Executive Summary

Key Facts

- Real GDP contracted by -1.3% in 2020, less than initially projected and well below Euro Area decline, and expected to rebound in 2021 by +4.0%.

- Public debt moderately increased to ~25.0% of GDP in 2020, up from 22.0% in 2019, while public deficit likely to come in much lower than projected.

- Since the outbreak of COVID-19 pandemic, measures taken by Government to support economy amounted to 19% of GDP, of which 5% of GDP have a direct budgetary impact.

- Unemployment rate jumped from 5.6% end-2019 to 7.7% by mid-2020, but has since receded to 6.8%, while employment grew by +2.0% throughout 2020.

Focus on Contemplated Transaction

Key Features of contemplated transaction:

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Grand Duchy of Luxembourg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
<td>Luxembourg Government Bond RegS Bearer, Senior, Unsecured</td>
</tr>
<tr>
<td>Ratings</td>
<td>Aaa/AAA/AAA (all stable) (Moody’s/S&amp;P/Fitch)</td>
</tr>
<tr>
<td>Expected Size</td>
<td>EUR Benchmark</td>
</tr>
<tr>
<td>Maturity</td>
<td>Medium to long term</td>
</tr>
<tr>
<td>Documentation</td>
<td>Standalone LGB</td>
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</table>

1. Luxembourg at a Glance

2. Focus on Luxembourg’s Public Finances

3. Focus on Luxembourg’s Credit Rating and Debt Management
1. Luxembourg at a Glance
Luxembourg in a Nutshell

STRATEGIC LOCATION
AT THE HEART OF EUROPE

- Reliable Business Environment
- Dedicated Public Incentive Framework for R&D
- Skilled Multicultural, Multilingual Workforce
- Political and Social Stability
- Solid Public Finances
- Sound Economic Fundamentals
- Modern Infrastructures
- Quick Decision-Making
- Efficient Logistics network
- Leading International Financial Centre

Source: Luxembourg for Finance
Luxembourg is a cross-border hub and centre of excellence facilitating multi-jurisdictional and international financial services.

Luxembourg hosts the world’s 2nd largest investment fund centre.

Total net fund assets under management exceeded EUR 5000bn in 2021.
Luxembourg: snapshot of an open…

- Total exports exceeded 200% of GDP in 2020, of which EUR 17bn in goods and EUR 120bn in services.
- Luxembourg ranked 3rd most open economy in the world.

…and growth-oriented economy, beyond the financial sector

- European corporate headquarter of global companies such as Amazon, Ferrero, Paypal, eBay, Skype, SES, ArcelorMittal and many others.
- Home base of all-freight carrier Cargolux, with Luxembourg Airport being 6th largest freight airport in Europe.
- Strong focus on innovation, in sectors such as FinTech, Space Resources, CleanTech, Health- & BioTech or Cybersecurity.

Sectoral Share of Gross Value Added in 2020

- Financial Services: 26%
- Real Estate and Administrative Services: 23%
- Public administration: 11%
- Manufacturing: 7%
- Trade, Transportation & Communication: 6%
- Health / Education: 4%
- Construction: 3%
- Other: 20%

Source: National Statistical Office.
2. Focus on Luxembourg’s Public Finances
Macroeconomic Context

**Real GDP (Index 100 = 2010)**
*Continued overperformance vs. Euro Area*

**Annual Unemployment Rate**
*Unemployment consistently below the Euro Area*

Sources: Luxembourg: National Statistical Office & Ministry of Finance; Euro Area: European Commission, AMECO.
Despite COVID-19 and wide range of government support measures, continued low level of public debt of ~25% of GDP as of end-2020.

Government committed to support economy, especially the most affected sectors, through timely and well-targeted aid regimes.

Continued adherence to sound public finances, as evidenced by 2021 Budget, with deficit forecast to come in below 3% as of 2021 already.

Despite COVID-19, debt ratio forecast to remain below self-set ceiling of 30% of GDP.

Luxembourg also holds financial assets worth 45% of GDP, of which 33% of GDP are invested through the pension reserve fund.

Net financial position of public sector is in fact positive.

Sources:
Luxembourg: Ministry Finance.
Luxembourg has long track record of budget surpluses, being the only EU Member State to have complied consistently with Stability and Growth Pact rules since their inception.

Prior to COVID-19, budget surplus amounted to +2.4% of GDP in 2020 deficit is estimated to have finished well-below budget forecasts (~4% of GDP).

Government is making use of accumulated fiscal space to mitigate economic and social consequences of COVID-19 breakout.

Total COVID-19 response of the Luxembourg government amounts to 19% of GDP, of which:

- 5% of GDP in direct fiscal transfers,
- 8% of GDP in tax and social contribution payment deferrals, and
- 6% in public guarantees, including a new public guarantee system.

3. Focus on Luxembourg’s Credit Rating and Debt Management
### Credit Ratings

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<tr>
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<th>S&amp;P</th>
<th>AAA</th>
<th>Stable</th>
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<tbody>
<tr>
<td>Moody’s</td>
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<td>Stable</td>
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</tr>
<tr>
<td>Fitch</td>
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<td>Stable</td>
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</tr>
<tr>
<td>DBRS</td>
<td>AAA</td>
<td>Stable</td>
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</table>

**Rationale behind the AAA rating:**

- "Luxembourg has significant capacity to face the shock from the global Coronavirus Disease (COVID-19) pandemic and to support the recovery of the economy"

- "Public finances are a key strength for Luxembourg's rating"

- "Luxembourg has a history of budget surpluses, which supports its low level of debt"

- "Flexible economic policies, very high wealth levels provide shock absorption capacity"

Source: Fitch / Moody’s / S&P / DBRS
Syndicated Luxembourg Government Bonds (LGB) are the cornerstone of the Treasury’s long-term funding strategy.

- Short-term liquidity needs are met via bank loans or Treasury Notes (*Certificats de trésorerie*).
- Luxembourg has 9 LGBs outstanding for a total amount of EUR 11.75bn.

Optimizing refinancing and interest rate risk, zero FX exposure.

- Outstanding LGBs (fixed-rate and issued in EUR only) have an average maturity of 6.14 y with the next redemption scheduled for 2022.
## Outstanding Luxembourg Government Bonds (LGB)

<table>
<thead>
<tr>
<th>Issue Date</th>
<th>Notional</th>
<th>Maturity</th>
<th>Maturity date</th>
<th>Coupon</th>
<th>Currency</th>
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<tbody>
<tr>
<td>LGB 2.25% 2022</td>
<td>21/03/2012</td>
<td>1,000,000,000</td>
<td>10y</td>
<td>21/03/2022</td>
<td>2.250%</td>
</tr>
<tr>
<td>LGB 2.125% 2023</td>
<td>10/07/2013</td>
<td>2,000,000,000</td>
<td>10y</td>
<td>10/07/2023</td>
<td>2.125%</td>
</tr>
<tr>
<td>LGB 0.00% 2025</td>
<td>28/04/2020</td>
<td>1,500,000,000</td>
<td>5y</td>
<td>28/04/2025</td>
<td>0.000%</td>
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<tr>
<td>LGB 0.00% 2026</td>
<td>13/11/2019</td>
<td>1,700,000,000</td>
<td>7y</td>
<td>13/11/2026</td>
<td>0.000%</td>
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<tr>
<td>LGB 0.625% 2027</td>
<td>01/02/2017</td>
<td>2,000,000,000</td>
<td>10y</td>
<td>01/02/2027</td>
<td>0.625%</td>
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<tr>
<td>LGB 2.25% 2028</td>
<td>19/03/2013</td>
<td>750,000,000</td>
<td>15y</td>
<td>19/03/2028</td>
<td>2.250%</td>
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<tr>
<td>LGB 0.00% 2030</td>
<td>28/04/2020</td>
<td>1,000,000,000</td>
<td>10y</td>
<td>28/04/2030</td>
<td>0.000%</td>
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<tr>
<td>LGB 0.00% 2032</td>
<td>14/09/2020</td>
<td>1,500,000,000</td>
<td>10y</td>
<td>14/09/2032</td>
<td>0.000%</td>
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<tr>
<td>LGB 2.75% 2043 (PP)</td>
<td>20/08/2013</td>
<td>300,000,000</td>
<td>30y</td>
<td>20/08/2043</td>
<td>2.75%</td>
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</table>

In addition, bank loans amounting to 850mn EUR are outstanding at the end-February 2021

Source: State Treasury
**Varied Investor Base for LGBs**

### 2.5 bn EUR Dual Tranche Benchmark
**April 2020**

**Investor Location**
- Investor Location:
  - Other EU: 10%
  - FRA: 11%
  - UK: 17%
  - LUX: 25%
  - Scandinavia: 4%
  - CH: 15%
  - NL: 10%
  - GER: 12%

**Investor Type**
- Investor Type:
  - Official Institutions: 29%
  - Banks: 28%
  - Fund Managers: 27%
  - Pensions Funds / Insurance: 15%
  - Others: 1%

### 1.5 bn EUR Sustainability Bond
**September 2020**

**Investor Location**
- Investor Location:
  - FRA: 19.8%
  - MEA: 4.0%
  - Other: 2.5%
  - Other EU: 10.7%
  - LUX: 5.2%
  - Scandinavia: 9.9%
  - CH: 9.4%
  - NL: 11.6%
  - GER: 11.7%
  - UK: 15.1%

**Investor Type**
- Investor Type:
  - Official Institutions: 19%
  - Banks: 25%
  - Pensions Funds / Insurance: 10%
  - Fund Managers: 45%
  - Others: 1%
# Contact details

<table>
<thead>
<tr>
<th>Key contacts</th>
<th>Contact numbers</th>
<th>Email</th>
</tr>
</thead>
<tbody>
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<tr>
<td>Luxembourg Ministry of Finance</td>
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</tr>
</tbody>
</table>

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