



2008

City of Barcelona Annual Report



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Ajuntament de Barcelona

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Municipal Council Plenum

Mayor of Barcelona	The Hon. Mr. Jordi Hereu Boher (PSC)
1st Deputy Mayor	The Hon. Mr. Carles Martí Jufresa (PSC)
2nd Deputy Mayor	The Hon. Mr. Ricard Gomà Carmona (ICV-EUiA)
3rd Deputy Mayor	The Hon. Mr. Jordi William Carnes Ayats (PSC)
4th Deputy Mayor	The Hon. Mr. Ramon Garcia-Bragado Acín (PSC)
5th Deputy Mayor	The Hon. Ms. Immaculada Mayol Beltrán (ICV-EUiA)
Councillors	<div>PSC:</div> <div>The Hon. Ms. Carmen Andrés Añón</div> <div>The Hon. Ms. Montserrat Ballarín Espuña</div> <div>The Hon. Ms. M. Assumpta Escarp Gibert</div> <div>The Hon. Mr. Guillem Espriu Avendaño</div> <div>The Hon. Ms. Itziar González Virós</div> <div>The Hon. Ms. Sara Jaurrieta Guarner</div> <div>The Hon. Ms. Immaculada Moraleda Pérez</div> <div>The Hon. Ms. Gemma Mumbrú Moliné</div> <div>The Hon. Mr. Francesc Narváez Pazos</div> <div>The Hon. Ms. Montserrat Sánchez Yuste</div> <div>CiU:</div> <div>The Hon. Mr. Gerard Ardanuy Mata</div> <div>The Hon. Mr. Raimond Blasi Navarro</div> <div>The Hon. Mr. Jaume Ciurana Llevadot</div> <div>The Hon. Ms. Teresa M. Fandos Payà</div> <div>The Hon. Mr. Joaquim Forn Chiariello</div> <div>The Hon. Mr. Eduard Freixedes Plans</div> <div>The Hon. Ms. Mercè Homs Molist</div> <div>The Hon. Mr. Joan Puigdollers Fargas</div> <div>The Hon. Ms. Sònia Recasens Alsina</div> <div>The Hon. Mr. Xavier Trias Vidal de Llobatera</div> <div>The Hon. Ms. Francina Vila Valls</div> <div>The Hon. Mr. Antoni Vives Tomàs</div> <div>PP:</div> <div>The Hon. Ms. Emma Balseiro Carreiras</div> <div>The Hon. Mr. Jordi Cornet Serra</div> <div>The Hon. Ms. Ángeles Esteller Ruedas</div> <div>The Hon. Mr. Alberto Fernández Díaz</div> <div>The Hon. Ms. Gloria Martín Vivas</div> <div>The Hon. Mr. Xavier Mulleras Vinzia</div> <div>The Hon. Mr. Alberto Villagrasa Gil</div> <div>ERC:</div> <div>The Hon. Ms. Ester Capella Farré</div> <div>The Hon. Mr. Xavier Florensa Cantons</div> <div>The Hon. Mr. Ricard Martínez Monteagudo</div> <div>The Hon. Mr. Jordi Portabella Calvete</div> <div>ICV-EUiA:</div> <div>The Hon. Ms. Elsa Blasco Riera</div> <div>The Hon. Mr. Joaquim Mestre Garrido</div>

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Non-elected Members	<div><div>Mr. Pere Alcober Solanas</div><div>Mr. Ignasi Cardelús Fontdevila</div><div>Mr. Jordi Martí Grau</div><div>Ms. Isabel Ribas Seix</div><div>Mr. Antoni Sorolla Edo</div></div>

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President	The Hon. Mr. Carles Martí Jufresa 1st Deputy Mayor
Vicepresident	Mr. Andreu Puig Sabanés City Manager
Members	Ms. Gemma Arau Ceballos Manager of Les Corts District
	Mr. Carles Arias Casal Manager of Human Resources and Organization
	Mr. Jordi Campillo Gámez Manager of Environment
	Ms. Pilar Conesa Santamaria Deputy Manager of e-Government and Information Systems
	Mr. Joan Albert Dalmau Balagué Manager of Prevention, Safety and Mobility
	Mr. Albert Duran Escribà Manager of Sarrià-Sant Gervasi District
	Ms. Mari Carme Fernández González Manager of Gràcia District
	Ms. M. Glòria Figuerola Anguera Manager of Social Action and Citizenship
	Ms. Montserrat Filomeno Martí Manager of Horta-Guinardó District
	Mr. Ricard Frigola Pérez Manager of Economic Promotion
	Mr. José García Puga Manager of Nou Barris District
	Mr. Víctor Gimeno Sanjuan Manager of Sant Martí District
	Mr. Máximo López Manresa Manager of Eixample District
	Ms. Mercè Massa Rincón Manager of Ciutat Vella District
	Mr. Ramon Massaguer Meléndez Manager of Urban Planning and Infrastructures

Mr. Marc Murtra Villar

Manager of Education, Culture and Welfare

Mr. Josep Sans Díez

Manager of Sants-Montjuïc District

Ms. M. Pilar Solans Huguet

Manager of Finances

Mr. Miguel Angel Valdueza Romero

Manager of Sant Andreu District

Mr. Eduard Vicente Gómez

Manager of General Services and Territorial Coordination

2008

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Presentation

Jordi Hereu Boher
Mayor of Barcelona

The economic crisis means that 2008 can only be described as a difficult year, in some respects a bad year for many individuals, companies and other organisations. However, I am convinced that Barcelona will emerge from this stronger than ever. Barcelona has always surmounted difficult times. And it has always been able to look ahead.

This is why we are continuing to build Barcelona. And we are doing so on the basis of a model in which economic and manufacturing activity, urban transformation and social cohesion go hand in hand and are inextricably linked.

In the economic sphere, we need a solid pattern of growth that meets the challenges of the knowledge economy, and that supports cutting-edge sectors and those that have increased added value; growth that at the same time is capable of modernising the more traditional sectors. This is what we are on the way to achieving.

I would like to highlight a number of examples of economic transformation in the city. The new technology and innovation district 22@ is maturing to a very pleasing degree. After eight years in which we have seen spectacular changes from the perspective of the physical landscape and urban development, the area's capacity to attract economic activity is now becoming consistent, and we can see clear support for it from emerging sectors such as the life sciences, new technologies, energy and design. Another example is the Zona Franca, where land once occupied by traditional industry is being turned over to new industry with the aim of generating quality employment.

No less important is the effort we are making to bring traditional sectors up-to-date. These include the food and car industries, trade and tourism. These sectors remain essential to the economy of Barcelona and the metropolitan area, and should also form part of Barcelona as a 'knowledge city'.

All these efforts must go hand in hand with determined, concerted action that will have a direct impact on company start-ups and training. To this end we have signed the 2008-2011 Pact for Quality Employment with the Catalan government, trade unions and employers' associations. Barcelona Activa, our flagship in this domain, is a local and international benchmark in terms of support for entrepreneurs, innovation and training for the purpose of job creation.

Urban transformation is a key factor. To tackle this, we are implementing policies aimed at improving the quality of public spaces in every respect. Examples of this are the plan for the comprehensive improvement of the public space; the new cleaning contract designed to meet the needs that arise from the intensive use of the city; policies implemented as part of the Mobility Pact, the aim of which is to enable public and private transport, pedestrians and bicycles—a form of transport growing in popularity—to coexist in the public space effectively and efficiently, optimally and reasonably; and an improvement to security by ensuring the police are closer to the public.

Improving the public space also involves increasing the amount of land given over to green urban areas and enhancing and expanding parks and gardens. Evidence of this is to be found on Montjuïc and Collserola, in the new Central Park in Poblenou and in the range of initiatives set in motion to revitalise and enlarge parks and open areas of various sizes, initiatives that share a characteristic trait, which is to extend into every area, to reach into every neighbourhood.

The neighbourhood is a new unit of measurement, the new parameter for action in every respect: for government, for administration, for management and for exercising the ability to participate. Because efficiency in an initiative is just as important as attention when it comes to observing the reality. And reality materializes neighbourhood by neighbourhood, person by person.

And because the neighbourhood is the primary level at which cohesion can grow stronger or weaker. It is worth repeating that social and territorial cohesion is the top priority of all. To achieve this means that every service, every amenity and every facility should be provided universally throughout the city, and that they should guarantee equality and security.

To talk of cohesion is to talk of housing, as demonstrated by the forthcoming approval of the new plan that takes us up to 2016. It is to talk of education, with the new plan for educational amenities and the opening of new nurseries in the city. It is to talk of social services, with more social service centres and better home care. It is to talk of culture, such as the development of the plan for libraries and art factories.

Economic activity, urban transformation and social cohesion demand a territory with good infrastructure, an area in which significant advances are being made. The high-speed train line has at last reached Barcelona and work has begun on the tunnel that will link Sants Station with the future Sagrera Station, which will be the catalyst for the process of development of the north of Barcelona and which will be a key point for boosting the link with France and the rest of Europe.

In addition, expansion work at both the port and airport is nearing completion, which should make it possible to increase and improve the link between Barcelona and the rest of the world. In contrast, the problems of the local train network are still to be addressed. We are working on this issue in our capacity as the city council and in accordance with our responsibility to demand that other government bodies also fulfil their obligations.

We intend Barcelona to be the capital of the Mediterranean and we want it to serve as a link with Europe and the world. In 2008, Barcelona was chosen for the headquarters of the Mediterranean Union and we have launched an ambitious initiative to refurbish the historical complex of Hospital de Sant Pau to turn it into the iconic space of the first city of the Mediterranean.

The fact that Barcelona is a capital is another characteristic aspect of the city. A strong Barcelona for a strong Catalonia. And a Barcelona which, at the same time, takes its place as the other major city in Spain.

Being a motor, leading change, anticipating new needs and adapting to them, these are all defining traits of the personality of Barcelona, as is the determination to combine ideas and to join forces. We will achieve our goals if we work with a sense of resolve and pursue our project further, in other words, if we embrace the commitments it entails. However, we will only manage to make these objectives a reality through dialogue and by adopting social, civic, political and institutional accords. Barcelona is a collective venture and this is its main strength.

I cannot end without acknowledging the sense of public service of each and every one of the municipal employees, who make the job of leading this city towards a model of social cohesion, peaceful coexistence and economic progress a thrilling undertaking.

Presentation

Jordi William Carnes Ayats
Deputy Mayor for Treasury
and Economic Promotion

Economic and Financial Framework

The current context makes it difficult to predict economic evolution in the short-term. It seems evident that 2009 will see a contraction in economic growth with respect to 2008, a year in which the world economy underwent a moderation in the pace of growth which fell to a rate of 3.4%, but with different degrees of intensity depending on the zone. The most advanced economies recorded overall growth not exceeding 1%, while emerging and developing economies grew by 6.3%.

This crisis in the world economy was brought about by a financial crisis initiated in the US mortgage market, which went on to cause a global liquidity crisis. Loss of confidence further aggravated the situation and has had repercussions in the real economy.

Growth in the Spanish GDP was 1.2% in 2008. Expansion in the tertiary sector made a positive contribution to this figure, offsetting deceleration in the construction sector and industry. Likewise, inflationist tensions eased during the latter part of the year, with a year-on-year CPI in December of 1.4%, somewhat less than the European average of 2.2%.

Obviously, this economic context has also impacted on the employment market, which has suffered a gradual decline over the last year. It should be pointed out however that Barcelona's unemployment rate in late 2008 was 9.1%, almost two percentage points below that of Catalonia and 4.5 points less than the Spanish rate. It is also significant that the sectors with high added value in Barcelona, such as telecommunications, IT applications, audiovisuals, design and all activities related to the new technologies have gained weight in the city's economic structure. Employment linked to R+D and education for example underwent growth of 21% in 2008. These indicators, together with others that will be mentioned in later sections of this letter, enable us to assert that the crisis is being felt with less severity in our city.

Barcelona still accounts for more than 20% of all Spanish exports, with sales to the emerging economies growing significantly. The city also maintains a respectable rate of business growth. Some 6,178 new companies were created in Barcelona in 2008, representing 3.8 companies per thousand inhabitants, a figure higher than that registered in other territorial areas. This cannot be dissociated from the policies that provide coaching in business growth and company creation, with training, advisory and support activities which the city government implements through Barcelona Activa.

The 2008 data with respect to fairs and congresses in the city has been highly positive. Barcelona attracts such major prestigious congressional events at the international level as the Mobile World Congress, EIBTM (the business travel exhibition) and the European Congress of Cardiology. And a new contemporary fashion and urban trends show has been launched, known as The Brandery.

A number of initiatives may be highlighted as regards territorial competitiveness. These include the expansion works being carried out in the port to convert it into a nerve centre of the European communications network, and the fact that Prat airport is entering the final phase of a transformation process consisting in construction of the new Terminal 1, which will convert it into an international hub capable of handling 40 million passengers a year and an increased number of connecting flights, both domestic and international. This, together with the acquisition of 80% of Spanair by the company Iniciatives Empresariales Aeronàutiques (IEASA), represents a strategic commitment for the future interests of Barcelona, its metropolitan area and Catalonia as a whole.

The current economic situation is extremely complex. Paralysis of the interbank market and the difficulties encountered by financial entities when turning to the capitals market to refinance their flotations have created setbacks in the

concession of credit to companies and families alike, and have led to a fall in consumption and an increase in unemployment rates.

The general measures that governments have adopted to re-establish the financial markets and stimulate the economy are intended to generate a recovery of confidence in those markets and to foster their normalization as financiers of economic activity. The problem still to be resolved is the ability of businesses and families to access credit with some degree of normality, though inevitably with higher costs. It is in this reality that local administrations can play an important role, in their fostering of local economic activity, the creator of employment.

In 2008, the City of Barcelona maintained a high level of gross saving on current revenue, established in 24.0%, and achieved significant budget economies that have enabled it to keep up its rate of investment, which is above the minimum of 20% fixed in the 2008-2011 Municipal Action Plan (PAM), approved by the Municipal Council Plenum. Moreover, municipal debt was reduced to 36.3% of revenue.

We consider that the context of the present economic situation requires a continuation in 2009 of current policies, placing emphasis on investment within budgetary possibilities.

The Municipal Government

The City of Barcelona municipal government is formed by a coalition of the PSC and ICV-EUiA political parties, resulting from the municipal elections held in May 2007. The city government consists of 18 councillors from the 41 that make up the Municipal Council, which is the highest government body of citizens' political representation in the city and is chaired by the Mayor.

As every year in the seat of the Municipal Council, its plenary sessions and eight standing commissions (1), together with the District Councils, have discussed local policies and taken strategic decisions of capital importance for Barcelona.

In 2008 the Municipal Council approved the municipal budget and tax by-laws for 2009, thanks to the support of ERC, as well as the 2008-2011 Municipal Action Plan (PAM), among other measures.

The 2008-2011 PAM expresses the basis of the commitment adopted by the municipal government with its citizens for the coming years. It establishes the objectives and measures proposed for Barcelona City Council's six areas of government and ten districts. The most significant policies by area of government are the following:

Social Welfare and Territorial Cohesion

Social welfare and territorial cohesion policies are a major priority for the City Council, and include measures in the spheres of education, equality between women and men, youth and adolescence, uses of time, sport, culture, citizen participation, international cooperation, immigration, territorial cohesion, proximity and districts.

(1) Presidency, Territory and Public Function; Finance and Budget; Urban Planning, Infrastructures and Housing; Economic Promotion, Employment and Knowledge; Sustainability, Urban Services and Environment; Culture, Education and Social Welfare; Social Action and Citizenship, and Safety and Mobility.

Environment

The commitment with sustainability is a driving force behind Barcelona's renewal. In this sense, our activities are centred on fostering environmentally friendly measures and biodiversity, quality public space with environmental criteria, the city's environmental quality and efficient management of natural resources, as well as the reduction, recycling and re-use of waste, and a social commitment to sustainability.

Tax and Economic Promotion

The aim of economic promotion policies is to promote, stimulate and energize the economic development of Barcelona. They include policies related to innovation and city of knowledge, entrepreneurial initiative, and business growth and employment. In order to develop these and the other principal lines of municipal policy it is essential to preserve stability and diligence in the City Council's economic and financial management

Housing, Urban Planning and Council Internal Affairs

Policies in the area of planning of the public space, infrastructure and housing are central elements in our cohesive, coexistential and structured city model. Policies relating to the good governance of the city and its internal affairs are intended to provide the Administration with tools that facilitate and speed up decision making and the achievement of pre-established goals.

Social Action and the Citizen

Barcelona City Council continues to make social policy one of its priority lines of action. It encompasses policies in the areas of social action, children and adolescence, the elderly, the disabled, public health and civil rights.

Prevention, Safety and Mobility

The public space is the basic setting of harmonious coexistence and interrelationships among people. The integral, cross-disciplinary approach to measures addressing prevention and safety in this field will be a priority of this mandate, together with sustainable, rational planning policies with a strategic perspective of mobility in our city and its metropolitan area.

The Municipal Action Plan (PAM) has been drawn up with the help of organisations, institutions and citizens. More than 100,000 contributions were submitted in the participation process, which were analysed, assessed and, to a large extent, incorporated into the Plan in line with the City Council undertaking to strengthen its policy of participation and involvement between citizens and their city government.

Presentation

Andreu Puig Sabanés
City Manager

The City of Barcelona carries out a wide range of policies to achieve the best possible conditions for the city's economic development and to increase and improve the quality of local public services. It does so while maintaining finances with high solvency levels and without increasing the tax burden, keeping tax rates frozen.

The growth in current revenue over the last five years has been 6.0%, a figure higher than that of inflation, which registered an annual average of 3.4%. This increase in revenue responds basically to transfers from Central Government and the Generalitat (Regional Government), intense activity in the property market and to improvements in tax collection.

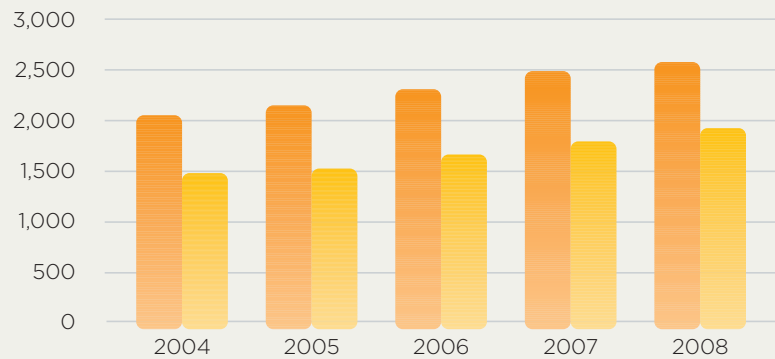
In the same period, current expenses have risen by an annual 6.8%, eight decimal points above current revenue. The area in which most resources have been assigned is that of personal services (26%), which includes social welfare, education, culture, sport and public health. The other major sphere of local public expenditure is that of upkeep of the public space (24%), with the expenses of maintenance of the public highway, the city's parks and gardens, street cleaning and waste collection and treatment. Some 18% of resources was allocated to safety and mobility. In general, all expenses linked to public services have risen, while financial expenses have been reduced.

Graph



Current Revenue and Expenses (millions of euros)

- Current Revenue
- Current Expenses



Capital expenses of the City of Barcelona Group in 2004-2008 exceeded 3,196 million euros, which represents the highest figure ever reached in a five-year period. Almost 85% of capital expenses was assigned to direct investments, enabling huge transformations of the city to be undertaken as well as the provision of facilities and execution of minor works in all districts. By way of example, in 2008 the renewal of Plaça Lesseps was practically concluded and initiation of the Plaça de les Glòries remodelling project was set in motion. Improvement works were carried out on the sewer system, the plan to modernise urban street lighting was initiated and more city-block inner court areas in the Eixample district were recovered for public use. Four new nursery schools were opened for the 2008-09 school year, numerous municipal markets are now in the reconditioning phase and the construction of two new municipal sports centres was started. The remaining 15% of capital expenses is transferred to the Metropolitan Transport Authority and to cultural facilities. It should also be pointed out that in 2007 the final capital transfer was made to HOLSA and its debt was therefore totally cancelled.

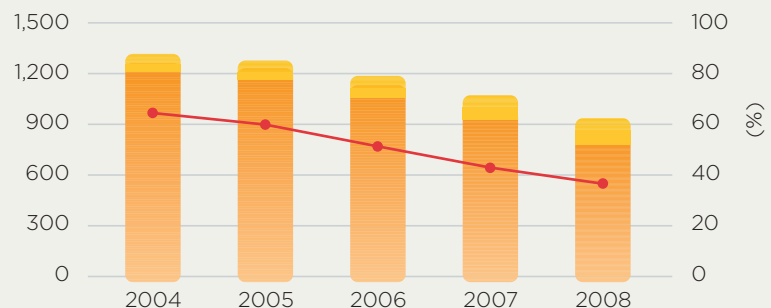
These investment figures have been achieved while at the same time reducing consolidated debt by more than 30%, and this has been made possible through the significant volume of gross saving. Some 87% of investment has been financed with the gross saving generated by current operations, and the remaining 13% with income from asset management and capital transfers.

Graph

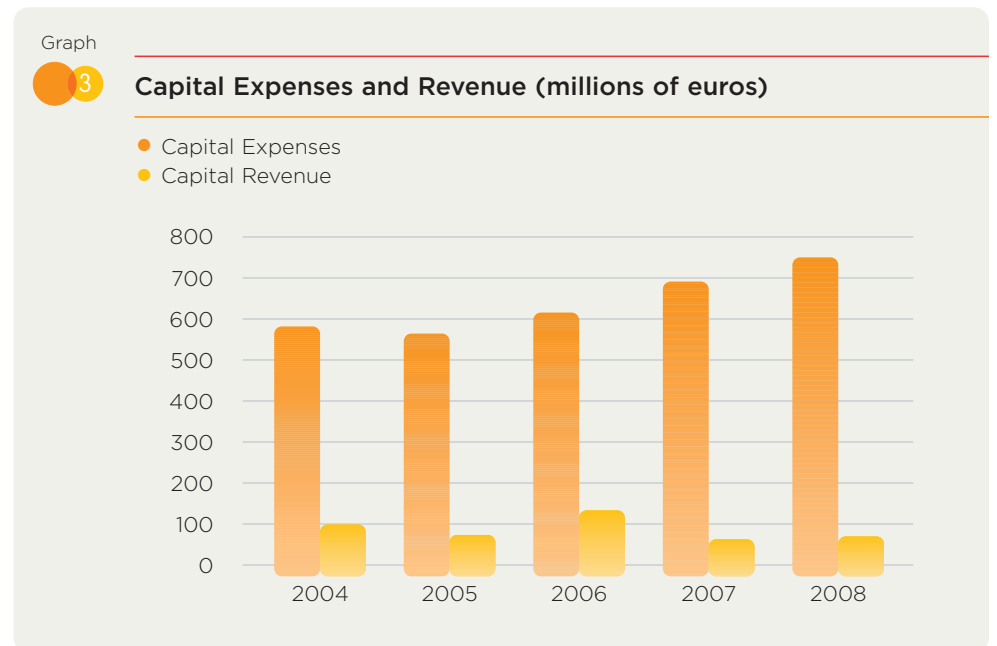


Consolidated Debt (millions of euros)

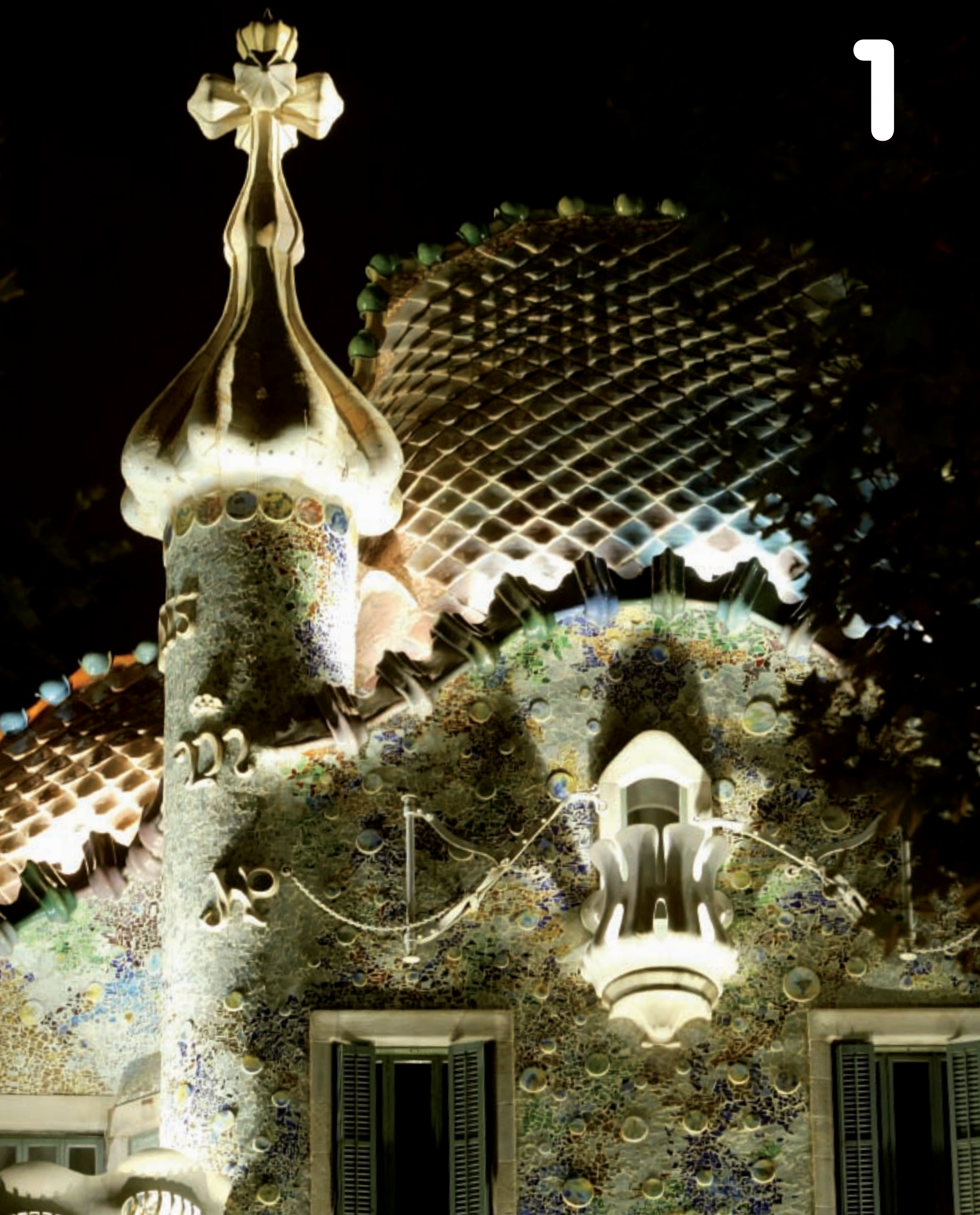
- Public Administration
- Commercial Entities
- Debt and Guarantees / Current Revenue



The consolidated debt of the City of Barcelona was reduced by 139 million euros in 2008 to the sum of 927.8 million euros, as of 31 December. Some 83.5% of this debt corresponds to the public administration of the City of Barcelona and the rest to its commercial entities, that is, to the Municipal Housing Agency and the Barcelona de Serveis Municipals Group.



Finally, I would like to conclude these lines by expressing my gratitude to all municipal workers for their efforts and hard work because, together with the participation provided by citizens, they help us achieve a more cohesive, progressive city which is becoming one of the world's leading capitals.



Barcelona's Economic Evolution

1.1. Surface Area and Population

With 1.6 million inhabitants and a surface area of only 100 square kilometres, Barcelona has one of the highest densities in Europe, growing further if we take into account the numerous tourists and other visitors that the city receives on a regular basis. Barcelona heads a broad metropolitan region which is home to some 4.9 million people and is the centre of a Euroregion with almost 20 million inhabitants, which includes the Balearic Islands, Valencian Community, Aragon and South-East France (Languedoc-Roussillon and Midi-Pyrenees). [See graphs 1.1 and 1.2 and table 1.1]

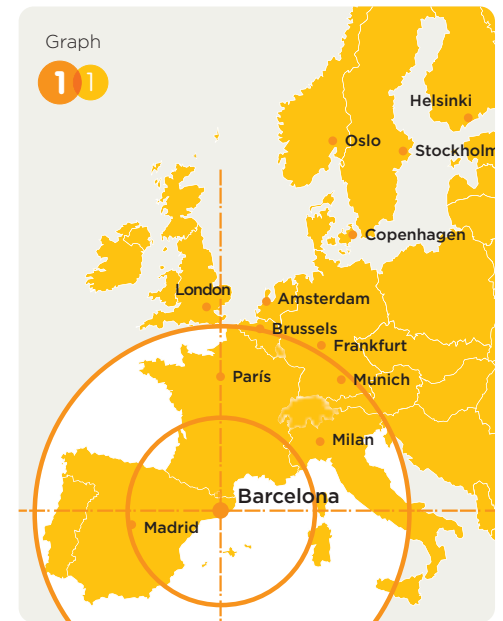
The population of Barcelona has stabilised in recent years thanks to migratory flows that have affected Spain as a whole. This influx of foreign people has led to growth in the birth and fertility rates and slowed the population's rate of ageing. In the past five years the foreign population living in Barcelona has grown at an annual accumulative rate of 11.5%. [See table 1.2]

Barcelona's population pyramid is similar to that of other cities in the more advanced parts of Europe. Life expectancy continues to rise in Barcelona and is now among the highest on the continent. In the case of men it stands at 77 years of age and for women has reached 83.9, according to 2005 statistics. The birth and death rates as recorded in 2007 data are 8.8 births and 9.7 deaths per 1,000 inhabitants. [See graph 1.3]

1.2. Urban Structure and Transport Infrastructure

1.2.1. Urban Structure

Since 1984 and as a result of a decentralisation process initiated in 1979, the City of Barcelona has been divided into 10 municipal districts, each possessing autonomy as well as the power of decision and economic management. Development of the districts over the last twenty years has



resulted in greater territorial and social balance between the city's different areas. Barcelona urban development is characterised by combining the range of uses in each district, from residential to commercial and business.

The City of Barcelona is currently engaged in a district development process which will bring about greater cohesion and an improvement in the quality of life. This process centres around four priorities: public space, personal services, mobility and accessibility and economic activity. The initiative is intended to reduce inequalities between neighbourhoods while preserving their historical or traditional dimension. [See graph 1.4]

At the beginning of this century the City of Barcelona initiated one of its most ambitious urban renewal projects to date: the 22@ special plan. This project is based on transforming 200 hectares of formerly industrial land in the central Barcelona district of Poble Nou into an innovative productive zone aimed principally at knowledge-intensive activities. Renewal of almost 70% of the brownfield sites has already been started through more than 100 urban improvement plans.

The 22@ project follows a high-quality, greener, mixed urban model combining a balance between productive activity and

Table

1 1

Population and Surface Area

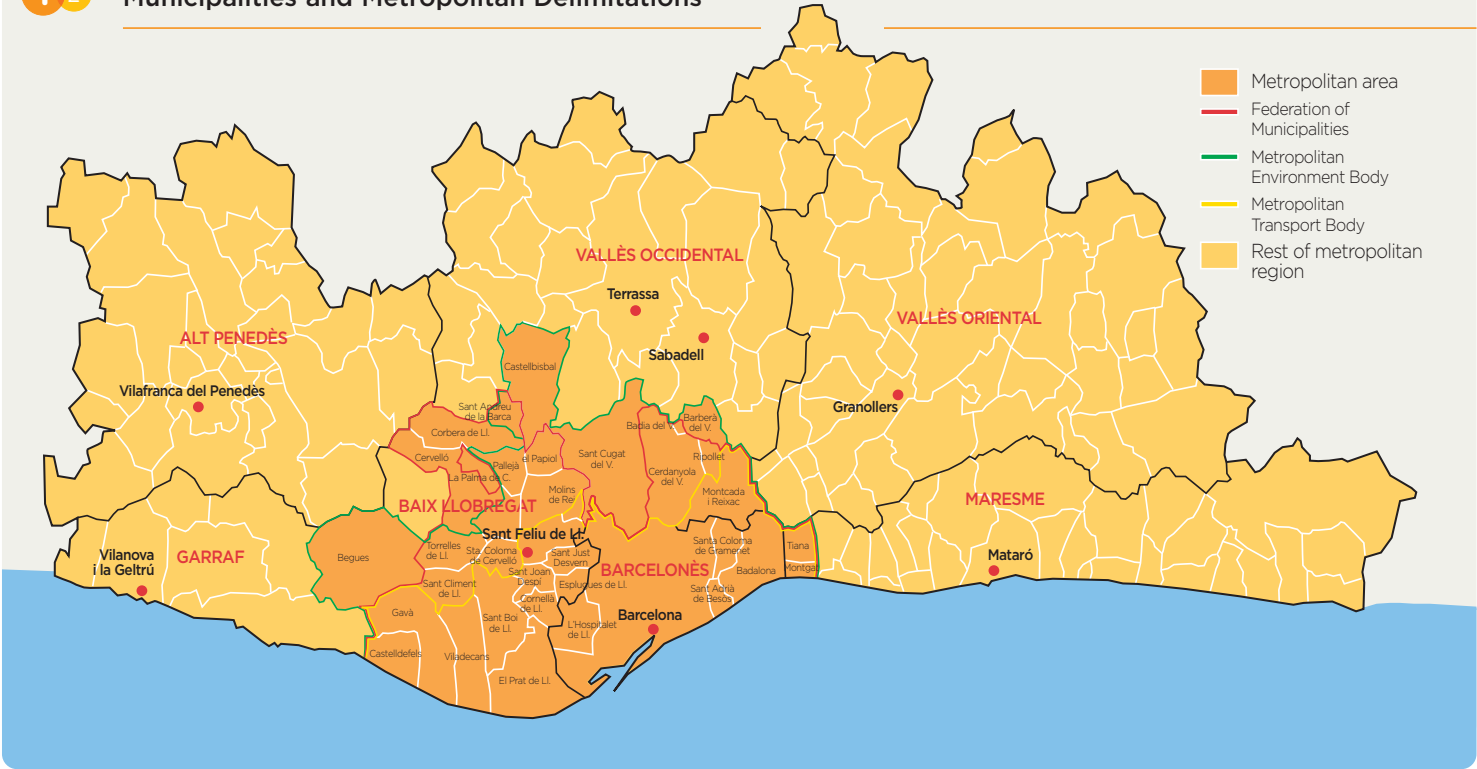
Territorial area	Number of Municipalities	Area (km²)	Population 1.1.2008	Density (Hab./km²)	% Pop. BCN /total
Barcelona (BCN)	1	101	1,615,908	15,936	100.0
Metropolitan Area (AMB)	36	636	3,186,461	5,010	50.7
Metropolitan Region (RMB)	164	3,242	4,925,805	1,520	32.8
Province of Barcelona	311	7,728	5,416,447	701	29.8
Catalonia	946	32,107	7,364,078	229	21.9
Spain	8,112	505,990	46,157,822	91	3.5

Source: Spanish National Statistics Institute (INE) and Idescat

Graph

1 2

Municipalities and Metropolitan Delimitations



Table

1 2

Population Growth

	1.1.2004	1.1.2005	1.1.2006	1.1.2007	1.1.2008
Barcelona	1,578,546	1,593,075	1,605,602	1,595,110	1,615,908
(Index 2003 base 100)	99.7	100.7	101.4	100.8	102.1
Catalonia	6,813,319	6,995,206	7,134,697	7,210,508	7,364,078
(Index 2003 base 100)	101.6	104.3	106.4	107.6	109.8
Spain	43,197,684	44,108,530	44,708,964	45,200,737	46,157,822
(Index 2003 base 100)	101.1	103.3	104.7	105.8	108.1

Source: INE

neighbourhood life. It brings together research centres, continual training and technological transfer, with public housing, amenities and green spaces.

1.2.2. Transport Infrastructure

The huge metropolitan city that it is, Barcelona possesses high degree of infrastructure facilitating its economic development.

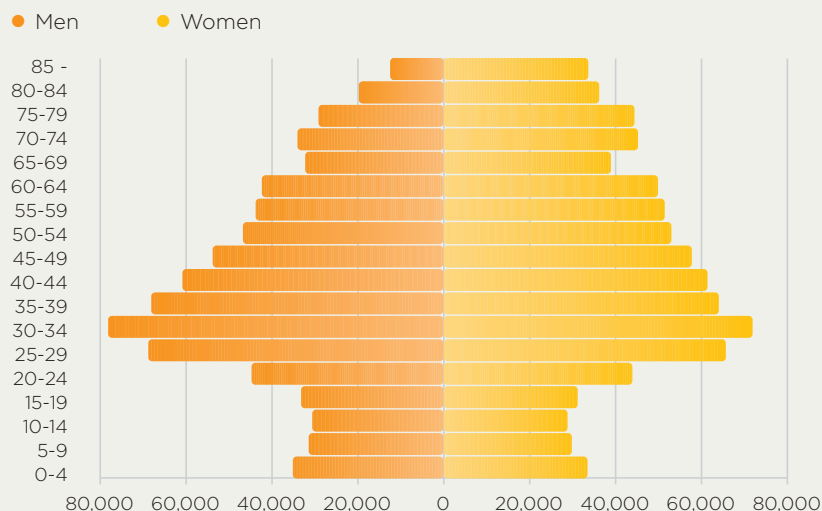
The Port of Barcelona is Catalonia's principal element of transport and

services infrastructure, the third-largest port in terms of total freight traffic in Spain and the market leader in cruises. It has some forty specialised and multi-purpose terminals to attend to the different types of traffic generated by its hinterland, the market it serves. The raw materials that nourish Barcelona's industries are imported and the products with added value produced in its surrounds exported through the Port of Barcelona. The breakdown of these

Graph

1 3

Population pyramid of Barcelona, 2008

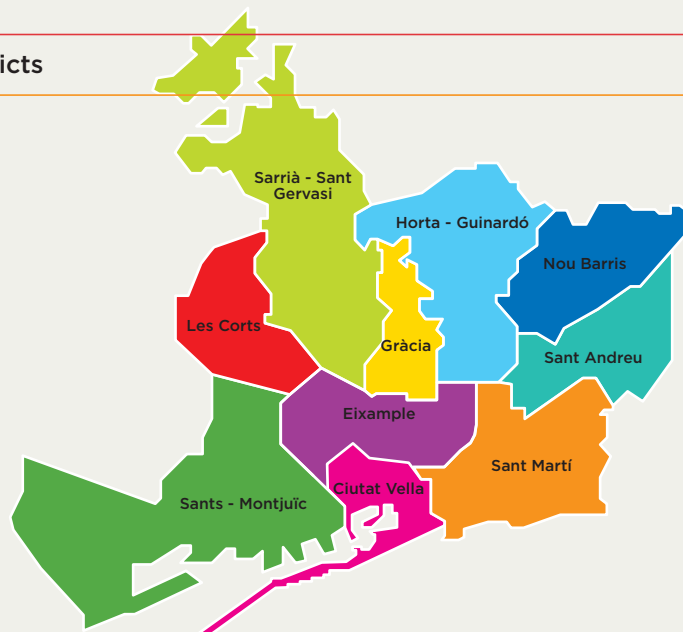


Source: (INE),

Graph

1 4

Districts



products reveals that over 70% of total merchandise handled corresponds to general freight, such as vehicles, electrical appliances and consumer goods, with a degree of containerisation reaching around 75%.

The port's Logistics Activities Area (ZAL) is an intermodal freight distribution centre with connections to the entire range of transport means (port, airport, motorway and rail) within a five-kilometre radius.

Work is currently under way to expand the Port, along with the ZAL, aimed at achieving its consolidation as a Euro-Mediterranean logistics hub and its conversion into a European communications network nerve centre.

In addition to the commercial port, Barcelona also has two urban marinas that provide nautical and leisure services: Port Vell and the Olympic Port.

Barcelona Airport is situated to the south-west of the city, straddling the municipalities of Prat de Llobregat, Viladecans and Sant Boi. It is only three kilometres from the Port of Barcelona and next to Zona Franca, one of the largest urban industrial and logistics estates in Spain.

In line with the Barcelona Plan, the airport is in the final phase of a transformation process which has consisted in construction of a new terminal area and control tower, modernisation and expansion of existing terminals and enlargement of the flight field with a new runway, as well as other relevant infrastructure improvements. These measures will consolidate Barcelona as a European airport hub of some significance and will result in an increase in connections, both domestic and international.

Development of the high-speed train networks in Europe is contributing to the creation of interconnected European regions. The two differentiating characteristics this mode of transport presents with respect to others lend it a clearly regional and interregional nature: its speed allows medium or long distances (from 100 to 600 kilometres) to be covered in times which are highly competitive with conventional trains and

motor vehicles; and the possibility to catch it in city centres with the resulting enormous capacity for modal communication makes it competitive with air travel.

The high-speed train was inaugurated in Barcelona in February 2008 and links the cities of Madrid and Barcelona in little over two and a half hours. To make this possible, Sants station was the object of a profound transformation, with expansion of the station and track installations together with an increase in the area destined to tertiary and hotel use. However, with a view to attaining even greater advantage from the network the Barcelona high-speed railway model requires the building of a second station at Sagrera, in the north of the city. A tunnel connecting the two stations is currently under construction and the line will subsequently go on to link up with the south of France.

The railway system connecting Barcelona and its metropolitan region is made up of several elements: the suburban network (RENFE), based on a radial structure linking the city with its surrounding towns; two railway lines operated by Ferrocarrils de la Generalitat de Catalunya (FGC), connecting Barcelona to towns in the Vallès and Anoia regions respectively; the underground, composed of six lines with 123 stations distributed along its 86.6 kilometres of track and an average distance between stops of 650 metres; and finally the tram, with two lines, the Trambaix and Trambesòs, which have a total of six routes.

Urban public transport is completed with a bus system consisting of 109 routes within the city of Barcelona covering more than 920 kilometres; a number of these lines also connect different municipalities in the metropolitan area.

An integrated tariff system came into force in 2001 enabling use of the different means of transport (underground, bus, tram, FGC and RENFE) necessary to make a journey through the city without being penalised for changing public transport mode within a certain time limit.



1.3. Economic Activity in Barcelona

1.3.1. Economic Structure

A good indicator of the structure and dimension of economic activity in Barcelona is the number of people registered with the Social Security system, such registration being compulsory. Taking into consideration all paid employees under the "general system" together with self-employed workers, there are over a million places of work in Barcelona, a figure that represents 6% of the total corresponding to Spain as a whole. Moreover, the city's economic structure may boast significant levels of diversification. [See table 1.3]

Services

Activities in the services sector are the main driving force behind the urban economy. Barcelona concentrates 85% of workers registered under the Social Security general system. Standing out within this sector is the preponderant role of business services, followed by commerce, health, education and public services, and hostelry and tourism. The sector's growing dynamism is further

enhanced by the increased part played by knowledge-intensive subsectors.

Sectors specialised in high added value, such as telecommunications, IT applications, audiovisuals, design and those related to the new technologies are also gaining weight in the city's economic structure. [See table 1.4]

Industry

The Barcelona area is one of Europe's pioneering zones in the industrialisation process. In fact, it constitutes the only zone on the Iberian Peninsula and in the Western Mediterranean in which the industrial revolution took place in the 19th century. Industry in the city of Barcelona currently provides work to some 10% of all salaried workers. This is a high proportion when compared with other large cities in Europe, with the most representative subsectors being those of transport material, publishing and graphic arts, and the chemicals industry. [See table 1.5]

The weight of industry in the territorial area of Barcelona's metropolitan region is higher than in the central city, employing almost 18% of the salaried population. The metropolitan industrial production structure is highly diversified, which grants it added stability in periods of

Table

1.3

Distribution by Sectors of Registration with the Social Security

General System	Dec. 04	Dec. 05	Dec. 06	Dec. 07	Dec. 08
Absolute Values					
Agric., stockbreeding & fishing	1,313	1,664	1,734	2,175	2,410
Industry	112,955	111,839	106,484	101,477	93,589
Construction	45,351	50,511	51,973	51,236	43,018
Services	707,345	740,921	775,740	798,112	778,044
Total	866,964	904,935	935,931	953,000	917,061
In Percentages					
Agric., stockbreeding & fishing	0.2	0.2	0.2	0.2	0.2
Industry	13.0	12.3	11.4	10.6	10.2
Construction	5.2	5.6	5.5	5.5	4.7
Services	81.6	81.9	82.9	83.7	84.8
Total	100.0	100.0	100.0	100.0	100.0
Self Employed	Dec. 04	Dec. 05	Dec. 06	Dec. 07	Dec. 08
Absolute Values					
Total	119,611	120,746	122,218	123,958	121,170

Source: Spanish National Institute of the Social Security (INSS)

Table

1 4

Services Sector in Barcelona

Wage Earners Registered with the General System of the Social Security

December 2008	Number	%
Other Business Services	148,735	19.1
Retail Trade and Repairs	80,216	10.3
Public Administration and Extraterritorial Organizations	79,216	10.2
Health and Social Services	79,140	10.2
Hotel and Restaurant Trade	56,905	7.3
Education	56,467	7.3
Wholesale Trade and Intermediaries	53,333	6.9
Finance and Insurance	42,834	5.5
IT and R&D Activities	32,079	4.1
Cultural and Sports Activities	25,294	3.3
Transport	21,555	2.8
Other Social and Personal Services	18,478	2.4
Activities Related to Transport and Travel Agencies	17,289	2.2
Property Services	16,799	2.2
Post and Telecommunications	13,911	1.8
Associative Activities	13,774	1.8
Sale and Repair of Vehicles	10,269	1.3
Public Health Activities	9,897	1.3
Machinery and Equipment Rental	1,853	0.2

Source: Department of Employment of the Generalitat de Catalunya (data from the INSS)

Table

1 5

Industry in Barcelona

Wage Earners Registered with the General System of the Social Security

December 2008	Number	%
Transport Vehicles and Materials	20,661	22.1
Paper, Publishing and Graphic Arts	15,021	16.1
Chemicals Industry	14,256	15.2
Food and Drink	7,832	8.4
Software, Electrical Machinery and Materials	5,680	6.1
Production and Distribution of Electricity, Gas and Water	5,313	5.7
Textiles, Garment Making, Furs and Leather	5,008	5.4
Metallurgy and Metallic Products	4,827	5.2
Machinery and Mechanical Equipment	4,727	5.1
Rest of Manufacturing Industries	3,310	3.5
Manufacture of other Non-metallic Mineral Products	3,133	3.3
Electronics and Precision Instruments	2,415	2.6
Rubber and Plastics	1,321	1.4

Source: Department of Employment of the Generalitat de Catalunya (data from the INSS)



sector downturn. This diversification is fruit of the evolution of an industrial sector in transformation from one essentially based in textiles, predominant in the mid-20th century, to today's automotive, chemical-pharmaceutical, publishing and graphic arts, agro food, consumer electronics and computer software industries, among others.

Barcelona's economy is Spain's main exporting base, above all because it is a metropolis engaged in the production of medium to high intensity technological goods. According to provisional data from the Spanish Ministry of Industry, Tourism and Trade, in 2008 the province of Barcelona exported 21% of the total value of goods exported by the Spanish economy, and 80% when compared with the Catalan economy as a whole.

Construction

The construction sector directly employs 4.7% of wage-earners in Barcelona. In recent years construction has been the driving force of growth both in Barcelona as well as in the rest of Catalonia and Spain. Specifically, though the maximum specific weight of this sector has never exceeded 5.6% of all salaried workers in the city, residential construction in Barcelona over the last few years has reached a cyclical high coinciding with the rise in facilities and hotel construction, the remodelling and recovery of the city's underused areas and enlargement of the port, airport and the Fira de Barcelona (Trade Fair). All of which has taken place in a context in which refurbishing and reconditioning has constituted an element of renewal both of built-up districts as well as of the deteriorating areas. Following a long process of expansion, this sector has now entered into a phase of deceleration.



1.3.2. Economic Growth

International Economic Context

According to IMF data, in 2008 the world economy recorded growth of 3.4%. The IMF forecasts that the economy will continue losing strength in 2009 and will begin to recover in 2010. Breakdown of the statistics for large economic areas

shows that there are different degrees of intensity in the growth slow-down process. As regards the most advanced economies, the United States, Japan, United Kingdom and the Euro zone registered overall growth under 1% in 2008, and a fall of 2% is expected in 2009. In the case of the emerging and developing economies, whose leading actors include China, India, Brazil and Russia, growth in 2008 was 6.3% and estimates for 2009 predict a growth rate of 3.3%.

The financial crisis initiated in the US mortgage market has become a global crisis of liquidity and trust which has led to the hardening of conditions for access to finance.

The priority objective of public policies currently being applied across world economies is to re-establish a certain normality in the way financial markets operate and to put a halt to the downward turn in the real economy as quickly as possible.

Gross Domestic Product

In terms of supply, construction and manufacturing are the activities that present the greatest losses in production, while the tertiary sector appears as the sole motor of Spanish GDP growth in 2008. Though market

services are feeling the effects of the weakness in domestic demand, with the support of public budgets non-market services maintain their expansion, even exceeding that of a year ago. [See graph 1.4]

Consumer Price Index

The reduction in interest rates and oil and raw materials prices on international markets during the second half of 2008 together with falling demand have contributed to a deceleration in inflationist tension. In Spain, Catalonia and Barcelona, the year-on-year variation in CPI at year end was between 1.4% and 1.8%, well under the European average of 2.2%. [See table 1.6]

Employment

Employment market indicators have worsened over the last year. The unemployment rate registered in Barcelona at the end of 2008 was 9.1%, almost two percentage points below the Catalan rate and 4.5 points lower than that of Spain. [See table 1.7]

Some 85% of jobs existing in Barcelona correspond to the tertiary sector. Some subsectors within the services sector have lost employment, as in the case of the aggregate of company services, while others such as most public services and,

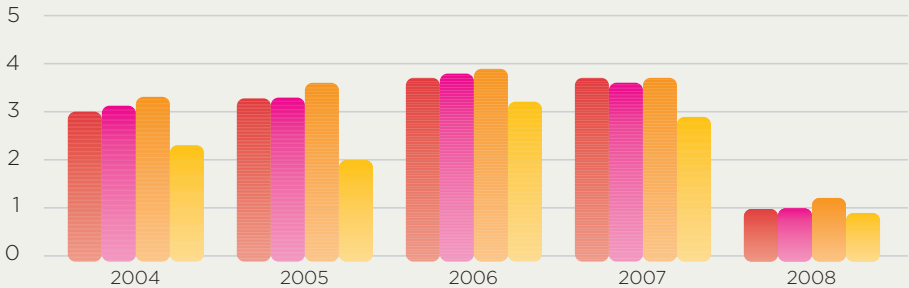
Graph

15

GDP Evolution (annual average)

● Barcelona and Metropolitan area ● Catalonia ● Spain ● European Union

Variation (%)



Source: Eurostat, Spanish National Institute of Statistics, Idescat and Barcelona City Council, "Barcelona Economia"

above all, the research and development subsector, have generated jobs.

Economic Indicators of the Metropolitan Economy

The principal lines or conditioners that form the context of economic activity in the metropolitan area are the same as apply for the Spanish and Catalan economies. The profile of industrial activity, which had recovered slightly in the last two years, is one of those that have most rapidly suffered the impact of the economic slow-down. The moderately expansive evolution of manufactured product exports has been conditioned during most of the year by attempts to limit the reduction in activity.

The overall figure for freight transported through the port and airport has remained steady at levels similar to

those of the previous year at a little more than 50 million tonnes, 1% higher than that of 2007. The evolution in the different components that have passed through the port of Barcelona is uneven. General freight has remained stable, bulk solids have fallen due to decline in the cement business and in some food-based raw materials, and the growth in bulk liquids has intensified thanks, above all, to imports of natural gas. Finally, a slight reduction of 1.6% was registered in goods transported in containers.

Passenger traffic, with its own specific and expansive dynamic, is situated at some 12.4% higher than the figure registered in the same period of the previous year thanks essentially to the increase in cruise passengers and regular ferry lines connecting Barcelona with other European ports. Counting both

Table

1 6

Consumer price index (Annual increase, in %)

Year	Barcelona (1)	Catalonia	Spain	EU
2004	3.7	3.6	3.2	2.2
2005	4.4	4.3	3.7	2.1
2006	2.8	2.8	2.7	2.1
2007	4.3	4.3	4.2	3.2
2008	1.8	1.6	1.4	2.2

(1) Province of Barcelona

Source: Spanish National Institute of Statistics, "Statistics Bulletin", and Barcelona City Council, "Barcelona Economia"

Table

1 7

Registered Unemployment Rate

Period	Barcelona	Catalonia	Spain	EU
12.31.04	5.8	6.0	8.2	9.0
12.31.05	6.5	7.3	9.9	8.5
12.31.06	6.6	7.0	9.3	7.6
12.31.07	6.3	7.0	9.4	6.9
12.31.08	9.1	11.0	13.6	7.3

Source: Barcelona City Council, "Barcelona Economia" and Spanish Ministry of the Economy and the Treasury, "Monthly summary of economic indicators"

cruise ships with Barcelona as their point of origin or destination as well as those that use the port as a stopover, the total number of cruise passengers exceeds two million, representing almost two-thirds of all sea passengers. The entry into operation of Terminal A on the Moll Adossat during the spring has contributed to strengthening Barcelona's position as the leading port for Mediterranean cruise ships. [See table 1.8]

As far as the airport is concerned, the figure of 30.2 million passengers was recorded in 2008, some 8.2% less than in 2007 but higher than that of 2006. Growing competition from the high-speed train (AVE) explains part of this reduction. The inauguration in February 2008 of the AVE link between Barcelona and Madrid has led to a fall of some 24.2% in the number of passengers using the air shuttle between the two cities. In contrast,

traffic with the European Union is the segment which presents a more expansive result, with growth around 14.3%. The progressive increase in relative weight of this type of traffic is in line with the process of internationalisation of the airport, aimed at promoting networked airlines that use the connection transit system to supply that of long-distance flights.

In a context of deceleration in world tourism, in 2008 some 6.7 million people visited Barcelona hotels, generating 12.5 million overnight stays; these figures are lower by 6.3% and 8.3% respectively than those of 2007, a year which marked historical records.

The trade fairs and congresses that take place in Barcelona are one of the main indicators of the city's economic dynamism. Worthy of note in this respect is the strength shown by exhibitions such

Table

18

Economic Activity (metropolitan area)

	Period	Absolute Value	2008/2007 (%)	2007/2006 (%)	2006/2005 (%)
Port: Freight Traffic					
Total (thousands of tonnes)	2008	50,545	1.0	7.8	5.9
Outward Traffic (thousands of tonnes)	2008	19,783	1.5	11.5	12.7
Inward Traffic (thousands of tonnes)	2008	30,762	0.7	5.6	2.1
Containers (thousands of Teus)	2008	2,570	-1.6	12.6	11.9
Total Passenger Traffic (thousands)	2008	3,237	12.4	13.4	15.0
Airport: Passenger Traffic					
Total (thousands)	2008	30,208	-8.2	9.6	10.5
Barcelona-Madrid Line (thousands)	2008	3,637	-24.2	10.7	-4.2
International (thousands)	2008	17,403	-1.3	14.0	13.8
Consumption and Tourism					
Vehicle Registration (provincial)	2008	189,169	-29.4	-5.9	-1.9
Hotel Overnight Stays (thousands)	2008	12,485	-8.3	3.2	20.5
Visitor Overnight Stays (thousands)	2008	6,659	-6.3	6.0	18.6
Construction and Prices in the Property Market					
New area Anticipated in Permits (m ²)	2008	1,035,077	-4.0	-30.1	9.4
Area to be Reconditioned or Extended (m ²)	2008	480,709	37.2	-9.9	-11.6
Dwellings Initiated	2008	2,729	-42.0	-18.9	-0.7
Ave. Sale Price of New Build (€/m ²)	2008	5,915	-5.1	2.5	14.0
Ave. Rental Price of Dwelling (€/m ² /month)	2008	16,7	5.5	11.6	13.7

Source: Barcelona City Council, "Barcelona Economia"

as Hostelco, Expoquimia, EIBTM – devoted to the organisation of travel for incentives, meetings and business – and the International Boat Show, held in the second half of the year when the economic crisis was accentuating. The Fira de Barcelona has a portfolio of some 80 trade fairs of varying regularity and more than 40,000 exhibitors. Almost 80% of the fairs are professional-industrial and the rest dedicated to distribution and the wider public.

According to data presented by the Barcelona Convention Bureau, a total of 383 congresses, 286 symposiums and courses and 1,813 conventions and incentive trips took place in Barcelona in 2008. These events represent an overall total of almost 700,000 participants. Predominant in recent years have been congresses related to the medical-healthcare sector and conventions organised by the chemical-pharmaceutical industry, while significant increases have been noted in meetings originating in the scientific and new technologies sectors.

The registration of vehicles in the province of Barcelona has shown a fall of 29.4% and is situated slightly below 190,000 units. Following a decade of uninterrupted growth, the current phase of contention reflects both the uncertain economic climate as well as the difficulty in gaining access to credit.

The use of urban public transport in 2008 maintained levels similar to those of the year before, with almost 618 million journeys. One aspect worthy of consideration when drawing up a balance for 2008 is the expansion of the bicycle-sharing service (Bicing). Since its introduction in March 2007 the service has been extended throughout the city's districts, with 400 stations and 6,000 bicycles, and has reached a total of 188,000 subscribers. The gradual extension of the service has contributed to reducing motor-vehicle traffic –

basically motor cycles – and to the decongestion of conventional public transport.

Recent evolution in the construction and property sector is one of the main factors on which the current economic situation is based. Despite a 42% reduction in the number of housing projects started, the adjustment of the construction sector in Barcelona is proving less complicated than in other parts of Spain for three reasons: the boost in building projects initiated under some form of subsidy has resulted in the descent in available housing being less pronounced; refurbishing works continue to grow, with some 37.2% square meters more than in 2007; and there are numerous infrastructure projects in progress. The reduction in the number of houses initiated in 2008 in Catalonia amounts to 67.8%.

As regards the property market, official statistics of sale prices still show a moderate descent – between 5 and 10%. Added to the decrease in demand, which is proving extremely prudent in view of the contraction in the labour market, are the difficulties of access to credit despite reductions in interest rates in the last months of 2008. These circumstances are having the effect of pushing part of the new dwellings in stock or bought as an investment towards the rental segment where, due to this increase in supply, rents have risen in relation to 2007.

Built area anticipated in the building permits granted by the City of Barcelona in 2008 amounted to 1,515,786 m², distributed between new build (68.3%) and reconditioning and extension (31.7%). The distribution by use of new projects reflects the predomination of construction destined to installations and uses directly related to economic activity (48.4%), followed in terms of significance by parking facilities (30.2%) and residential use (21.4%).

2



Management Report

The management report shows the consolidated data of the Group made up of the City of Barcelona and its municipal agencies and firms, irrespective of their sources of financing.

2.1. Structure of Current Revenue

The current revenue of the Group made up of the City of Barcelona and its dependent bodies consists, basically, of: a) local taxes; b) taxes allocated by the Central Government (shared taxes); c) other fiscal revenue, mainly charges for services and for use of the public domain; d) revenue for the sale of goods and the provision of services, including at public prices; e) other operating revenue, such as rents, concessions and special uses, fines, late-payment surcharges, other surcharges, profit-sharing and financial revenue; f) and current transfers, principally from the Central Government Supplementary Finance Fund.

In general terms, a third of all revenue comes from the Supplementary Finance Fund, another third from local and shared taxes, and the final third from charges, the sale of services, and other income and transfers.

Local taxes consist of property tax (IBI), the tax on economic activities (IAE), the tax on the increase in land value (IIVT), the tax on motor vehicles (IVTM) and the construction tax (ICIO). The IBI

represents some 58% of local taxes overall.

The makeup of taxes allocated by Central Government comprises part of the returns obtained, once the allocation corresponding to Autonomous Communities has been discounted, from personal income tax, Value Added Tax (VAT) and the special taxes levied on beer, wines and fermented beverages, intermediate products, alcohol and derivatives, hydrocarbons and tobacco. The percentage assignments are 1.6875% of personal income tax, 1.7897% of VAT and 2.0454% of the special taxes.

Additionally, the City of Barcelona receives a non-earmarked current transfer from Central Government known as the Supplementary Finance Fund. In accordance with Legislative Royal Decree 2/2004, of 5 March, approving the amended text of the Law Regulating Local Taxation, the Supplementary Finance Fund grows at the same annual rate as Central Government revenue collected (less the amount allocated to the Autonomous Communities) for the taxes that are allocated to local authorities. It which includes the offset for loss of revenue caused by the reforms effected in the tax on economic activities.

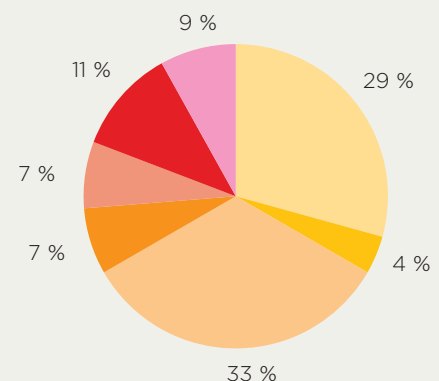
The remaining current transfers correspond essentially to specific resources from other public administration bodies, mainly from the

Graph

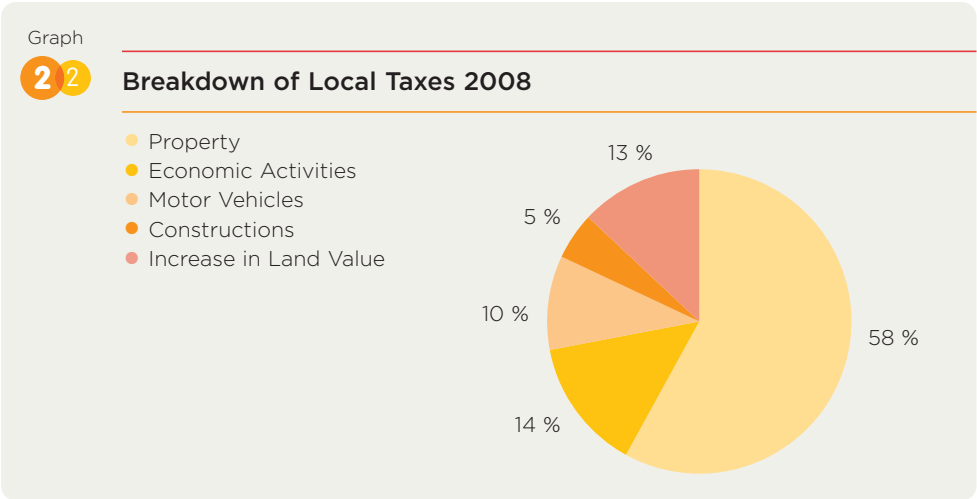
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Breakdown of Current Revenue 2008

- Local Taxes
- Shared taxes
- Supplementary Finance Fund
- Other Transfers
- Charges
- Sale of Goods
- Other Operating Revenue



Generalitat de Catalunya and local entities, as well as from private firms and non-profit organizations.



2.2. Structure of Current Expenses

The City of Barcelona exercises the powers established in the Barcelona Municipal Charter and general legislation concerning local government. Through the central bodies of the City Council, the districts and the municipal agencies and firms, the City provides a series of services, both inside and outside the organisation, which are detailed below.

The operational sectors are the following:

- a) Education, Culture and Welfare: education, culture, sports and citizen participation. Part of the services offered is provided through the Institut Municipal d'Educació (*Municipal Agency of Education*), the Institut de Cultura de Barcelona (*Barcelona Agency of Culture*) and the Institut Barcelona Esports (*Barcelona Sports Institute*).
- b) Social Action and Citizenship: social services and civil rights. Includes the

- Institut Municipal de Persones amb Discapacitat (*Municipal Agency for Disabled Persons*).
- c) Environment: street cleaning, solid waste collection and sanitation; maintenance, paving, public lighting and water; maintenance of parks, green zones and beaches; energy saving and renewable energies, education and environmental participation, and the monitoring and reduction of pollution. Some of these services are provided through the Institut Municipal de Parcs i Jardins (*Barcelona Municipal Agency of Parks and Gardens*).
- d) Prevention, Safety and Mobility: public safety, fire prevention and civil protection services, mobility, traffic and public transport, road safety and parking.
- e) Urban Planning and Infrastructures: town planning and territorial and urban layout, urban landscape, infrastructures and housing. The dependent entities active in these areas are the Patronat Municipal de l'Habitatge (*Municipal Housing Agency*), Institut Municipal de Paisatge Urbà i

Qualitat de Vida (*Municipal Agency of Urban Landscape and Quality of Life*), the Institut Municipal d'Urbanisme (*Municipal Agency of Town Planning*), Barcelona Gestió Urbanística, S.A. and the Barcelona d'Infraestructures Municipals Group.

f) Economic Promotion: economic promotion of the city, employment and innovation, commerce, municipal market network, consumer affairs, tourism and information technology. Participants in this area include the Institut Municipal de Mercats (*Municipal Agency of Markets*), Barcelona Activa, S.A. and 22@bcn, S.A.

The corporate sectors are the following:

a) General Services: central administration, heritage and coordination of the districts. Includes the municipal firm Informació i Comunicació de Barcelona, S.A.

b) Human Resources: human resources policies and staff administration and organisation.

c) E-Government and Information Systems: municipal IT and telecommunications systems, electronic administration. A good deal of these services is provided through the Institut Municipal d'Informàtica (*Municipal Agency of IT Services*).

d) Finances: financial, accounts, budget and tax administration; coordination of municipal firms, agencies and dependent

entities; and monitoring of investments.

Powers in the field of taxation are exercised by the Institut Municipal d'Hisenda (*Municipal Agency of Finances*).

The municipal companies that carry out activities of a commercial nature are concentrated in the Barcelona de Serveis Municipals Group, whose scope of responsibilities includes the municipal car parks, management of leisure activity areas such as the Zoo, Tibidabo, Montjuïc and the Forum zone, as well as management of the city's funeral services and its cemeteries, waste collection and treatment, and wholesale markets.

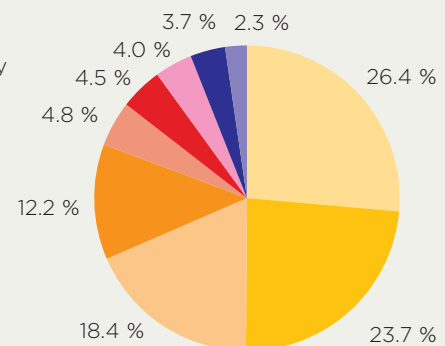
The following graph represents the current expenses of the City of Barcelona and its Group, structured into four main sections of municipal activity. It shows that the greatest expenditure corresponds to the area of personal services, with over 26% of current expenses. This spending has been made in implementing personal social services policies; policies which, as a result of approval of the Dependent Persons Law, have an ever increasing impact at a local level. They have also facilitated the operation of the City's cultural facilities, as well as start-up of the Fàbriques de la Creació (*Creation Factories*), popular festivities and the operation of libraries. Other personal services include those connected with education, public health, the municipal sports facilities network and sports competitions.

Graph

2 3

Current Expenses

- Personal Services
- Public Space
- Safety, Transport and Mobility
- General Services
- Housing and Urban Planning
- Transfers to Other Administrations
- Participation, Information and Citizen Orientation
- Economic Promotion
- Financial Expenses



The other major area of local public expenditure is that of maintenance of public space, to which almost 24% of current expenses were allocated. This was devoted to maintenance of the public highway, in terms of both improvements in street lighting and paving, as well as street cleaning, waste collection and treatment and the upkeep of the City's parks and gardens.

Safety and mobility represents 18% of current expenses. Every year the Guardia Urbana (municipal police) recruits new officers, 175 in 2008, in order to continue the renewal and rejuvenation of the force and to comply with the agreement, signed by all municipal political groups, to provide 1,000 jobs in the service up to 2011. The Fire Service also incorporated 45 fire-fighters in 2008.

Current expenses on urban planning, housing and heritage improvements were 92 million euros. Some 72 million was allocated to implementing economic and employment promotion policies for the city, while participation, information, citizen orientation and civic centres accounted for 77 million. Transfers to other administrations correspond to those transfers to the Municipal Association of the Barcelona Metropolitan Area. The sum assigned to General Services, 12.2% of all expenses, was allocated to the operation of government bodies and general administration, data bases, building maintenance and tax management. Finally, financial expenses represented slightly more than 2% of total current expenditure.

2.3. Human Resources

The staff of the City of Barcelona Group as of 31 December 2008 consisted of 12,031 people, 984 workers fewer than the year before.

The reduction in staff results from, on the one hand, the early retirement plan applied in 2008, an option taken up by 223 people, and on the other, to the transfer of personnel from the Barcelona Municipal Agency of Education to the Consorci d'Educació de Barcelona



(Education Consortium of Barcelona), leading to a reduction of over a thousand people. This Consortium is formed by the Generalitat de Catalunya with 60% and the City of Barcelona, with 40%.

The most significant increases in personnel correspond to the rise in the number of workers engaged in mobility services (Guardia Urbana and services provided, basically, through the municipal firm Barcelona de Serveis Municipals, S.A.) as well as in the City Council's central bodies. This is due, in the latter case, to the organisational changes being applied since the last municipal elections.

The following graph shows the total workforce of the City of Barcelona Group broken down into the sectors into which the executive municipal administration is organised. For the sake of simplicity,

Municipal Management and the Finance, Human Resources and Organisation sectors, together with General Services and Territorial Organisation, are grouped together under one heading in the General Services caption. The staff of municipal agencies and firms has been operationally included in the area of one of the sectors of activity according to the services they provide.

In 2008, the City of Barcelona devoted 2.24% of the gross payroll to personnel training. A total of 222,950 teaching hours – some 5.8% more than in 2007– were imparted in training courses, which were attended by 17,661 people. Within the framework of the National Agreement of Ongoing Training, the National Institute of Public Administration subsidised part of personnel training. In 2008, this subsidy accounted for the training activities of 2,926 municipal workers.

Table

2 4

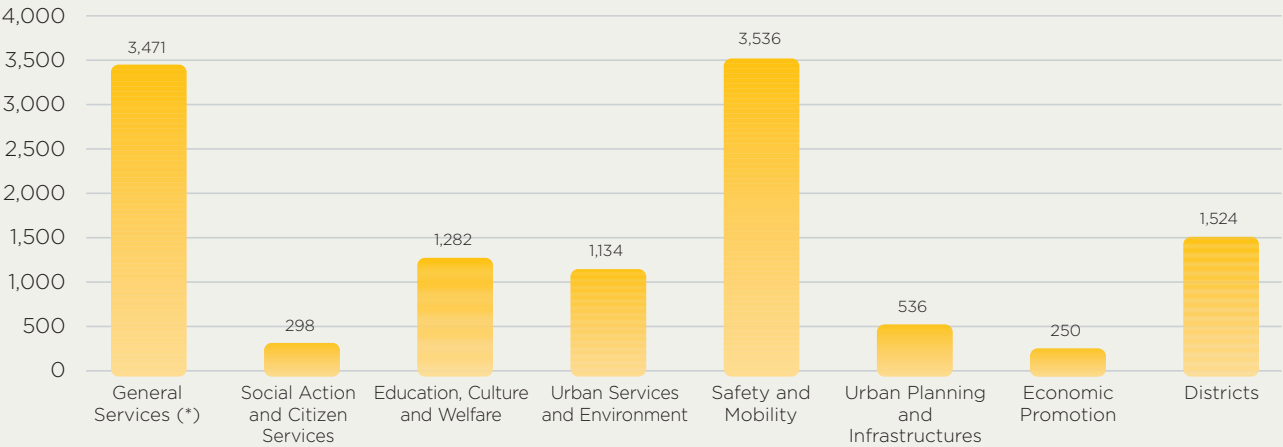
Personnel of the City Council, its Municipal Agencies and Firms

	12.31.04	12.31.05	12.31.06	12.31.07	12.31.08
City of Barcelona	6,657	6,578	6,755	6,891	6,979
Municipal Agencies and Firms	5,753	5,897	6,104	6,124	5,052
Total	12,410	12,475	12,859	13,015	12,031

Graph

2 5

Breakdown by Sectors of the Personnel of the City of Barcelona Group as of 12.31.2008



(*) Includes the Municipal Management and the sectors of Finance, Human Resources and Organisation, General Services and Territorial Coordination.

2.4. Evolution of Current Revenue

Growth in current revenue over the last five years has been 6.0%, while inflation has registered an annual average of 3.4%. This increase in revenue has not been the result of a rise in tax rates, but rather responds to other causes, the most significant of which were: a) the gradual application over a period of 10 years of the new public register land values approved by Central Government in 2001; b) the overall dynamic nature of the construction sector and property market during this period; c) improvements in collection; and d) the growth in non-earmarked transfers from Central Government.

Current revenue in 2008 was 2,553 million euros, 2.7% more than in 2007. While local revenue rose by 1.4%, current transfers and financial revenue grew by 4.4% and 23.8%, respectively.

Tax rates were not changed in 2008, but it is worth pointing out the increase of

7.1% in revenue from property tax due to the gradual application of new public register land values, approved in 2001.

The tax on economic activities has maintained a rather steady performance throughout the years since its reform in 2004, despite which it underwent a rise of 2.0% in 2008 with respect to the previous year. The increase in revenue from these two taxes has compensated for the fall in that from the construction sector and property market. Nonetheless, it should be taken into account that in 2007 both taxes produced growth of some 30% and thus the 2008 absolute values are similar and even higher than those of 2006. Taxes allocated by Central Government rose by 8%.

The rest of local revenue (charges, sales of goods and services and other operating revenue) underwent a moderate overall increase of 1.2%, principally due to the reduced amount proceeding from concessions, the collection of commercial refuse and late-payment surcharges. The growth of 5.3% experienced in charges can

Table

26

Current Revenue (thousands of euros)

	2004	2005	2006	2007	2008
Property Tax	333,329	346,753	370,744	398,998	427,379
Tax on Economic Activities	84,817	93,860	96,409	97,269	99,191
Tax on Motor Vehicles	74,686	73,541	74,918	74,529	74,052
Tax on Construction	34,484	33,974	37,922	50,511	37,401
Tax on Increase in Land Values	80,055	93,459	84,099	108,497	97,262
Subtotal	607,371	641,587	664,092	729,804	735,285
Shared Taxes: Income Tax, VAT and Special Taxes	89,923	93,235	82,802	85,714	92,603
Total Local Taxes	697,294	734,822	746,894	815,518	827,888
Other Fiscal Revenue: Charges	137,385	162,495	158,184	157,653	165,977
Sale of Goods and Provision of Services	244,545	237,994	263,255	286,538	290,928
Other Operating Revenue	201,258	177,099	228,316	225,339	220,732
Total Local Revenue	1,280,482	1,312,410	1,396,649	1,485,048	1,505,525
Supplementary Finance Fund	669,241	700,689	756,226	813,251	842,791
Other Current Transfers	100,336	125,679	146,838	173,524	187,564
Total Current Transfers	769,577	826,368	903,064	986,775	1,030,355
Financial Revenue	5,630	6,455	11,347	14,163	17,530
Total Current Revenue	2,055,689	2,145,233	2,311,060	2,485,986	2,553,410

be broken down into a general reduction of 2.8% in those made for the sale of services and an increase of 11.6% in charges for the private use of the public domain (basically from the increase in the share in gross income of the utility companies that operate in Barcelona). Revenue from municipal agencies and firms that provide services to citizens also rose, especially that of Barcelona de Serveis Municipals, S.A. which, among other operations, runs the municipal car parks and leisure areas such as the Zoo, Tibadabo Amusement Park, the Forum zone and leisure areas on the Montjuïc mountain.

Overall, current transfers exceeded 1,030 million euros, 4.4% more than the

previous year, with the Supplementary Finance Funds transferred from Central Government increasing by 3.6% and the rest of current transfers by 8.1%. This caption includes 15 million euros allocated by Central Government to finance cultural institutions, as well as earmarked transfers from other administrations, basically the Generalitat de Catalunya, for education, primary care, homes and day centres for the elderly and immigration, as well as from the Metropolitan Hydraulic Services and Waste Treatment Agency for refuse management.

Financial revenue exceeded 17.5 million euros, a figure considerably higher than the 14.2 million of the previous year.

Table

27

Current Revenue (percentages)

	2004	2005	2006	2007	2008
Property Tax	16.2	16.2	16.1	16.0	16.7
Tax on Economic Activities	4.1	4.4	4.2	3.9	3.9
Tax on Motor Vehicles	3.6	3.4	3.2	3.0	2.9
Tax on Construction	1.7	1.6	1.6	2.0	1.5
Tax on Increase in Land Values	3.9	4.4	3.6	4.4	3.8
Subtotal	29.5	30.0	28.7	29.4	28.8
Shared Taxes: Income Tax, VAT and Special Taxes	4.4	4.3	3.6	3.4	3.6
Total Local Taxes	33.9	34.3	32.3	32.8	32.4
Other Fiscal Revenue: Charges	6.7	7.6	6.8	6.3	6.5
Sale of Goods and Provision of Services	11.9	11.1	11.4	11.5	11.4
Other Operating Revenue	9.8	8.2	9.9	9.1	8.7
Total Local Revenue	62.3	61.2	60.4	59.7	59.0
Supplementary Finance Fund	32.5	32.7	32.7	32.7	33.0
Other Current Transfers	4.9	5.8	6.4	7.0	7.3
Total Current Transfers	37.4	38.5	39.1	39.7	40.3
Financial Revenue	0.3	0.3	0.5	0.6	0.7
Total Current Revenue	100.0	100.0	100.0	100.0	100.0

2.5. Evolution of Current Expenses

Over the last five years, the annual rate of growth in current expenses has been 6.8%, eight percentage points more than the growth registered in current revenue. Most notable throughout the five-year period has been the increase in expenses in works, supplies and subcontracted services, as well as in current transfers, which have grown by an annual 9.3% and 11.2% respectively, together almost tripling average inflation for the same period. Particular increases have been registered in expenditure allocated to social care, public spaces, safety and mobility, which are government priorities. In total, expenses in works, supplies and subcontracted services and current transfers have gained weight in overall current expenditure, rising from 53.8% in 2003 to 62.1% in 2008. These increases have, in part, been offset by the reduction in financial expenses of 9.6% in annual terms.

Current expenses in the 2008 fiscal year grew by 7.5%. Personnel expenses rose by 5.4%, reflecting the 2% increase in salaries in accordance with the Law governing the 2008 State budget, as well as changes in category, the incentive-based early retirement scheme and the provision made for the collective agreement. As regards the captions of works, supplies and subcontracted services, the areas of expenses that experienced highest growth were those of safety and civil protection resulting from the promotion of the Guàrdia Urbana (municipal police), social welfare and assistance, education, the maintenance of urban space including street cleaning, and culture. Current transfers rose by 18.6%, above all for two reasons. In the first place, by start-up of the Education Consortium of Barcelona, which has led to school maintenance, refurbishing and conservation expenses as well as the cleaning of educational centres and other structural costs appearing as current transfers to the Consortium, whereas previously they

Table

28

Current Expenses (thousands of euros)

	2004	2005	2006	2007	2008
Personnel Expenses	517,555	543,793	568,027	601,305	633,747
Works, Supplies and Subcontracted Services	592,007	643,286	702,936	763,799	805,039
Current Transfers	244,600	271,390	301,491	337,227	400,014
Provisions	83,480	54,843	58,081	61,395	58,411
Financial Expenses	60,598	39,909	41,623	41,636	43,002
Total Current Expenses	1,498,240	1,553,221	1,672,158	1,805,362	1,940,213

were recorded under the “Works, Supplies and Subcontracted Services” caption. And in second place, by the higher current transfers made by the Barcelona Agency of Culture to the city’s cultural institutions. Also worthy of note is the increase, of more than 15%, in transfers allocated to public transport and those made for the treatment of solid waste.

2.6. Investments

Consolidated capital expenses of the City of Barcelona over the 2004-2008 period

were in excess of 3,196 million euros. Some 85% has been devoted to direct investments and the remaining 15% to capital transfers to the Metropolitan Transport Authority (ATM), Barcelona Holding Olímpico, S.A. (HOLSA) and to cultural facilities, as well as to increases in capital, basically in FIRA 2000, S.A. In April 2007, the Central Government General Administration and Barcelona City Council made the final capital transfer to HOLSA in order for that company’s debt be totally cancelled prior to 31 December 2007.

Some 87% of capital expenses has been financed with gross savings generated by

Table

29

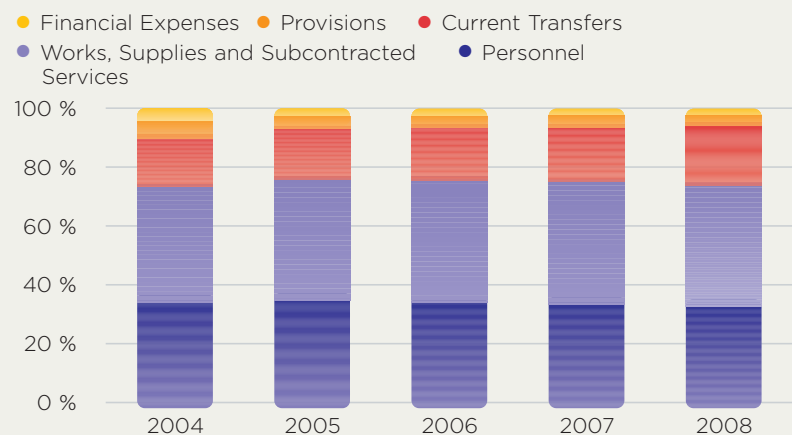
Current Expenses (percentages)

	2004	2005	2006	2007	2008
Personnel Expenses	34.6	35.0	34.0	33.3	32.7
Works, Supplies and Subcontracted Services	39.5	41.4	42.0	42.3	41.5
Current Transfers	16.3	17.5	18.0	18.7	20.6
Provisions	5.6	3.5	3.5	3.4	3.0
Financial Expenses	4.0	2.6	2.5	2.3	2.2
Total Current Expenses	100.0	100.0	100.0	100.0	100.0

Graph

210

Breakdown of Current Expenses



current operations, and the remaining 13% with revenue from asset management and capital transfers. Investment coverage for the whole period, measured as gross savings over net investment, was 1.1 times, enabling consolidated debt to be reduced by more than 30%.

The Municipal Action Plan for the 2004-2007 mandate has included 1,430 measures, of which 70% concern proximity (for an amount of less than 3 million euros). These actions are managed by different operators: sectors and districts of the City Council and its municipal agencies and firms. The breakdown of these measures shows that 38% of the investment is allocated to urban development (thoroughfares, green zones and the integral management plan); 34% to facilities and services (administrative buildings, cultural facilities, social services, schools and markets); 16% to land management; 8% to housing, and 4% to car parks.

Capital expenses for 2008 amounting to 745 million euros form part of the municipal investment programme included in the 2008-2011 Municipal Action Plan.

Mention can be made of numerous examples of investment projects which have progressed or were completed in 2008. In the sphere of urban improvement, the transformation of the Plaça Lesseps, which has gained 6,000m² of surface area, has improved the zone's road and public transport connections and has converted the area into a centre of facilities and services; remodelling of the Plaça de les Glòries has started and the new Centre de Poblenou park has been completed, providing 5.5 hectares of green space for leisure-time activities open to the public in the very heart of the Sant Martí district. In the framework of the Public Space Comprehensive Improvement Plan, work has been carried out on improvement of the sewer system and the plan to modernise the City's street lighting and work on its decontamination has been initiated, a traffic-light renewal project has been defined, more city block inner court areas in the Eixample district have been recovered for public use, urban green



Table

2 11

Capital Revenue and Expenses (thousands of euros)

	2004	2005	2006	2007	2008
Direct Investment	439,551	452,021	513,280	613,937	684,237
Capital Transfers					
HOLSA	58,209	60,537	62,958	21,826	0
Metropolitan Transport Authority (ATM)	25,388	30,269	28,590	28,590	28,591
Non-municipal Entities	57,142	23,514	10,032	16,003	22,673
Total Transfers	140,739	114,320	101,580	66,419	51,264
Financial Investment	255	188	12	8,250	9,999
Total Capital Expenses	580,545	566,529	614,872	688,606	745,500
Capital Revenue					
Capital Transfers	28,894	19,549	46,043	18,160	33,828
Assets Management	69,750	47,932	89,504	41,072	32,838
Total Capital Revenue	98,644	67,481	135,547	59,232	66,666
Net Investment	481,901	499,048	479,325	629,374	678,834

Table

2 12

Capital Revenue and Expenses (percentages)

	2004	2005	2006	2007	2008
Direct Investment	91.2	90.6	107.1	97.5	100.8
Capital Transfers					
HOLSA	12.1	12.1	13.1	3.5	0.0
Metropolitan Transport Authority (ATM)	5.3	6.1	6.0	4.5	4.2
Non-municipal Entities	11.8	4.7	2.1	2.6	3.3
Total Transfers	29.2	22.9	21.2	10.6	7.6
Financial Investment	0.1	0.0	0.0	1.3	1.5
Total Capital Expenses	120.5	113.5	128.3	109.4	109.8
Capital Revenue					
Capital Transfers	6.0	3.9	9.6	2.9	5.0
Assets Management	14.5	9.6	18.7	6.5	4.8
Total Capital Revenue	20.5	13.5	28.3	9.4	9.8
Net Investment	100.0	100.0	100.0	100.0	100.0

space proximity actions have been furthered and improvements have been made in the communicability of Collserola Park. In terms of facilities and services, four new nursery schools were opened for the 2008-09 academic year; the Horta-Can Mariner library was opened; reconditioning of the Llibertat, Sant Antoni and El Guinardó municipal markets is now under way; and construction of two new municipal sports centres was initiated, one in Ciutat Vella and the other in Sarrià-Sant Gervasi. Furthermore, the keys to new dwellings with services for the elderly and protected housing for rental to young people were handed over. Finally, there are currently 14 new car parks in the construction or project phase, which will provide a total of 4,175 new parking spaces.

2.7. Financing

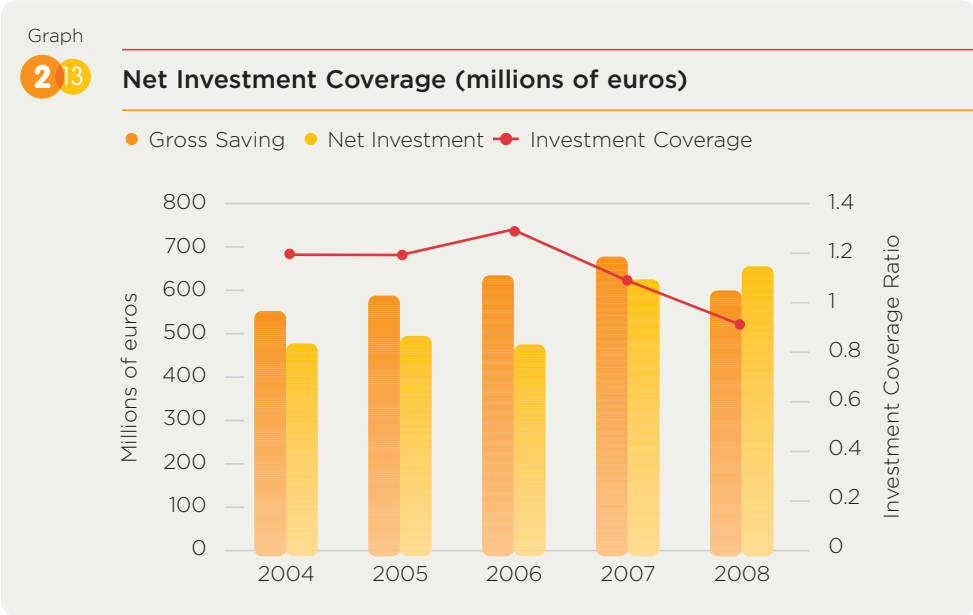
The consolidated debt of the City of Barcelona was reduced by 139 million

euros in 2008, to the sum of 927.8 million euros as of December 31. Some 83.5% of this debt corresponds to the public administration of the City of Barcelona and the rest to its commercial entities, that is, to the Municipal Housing Agency and the Barcelona de Serveis Municipals Group. Consolidated debt represents 1.5 times the gross saving generated.

Public Administration

The City of Barcelona’s financial debt as of December 31, 2008 was 770.1 million euros, all of which is long-term. The City did not contract any new debt whatsoever in 2008. Debt repayments were 157.7 million euros, of which 67.6 million corresponds to contractual repayments and 90.1 million to early repayment.

With respect to the debt of the municipal agencies and firms that form part of the public administration, at year-end 2008 the municipal firm Informació i Comunicació de Barcelona had drawn 4.2 million euros on the stand-by lines of



Table

2 14 Consolidated Financial Debt (thousands of euros)

	12.31.04	12.31.05	12.31.06	12.31.07	12.31.08
Public Administration	1,206,640	1,148,353	1,061,206	928,727	774,258
Commercial Entities	104,387	121,520	117,637	138,383	153,515
Total Debt	1,311,027	1,269,873	1,178,843	1,067,110	927,773

credit it has subscribed to cover transitory cash needs.

Commercial Entities

The debt of the City of Barcelona's commercial entities as of December 31, 2008 was 153.5 million euros, representing an increase of 15.1 million euros with respect to the same date in 2007. The Municipal Housing Agency's debt rose by 6.3 million euros and that of the Barcelona de Serveis Municipals Group by 8.8 million euros, basically due to investments made in Mercabarna related to the new Central Flower Market.

The City of Barcelona's financial policy is aimed at controlling the increase in

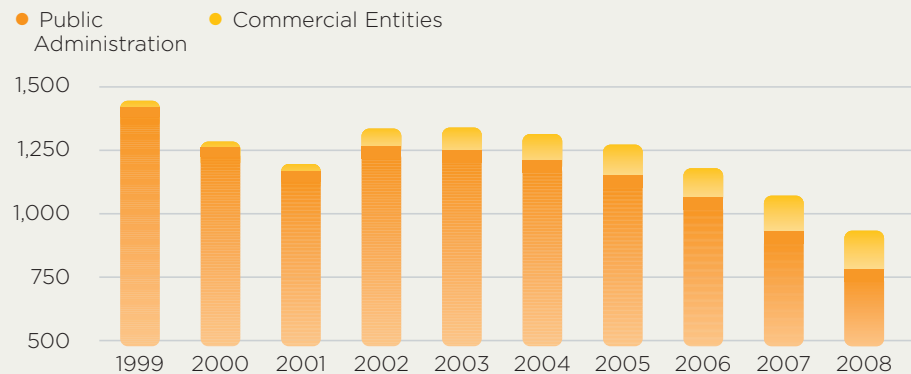
financial expenses, given a reasonable financial risk. For this reason, the financial strategy is based on obtaining resources in the financial markets of the Euro Zone; by using short-term debt exclusively for covering transitory cash needs; by improving the profile of debt by maturities while maintaining annual contractual amortisations of debt substantially below gross saving, and by diversifying interest rate risk.

The City of Barcelona Group debt originates in the Euro Zone. Almost half corresponds to investment markets (private placements on the German market and a public bond issue) and the rest to bank loans.

Graph

2 **15**

Consolidated Debt (millions of euros)



Tabla

2 **16**

Consolidated Financial Debt (thousands of euros)

	12.31.04	12.31.05	12.31.06	12.31.07	12.31.08
European Union Market					
Bank Loans	675,644	709,671	618,641	627,110	487,773
Private Placements	260,000	340,000	340,000	340,000	340,000
Public Bond Issues	220,202	220,202	220,202	100,000	100,000
Subtotal	1,155,846	1,269,873	1,178,843	1,067,110	927,773
Non-European Union Market					
Public Bond Issues	155,181	0	0	0	0
Subtotal	155,181	0	0	0	0
Total Debt	1,311,027	1,269,873	1,178,843	1,067,110	927,773
Long-term Debt	1,311,027	1,269,873	1,178,843	1,066,230	923,616
Short-term Debt	0	0	0	884	4,157

Gross financial expenses in 2008 increased by 3.3% with respect to those of 2007 and amounted to 43 million euros. The reduction in the average debt balance was offset by the increase in market interest rates. The average cost of consolidated debt in 2008 was 3.9%. A million euros have been included in the

figures for this year, reflecting the updating of prices for assignments by Cementiris de Barcelona, in accordance with the new General Accounting Plan. The City of Barcelona's credit rating is AA+ according to Fitch and Standard & Poor's, and Aa1 according to Moody's Investors Service.

Table

217

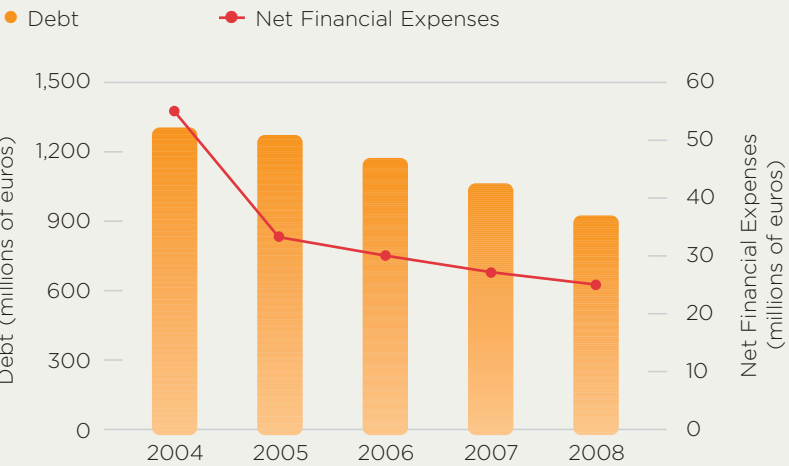
Consolidated Financial Debt (percentages)

	12.31.04	12.31.05	12.31.06	12.31.07	12.31.08
European Union Market					
Bank Loans	51.6	55.9	52.5	58.8	52.6
Private Placement	19.8	26.8	28.8	31.8	36.6
Public Bond Issues	16.8	17.3	18.7	9.4	10.8
Subtotal	88.2	100.0	100.0	100.0	100.0
Non-European Union Market					
Public Bond Issues	11.8	0.0	0.0	0.0	0.0
Subtotal	11.8	0.0	0.0	0.0	0.0
Total Debt	100.0	100.0	100.0	100.0	100.0
Long-term Debt	100.0	100.0	100.0	99.9	99.6
Short-term Debt	0.0	0.0	0.0	0.1	0.4

Graph

218

Debt and Net Financial Expenses





2.8. Perspectives

The objective of this mandate, which encompasses the 2008-2011 period, consists in promoting policies of social cohesion and maintaining the rate of investment in the city, under the following conditions:

- a) No increase in fiscal pressure.
- b) Increase the weight of current expenses directly related to service provision, mainly in the areas of social care, harmonious coexistence in the public space, safety and mobility.
- c) Maintenance of a level of gross saving on current revenue above 20%.
- d) Establishment of the consolidated debt level of the entities which, according to the Budget Stability Law, form part of the public administration.

The evolution of the City of Barcelona Group's main financial figures and future prospects are outlined below.

The forecasts have been made taking into account the fact that neither the financial reform of the Autonomous Communities nor the reform that may be carried out by the Law Regulating Local Taxation will increase or decrease the City Council's share of taxes collected by Central Government.

The estimated figures at the consolidated level for the 2009 fiscal year are based on the initially approved budget.

The following macroeconomic hypotheses are made for the 2010-2013 period:

- a) In real terms, gross domestic product (GDP) will grow by an annual 0.5% in 2010, by 1.5% in 2011 and by 2.5% as from 2013.
- b) The inflation rate will be 2% per annum during 2010 and 2011, and 3% in 2012 and 2013.
- c) The increase in Central Government taxes collection (ITE) is estimated at 0% in 2010. In the following years, it is forecast to grow by 4% in 2011 and 6% in 2012 and 2013, slightly above the forecast nominal GDP.
- d) The three-month EURIBOR (Euro Interbank Offered Rate) interest rate will be on average 2% in 2010, 2.5% in 2011 and 3% as from 2012.

Current revenue for the 2010-2013 period has been estimated according to the following hypotheses:

a) In the case of taxes, it is considered that, from 2010 to 2013, local taxes will rise by an annual average of around 4.9%. Property tax is expected to rise by an annual 7% due to the gradual application up to 2011 of the new official land values approved in 2001, and to the progressive disappearance of current limitations on the growth of contributions as from 2012. The tax on economic activities is expected to grow by an annual 2% during the period, while the tax on motor vehicles, constructions and the increase in land values will remain at the same levels as in 2009.

It is also assumed that no variations will be made in the current tax rates of 0.75% of the official land value in general terms and 0.85% for 10% of non-residential property with greater official land value in the case of property tax; 30% in the tax on the increase in land values; and 3.25% in the tax on constructions.

b) The following growth is estimated with respect to shared taxes. In the case of personal income tax, a annual reduction of 2% in 2010, an increase of 8% in 2011 and 12% per annum in 2012 and 2013. In that of VAT, a 7% reduction is forecast in 2010, with growth of 6% in 2011 and 9% thereafter. No variation is expected in special taxes throughout the period.



c) The rest of local revenue (charges, sale of goods and services and other operating revenue) is forecast to rise by one percentage point above the expected inflation rate. This estimate is based on an increased provision of services.

d) It is calculated that the Supplementary Finance Fund will not grow in 2010, but will rise by 4% in 2011 and subsequently by an annual 6%.

e) As regards the rest of revenue from current transfers, this is expected to rise by an annual two percentage points above expected inflation. This caption mainly includes the transfers received from the Generalitat de Catalunya for social assistance and education, as well as the metropolitan charge on municipal waste that the City of Barcelona subsequently transfers to the Metropolitan Hydraulic Services and Waste Treatment Agency.

Estimation of current expenses for the 2010-2013 period is based on the following hypotheses:

a) It is anticipated that annual personnel expenses will increase by one percentage point above the expected inflation rate in 2010 and 2011, and 1.5 points over inflation in 2012 and 2013.

b) Works, supplies and subcontracted services are expected to increase one percentage point above inflation in 2010, and two percentage points over the inflation rate thereafter, with a view to

moderating the growth experienced in this area in recent years.

c) Current transfers will rise, on average, at the same rate as expected inflation in 2010 and two percentage points above the inflation rate in the following years.

d) The provision for bad debts is estimated by applying collection ratios to outstanding debts based on past experience and according to their period of maturity, bearing in mind the estimated evolution of local taxes and the balance of fines.

e) Financial expenses are based on the amount and structure of the estimated debt, and on the hypothesis that the three-month EURIBOR interest rate will be at an annual average rate of 2% in 2010, 2.5% in 2011 and 3% during the remainder of the period.

As regards investment, the figure for the 2009-2013 period is expected to be around 3,375 million euros. Capital expenses forecast for 2009 include 247.7 million euros corresponding to the Local Investment Fund, approved by the Central Government to reactivate the economy. The same figure also appears as capital revenue.

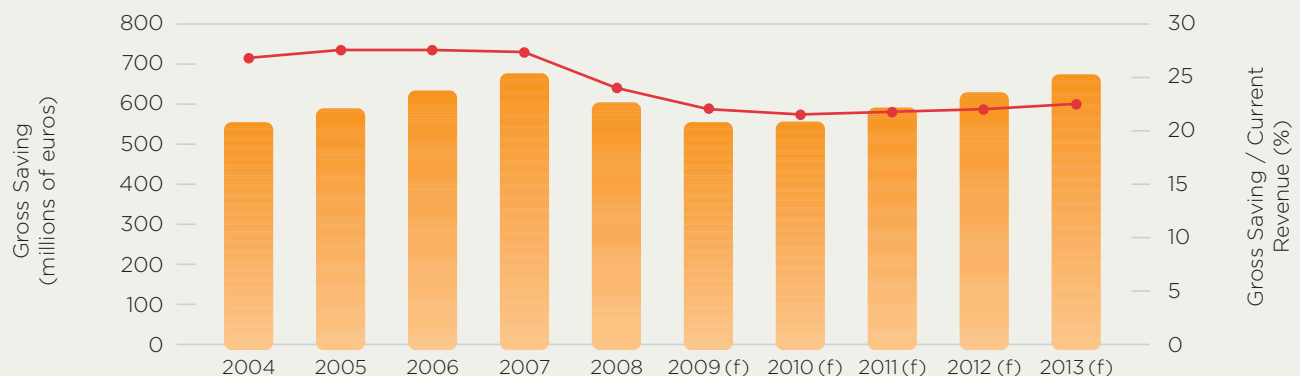
The expected capital revenue will come mainly from assets management, from the sale of land, buildings and vacant lots, together with surface rights and the sale of housing and business premises by the Municipal Housing Agency. Capital transfers from other

Graph

2 19

Gross Saving

● Gross Saving ● Gross Saving / Current Revenue



public administrations encompass basically from European Funds to transfers from the Generalitat de Catalunya for the neighbourhood Law, and in 2009 revenue from the Local Investment Fund established by Central Government.

In light of the expected evolution in gross saving and investments, and taking

into consideration the fact that one of the financial conditions of the current mandate is to stabilize the level of consolidated debt of those entities which, in accordance with the General Law on Budgetary Stability, form part of the public administration, debt over the coming years is expected to be as follows:

Table

2020

Capital Revenue and Expenses (thousands of euros)

	2009 (f)	2010 (f)	2011 (f)	2012 (f)	2013 (f)
Total Direct Investment	870,187	560,974	576,193	593,479	611,283
Capital Transfers					
ATM	28,591	0	0	0	0
Non-municipal Entities	20,159	20,109	20,511	21,127	21,762
Total Transfers	48,750	20,109	20,511	21,127	21,762
Financial Investment	8,000	8,000	8,000	3,000	3,000
Total Capital Expenses	926,937	589,083	604,704	617,606	636,045
Capital Revenue					
Capital Transfers	293,550	27,688	25,608	21,528	17,608
Assets Management	37,268	15,000	15,000	15,000	15,000
Total Capital Revenue	330,818	42,688	40,608	36,528	32,608
Net Investment	596,119	543,395	564,096	581,078	604,437

Table

2021

Consolidated Financial Debt as of 31 December (millions of euros)

	2008	2009 (f)	2010 (f)	2011 (f)	2012 (f)	2013 (f)
Public Administration	774	725	775	775	774	773
Commercial Entities	154	203	213	234	239	242
Total Debt	928	928	988	1,009	1,013	1,013
Guarantees	6	5	2	1	1	1
Total Debt and Guarantees	934	933	990	1,010	1,014	1,016
Total Risk/Current Revenue (%)	36.9	36.5	38.0	37.2	33.8	33.8

Table

22

The City of Barcelona Group: economic and financial position and forecast (in thousands of euros)

	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Forecast	2010 Forecast	2011 Forecast	2012 Forecast	2013 Forecast
(1) Current Revenue before Financial Revenue	2,050,059	2,138,778	2,299,713	2,471,823	2,535,880	2,563,010	2,622,369	2,728,177	2,869,860	3,020,231
(2) Current Expenses before Financial Expenses	1,437,642	1,513,312	1,630,535	1,763,726	1,897,211	1,965,947	2,019,642	2,091,860	2,190,562	2,294,018
(3) Primary Saving	612,417	625,466	669,178	708,097	638,669	597,918	602,727	636,317	679,298	726,213
Financial Revenue	5,630	6,455	11,347	14,163	17,530	5,259	5,364	5,471	5,635	5,804
Financial Expenses	60,598	39,909	41,623	41,636	43,002	29,698	30,603	34,082	36,146	36,215
(4) Gross Saving	557,449	592,012	638,902	680,624	613,197	573,479	577,488	607,706	648,787	695,802
(5) Net Investment	481,901	499,048	479,325	629,374	678,834	596,119	546,395	564,096	581,078	603,437
(6) Surplus (deficit)	75,548	92,964	159,577	51,250	(65,637)	(22,640)	31,093	43,610	67,709	92,365
Cash Variation	(55,399)	(55,864)	(74,810)	56,904	195,104	22,339	(91,361)	(64,110)	(71,687)	(94,664)
(7) Cash Surplus (deficit)	20,149	37,100	84,767	108,154	129,467	(301)	(60,268)	(20,500)	(3,978)	(2,299)
Assumption of Debt	5,142	4,054	6,263	3,578	9,871	0	0	0	0	0
(8) Net Debt Variation	25,291	41,154	91,030	111,732	139,338	(301)	(60,268)	(20,500)	(3,978)	(2,299)
(9) Total Outstanding Debt at Year-end	1,311,027	1,269,873	1,178,843	1,067,111	927,773	928,074	988,342	1,008,842	1,012,820	1,015,119

3

2008 Annual Accounts

(along with the auditors' report)

A free translation of the report on the annual accounts originally issued in Catalan and prepared in accordance with generally accepted accounting principles for governmental entities in Spain. In the event of a discrepancy, the Catalan language version prevails.

AUDITORS' REPORT ON ANNUAL ACCOUNTS

To the Mayor-President of
the Barcelona City Council,

We have audited the annual accounts of the BARCELONA CITY COUNCIL, consisting of the balance sheet as of December 31, 2008, the statement of revenues and expenses, the budget reconciliation statement and the related notes to the annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Corporation. Our responsibility is to express an opinion on these annual accounts taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain which require the examination, on a test basis, of evidence supporting the annual accounts and evaluation of their presentation, the accounting principles used as applicable to governmental entities in Spain and the estimates made.

For comparative purposes only, the Directors of the Corporation have presented for each item of the balance sheet, the statement of revenues and expenses and the statement of source and application of funds, the corresponding amounts for the previous year as well as the amounts for 2008. Our opinion refers exclusively to the annual accounts for 2008. On April 17, 2008, we issued our audit report on the 2007 annual accounts in which we expressed an unqualified opinion.

In our opinion, the accompanying annual accounts for the year 2008 give, in all material respects, a true and fair view of the net worth and financial position of the BARCELONA CITY COUNCIL as of December 31, 2008, and of the results of its operations as reflected in the statement of revenues and expenses and budget reconciliation statement referred to above, and its source and application of funds for the year then ended, and contain all the information, necessary for their interpretation and comprehension, in conformity with generally accepted accounting principles and standards for governmental entities in Spain, applied on a basis consistent with that of the preceding year.


PricewaterhouseCoopers Auditores, S.L.


Xavier Brossa Galofré
Partner

April 20, 2009

PricewaterhouseCoopers Auditores, S.L. - R. M. Madrid, full
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en l'Institut de Censors Jurats de Comptes. CIF A-58604745

City of Barcelona
Balance Sheet as of December 31, 2008 and 2007
(in thousands of euros)

Table			
31	Assets	As of December 31, As of December 31,	
		2008	2007
	Note		
Fixed Assets		7,255,535	6,718,183
Intangible Fixed Assets	3	12,832	9,044
Tangible Fixed Assets	3	6,331,210	6,282,671
Public Land Assets	3	383,010	271,955
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties	3	(562,628)	(581,105)
Fixed Assets Pending Classification and in Progress	3	1,511,986	1,115,733
Investments in Infrastructures and Assets for Public Use	3	5,562,332	5,530,653
Investments Assigned for Public Use	3 and 8	(5,562,332)	(5,530,653)
Accumulated Depreciation	3	(641,542)	(582,891)
Long-term Financial Investment	4	218,758	200,796
Long-term Off-budget Receivables	5	1,909	1,980
Deferred Expenses	6	601	802
Current Assets		785,411	781,589
On-budget Receivables	7	563,233	559,149
Allowance for Bad Debt	7	(298,661)	(294,430)
		264,572	264,719
Other Off-budget Receivable		30,772	20,273
Short-term Financial Investment		261,190	305,443
Cash		228,877	191,154
Total Assets		8,041,547	7,500,574

Notes 1 to 20 of the attached report form an integral part of the balance sheet as of December 31, 2008.

City of Barcelona
Balance Sheet as of December 31, 2008 and 2007
(in thousands of euros)

Table

3 2

Liabilities

As of December 31, 2008 As of December 31, 2007

	Note		
Net Worth	8	6,159,258	5,590,666
Net Worth		7,505,527	7,505,484
Property Assigned to Municipal Agencies and Third Parties		(562,628)	(581,105)
Property Delivered for Public Use		(5,562,332)	(5,530,653)
Property Assigned by Municipal Agencies and Third Parties		53,171	52,992
Results of Previous Fiscal Years		4,143,948	3,492,177
Results of Fiscal Year		581,572	651,771
Deferred Income		349,944	309,610
Capital Transfers and Other Capital Income	9	257,350	214,257
Other Deferred Income	10	92,594	95,353
Provisions for Contingencies and Expenses	11	111,363	110,276
Long-term Liabilities		686,810	899,848
Long-term Loans and Debentures	12	660,101	860,233
Long-term Guarantees and Deposits		26,709	25,528
Other Long-term Payables	13	-	14,087
Short-term Liabilities		734,172	590,174
Short-term Payables for Loans and Debentures	12	110,000	67,614
On-budget Payables		477,690	377,963
Public Administration Payables	14	27,936	27,918
Other Off-budget Payables	15	103,247	88,780
Accrued Expenses	16	12,309	17,448
Amounts Pending Application		2,990	10,451
Total Liabilities		8,041,547	7,500,574

Notes 1 to 20 of the attached report form an integral part of the balance sheet as of December 31, 2008.

City of Barcelona

Statements of Revenue and Expenses for the Fiscal Years Ended as of December 31, 2008 and 2007
(see Note 17) (in thousands of euros)

Table

33

Expenses	2008	2007	Revenue	2008	2007
Personnel Expenses	343,413	322,378	Sale of Goods and Services	38,660	55,681
Wages and Salaries	270,268	251,483	Sale of Goods	471	560
Compensation for Services	2,716	2,428	Charges on Services	7,141	7,892
Social Security Expenses	69,426	67,441	Public Prices for Sale of Services	31,048	47,229
Other Welfare Expenses	1,003	1,026			
			Other Operating Revenue	188,105	204,453
			Interest	16,566	10,248
			Profit Sharing	-	5,610
			Surcharge on Collection Proceedings	10,797	11,048
Welfare Benefits	1,258	1,326	Late Payment Surcharge	7,036	10,196
			Fines	102,295	105,361
			Rents, Concessions and		
			Special Uses	40,812	49,752
Financial Expenses	31,073	34,997	Diverse	10,599	12,238
			Taxes	830,596	818,208
			Property Tax (IBI)	428,592	401,430
			Tax on Economic Activity (IAE)	100,519	97,454
Taxes	314	453	Tax on Motor Vehicles (IVTM)	74,078	74,565
			Tax on Construction, Installations and Works (ICIO)	37,462	50,511
			Tax on the Increase in Land Values (IIVT)	97,342	108,534
			Assignment of Central Government Taxes	92,603	85,714
Works, Supplies and Subcontracted Services	494,118	465,965	Other Tax Revenue	164,269	156,203
Rent	19,812	18,202	Charges on Services	67,240	70,192
Maintenance and Repairs	13,695	12,572	Charges on Use of Public Domain	97,032	86,003
Supplies	30,472	27,766	Replaced Taxes	(3)	8
Communications	8,436	7,892			
Subcontracted Work	351,080	324,555			
Miscellaneous Expenses	70,623	74,978			
Current Transfers	775,918	706,872	Transferencias corrientes	1,017,694	971,916
To Municipal Institutes and Firms	483,201	435,833	Supplementary Finance Fund	842,791	813,251
To Consortia and Communities	237,924	222,841	Other Central Government Agencies	18,063	17,901
Other Current Transfers	54,793	48,198	From the Generalitat of Catalonia	96,709	84,328
			From Local Entities	58,447	53,190
			Foreign Transfers	1,025	1,217
			Miscellaneous	659	2,029
Provision to Allowance for Bad Debt	54,032	57,903			
Total Operating Expenses	1,700,126	1,589,894	Total Operating Revenue	2,239,324	2,206,461
Operating Surplus (Before Capital Transfers)	539,198	616,567			
Capital Transfers	55,468	68,564			
Operating Surplus (After Capital Transfers)	483,730	548,003			
Negative Extraordinary Results	-	-	Positive Extraordinary Results	159,319	160,415
Provision for Depreciation	58,989	56,647			
Financial Investment Provisions	2,488	-			
Result For The Year	581,572	651,771			
Total	2,398,643	2,366,876	Total	2,398,643	2,366,876

Notes 1 to 20 of the attached report form an integral part of the statement of revenue and expenses as of December 31, 2008

Report on the Annual Accounts for the Fiscal Year Ending December 31, 2008

Note 1 - Basis of presentation

1.1. Accounting Policies

The annual accounts have been obtained from the City's accounting records corresponding to the fiscal year 2008 and have been prepared according to the generally accepted accounting principles for the Public Administrations in current Spanish legislation, in particular:

- a) Law 1/2006, of March 13, governing Barcelona's special regime.
- b) Law 7/1985, of April 2, governing the basis of law for local legislation.
- c) Royal Decree Law 781/1986, of April 18, approving the amendment to the current provisions for the local legislation.
- d) Legislative Decree 2/2003 of April 28, approving the amended text of the Municipal Law of the Local Government System of Catalonia.
- e) Legislative Royal Decree 2/2004, of March 5, approving the amended Law Regulating Local Taxation (Law 39/1988, of December 28).
- f) Royal Decree 500/1990, implementing Law 39/1988.
- g) Normal Model of the Local Government Accounting Standards, order of November 23, 2004, taking effect on January 1, 2006.
- h) Documents on accounting principles issued by the Commission on Public Accounting Principles and Standards, created by resolution of the State Secretariat for the Treasury on December 28, 1990.
- i) Order of April 27, 2007, on the deployment of Decree 94/1995, of February 21, on the financial monitoring of local entities.

1.2. Accounting System, Annual Accounts and General Account

In accordance with the Law 1/2006, governing Barcelona's special regime, the system of accounting information of the City of Barcelona consists mainly of the

subsystems of the financial accounting, consolidation of accounts and budget accountability.

The financial accounting is undertaken in accordance with generally accepted accounting principles in order to offer a faithful rendering of the net worth and financial position of the City of Barcelona, and the results of its operations during the fiscal year. This is composed of:

- Balance sheet.
- Statement of revenue and expenses.
- Report.

The balance sheet has basically been drawn up according to the models established by the Local Government Accounting Standards (ICAL), applicable from January 1, 2006.

The statement of revenue and expenses has been drawn up in more detail than required by said standards in order to provide more thorough information on revenue and expenses.

The report is basically presented according to the models established by the said ICAL.

The figures contained in the documents composing these annual accounts are expressed in thousands of euros.

The consolidated accounts consist of the City of Barcelona accounts, those of its autonomous agencies, public entities and dependent firms.

The budget account is composed of the budget results statements:

- Summary of status of the revenues account budget.
- Summary of status of the expenses account budget.
- Budget results.
- Budget reserves.

The budget results statement was approved by the Decree issued by the Mayor's Office on February 27, 2009. The general account will be submitted to the Municipal Council Plenum for approval within the established statutory period.

1.3. Comparability of the Information

The annual accounts for the 2008 and 2007 fiscal years have been drawn up in accordance with that provided in the ICAL, and their preparation has followed uniform valuation, grouping, classification and monetary criteria. The information presented is therefore uniform and comparable.

Note 2 – Valuation Criteria

The most significant accounting criteria applied in drawing up the annual accounts are the following:

2.1. Tangible Fixed Assets

These include the City’s assets and those in the public domain directly assigned to the provision of public services, which together constitute the local entity’s long-term investments.

The assessment criteria for fixed assets are the following:

a) Land and buildings. Additions made prior to January 1, 1992 are assessed according to an expert estimate of their current market value made by an independent appraisal firm. For properties officially listed as of historic-artistic interest, this value is equivalent to the cost of replacement. To this end, with regard to non-financial fixed assets, the document on accounting principles issued by the Commission on Public Accounting Principles and Standards defines

replacement value as “the sum of the expenses necessary for the construction of an asset of identical nature and characteristics. In the case of buildings officially listed as of historic-artistic interest, this value shall be that of reconstruction”. Subsequent additions are assessed at their purchasing price or, in the case of buildings received free of charge, at their appraised value.

b) Machinery, installations, furniture, data processing equipment and vehicles. Additions are valued at their purchasing price.

c) Fixed assets pending classification. Additions are assessed at their purchasing price or cost of construction and are transferred to the corresponding fixed assets caption or “Property Delivered for Public Use” caption upon completion of the investment they require.

Repairs not contributing to an extension of useful life, as well as maintenance costs, are charged directly to the statement of revenue and expenses. The costs of any additions or improvements extending the useful life of an asset are capitalized as an increase in its value.

The annual provision for depreciation is calculated by applying the straight-line method based on each asset’s estimated useful life. For property, this begins one month upon its incorporation into the City’s Asset inventory.

The process of economic depreciation began in the fiscal year 1992. The estimated years of useful life corresponding to “Buildings” and “Property Assigned by Municipal

Table	
3 4	Estimated Years of Useful Life
Buildings	65
Property assigned by Municipal Agencies or Third Parties	65
Technical Installations and Machinery	8-12.5
Vehicles	5
Fittings	6
Data-processing Equipment	4
Livestock	7
Bibliographic Funds and Others	8

Agencies and Third Parties” are determined according to the criteria of the aforementioned independent appraisal.

For properties with historic-artistic value, the depreciation is calculated based on the cost of the fixed assets that would be required to replace them in terms of their capacity and usefulness. Therefore, the portion of the book value corresponding to the historic-artistic component of these structures, which amounts to 221,573 thousand euros, has been excluded from the calculation, in accordance with the aforementioned independent appraisal. This treatment is justified by the fact that the said historic-artistic component is subject to maintenance, which guarantees its permanent value.

Property assigned by municipal agencies or third parties shows the value of the property assigned to the City of Barcelona for their operation and use, coming from other entities.

The caption “Tangible Fixed Assets Assigned by Municipal Agencies and Third Parties” shows the book value of those assets assigned free of charge by the City of Barcelona to its municipal agencies and firms or to third parties for their operation or use, respectively.

When an asset is assigned, its retirement is recorded through a charge to the caption “Property Assigned to Municipal Agencies and Third Parties” on the balance sheet (see Note 8) and thus it ceases to be amortized.

2.2. Public Land Assets

The Public Land Assets (PMS) refers to the group of assets which, in accordance with Legislative Decree 1/2005, of July 26, approving the amendments of the Town Planning Law of Catalonia, and in accordance with the Barcelona Municipal Charter, are affected for the purposes of social interest established by law.

The municipal properties included under this caption are as follows:

- Properties for social housing, administered by the City of Barcelona itself or municipal operators.
- Properties that have been awarded surface rights in favor of third parties to build social housing, homes for the elderly, care centers and other social investments.
- Properties under investment projects which, once finished, are destined to be used for social housing and other social proceedings.

The assessment and amortization criteria employed are those described in Note 2.1.

2.3. Investments in Infrastructures and Assets Assigned to Public Use

The property delivered for public use includes thoroughfare infrastructure (roads, pavements, public lighting, signs), the large facilities for public services (sewers and utility supplies), green spaces, trees, gardens and, in general, all assets constituting public property provided for public use of citizens.

Additions made prior to January 1, 1992 are assessed according to the criteria described in Note 2.1. Subsequent additions are assessed at their purchasing price.

Upon completion of the investments in infrastructures and property for public use, their retirement is registered on the balance sheet with a charge to the “Property Delivered for Public Use” caption (see Note 8).

For the purposes of presentation, the assets caption on the balance sheet shows the assets assigned to municipal agencies or third parties for public use, as well as the corresponding compensatory sums to reflect their retirement. Likewise, Note 3 reflects the movements registered under these captions over the year.

2.4. Long-term and Short-term Financial Investments

Long-term financial investments made by the City of Barcelona prior to January 1, 1992 in its municipal agencies and firms, as well as other shareholdings, are recorded at their technical book value as of December 31, 1991. Subsequent additions are registered at their purchasing price.

As of December 31, 2008, the differences between the book value and the technical book value of those shareholdings with substantial losses have been provided for in the attached accounts (see Note 4).

The balance of the "Short-term Investment" caption includes repos operations (public bond issues) and deposits in financial entities which possess at least an "A" credit rating from the leading risk qualification agencies.

2.5. On-budget Receivables and Payables

On-budget receivables and payables are registered at their nominal value.

An allowance has been made, established to cover bad debts.

The provision for bad debts is determined by applying the collectability ratio, estimated by the City based on its past experience, to the tax receivables currently under forcible collection and receivables for fines in both voluntary and enforced collection periods.

2.6. Capital Transfers and Other Capital Income

Upon their concession, capital transfers are recorded under the "Capital Transfers" caption in the liabilities column of the consolidated balance sheet and moved to net worths when the investment they were financing is assigned for public use or the fiscal year's results, in the proportion corresponding to the effective depreciation undergone, and recorded in accounts when the investment it finances has been a fixed asset.

Other capital income is registered at the time when the administrative operation producing it is carried out.

2.7. Other Deferred Revenue

Early collection on amounts deferred to years subsequent to the year of collection are recorded under the caption "Other Deferred Income" (see Note 10), except for the portion of such amounts that has been deferred to the immediately following year, which is recorded under the caption "Accrued Expenses" (see Note 16) under liabilities on the balance sheet prior to being credited to results.

2.8. Long-term Provisions

The balance of this caption reflects the provisions established to cover the economic costs of contingent or probable debts.

2.9. Classification of Long and Short-term Receivables and Debts

On the attached balance sheet, receivables, credits and debts that mature in a period equal to or less than a year are classified as short-term. Those which mature within a period greater than a year are classified as long-term.

2.10. Revenue and Expenses

a) Financial and Budget Accounts

Revenue and expenses are primarily recorded in the statement of revenue and expenses in the fiscal year in which they occur, depending on the real flow of assets and services they represent and independently of the timing of the monetary or financial flow from which they are derived, except for those capital grants and transfers derived from agreements or conventions requiring the treatment described in sections 2.6 and 2.10.b. respectively.

Revenue and expenses are included in the budget results account when the administrative measure recognizing the respective receivables and payables is taken.

b) Grants and Transfers Deriving from Agreements and Conventions

To record the expenses for transfers and grants stemming from agreements subscribed by different parties, be they collaborative agreements, cooperative

agreements, contract programs or other similar agreements signed to co-finance or develop specific projects or activities (including capital grants to offset accumulated negative results), the grantor's obligation to pay arises at the moment when the debt matures and is liquid and payable on demand, in other words, when the requirements for payment have been met. The recognition of the grantor's payment obligation is recorded upon passage of the resolution by which the beneficiary's right to collect is recognized and quantified (approval of the budgets for each fiscal year).

c) Assigned Capital Transfers

This entry includes the City of Barcelona's contributions charged to its budget for financing investment processes not carried out by municipal agencies or firms belonging to the municipal group.

2.11. Corporate Tax

In accordance with Legislative Royal Decree 4/2004 of 5 March, approving the

Amended Text of the Corporate Tax Law, the City of Barcelona is exempt from payment of this tax and is not subject to the retention of profits from their investments.

2.12. Environment

Expenses derived from actions intended to protect and improve the environment are recorded, where applicable, as expenses in the year they are incurred. This notwithstanding, should they entail investments in assets as a result of actions to minimize impacts on the environment or to protect and improve it, they are recorded as increased value of the mentioned fixed asset.

Note 3 - Intangible Fixed assets, Tangible Fixed Assets and Infrastructures

The movement registered in the different tangible and intangible fixed assets and infrastructures accounts is as follows:

Table

3 5

	12.31.2007	Additions	Retirements	Transfers	12.31.2008
Intangible Fixed Assets	9,044	-	(23)	3,811	12,832
Land	410,377	38,052	(8,548)	(77,649)	362,232
Buildings	5,109,507	41,376	(2,557)	56,452	5,204,778
Fixed Assets Assigned to Municipal Agencies and Third Parties	581,105	-	(18,477)	-	562,628
Vehicles	16,063	153	-	-	16,216
Machinery, Equipment, Installations and Tools	53,409	162	-	-	53,571
Data-processing Equipment	74,656	1,072	(2)	13,913	89,639
Office Furniture and Equipment	35,988	3,857	-	557	40,402
Other	1,566	178	-	-	1,744
Tangible Fixed Assets	6,282,671	84,850	(29,584)	(6,727)	6,331,210
Public Land Assets	271,955	67,197	(3,031)	46,889	383,010
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties	(581,105)	-	18,477	-	(562,628)
Fixed Assets Pending Classification	1,115,733	485,029	-	(88,776)	1,511,986
Investments in Infrastructure and Assets for Public Use	5,530,653	2,177	(31)	29,533	5,562,332
Investments Assigned for Public Use	(5,530,653)	(2,177)	31	(29,533)	(5,562,332)
Gross Tangible and Intangible Fixes Assets and Infrastructure	7,098,298	637,076	(14,161)	(44,803)	7,676,410
Accumulated Depreciation	(582,891)	(58,998)	347	-	(641,542)
Net Tangible and Intangible Fixed Assets and Infrastructure	6,515,407	578,078	(13,814)	(44,803)	7,034,868

In accordance with applicable regulations, the City of Barcelona records the value of lands containing any type of building under the captions "Buildings" and "Public Land Assets". This caption includes 2,479,270 thousand euros as of

December 31, 2008 and 2,390,765 thousand euros as of December 31, 2007, corresponding to the value of lands containing buildings.

Additions during the fiscal year include the following:

Table		
3 6	Investments Carried Out Directly by the City of Barcelona	160,081
	Capital Transfers for Investments:	
	• Investments carried out by decentralized entities (autonomous local agencies, public entities and municipal firms), pursuant to the terms of the Decree issued by the Mayor's Office on April 3, 1997	338,783
	• Investments carried out by third parties	32,473
	Investments Financed by Third Parties	16,446
	Obligatory Free Assignments and Profit Sharing	78,267
	Assets Received on Exchange	6,002
	Acquisition of Assets through Collection of Tax Debts	4,169
	Others	855
		637,076

Retirements carried out during the fiscal year include the following:

Table		
3 7	By Sale	5,873
	By Free Assignments	107
	By Exchange Operations	7,770
	Others	411
		14,161

Transfers during the fiscal year are as follows:

Table		
3 8	Property Delivered for Public Use (note 8)	29,533
	VAT Receivable from Treasury for Assisted Contributions Registered at the Time as Greater	
	Fixed Asset Value	942
	Tangible Fixed Assets Losses	14,037
	Others	291
		44,803

The details of investments assigned for public use are as follows:

Table		
39	Buildings	8,428
	Equipments	12,292
	Parks and Forests	1,259,371
	Mixed	311,552
	Systems	648,566
	Thoroughfares	2,508,335
	Municipal Assets of an Artistic Nature	112,439
	Urban Furniture	73,224
	Property for Public Use: HOLSA	628,125
	Total	5,562,332

Items totally written off as of 31 December 2008 are the following:

Table		
310	Vehicles	9,421
	Machinery, Equipment, Installations and Tools	17,099
	Data-processing Equipment	46,466
	Office Furniture and Equipment	19,774
	Others	1,995
	Total	94,755

The policy of the City of Barcelona is to contract the insurance policies that are considered necessary

in order to cover any possible risks that could affect the fixed asset elements.

Note 4 – Long-term Financial Investments

The movement registered under the long-term financial investments account over the fiscal year 2008 was as follows:

	12.31.2007	Additions	Retirements	Transfers	12.31.2008
Financial Investments	155,658	9,999	(103)		-165,554
Sale of Long-term Fixed Assets and Future PMS Property Exchange	46,718	13,315	(795)	(3,258)	55,980
Long-term Deposits and Guarantees	262		-		-262
Provision for Depreciation of Financial Fixed Assets	(1,842)	(2,488)	1,292		-(3,038)
Total	200,796	20,826	394	(3,258)	218,758

Additions for the sale of long-term fixed assets were as follows:

Property to be Received in Future for Exchange Operations	11,724
Credit Selling of Land Assets	1,591
	13,315

The items registered for transfers in the sale of long-term fixed assets include Off-budget Receivables for amounts to be collected in 2009 from operations to be included in that budget (3,258 thousand euros).

The financial investments carried out by the City of Barcelona as of 31 December 2008 are shown in the table below:

Table

3 13

Long-term Financial Investments (Data as of December 31, 2008)

Name	Interest Held %	Net Worth as of December 31, 2008 Before Result (1)	2008 Fiscal Year Result (1)	Technical Book Value 12.31.08 (1)	Book Value of the Holding 12.31.08 (*)
Municipal Agencies					
MA Disabled Persons	100	1,400	(214)	1,186	-
MA Urban Landscape and Quality of Life	100	1,800	29	1,829	-
MA Mies Van Der Rohe Foundation	100	6,452	233	6,685	-
MA Education	100	6,300	160	6,460	-
MA IT Services	100	1,082	348	1,430	-
MA Town Planning	100	236	362	598	-
MA Finances	100	1,546	298	1,844	-
MA Markets	100	5,709	85	5,794	-
MA Housing	100	40,558	507	41,065	-
MA Culture	100	2,507	562	3,069	-
MA Parks and Gardens	100	3,452	156	3,608	-
MA Barcelona Sports	100	293	244	537	-
Total		71,335	2,770	74,105	-
Municipal Firms					
Barcelona de Serveis Municipals Group	100	202,194	12,835	215,029	69,809
Barcelona Infraestructures Municipals Group	100	17,942	407	18,349	12,949
Informació i Comunicació de Barcelona, SA	100	1,707	(413)	1,294	1,294
Barcelona Activa, SA, SPM	100	2,381	52	2,433	2,013
SM Barcelona Gestió Urbanística, SA	100	634	22	656	60
Total		224,858	12,903	237,761	86,125
Interest of Less than 50%					
Barcelona Holding Olímpic, SA (HOLSA)	49	43,588	1,527	45,115	44,170
Barcelona Sagrera Alta Velocitat, SA	25	150	-	150	150
Barcelona Emprèn CR, SA (BE)	22.99	1,301	69	1,370	1,165
Barcelona Regional AMDUI, SA	20.63	377	2	379	271
Fira 2000, SA	12.84	30,652	(2,031)	28,621	28,621
Port Fòrum Sant Adrià, SL	5	15	7	22	15
Acquisition of shares (BE capital increase in progress)					1,999
Total		76,083	(426)	75,657	76,391
Total Financial Investments					162,516
Long-term Guarantees and Deposits					262
Long-term Disposal of Fixed Assets					17,396
Future Property Exchange					38,584
Total Long-term Financial Investments					218,758

(*) These amounts are included in the City of Barcelona individual accounts as of December 31, 2008.

(1) Adjusted to interest held.

The breakdown for the Barcelona de Serveis Municipals, SA and Barcelona d'Infraestructures Municipals, SA

groups are as follows (data as of 31 December 2008):

Table

314

Name	Interest Held %	Net Worth as of December 31, 2008 Before Result (1)	2008 Fiscal Year Result (1)	Net Worth as of 12.31.08 (1)
Barcelona de Serveis Municipals Group				
Barcelona de Serveis Municipals, SA	100	176,832	8,053	184,885
Parc d'Atraccions Tibidabo, SA	100	9,327	193	9,520
Tractament i Selecció de Residus, SA	58.64	22,662	2,444	25,106
Selectives Metropolitanes, SA (2)	58.64	1,798	(64)	1,734
Solucions Integrals per als Residus, SA (2)	58.64	2,401	321	2,722
Cementiris de Barcelona, SA	51	231	590	821
Serveis Funeraris de Barcelona, SA	51	9,306	5,806	15,112
Mercabarna, SA	50.69	31,149	1,767	32,916
Transports Sanitaris Parets, SL (3)	26.01	33	3	36
Barcelona d'Infraestructures Municipals Group				
Barcelona d'Infraestructures Municipals, SA	100	15,605	154	15,759
Pronoubarris, SA	100	850	90	940
22 Arroba Bcn, SA	100	6,975	21	6,996
Agència de Promoció del Carmel i entorns, SA	100	156	29	185
Proeixample, SA	62.12	6,718	64	6,782
Foment de Ciutat Vella, SA	51	4,347	49	4,396

(1) Adjusted to interest held.

(2) Interest held through Tractament i Selecció de Residus, SA.

(3) Interest held through Serveis Funeraris de Barcelona, SA.

The balance sheet and the statement of revenue and expenses for the fiscal year 2008 refer to the City of Barcelona individually. The changes resulting from

application of consolidation criteria to the City of Barcelona's individual annual statements are as follows (in thousands of euros):

Table
3 15

	City of Barcelona	Consolidated
Fixed Assets	7,256,136	7,847,707
Current Assets	785,411	1,010,519
Total Assets	8,041,547	8,858,226
Net Worth Before Results	5,577,686	5,803,245
Result of the Fiscal Year	581,572	601,683
Other Long-term Liabilities	1,148,117	1,541,248
Current Liabilities	734,172	912,050
Total Liabilities	8,041,547	8,858,226
Ordinary Revenues	2,239,324	2,553,410
Ordinary Expenses	(1,817,071)	(2,102,740)
Extraordinary Results	159,319	151,013
Results of Fiscal Year	581,572	601,683

The administrators intend to draw up separate consolidated annual statements and accounts.

The table below shows the total amounts corresponding to the City of

Barcelona's transactions and balances with its municipal agencies and firms, and with other firms in which it holds an interest:

Table
3 16

	Current and Capital Transfers	Other Expenses	Revenues	Accounts Receivable	Accounts Payable
Municipal Agencies	381,805	1,272	10,564	2,157	124,787
Municipal Firms	124,232	118	73,962	16,797	87,059
Firms in which the City holds an interest	2,875	45	-	-	2,993
Total	508,912	1,435	84,526	18,954	214,839

Note 5 – Long-term Off-budget Receivables

This includes the long-term maturity amounts to be collected, deriving from the deferment and division of tax receivables owing to the City of Barcelona.

Note 6 – Deferred Expenses

The balance of this caption corresponds entirely to the expenses corresponding to note and bond issues and loan arrangements, which have registered the following movements:

Table

3 17

	Loan Arrangement Expenses
Balance as of December 31, 2007	802
Allocation to Results as Financial Expenses	(201)
Balance as of December 31, 2008	601

The allocation to results as financial expenses is made annually and is calculated in a linear manner until the maturity of the formalized operations.

Note 7 – On-budget Receivables

On-budget receivables as of December 31, 2008 are classified according to their nature, as shown below:

Table

3 18

Item	Receivable
Direct Taxes	164,130
Indirect Taxes	6,249
Charges and Other Revenues	294,974
Current Transfers	63,753
Capital Gains	6,019
Disposal of Real Investments	313
Capital Transfers	27,795
Total Receivable	563,233

The amounts and movements registered in the account for the provision for bad debts were as follows:

Table

3 **19**

Balance as of December 31, 2007	294,430
Amount Charged to Statement of Revenues and Expenses	54,032
Bad Debts Written Off	(49,801)
Balance as of December 31, 2008	298,661

The provision for bad debts is determined by applying the estimated collectability ratio estimated by the City of Barcelona based on its past experience to the tax receivables

currently under forcible collection (169,935 thousand euros) and receivables for fines in both voluntary and enforced collection periods (189,383 thousand euros).

Note 8 - Net Worth

The amounts and movements registered in the Net Worth accounts during the fiscal year are as follows:

Table

3 **20**

	Net Worth	Property Assigned to Mpal. Agencies and Third Parties (See Note 2.1)	Property Delivered for Public Use (See Note 2.3)	Property Assigned by Mpal. Agencies and Third Parties (See Note 2.1)	Results of Previous Fiscal Years	Results of Fiscal Year 2008	Total
Initial Balance	7,505,484	(581,105)	(5,530,653)	52,992	3,492,177	651,771	5,590,666
2008 Results	-	-	-	-	-	581,572	581,572
Allocation of 2007 Results	-	-	-	-	651,771	(651,771)	-
Change in Property Assigned to Third Parties (Note 3)	-	18,477	-	-	-	-	18,477
Change in Property Assigned by Third Parties	-	-	-	179	-	-	179
Transfer of Capital Transfers and Other Capital Revenues (Note 9)	43	-	-	-	-	-	43
Property Delivered for Public Use (Nota 3)	-	-	(29,533)	-	-	-	(29,533)
Additions Delivered for Public Use (Note 3)	-	-	(2,177)	-	-	-	(2,177)
Retirements Delivered for Public Use (Note 3)	-	-	31	-	-	-	31
Final Balance	7,505,527	(562,628)	(5,562,332)	53,171	4,143,948	581,572	6,159,258

Note 9 – Capital Transfers and Other Capital

The movements under this caption are as follows:

Table					
3 21	Balance as of 12.31.07	Transfer and Other Income Received	Transfer to Net Worth (Note 8)	Transfer to Results (Note 17.6)	Balance as of 12.31.08
	214,257	46,042	(43)	(2,906)	257,350

Note 10 – Other Deferred Income

The movement registered under this caption during 2008 is as follows:

Table		
3 22	Balance as of December 31, 2007	95,353
	Transfer to Accrued Revenues (Note 16)	(2,759)
	Balance as of December 31, 2008	92,594

The balance as of December 31, 2008 corresponds to revenue received in advance for the usage of assets under municipal ownership. The revenues received in advance is transferred annually

to the statement of revenues and expenses in accordance with the straight-line method over the period corresponding to the assignment, which is set at 2080 at the latest.

Note 11 - Provisions for Contingencies and Expenses

The movement in this caption is as follows:

Table		
3 23	Balance as of December 31, 2007	110,276
	Amount Charged to "Miscellaneous Expenses"	12,137
	Cancelations of the Provision registered:	
	– Payable to Extraordinary Results	(11,050)
	Balance as of December 31, 2008	111,363

The purpose of this provision is to cover future contingencies of different natures.

Note 12 – Debentures and Loans

The outstanding amount as of December 31, 2008, corresponding to long-term loans and debentures subscribed by the City of Barcelona can be broken down as follows:

Table

3 **24**

Debentures and Loans

Description	Outstanding Amount as of 12.31.2008	Long Term	Short Term
Banking System	330,101	330,101	-
Private Placements	340,000	230,000	110,000
Public Issues	100,000	100,000	-
Total Debt	770,101	660,101	110,000

The part of the long-term debt which matures in less than a year is classified under the caption “Short-term Payables for Loans and Debentures”.

The movement of subscribed long-term loans and debentures in the 2008 fiscal year is as follows:

Table

3 **25**

Balance as of December 31, 2007	927,847
Contractual Repayments	(67,614)
Early Amortization	(90,132)
Balance as of December 31, 2008	770,101

As of December 31, 2008 there were unexecuted stand-by lines for a total of 206 million euros.

The debt profile by maturities as of December 31, 2008 is as follows:

Table

3 **26**

Maturity	Amount
2009	110,000
2010	100,000
2011	100,000
2012	90,000
2013	5,000
2014	89,033
2015	109,034
2016	29,034
2017	89,000
2018	9,000
2019 and beyond	40,000
Total	770,101

The average interest rate during the 2008 fiscal year is 4.10%.

As of December 31, 2008, 57.1% of the City of Barcelona's financial debt had a fixed interest rate, and 42.9% had a floating interest rate.

Note 13 – Other Long-term Payables

The caption “Other Long-term Payables” records debts with suppliers of tangible assets maturing in a period longer than a year. Movements during the fiscal year 2008 is as follows:

Table		
3²⁷	Balance as of December 31, 2007	14,087
	Transfers to Other Short-term Off-budget Payables (Note 15)	(14,087)
	Balance as of December 31, 2008	-

Note 14 – Public Administrations

The breakdown of these accounts is as follows:

Table		
3²⁸		Credit
	Value Added Tax	847
	Personal Income Tax	6,326
	Social Security	20,763
	Balance as of December 31, 2008	27,936

Note 15 – Other Off-budget Payables

The balance for this caption as of December 31, 2008 is as follows:

Table		
3²⁹	Deposits Received	32,771
	Fixed Assets Short-term Suppliers	14,087
	Bonus Payments to Personnel to pay in 2009 for Attendance and Punctuality in 2008 as well as the June Bonus	18,547
	Other Payables	16,653
	Payable to Administrations for IAE and IBI surcharges	21,189
	Other Short-term Off-budget Payables	103,247

The movement for fixed assets short-term suppliers during the fiscal year 2008 is as follows:

Table		
3 30	Balance as of December 31, 2007	19,206
	Transfers from Other Long-term Payables (Note 13)	14,087
	Retirements during the Fiscal Year	(19,206)
	Balance as of December 31, 2008	14,087

Note 16 – Accrued Expenses

The “Accrued Expenses” account reflects the City of Barcelona’s definite liabilities

as of December 31, 2008, in accordance with their accrual periods and regardless of the date of requirement of payment on demand, and is as follows:

Table		
3 31	Accrued Unmatured Interest as of December 31, 2008	9,550
	Short-term Transfer of Deferred Income (Note 10)	2,759
	Total	12,309

Note 17 – Statement of Results for 2008 Fiscal Year

17.1. Personnel Expenses

This entry includes the wages and salaries of the City of Barcelona personnel, social security and other welfare expenses.

The average payroll of the City of Barcelona during 2008 fiscal year comprised 6,958 workers (37% women and 63% men).

17.2. Welfare Benefits

Welfare benefits include the amounts paid by the City of Barcelona in 2008 as

grants to class D and E employees, as well as to the cleaning staff, parking attendants, night watchmen and the Municipal Police Force gold medal, amounting to 1,258 thousand euros.

17.3. Works, Supplies and Subcontracted Services

This entry corresponds to the purchase of goods and services needed for municipal activities to run smoothly, as well as for the conservation and maintenance of investments. It includes the service contracts subscribed by the City of Barcelona with different private firms to enhance the functioning of the city, such

as for example those for refuse collection and street cleaning.

17.4. Expenses for Current Transfers

For those activities carried out by autonomous local agencies, public entities and municipal firms corresponding to the provision of public services that fall within the scope of operation of the City of Barcelona, through direct management as delegated by the City in accordance with the terms of legislation (the Law governing the basis of law for local

legislation and the Regulation for works, activities and services of local entities), the City of Barcelona transfers the budgetary financing. This is reflected under the caption “Current Transfers” on the attached statement of revenue and expenses.

Such budget current transfer is established bearing in mind the assumptions of a balanced budget set out in the Law regulating local taxation.

The main payees are as follows:

Table

332	Autonomous Local Agencies (City of Barcelona)	197,898
	Municipal Public Entities (City of Barcelona)	167,406
	Municipal Firms (City of Barcelona)	117,897
	Municipal Association of the Barcelona Metropolitan Area and EMSHTR	131,644
	Consortia	35,005
	Other Public Entities	9,614
	Non-profit Organizations	12,372
	Metropolitan Transport Authority	61,356
	Autonomous Community	6,424
	Others	36,302
	Total	775,918

17.5. Expenses for Capital Transfers

This entry includes the transfers made by the City of Barcelona from its budget to finance investment processes.

The main payees are as follows:

Table

333	Autonomous Local Agencies (City of Barcelona)	5,176
	Municipal Public Entities (City of Barcelona)	11,325
	Municipal Firms (City of Barcelona)	6,335
	Consortia	369
	Metropolitan Transport Authority	28,591
	Others	3,672
	Total	55,468

17.6. Extraordinary Results

Extraordinary results can be broken down as follows:

Table

3 34

	Expenses	Revenues
From Fixed Assets	34,928	126,331
Modification of Receivables, Payables and Provisions	66,608	65,257
Additional Settlements Carried Out in 2008 for Shared Central Government Taxes in Previous Fiscal Years	-	71,810
Capital Transfers and Other Capital Revenue Allocated to Results (Note 9)	-	2,906
Other Extraordinary Results	5,449	-
Net Extraordinary Results		159,319

17.7. Sale of Goods and Services

This entry mainly includes public prices charged for the provision of services, as well as revenue derived from the provision of services under private regime.

17.8. Other Operating Revenue

Other operating revenue essentially comprises interest and profit-sharing, public prices for the private use or special operation of municipal assets in the public domain (such as car parks, newsstands, outdoor tables for bars and restaurants, etc), fines and other penalties for offences.

17.9. Revenue from Taxes

This group includes the following local taxes: property tax, levied on property; tax on economic activities, levied on certain business activities, in accordance with the type of activity, the space occupied and the location; tax on motor vehicles, which is levied on the ownership thereof, irrespective of the vehicle's class or category; taxes on construction, installations and works, levied according to the cost of the project for which the license

has been requested; tax on the increase in urban land value, a direct tax levied on the increase registered in the value of these lands made evident upon their transfer.

This caption also includes the amount resulting from the assignment of Central Government taxes, as a consequence of the entry into effect of the new model of financing for the public sector, approved by Law 51/2002, of December 27, of the reform of Law 39/1988, of December 28, Regulating Local Taxation.

17.10. Other Tax Revenue

Grouped under the caption "Other Tax Revenue" are, basically, the charges for the sale of services and use of the public domain.

17.11. Revenue from Current Grants and Transfers

This caption includes the amounts received from the Central Government Supplementary Finance Fund, as well as the earmarked grants from the European Community, Central Government, the autonomous communities and local entities.

Note 18 – Other Information

As of December 31, 2008, the guarantees provided by the City of Barcelona to cover credit operations amounted to 2,186 thousand euros.

The fees to be received by PricewaterhouseCoopers Auditores, S.L. and Gabinete Técnico de Auditoría y Consultoría, S.A., for auditing services and

the expenses incurred for rendering these services in fiscal year 2008 amount to 781 thousand euros, including VAT. Pursuant to the terms of the adjudication of the audit tender, these fees, invoiced to the City of Barcelona, include those of the municipal agencies and firms forming part of the City group, and the appropriate part thereof will be duly charged to each of them.

Note 19 – Statement of Source and Application of Funds for the 2008 and 2007 Fiscal Years

Table

335

Application of Funds	2008 Fiscal Year	2007 Fiscal Year	Source of Funds	2008 Fiscal Year	2007 Fiscal Year
Acquisition of Fixed Assets:					
Tangible Fixed Assets (1)	532,977	520,217	Funds from Operations	548,769	659,976
Financial Fixed Assets	9,999	8,250	Sale of Tangible and Financial		
Amortization and Transfers to			Fixed assets (1)	19,514	21,782
Short-term of Long-term Loans			Transfers of Fixed Assets to		
and Debentures	200,132	147,248	Off-budget Receivables	4,200	6,654
Pluri-annual Transfers to HOLSA	-	24,629	Long-term Off-budget		
Revenue Transfers to Short-term			Receivables	71	2,047
Liabilities	2,759	2,778	Net Change in Long-term		
Transfer to Short-term of Suppliers			Guarantees and Deposits	1,181	1,598
of Fixed Assets	14,087	6,631	Capital Grants	46,042	52,016
			Deferred Income	-	1,591
			Long-term Debts and		
			Debentures	-	80,000
Total Funds Applied	759,954	709,753	Total Funds Obtained	619,777	825,664
Sources of Funds in Excess of Applications			Application of Funds in Excess of Sources		
of Funds (Increase in Working Capital)	-	115,911	of Funds (Decrease in Working Capital)	140,177	-
Total	759,954	825,664	Total	759,954	825,664

(1) Basically includes sales and investment of assets affecting budget

Table

3 36

Change in Working Capital	2008		2007	
	Increase	Decrease	Increase	Decrease
Accounts Receivable	10,352	-	-	15,715
Short-term Financial Investments	-	44,253	14,981	-
Cash	37,723	-	67,071	-
Accounts Payable	-	143,999	49,574	-
Total	48,075	188,252	131,626	15,715
Increase in Working Capital	-	-	115,911	-
Decrease in Working Capital	140,177	-	-	-

The funds obtained from operations are as follows:

Table

3 37

	2008	2007
Net Results for the Fiscal Year	581,572	651,771
Provision for Depreciation (Note 3)	58,989	56,647
Allocation for Depreciation of Financial Fixed Assets (Note 4)	2,488	-
Deferred Expenses (Note 6)	201	222
Allocation of Long-term Provisions (Note 11)	12,137	23,922
Net Result of Fixed Assets	(91,370)	(34,150)
Capital Grants Transferred to Results (Note 9)	(2,906)	(26,583)
Cancellation of Long-term Provisions (Notes 4 and 11)	(12,342)	(11,853)
Funds Generated Through Operations	548,769	659,976

Note 20 – Budgetary Information

2008 Budget Account

Table

338

Summary of Status of Revenue Account Budget (in thousands of euros)

Caption	Initial Budget	Final Budget	Net Receivables	Receipts
1 Direct Taxes	721,140	721,140	760,403	711,840
2 Indirect Taxes	76,888	76,888	75,784	73,201
3 Charges and Other Revenue	276,162	303,894	359,260	247,051
4 Current Transfers	1,040,068	1,100,528	1,084,354	1,024,054
5 Capital Gains	39,204	51,873	55,082	50,059
6 Disposal of Real Property	30,000	35,620	16,983	16,722
7 Capital Transfers	19,261	30,044	24,937	6,399
8 Financial Assets	-	68,633	80	80
9 Financial Liabilities	150,000	151,558	2,484	2,484
Total	2,352,723	2,540,178	2,379,367	2,131,890

Table

339

Summary of Status of Expense Account Budget (in thousands of euros)

Caption	Initial Budget	Final Budget	Payables	Paid
1 Personnel Expenses	332,538	352,086	336,408	328,698
2 Current Goods and Services Expenses	466,401	506,170	484,998	340,161
3 Financial Expenses	45,429	41,565	28,522	28,522
4 Current Transfers	748,808	787,790	780,374	647,950
6 Investment	542,748	245,611	180,318	126,678
7 Capital Transfers	49,054	437,653	426,712	296,644
8 Financial Assets	10,000	10,000	9,999	8,000
9 Financial Liabilities	157,745	159,303	159,048	158,839
Total	2,352,723	2,540,178	2,406,379	1,935,492

Table

3 40

Budget Result (in thousands of euros)

Net Non-financial On-budget Receivables	
Revenues (Caption 1 to 7)	2,376,803
Revenues (Caption 8)	80
Total	2,376,883
Net Non-financial On-budget Receivables	
Expenses (Caption 1 to 7)	2,237,332
Expenses (Caption 8)	9,999
Total	2,247,331
Gross Saving	129,552
Adjustments	
Revenues (Caption 9)	2,484
Expenses (Caption 9)	159,048
Change in Financial Liabilities (Caption 9)	(156,564)
Net Saving	(27,012)
Adjustments	
Positive Financial Deviations	(24,521)
Negative Financial Deviations	22,619
Payables Financed with Budget Reserves	36,801
Adjusted Budget Result	7,887

Table

3 41

Budget Reserves (in thousands of euros)

1.- (+) Cash Funds	490,067
2.- (+) Receivables Pending	576,022
(+) Current Budget	247,477
(+) Previous Budgets	315,756
(+) Off-budget Operations	15,780
(-) Collections Pending Definitive Application	(2,991)
3.- (-) Payables Pending	567,413
(+) Current Budget	470,887
(+) Previous Budgets	6,107
(+) Off-budget Operations	90,419
(+) Pending Payments	-
I.- Total Budget Reserves (1+2-3)	498,676
II.- Bad Debts Outstanding	298,661
III.- Affected Financing Excess	33,501
IV.- Budget Reserves for General Expenses (I-II-III)	166,514

4

2008 Consolidated Accounts

(along with the auditor's report)

A free translation of the report on the consolidated annual accounts originally issued in Catalan and prepared in accordance with generally accepted accounting principles for governmental entities in Spain. In the event of a discrepancy, the Catalan language version prevails.

AUDITORS' REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the Mayor-President of
the Barcelona City Council:

We have audited the consolidated annual accounts of the BARCELONA CITY COUNCIL AND ITS AUTONOMOUS LOCAL AGENCIES, MUNICIPAL AGENCIES AND CITY-OWNED COMPANIES, which comprise the Consolidated Group, consisting of the consolidated balance sheet as of December 31, 2008, the consolidated statement of revenues and expenses and the related notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Corporation. Our responsibility is to express an opinion on these consolidated annual accounts taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and evaluation of their presentation, the accounting principles used as applicable to governmental entities in Spain and the estimates made.

For comparative purposes only, the Directors of the Corporation have presented for each item of the consolidated balance sheet, the consolidated statement of revenues and expenses and the consolidated statement of source and application of funds, the corresponding amounts for the previous year as well as the amounts for 2008. Our opinion refers exclusively to the consolidated annual accounts for 2008. On April 17, 2008, we issued our audit report on the 2007 consolidated annual accounts in which we expressed an unqualified opinion.

In our opinion, the consolidated accompanying annual accounts for the year 2008 give, in all material respects, a true and fair view of the net worth and financial position of the BARCELONA CITY COUNCIL AND ITS AUTONOMOUS LOCAL AGENCIES, MUNICIPAL AGENCIES AND CITY-OWNED COMPANIES (Consolidated Group) as of December 31, 2008, and of the results of its operations as reflected in the consolidated statement of revenues and expenses and its source and application of funds for the year then ended, and contain all the information necessary for their interpretation and comprehension, in conformity with generally accepted accounting principles and standards for governmental entities in Spain, applied on a basis consistent with that of the preceding year.


PricewaterhouseCoopers Auditores, S.L.


Xavier Brossa Galofré
Partner

April 20, 2009

PricewaterhouseCoopers Auditores, S.L. - R. M. Madrid, full
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Gabinete Técnico
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The City of Barcelona Group
Consolidated Balance Sheets as of December 31, 2008 and 2007
(in thousands of euros)

Table

41

Assets

As of December 31, 2008 **As of December 31, 2007**

	Note		
Intangible Fixed Assets	4 a)	19,164	56,526
Intangible Fixed Assets		35,628	80,695
Provisions and Depreciations		(16,464)	(24,169)
Tangible Fixed Assets and Infrastructures	4 b)	7,637,578	7,031,640
Tangible Fixed Assets		7,125,150	6,967,935
Public Land Assets		383,010	271,955
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties		(562,628)	(581,105)
Fixed Assets in Progress and Pending Classification		1,596,431	1,169,067
Investments in Infrastructure and Assets for Public Use		5,562,332	5,530,653
Investment Assigned for Public Use		(5,562,332)	(5,530,653)
Investments for Public Use		(904,385)	-(796,212)
Long-term Financial Investments		158,827	154,834
Interests in Associated Firms	5	53,516	51,945
Other Financial Investments	6	105,311	102,889
Long-term Trade Receivables	3.7	29,890	27,473
Deferred Expenses	7	2,247	2,474
Fixed Assets		7,847,706	7,272,947
Inventories	3.6	61,846	53,822
Provisions		(1,131)	(1,643)
		60,715	52,179
Accounts Receivable	8	671,258	670,420
Provisions	8	(313,820)	(306,512)
		357,438	363,908
Public Administrations Receivable	15	28,833	26,362
Short-term Financial Investments	3.4	302,404	318,921
Cash		259,654	223,802
Accrued Expenses		1,476	2,844
Current Assets		1,010,520	988,016
Total Assets		8,858,226	8,260,963

Notes 1 to 19 of the attached report form an integral part of the consolidated balance sheet as of December 31, 2008.

The City of Barcelona Group Consolidated Balance Sheets as of December 31, 2008 and 2007 (in thousands of euros)

Table

4 2

Liabilities

		As of December 31, 2008	As of December 31, 2007
	Note		
Net Worth		6,404,928	5,821,869
Net Worth	9.1	5,573,130	4,932,667
Net Worth		11,651,325	10,997,660
Property Assigned to Municipal Agencies and Third Parties		(562,628)	(581,105)
Property Delivered for Public Use		(5,562,332)	(5,530,653)
Property Assigned by Municipal Agencies and Third Parties		46,765	46,765
Income Allocable to the City of Barcelona	9.2	601,683	687,924
Consolidated Results		611,531	697,844
Results Allocable to Minority Interests	10	(9,848)	(9,920)
Consolidated Reserves	9.3	230,115	201,278
Minority Interests	10	80,548	72,632
Capital Transfers and Other Capital Income	11	343,333	269,998
Net Worth		6,828,809	6,164,499
Other Deferred Income	12	133,101	156,537
Provisions for Contingencies and Expenses	13	124,289	126,951
Long-term Loans and Debentures	14	797,558	996,576
Long-term Guarantees and Deposits		29,339	26,846
Other Long-term Payables	3.7	33,080	56,782
Long-term Liabilities		1,117,367	1,386,342
Short-Term Payables for Loans and Debentures	14	130,215	70,534
Accounts Payable		510,282	409,919
Payable to Public Agencies	15	53,013	53,625
Other Non-trade Payables		163,623	147,733
Accrued Expenses	16	54,917	50,961
Current Liabilities		912,050	732,772
Total Liabilities		8,858,226	8,260,963

Notes 1 to 19 of the attached report form an integral part of the consolidated balance sheet as of December 31, 2008.

The City of Barcelona Group
Consolidated Statement of Revenues and Expenses for the Fiscal Years
Ended as of December 31, 2008 and 2007 (in thousands of euros)

Table

43

	Note	2008	2007		Note	2008	2007
Personnel Expenses	18.1	633,747	601,305	Taxes	18.4	827,888	815,518
Works, Supplies and				Other Tax Revenues	18.5	165,977	157,653
Subcontracted Services	18.2	805,039	763,799	Sale of Services	18.6	290,928	286,538
Financial Expenses		43,002	41,636	Other Operating			
Current Transfers	18.3	400,014	337,227	Revenues	18.7	182,483	190,016
Provision to Allowance				Current Transfers	18.8	1,030,355	986,775
for Bad Debts and Others	8	58,411	61,395	Financial Revenues		17,530	14,163
				Other Revenues		36,680	35,142
				Share in Operating Result			
				of Firms Consolidated			
				by the Equity Method	2.2	1,569	181
Total Operating Expenses		1,940,213	1,805,362	Total Operating Revenue		2,553,410	2,485,986
Operating Result							
Before Capital Transfers		613,197	680,624				
Capital Transfers	18.3	51,263	66,407				
Operating Result							
After Capital Transfers		561,934	614,217				
Provision for Depreciation							
of Fixed Assets	4	93,855	90,294				
Extraordinary Expenses	18.9	117,630	118,158	Extraordinary Revenue	18.9	268,643	301,698
Pre-tax Consolidated Results		619,092	707,463				
Corporate Income Tax	3.13	7,561	9,619				
Consolidated Results		611,531	697,844				
Results Allocated to Minority Interest	10	9,848	9,920				
Results Allocated							
to the City of Barcelona		601,683	687,924				
Total		2,822,053	2,787,684	Total		2,822,053	2,787,684

Notes 1 to 19 of the attached report form an integral part of the statement of revenues and expenses as of December 31, 2008.

The City of Barcelona Group

Report on the Consolidated Annual Statement for the Year 2008

Note 1 – Nature of the Consolidated Group

The City of Barcelona Group is comprised of the City of Barcelona, its municipal agencies (autonomous local agencies and public entities) and municipal firms that complement the City's activities through functional specialisation and management improvement to offer maximum efficiency in service to its citizens.

Note 2 – Basis of Presentation and Consolidation Principles

2.1. Accounting Policies

The consolidated annual accounts are drawn up based on the audited individual accounts of each of the consolidated entities. The annual accounts of the City of Barcelona and its municipal agencies are prepared according to the generally accepted accounting principles set out for Public Administrations in current Spanish legislation, in particular:

- a) Law 1/2006, of March 13, governing Barcelona's special regime.
- b) Law 7/1985, of April 2, governing the basis of law for local legislation.
- c) Royal Decree Law 781/1986, of April 18, approving the amendment to the current provisions for the local legislation.
- d) Legislative Decree 2/2003, of April 28, approving the amended text of the Municipal Law of the Local Government System of Catalonia.
- e) Legislative Royal Decree 2/2004, of March 5, approving the amended Law Regulating Local Taxation (Law 39/1988, of December 28).
- f) Royal Decree 500/1990, implementing Law 39/1988.
- g) Normal Model of the Local Government Accounting Standards, order of November 23, 2004, taking effect on January 1, 2006.
- h) Documents on accounting principles issued by the Commission on Public Accounting Principles and Standards, created by resolution of the State

Secretariat for the Treasury on December 28, 1990.

i) Order of April 27, 2007, on the deployment of Decree 94/1995, of February 21, on the financial monitoring of local entities.

The annual accounts of the municipal public entities and municipal firms are drawn up in accordance with the Corporations Law, as amended, and with the directives set out in the Spanish general Accounting Plan approved by Royal Decree 1514/2007 and in force since January 1, 2008.

The figures contained in the documents composing these consolidated annual accounts are expressed in thousands of euros.

The consolidated balance sheet has basically been drawn up according to the models established by the Local Government Accounting Standards (ICAL), applicable from January 1, 2006, and the consolidated statement of revenue and expenses has been drawn up in more detail than required by mentioned standards in order to provide more thorough information on revenue and expenses in order to offer a faithful rendering of the net worth and financial position of the City of Barcelona Group and the results of its operations during the fiscal year, in accordance with the accounting principles and standards applied to the sphere of public administration and accounting. The report is basically presented according to the models established by said ICAL.

The accounting changes in the municipal firms and municipal public entities resulting from the introduction of the new General Accounting Plan are explained, if they are significant, in the notes to the corresponding caption of the report where they have had impact. In any case, the amounts deriving from this transition are not relevant within the overall context of these consolidated annual accounts.

In accordance with the directives of the new General Accounting Plan, the Municipal Agency of Housing has considered as capital transfers received registered under Net Worth, the lands and

surface rights received free of charge for the construction and use of rented housing promotions, recorded up to fiscal year 2007 under the caption "Other Deferred Income", for the amount of 22,650 thousand euros. In order to maintain the comparability of the balance sheet information, this reclassification has also been recorded in the 2007 fiscal year. The budget statements corresponding

to the City of Barcelona and its municipal agencies have been approved by the Decree issued by the Mayor's Office on February 27, 2009 respectively. The general account of the City of Barcelona and its municipal agencies as well the annual accounts of the municipal firms will be submitted to the Municipal Council Plenum for approval within the established statutory period.

2.2. Consolidation Principles

The fully consolidated municipal agencies and municipal firms are as follows:

Data as of December 31, 2008

Table

44

Name	Interest Held %	Net Worth as of 12.31.08 Before Results (1)	2008 Fiscal Year Results (1)	Technical Book Value 12.31.08 (1)	Book Value of the Holding 12.31.08 (*)
Municipal Agencies					
MA Disabled Persons	100	1,400	(214)	1,186	-
MA Urban Landscape and Quality of Life	100	1,800	29	1,829	-
MA Mies Van Der Rohe Foundation	100	6,452	233	6,685	-
MA Education	100	6,300	160	6,460	-
MA IT Services	100	1,082	348	1,430	-
MA Town Planning	100	236	362	598	-
MA Finances	100	1,546	298	1,844	-
MA Markets	100	5,709	85	5,794	-
MA Housing	100	40,558	507	41,065	-
MA Culture	100	2,507	562	3,069	-
MA Parks and Gardens	100	3,452	156	3,608	-
MA Barcelona Sports	100	293	244	537	-
Subtotal Municipal Agencies		71,335	2,770	74,105	-
Municipal Firms					
Barcelona de Serveis Municipals Group	100	202,194	12,835	215,029	69,809
Barcelona Infraestructures Municipals Group	100	17,942	407	18,349	12,949
Informació i Comunicació de Barcelona, SA	100	1,707	(413)	1,294	1,294
Barcelona Activa, SA, SPM	100	2,381	52	2,433	2,013
SM Barcelona Gestió Urbanística, SA	100	634	22	656	60
Subtotal Municipal Firms		224,858	12,903	237,761	86,125
Total		296,193	15,673	311,866	86,125

(*) Included in the individual financial statements of the City of Barcelona as of December 31, 2008.

(1) Adjusted to interest held.

The details of the consolidated annual accounts of the Barcelona de Serveis Municipals and Barcelona

d'Infraestructures Municipals groups are shown in the table below (data as of December 31, 2008):

Table

4 5

Name	Interest Held %	Net Worth as of 12.31.08 Before Results (1)	2008 Fiscal Year Results (1)	Technical Book Value 12.31.08 (1)
Barcelona de Serveis Municipals Group				
Barcelona de Serveis Municipals, SA	100	176,832	8,053	184,885
Parc d'Atraccions Tibidabo, SA	100	9,327	193	9,520
Tractament i Selecció de Residus, SA	58.64	22,662	2,444	25,106
Selectives Metropolitanes, SA (2)	58.64	1,798	(64)	1,734
Solucions Integrals per als Residus, SA (2)	58.64	2,401	321	2,722
Cementiris de Barcelona, SA	51.00	231	590	821
Serveis Funeraris de Barcelona, SA	51.00	9,306	5,806	15,112
Mercados de Abastecimientos de Barcelona, SA	50.69	31,149	1,767	32,916
Transports Sanitaris Parets, SL (3)	26.01	33	3	36
Barcelona d'Infraestructures Municipals Group				
Barcelona d'Infraestructures Municipals, SA	100	15,605	154	15,759
Pro Nou Barris, SA	100	850	90	940
22 Arroba Bcn, SA	100	6,975	21	6,996
Agència de Promoció del Carmel i Entorns, SA	100	156	29	185
Proeixample, SA	62.12	6,718	64	6,782
Foment de Ciutat Vella, SA	51.00	4,347	49	4,396

(1) Adjusted to interest held.

(2) Interest held through Tractament i Selecció de Residus, SA.

(3) Interest held through Serveis Funeraris de Barcelona, SA. Despite a 26% holding it is on the perimeter of full consolidation since BSM controls (51%) of SFB and the latter controls (51%) of TSP.

In accordance with article 289.2 of Decree 179/1995, of June 13, approving the regulations for works, activities and services of local entities, once the period of life stipulated in the bylaws of the mixed capital firms ProEixample, SA and Foment de Ciutat Vella, SA, have expired, all of their assets in conditions of normal use, as well as their liabilities, will revert to the City of Barcelona. Likewise, the assets and liabilities for the provision of

cemetery and cremation services will revert to the City of Barcelona once the term of management assigned to Cementiris de Barcelona, SA have expired.

Furthermore, the assets of Mercabarna, SA subject to public service (land, buildings and installations) will be transferred to the City of Barcelona on March 30, 2021, with no compensation whatever to Mercabarna, SA or its shareholders.

Changes produced during the 2008 fiscal year in the scope of consolidation correspond to the following events:

- The Extraordinary General Meeting of the firm Barcelona Ventures, SGECR, SA of November 20, 2008 resolved to dissolve and simultaneously liquidate the firm.
- At the end of 2008, the General Meeting of the firm Barcelona Emprèn, SCR, SA initiated a process of capital increase that will result in an increase in the interest in the firm held by the City of Barcelona, agreed by the Municipal Council Plenum. The City's undertaking to subscribe for new shares amounts to 1,999 thousand euros, which has already been recorded in the budget as of December 31, 2008 and is pending

payment until the firm completes the capital increase process, which in these annual accounts is recorded in the caption "Other Long-term Credits" of the assets in the balance sheet.

- On December 10, 2008, the firm Tractament i Selecció de Residus, SA resolved to dissolve and simultaneously liquidate the firm Carreras y Fontanals, SL, of which it was the sole shareholder, integrating all of the firm's assets and liabilities into its annual accounts.

The entities consolidated by the equity method (as the City of Barcelona holds, directly or indirectly, more than 20% of their share capital, but is not a majority or controlling shareholder) were the following mixed capital firms:

Table

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Name	Interest Held %	Net Worth as of 12.31.08 Before Results (1)	2008 Fiscal Year Results (1)	Net Worth propios a 12.31.08 (1)
Barcelona Holding Olímpic, SA (HOLSA) (2)	49.00	43,588	1,527	45,115
Mediacomplex, SA (2) (3)	33.30	6,531	(29)	6,502
Barcelona Sagrera Alta Velocitat, SA (2)	25.00	150	-	150
Barcelona Emprèn, SCR, SA (4)	22.99	1,301	69	1,370
Barcelona Regional, AMDUI, SA (2) (5)	20.63	377	2	379
Total		51,947	1,569	53,516

(1) Adjusted according to interest held.

(2) Fiscal Year 2008 Audited Annual Accounts.

(3) Indirect shareholding through 22 Arroba Bcn, SA belonging to Barcelona d'Infraestructures Municipals Group.

(4) The City of Barcelona holds a direct interest of 19.54% and an indirect interest, through Barcelona MA Culture, of 3.45%.

(5) The City of Barcelona holds a direct interest of 17.65% and an indirect interest, through Mercabarna, SA, of 2.98%.

The remaining interest of less than 20% held by the City of Barcelona and municipal entities in other firms and the holdings in metropolitan entities, associations of municipalities, consortia and foundations are not consolidated, there being no long-term financial investment relationship that forms a determined, stable degree of dependence; they are valued according to that described in Note 3.4.

When applying consolidation methods, the following principles are taken into consideration:

Third parties holding interest in the Group (mixed firms) are considered minority interests.

All significant balances and transactions between consolidated entities are eliminated in the process of consolidation.

All significant aspects of the entities included in the individual annual accounts of those entities that comprise the consolidated group are subject to prior homogenisation, both with regard to temporary provisions, where applicable, and to the assessment criteria applied.

Note 3 – Valuation Criteria

The most significant accounting criteria applied in drawing up the annual consolidated accounts are the following:

3.1. Intangible and Tangible Fixed Assets

a) Intangible Fixed Assets

Intangible fixed assets basically include data-processing applications, which are recorded at their purchasing price. Maintenance expenses are recorded as they occur through debits to the results.

The annual provision for the depreciation of data-processing applications is calculated by applying the straight-line method to their useful life, which is estimated at 4 years.

b) Tangible Fixed Assets

These include the City's assets and those in the public domain directly assigned for

the provision of public services, which together constitute the local economic group's long-term investments.

In the assessment criteria for fixed assets, it is necessary to distinguish:

The City of Barcelona

- Land and buildings. Additions made prior to January 1, 1992 are assessed according to an expert estimate of their current real market value made by an independent appraisal firm. In the case of properties officially listed as of historic-artistic interest, this value is equivalent to the cost of replacement. In this sense, with regard to non-financial fixed assets, the document on accounting principles issued by the Commission on Public Accounting Principles and Standards defines replacement value as "the sum of expenses necessary for the construction of an asset of identical nature and characteristics. In the case of buildings officially listed as of historic-artistic interest, this value should be that of reconstruction". Subsequent additions are assessed at their purchasing price or, in the case of buildings received free of charge, at their appraised value.

- Machinery, installations, and data-processing equipment and vehicles. Additions are valued at their purchasing price.

- Fixed assets in construction and pending classification. Additions are assessed at their purchasing price or cost of construction and are transferred to the corresponding tangible fixed assets caption or "Property Delivered for Public Use" caption upon completion of the investment they require.

Municipal Agencies and Firms

- In municipal agencies and firms, tangible fixed assets are valued at their purchasing price.

- In municipal agencies and firms, the assessment corresponds to the purchasing price less accumulated depreciation and, where applicable, is adjusted by the negative difference between the net book value and their cost of recuperation, in accordance with the provisions of the General Accounting

Plan. In the case of Mercabarna, SA, the firm adopted in previous fiscal years and in that of 1996 the readjustment of balances regulated by article 5 of Royal Decree Law 7/1996 which, in the 1996 fiscal year, signified an impact of 24,281 thousand euros; and the net effect as of December 31, 2008 is 14,031 thousand euros, entailing a charge to the caption “Provision for Depreciation of Fixed Assets” on the 2008 consolidated statement of revenues and expenses of 566 thousand euros.

Administrative concessions mainly correspond to the concessions granted by third parties to Barcelona de Serveis Municipals, SA and refer to the four car parks currently in use, the Barcelona Nord bus station and the shopping centre at the Hospital del Mar. The period of concession oscillates between 30 and 50 years. These rights are recorded at the purchasing value of the assets to which they correspond, which primarily includes the cost of constructing the aforementioned car parks and facilities. In accordance with

the new General Accounting Plan, the concessions are recorded in the captions of tangible fixed assets according to the nature of the assets which were the object of the investment (see Note 4).

Repairs not contributing to an extension of the useful life, as well as maintenance costs, are charged directly to the consolidated statement of revenue and expenses. The costs of any additions or improvements extending the useful life of an asset are capitalised as an increase in its value.

The annual provision for the depreciation of tangible fixed assets is calculated by applying the straight-line method based on each asset’s estimated useful life, basically beginning one month upon its incorporation into the inventory. In the case of administrative concessions, the annual provision for depreciation is calculated by applying the straight-line method to the lowest period of useful life of the asset or of the term of the concession, beginning one month from when the assets in question are put into use.

Table	
47	Estimated Years of Useful Life
Buildings	33-65
Technical Installations and Machinery	8-16
Vehicles	5-10
Fittings	6-13
Data-processing Equipment	4-6
Others	8-10

The City of Barcelona's process of economic depreciation began in the fiscal year 1992. The estimated years of useful life corresponding to the caption "Buildings" are determined according to the criteria of the aforementioned independent appraisal.

For properties with historic-artistic value, the depreciation is calculated based on the cost of the fixed assets that would be required to replace them in terms of their capacity and usefulness. Therefore, the portion of book value corresponding to the historic-artistic component of these structures, which amounts to 221,573 thousand euros, has been excluded from the calculation, in accordance with the aforementioned independent appraisal. This treatment is justified by the fact that the said historic-artistic component is subject to maintenance, which guarantees its permanent value.

Property assigned by third parties shows the value of the property assigned to the City of Barcelona for their operation or use, coming from other entities.

The caption "Tangible Fixed Assets Assigned by Municipal Agencies and Third Parties" shows the book value of those assets freely assigned by the City of Barcelona to its municipal agencies and firms or to third parties for their operation or use, respectively.

When an asset is assigned, its retirement is recorded through a charge to the heading "Property Assigned to Municipal Agencies and Third Parties" on the balance sheet (see Note 9.1) and, consequently, it ceases to be amortised.

3.2. Public Land Assets

The Public Land Assets refers to the group of assets which, in accordance with Legislative Decree 1/2005, of July 26, approved by the amendment of the Town Planning Law of Catalonia, and in accordance with the Barcelona Municipal Charter, are affected for the purposes of social interest established by law.

The municipal properties included under this caption are as follows:

- Properties for social housing, administered by the City of Barcelona itself or municipal operators.

- Properties that have been awarded surface rights in favour of third parties to build social housing, homes for the elderly, care centres and other social investments.

- Properties under investment projects which, once finished, will be destined to be used for social housing and other social proceedings.

The assessment and amortisation criteria employed are those described in Note 3.1.

3.3. Investments in Infrastructures and Assets Assigned to Public Use

The property delivered for public use includes thoroughfare infrastructure (roads, pavements, public lighting, and signs), the large facilities for public services (sewers and utility supplies), green spaces, trees, gardens and, in general, all assets constituting public property provided for public use of citizens.

Additions made prior to January 1, 1992 are assessed according to the criteria described in Note 3.1.b. Subsequent additions are assessed at their purchasing price.

Upon completion of the investments in infrastructures and property for public use, their retirement is registered on the balance sheet with a charge to the "Property Delivered for Public Use" caption (see Note 9.1).

For the purposes of presentation, the assets caption on the balance sheet shows the assets assigned to municipal agencies or third parties for public use, as well as the corresponding compensatory sums to reflect their retirement. Likewise, Note 4.b reflects the movements registered under these captions over the year.

3.4. Long-term and Short-term Financial Investments

Equity securities representing more than 20% of the share capital in dependent firms that are not fully consolidated are assessed by applying the equity method criteria mentioned in Note 2.2, on the basis of their annual accounts.

All other securities are recorded on the consolidated balance sheet at their purchasing price. The differences between the book value and the technical book value of those shareholdings with substantial losses have been provided for in the attached consolidated annual accounts.

Short-term financial investments are registered at their purchasing price or selling price, if less. The balance of the "Short-term Investment" caption includes, basically, repos operations (public bond issues) and deposits in financial entities which possess at least an "A" credit rating from the leading rating agencies.

3.5. Deferred Expenses

The balance of this caption corresponds basically to the expenses corresponding to note and bond issues and loan arrangements.

3.6. Inventories

Inventories as of December 31, 2008 mainly correspond to lands used for construction activities and real estate promotion, both currently in progress and completed, which are recorded at their purchasing price or production cost, depending on the direct costs incurred.

When appropriate, the necessary provision for depreciation is used to reduce these values to their real market value.

3.7. Accounts Receivable and Accounts Payable

These are recorded at their nominal value.

An allowance has been established to cover bad debts, based on the following criteria:

- In the case of the City of Barcelona, the provision for bad debts is determined by applying the estimated collectability ratio estimated by the City based on its past experience to the tax receivables currently under forcible collection and receivables for fines in both voluntary and enforced collection periods.

- In the case of municipal agencies and firms, this allowance is made for receivables whose recovery is deemed uncertain.

The caption "Long-term Receivables" on the attached consolidation balance sheet mainly includes the debts to be collected. They are recorded at their nominal value, due to their correlation to the caption "Other Long-term Accounts Payable" under liabilities on the same balance sheet. The maximum maturity date of these debts is 2035. Also recorded under these captions are the assets and liabilities for deferred taxes of entities subject and not exempt from Corporate Tax, which amount to 3,802 and 2,832 thousand euros, respectively.

3.8. Capital Transfers and Other Capital Income

The following criteria is applied to record received capital transfers and other capital income, in accordance with the applicable legislation:

- Upon their concession, capital transfers are recorded under the "Capital Transfers" caption in the liabilities column of the consolidated balance sheet and moved to net worth when the investment they were financing is assigned for public use or, when applicable, to the fiscal year's results, in the proportion corresponding to the effective depreciation undergone, and recorded in accounts when the investment it finances has been a fixed asset.

- Other capital income is registered at the time when the administrative operation producing it is carried out.

3.9. Other Deferred Revenue

Early collection on amounts deferred to years subsequent to the year of collection are recorded under the caption "Other Deferred Income" (see Note 12), except for the portion of such amounts that has been deferred to the immediately following year, which is recorded under

the caption "Accrued Expenses" (see Note 16) under liabilities on the balance sheet prior to being credited to results.

3.10. Classification of Long and Short-term Receivables and Debts

On the attached consolidated balance sheet, receivables, credits and debts that mature in a period equal to or less than a year are classified as short-term. Those which mature within a period greater than a year are classified as long-term.

3.11. Revenues and Expenses

a) General Criteria

Revenue and expenses are primarily recorded in the consolidated statement of revenue and expenses in the fiscal year in which they occur, depending on the real flow of assets and services they represent and independently of the timing of the monetary or financial flow from which they are derived, except for those capital grants and transfers derived from agreements or conventions requiring the treatment described in sections 3.8 and 3.11.b. respectively.

b) Grants and Subsidies Deriving from Agreements and Conventions

To record the expenses for transfers and grants stemming from agreements subscribed by different parties, be they collaborative agreements, cooperative agreements, contract programmes or other similar agreements signed to co-finance or develop specific projects or activities, the grantor's obligation to pay arises at the moment when the debt matures and is liquid and payable on demand, in other words, when the requirements for payment have been met. The recognition of the grantor's payment obligation is recorded upon passage of the resolution by which the beneficiary's right to collect is recognised and quantified (approval of the budgets for each fiscal year).

c) Assigned Capital Transfers

This entry includes the City of Barcelona's contributions charged to the budget for financing investment processes not directly carried out by municipal agencies or firms belonging to the municipal group.

3.12 Provisions for contingencies and expenses

The balance of this caption reflects the provisions established to cover the economic costs of contingent or probable costs.

3.13 Corporate Tax

In accordance with Legislative Royal Decree 4/2004 of March 5, approving the Amended Text of the Corporate Tax Law, the City of Barcelona and its autonomous local agencies are exempt from payment of this tax and are not subject to the retention of profits from their investments.

For public business entities and municipal firms, the corporate tax is calculated based on their book result, which need not necessarily be the same as their fiscal result, the latter being construed as the taxable income for the tax, given that the corresponding long-term differences are taken into account. Pursuant to the abovementioned amended corporate tax law and article 25 of the Law on local taxation, municipal firms are eligible for a 99% rebate on taxes paid on their earnings from activities classified as public service under this legislation.

3.14. Environment

Expenses derived from actions intended to protect and improve the environment are recorded, where applicable, as expenses in the year they are incurred. This notwithstanding, should they entail investments in assets as a result of actions to minimise impacts on the environment or to protect and improve it, they are recorded as increased value of the fixed asset in question.

Note 4 – Intangible Fixed assets, Tangible Fixed Assets and Infrastructures

a) Intangible Fixed Assets

The movement registered in the different intangible fixed assets accounts is as follows:

	12.31.07	New GAP	Additions	Retirements	Transfers	12.31.08
Start-up Expenses	48	(48)	-	-	-	-
R+D Expenses	572	-	-	-	15	587
Concessions	53,487	(46,939)	-	-	(1,504)	5,044
Patents, Licenses and Trademarks	1,326	(243)	113	(6)	9	1,199
Data-processing Applications	12,910	228	1,561	(58)	(401)	14,240
Rights on Assets Under Financial Leasing	2,398	(2,333)	-	-	-	65
Others	9,954	(1,504)	4,131	(23)	1,935	14,493
Intangible Fixed Assets	80,695	(50,839)	5,805	(87)	54	35,628
Accumulated Depreciation	(24,169)	10,617	(3,037)	51	74	(16,464)
Net Intangible Fixed Assets	56,526	(40,222)	2,768	(36)	128	19,164

The “New GAP” column reflects the changes derived from transition to the new General Accounting Plan for public agencies and municipal firms, as mentioned in Note 2.1. The impact represented by the most significant quantitative variation is the consideration

of assets from concessions as tangible fixed assets, depending on the nature of those assets, which justifies the reduction in this caption by 46,939 thousand euros (see Note 3.1.b.).

The elements totally written off as of December 31, 2008 are the following:

Data-processing Applications	7,195
R+D Expenses	571
Others	515
Total	8,281

b) Tangible Fixed Assets and Infrastructures

The movement registered in the different tangible fixed assets and infrastructures accounts is as follows:

Table

4 10

	12.31.07	New GAP	Additions	Retirements	Transfers	12.31.08
Land	418,991	-	38,052	(8,548)	(14,369)	434,126
Buildings	5,524,982	46,683	67,386	(6,620)	(22,641)	5,609,790
Fixed Assets Assigned to Municipal Agencies and Third Parties	581,105	-	-	(18,477)	-	562,628
Land and Properties	6,525,078	46,683	105,438	(33,645)	(37,010)	6,606,544
Vehicles	20,765	(4,804)	153	-	13,762	29,876
Machinery, Equipment, Installations and Tools	237,339	23,531	12,548	(10,927)	37,221	299,712
Data-processing Equipment	83,651	(3,459)	1,892	(51)	29,779	111,812
Office Furniture and Equipment	74,160	(3,867)	4,359	(90)	(9,615)	64,947
Others	26,942	(15,193)	972	(164)	(298)	12,259
Other Fixed Assets	442,857	(3,792)	19,924	(11,232)	70,849	518,606
Total Tangible Fixed Assets	6,967,935	42,891	125,362	(44,877)	33,839	7,125,150
Public Land Assets	271,955	-	67,197	(3,031)	46,889	383,010
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties	(581,105)	-	-	18,477	-	(562,628)
Fixed Assets Pending Classification	1,169,067	371	557,665	(197)	(130,475)	1,596,431
Infrastructures and Assets for Public Use	5,530,653	-	2,177	(31)	29,533	5,562,332
Investments Assigned for Public Use	(5,530,653)	-	(2,177)	31	(29,533)	(5,562,332)
Gross Tangible Fixed Assets and Infrastructures	7,827,852	43,262	750,224	(29,628)	(49,747)	8,541,963
Accumulated Depreciation and Provisions	(796,212)	(23,225)	(91,654)	7,209	(503)	(904,385)
Net Tangible Fixed Assets and Infrastructures	7,031,640	20,037	658,570	(22,419)	(50,250)	7,637,578

The "New GAP" column reflects the changes derived from transition to the new General Accounting Plan for public agencies and municipal firms, and the most significant component of these changes corresponds to the

administrative concessions (see Notes 3.1.b and 4.a).

In accordance with applicable regulations, the group entities record the value of lands containing any type of building under the caption "Buildings"

and “Public Land Assets”. This caption includes 2,567,520 thousand euros as of December 31, 2008 and 2,847,511 thousand euros as of December 31, 2007

corresponding to the value of lands containing buildings.

Additions during the fiscal year are the following:

Table

4 11

Investments Carried out Directly by the City of Barcelona	160,081
Investments Carried out by Dependent Entities, Pursuant to the Terms of the Decree of April 3, 1997, issued by the Mayor's Office	338,783
Other Investments Carried out by Dependent Entities	113,148
Investments Carried out by Third Parties	32,473
Investments Financed by Third Parties	16,446
Compulsory Free Assignments and Profit-sharing	78,267
Assets Received on Exchange	6,002
Others	5,024
Total	750,224

Included in the caption “Other Investments Carried out by dependent Entities” are:

- Houses built on behalf of the Municipal Agency for Housing.
- Construction of the Illa-Raval car park and adaptation of installations at the Ciutadella Zoo, the new Marine Zoo project, the new extension of the ÀREA Verda, the Ethernet installations and the number-plate recognition system in car parks, by Barcelona de Serveis Municipals, SA.

Investment carried out in the machinery of the new Switchback ride, the civil

works and installation of this attraction, improvements in environmental adaptation and in the refurbishment of the Dome building and of Hall of Mirrors at Parc d'Atraccions Tibidabo, SA.

- Investments made in the central Flower Market, the Slaughterhouse and other installations in Mercabarna.
- The refurbishment and improvement of the different types of funerary constructions in Cementiris de Barcelona.

Retirements carried out over the fiscal year are the following:

Table

4 12

By Sale	5,873
By Free Property Ownership Assignments	107
By Delivery of Assets on Exchange	7,770
By Fixed Asset Reconstruction	4,821
Others	11,057
Total	29,628

Transfers for the fiscal year are as follows:

Table

4 **13**

Property Delivered for Public Use	29,533
Application to Tangible Fixed Assets Losses	14,037
VAT Receivable from Treasury for Assisted Contributions Registered at the Time as Greater Fixed Asset Value	942
Others	5,235
Total	49,747

Thus, the main components of the transfers for the fiscal year are largely offset by the net worth accounts (see Note 9.1).

The details of the “Investments Assigned for Public Use” caption are as follows:

Table

4 **14**

Buildings	8,428
Equipments	12,292
Parks and Forests	1,259,371
Mixed	311,552
Systems	648,566
Thoroughfares	2,508,335
Municipal Assets of an Artistic Nature	112,439
Urban Furniture	73,224
Property for Public Use: HOLSA	628,125
Total	5,562,332

The elements totally written off as of December 31, 2008 are the following:

Table

4 **15**

Vehicles	10,966
Machinery, Equipment, Installations and Tools	67,728
Data-processing Equipment	52,741
Office Furniture and Equipment	26,517
Others	10,742
Total	168,694

The policy of the Group is to contract the insurance policies that are considered necessary in order to cover

the possible risks that could affect the fixed asset elements.

Note 5 – Interest in Associated Firms

This caption reflects the investments made in dependent firms that are not fully consolidated but, rather, are consolidated by the equity method, as shown in the following chart:

Table

4 16

Barcelona Holding Olímpic, SA (Holsa)	45,115
Mediacomplex, SA	6,502
Barcelona Sagrera Alta Velocitat, SA	150
Barcelona Emprèn, SCR, SA	1,370
Barcelona Regional, AMDUI, SA	379

Total	53,516
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Note 6 – Other Financial Investments

The balance of this caption reflects the interests of less than 20% held in different firms by the City of Barcelona and the entities belonging to the Municipal Group, as well as other credits and long-term deposits and guarantees, as shown in the following chart:

Table

4 17

Investment Portfolio	45,091
Deposits and Guarantees	668
Other Long-term Credits	59,552

Total	105,311
--------------	----------------

The investment portfolio can be broken down as follows:

Table

4 18

	Firm's Owner (*)	% Interest Held	Investment Cost	Provisions	Net Book Value as of 12.31.08
Transferència i reciclatge de Runes, SA	SIRESA	17.59	180	-	180
Clavegueram de Barcelona, SA	BSM	17.50	685	-	685
Catalana d'Iniciatives, CR, SA	BSM	13.45	8,904	(924)	7,980
Fira 2000, SA	AB	12.84	31,020	(2,399)	28,621
GL Events CCIB, SL	BSM	12.00	241	-	241
Districlima, SA	TERSA	11.73	1,020	-	1,020
Ecoparc del Mediterrani, SA	TERSA	11.73	960	-	960
Ecoparc de Barcelona, SA	TERSA	3.05	383	(383)	-
Hotel Miramar de Barcelona, SA	BSM	10.00	1,562	(1,562)	-
Gestora de runes de la construcció, SA	TERSA	8.21	135	-	135
Recuperació d'Energia, SA	TERSA	4.69	34	-	34
Funeràries de Catalunya, SA	SFB	4.46	30	-	30
Port Fòrum Sant Adrià, SL	AB	5.00	15	-	15
Ecoparc del Besòs, SA	TERSA	2.93	385	-	385
Catalunya Carsharing, SA	BSM	2.89	50	(50)	-
Túnel i Accessos de Barcelona, SA	BSM	2.82	3,805	-	3,805
Grand Tibidabo, SA	PATSA	0.03	11	(11)	-
Interest in Barcelona Ventures	ICUB	-	1,000	-	1,000
Financial Investments			50,420	(5,329)	45,091

(*) Key:

AB: The City of Barcelona; BSM: Barcelona de Serveis Municipals, SA; PATSA: Parc d'Atraccions Tibidabo, SA; MCBN: Mercados de Abastecimientos de Barcelona, SA; SFB: Serveis Funeraris de Barcelona, SA; TERSA: Tractament i Selecció de Residus, SA; SIRESA: Solucions Integrals, SA; ICUB: MA Culture

The variation in relation to the previous fiscal year is represented by the resolution of the General Meeting of the firm Fira 2000, SA, held on June 25, 2008, to increase its share capital;

the interest held by the City of Barcelona will thus rise from the previous 11.43% to 12.84%.

Other long-term credits can be broken down as follows:

Table

4 19

Sales of Long-term Fixed Assets	55,981
Long-term Clients and Receivables	1,391
Others	2,180
Total	59,552

Note 7 – Deferred Expenses

This caption basically includes the expenses corresponding to note and bond issues and loan arrangements. The allocation to results as financial expenses is made annually and is calculated in a lineal manner until the maturity of the formalised operations.

Note 8 – Accounts Receivable

Accounts receivable are classified as follows:

Table		
4	a) By the City of Barcelona	565,245
	Direct Taxes	164,130
	Indirect Taxes	6,249
	Charges and Other Revenues	266,345
	Current Transfers	63,753
	Capital Gains	6,019
	Disposal of Real Investments	313
	Capital Transfers	27,795
	Others	30,641
	b) By Municipal Agencies and Firms	106,013
	Total Receivable	671,258

The amounts and movements registered in the account for the provision of bad debts is as follows:

Table		
4	Balance as of December 31, 2007	306,512
	Amount Charged to the Statement of Revenue and Expenses	55,436
	Bad Debts Written Off	(50,398)
	Application to Extraordinary Results	(754)
	Transfers	3,024
	Balance as of December 31, 2008	313,820

The provision for bad debts is determined by applying the estimated collectability ration estimated by the City of Barcelona based on its past experience to the tax receivables currently under forcible collection (169,935 thousand

euros) and receivables for fines in both voluntary and enforced collection periods (189,383 thousand euros).

The provision for the fiscal year, 55,436 thousand euros, is shown under liabilities on the consolidated statement of revenue

and expenses, along with other provisions for sundry items amounting to 2,975 thousand euros.

The transfers correspond to the reclassification of the provision for trade operations which, as of December 31, 2007,

was shown by Mercados de Abastecimientos de Barcelona, SA in its liabilities and which, in accordance with the new General Accounting Plan, is now recorded as a reduction in assets as a valuation correction of the accounts receivable.

Note 9 - Net Worth

9.1. Net Worth

The amounts and movements registered in the net worth accounts during the fiscal year are as follows:

Table

4 22

	Net Worth	Property Assigned to Municipal Agencies and Third Parties (see Notes 3.1.b and 4.b)	Property Assigned by Municipal Agencies and Third Parties	Property Delivered for Public Use (see Notes 3.3 and 4.b)	Total
Initial Balance	10,997,660	(581,105)	46,765	(5,530,653)	4,932,667
Allocation of City of Barcelona Results 2007	651,771	-	-	-	651,771
Transfer from Capital Transfers	44	-	-	-	44
Transfer from Consolidation Reserves	1,850	-	-	-	1,850
Change in Property Assigned	-	18,477	-	-	18,477
Property Delivered for Public Use	-	-	-	(31,679)	(31,679)
Final Balance	11,651,325	(562,628)	46,765	(5,562,332)	5,573,130

Property assigned by municipal agencies or third parties shows the value of the property assigned to the City of Barcelona for their operation and use, coming from other entities.

The transfer from consolidated reserves is originated by the contribution from the Municipal Agency for Town Planning to

the City of Barcelona of 1,850 thousand euros from positive results of previous fiscal years.

9.2. Results

The consolidated result allocable to the City of Barcelona can be broken down as follows:

Table

4 23

Results of the City of Barcelona	581,572
Aggregate Result of Municipal Agencies and Firms	32,249
Share in Results by Equity Method	1,569
Consolidation Adjustments	(3,859)
Consolidated Results	611,531
Results Allocable to Minority Interests Before Interim Dividends (Note 10)	(9,848)
Results Allocable to the City of Barcelona	601,683

9.3. Consolidation Reserves

The consolidation reserves and their movement can be broken down as follows:

Table

4 24

	Balance as of 12.31.07	2007 Result (a)	Transfers and Others	Balance as of 12.31.08
Fully Consolidated	201,375	19,764	9,596	230,735
MA Housing	39,349	69	4,854	44,272
MA Disabled Persons	866	535	3	1,404
MA Mies Van der Rohe Foundation	1,352	(24)	(3)	1,325
MA IT Services	5,206	217	382	5,805
MA Town Planning	2,222	2	(1,850)	374
MA Finances	3,402	325	-	3,727
MA Markets	5,557	150	3	5,710
MA Parks and Gardens	3,699	577	231	4,507
MA Education	6,035	1,020	(272)	6,783
MA Culture	3,429	288	(1,211)	2,506
MA Barcelona Sports	275	298	(280)	293
MA Urban Landscape and Quality of Life	1,591	210	-	1,801
Barcelona de Serveis Municipals Group (b)	105,282	14,760	7,429	127,471
Barcelona d'Infraestructures Municipals Group (c)	3,909	1,167	1,939	7,015
Informac. i Comunicac. de Barcelona, SA	4,500	62	(1,000)	3,562
Barcelona Activa, SA	14,058	52	(503)	13,607
SM Barcelona Gestió Urbanística, SA	643	56	(126)	573
By the Equity Method	(97)	322	(845)	(620)
Barcelona Holding Olímpic, SA	318	393	(1,292)	(581)
Barcelona Ventures SGEGR, SA	7	1	(8)	-
Barcelona Emprèn, SCR, SA	(491)	(73)	508	(56)
Barcelona Regional, AMDUI, SA	69	1	(53)	17
Total	201,278	20,086	8,751	230,115

(a) Adjusted according to the interest held.

(b) Barcelona de Serveis Municipals Group includes information regarding the parent firm and firms in which it holds an interest (Parc d'Atraccions del Tibidabo, SA; Tractament i Selecció de Residus, SA; Serveis Funeraris de Barcelona, SA; Transports Sanitaris Parets SL; Cementiris de Barcelona, SA; Mercabarna, SA; Selectives Metropolitanes, SA; Solucions Integrals per als Residus, SA (see Note 2.2).

(c) Barcelona d'Infraestructures Municipals Group includes information regarding the parent firm and firms in which it holds an interest (Pro Nou Barris, SA; 22 Arroba Bcn, SA; Agència de Promoció del Carmel i Entorns, SA; ProEixample, SA; Foment de Ciutat Vella, SA; and Mediacomplex, SA) aggregated together (see Note 2.2).

As mentioned in Note 2.2, the firm Barcelona Ventures SGEGR, SA was dissolved by resolution of its General meeting. Its assets and liabilities have been incorporated into Barcelona Emprèn, SCR, SA, from which the firm was formed in its day as a result of the splitting of the

firm, with the same shareholder composition.

To calculate the consolidation reserves, the book and technical book values of the interests held, the dividends collected over the 2008 fiscal year and other consolidated adjustments were used to

homogenise receivables and payables between the City of Barcelona and its dependent firms.

The "Transfers and Others" column includes the correction of the existing temporary difference between provision for capital transfers and execution of the

works and services financed by them. In the public entities and municipal firms it also incorporates the changes produced as a result of introduction of the new General Accounting Plan, by adjusting various entries in the balances of the entities which are offset in their reserves. In the specific case of the Municipal Agency for Town Planning, it also reflects the distribution of results in favour of the City of Barcelona for the amount of 1,850 thousand euros (see Note 9.1).

Note 10 – Minority Interests

The balance of this caption reflects the proportion of the net worth and results for the fiscal year for those dependent municipal firms included in the consolidation belonging to shareholders or associates who are not members of the consolidated Group. Specifically, the figures refer to the Barcelona de Serveis Municipals, SA and Barcelona d'Infraestructures Municipals, SA groups, and can be broken down as follows:

Table

4 25

	Capital	Reserves	Fiscal Year Results	Interim Dividend	Subsidies, Donations and bequests (*)	Total
BSM Group:						
-TERSA Group	5,973	12,916	1,904	-	2,030	22,823
-SFB Group	3,830	6,297	5,572	(1,127)	6	14,578
-Cementiris de Barcelona, SA	30	535	567	(343)	1,466	2,255
-Mercabarna, SA	6,948	23,355	1,719	-	511	32,533
Total	16,781	43,103	9,762	(1,470)	4,013	72,189
BIM Group:						
-Foment de Ciutat Vella, SA	2,945	1,232	47	-	-	4,224
-Proeixample, SA	2,846	1,250	39	-	-	4,135
Total	5,791	2,482	86	-	-	8,359
Total	22,572	45,585	9,848	(1,470)	4,013	80,548

(*) Impact derived from the application of the new General Accounting Plan

Note 11 – Capital Transfers and Other Capital Income

The amounts and movements registered under this caption is as follows:

Table

4 26

Balance as of December 31, 2007	269,998
Additions	114,678
Transfer to Net Worth	(43)
Transfer to Consolidation Reserves	(3,714)
Retirements for Delivery of Assets	(26,296)
Transfer to Results (Note 18.9)	(3,437)
Transfer to Accruals	(1,200)
Others	(6,653)
Balance as of December 31, 2008	343,333

The transfer to consolidated reserves is entirely originated by the treatment as net worth of capital transfers received in previous fiscal years by the

Municipal Agency for Housing, in accordance with the new General Accounting Plan.

Note 12 – Other Deferred Income

The movement in this caption is as follows (see Note 3.9):

Table

4 27	Balance as of December 31, 2007	156,537
	Additions	2,682
	Transfer to Revenue for the Year	(2,379)
	Transfer to Short-term	(3,110)
	Delivery of Assets to the City of Barcelona	(4,169)
	Others	(3,258)
	Transfers	(13,202)
	Balance as of December 31, 2008	133,101

By nature, 124,104 thousand euros correspond to revenue received in advance of the usage of assets under municipal ownership, 6,898 thousand euros to income from the provision of diverse services and 2,099 thousand euros to urban development fees payable by the owners of sites included in the urban planning co-operation actions, which co-finance municipal investments in the territory falling within the co-operation sphere.

The revenue received in advance is transferred annually to the consolidated statement of revenue and expenses in accordance with the straight-line method over the period corresponding to the assignment or award, which is set at 2080 at the latest. The urban development fees are charged for deliveries to the City of Barcelona of actions financed by them. Only in the case of public works does the City activate the corresponding fixed

assets, which it credits to extraordinary results.

The most significant additions correspond basically to income from the provision of services.

The amount transferred to short-term is the one which is set to be applied to the consolidated statement of revenue and expenses for the 2009 fiscal year and is shown in the caption "Accrued Expenses" of the liabilities of the balance sheet for the fiscal year ended December 31, 2008 (see Note 16).

The retirements for delivery correspond to the co-operative actions transferred to the City of Barcelona by the Group's managerial entities.

The transfers correspond to the classification of certain operations by public agencies and municipal firms in other captions of their balance sheets, in accordance with the indications of the new General Accounting Plan.

Note 13 – Provisions for Contingencies and Expenses

The composition and movement under this caption mainly correspond to the provisions for court cases and legal claims to cover possible future commitments of a diverse nature.

In relation to previous fiscal years, the funds for major repairs and reversion of the municipal firms now complete the accumulated depreciation of the corresponding assets, in accordance with the new General Accounting Plan.

The movement in this caption is as follows:

Table

4 ²⁸

Balance as of December 31, 2007	126,951
Additions	20,888
Cancellation of Provisions with Credit to Extraordinary Results	(11,070)
Transfers	(12,424)
Others	(56)
Balance as of December 31, 2008	124,289

Additions have been charged to the caption “Works, Supplies and Subcontracted Services” to the amount of 12,158 thousand euros and 8,730 thousand euros to “Extraordinary Expenses”.

The transfers correspond to reclassifications derived from the new General Accounting Plan.

Note 14 – Debentures and Loans

The outstanding amounts as of December 31, 2008 corresponding to debentures and loans, both short and long-term, can be broken down as follows:

Table

4 ²⁹

Description	Outstanding Amount as of 12.31.2008	Long-term	Short-term
Banking System	483,616	467,558	16,058
Private Placements	340,000	230,000	110,000
Public Bond Issues	100,000	100,000	-
Total Long-term Debt	923,616	797,558	126,058
Total Short-term Debt	4,157	-	4,157
Total Debt	927,773	797,558	130,215

The part of the long-term debt which matures in less than a year is reclassified under the caption "Short-term Payables for Loans and Debentures".

The movement during fiscal year 2008 of subscribed long-term loans and debentures is as follows:

Table

4 30

Balance as of December 31, 2007	1,066,230
Additions:	
- New Operations	29,510
Disposals:	
- Contractual Repayments	(69,444)
- Early Amortization and Assignment	(102,680)
Balance as of December 31, 2008	923,616

The long-term debt profile by maturities as of December 31, 2008 is as follows (in millions of euros):

As of December 31, 2008 there were stand-by lines for a total of 215,000 thousand euros, of which 4,157 thousand euros are executed.

The average interest rate during the 2008 fiscal year has been 3.9%.

As of December 31, 2008, 47.4% of the City of Barcelona's consolidated long-term financial debt had a fixed interest rate, and 52.6% had a floating interest rate.

Table

4 31

Maturity	Amount
2009	126
2010	105
2011	105
2012	96
2013	12
2014	102
2015	117
2016	37
2017	97
2018	13
2019 and beyond	114
Total	924

Note 15 – Public Administrations

The breakdown of these accounts is as follows:

Inspection is pending for Group entities of those fiscal years not prescribed for all applicable taxes. No significant liabilities are expected by entities as a result of possible inspections.

Table

4 32

Item	Debit Balance	Credit Balance
Social Security	1,861	26,727
Value Added Tax	23,164	10,147
Personal Income Tax	14	11,804
Corporate Tax	1,975	4,084
Grants	864	109
Others	955	142
Total	28,833	53,013

Note 16 – Accrued Expenses

This account reflects the Group's definite liabilities as of December 31, 2008, in accordance with their accrual periods

and regardless of the date of requirement of payment on demand, as well as the capital grants given to the Group pending allocation. It has the following composition:

Table		
4	33	
Capital and Current Transfers		25,022
Assigned Land Pending Allocation to Revenue		7,569
Annual Users' Fees		4,802
Revenue Transfers to Short-term		2,760
Grave Assignments		1,733
Urban Planning Fees		1,320
Other Advanced Revenue		1,860
Accredited Unmatured Interest		9,851
Total		54,917

Accredited and unmatured payments to personnel are shown under the caption "Other Non-trade Payables" and amount to 38,297 thousand euros.

Note 17 – Other Information

As of December 31, 2008, the guarantees provided by the Group to cover credit operations amount to 6,431 thousand euros.

The fees to be received by PricewaterhouseCoopers Auditores, S.L. and Gabinete Técnico de Auditoría y Consultoría, S.A., for auditing services and the expenses incurred in the provision thereof in fiscal year 2008 amount to 781 thousand euros, including VAT. Pursuant to the terms of the adjudication of the audit tender, these fees, invoiced to the City of Barcelona, include those of the municipal agencies and firms forming part of the City group, and the appropriate part thereof will be duly charged to each of them.

Additionally, fees for other services have been invoiced amounting to 194 thousand euros, including VAT.

Note 18 – Statement of Results

18.1. Personnel Expenses

This entry includes the wages and salaries of Group personnel, social security payments and other welfare expenses.

The average payroll of the City of Barcelona Group during the 2008 fiscal year has been 12,799 workers (41% women and 59% men).

18.2. Works, Supplies and Subcontracted Services

This entry corresponds to the purchase of goods and services needed for municipal activities to run smoothly, as well as for the conservation and maintenance of investments. It includes the service contracts subscribed by the Group with different private firms to enhance the functioning of the city, such as, for example, those for refuse collection and street cleaning.

18.3. Current and Capital Transfers

These entries include the current and capital transfers made by the Group from its own budget on behalf of third parties to external entities, firms and individuals in order to finance their operating expenses or investments. The main payees are as follows:

Table

434

Current Transfers	400,014
Municipal Association of the Barcelona Metropolitan area and EMSHTR(*)	132,494
Consortia	106,467
Metropolitan Transport Authority	61,356
Non-profit Organizations	14,294
Firms	13,400
Autonomous Community	6,424
Local Entities	1,564
Others	64,015
Capital Transfers	51,263
Metropolitan Transport Authority	28,591
Consortia	12,668
Non-profit Organizations	4,803
Firms	1,197
Others	4,004
Total	451,277

(*) EMSHTR: Metropolitan Hydraulic Services and Waste Treatment Agency.

18.4 Taxes

This group includes the following local taxes levied by the City of Barcelona: property tax, levied on property; tax on economic activities, levied on certain business activities, in accordance with the type of activity, the space occupied and the location; tax on motor vehicles, which is levied on the ownership thereof, irrespective of the vehicle's class or category; taxes on construction, installations and works, levied according to the cost of the project for which the license has been requested; tax on the

increase in urban land value, a direct tax levied on the increase registered in the value of these lands made evident upon their transfer.

This caption also includes the amount resulting from the assignment of Central Government taxes as a consequence of the entry into effect of the new model of financing for the public sector, approved by Law 51/2002, of December 27, of the reform of Law 39/1988, of December 28, Regulating Local Taxation.

Its breakdown is as follows:

Table

435

Property Tax	427,379
Tax on Economic Activities	99,191
Tax on the Increase in Land Value	97,262
Assignment of Central Government Taxes	92,603
Tax on Motor Vehicles	74,052
Tax on Construction, Installations and Works	37,401
Total	827,888

18.5 Other Tax Revenues

Grouped under the caption "Other Tax Revenue" are, basically, the charges for the sale of services and use of the public domain.

18.6 Sale of Services

This caption includes the charges and public prices invoiced for the provision of services and the revenue obtained by the entities within the sphere of their regular activities.

18.7 Other Operating Revenues

Other operating revenue essentially comprises fines and other penalties for offences, interest and late-payment surcharges, income from concessions and special uses and profit-sharing. The caption can be broken down as follows:

Table

4 **36**

Fines	102,400
Concessions and Special Uses	40,978
Late Payment Surcharges and Surcharges on Collection Proceedings	17,939
Others	21,166
Total	182,483

18.8 Revenue from Current Transfers

This caption includes the amounts received from the Central Government Supplementary Finance Fund, as well as the earmarked grants from the European Community, Central Government, the autonomous communities and local entities, as detailed below:

Table

6 **37**

Central Government	861,264
Generalitat of Catalonia	104,377
Local Entities	59,843
Foreign Transfers	2,194
Other Entities	2,677
Total	1,030,355

18.9 Extraordinary Results

Extraordinary results can be broken down as follows:

Table

4 **38**

	Expenses	Revenues
Fixed Assets	34,945	126,331
Modification of Receivables, Payables and Provisions	67,013	65,237
Additional Settlements in 2008 for Shared Taxes from Previous Fiscal Years	-	71,810
Capital Transfers Allocated to the Results (Note 11)	-	3,437
Other Extraordinary Results	15,672	1,828
Total	117,630	268,643
Net Extraordinary Result		151,013

Note 19 – Statement of Sources and Application of Funds for the 2008 and 2007 Fiscal Years

Table

439

Applications of Funds	2008 Fiscal Year	2007 Fiscal Year	Source of Funds	2008 Fiscal Year	2007 Fiscal Year
			Funds Obtained	619,291	722,474
Acquisitions of Fixed Assets:			Sale of Fixed Assets:		
Tangible and Intangible	609,530	634,952	Tangible and Intangible	19,514	27,158
Financial	6,640	20,146	Financial	-	-
			Fixed Assets Transfers	-	-
Long-term Trade Receivables	2,417	-	Long-term Trade Receivables	-	3,398
Deferred Expenses	-	-			
Minority Interests	-	-	Minority Interests	-	13,061
Capital Transfers and Other Capital Income	37,906	2,800	Capital Transfers	114,678	56,327
Transfer of Deferred Income to Short-term	3,110	3,895	Deferred Income	2,682	71,818
Applications of Deferred Income for Assignment of Asset	4,169	59,471	Long-term Loans	29,510	116,309
Transfers to Deferred Income	16,460	-	Long-term Guarantees and Deposits	2,493	1,746
Applications of Provisions for Contingencies and Expenses	12,480	-			
Repayment and Transfer to Short-term of Long-term Debentures	228,528	162,561			
Other Long-term Payables	23,702	-	Other Long-term Payables	-	11,972
Pluri-annual Transfers to Holsa	-	24,629			
Total Applications	944,942	908,454	Total Sources	788,168	1,024,263
Changes in Working Capital (Increase)	-	115,809	Change in Working Capital (Decrease)	156,774	-
Total	944,942	1,024,263	Total	944,942	1,024,263

Table

4 40

Change in Working Capital	2008		2007	
	Increase	Decrease	Increase	Decrease
Inventories	8,536	-	9,283	-
Accounts Receivable	-	5,367	-	7,923
Short-term Financial Investments	-	16,517	1,584	-
Cash	35,852	-	68,685	-
Accounts Payable	-	179,278	44,180	-
Total	44,388	201,162	123,732	7,923
Increase in Working Capital			115,809	
Decrease in Working Capital		156,774		

The funds obtained from operations have been as follows:

Table

4 41

	Note	2008	2007
Net Surplus for the Fiscal Year	-	601,683	687,924
Net Results on Fixed Assets	18.9	(91,386)	(53,930)
Provision for Depreciation	-	93,855	90,294
Provisions for Contingencies and Expenses	13	20,888	31,356
Deferred Expenses	7	201	350
Application of Long-term Provisions	13	(11,070)	(16,038)
Deferred Income Transferred to Statement of Revenues and Expenses	12	(2,379)	(926)
Capital Grants Transferred to Results	11	(3,427)	(27,569)
Changes in Provisions for Financial Investments	6	2,647	1,274
Result of Minority Interests	10	9,848	9,920
Share by the Equity Method	2.2	(1,569)	(181)
Funds from Operations		619,291	722,474

5

Five-year Data

Table

51

City of Barcelona (2004-2008)

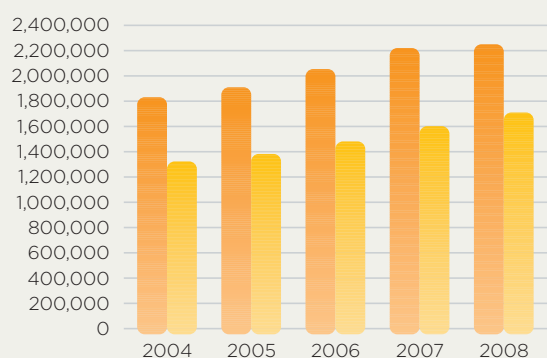
	2004	2005	2006	2007	2008	Annual Growth (%)
Personnel	6,657	6,578	6,755	6,891	6,979	0.9%
Economic Position (thousands of euros)						
Current Revenue	1,821,239	1,905,643	2,039,749	2,206,461	2,239,324	5.7%
Current Expenses	1,313,656	1,372,890	1,469,974	1,589,894	1,700,126	6.6%
Gross Saving	507,583	532,753	569,775	616,567	539,198	3.2%
Net Investments	432,129	414,124	437,168	546,452	575,109	0.1%
Cash Surplus (Deficit)	37,799	58,288	87,147	133,359	157,745	-
Total Debt as of 12/31	1,206,640	1,148,353	1,061,206	927,847	770,101	-9.2%
Ratios						
Gross Saving / Current Revenue (%)	27.9	28.0	27.9	27.9	24.1	
Interest Coverage (x)	10.4	17.7	22.2	25.9	38.2	
Capital Expenditure Coverage (x)	1.2	1.3	1.3	1.1	0.9	
Capital Expenditure / Total Expenses (%)	26.9	25.0	26.7	27.0	26.6	
Debt / Current Revenue (%)	66.3	60.3	52.0	42.1	34.4	
Debt / Primary Saving (x)	2.1	2.0	1.8	1.4	1.4	
Average Life of Long-term Debt (years)	5.9	6.0	5.4	5.9	4.5	

Graph

52

Current Revenue and Expenses (Thousands of euros)

● Current Revenue ● Current Expenses

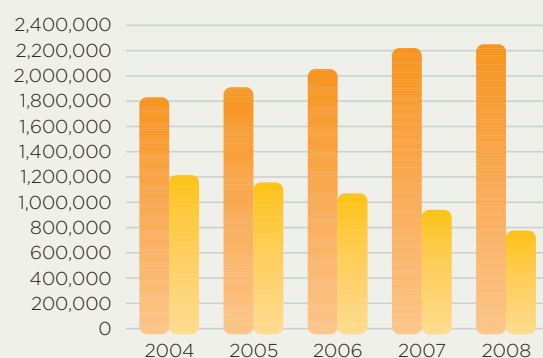


Graph

53

Current Revenue and Total Debt (Thousands of euros)

● Current Revenue ● Total Debt as of 12/31

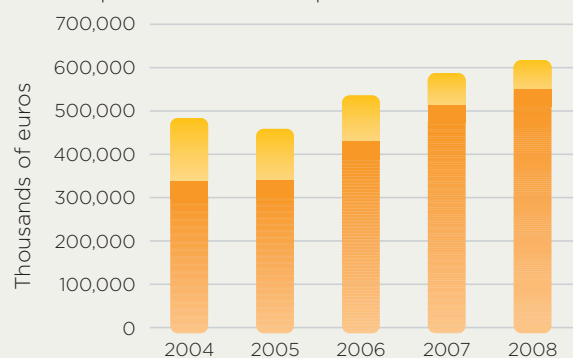


Graph

54

Direct and Indirect Capital Expenditures

● Direct Capital Expenditure ● Indirect Capital Expenditure



Debt Ratings

Moody's Investors Service: Aa1 (December 2006)

Rating & Investment Information: AAA (August 2006)

Standard & Poor's: AA+ (April 2006)

Fitch: AA+ (February 2006)

Table

5 5

City of Barcelona (2004-2008)

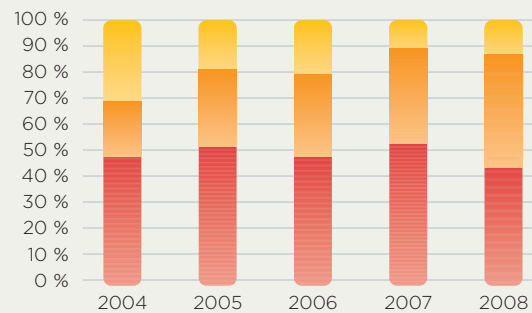
Balance Summary (thousands of euros)	2004	2005	2006	2007	2008	Annual Growth (%)
Fixed Assets	5,605,084	5,689,999	6,135,991	6,515,407	7,034,868	4.2%
Long-term Financial Investments	176,578	188,879	190,120	200,796	218,758	5.7%
Deferred Expenses	1,221	1,287	1,024	802	601	-14.6%
Long-term Accounts Receivable	0	0	4,027	1,980	1,909	-
Fixed Assets	5,782,883	5,880,165	6,331,162	6,718,985	7,256,136	4.2%
Accounts Receivable	325,174	351,851	300,707	284,992	295,344	-2.8%
Cash	87,794	278,225	414,545	496,597	490,067	51.4%
Current Assets	412,968	630,076	715,252	781,589	785,411	14.4%
Total Assets	6,195,851	6,510,241	7,046,414	7,500,574	8,041,547	5.0%
Net Worth	4,052,779	4,340,476	4,987,660	5,590,666	6,159,258	8.8%
Capital Transfers Received	246,316	274,817	238,628	214,257	257,350	-1.2%
Long-term Loans and Debentures	1,206,640	1,148,353	1,061,206	927,847	770,101	-9.2%
Pluriannual Transfers to HOLSA	123,430	73,055	24,629	-	-	-
Other Long-term Liabilities	149,794	160,835	228,268	245,244	230,666	13.0%
Long-term Liabilities	5,778,959	5,997,536	6,540,391	6,978,014	7,417,375	4.9%
Accounts Payable	416,892	512,705	506,023	522,560	624,172	6.6%
Short-term Loans	0	0	0	0	0	-
Current Liabilities	416,892	512,705	506,023	522,560	624,172	6.6%
Total Liabilities	6,195,851	6,510,241	7,046,414	7,500,574	8,041,547	5.0%

Graph

5 6

Breakdown of Debt by Markets

- Bank Loans
- Private Placements
- Public Bond Issues

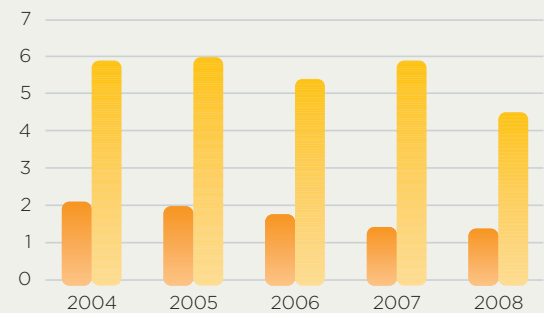


Graph

5 7

Repayment Capacity and Average Life of Debt (years)

- Debt / Primary Savings
- Average Life of Long-term Debt



Table

5 8

Public Administration Debt (2004-2008)

Debt (millions of euros)	2004	2005	2006	2007	2008	Annual Growth (%)
Central Government	311,399	307,622	302,975	291,705	332,323	1.5%
Regional Government	51,979	56,849	57,957	59,708	68,170	6.8%
Local Authorities	24,153	25,480	27,460	29,323	32,030	6.9%
Spanish Municipalities	18,910	20,215	22,291	23,993	26,128	8.0%
City of Barcelona	1,207	1,148	1,061	928	770	-9.2%

Source: Bank of Spain (www.bde.es/infoest) and City of Barcelona

Table

59

City of Barcelona Group (2004-2008)

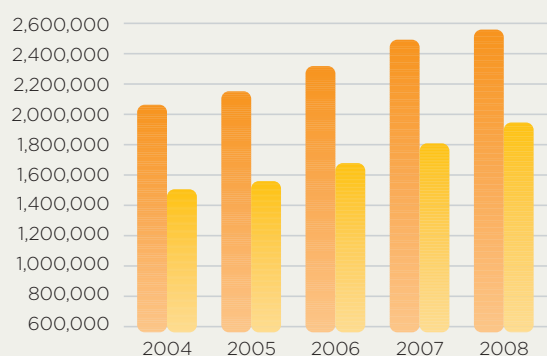
	2004	2005	2006	2007	2008	Annual Growth (%)
Personnel	12,410	12,475	12,859	13,015	12,031	-0.5%
Economic Position (thousands of euros)						
Current Revenue	2,055,689	2,145,233	2,311,060	2,485,986	2,553,410	6.0%
Current Expenses	1,498,240	1,553,221	1,672,158	1,805,362	1,940,213	6.8%
Gross Saving	557,449	592,012	638,902	680,624	613,197	3.7%
Net Investment	481,901	499,048	479,325	629,374	678,834	1.1%
Cash Surplus (Deficit)	20,149	37,102	84,766	108,154	129,467	-
Total Consolidated Debt as of 12/31	1,311,027	1,269,873	1,178,843	1,067,110	927,773	-7.0%
Ratios						
Gross Saving / Current Revenue (%)	27.1	27.6	27.6	27.4	24.0	
Interest Coverage (x)	11.1	18.7	22.1	25.8	25.1	
Capital Expenditure Coverage (x)	1.2	1.2	1.3	1.1	0.9	
Capital Expenditures / Total Expenditures (%)	27.9	26.7	26.9	27.6	27.8	
Debt / Current Revenue (%)	63.8	59.2	51.0	42.9	36.3	
Debt / Primary Saving (x)	2.1	2.0	1.8	1.5	1.5	
Average Life of Long-term Debt (years)	6.4	6.5	6.0	6.6	5.5	

Graph

510

Current Revenue and Expenses (Thousands of euros)

● Current Revenue ● Current Expenses

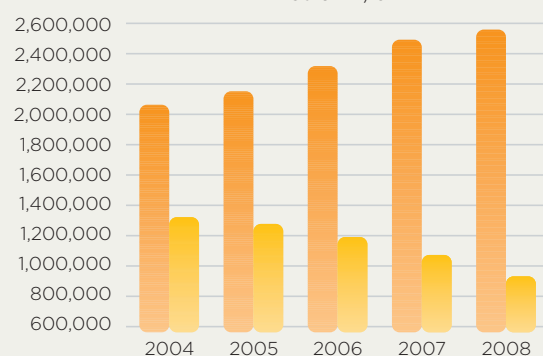


Graph

511

Current Revenue and Total Debt (Thousands of euros)

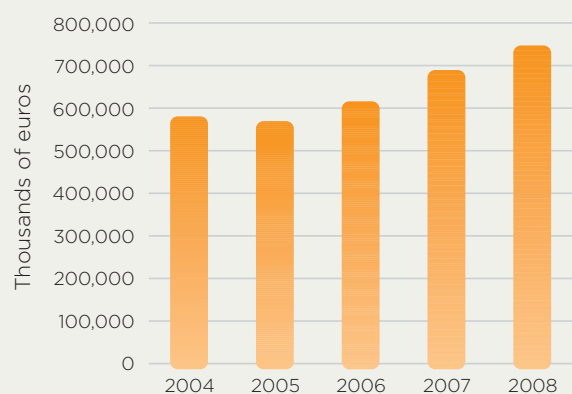
● Current Revenue ● Total consolidated Debt as of 12/31



Graph

512

Consolidated Gross Capital Expenditure



Graph

513

City of Barcelona Group Personnel



Table

5 14

City of Barcelona Group (2004-2008)

Balance Summary

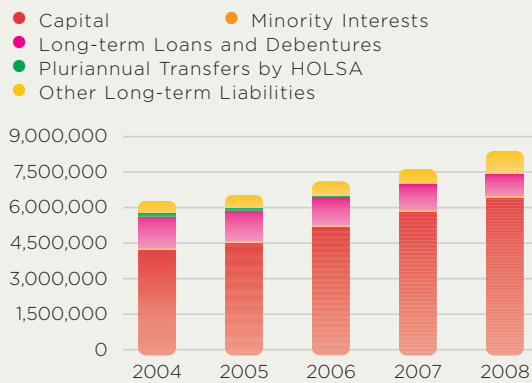
(thousands of euros)

	2004	2005	2006	2007	2008	Annual Growth (%)
Intangible Fixed Assets	47,005	50,071	50,039	56,526	19,164	-13.1%
Tangible Fixed Assets and Infrastructures	5,995,141	6,124,821	6,584,506	7,031,640	7,637,578	4.6%
Financial Intangible Assets	102,257	124,754	135,962	154,834	158,827	11.4%
Accounts Receivable for Long-term Trade Operations	37,318	28,154	30,871	27,473	29,890	-2.8%
Deferred Expenses	3,090	3,261	2,824	2,474	2,247	-7.4%
Fixed Assets	6,184,811	6,331,061	6,804,202	7,272,947	7,847,706	4.6%
Inventories	40,281	49,567	42,896	52,179	60,715	6.8%
Accounts Receivable	391,268	431,986	401,036	393,114	387,747	-1.3%
Cash	156,157	340,593	472,455	542,723	562,058	30.9%
Current Assets	587,706	822,146	916,387	988,016	1,010,520	10.9%
Total Assets	6,772,517	7,153,207	7,720,589	8,260,963	8,858,226	5.2%
Capital	4,204,316	4,512,143	5,182,291	5,821,869	6,404,928	8.9%
Minority Interests	69,029	73,586	69,491	72,632	80,548	4.7%
Long-term Loans and Debentures	1,311,027	1,269,873	1,178,843	1,067,110	923,616	-7.1%
Pluriannual Transfers to HOLSA	123,430	73,055	24,629	0	0	-
Other Long-term Liabilities	540,262	578,306	624,398	637,114	663,142	4.5%
Long-term Liabilities	6,248,064	6,506,963	7,079,652	7,598,725	8,072,234	5.1%
Accounts Payable	524,453	646,244	640,937	662,238	781,835	5.5%
Short-term Loans	0	0	0	0	4,157	-
Current Liabilities	524,453	646,244	640,937	662,238	785,992	5.6%
Total Liabilities	6,772,517	7,153,207	7,720,589	8,260,963	8,858,226	5.2%

Graph

5 15

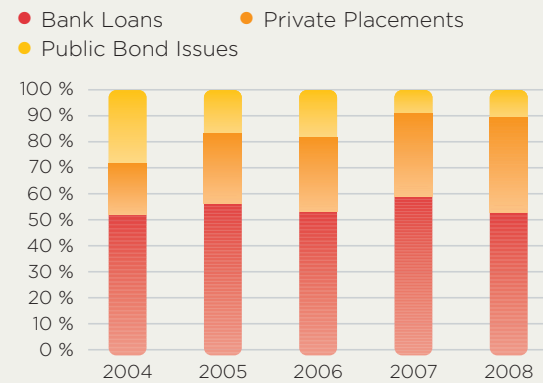
Breakdown of Long-term Liabilities (Thousands of euros)



Graph

5 16

Breakdown of Consolidated Debt by Markets



Table

5 17

Consolidated Debt of the City of Barcelona: Public Administration and Commercial Entities (2004-2008)

(millions of euros)

	2004	2005	2006	2007	2008	Annual Growth (%)
Public Administration	1,207	1,148	1,061	928	774	-9.1%
Commercial Entities	104	122	118	139	154	10.8%
Total Debt	1,311	1,270	1,179	1,067	928	-7.0%

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