered as a way to promote workforce diversity through various training opportunities such as those offered by organisms like FOREM, IFAPME and high schools/universities. Finally, statistics indicate that foreigners represent 10.09 % of the Walloon population.

1.4. ECONOMIC STRUCTURE[16]

1.4.1. Economic sectors

In 2017, the industrial sector's added value (in basic prices approach) in current prices was divided up as follows:

STRUCTURE OF THE ADDED VALUE IN MANUFACTURING INDUSTRIES (PART IN % OF THE NACE C TOTAL)

	2017	Corresponding NACE
Chemical industry	30.3	CE to CF
Metallic industry	14.7	CH
Machinery and other equipment (incl. electric. & transport equ.)	17.5	CI to CL
Food & agricultural industry	14.5	CA
Mineral product industry	11.6	CG
Others	11.4	

*Source: ICN, Regional accounts (*https://www.nbb.be/en/statistics/nationalregional-accounts)

The next table shows the contribution of the different sectors to the global added value of the Issuer. Starting from the recession year 2009, we can observe that the contributions remain quite stable. The share of the corporations sector has slightly increased from 2009 to 2017. The share of households has slightly decreased during the same period.

STRUCTURE OF THE GLOBAL ADDED VALUE (CURRENT PRICES AND PARTS IN % OF THE TOTAL)

	2009		2017	
	Millions €	%	Millions €	%
Total economy	73,943	100.0	90,485	100.0
Corporations	43,377	58.7	55,312	61.1
Public administration	15,254	20.6	18,474	20.4
Households (incl. self-employed)	14,574	19.7	15,791	17.5
Non profit institutions serving households	0,739	1.0	0,909	1.0

*Source: ICN, Regional accounts (*https://www.nbb.be/en/statistics/nationalregional-accounts)

[13]Source: https://statbel.fgov.be/fr/themes/population/structure-de-la-population
[14] Source : http://walstat.iweps.be/walstat-catalogue.php
[15] Compulsory attendance of school will be extended to 5-years old children as from September 2020.
[16] Institut Wallon de l'Evaluation, de la Prospective et de la Statistiques (IWEPS) – 2019-04-18 Update.

1.4.2. Economic growth

In order to analyse the economic growth of the Issuer, we have to take the evolution of the added value as a whole into account, i.e. the Walloon Gross Domestic Product.

Evolution of the Gross Domestic Product (in volume, base 2010)

	Millions EUR	Annual % change	% of Belgium
2006	82,661	2.3	23.9
2007	84,911	2.7	23.9
2008	86,708	2.1	23.8
2009	83,870	-3.3	23.7
2010	87,161	3.9	23.5
2011	87,789	0.7	23.9
2012	87,317	-0.5	23.6
2013	86,881	-0.5	23.9
2014	87,965	1.2	23.6
2015	89,098	1.3	23.4
2016	90,307	1.4	23.3
2017	91,761	1.6	23.3

Source: ICN, Regional accounts and IWEPS calculations

In the table above, we can see some quantitative elements which enable us to appreciate the current situation of the Walloon economic development.

The Walloon gross domestic product reached the amount of 101,378 million euro in 2017 (in current prices), which represents an average product of 28,009 euro per inhabitant. Taking into account the purchasing power parity[17], the Walloon GDP equalled 84% of the European GDP/inhabitant (source: Eurostat).

1.4.3. Labour Market

1.4.3.1. Working population

The following diagram shows the activity structure of the population in Wallonia in 2018.

Source: Statbel, Labour force survey and IWEPS calculations.

[17] Note: For international comparison purpose, GDP is expressed in purchasing power standards, which means that the price levels between countries are erased.

This scheme shows that 64.9% of the total Walloon population is at the legal age to work (15-64 Years). Among these individuals, 63.8% participate in the labour market[18]. From the active population, 1,356,547 individuals are employed and 8.5% (126,612) are unemployed.

1.4.3.2. Domestic employment

The regional domestic employment corresponds to the employment created in a specific regional area with no distinction of the regional origin of the workers (1,260,853 persons in 2017). The sectors which represent the biggest part of the employment in Wallonia are: Health and social work activities (Q) (183,747 persons in 2017), Wholesale and retail trade (G) (160,892), Public administration (132,283) and Manufacturing (128,271) (source: I*CN, Regional accounts*, https://www.nbb.be/en/statistics/nationalregional-accounts).

1.4.3.3. Employment and unemployment rates

The following table illustrates the evolution of the employment and unemployment rates of the population of working age for the period 2004-2018:

EMPLOYMENT AND UNEMPLOYMENT RATE IN WALLONIA

	Employment rate	Unemployment rate
2004	55.1%	12.1%
2005	56.1%	11.9%
2006	56.1%	11.8%
2007	57.0%	10.5%
2008	57.2%	10.1%
2009	56.2%	11.2%
2010	56.7%	11.5%
2011	57.0%	9.5%
2012	57.3%	10.1%
2013	57.0%	11.4%
2014	56.5%	12.0%
2015	56.2%	12.0%
2016	57.1%	10.6%
2017	57.7%	9.8%
2018	58.4%	8.5%

*Source: Statbel, Labour force survey (*https://statbel.fgov.be/en/themes/work-training/labour-market/employment-and-unemployment*)*

From 2004 until 2008, the unemployment rate has decreased and the employment rate (calculated in relation to the working age (15 to 64) population) has been constantly increasing. In 2009, because of the economic crisis, the employment rate has decreased and the unemployment rate increased in 2009 and 2010. After a short recovery, the labour market worsened again with employment rate declining and unemployment rate increasing during the period following the new economic recession (in 2012-2013, see supra). Labour market indicators improved again recently, in 2016, 2017[19] and 2018.

1.4.4. Foreign trade

As illustrated in the following table, Walloon exports of products are concentrated as regards their type.

The first three groups of products represent 58.4% of the Walloon exports in 2018.

[18] From LFS 2018, there is no longer information about the student number.

[19] The Labour Force Survey underwent a major reform in 2017. So, from 2017, they are working with a rotating panel and use different data collection methods, and the weighting method has been heavily revised. This resulted in a break in the results between 2017 and the previous years. The figures obtained with the old method are therefore no longer comparable to those obtained with the new method.

DISTRIBUTION OF WALLOON EXPORTS: MAIN PRODUCTS IN 2018

	Millions EUR	%
Total	49,447	100.0
Chemical industry products	16,548	33.5
Base metals and articles of base metal	6,796	13.7
Mineral products	5,546	11.2
Machinery and electrical equipment	4,497	9.1
Plastic and rubber	3,057	6.2
Prepared foodstuffs, beverages and tobacco	2,528	5.1
Optical and precision instruments	2,272	4.6
Transport materials	1,849	3.7
Other (< 3%)	6,355	12.9

Source: ICN.

In terms of destination, as shown in the following table, Walloon exports are essentially concentrated with bordering countries:

GEOGRAPHICAL SHARING OUT OF WALLOON EXPORTS IN 2018(*)

	Millions EUR	%
World	49,440	100.0
Europe	40,332	81.6
France	*13,597*	*27.5*
Germany	*7,639*	*15.5*
Netherlands	*3,598*	*7.3*
United-Kingdom	*2,986*	*6.0*
Italy	*2,401*	*4.9*
Luxembourg	*1,511*	*3.1*
Spain	*1,904*	*3.9*
Rest of Europe	*6,697*	*13.5*
America	5,537	11.2
United-States	*4,038*	*8.2*
Asia	2,460	5.0
China	*0,418*	*0.8*
Others	1,111	2.2

Source: ICN.

*Countries with at least a share of 3% of Walloon exports

The exports to France, Germany and The Netherlands amount to 50.2% of the total exports for 2018. The majority of the Walloon exports are realised within Europe (81.6%). Other exports are mainly realised with the USA: 8.2%.

2. FINANCES AND BUDGETS OF THE ISSUER

2.1. PUBLIC FINANCES

2.1.1. Before 1989

The Special Finance Act of 16 January 1989 regulates the current financing system of the Communities and Regions.

Before the implementation of the Special Finance Act, 75% of the needs of the Communities and Regions was funded through grants ("*dotations*") provided by the Federal Government.

Even though the Communities and Regions could obtain additional funds through public lending, neither of them borrowed additional funds.

2.1.2. The Special Finance Act of 1989 (as amended in 2014)

The Special Finance Act radically changed the financing system which was based on grants from the Federal Government by imposing more financial responsibility on the Communities and Regions. However, as the financing system of grants before 1989 was supplemented by regional taxes, the Regions already had a certain degree of fiscal autonomy.

It was expected from the Communities and the Regions, in the long term, to rely on their own resources only (principle of *"fair return"*). In order to allow the Communities and the Regions to implement the new financial system which was based on the contributory capacity of the Communities and Regions, the new system provided for a transition period of 10 years (which started in 2000) before the date on which the system should be implemented and complied with.

In case of delayed or insufficient payment by the Federal State, the Communities and Regions can lend the amounts that were not yet paid by the government. The interests of the loan will be borne by the Federal Government and a state guarantee will also be provided as security.

Moreover, in order to supervise the debts at the different levels of authority and to preserve the cohesion of the economic and monetary union, the Superior Finance Council annually formulates recommendations on the need to restrict the borrowing capacity of any public authority.

In the context of the Sixth State Reform, the Special Finance Act was amended on 6 January 2014. Main features of the amended Act include the partial regionalisation of individual income taxes and tax expenses. The enhanced tax autonomy of Regions, also designed to ensure their fiscal accountability regarding the exercise and the funding of their newly allocated powers, is supplemented by several solidarity and transition mechanisms, designed to compensate the effects of the reform during the first ten years following its entry into force.

The Constitution and the Special Finance Act list the means which should allow the Issuer to finance its budget.

a. Own tax revenues:

The Constitution grants the Issuer the power to impose taxes.

The fiscal power of the Issuer includes defining the object of taxation as well as fixing the tax base and rates and granting exemptions.

This power has been exercised by the Issuer (*inter alia* in the fields of water and waste).

b. Non-tax revenues

Own non-tax revenues which the Issuer obtains from exercising its powers (property revenue, service taxes, etc…).

c. The part of national tax revenues which is allocated to the Issuer

The Issuer derives most of its funding from "shared taxation". In the system of "shared taxation", the object of taxation, the tax base, tax rates, tax exemptions and the collection are determined / occur at national level, but a part of the revenues from this taxation is allocated to the Issuer (generally in proportion to its contribution).

These taxes are called "joint taxes", as the Issuer is allowed to impose additional taxes (e.g. in addition to the income tax).

d. Regional taxes

The revenues of regional taxes, which are imposed by the Federal State, are fully or partially refunded to the Issuer depending on where the taxes were imposed.

The Issuer has certain privileges with respect to these regional taxes (e.g. the Issuer can intervene in the modification of the tax rate, exemptions, etc…) which consist of:

- Property taxes;
- Registration fees;
- Succession duties;
- Taxes on games and gambling;
- Taxes on automatic leisure machines;
- Taxes on the opening of drinking establishments.

e. National solidarity grant

An annual national solidarity grant is allocated to the Regions whose income tax revenue is below the national average.

f. Loans and bonds

The Communities and Regions can borrow on the Belgian market or abroad.

2.2. BUDGETS

The budget of the Region is an essential element for the conversion of its policies into figures. The following table shows the 2019 budgetary balances:[20]

Budget project 2019

Income / costs	In million EUR
Income (1)	12,918
Expenses (2)	14,172
Gross Budget (3) = (1)-(2)	-1,254
Depreciation and debt repayment (4)	9.784
Net Budget (5) = (3)+(4)	-1,244.2

2.2.1. Resources of the Issuer in 2018

Beside the budget project for 2019, the table hereunder mentions the principal revenues realised by the Walloon Region in 2018.

Breakdown of the 2018 revenues [21](in million EUR):

Revenues	In million EUR
Part Tax individual - Additional revenues	2,516,518
Resources related to transferred powers – from the Federal State	2,662,468
Regional revenues	2,864,901
Sainte-Emilie revenue – from the Federal State	3,521,110
Revenue for the regional tax services- from the Federal State	10,123

[20] Source: https://www.ccrek.be/FR/Publications/RegionWallonne/ApercuChronologique.html?year=2017

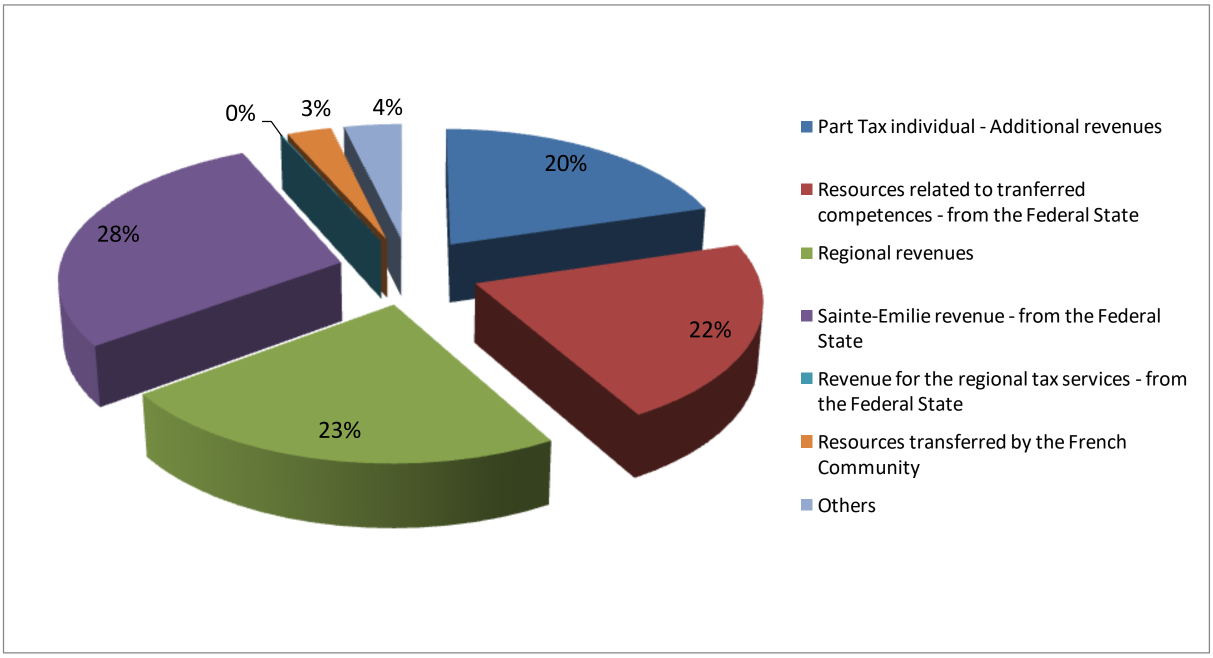
[21] The data are from the temporary close used for the establishment of the national accounts (as on the 15th February 2018).

Resources transferred by the French Community	359,438
Others[22]	462,321
TOTAL REVENUE (without loans)*	**12,396,879**

Almost half of them are composed of new revenues from the Sixth State Reform and the implementation of the Special Finance Act (resources related to transferred powers and additional revenues from the personal income tax). Moreover, the registration fees on immovable property, the inheritance rights and the transfer duty upon death represent a significant share of regional revenues.

In order to help to visualize the proportions of each item in the total revenue, the following graph shows a breakdown of the revenues of 2018:

Breakdown of the 2018 revenues



Expenditures of the Issuer in 2018

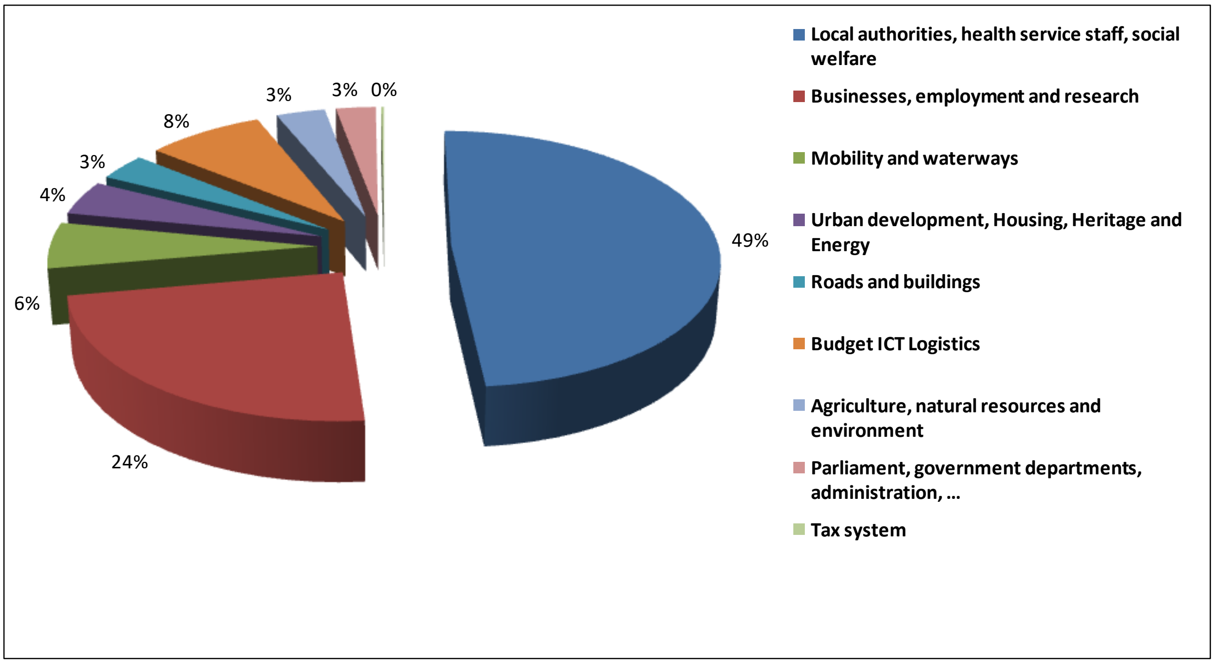
Breakdown of the 2018 expenditures

Expenses	In million EUR
Local authorities, health service staff, social welfare	6,785.1

[22] The item "Others" includes Regional assigned revenues.

Businesses, employment and research	3,304.6
Mobility and waterways	810.1
Urban development, Housing, Heritage and Energy	606.7
Roads and buildings	471.8
Budget ICT Logistics	1,118.3[23]
Agriculture, natural resources and environment	466.4
Parliament, government departments, administration, …	379.0
Tax system	26.1
Total	**13,968.2**

Breakdown of the 2018 expenditures:



[23] Including the early debt repayment of 160 million EUR to amortize the FADELS (Debt amortization fund for social housing).

3. THE CASH AND DEBT MANAGEMENT OF THE ISSUER

3.1. CASH MANAGEMENT

From the first day of its autonomy (1 January 1991), the Issuer has been able to manage a very efficient treasury that is mainly based on:

- Automatic cash flow management;
- Inflow estimates (receipts);
- Outflow parameterisation (expenses);
- Maintenance of credit facilities. It should be noted that the Issuer benefits, as from 1 January 2013, from a rolling overdraft facility of EUR 3.25 billion, which Moody's deems sufficient to cover the Walloon Region's liquidity requirements;
- Centralisation of all cash movements with a single cashier. The Issuer is in charge of the treasury management of its related companies, which at the end of 2018 amounted to EUR 1,288.1 million. This provides the Issuer with additional flexibility as it could – if ever needed – use these cash facilities temporarily to manage any liquidity shortfall.

Regional revenues are composed of the following two categories:

(i) Allocated means received from the Federal State and the French Community; and

(ii) Revenues which are directly collected by the Issuer itself.

The regional expenses can be divided in the following two categories:

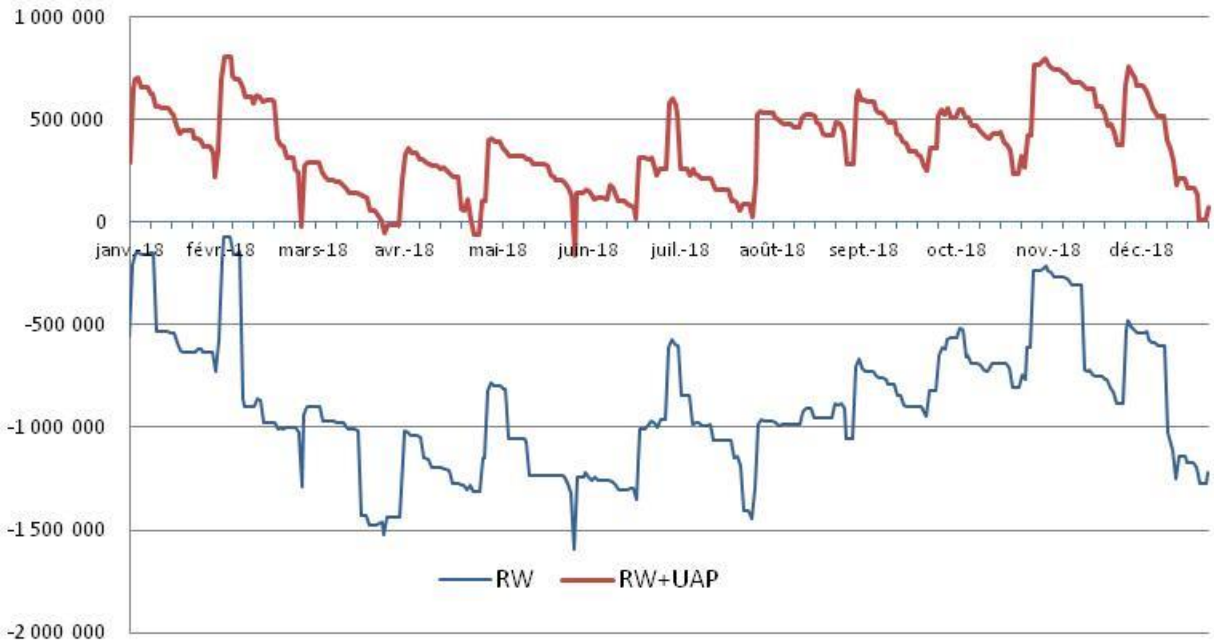
(i) Parameterised expenses which amounts and disbursement dates are predetermined. Parameterisation is based on budgetary data (amounts) and legal, decretal, regulatory or conventional norms (payment dates). These forecasts are constantly adjusted to budget modifications and effective expenses during the budgetary year.

(ii) Other expenses, which represent around 1/3 of the total expenses and which are more difficult to forecast.

In order to have a coherent cash management, all balances are consolidated to determine a global cash state.

The following graphic illustrates the annual cash cycle and enables us to analyse the evolution of the daily global state of the Région Wallonne.

Real cash cycle (cash management operations not included) in 2018 (in million EUR)



The blue curve represents the global State's balance (Unités d'administration publiques (UAP) excluded[24]), being EUR -1 217 827 million dated 31/12/2018, from which loans (investments respectively) in treasury bills have to be subtracted (added respectively). Given that loans and investments in treasury bills both come to EUR 0 on 31 December, the total floating debt amounts to EUR -1 217 827 million (UAP excluded). The red curve further integrates UAP's contributions within the centralisation framework, being EUR 1 288 099 million on the same day. On 31 December 2018, the balance of the consolidated treasury amounts to EUR 70 million.

Considering the aforementioned figure, we may note that the balance of the Région Wallonne's treasury presented negative values during the whole year. The contribution from the UAP allowed to rebalance the situation and to limit the recourse to treasury loans.

3.2. DEBT MANAGEMENT

3.2.1. The principles of regional debt management

Four main principles govern the Issuer's regional debt management:

1. *Harmonisation of debt financing and management operations*

All operations pertaining to the financing and management of the direct and indirect debt have been harmonized. Consequently, a separate budget for all debt costs, whether direct or indirect, is provided for in the budget of the Issuer.

[24] *i.e.* Institutional units controlled by the Region and assimilated to the Region for the purpose of the European System of National and Regional Accounts ESA 2010.

Moreover, the Accounts Department manages these matters without interference of the functional services.

2. *Optimal diversification of debt components*

It is through the definition of a fixed rate/floating rate ratio that this second principle of management is implemented. This ratio, periodically adapted according to the evolution of the interest rate curve, has mainly allowed reducing the financing costs.

3. *Active use of financial instruments*

Financial instruments and the best adapted products have been actively used since 1993 within the context of the debt management of the Issuer. Speculation was systematically excluded.

The Issuer uses instruments such as interest rate swaps, forward rate agreements (FRA's), futures, and options.

4. *Set up of financing programs*

The issuer has set up an EMTN program and two local programs (Medium Term Notes) enabling it to attract short and long term financing.

The use of these programs has three advantages:

- a reduction of the financing costs compared to the common long-term conditions;
- the possibility of prompt reaction, which makes it possible to take advantage of opportunities on the capital markets (stand alone documentation is a more lengthy process);
- an increase and diversification of the investor base.

3.2.2. Regional debt

The regional debt is the total amount of money that the Issuer directly owes to the private sector. It is composed of the direct and the indirect debt.

a. Direct debt

The direct debt of the Issuer is calculated by the sum of the annual differences between the budget revenues and expenses. This difference represents the gross budget balance to finance which, after deduction of the consolidated debt redemption, represents the net balance to finance.

i. Direct outstanding debt (in million EUR):

The evolution of the direct outstanding debt of the Région Wallonne is presented in the table below for the period 2009-2018.

Direct outstanding debt on 31 December (in million EUR)

Year	Direct outstanding debt
2009	3,416.5
2010	4,555.2
2011	4,984.4
2012	5,459.9
2013	5,563.9
2014	5,985.7
2015	7,067.1
2016	8,402.0
2017	8,962.0
2018	10,271.0

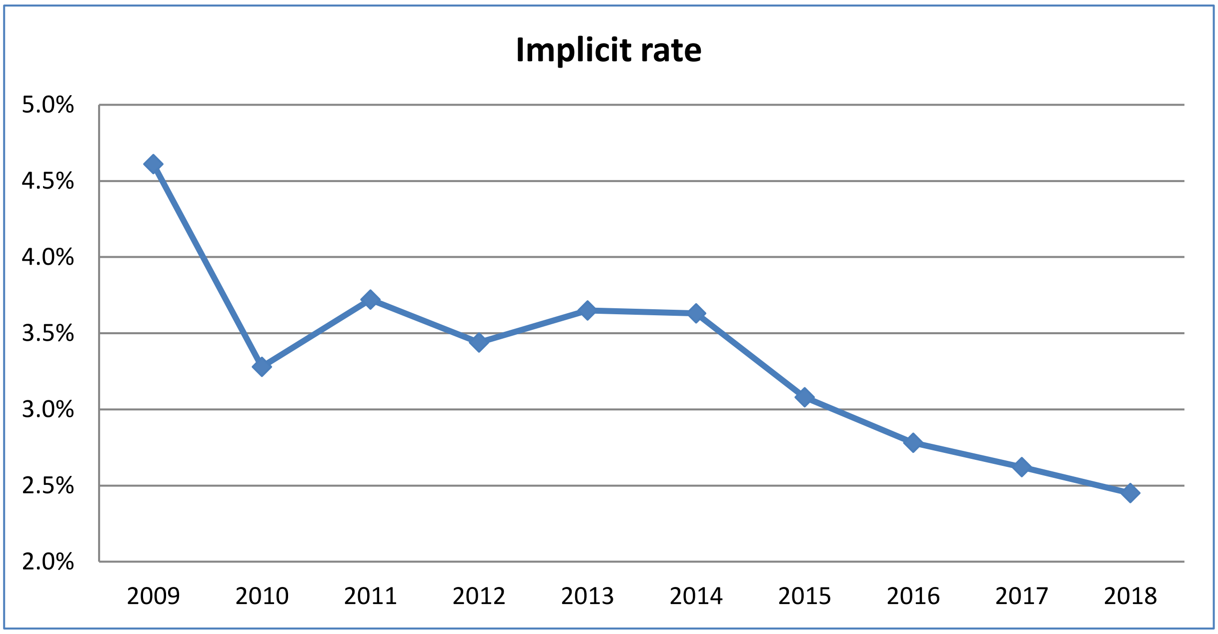
ii. Implicit rate and average life

The evolution of the implicit rate (i.e. the total amount of interests that are yearly paid in relation to the debt stock) during the period 2009-2018 is mentioned in the table below:

Implicit rate of direct regional debt 2009-2018

Year	Implicit rate (in %)
2009	4.61%
2010	3.28%
2011	3.72%
2012	3.44%

2013	3.65%
2014	3.63%
2015	3.08%
2016	2.78%
2017	2.62%
2018	2.45%



Due to a dynamic debt management and the context of the financial markets, the Issuer has been able to finance itself at an implicit rate of 2.45% in 2018, while keeping the level of risk under control.

The following table illustrates the weighted average term of the direct debt of the Issuer on 31 December during the period from 2014 until 2018 :

Average term of the debt: evolution 2014-2018[25]

	2014	2015	2016	2017	2018
Total direct debt (in years and months)	8 years and 5 months	11 years and 1 month	11 years and 8 months	11 years and 10 months	12 years and 5 months

b. Indirect debt

The indirect debt represents the debt related to the powers which were transferred from the French Community to the Issuer. On 31 December 2018, it amounts to EUR 1,265.6 million, of which EUR 795.35 million are loans from SPABS[26] for which the Issuer reimburses all the charges, EUR 470.21 million are from the FADELS[27] for which the Issuer reimburses charges to the Federal State and EUR 33.25 thousand are loans from SWDE[28] for which the Issuer reimburses part of the charges.

On 31 December 2018, 83.59% of the Issuer's (direct and indirect) debt had fixed rates. The next figure presents the debt schedule, including the debt contracted by SPABS and FADELS[29]. FIWAPAC's guaranteed debt of 515 million was absorbed by the Walloon Region on 31/12/2018. The same is true for the guaranteed debt of the SOWAER delegated mission and ECETIA, which were incorporated into the Walloon Region's direct debt for an amount of 259 million EUR. The amortization schedule also appears to be distributed in the next few years, with no maturities of more than EUR 900 million that have to be refinanced in one particular year.

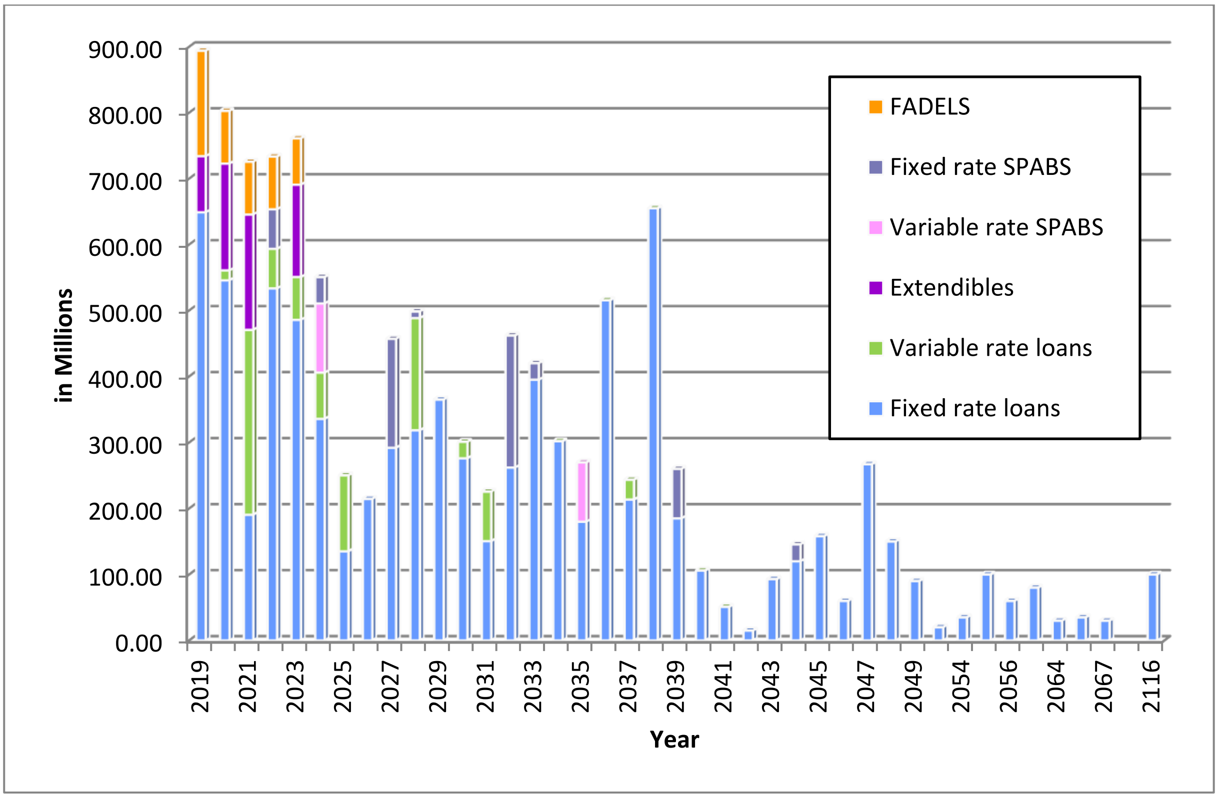
[25] Source: Finance Active.

[26] SPABS (Public society for the administration of school buildings) presents a total debt of 795 million EUR (400 million EUR of fixed rate loans and 394.6 million EUR of variable rate loans).

[27] FADELS (Amortization funds for the social housing debts).

[28] SWDE (Public society for water production and distribution).

Direct and indirect debt schedule, 31/12/2018



3.2.3. Guaranteed debt

The financial investment forecasted for identified companies involved in the public sphere (UAP) is determined annually in the budget decree (considered as a reference framework). A ministerial ruling related to the budget decree to be adopted by the Walloon Government can further fix the amount that will be guaranteed by the Government in regards to the investment or financial needs of the company. Some companies have been designated to represent the Walloon Government for delegated missions.

The following table presents the evolution of the 1st rank guaranteed debt over the last three years. On 31 December 2018, the outstanding first rank guaranteed debt amounted to EUR 5,830.9 million, implying a reduction of EUR 739.4 million (a reduction of 11.25 percent) for 2018.

Note that the Walloon Region has also provided a guarantee in second rank for certain indebtedness. This concerns primarily guarantees under the economic expansion laws and performance guarantees, where the guarantee from the Walloon Region will only be called upon if a loss remains after enforcing the first ranking guarantee or security interest. A typical example are guarantees in the context of social mortgages allowing borrowers who do not have sufficient personal funds to obtain a loan to acquire a house. In this context, the Walloon Region undertakes to intervene in the loss incurred by the lending organisation for the part of the loan exceeding 70% of the current value of the house. The payment of the Walloon Region will only come for the loss remaining after realisation of the mortgage. The aggregate amount of debt guaranteed in second rank by the Issuer amounted to EUR 978,037,936,72 million on 31 December 2018.

Evolution of the guaranteed debt (1st rank) on 31 December 2018 (in EUR)[29]

31.12.2015	31.12.2016	31.12.2017	31.12.2018
7,071,159,317.67 €	7,024,586,163.19 €	6,570,205,914.27 €	5,830,852,944.09

The table hereunder shows how the guaranteed debt is distributed among the different UAPs for the last two years. We can see that about 78% of the guaranteed debt concerns the housing sector; financial means are managed by three companies (SWCS, FLFNW, SWL) involved in this area, working independently from public institutions. Housing companies generate a balanced financial position; their financial performances are supervised by the Issuer.

Moody's has stated that these elements offset part of the risk related to these guarantees. The fact that the Issuer granted the regional guarantee has currently a very limited impact or no impact at all on the revenues of the Issuer because it is a passive debt. The impact amounted only to a few millions over the past few years.

Stock of guaranteed debt (1st rank) on 31 December 2018 (in EUR)

Concerned entities	31.12.2017	31.12.2018
CIW	81,641,500.00	81,641,500.00
CRAC	144,913,875.84	140,877,413.84
Ecetia	216,000,000.00	0.00
FIWAPAC	645,000,000.00	0.00
FLFNW	932,221,248.95	964,461,701.06
Hôpital psychiatrique Les Marronniers	4,786,598.89	4,366,267.37
Circuit de Spa Francorchamps	18,193,000.00	17,327,000.00
SOFICO	569,615,122.34	606,379,780.37
SOWAER	199,080,550.97	140 300 000.00

[29] The debt from the agricultural sector is henceforth integrated in the 2nd rank guaranteed debt as reported by the Court of Audit.

OTW (SRWT)	255,967,473.52	261,336,706.45
SWCS	2,271,477,637.36	2,398,880,000.00
SWDE	33,150.00	27,625.00
SWL	1,231,275,756.40	1,215,255,000.00
Secteur Agricole (FIA, AIDA, ISA)	2nd Rank - ca. 991,200,000.00	2nd Rank - 978,037,936.72
Total	**6,570,205,914.27**	**5,830,852,994.09**

4. RATING

Moody's Credit Opinion Walloon Region, 29 March 2019[30]

The credit profile of the Walloon Region (WR, A2 stable) reflects the regional administration's large financing deficits and consequently its moderately high, and set to increase, debt level, as well as its robust liquidity profile and sound debt and treasury management. Additionally, our assessment of the region's creditworthiness takes into account its fragile economy compared with that of Belgium. The rating also takes into account our assumption of a high likelihood of the Government of Belgium (Aa3 stable) providing support in the event that the region faces acute liquidity stress.
Credit strengths
» Positive impact of the Sixth State reform on leverage and tax autonomy
» Robust liquidity position resulting from strong debt and treasury management
Credit challenges
» Relatively large cumulated financing deficit, although on the path to fiscal consolidation
» Rising level of direct debt, which will push up overall debt levels
» Fragile economy compared with that of Belgium
Rating outlook
The stable outlook reflects our expectation that the Walloon Region's rating will be able to absorb the anticipated fiscal and debt deterioration because of the region's favourable debt structure, and strong debt and liquidity management.

Vigéo's Sustainability Performance Summary "Wallonia"[31]

[30] Credit Opinion, Moody's, 29th March 2019 (Summary).

[31] Data from Wallonia rating, compared to the rating of local authorities present in the European sector, delivered in December 2017.

As of April 2018, Wallonia's overall Environmental, Social and Governance performance is good[32] *(55/100). Wallonia ranks 4th out of 30 in the European Local Authorities sector.*
Wallonia demonstrates a consistent performance, with scores above the sector average in all six assessed domains. The local authority's performance is advanced in Community Development and good in four other domains: Environment, Human Resources, Human Rights and Governance. The performance in Procurement and Services is only limited.

	Environment	Human Resources	Human Rights	Community Development	Procurement and Services	Governance
Scores	57	56	55	66	45	54
Controversies	Yes	No	Yes	No	Yes	No

Sector performance scale
Wallonia performance

A key strength of the local authority is its environmental strategy, which covers many environmental issues such as biodiversity protection, water resources management, waste management, management of environmental impacts from transportation, and the relevant measures implemented in sustainable urbanism and social and economic development.
However, room for improvement remains in the implementation of the commitments in the Wage Quality System, the organisation of working hours for SPW (Wallonie Public Service), and the involvement in different controversies. Over the past two years, Wallonia has been involved in three controversies: an allegation by the NGO Amnesty International related to the sale of arms to Saudi Arabia; a lawsuit instigated by Greenpeace for 'insufficient action against air pollution'; and finally the omission of 6 Walloon government ministries to declare some of their mandates, functions or professions. Wallonia communicated transparently in the two first controversies.

[32] Vigéo Eiris assessment scale:

Advanced [60-100]	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and use of innovative methods to anticipate emerging risks
Good [50-59]	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management
Limited [30-49]	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management
Weak [0-29]	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak