DESCRIPTION OF THE ISSUER

This document dated 20 May 2020 (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:

The offering circular dated 20 May 2020 with respect to the Issuer's EUR 12,000,000,000 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);

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 Luxembourg Act of 16 July 2019 on prospectuses for securities (the "**Luxembourg Prospectus Act**") and does not constitute a prospectus or an information note for the purposes of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation")** or the Belgian Law of 11 July 2018 concerning the public offering of investment instruments and the admission to the trading on a regulated market of investment instruments (the "**Belgian Prospectus Law**"). The Description of the Issuer does not purport to meet the format and the disclosure requirements of the Prospectus Regulation and the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 nor of the Belgian Prospectus Law.

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 Regulation, under the Luxembourg Prospectus Act, the Belgian Prospectus Law or any other legal basis.

This Description of the Issuer and its distribution do 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. Funding of Wallonia

The funding of Wallonia is regulated by the Special Finance Act (as modified in 1993, 2001, 2013 and 2014)[5]

The financing is composed of:

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

1.1.5. Administrative framework

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

Pursuant to the decree of 19 December 2019 concerning the budget of Wallonia for the budget year 2020[6], 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).

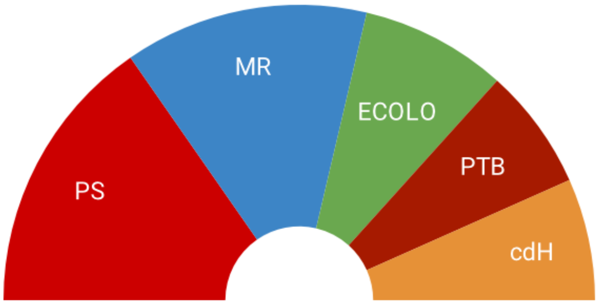
The said Minister may rely on two advisory bodies: the Regional Council of the Treasury and the Common Council of the Treasury (which is shared with the French Community), with which strategic orientations are discussed and which provide advice to the Minister.

1.2. POLITICAL STRUCTURE

Regional election took place on the 26th of May 2019. The elected Walloon Parliament is composed as follows[7]:

Number of seats (total: 75)		
PS	23	

[5] Source : http://www.ejustice.just.fgov.be/cgi/api2.pl?lg=fr&pd=2014-01-31&numac=2014003016
[6] Décret wallon du 19 décembre 2019 contenant le budget des recettes de la Région wallonne pour l'année budgétaire 2020 ; Source: http://nautilus.parlement-wallon.be/Archives/2019_2020/PARCHEMIN/81.pdf
[7] Source : http://www.parlement-wallon.be/les-deputes-wallons

MR	20	
Ecolo	12	
cdH	10	
PTB	10	

The Walloon Government is based on an alliance between the Socialist Party (PS), the Reformist Movement (MR) and the Ecologist Party (ECOLO). The Government has a large support of the parliament, with 55 seats on 75 in this Chamber.

1.2.1. The Marshall Plans[8]

a. **The Marshall Plan (2006-2009) and the 2.0 Green Marshall Plan (2009-2014)**

The "Marshall Plan" was initially launched in 2006. In 2009, a 2.0 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 2.0 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 2.0 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 2.0 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.

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

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.

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)[9]

After the 2.0 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[10]:

- 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

[9] Source: http://planmarshall.wallonie.be/

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

- 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
    - 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. The Walloon Transition Plan (Plan wallon de Transition – PWT)

After the last elections (May 2019), the new elected Regional Government drawn in September 2019 the lines of its economic, social and environmental ambitions for the period 2019-2024.

This political ambition aims to provide the Walloon Region with the capacity to target carbon neutrality in 2050, by adopting transition objectives articulated around 25 pillars (see details in reference document)[11].

In budget terms, the Regional Government intended to detail its objectives in its "Walloon Transition Plan", defining a total budget amount of EUR 2.8 billion between 2020 and 2024.

Starting in 2020, a budget of EUR 350 million was adopted to focus on the following priority list:

- Renovation of public housing,
- Launching of an employment-environment-insulation alliance,
- Support to digital innovation, and
- Support to alternative mobility projects to replace the car.

While the plan was still under discussion begin of March 2020, the Regional Government has taken an important decision, i.e. to freeze its transition plan and to re-affect the 2020 budgeted amount of EUR 350 million to the coverage of urgent financial measures related to the Covid-19 crisis, such as support to the health services & infrastructure, or financial measures to help citizens, independents and SME's to face current shutdown period.

The Regional Government is willing to re-activate its plan as soon as possible, in a calendar which will depend on the Covid-19 crisis exit period and its overall impact on the Walloon society.

[11] Source : http://nautilus.parlement-wallon.be/Archives/2019_2020/DPR/34_1.pdf

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 benefits from 450 km of waterways.

1.3.2. Demography

According to the most recent figures available (01/01/2019), Wallonia has a population of 3,633,795 inhabitants. The inhabitants of Wallonia represent 31.8 % of the Belgian population[13] . With a density of 215[14] inhabitants per sq. km, Wallonia is far below the national average of 372.9 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.

[12] Source : Institut Wallon de l'Evaluation, de la Prospective et de la Statistiques (IWEPS) – mise à jour 15/09/2011.
[13] Source: https://statbel.fgov.be/fr/themes/population/structure-de-la-population
[14] Source : https://www.iweps.be/indicateur-statistique/densite-de-population/
[15] Compulsory attendance of school will be extended to 5-years old children as from September 2020.

1.4. ECONOMIC STRUCTURE[16]

1.4.1. Economic sectors

In 2018, 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)

	2018	Corresponding NACE
Chemical industry	34.8	CE to CF
Machinery and other equipment (incl. electric. & transport equal.)	14.7	CH
Metallic industry	14.1	CI to CL
Food & agricultural industry	13.5	CA
Mineral product industry	11.6	CG
Others	11.3	

*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 corporate sector has slightly increased from 2009 to 2018. The share of households has slightly decreased during the same period.

[16] Institut Wallon de l'Evaluation, de la Prospective et de la Statistiques (IWEPS) – 2019-04-18 Update.

Structure of the global added value (Current prices and parts in % of the total)

	2009		2018	
	Millions €	%	Millions €	%
Total economy	73,943	100.0	94,210	100.0
Corporations	43,377	58.7	55,845	59.3
Public administration	15,254	20.6	19,574	20.8
Households (incl. self-employed)	14,574	19.7	17,738	18,8
Non profit institutions serving households	0,739	1.0	1,053	1.1

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

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. Due to breakdown[17] in the regional account in 2015, we only present the annual change from 2006 to 2014.

Evolution of the Gross Domestic Product (in volume, base 2015)

	Millions EUR	Annual % change	% of Belgium
2006		2.3	
2007		2.7	
2008		2.1	
2009		-3.3	
2010		3.9	
2011		0.7	
2012		-0.5	
2013		-0.5	
2014		1.2	
2015	95,390		22.9
2016	97,034	1.7	22.9
2017	99,284	2.3	23.0
2018	100,588	1.3	23.0

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.

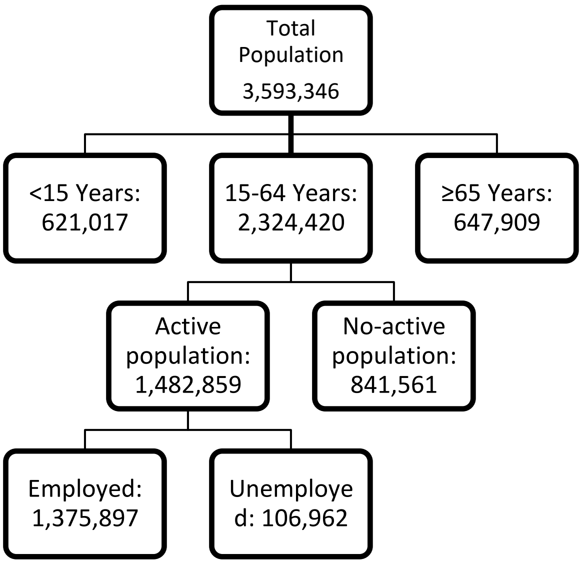
The Walloon gross domestic product reached the amount of 105,695 million euro in 2018 (in current prices), which represents an average product of 29,124 euro per inhabitant. Taking into account the purchasing power parity[18], the Walloon GDP equalled 85% of the European GDP/inhabitant (source: Eurostat, EU27[19]).

[17] The results concerning the regional breakdown of the variables per industry are coherent with the October 2019-version of national accounts from the year 2015 onwards. Figures until 2014 temporary still correspond to the October 2018-version of national accounts and will be adjusted in phases (2009-2014 in June 2020; 2003-2008 in Autumn 2020).
[18] Note: For international comparison purpose, GDP is expressed in purchasing power standards, which means that the price levels between countries are erased.
[19] EU27 represents the European Union of 27 Member States after 1 February 2020.

1.4.3. Labour Market

1.4.3.1. Working population

The following diagram shows the activity structure of the population in Wallonia in 2019.



Source: Statbel, Labour force survey and IWEPS calculations.

This scheme shows that 64.7% 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[20]. From the active population, 1,375,897 individuals are employed and 7.2% (106,962) 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 (1,281,208 persons in 2018). The sectors which represent the biggest part of the employment in Wallonia are: Health and social work activities (Q) (190,166 persons in 2018), Wholesale and retail trade (G) (162,304), Public administration (135,226) and Manufacturing (130,091) (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 2004-2019:

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%

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

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%
2019	59.2%	7.2%

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[21], 2018 and also in 2019.

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 57.8% of the Walloon exports in 2019. Compared to 2018, one product appears in this list in 2019, "Articles of cement, stone materials, ceramic products, glass and glassware". The increase in exports of this product is mainly in the direction of Luxembourg.

DISTRIBUTION OF WALLOON EXPORTS: MAIN PRODUCTS IN 2019

	Millions EUR	%
Total	51,473	100.0
Chemical industry products	19,528	37.9
Base metals and articles of base metal	6,210	12.1
Machinery and electrical equipment	4,039	7.8
Mineral products	3,984	7.7
Plastic and rubber	3,236	6.3
Prepared foodstuffs, beverages and tobacco	2,826	5.5
Transport materials	2,708	5.3
Optical and precision instruments	2,482	4.8

[21] 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.

Articles of cement, stone materials, ceramic products, glass and glassware	1,611	3.1
Other (< 3%)	4,850	9.4

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 2019 (*)

	Millions EUR	%
World	51,473	100.0
Europe	40,275	78.2
France	*12,116*	*23.5*
Germany	*7,717*	*15.0*
Netherlands	*3,804*	*7.4*
United-Kingdom	*2,996*	*5.8*
Italy	*2,615*	*5.1*
Luxembourg	*2,021*	*3.9*
Spain	*2,059*	*4.0*
Rest of Europe	*6,947*	*13.5*
America	7,623	14.8
United-States	*5,589*	*11.4*
Asia	2,515	4.9
China	*0,444*	*0.9*
Others	1,060	2.1

Source: ICN.

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

The exports to France, Germany and The Netherlands amount to 45.9% of the total exports for 2019. Most of the Walloon exports are realised within Europe (78.2%) even though our main customer, France, has seen its share decrease from 27.5% to 23.5%. Other exports are mainly realised with the USA: 11.4% versus 8.2% in 2018.

2. PUBLIC FINANCES AND BUDGET 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 2020 budgetary balances, as prepared before the outset of the global pandemic resulting from the outbreak of a strain of novel coronavirus disease, Covid-19, declared by the World

Health Organization on 11 March 2020[22]. Accordingly, the numbers referred to herein in respect of the 2020 budgetary balances might be substantially affected and differ materially from the actual situation of the Issuer as a result of the abovementioned sanitary crisis.

Initial budget 2020 compared with adjusted budget 2019 (EUR million)

Initial Budget	Adjusted 2019	Initial 2020
Income (1)	13,780.4	13,740.69
Expenses (2)	15,435.9	15,790.72
Gross Budget (3) = (1) - (2)	-1,655.5	-2,050.03
Depreciation and debt repayment (4)	9.8	10.23
Net Budget (5) = (3) + (4)	-1,645.7	-2,039.80

2.2.1. Resources of the Issuer in 2019

Beside the budget project for 2020, the table hereunder mentions the income realised by the Walloon Region in 2019.

Breakdown of the 2019 income [23](in EUR million):

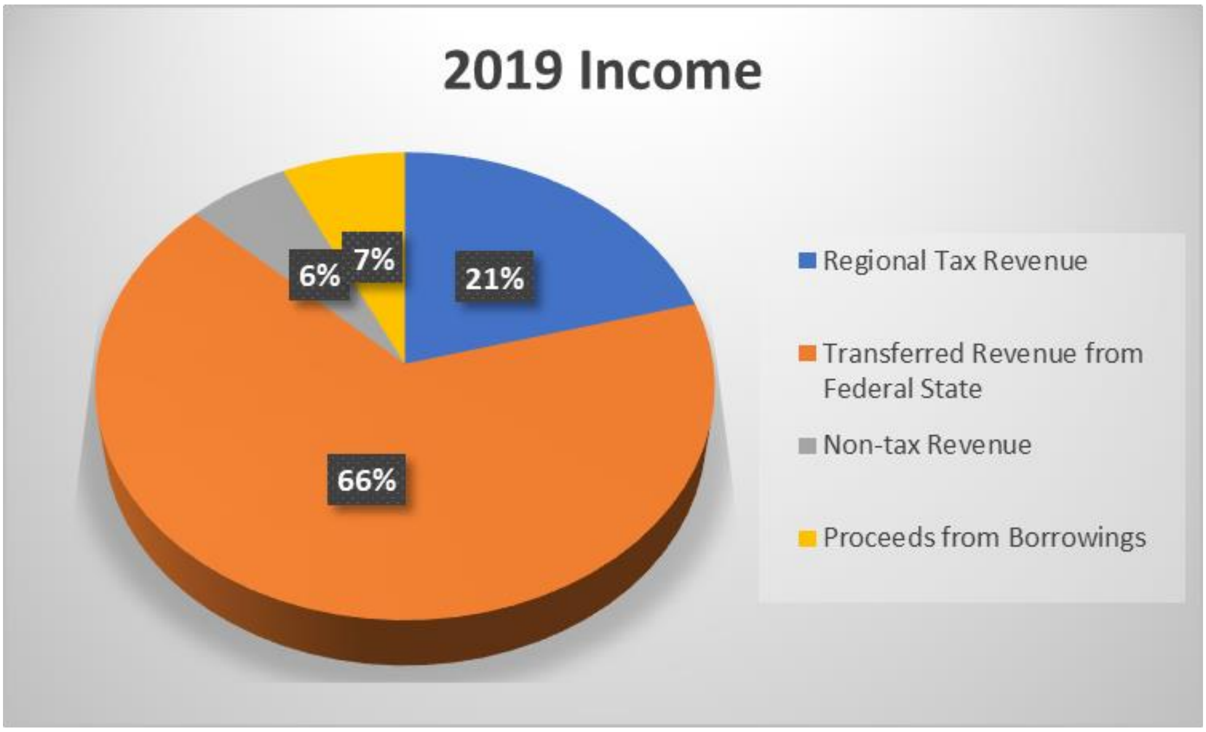
Income	EUR million
TAX INCOME (split below)	**2,858.36**
Regional Taxes	2,740.08
Other regional taxes	21.04
Other regional assigned taxes	97.24
TRANSFERRED INCOME from Federal State (split below)	**9,146.56**
Transferred competences	2,689.47
Tax expenditures	2,636.83

[22] Source : https://www.ccrek.be/FR/Publications/RegionWallonne.html - Budget2020RW-1
[23] Source : https://www.ccrek.be/FR/Publications/RegionWallonne.html - Budget2020RW-1

Sainte-Emilie revenue	3,776.31
Traffic fines	43.95
NON-TAX INCOME (split below)	**802.27**
Resources transferred by the French Community	369.98
Others revenue	145.82
Other assigned revenue	286.47
TOTAL INCOME without proceeds from borrowings	**12,807.20**
Proceeds from borrowings	973.20
TOTAL INCOME	**13,780.40**

Almost half of them are composed of new income from the Sixth State Reform and the implementation of the Special Finance Act (resources related to transferred powers and additional income 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 income.

Breakdown of the 2019 income (in%)

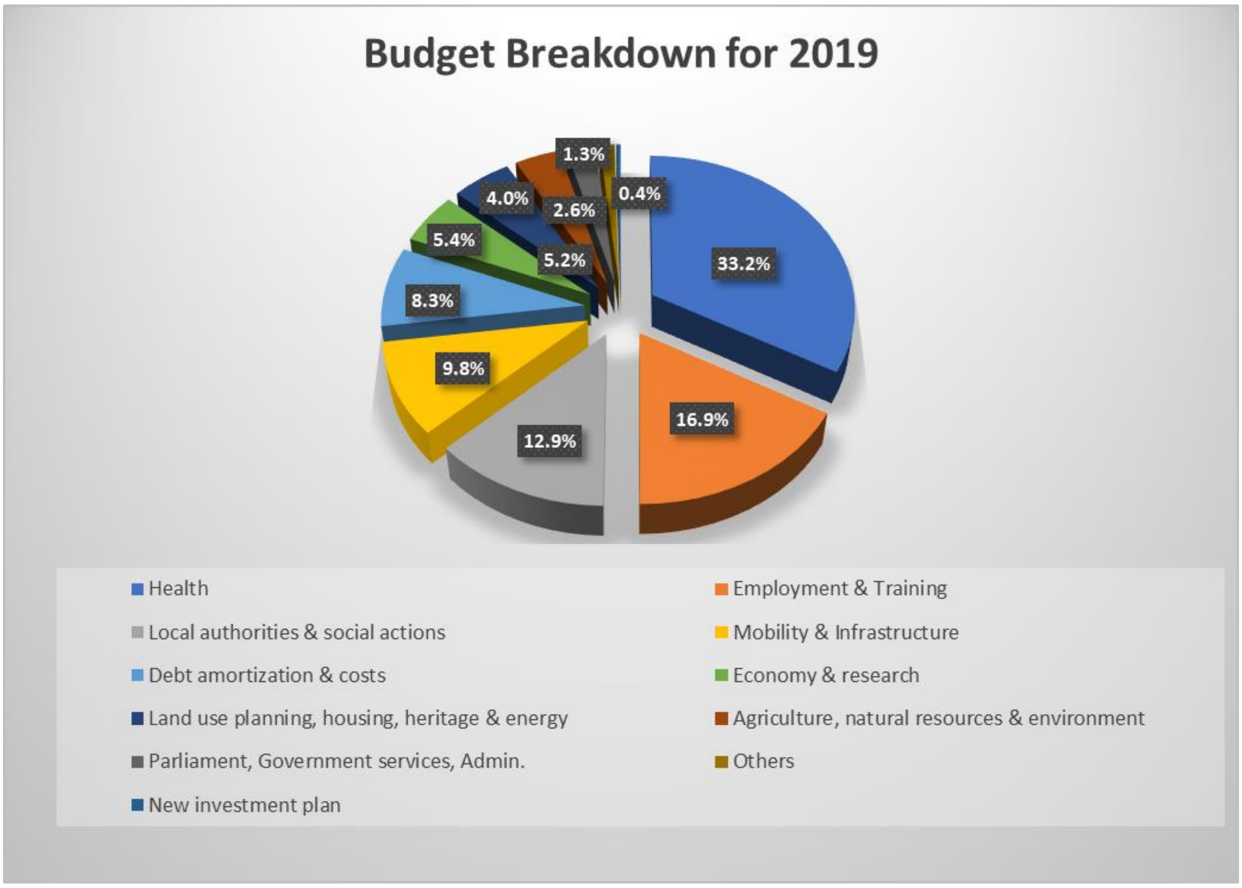


2.2.2. Expenditures of the Issuer in 2019

Breakdown of the 2019 expenditures (in EUR million)

Expenditures	In EUR million
Health services	5,121.3
Employment & Training	2,610.0
Local Authorities & Social Welfare	1,990.6
Mobility & Infrastructure	1,515.8
Debt Amortization & Costs	1,287.9
Economy & Research	829.0
Land use planning, Housing & Heritage	806.6
Agriculture, natural resources and environment	611.3
Parliament, government departments, administration, …	397.9
Others	209.6
New Investment Plan	55.9
Total	**15,435.9**

Breakdown of the 2019 expenditures (in %)



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

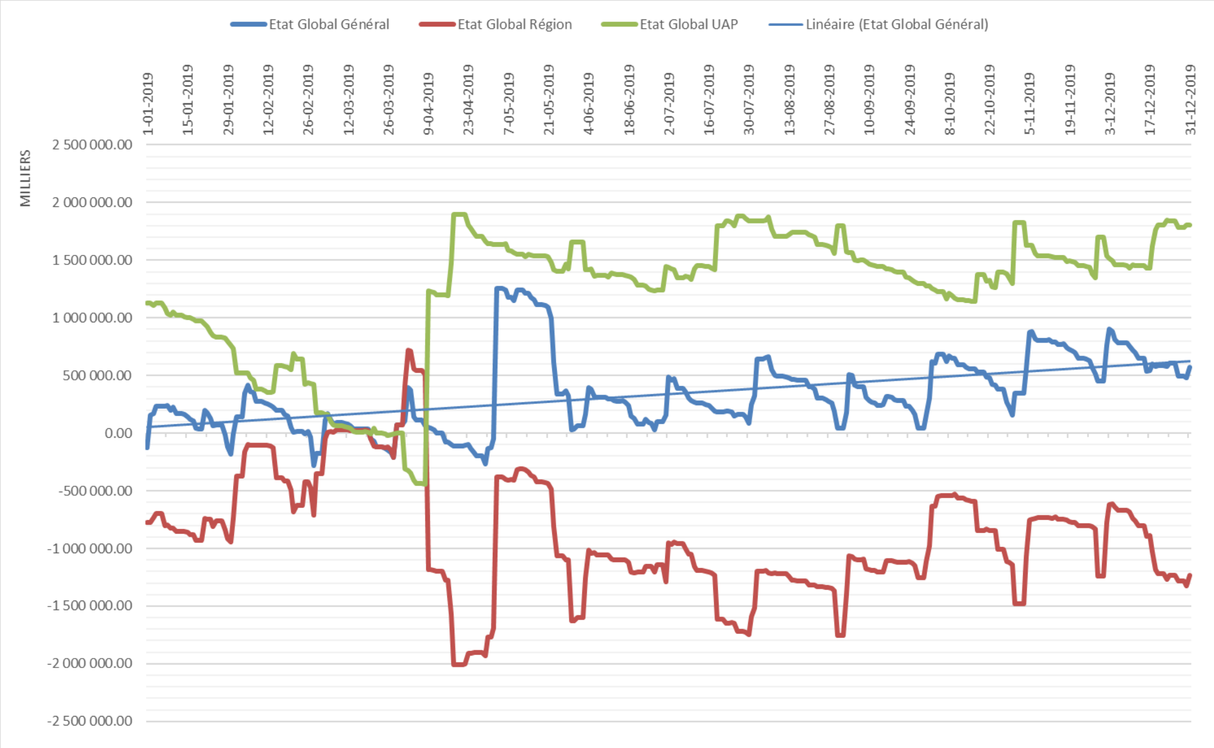
(ii) Revenues which are directly collected by the Issuer itself.

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

- Parameterised expenses for 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.
- Other expenses, which represent around 1/3 of the total expenses and which are more difficult to forecast.

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 Région wallonne in 2019



The green curve represents the balance of all UAP's (Unités d'Administration Publiques) being centralized within the global cash position of Région wallonne, with a total balance being EUR 1,807.1 million dated 31/12/2019.

The red curve represents the Region's global balance, being EUR -1,236.5 million dated 31/12/2019.

The blue curve integrates UAP's contributions with the Regions's global balance, with a consolidated treasury balance of EUR 570.6 million dated 31/12/2019.

In summary, the consolidated treasury balance did evolve from around EUR 0 in January 2019 to around EUR 500 million in December 2019, as the result of a cash rich position of UAP's being centralized within the Region. Indeed, the balance of the Région Wallonne's treasury presented negative values during the whole year, but the positive contribution from the UAP allowed to rebalance the situation and to limit significantly the call on 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.

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 lengthier 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 outstanding debt of the Issuer is calculated each year by adding the annual funding gaps (i.e. difference between the budget revenues and expenditures) to the existing stock of outstanding debts.

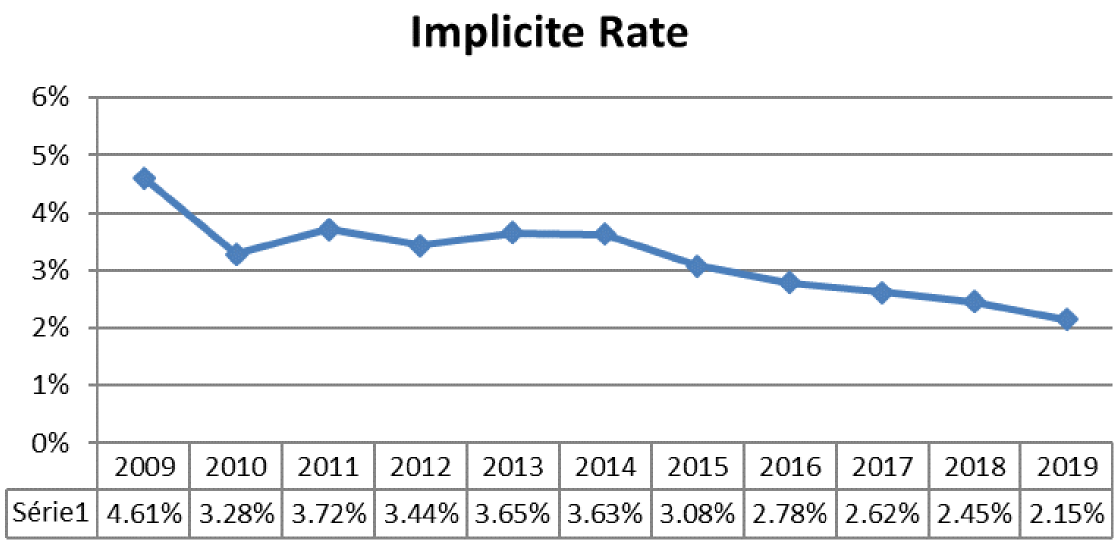
Direct outstanding debt (in EUR million):

The evolution of the direct outstanding debt of the Région wallonne is presented in the table below for the period 2009-2019 (numbers on December 31st).

Year	Direct outstanding debt (EUR million)
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
2019	11,719.0

Implicit rate

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 2009-2019 is mentioned in the table below:



Thanks to a dynamic debt management and the low interest rates in the financial markets, the Issuer has been able to finance itself at an implicit rate of 2.15% in 2019, while keeping the level of risk under control.

Average term of the debt

The following table illustrates the weighted average term of the direct debt of the Issuer end of year for the period 2014 - 2019:

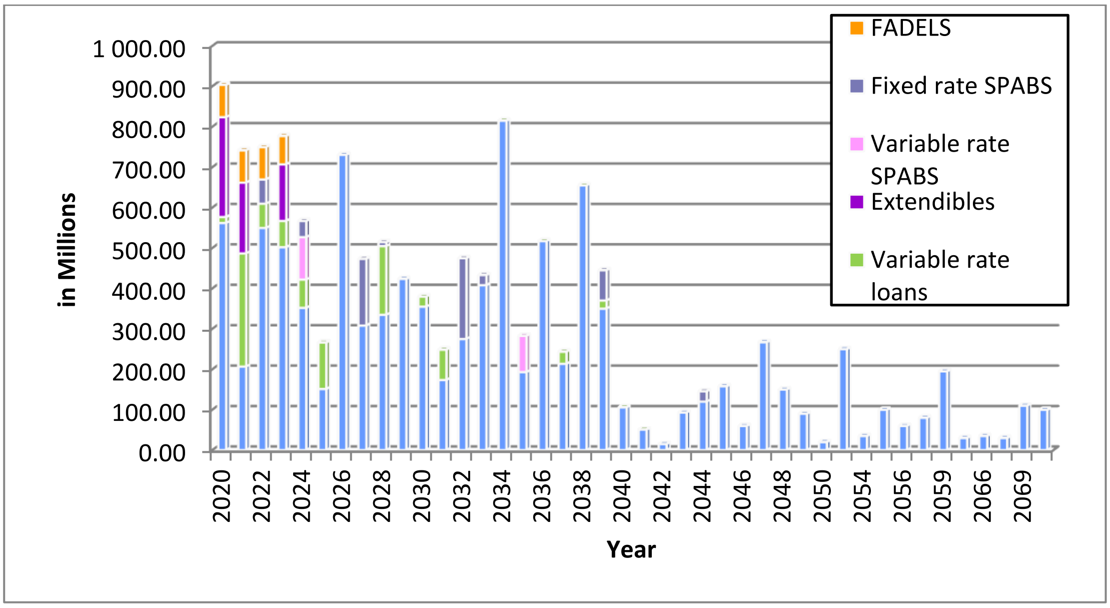
	2014	2015	2016	2017	2018	2019
Average term (in years and months)	8 years & 5 months	11 years & 1 month	11 years & 8 months	11 years & 10 months	12 years & 5 months	13 years & 7 months

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 2019, it amounts to EUR 1,105.6 million, of which EUR 795.35 million are loans from SPABS[24] for which the Issuer reimburses all the charges, EUR 310.21 million are from the FADELS[25] for which the Issuer reimburses charges to the Federal State and EUR 26.27 thousand are loans from SWDE[26] for which the Issuer reimburses part of the charges.

On 31 December 2019, 87.48% 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].

Direct and indirect debt schedule (on December 31st, 2019)



[24] 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).
[25] FADELS (Amortization funds for the social housing debts).
[26] SWDE (Public society for water production and distribution).

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 with 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 2019, the outstanding first rank guaranteed debt amounted to EUR 8,767.1 million[27], implying an augmentation of EUR 2,936.2 million[28] (an augmentation of 33.5 percent) for 2019.

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 organization 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 realization of the mortgage. The aggregate amount of debt guaranteed in second rank by the Issuer amounted to EUR 981,288,461, million[29] on 31 December 2019.

Evolution of the guaranteed debt (1st rank) until December 31st, 2018 (in EUR thousand)[30]

31.12.2016	31.12.2017	31.12.2018	31.12.2019
7,024,586.16	6,570,205.91	5,830,852.94	8,767,114.07

The table hereunder shows how the guaranteed debt is distributed among the different UAPs for the last two years. We can see that about 56% 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.

[27] Still temporary amount. Audited amount to be published in later in 2020.
[28] For 2019, amounts have been included in the perimeter of the CRAC which have not been integrated for the previous years which explains this great difference between 2018 and 2019.
[29] Still temporary amount. Audited amount to be published in later in 2020.

Stock of guaranteed debt (1st rank) on December 31st, 2019 (in EUR thousand)

Concerned entities	31.12.2018	31.12.2019
CIW	81,641.50	NC
CRAC	140,877.41	2,772,402.09
FLFNW	964,461.70	1,047,141.00
Hôpital psychiatrique Les Marronniers	4,366.26	4,000.00
Circuit de Spa Francorchamps	17,327.00	NC
SOFICO	606,379.78	666,824.66
SOWAER	140,300.00	124,529.62
OTW (SRWT)	261,336.71	301,510.00
SWCS	2,398,880.00	2,473,103.27
SWDE	27.63	22.10
SWL	1,215,255.00	1,377,581.33
Total	**5,830,852.99**	**8,767,114.07**

NC: not yet disclosed

4. RATING

Moody's Credit Opinion Walloon Region, 8th April 2020[31]

"The credit profile of the Walloon Region (A2 stable) reflects a mature and robust legislative background, prudent but sophisticated debt management and indisputable market access, as well as its tax autonomy. The region's credit profile is constrained by a pattern of running financing deficits and increasing debt levels. We expect the rapid and growing spread of the coronavirus, and the associated deterioration in the economic outlook, to lead to a widening of the region's deficit. In addition, our assessment of the region's credit profile takes into account its fragile economy compared with that of Belgium (Aa3 stable). The Walloon Region also benefits from a high likelihood of support from the government of Belgium if it were to face acute liquidity stress."

"Credit strengths

- *A mature and robust legislative background with well-defined responsibilities amid a complex Belgian institutional system*
- *Revenue flexibility is high and is supportive of the region's credit profile*
- *Prudent but sophisticated debt management underpins unquestioned market access"*

"Credit challenges

- *Persistent financing and operating deficits*
- *A high and increasing debt burden*
- *An economy which compares unfavourably with national and European peers"*

"Rating outlook
The stable outlook reflects our expectation that the Walloon Region's debt will remain affordable and its market access unquestioned."

Vigeo Eiris Sustainability Performance Summary "Wallonia"[32]

As of April 2018, Wallonia's overall Environmental, Social and Governance performance is good[33] (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.

[31] Credit Opinion, Moody's, 8th April 2020 (extract).

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

[33] 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

	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.