



2010

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

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Manager of Sant Andreu District

Mr. Eduardo Vicente Gómez
Manager of General Services and Territorial Coordination

2010

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Presentation

Jordi Hereu Boher
Mayor of Barcelona

2010 has unquestionably been a difficult year. Whereas in 2009 we were still debating how the global crisis affecting us would evolve, 2010 has confirmed that the pace of economic recovery will be slower than expected or hoped.

Nevertheless, even though it has been an extremely complex year, from my viewpoint and my day-to-day experience, feeling the pulse of this city, I have seen unequivocal signs over the course of these twelve months that Barcelona will emerge from this recession.

If we achieve this, it will be because of everything recorded in this Annual Report, which can be summed up as follows: in 2010, in spite of the difficulties, we have continued to build Barcelona, from the ground up and by joining forces, employing the only approach that Barcelona has found to work.

If we work together, we will come through this. Because of this attitude that is so much a part of Barcelona, our refusal to simply sit back, our determination more than ever before to innovate and take bold steps, we will come through this.

I would like to take the opportunity in this, the last Annual Report of this mandate, to acclaim the role of the City of Barcelona administration and to declare how proud I have been to preside over it. I would like to express my heartfelt thanks to everyone who has made it possible and applaud the action that has been undertaken, resolute action in keeping with the expectations and convictions of the people of Barcelona.

I am proud that we have accomplished more than 90% of the programme that we approved in 2007, when we were experiencing economic growth, and which has proved to be an invaluable tool for coping with the complicated times that later developed. Indeed, it is precisely because of the arrival of these hard times that we have placed greater emphasis on meeting our goals and, in the light of the difficulties, on refocusing everything required to achieve our aims.

To this end, in 2010 we established three priorities on which we would concentrate all our energies and resources: economic recovery; quality, order and peaceful cohabitation in the public space; and services to people.

I would like, firstly, to mention a number of examples of how we have worked during this mandate towards economic recovery. The 22@ district has been operating for ten years now and is home to 7,000 companies that provide 90,000 people with employment. In the former SEAT premises in Zona Franca, we have created a space for new economic activities in the realms of technology, in the creative and cultural industries and in the vast industrial field of the new information and health technologies.

In addition, we have professionally managed the Barcelona brand, which more and more companies are asking to use, and have drawn up the Local Employment Pact, which has resulted in 10,000 people being given job contracts and in 160,000 people taking up the training, retraining and guidance opportunities on offer as part of the pact.

We have also contributed to recovery through Barcelona Activa, which we have expanded more than ever before, opening up spaces that have enabled us in 2010 to support 1,750 initiatives run by entrepreneurs who have turned their dream and ambition into a business project. And we have refurbished covered markets such as Sant Antoni, El Ninot, Sants-Badal and La Llibertat and have promoted local shopping.

Furthermore, we have lent our support to ensure that our universities have excellent campus facilities and have built, alongside the Fòrum, the Campus del Besòs. We have also invested 293 million euros in culture, the largest investment ever made during a municipal mandate, part of which went towards our backing for the innovative Creation Factories, which I would like to single out for special mention.

We have continued to monitor progress at the Port, which is doubling in size and which, just a few weeks back, saw the departure of the first train, adapted

to the European track gauge, now connecting us directly with Europe. We have set up the routes committee at the airport, which has readied itself to provide services to 55 million passengers and through which we are gradually establishing interconnections with the other continents around the world. We have worked for the benefit of the Mediterranean corridor. We have also established the new rail accesses to the port and airport and have begun construction of La Sagrera station, having opted for the tunnel through the city centre, thereby ensuring that the heart of our city is linked to the hearts of numerous other European cities.

These initiatives are beginning to generate early yet indicative results, as demonstrated by the fact that during this period, employment in Barcelona has never dropped below a million jobs. And, unlike in many other cities in Spain, after the very difficult years of 2008 and 2009, in which unemployment rose by 45% and 36% respectively, registered unemployment in Barcelona fell.

The City of Barcelona's investment of 3,000 million euros in the city during this mandate has been unwaveringly directed towards the goal of generating employment. Even though it may in some instances have been directed towards initiatives that deal with the circumstances of today, our investment has created the conditions for medium and long-term employment.

I would like now to turn to our second priority, quality, order and peaceful cohabitation in the public space. The public space is the stage where shared values can be built or the setting where Europe begins to shatter. Barcelona is a city whose administration envisages the public space as a place where people come together, a place of freedom and social harmony.

We have pursued this goal through numerous different strategies: by modernising more than 180 streets and improving the lighting on many of them; by agreeing the most important cleaning contract we have ever had, involving an investment of over 1,900 million euros; by taking on a thousand new Guardia Urban policemen and women; and by remodelling spaces as important to the city as the Ronda del Mig ring road, which will see an urban highway transformed into a space for the city, a place for citizens.

We now come to our third objective, one that has been a priority from the very beginning of our mandate but which has recently been stepped up: services for people. The fact that we have been able to do this is because in recent years we have worked together with the Generalitat de Catalunya, the government of Catalonia, in a new phase unlike any other in terms of the shaping of social policies, which are now much less discretionary and far better resourced.

The improvements to services to people have entailed continuing to build libraries and doubling the number of nursery places; refurbishing 59 primary and secondary education centres; quadrupling our contribution to school meal grants; supporting, monitoring and in some cases financing 29 new health amenities, including the great historic Sant Pau hospital and numerous primary healthcare, socio-health and mental health centres; and bringing our social services centres into line with other services by organising them into a network.

In four years, we have seen the number of phone assistance users rise from 16,000 to 50,000 and lifts installed in more than 500 buildings, improving access to more than 6,500 homes. We have also designed the Immigration Pact, which I am especially proud of.

I would like to point out that this unprecedented investment in transforming the city, in services aimed at people and in the economic promotion of the city has occurred in particular financial conditions but with oversight and rigour, with absolute austerity and responsibility in administering the resources.

Barcelona has demonstrated its ability to keep debt in check. And this gives us greater freedom to tackle the future with guaranteed success; it means more activity than ever before, without abandoning the principles of responsibility,

the principles of self-government that we, as an institution, hold dear in order to play a leading part in the future.

All of this requires efficiency. It means that this city has a great asset in the City of Barcelona, in its directors and also in all the thousands of municipal employees, a great asset and resource in the form of people capable of giving a great deal with a very high degree of efficiency.

We have founded all these priorities on two principles: proximity and strengthening our position as a capital in several fields. We have gone from the Barcelona of districts to the Barcelona of 73 neighbourhoods, and we have strengthened our importance as a capital in four major ways: as a capital of the Mediterranean; as the central nucleus of a mega-region that extends from Valencia to Lyon; and as the major port in southern Europe for the emerging world of Asia; and above all as the capital of Catalonia. Because the metropolitan area of Barcelona is unquestionably one of Catalonia's great assets and opportunities when it comes to meeting the future with hope and confidence.

In short, we have continued in 2010 to create the conditions and to sow the seeds to enable us to successfully pursue the goals we set ourselves for 2020 in our agenda:

- To turn ourselves into the economic driving force of southern Europe.
- To be a space for education and creativity.
- To forge new links, ones that connect the city's neighbourhoods and ones that connect Barcelona with the world.
- To continue the momentum of transformation: just in case anyone thought this had ended, we are about to launch a sweeping transformation of the city. From Plaça de les Glòries to Montcada i Reixac, from Montcada to the Fòrum and Sant Adrià, we have set in motion the greatest process of transformation this country will undergo.
- To be responsible towards the environment, in other words, to be a city that must appreciate and that concerns itself with sustainability.
- To be a cohesive city, a city that will work more than anyone else to counter rifts in society.
- The new scales of the greater metropolitan Barcelona and of the neighbourhood.
- The consolidation of our city as a capital of the Mediterranean.

This is a list that places the future within our reach. Not every city in Europe can say the same, only those that at the present time have readied themselves with strength and responsibility, only those that have not wasted their time but have used it wisely and have faced up to these difficult moments with firmness.

Let there be no doubt: the city of Barcelona is a model of progress and a benchmark in Europe and the world.

Presentation

Jordi William Carnes Ayats
First Deputy Mayor

Economic and Financial Framework

The year 2010 has once again been marked by the international economic crisis that we have been suffering since mid-2008. After more than two years in which economic activity has declined and the number of unemployed has risen significantly, we public administrations have had to cope with reduced revenue and increased expenditure to palliate, as far as is within our means, the situation of those people worst affected. This effort has often resulted in an increase in the public deficit and the attendant problems, in some instances, of the sustainability of public finances in the medium term.

This has not, however, been the case of the City of Barcelona. Despite the context I have described, Barcelona remains a city that invests a considerable amount—one out of every four euros in the budget—and has a sustainable rate of debt. Moreover, it has, once again, asserted itself as the driving force of the metropolitan area of Barcelona and as a competitive city on the international stage.

The first signs that the Catalan economy was beginning to emerge from the recession came towards the end of 2010, and in the third quarter, GDP showed the first positive year-on-year variation since the second quarter of 2008 (+0.2%). Industrial and brisk export activity have pushed the recovery along, with a year-on-year increase of 4.3% in the industrial output index in Catalonia and of 16.9% in exports out of Barcelona in the first eleven months of the year.

This reactivation of the economy was also evidently aided by the excellent behaviour of other internationalisation indicators, such as tourism—which recorded a two-digit increase in the number of visitors—and foreign investment, which has amounted to more than 8,000 million euros since June 2007.

Barcelona has also become home to more companies and has gained employment in activities in the knowledge and creativity fields, and is becoming increasingly recognised as a city of reference in research and innovation and in attracting new talent.

Even so, the current economic conditions in the eurozone have slowed activity and affected the economy's ability to recover. The unemployment figures remain worrying, above all because the economy has still not generated net employment. In response, the City of Barcelona has multiplied the resources and programmes to support unemployed people and to improve their employability. The strengthening of municipal employment policies has been boosted to increase coverage and job opportunities for the unemployed.

As a result of these efforts, and within the framework of the Employment Pact, the increase in attention to the needs of the unemployed and the drive to develop our human capital is unprecedented, and the number of participants has reached 138,877 during 2010. We have increased the job training opportunities for the unemployed, since more than 6,906 places in sectors with a professional future have been offered, tripling the number available prior to the recession. Job contracts have been given to 3,300 unemployed people to undertake projects of public interest in which jobs with a sustainable future have been created, 2,081 of them through Special Local Employment Plans.

In addition, we have continued to promote enterprise and business initiative, and Barcelona achieved a ratio of 3.2 company start-ups per 1,000 inhabitants in the period from January to October 2010. The province generated 14% of all the companies set up Spain-wide and saw the creation of 8.6 companies for every one that closed, a ratio that exceeds the average for Catalonia and other major urban centres in Spain. During the economic crisis, the city of Barcelona has become increasingly important in terms of the total number of companies set up in Spain, attaining 7.6% between January and

October 2010. In January 2010, 458,918 companies were based in the province of Barcelona, amounting to 14% of Spanish companies.

The City of Barcelona's participation in a wide range of public-private collaborative platforms for promoting economic growth, such as Turisme de Barcelona, Barcelona Centre de Disseny (BCD), Barcelona Digital (Bdigital), Barcelona Aeronàutica i de l'Espai (BAiE), Barcelona Centre Logístic, BioRegió de Catalunya and Barcelona Mèdia, among others, has also been key to maintaining the city's competitiveness.

2010 has also seen completion of much of the strategic work begun in previous years, such as the 2010-2015 Strategic Tourism Plan for Barcelona, Agenda 2020 and the new Metropolitan Strategic Plan for Barcelona, all of which will be crucial to steering the city out of the crisis and advancing towards a new economic model for Barcelona.

The most important factor and the city's strongest guarantee for emerging from the crisis is its growth as a centre of excellence in research, innovation and talent. Barcelona is the best place in Spain for top science, coming in at 22nd in Europe and 54th in the world (*Nature*, October 2010), and rose eleven places in the world ranking between 2000 and 2008. Plus, in a study drawn up by the Universitat Politècnica de Catalunya, Barcelona is 15th in a world ranking of cities in scientific production and sixth in Europe.

Ten years on since the creation of the 22@ district, the area is now home to over 7,000 companies, more than twice the number based here in 2000. In addition, there are ten universities located here, with over 25,000 students between them, as well as twelve research and development and technology transfer centres. With regard to the activities most closely connected with the @ sectors, 1,502 companies have moved into the district between 2000 and 2010, more than half of them (54%) associated with one of the five clusters set up here (ITC, Media, Medical Technologies, Energy and Design). The jobs in high-knowledge activities as a proportion of total employment in 22@ is 67.5%, almost 20 percentage points higher than the average for Barcelona (48%). The volume of business generated by companies based in the geographical area of 22@Barcelona amounts to some 8,900 million euros.

This is, without question, a model to be pursued, and the financial solvency and budgetary rigor of the City mean that Barcelona is capable of responding in its own purposeful manner at a time of economic slowdown. Since 2004, Barcelona has been gradually reducing its borrowings, as a result of which now, when it has become necessary, the city is able to take on debt to meet its commitments. Thus, during this mandate, the highest investment in the city's history (over 3,000 million euros) has been made despite the crisis. At the same time, we have striven in 2010 to optimise our resources and to reduce non-priority spending, all the while safeguarding policies to do with employment and economic promotion, services for people, safety and the public space.

Presentation

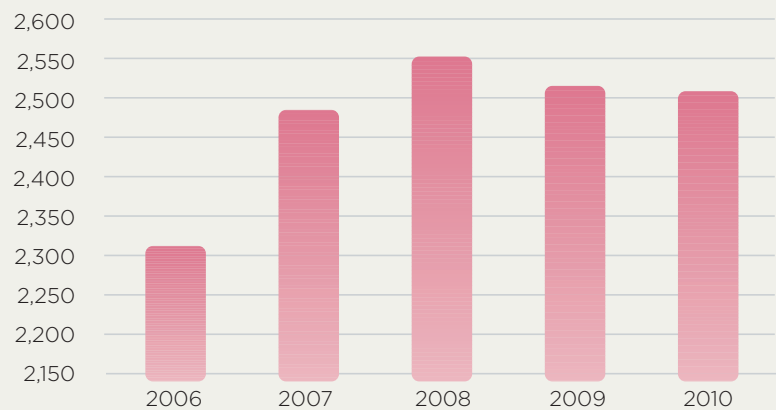
Andreu Puig Sabanés
City Manager

The City of Barcelona has closed the 2010 fiscal year with gross savings higher than initially expected. Even though the country has not as yet emerged from the economic crisis, local revenue has risen by 3.9% in comparison with the previous year, making up for the drop in the Supplementary Finance Fund from Central Government. The tax revenues on constructions and on the increase in land value have risen by 7.4% and 8.6% respectively, indicating that conditions are improving in the construction industry in Barcelona.

Graph



Current Revenue (millions of euros)

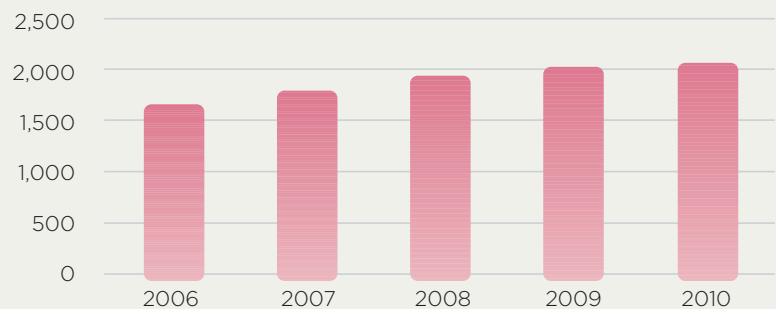


In addition, non-financial current spending has risen by 1.4%. The priority given to policies related to services for people, maintaining the public space and promoting economic activity has in part been compensated for by measures to contain expenditure in other areas of municipal responsibility. Aspects worthy of special mention include the launch of the Municipal Agency of Social Services, the staff increase in the Guardia Urbana police force, and completion of the roll-out of the street cleaning contract which came into force at the beginning of 2009.

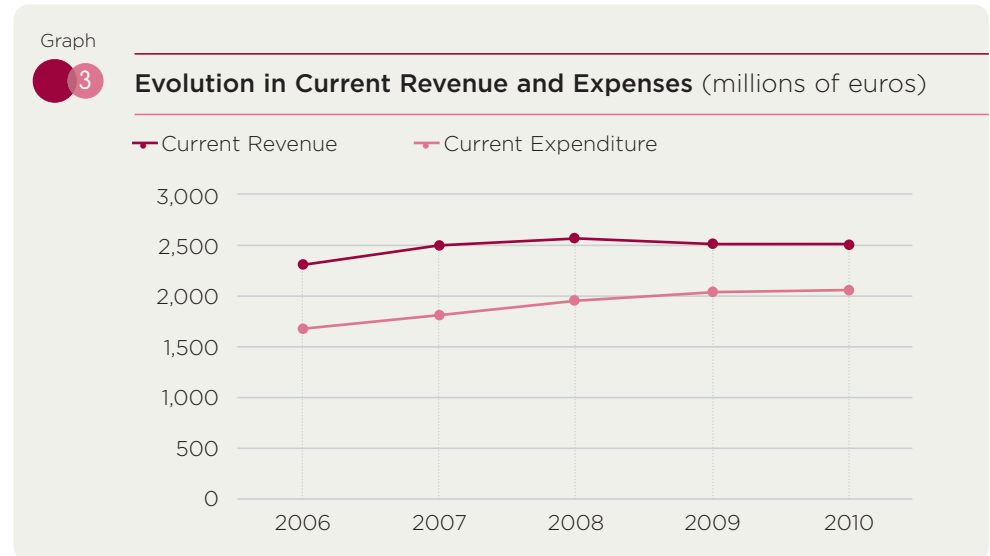
Graph



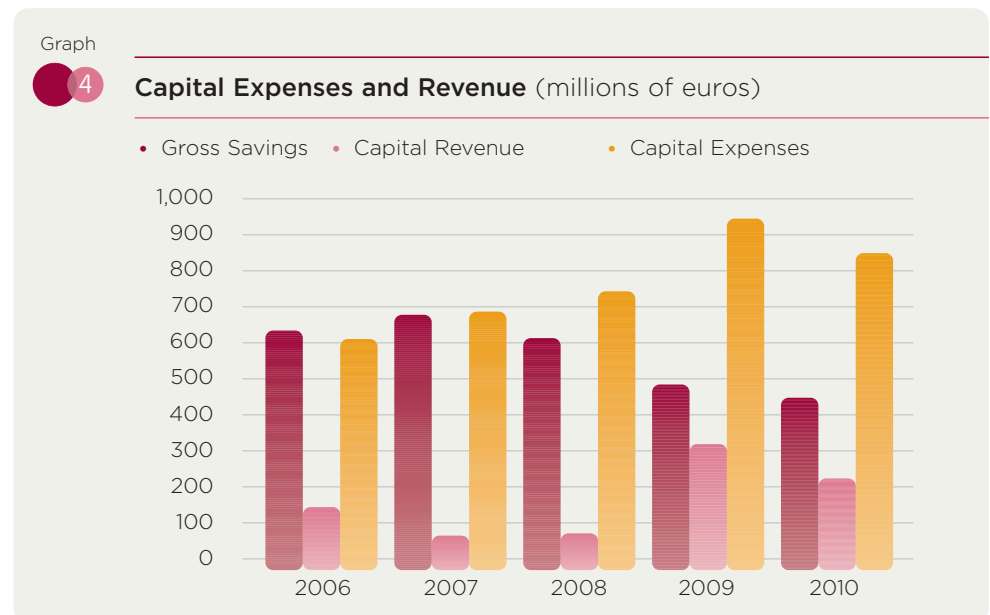
Current Expenditure (millions of euros)



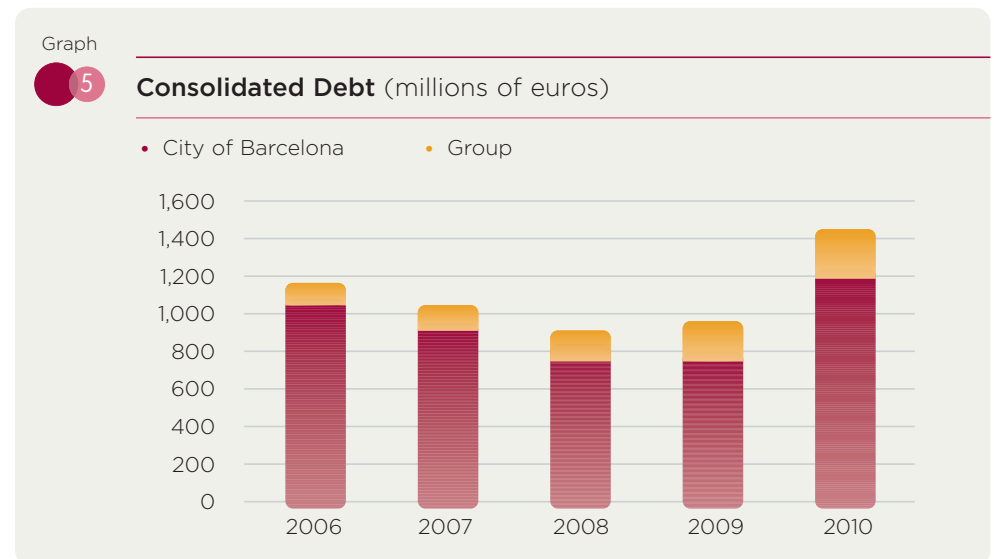
The gross savings achieved in 2010 represent 18% of current revenue, in comparison with 19% in 2009.



Investment over the year, including the State Fund for Employment and Local Sustainability financed by Central Government, has amounted to 852 million euros. The investment programme is extremely varied, but illustrative examples include social services centres, nurseries, libraries, sports centres, the integrated plan to improve the public space and social housing.



Consolidated debt has gone up from 974 million euros at the end of 2009 to 1,464 million euros as at 31 December 2010. The increase in debt includes 240 million euros to finance some of the investments in the fiscal year 2011, in accordance with the Economic and Financial Plan approved by the Municipal Council on 23 July 2010. Consolidated debt is 3.3 times the gross savings generated.





Barcelona's Economy

Structure of the Economic Fabric, Sector by Sector

2010 will be remembered as the year the Spanish economy reacted to bring itself out of recession. Strong pressure brought to bear by financial markets has forced structural reforms to be adopted in order to ensure the sustainability of public accounts in the medium term and to speed up the process of putting the balance sheets of financial institutions on a sound footing, thereby stimulating the availability of credit to businesses and households. The high level of debt that is a burden on the non-finance private sector of the Spanish economy, largely linked to the development and construction of residential real estate, is limiting the possibilities of reactivating economic activity, something that has already occurred in some of the main countries in the EU. Barcelona, which has a productive structure dominated by the tertiary sector, has benefited from the rise in exports and especially from the recovery of tourism activity.

This upturn in the economy of Barcelona has served over the course of 2010 to almost stabilise the number of people in employment after two years in which falls were recorded. Social Security figures show that at the year end there were just over a million people registered and paying into the system in Barcelona, 0.7% fewer than a year earlier. This variation is in keeping with the rest of the country and the very small, as yet unconfirmed, drop of around 0.2% in the GDP of Catalonia. [See Table 1-1]

The downward trend in the number of jobs is particularly notable in all the major sectors except for the services sector, which shows a slight rise of 0.6%. Construction, which has suffered from the constraints imposed on public spending, has seen a 12% drop in the labour force, whereas industry, thanks to improvements in the external sector, has fallen by only 6%. For the second consecutive year, the cuts have affected self-employed workers more severely than salaried staff and wage

earners, yet another effect of the difficulties of the credit squeeze. [See table 1-2]

Services

As mentioned earlier, economic activity in Barcelona is based increasingly on services. This is a typical and relatively common characteristic of major cities that the recession of recent years has made all the more marked. In just one five-year period (2005-2010), employment in the tertiary sector has risen from 82% of the total to almost 87%. This is a remarkable transformation, even allowing for the unimportant effect attributable to the change in the Economic Activities Classification.

According to the records of the number of employed people registered with the Social Security System, at the end of 2010 there were almost 880,000 jobs in the tertiary sector in Barcelona, 5,000 more than a year earlier. Commercial services, transport and logistics, which overall account for almost a quarter of the employment in the sector, show a slight fall directly attributable to the sluggishness of private consumption. Also falling, but more sharply in relative terms, are the finance and insurance segments and the public administrations, which between them account for 14% of employment in the tertiary sector. In the case of finance and insurance, this is the result of the ongoing process to adapt the range of financial services on offer to the new situation in the market, and in the case of the public administrations, it has come about in response to the need to reduce current expenditure in the public sector. Other services, apart from personal, cultural and sports services, have closed 2010 with gains in employment: hotel and catering have seen an annual rise of 4.7%; education has picked up 3.8%; and administrative and related services have experienced an increase of 3%. These three very different sectors between them account for more than 26% of tertiary employment in the city and have ended 2010 with a clearly positive balance in terms of employment. Health and social services, professional, scientific and technical services and

information and communication services, representing in total a quarter of the employment in the sector, complete the bulk of activities that have seen a slight upward trend. [See Table 1-3]

Industry

In keeping with the trend in major cities in Europe, improvements in living conditions in the densely populated city centre have continued to favour the gradual replacement of obsolete manufacturing with new productive activities, most of which are classified as services. These activities have a high technological component and are closely related to knowledge, research and the information and communication services. For a more accurate assessment of the importance of industrial activity in the city, the territorial framework of reference ought to be the metropolitan area.

At the present time, industry in the capital provides jobs for 8.4% of the labour force, half a percentage point less than a year ago. This figure includes water and energy supply, waste treatment and management, all of them with a strong tertiary element. The contraction in internal demand, partly compensated for by the upturn in external demand, is responsible for the fact that industry in Barcelona has continued to pursue the process of adjustments to its output capacity during 2010. At the end of the year, just over 85,000 workers in industry were registered with the Social Security System, 6.2% fewer than a year earlier. With the exception of the vigorous pharmaceutical and chemicals industry, in which the number of people in work has remained stable, the other industrial sub-sectors have opted to reduce staff numbers. Although the flagship vehicle and other transport equipment manufacturing segment has limited the cuts in the number of jobs by 3%, other quantitatively important segments, such as energy and water supply, waste treatment and food, drink and tobacco, have lost almost 10% of their labour force. [See Table 1-4]

Construction

Construction activity, one of the driving forces of the robust expansion in the

Catalan and Spanish activities in the five-year period spanning from 2003 to 2007, has continued to decline in relative importance in the productive fabric of the city and in the country as a whole. Even though the CNAE-2009 has broadened the sector by including activities formerly classified as industrial or services, it is an activity with extremely restricted potential for growth in an urban economy like Barcelona and during a period when the availability of credit is limited. Today, construction provides direct employment for 4.6% of the more than a million workers registered with the Social Security System, a little over more than half of the percentage in the metropolitan area.

The fall of 12% in the number of people employed in the sector over the year, and especially the decline in relative importance in the total of the productive fabric in Barcelona for the third consecutive year, has occurred largely independently of the volume of work done in the city during 2010. The essential reasons for this dip are the need to continue adapting excessive production capacity built up during the previous period of expansion to the current economic climate. This process has coincided with a particular set of circumstances exacerbated by a financial crisis that has severely restricted the availability of credit and by the implementation of austere public spending policies.

Evolution of the Economy in 2010

International Economic Context

Early estimates indicate that the world economy has grown by around 4% in 2010. Even though there are significant differences between the major economic areas—with much higher rates of growth in emerging economies and in those that export raw materials than the rates seen in more developed economies—the most important fact is that the recession of 2009 seems to have been overcome, or certainly the most critical phase. In this



Table

1.1

Employed Population Registered with the Social Security System

	Dec. 06	Dec. 07	Dec. 08	Dec. 09	Dec. 10
Absolute Values					
General Regime	935,931	953,000	917,061	880,584	874,976
Self-employed	122,218	123,958	121,170	115,972	114,151
Other Regimes	23,883	20,978	24,197	24,517	24,982
Total	1,082,032	1,097,936	1,062,428	1,021,073	1,014,109
In Percentages					
General Regime	86.5	86.8	86.3	86.2	86.3
Self-employed	11.3	11.3	11.4	11.4	11.3
Other Regimes	2.2	1.9	2.3	2.4	2.5
Total	100.0	100.0	100.0	100.0	100.0

Source: City of Barcelona, "Barcelona Economia" with data from the Ministry of Employment and Immigration.

Table

1.2

Distribution by Sectors of the Employed Population Registered with the Social Security System

	Dec. 06	Dec. 07	Dec. 08 (1)	Dec. 09	Dec. 10
Absolute Values					
Agriculture, Stockbreeding and Fishing	4,218	4,858	3,113	3,230	3,036
Industry	116,558	111,208	101,289	91,220	85,582
Construction	62,186	62,032	60,600	52,544	46,177
Services	899,070	919,838	897,426	874,079	879,314
Total	1,082,032	1,097,936	1,062,428	1,021,073	1,014,109
In Percentages					
Agriculture, Stockbreeding and Fishing	0.4	0.4	0.3	0.3	0.3
Industry	10.8	10.1	9.5	8.9	8.4
Construction	5.7	5.6	5.7	5.1	4.6
Services	83.1	83.8	84.5	85.6	86.7
Total	100.0	100.0	100.0	100.0	100.0

(1) The implementation of the CNAE-2009 altered the series from 2008.

Source: Department of Employment of the Generalitat de Catalunya and City of Barcelona, "Barcelona Economia".

Table

1 3

Services Sector in Barcelona

Employed population registered with the Social Security System

December 2010	Number	%
Commercial Services	160,199	18.2
Administrative and Support Services	100,209	11.4
Health and Social Services	86,777	9.9
Professional, Scientific and Technical Services	85,146	9.7
Public Administration and Extra-territorial Bodies	77,468	8.8
Hotel and Catering	68,518	7.8
Education	63,389	7.2
Personal, Cultural and Sporting Services	62,716	7.1
Publishing and Information Services	50,086	5.7
Transport and Logistics	48,732	5.5
Finance and Insurance	42,054	4.8
Home-related Services	22,363	2.5
Real-estate Activities	11,657	1.3
Total	879,314	100.0

Source: Department of Employment of the Generalitat de Catalunya and City of Barcelona, "Barcelona Economia".

Table

1 4

Industry in Barcelona

Employed population registered with the Social Security System

December 2010	Number	%
Vehicles and other Transport Material	16,675	19.5
Chemical and Pharmaceutical Industry	13,911	16.3
Energy, Water and Waste Management	12,843	15.0
Food, Drink and Tobacco	7,092	8.3
Paper and Graphic Arts	6,334	7.4
Electrical, Electronic and Computer Equipment	5,550	6.5
Textiles, Clothing, Leather Goods and Footwear	4,625	5.4
Machinery and Mechanical Equipment	3,607	4.2
Metal Products Excluding Machinery	3,553	4.2
Other Industrial Activities	3,013	3.5
Machinery Installation and Maintenance	2,804	3.3
Non-metal Mineral Products	2,696	3.2
Rubber and Plastics	1,204	1.4
Wood, Cork and Furniture	852	1.0
Metallurgy	823	1.0
Total	85,582	100.0

Source: Department of Employment of the Generalitat de Catalunya and City of Barcelona, "Barcelona Economia".

respect, 2010 has been the first post-crisis year and as such a year full of uncertainty. It has been a year of transition in which much of the effort in the most developed countries has been focussed on redressing public deficits and private and public indebtedness, with the aim, obviously, of restoring the upward trend that will make it possible to effectively combat unemployment.

With regard to the European Union, the evolution in economic activity has followed a clearly upward trend throughout most of 2010 until the final quarter, when it began to slow. The average annual growth is estimated at close to 2% for the EU as a whole and for the eurozone. This pace of growth is not enough to compensate for the recession of the previous year, but is promising because it breaks the process of decline in the labour market. The US economy has managed to advance at a rate of 2.9% thanks to expansive monetary policy and the weakness of the dollar, which has provided the right conditions for a degree of correction to the runaway trade deficit. There is a fear, however, that the inflationist tension first detected at the end of the year may endanger recovery. [See Graph 1-1]

Evolution in the Spanish Economy

In keeping with most European economies, Spanish GDP has turned upwards over the course of 2010. The major difference in relation to the prevailing trend in the rest of the EU is that the recovery has begun later and is relatively weak. Thus, in terms of the annual average, Spanish growth has remained negative for the second consecutive year, though by just one tenth of a percentage point.

This is to a certain extent surprising, since growth prior to the fall of 2009 was relatively similar in both Spain and the rest of the EU, whereas the emergence from recession is following a very different course. From the evolution of the various components that make up Spain's GDP, we can draw the conclusion that the basic reason is the behaviour of internal demand, which in Spain dropped back by 1.2%, in contrast with the advances recorded in the EU as a whole. This decline has been especially significant in investment and has, for the first time, also been felt in public spending as a result of the policies on fiscal consolidation and to reduce the public deficit. The brake on the recovery of the Spanish economy has

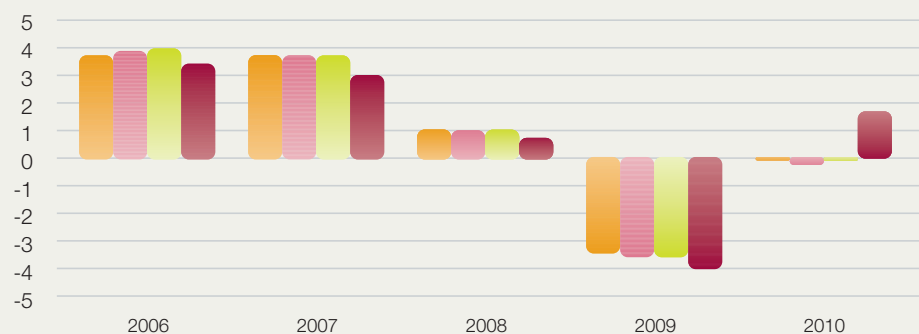
Graph

1-1

Evolution in GDP (annual average)

• Barcelona and Metropolitan Area • Catalonia • Spain • European Union

Variation (%)



Source: Eurostat, National Institute of Statistics, Idescat and City of Barcelona, "Barcelona Economía".

essentially been the private debt built up over years of easy access to credit. This indebtedness is difficult to service in the absence of growth and is driving a historic transformation in the Spanish financial system. The situation is reflected in the tightening of the conditions of access to new loans for the immense majority of businesses and families.

The response to the paralysis in the internal market has been to export. Spanish companies with an established presence in foreign markets and even those with only a limited presence or that have never taken this step before have made the most of the recovery of the world and more specifically the European economy and have set out to market abroad the things that they cannot sell at home. This increase in exports, which stands at slightly over 10%, has gone hand in hand with a slowdown in imports, which have risen by just over 5%, due to the weakness of internal demand, resulting in a positive balance in external demand that has helped to improve the trend in the GDP.

This moderate improvement in conditions—concentrated in a few industrial and services sectors—has had a very limited impact on the recovery of the labour market. Rates of change have slowed significantly, though the balance at the end of 2010 shows lower employment. According to the National Accounts, the Spanish economy has lost the equivalent of 2.4% of jobs and at the end of the year the rate of registered unemployment stood at 17.7%, 0.6% more than a year ago. [See Table 1-5]

To close this brief review of the evolution of the Spanish economy in 2010, mention must be made of the clearly upward trend in consumer prices. In just a few months, we have moved from concern over the possibility of deflation—consistent with the recession of 2009—to new inflationist caused by the rise in the price of petroleum and a wide range of basic raw materials. In terms of the average annual variation, the Spanish CPI has risen in 2010 by 1.8%, whereas the year before it dropped by 0.3%. If we disregard the expenditure items with the most volatile prices—energy and unprocessed food

produce—the increase has been just six tenths of a percentage point. With regard to the eurozone, the process of improving the level of competitiveness by means of pricing, which has only lasted a year, has come to an end and the positive differential of the period prior to the crisis has been restored. [See Table 1-6]

Economic Indicators Relating to Barcelona and the Metropolitan Area

[See Table 1-7]

The proven ability of the metropolitan economy to compete successfully in international markets has been the most reliable way out of recession. For the good of the country, it is to be hoped that this restored importance of manufacturing activity will manage to reverse the dynamic of an apparent lack of interest that surrounded industrial activity in the last cycle of expansion, which was based excessively on construction.

The main sector indicators show that there has been a considerable upturn in industrial activity in the metropolitan area in 2010, especially in terms of output and exports. The sector GDP has maintained year-on-year growth of above 2% throughout the year, and the rise in the export of manufactured goods has exceeded 15%. Unemployment has begun to fall, though employment is not as yet showing signs of recovery in a context of rising manufacturing costs, the high availability of idle production capacity and the difficulty of acquiring credit. External demand linked to the continuing recovery of the worldwide market must remain the principal force driving industry in the metropolitan area in the short term.

Shipping transport reflects and benefits from the dynamism in exports. In 2010, the Port of Barcelona saw the arrival of almost 26 million tonnes of goods and facilitated the departure of 17 million tonnes. This total of almost 43 million tonnes is 2.6% more than the previous year. This growth is moderate in comparison with the variations prior to the crisis but is to be applauded as it reverses the fall of 2009. International outward-bound transport is almost solely responsible for this change in trend, a fact



that is particularly noteworthy since the port is more focussed on inward traffic—finished goods, raw materials and energy—than outward shipping, in the main of finished and semi-processed products. The reason for this is the sluggishness of internal demand.

Passenger traffic via the port is one of the segments of activity least affected by the global economic recession thanks to the rise of the cruise business. In 2010, a total of 3.4 million passengers passed through the Port of Barcelona, a figure that exceeds the total of the previous year by 7.6% and which sets a new historic high. The cruise segment, which already represents more than two-thirds of the total, has recorded an increase of 9.1% in passenger numbers.

The airport, the other major passenger transport infrastructure in the Barcelona area, has also begun to recover some of the volume of passengers lost during the

two-year period of 2008 and 2009. Now that the impact of the AVE high-speed train service between Barcelona and Madrid has been assimilated and journeys for leisure as well as professional and business purposes have begun to pick up thanks to the proliferation of low-cost flights, Barcelona Airport has seen a 6.5% rise in the number of passengers in 2010, which stand at 29.2 million. This increase is based, as at the port, on international traffic.

Increases in the cruise business and in air transport are signs that tourism activity is on the rise. After two years of relative stagnation, the hotel sector in the city has managed to close 2010 with record figures of 14 million overnight stays during the year invoiced to 7.1 million visitors. These figures are equivalent to growth of the order of 10%, which would not have been possible without the sustained investment in increasing and

Table

15

Registered Unemployment Rate

Period	Barcelona	Catalonia	Spain	EU
31/12/06	6.6	7.0	9.3	7.7
31/12/07	6.3	7.0	9.4	6.9
31/12/08	9.1	11.0	13.6	7.6
31/12/09	12.6	14.9	17.1	9.4
31/12/10	12.7	14.7	17.7	9.6

Source: INE, Eurostat and City of Barcelona, "Barcelona Economía".

Table

16

Consumer Price Index (annual average variation, in %)

Year	Barcelona (1)	Catalonia	Spain	EU
2006	3.7	3.7	3.5	2.2
2007	3.0	3.0	2.8	2.3
2008	4.0	4.1	4.1	3.7
2009	0.5	0.2	-0.3	1.0
2010	2.0	2.0	1.8	2.1

(1) Province of Barcelona.

Source: INE and Eurostat.

improving hotel rooms, and confirm Barcelona's attractiveness as a tourist destination.

In previous years, the registration of new vehicles was a good indicator of the capacity of private expenditure and hence of the economic climate as a whole.

However, the figures for this year, which show growth of 8.4% after two years of sharp falls, present a relatively distorted picture. Although some purchases were made due to the unavoidable need to renew vehicles after two years of restraint, and when it seems that the worst of the crisis is over, the main reasons for the rise are the generous public and private incentives given to encourage people to replace old vehicles and purchases made ahead of time to avoid the rise in VAT. These reasons may, in the current unclear circumstances, become evident in the evolution of new vehicle registrations in the opening months of 2011.

The demand for housing—the number of transactions has risen for the first time after three years in which falls were recorded—is also a response to a combination of incentives of various kinds, such as avoiding the previously-mentioned increase in VAT and the restrictions on tax breaks on purchasing main homes, offers made by banks and

savings banks to sell the stock they have accumulated because of the crisis, and making the most of especially low interest rates. At the same time, the restrictions on access to credit have not prevented the upturn in the construction of residential units in the city after two years when housing building fell dramatically. Regardless of the rise in the number of transactions, the sector is still affected by the excess number of homes available—though this is less significant in the city than elsewhere—and by the austerity policies affecting public budgets. These factors are responsible for the fact that building begun and forecast in Barcelona during 2010 remains low.

In short, despite showing signs of recovery brought about by export activity and tourism, the evolution in economic activity in Barcelona in 2010 has been marked by the shadow of distrust that has conditioned the Spanish government's economic policy. In spite of this relatively unfavourable context, the state of the economy of Barcelona is satisfactory with regard to consolidating and boosting the signs of recovery. By way of an example of this, the employment and unemployment figures have stabilised and the hiring of workers has begun to pick up.

Table

17

Economic Activity (Barcelona and Metropolitan Area)

	Period	Absolute Value	2010/2009 (%)	2009/2008 (%)	2008/2007 (%)
Port. Freight and Passenger Traffic					
Total Freight (thousands of tonnes)	2010	42,877	2.6	-17.3	1.0
Outward Freight (thousands of tonnes)	2010	16,983	5.4	-18.4	1.5
Inward Freight (thousands of tonnes)	2010	25,894	0.8	-16.3	0.7
Containers (thousands of TEU)	2010	1,946	8.3	-30.1	-1.6
Total Passenger Traffic (thousands)	2010	3,444	7.6	-0.7	12.0
Cruise Passengers (thousands)	2010	2,348	9.1	3.7	17.5
Airport. Passenger Traffic					
Total (thousands)	2010	29,210	6.5	-9.4	-8.0
Barcelona-Madrid Route (thousands)	2010	3,072	0.9	-11.4	-28.4
International (thousands)	2010	17,543	8.1	-8.2	0.3
Consumption and Tourism					
New Vehicle Registrations	2010	42,102	8.4	-25.5	-26.9
Hotel Overnight Stays (thousands)	2010	14,047	9.6	2.7	-8.3
Visitors in Hotels Overnight (thousands)	2010	7,134	10.2	-2.7	-6.3
Construction and Prices in the Real Estate Market					
New-build Surface Area in Permits (m ²)	2010	552,945	-9.3	-41.1	-4.0
Surface area to be Refurbished or Extended (m ²)	2010	201,453	-48.1	-19.3	37.2
Dwellings Begun	Jan-Sept. 10	1,608	106.2	-52.0	-42.0
Average Price of Own Homes (€/m ²)	2nd half 10	5,242	-3.7	-8.0	-0.6
Average Rental of Homes (€/m ² /month)	3rd qtr. 10	16.2	0.9	-3.8	5.5
Employment and Unemployment					
Total Registered Unemployed	Dec. 2010	100,868	-0.2	36.0	45.0
Youth Unemployment	Dec. 2010	6,333	-14.6	26.9	55.4
Employment Contracts Formalised	2010	777,611	2.8	-15.0	-2.8
Employed Registered with Soc. Sec. System	2010	1,014,109	-0.7	-3.9	-3.2

Source: City of Barcelona, "Barcelona Economía".



Management Report

The Management Report shows the consolidated data of the group consisting of the City of Barcelona and its dependent bodies, in other words, its municipal agencies and the firms in which it is a majority shareholder, irrespective of their sources of financing.

The bodies that are consolidated with the City of Barcelona, in accordance with its Municipal Charter, are:

Autonomous Bodies

- Municipal Agency for Disabled Persons
- Municipal Agency of the Urban Landscape and Quality of Life
- Municipal Agency of Education
- Municipal Agency of IT Services
- Municipal Agency of Town Planning
- Municipal Agency of Finances
- Municipal Agency of Markets
- Barcelona Sports Agency
- Municipal Agency of Social Services

Public Commercial Entities

- Barcelona Culture Agency
- Municipal Agency of Parks and Gardens
- Municipal Agency of the Mies van der Rohe Foundation
- Municipal Housing Agency (commercial entity)

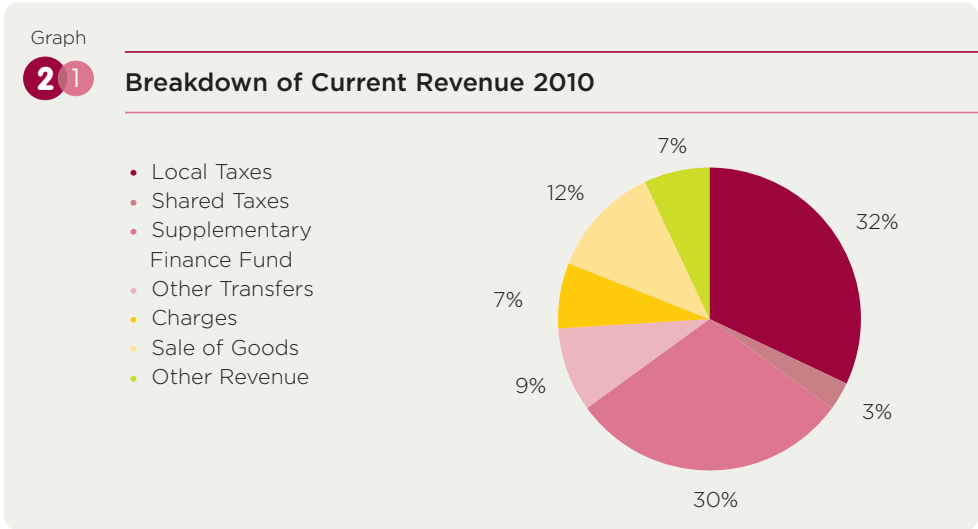
Municipal Firms

- Barcelona d'Infraestructures Municipals, S.A.
- Pro Nou Barris, S.A.
- 22 Arroba Bcn, S.A.
- Agència de Promoció del Carmel i Entorns, S.A.
- ProEixample, S.A.
- Foment de Ciutat Vella, S.A.
- Informació i Comunicació de Barcelona, S.A.
- Barcelona Activa, S.A., S.P.M.
- S.M. Barcelona Gestión Urbanística, S.A.
- Barcelona de Serveis Municipals Group (commercial entity)

Structure of Current Revenue

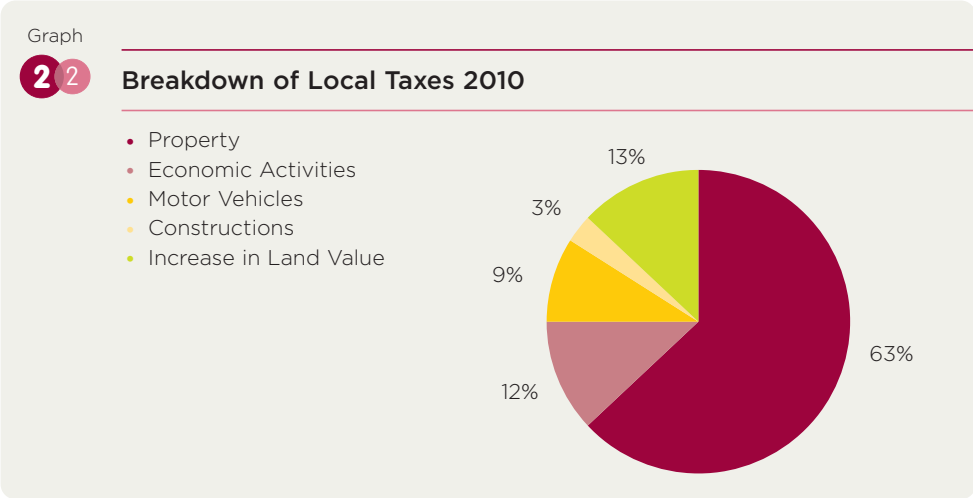
The current revenue of the City of Barcelona and its dependent bodies consists of taxes, both local and those allocated by central government (shared taxes); other fiscal revenue, principally charges for services and for the use of the public domain; revenue from the sale of goods and the provision of services, including public prices; other operating revenue, in the main fines, rents, concessions and special uses, late-payment surcharges, other surcharges and profit-sharing; current transfers; and financial revenue.

The breakdown of current revenue is as follows:



Property Tax (IBI) accounts for 63% of local taxes. The remaining local taxes are the Tax on Economic Activities (IAE), the Tax on Increase in Land

Value (IIVT), the Tax on Motor Vehicles (IVTM) and the Tax on Constructions, Installations and Works (ICIO).



The central government transfers part of the revenue it obtains from a series of state-wide taxes once the amount payable to autonomous communities has been discounted. These shared taxes are 1.6875% of personal income tax, 1.7897% of VAT and 2.0454% of special taxes levied on beer, wine and fermented beverages, intermediate products, alcohol and derived beverages, hydrocarbons and tobacco. In addition, the Supplementary Finance Fund is a non-earmarked transfer that increases

each year in line with revenue collected by central government from the taxes that are shared with town and city councils, and which includes compensation for the loss of revenue due to the reform of the Tax on Economic Activities.

The sale of goods and services, financed through charges or non-fiscal revenue, and other operating revenue represent 26% of current revenue.

The remaining current transfers are essentially earmarked resources from

other public administrations—mainly the Generalitat de Catalunya and local entities—as well as private companies and non-profit organisations.

Activities of the City of Barcelona

The City of Barcelona exercises the powers laid down in the Municipal Charter and in current legislation on local government. The services it provides cover areas as diverse as maintenance of public highways, social services, municipal markets and public transport, to mention but a few examples. These services are provided through the organisational structure consisting of the central bodies of the City of Barcelona and its district offices and municipal entities and companies. The organisational structure is described in brief below.

The operational sectors are:

a) Education, Culture and Welfare:

education, culture, sports and citizens' participation. Some of the services are provided via the Municipal Agency of Education, Barcelona Culture Agency and the Barcelona Sports Agency.

b) Social Action and Citizenship: social services and civil rights. This includes the Municipal Agency of Disabled Persons and the Municipal Agency of Social Services.

c) Environment: street cleaning, solid urban waste collection and sanitation; maintenance, paving, street lighting and water; maintenance of parks, green areas and beaches; energy saving and renewable energies, environmental education and participation; and pollution monitoring and reduction. Some of these services are provided via the Municipal Agency of Parks and Gardens.

d) Prevention, Safety and Mobility: citizens' safety, fire prevention and civil protection services, mobility, traffic and public transport, road safety and discipline, and car parks.

e) Urban Planning and Infrastructure: territorial and urban planning and layout, the urban landscape, infrastructure and housing. The dependent bodies

responsible for these areas are the Municipal Housing Agency, the Municipal Agency of the Urban Landscape and Quality of Life, the 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, trade, the network of municipal markets, consumer affairs, tourism and information technologies. The organisations operating in this area are the Municipal Markets Agency and Barcelona Activa, S.A.

The corporate sectors are:

a) General Services and Territorial Co-ordination: central administration, heritage and co-ordination of the districts. This sector includes the municipal firm Informació i Comunicació de Barcelona, S.A.

b) Human Resources and Organisation: staff-related and organisational policies and administration.

c) Finance: financial and tax administration, and co-ordination of municipal firms and public bodies. Powers in the field of taxation are exercised by the Municipal Agency of Finances.

The municipal management team co-ordinates the executive municipal administration and is also responsible for the City Council's financial management, which includes accounting and budget administration and investment monitoring. It also co-ordinates the management of the municipal IT and telecommunications systems and e-government. Many of these services are provided through the Municipal Agency of IT Services.

The municipal companies that pursue activities of a commercial nature are concentrated in the Barcelona de Serveis Municipals Group. The group's responsibilities include municipal car parks; managing leisure areas such as the Zoo, Tibidabo, Montjuïc and the Fòrum area; funerary services and cemeteries; waste treatment, including separated waste for recycling; and wholesale markets.

Human Resources

In 2010, the staff of the City of Barcelona Group numbered 13,112 people on average, 415 more than in 2009.

Table

23

Personnel (on average)

	2006	2007	2008	2009	2010
City of Barcelona	6,659	6,826	6,958	7,087	6,793
Public Agencies and Municipal Firms	6,369	6,491	6,614	5,610	6,319
Total	13,028	13,317	13,572	12,697	13,112

2010 saw the launch of the Municipal Agency of Social Services, which manages the provision of social services that are the responsibility of the municipality, the introduction of a new territorial management model

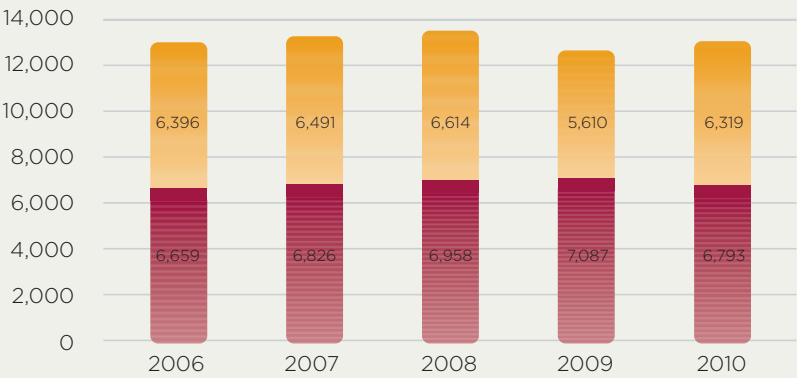
and an increase in the staff of the Guardia Urbana police force. This has led to a redistribution of staff between the City of Barcelona and the public entities and municipal firms.

Graph

24

Evolution of the Personnel of the City of Barcelona Group (on average)

• City of Barcelona • Public Agencies and Municipal Firms



In 2010, 1.8% of the total gross payroll was allocated to staff training. A subsidy awarded within the framework of the Agreement on Continuing Training for Public Administrations (AFCAP) made it possible to finance 153 training initiatives in which 2,837 people took part.

In total, the City of Barcelona conducted 1,530 training activities, attended by 13,135 trainees and amounting to 459,897 teaching hours. A total of 4,808 people benefited from this training activity.

Economic and Financial Evolution of the City of Barcelona 2006-2010

The following table details the resources generated

by the City of Barcelona, the municipal agencies and firms, and their applications. The difference shows any net requirements for external financing (cash deficit or surplus).

Table

2.5

Economic and Financial Evolution (thousands of euros)

	2006	2007	2008	2009	2010
(1) Current Revenue before Financial Revenue	2,299,713	2,471,823	2,535,880	2,513,337	2,510,565
(2) Current Expenses before Financial Expenses	1,630,535	1,763,726	1,897,211	2,001,179	2,029,488
(3) Primary Saving	669,178	708,097	638,669	512,158	481,077
Financial Revenue	11,347	14,163	17,530	4,128	1,640
Financial Expenses	41,623	41,636	43,002	34,082	33,930
(4) Gross Saving	638,902	680,624	613,197	482,204	448,787
(5) Net Investment	479,325	629,374	678,834	628,141	632,198
(6) Surplus (Deficit)	159,577	51,250	(65,637)	(145,937)	(183,402)
Cash Variation	(74,810)	56,904	195,104	98,207	(312,155)
(7) Cash Surplus (Deficit)	84,767	108,154	129,467	(47,730)	(495,557)
Assumption of Debt	6,263	3,578	9,871	1,145	5,510
(8) Net Debt Variation	91,030	111,732	139,338	(46,585)	(490,047)
(9) Total Debt at Year End	1,178,843	1,067,111	927,773	974,358	1,464,405

Lines (1) to (4) of the table indicate how the gross saving is generated. These are equity accounting figures and hence the revenue and expenses are allocated according to the accrual principle, including provisions for doubtful debt.

The surplus or deficit in the fiscal year is the difference between gross saving and net investment. The cash surplus or deficit for the fiscal year is then arrived

at by adding the cash variations, which include the adjustments needed to pass from current revenue and expenses by the accrual principle to current revenue and expenses by the cash principle.

Lastly, in order to reconcile net debt variation with the cash surplus or deficit, credits given by third parties to the City of Barcelona, which pays interest and the principal of the loan, must be added where applicable. The opposite is also

true, examples being the mortgage loans given by the Municipal Housing Agency to buyers of the homes it sells or which it cedes through land rights.

Evolution of Current Revenue

Current revenue has risen over the last five years at an accumulative annual

rate of 3.2%, whereas inflation has gone up by 2.4%. The increase in revenue is due essentially to the implementation of new cadastral values, the increased sale of goods and provision of services, the rise in received current transfers and to improvements in collection.

In 2010, current revenue totalled 2,512 million euros, 0.2% less than in 2009.

Table

26

Current Revenue (thousands of euros)

	2006	2007	2008	2009	2010
Tax on Property	370,744	398,998	427,379	451,198	502,613
Tax on Economic Activities	96,409	97,269	99,191	99,357	97,871
Tax on Vehicles	74,918	74,529	74,052	72,241	71,288
Tax on Constructions	37,922	50,511	37,401	24,273	26,058
Tax on Increase in Land Value	84,099	108,497	97,262	93,623	101,678
Subtotal	664,092	729,804	735,285	740,692	799,508
Share of Income Tax, VAT and Special Taxes	82,802	85,714	92,603	101,179	84,798
Total Local Taxes	746,894	815,518	827,888	841,871	884,306
Other Fiscal Revenue: Charges	158,184	157,653	165,977	165,056	173,748
Sale of Goods and Provision of Services	263,255	286,538	290,928	290,164	306,260
Other Operating Revenue	228,316	225,339	220,732	194,634	185,710
Total Local Revenue	1,396,649	1,485,048	1,505,525	1,491,725	1,550,024
Supplementary Finance Fund	756,226	813,251	842,791	814,057	741,998
Other Current Transfers	146,838	173,524	187,564	207,555	218,543
Total Current Transfers	903,064	986,775	1,030,355	1,021,612	960,541
Financial Revenue	11,347	14,163	17,530	4,128	1,640
Total Current Revenue	2,311,060	2,485,986	2,553,410	2,517,465	2,512,205

In 2010, the taxes collected by the City of Barcelona rose by 7.9%. On the one hand, the taxes on property, constructions and the increase in land value showed positive increases of 11.4%, 7.4% and

8.6% respectively. On the other hand, the Tax on Economic Activities and the Tax on Motor Vehicles fell by around 1.4%. The rises in the taxes on construction and on the increase

in land value indicate that the construction industry and the real estate market are recovering, though it remains to be seen what element of the growth is due to fiscal changes introduced by central government in 2010.

The tax rates applied in 2010 were in general the same as those in place in 2009. In the case of Property Tax, the rate stood at 0.75% of the cadastral value of a general nature and rose

from 0.85% to 1% for the 10% of non-residential properties with the highest cadastral value. The rate of Tax on Increase in Land Value was 30%, while the Tax on Constructions was 3.25%.

Taxes transferred by central government fell by 16.2% in comparison with 2009 in accordance with the amounts paid on account by the Ministry of the Economy and Finance.

Table

27

Current Revenue (in %)

	2006	2007	2008	2009	2010
Tax on Property	16.1	16.0	16.7	17.9	20.0
Tax on Economic Activities	4.2	3.9	3.9	4.0	3.9
Tax on Vehicles	3.2	3.0	2.9	2.9	2.8
Tax on Constructions	1.6	2.0	1.5	1.0	1.0
Tax on Increase in Land Value	3.6	4.4	3.8	3.7	4.1
Subtotal	28.7	29.4	28.8	29.5	31.8
Share of Income Tax, VAT and Special Taxes	3.6	3.4	3.6	4.0	3.4
Total Local Taxes	32.3	32.8	32.4	33.5	35.2
Other Fiscal Revenue: Charges	6.8	6.3	6.5	6.6	6.9
Sale of Goods and Provision of Services	11.4	11.5	11.4	11.5	12.2
Other Operating Revenue	9.9	9.1	8.7	7.7	7.4
Total Local Revenue	60.4	59.7	59.0	59.3	61.7
Supplementary Finance Fund	32.7	32.7	33.0	32.3	29.5
Other Current Transfers	6.4	7.0	7.3	8.2	8.7
Total Current Transfers	39.1	39.7	40.3	40.5	38.2
Financial Revenue	0.5	0.6	0.7	0.2	0.1
Total Current Revenue	100.0	100.0	100.0	100.0	100.0

Charges rose overall by 5.3% in 2010. The charges for use of the public domain rose by 7.6%, primarily due to the increase in gross income from companies granted concessions to supply general interest

services arising from the private use of the subsoil, land and overhang of the public highways. Charges for the sale of services rose by around 1.2% due to the increase in urban and activities licenses,

which are beginning to show signs of recovery. The sale of goods and services amounted to more than 306 million euros, 5.5% more than in 2009, due in the main to improvements in the raising of revenue related to selective and commercial waste collection. The remaining operating revenue, from fines, rents and concessions, among others, fell by 4.6%.

With regard to current transfers, payments on account from central government's Supplementary Finance Fund were 8.9% lower than payments on account made in 2009. This reduction in advances reflects the forecast decline in state cash revenue from income tax, VAT and special taxes (in other words the State Fiscal Revenue [ITE] used to index

the Supplementary Finance Fund). In 2010, however, unlike in 2008 and 2009, the ITE collected was higher than initially forecast (1.2700 instead of 1.1646) according to the December monthly report issued by the Spanish Internal Revenue. Consequently, a positive final settlement of around 100 million euros for the City of Barcelona is expected in 2012.

The fall in the Supplementary Finance Fund was not made up for by the remaining current transfers, even though these rose by 5.3%. Notable among these other current transfers in 2010 were the 29.8 million euros from the State Fund for Employment and Local Sustainability, earmarked for current expenditure of a social and educational nature.

Table

28

Current Revenue (Rates of Variation)

	2006	2007	2008	2009	2010
Tax on Property	6.9	7.6	7.1	5.6	11.4
Tax on Economic Activities	2.7	0.9	2.0	0.2	(1.5)
Tax on Vehicles	1.9	(0.5)	(0.6)	(2.4)	(1.3)
Tax on Constructions	11.6	33.2	(26.0)	(35.1)	7.4
Tax on Increase in Land Value	(10.0)	29.0	(10.4)	(3.7)	8.6
Subtotal	3.6	9.9	0.8	0.7	7.9
Share of Income Tax, VAT and Special Taxes	(11.2)	3.5	8.0	9.3	(16.2)
Total Local Taxes	1.6	9.2	1.5	1.7	5.0
Other Fiscal Revenue: Charges	(2.7)	(0.3)	5.3	(0.6)	5.3
Sale of Goods and Provision of Services	10.6	8.8	1.5	(0.3)	5.5
Other Operating Revenue	28.9	(1.3)	(2.0)	(11.8)	(4.6)
Total Local Revenue	6.4	6.3	1.4	(0.9)	3.9
Supplementary Finance Fund	7.9	7.5	3.6	(3.4)	(8.9)
Other Transfers	16.8	18.2	8.1	10.7	5.3
Total Current Transfers	9.3	9.3	4.4	(0.8)	(6.0)
Financial Revenue	75.8	24.8	23.8	(76.5)	(60.3)
Total Current Revenue	7.7	7.6	2.7	(1.4)	(0.2)

The transfers received from the Generalitat de Catalunya fell by 18.7% due to the fact that, beginning in 2010, the Generalitat no longer channels transfers to the Education Consortium via the City of Barcelona. In like-for-like terms, however, transfers from the Generalitat de Catalunya rose by 33%. These funds were earmarked for various purposes, among them primary care, homes and day centres for senior citizens, the implementation of the Dependency Law, as well as the 2010 special plans on local employment, which, in the case of the City of Barcelona, amounted to 15.4 million euros. The remaining current transfers also include the transfers from the Metropolitan Hydraulic Services and Waste Treatment Agency earmarked for waste management.

Evolution of Current Expenses

Over the last five years, consolidated current expenditure has risen by an annual rate of 5.8%, 2.4 percentage points more than current revenue. During this period, the largest rises have occurred in current transfers (annual 9.1%) and in Works, Supplies and External Services (7.1%). Personnel expenditure has risen at a rate of 3.2% per year. In broad terms, the areas of current spending that consume most resources are personal services, which include social care, education, culture, sports and public health; maintenance of the public space, in other words, public highways, parks and gardens in the city, street cleaning and waste collection and treatment; and safety and mobility.

Table

29

Current Expenses (thousands of euros)

	2006	2007	2008	2009	2010
Personnel Expenses	568,027	601,305	633,747	616,522	636,432
Works, Supplies and External Services	702,936	763,799	805,039	860,279	908,563
Current Transfers	301,491	337,227	400,014	477,886	419,888
Provisions	58,081	61,395	58,411	46,492	64,605
Financial Expenses	41,623	41,636	43,002	34,082	33,930
Total Current Expenses	1,672,158	1,805,362	1,940,213	2,035,261	2,063,418

Current spending rose by 1.4% in 2010. Spending on personnel rose by 3.2% despite the implementation of Royal Decree 8/2010 of 20 May 2010, which introduced special measures to reduce the public deficit and which forecasts an overall 5% reduction in the total wage bill in annual terms. The average staffing numbers of the City of Barcelona group rose by 415 people, mainly due to the

launch of the Municipal Agency of Social Services.

The Works, Supplies and External Services caption rose by 5.6%. The greater impetus given to social care, maintenance of the public space and the promotion of economic activity were in part compensated for by measures to contain spending in other municipal areas.

Expenditure associated with care services and social promotion increased by more than 6.5%. Special mention must be made of the greater efforts made in the areas of basic social services, care for children and teenagers and care for senior citizens. One notable event in 2010 was the launch of the Municipal Agency of Social Services, set up to promote, organise and manage the social services for which the municipality is responsible and to respond to recent legislative changes (Social Services Law and the Law on Promoting Personal Independence and Care for Dependent People). The agency is responsible for implementing the new model of basic social services across the city and for managing, among others, the social services centres and the hospital care service. In 2010, 43.6 million euros were allocated to this service and 5.3 million to the phone assistance

service, representing an increase of 8.8% and 20.0% respectively over the previous year.

With regard to maintenance of the public space, 2010 saw completion of the roll-out of the new street cleaning contract, which came into effect in November 2009. Under this new contract, higher-tech services have been introduced, more recycling bins and banks have been put out on streets, organic waste collection has been extended to cover the entire city, and the frequency of ordinary street cleaning has been increased, while the occasional service for dealing with specific events that entail greater use of the public space has also been boosted. In total, 263 million euros were allocated to street cleaning and waste collection in 2010, 18.0% more than in the previous year.

Table

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Current Expenses (in %)

	2006	2007	2008	2009	2010
Personnel Expenses	34.0	33.3	32.7	30.3	30.8
Works, Supplies and External Services	42.0	42.3	41.5	42.3	44.0
Current Transfers	18.0	18.7	20.6	23.5	20.3
Provisions	3.5	3.4	3.0	2.3	3.1
Financial Expenses	2.5	2.3	2.2	1.6	1.6
Total Current Expenses	100.0	100.0	100.0	100.0	100.0

Turning now to economic promotion, the resources allocated to employment and business development programmes run by Barcelona Activa were more than doubled, some of which was financed through the Generalitat de Catalunya's special employment plans. The careers guidance and training programmes for the unemployed were expanded, the mechanisms to encourage and support new company start-ups were augmented,

initiatives to aid the growth and competitiveness of innovative businesses in the city were strengthened and action was taken to boost neighbourhood retail trade, to mention but a few examples of the work done in 2010.

The City of Barcelona promotes sport as a means to improve people's quality of life and to contribute to social harmony, and also sees it as a vehicle for attracting economic activity to

the city. Popular public sporting activities were organised in 2010, among them the Marathon and La Mercè Race,

as were major international events such as the European Athletics Championship.

Table

2 11

Current Expenses (Rate of Variation)

	2006	2007	2008	2009	2010
Personnel Expenses	4.5	5.9	5.4	(2.7)	3.2
Works, Supplies and External Services	9.3	8.7	5.4	6.9	5.6
Current Transfers	11.1	11.9	18.6	19.5	(12.1)
Provisions	5.9	5.7	(4.9)	(20.4)	39.0
Financial Expenses	4.3	0.0	3.3	(20.7)	(0.4)
Total Current Expenses	7.7	8.0	7.5	4.9	1.4

Current transfers fell by 12.1% to 420 million euros. Notable was the 9.7% fall in the contribution to the Federation of Municipalities in the Metropolitan Area of Barcelona as a consequence of the reduced share of the income from central government (Supplementary Finance Fund and transferred taxes). In addition, transfers from the Generalitat de Catalunya for the Education Consortium are no longer channelled via the City of Barcelona. Current transfers to the Metropolitan Transport Authority to cover the costs of running the passenger transport system rose 5% in 2010 to total 72.9 million euros. There was little significant change to the remaining transfers in comparison with the figures for 2009.

The allocation to the provision for doubtful debt was determined by applying the collection coefficients estimated by the City of Barcelona to outstanding debts owed by tax payers in the prompt-payment period and for fines in both the voluntary and prompt-payment periods based on past experience. In addition, provisions were made for non-fiscal debt regarded as doubtful.

Consolidated financial expenses were stable at around 34 million, although indebtedness rose by 50%. Financial expenditure has remained virtually the same, as most of the new debt was taken on at the end of the fiscal year. The average cost of the debt was 2.8%, as opposed to 3.4% in 2009.

Investments

In the last five years, consolidated capital expenditure has totalled in excess of 3,840 million euros, 3,515 million

of which has been allocated to direct investments and the rest to capital transfers, principally to cultural amenities, and to capital increases, mainly of Fira 2000, S.A.

Table

212

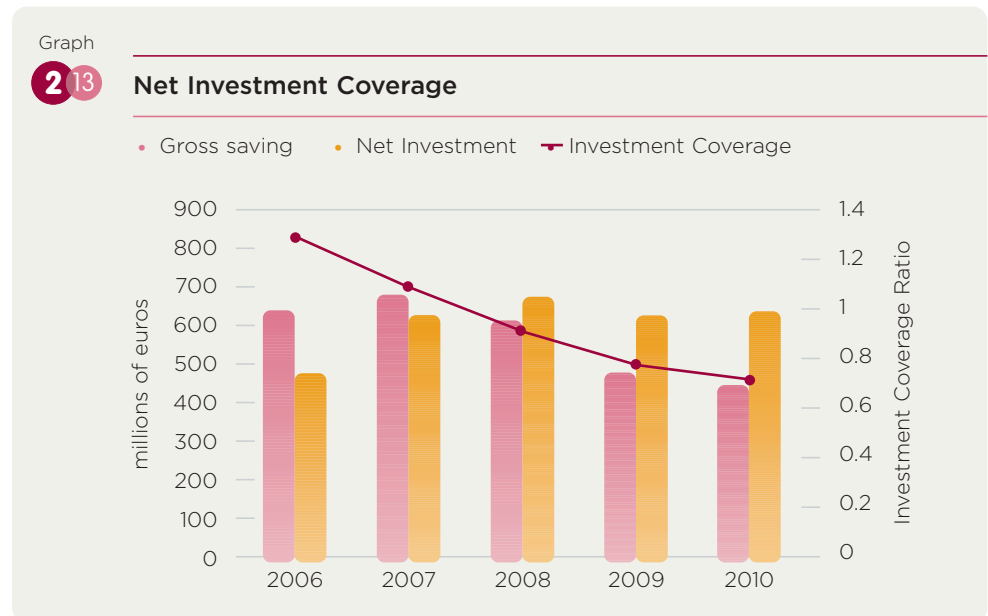
Capital Revenue and Expenses (thousands of euros)

	2006	2007	2008	2009	2010
Direct Investments	513,280	613,937	684,237	889,994	814,036
HOLSA	62,958	21,826	0	0	0
Metropolitan Transport Authority	28,590	28,590	28,591	28,591	0
Non-municipal Entities	10,032	16,003	22,673	20,469	29,835
Capital Transfers	101,580	66,419	51,264	49,060	29,835
Financial Investments	12	8,250	9,999	9,557	7,999
Capital Expenses	614,872	688,606	745,500	948,611	851,870
Capital Transfers	46,043	18,160	33,828	307,130	189,353
Assets Management	89,504	41,072	32,838	13,340	30,328
Capital Revenue	135,547	59,232	66,666	320,470	219,681
Net Investment	479,325	629,374	678,834	628,141	632,189

Capital revenue from capital transfers and asset management has amounted to 220 million euros, making it possible to finance 26% of capital expenditure. Notable among the capital transfers received are those from central government deriving from the

2009 State Local Investment Fund and the 2010 State Fund for Employment and Local Sustainability. These two funds have made it possible to finance some 480 projects, between them amounting to 381 million euros.

Investment coverage for the entire period, measured as gross saving over net investments, stands at 0.7.



The City of Barcelona's programme of investments covers a very varied range of projects, notable among which are initiatives focusing on personal services, interventions in the public space, land and housing management, infrastructure and economic promotion.

With regard to personal services initiatives, 17 amenities have been built over the last four years to enable new social services centres to open or to provide more suitable premises for those already in existence. In addition, 22 amenities have been refurbished to ensure they meet the requirements of the new social services model being implemented across the city. The social services network has been complemented by other amenities such as sheltered accommodation for senior citizens, homes and day centres, as well as care centres for children and teenagers. During the 2010-2011 academic year, ten new nurseries have opened, providing places

for 792 children and representing an investment of more than 14 million euros. When the 2007-2011 Nursery Plan comes to an end, the number of places available in 2006-07, totalling 3,698, will have doubled to more than 7,400 in the 2011-12 academic year. Moreover, during this mandate, 14 amenities have been built, providing clubs and spaces for senior citizens, and a further ten have been refurbished. In addition, the Sant Pau-Santa Creu Library has reopened and the Gòtic-Andreu Nin Library has opened its doors, bringing the number of public libraries in Barcelona to 36. As part of the Sports Amenities Plan, 2010 saw the opening of the El Putxet and Ciutadella Park sports centres, the completion of the extension of the Sagrada Família centre and the start of work on the Cotxeres Borbó and Horta centres.

Investment in the public space were directed chiefly to urban development and road works and the Integrated

Improvements Plan. Development and road works were undertaken throughout the city, such as the recent development of various stretches of the Ronda del Mig and Ronda del Guinardó ring roads. The Integrated Public Space Improvements Plan covers renewal of street lighting, sewers and drains, trees, pavements, highways, the laying of new paving and tarmac, and street furniture. This plan, launched in 2008, details works to be undertaken on 1,640 streets, 183 of which had to be completely renewed. Initial forecasts have been exceeded and action has so far been taken on 1,705 streets, 367 of which have been completely renewed. The environmental benefits of this plan include a drop in sound levels due to the laying of noise-reducing tarmac, a reduction in light pollution as a result of renewing light sources by replacing them with more efficient technologies and redirecting the light they cast on the street, and improvements to the rainwater drainage system thanks to the renewal of the pipework. With regard to the open spaces in the city, in addition to the improvements made to various parks and gardens, special mention must be made of the start of remodelling works in Park Güell.

Land management policy is intended to increase the land available for social and sheltered housing for senior citizens, young people and other specific groups. In 2010, for example, the Barcelona Municipal Housing Agency, one of the main developers of social and sheltered housing, handed over the keys to 190 homes built in the second phase of remodelling in Bon Pastor. As laid down in

the 2008-2016 Housing Plan, the City of Barcelona allocates a proportion of every urban development plan to social housing of some kind, calculated as 40% of the total surface area of roof erected. In addition, as part of the programme of subsidies for lift installations and to improve the accessibility of older homes, 710 lifts out of the 2,400 forecast in the plan have so far been installed in the city.

The main economic promotion investments are those made to modernise, improve and refurbish municipal markets. In 2010, 26 million euros were allocated to achieve these aims, chiefly in the Sant Antoni, Encants-Fira de Bellcaire, Ninot and Sants markets.

With regard to infrastructure, notable projects include the renewal of sewers and drains, the rainwater holding tank on Carrer Comte d'Urgell, the car park plan being pursued by Barcelona de Serveis Municipals and the renewal of the city's traffic light system, as well as the start of construction, at the City of Barcelona's behest, of the energy generation plant in Zona Franca.

Financing

The City of Barcelona's consolidated debt as at 31 December 2010 stood at 1,464 million euros, 50% higher than in 2009. Of the total, 1,200 million corresponds to the City of Barcelona and 264 million to its commercial entities, that is to say, the Municipal Housing Agency and the Barcelona de Serveis Municipals Group. Consolidated debt is 3.3 times the generated gross saving.

Table

214

Consolidated Financial Debt (thousands of euros)

	2006	2007	2008	2009	2010
Public Administration	1,061,206	928,727	774,258	750,101	1,200,101
Commercial Entities	117,637	138,383	153,515	224,257	264,304
Total Debt	1,178,843	1,067,110	927,773	974,358	1,464,405

Public Administration

The City of Barcelona's debt rose from 750 million euros at the end 2009 to 1,200 million euros as at 31 December 2010. All of this debt is long term.

The net increase of 450 million is the result of new debt amounting to 550 million and repayments to the value of 100 million. The 550 million euros of new debt meets the budgetary requirements of 2010, amounting to 310 million, and the financial needs of 2011, 240 million, in accordance with the City of Barcelona's Economic and Financial Plan, approved by the Municipal Council and the Generalitat de Catalunya.

The 2010-2013 Economic and Financial Plan was revised in July 2010 following the enactment of Royal Decree Law 8/2010 of 20 May 2010, which introduces extraordinary measures to reduce the public deficit. Initially, this law prohibited local authorities from financing investments by means of long-term debt in 2011. Subsequently, the State General Budget Law for 2011, approved on 22 December 2010, restricted this prohibition to local authorities that closed the 2010 fiscal year with negative savings and to those with a consolidated debt in the public administration sector amounting to more than 75% of current revenue paid.

The 550 million euro finance consists of the arrangement of six loans with five financial institutions and the drawing down of the remaining 20 million of the 50 million euro loan arranged in 2009 with the European Investment Bank (EIB). The terms of these loans range from three to twelve years, with an overall average of 6.7 years. The draw-down on the EIB loan has a 12-year term. Moreover, three loans of 50, 30 and 20 million loans were repaid on the due date in accordance with the conditions of the contracts.

As at 31 December 2010, the public entities and dependent municipal firms that are part of the public administration had no debt.

Commercial Entities

The debt of the commercial entities as at 31 December 2010 amounted to 264 million euros, of which 256 million were long-term operations. At the end of 2009, the commercial entities' level of debt stood at 224 million euros.

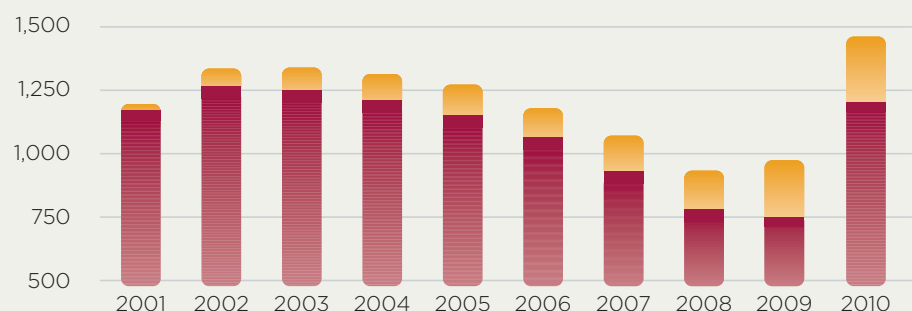
The debt of the Municipal Housing Agency increased by 26 million euros to 172 million euros, and that of the Barcelona de Serveis Municipals Group rose by 14 million euros, basically due to investments in car parks, to 93 million euros.

Graph

2015

Consolidated Debt (millions of euros)

• Public Sector • Commercial Entities



Table

216

Consolidated Financial Debt (thousands of euros)

	12.31.06	12.31.07	12.31.08	12.31.09	12.31.10
Bank Loans	618,641	627,110	487,773	584,358	1,074,405
Private Placements	340,000	340,000	340,000	290,000	290,000
Public Bond Issues	220,202	100,000	100,000	100,000	100,000
Total Debt	1,178,843	1,067,110	927,773	974,358	1,464,405
Long-term Debt	1,178,843	1,066,230	923,616	962,099	1,455,914
Short-term Debt	0	884	4,157	12,259	8,491

The City of Barcelona's financial policy is aimed at controlling the increase in financial expenses, assuming a reasonable financial risk. For this reason, the financial strategy is based on facilitating access to capital markets by offering financial information at the appropriate time; using

short-term debt exclusively to cover transitory cash needs; improving the profile of debt by maturities, while maintaining annual contractual amortisations of debt significantly below the gross saving generated; and diversifying interest rate risk.

Table

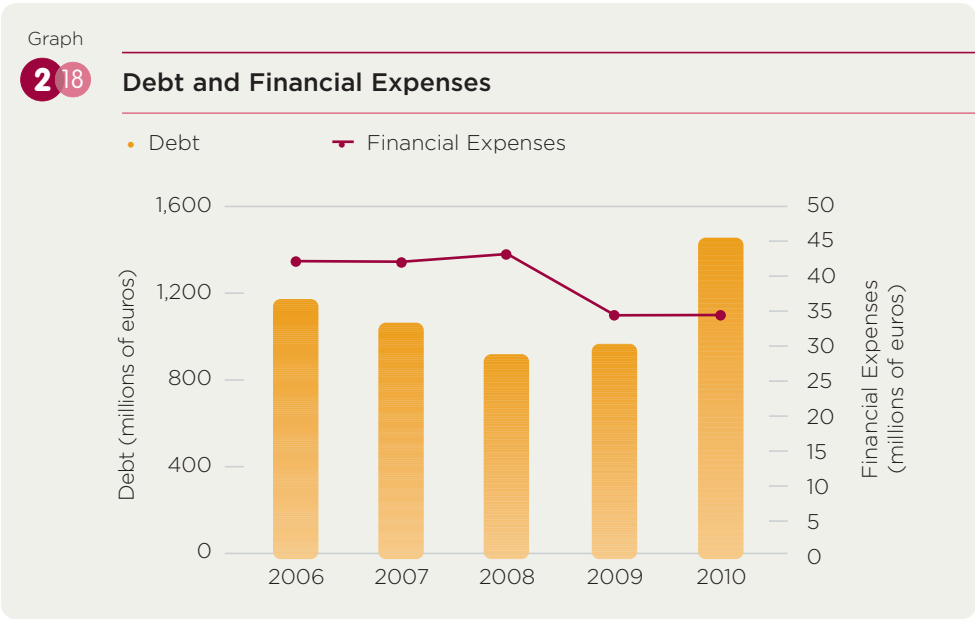
217

Consolidated Financial Debt (in %)

	12.31.06	12.31.07	12.31.08	12.31.09	12.31.10
Bank Loans	52.5	58.8	52.6	60.0	73.4
Private Placements	28.8	31.8	36.6	29.8	19.8
Public Bond Issues	18.7	9.4	10.8	10.2	6.8
Total Debt	100.0	100.0	100.0	100.0	100.0
Long-term Debt	100.0	99.9	99.6	98.7	99.4
Short-term Debt	0.0	0.1	0.4	1.3	0.6

The City of Barcelona’s debt is sourced in the eurozone. 73.4% of its debt corresponds to bank loans, while the remaining 26.6% has been

borrowed on capital markets (private placements on the German market and a public debt issue).



In 2010, the credit rating of central government’s public debt was revised downwards. The fact that resources from central government, from the Supplementary Finance Fund and shared taxes, account for 30% of the City of Barcelona’s consolidated current revenue means that the state’s credit rating

represents the ceiling of the City of Barcelona’s credit rating. For this reason, the downgrading of the central government’s credit rating is responsible, since this was the one the City of Barcelona had, for the downward revision of the City of Barcelona’s rating. On 30 March 2011, this rating was:

Table

219 Credit Rating

Rating agency	City of Barcelona	Central Government	Outlook
Moody’s Investor Service	Aa2	Aa2	Negative
Standard & Poor’s	AA	AA	Negative
Fitch	AA+	AA+	Negative
Rating & Investment Information	AA+	AA+	Possible downward revision

3

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Financial Information in Accordance with the General Budget Stability Law

The General Budget Stability Law

The Legislative Royal Decree 2/2007, of 18 December 2007, approving the amended text of the General Budget Stability Law, defines the principle of budget stability that must govern the action of public administrations. It also distinguishes between authorities subject to the budget—which make up the public administration—and entities financed in the main by commercial revenue (rule of 50%).

For local authorities that govern the capitals of provinces or autonomous communities, or which have a population equal to or more than 75,000 residents with full rights, together with their corresponding

dependent agencies that are not financed in the main by commercial revenue, budget stability is defined as a balance or surplus calculated over the economic cycle, in terms of financing capacity in accordance with the European system of national and regional accounts.

The Objective of Budget Stability for Local Authorities

The meeting of the Council of Ministers held on 28 May 2010 established the objective of budget stability for the period 2011-2013. In the case of local authorities, the targets fixed were as follows:

Table

31

	2010 (1)	2011 (2)	2012	2013
Deficit as % of GDP	-0.6	-0.8	-0.3	-0.2

(1) This includes the effect of the forecast negative settlement from the system of shared central government revenue in 2008.

(2) This includes the effect of the forecast negative settlement from the system of shared central government revenue in 2009.

The summary of economic indicators published by the Ministry of the Economy and Finance in February 2011 indicates that, according to early budgetary implementation figures, local authorities' deficit was 0.6% of GDP in 2010, which is in keeping with the forecast figure.

Each year, the National Local Administration Commission (CNAL) must determine the equivalence of the deficit in terms of non-financial income.

The 2010 Consolidated Budget of the City of Barcelona According to the General Budget Stability Law

A. Perimeter of Consolidation

The perimeter of consolidation is the same as that established by the Municipal Charter of Barcelona, excluding the Barcelona de Serveis Municipals group and the Municipal Housing Agency and including:

Consortia

- Infància i Món Urbà Institute
- Campus Interuniversitari Diagonal-Besòs Consortium
- Ecologia Urbana de Barcelona Agency
- Energia de Barcelona Local Agency
- El Besòs Consortium
- Biblioteques de Barcelona Consortium
- Mercat de les Flors / Centre de les Arts de Moviment Consortium
- El Far, Centre de Treballs del Mar, Consortium

Foundations and Other Bodies

- Navegació Oceànica Barcelona Private Foundation
- Barcelona Cultura Foundation
- Xarxa Internacional de Ciutats Educadores Association

The annual accounts of the entities dependent on the City of Barcelona are audited by UTE PricewaterhouseCoopers S.L. and Gabinet Técnico de Auditoria y Consultoría, S.A.

The Localret Consortium becomes a body dependent on the City of Barcelona in 2011. Its annual accounts are not audited by an independent external auditor. The financial data for this consortium have been included in the perimeter of consolidation from the close of the 2010 fiscal year.

B. The 2010 Consolidated Budget: Budget Deficit

Given that the 2010 consolidated budget of this group of entities showed a deficit prior to financial operations amounting to 8.6% of non-financial revenues, the City of Barcelona simultaneously approved the 2010-2013 Economic and Financial Plan in order to make up the balance.

This Economic and Financial Plan was revised in response to the approval of the Legislative Royal Decree 8/2010, of 20 May 2010, which introduced extraordinary measures to reduce the public deficit and initially prohibited local authorities from financing their investments by means of long-term debt in 2011.

The Legislative Royal Decree 8/2010 establishes a cut in pay for public-sector employees and prohibits the taking-on of long-term debt in 2011. This latter aspect was subsequently modified by the State General Budget Law of 2011, as a consequence of which, this prohibition will only affect local authorities that close the 2010 fiscal year with negative net savings and those whose consolidated debt in the public administration sector amounts to

more than 75% of their consolidated current revenue.

To comply with the new legislation, the City of Barcelona has drawn up a restructuring and reprogramming plan affecting its envisaged investments, allowing it to meet three objectives:

- To continue to pursue its policies on personal services, maintenance of the public space and safety.
- To continue to implement the measures to reactivate the city’s economy, to generate employment and to support strategic sectors.
- To rationalise the authority’s operating expenditure.

As a result of the revision of the Economic and Financial Plan, the deficit prior to financial operations in 2010 is higher than initially forecast.

C. The 2010-2013 Economic and Financial Plan

The new 2010-2013 Economic and Financial Plan, approved by the Council Plenum on 23 July 2010 and by the Generalitat de Catalunya on 27 July 2010, is summarised below.

The Economic and Financial Plan was drawn up in accordance with the principles of budget accounting.

Macroeconomic Hypotheses

The macroeconomic hypotheses used in the Economic and Financial Plan are as follows:

Table				
32 Macroeconomic Hypotheses				
	2010	2011	2012	2013
Real GDP	-0.3%	0.9%	2.5%	2.7%
CPI	0.0%	1.3%	2.0%	2.0%
Nominal GDP	-0.3%	1.9%	4.5%	4.8%
3-m Euribor	2.0%	2.5%	3.0%	3.0%

For the year 2011, real GDP has been taken as 0.9% and nominal GDP as 1.9% on the basis of the forecasts of the European Commission, the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) in the first quarter of 2010. The Consumer Price Index (CPI) for 2011 is estimated at 1.3%, the average of the European Commission and IMF forecasts.

For the years 2012 and 2013, the new macroeconomic scenario envisaged by the Council of Ministers at its meeting on 28 May has been taken into account. The hypothesis regarding the three-month Euribor was drawn up in-house.

Evolution in Revenue

The following estimates have been calculated for the period 2011-2013:

a) Local Taxes

- Property Tax (IBI). It is estimated that this will grow by 6% in 2011 due to the gradual application of the new cadastral values approved in 2001. From 2012, it is estimated that IBI will continue to go up by an annual 6% as a result of the progressive disappearance of the current limits on the rise in payments. The tax rate applied by the City of Barcelona is 0.75% of the cadastral values in most cases, and 1% for the 10% of non-residential property with the highest cadastral values.
- Tax on Economic Activities (IAE), Tax on Motor Vehicles (IVTM) and Tax on Increase in Land Value (IIVT). It is expected that these will stabilise at the levels forecast for 2010.
- Tax on Constructions, Installations and Works (ICIO). It is expected that this will still be subject to a downwards correction of 5% in 2011 and that it will stabilise from 2012 onwards.

b) Other current revenue (charges, public prices and equity income). It is expected that this will increase overall by 1.1% in 2011 and that it will rise from 2012 in general in line with nominal GDP.

c) Share of payments from central government: shared taxes and Supplementary Finance Fund.

- The negative settlement from the central government's financing system was estimated to amount to a total of 101 million euros in the fiscal year of 2008 and 324.2 million euros in 2009. This is expected to be returned in five years from 2011 and 2012 respectively.
- For 2011, it is expected that payments on account for the basket of shared taxes will fall overall by 2.1% and that payments on account from the Supplementary Finance Fund will grow by 4%.
- For the years 2012 and 2013, it is expected that payments on account for all concepts will rise at the same rate as GDP in real terms, that is to say, by 2.5% and 2.7% respectively.

d) Other current transfers. It is expected that in general these will rise annually in line with nominal GDP except for transfers from the Generalitat de Catalunya for immigration and the Local Co-operation Fund, which, it is estimated, will stabilise at the amount forecast for 2010. It is also forecast that the transfers of 15 million euros from central government deriving from the Municipal Charter will continue.

e) Capital revenue. It is expected that the sale of assets amounting to 15 million euros per year will continue. With regard to capital transfers, it has been taken that transfers from the Generalitat de Catalunya for education and the European Regional Development Funds (FEDER) will be frozen. With regard to transfers from central government, from Barcelona Provincial Council, from the Generalitat de Catalunya for the Neighbourhoods Law, and Cohesion Funds, the agreements reached so far have been taken into account.

Evolution in Expenditure

a) Personnel expenditure for 2011 has been calculated taking into account the reduction in pay established in the Legislative Royal Decree 8/2010 and the

Table

33

Revenue (thousands of euros)

	Settlement estimation 2010	Projection 2011	Projection 2012	Projection 2013
Caption 1. Direct Taxes	780,018	807,345	831,804	864,786
Caption 2. Indirect Taxes	53,088	50,621	48,626	49,421
Caption 3. Charges and Other Revenue	363,547	367,124	383,255	401,237
Caption 4. Current Transfers	952,287	936,040	906,887	936,122
Caption 5. Capital Gains	49,721	50,787	53,037	55,544
Total Current Operations	2,198,661	2,211,917	2,223,609	2,307,110
Caption 6. Disposal of Real Property	15,000	15,000	15,000	15,000
Caption 7. Capital Transfers	230,205	51,487	30,024	25,304
Total Capital Operations	245,205	66,487	45,024	40,304
Caption 8. Financial Assets	81,700	3,792	3,865	3,944
Caption 9. Financial Liabilities	553,170	1,232	201,232	36,232
Total Financial Operations	634,870	5,024	205,097	40,176
Total Revenue	3,078,736	2,283,428	2,473,730	2,387,590

planned increase in the Guardia Urbana police force staffing numbers. For the years 2012 and 2013, it is estimated that personnel expenditure will increase overall in line with inflation.

b) Purchases of goods and services are expected to fall in 2011 as a result of the containment plan being implemented in every sector apart from policies related to economic promotion, safety, social action and education. For 2012, it is estimated that expenditure on goods and services will rise at a rate equivalent to inflation minus one percentage point and that it will grow in 2013 at the rate of inflation minus half a percentage point.

c) Financial expenses are based on the expected level and structure of debt and on the hypotheses concerning the evolution in the three-month Euribor.

d) Current transfers. It is expected that these will reduce by 2.3% in 2011 as a consequence of the above-mentioned containment plan. In the case of the contribution to the Federation of Municipalities in the Metropolitan Area of Barcelona, as approved by the Plenum, the contribution corresponds to 7.6% of the share in the revenue from the state paid by way of shared taxes and the Supplementary Finance Fund, excluding the compensation for the reform to the Tax on Economic Activities, and hence it varies in accordance with the forecast evolution of the concepts mentioned. With regard to subsequent years, it is estimated that current transfers will rise in 2012 at a rate equivalent to forecast inflation minus one percentage point and in 2013 at the same rate as inflation minus half a percentage point.

Table

3 **4**

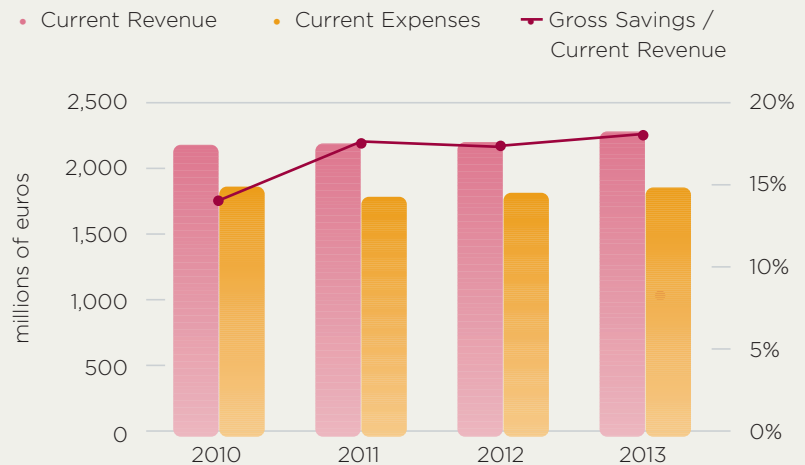
Expenses (thousands of euros)

	Settlement estimation 2010	Projection 2011	Projection 2012	Projection 2013
Caption 1. Personnel Expenses	562,570	560,390	571,324	583,006
Caption 2. Expenses on Current Goods and Services	773,368	721,523	728,386	739,638
Caption 3. Financial Expenses	41,674	41,323	46,212	53,218
Caption 4. Current Transfers	504,240	486,972	490,042	503,276
Total Current Operations	1,882,852	1,810,208	1,835,964	1,879,138
Caption 6. Investment	701,480	340,277	514,905	436,887
Caption 7. Capital Transfers	213,728	15,554	15,857	16,181
Total Capital Operations	915,208	355,831	530,762	453,068
Caption 8. Financial Assets	15,644	15,583	15,584	15,584
Caption 9. Financial Liabilities	104,622	101,806	91,420	39,800
Total Financial Operations	120,266	117,389	107,004	55,384
Total Expenses	2,918,326	2,283,428	2,473,730	2,387,590

Graph

3 **5**

Current Revenue and Expenditure



e) Capital expenses for 2011 has been adjusted downwards to take two factors in account. Firstly, the finance for investments in 2011 amounting to 240

million euros has been brought forward to 2010. Secondly, an additional investment sum has been reduced, meaning that only capital revenue and the savings generated

after debt repayments will be allocated to capital expenditure. The capital expenditure for 2012 and 2013 has been estimated to allow a balanced budget to be achieved in 2013 and to ensure that the level of gross savings always stands above 15% to prevent any negative impact on the City of Barcelona's financial solvency.

f) The increases in capital considered are the City of Barcelona's current commitments to Fira de Barcelona up to 2011, which amount to 8 million euros

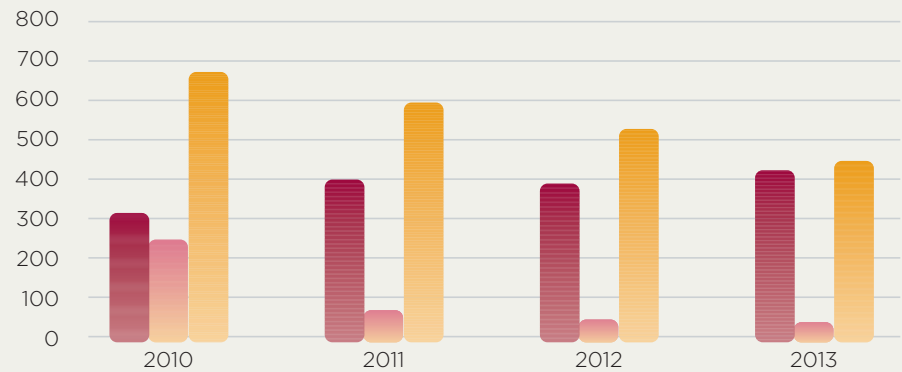
a year. From 2012, it is estimated that there will be no growth in capital increases. In the estimate of the 2010 settlement, this caption also includes the variations in the financial statement that are not budgetary in nature and which correspond to the translation of the forecast revenue and expenses statements and the statements on the source and use of funds of the public commercial entities, firms and foundations, to budget accounting, in order to present the consolidated budget.

Graph

36

Capital Expenses and Revenue (millions of euros)

Gross Savings Capital Revenue Capital Expenses



Borrowing

The forecast evolution in borrowing is presented below. The main differences in relation to the previous Economic and Financial Plan are an increase in the City of Barcelona's borrowing in 2010 of 240 million euros to finance

some of the investments due in 2011, and a reduction of 400 million euros in the borrowing initially forecast in 2011 in order to comply with the provisions concerning borrowing initially approved in the Legislative Royal Decree 8/2010.

Table

37

City of Barcelona (thousands of euros)

	2010	2011	2012	2013
Initial Outstanding Balance	750,101	1,200,101	1,100,101	1,210,101
New Long-term Debt	550,000	0	200,000	35,000
Long-term Amortisations	100,000	100,000	90,000	38,375
Variation Short-term Debt	0	0	0	0
Final Outstanding Balance	1,200,101	1,100,101	1,210,101	1,206,726

Table

3.8

Other Entities (thousands of euros)

	2010	2011	2012	2013
Initial Outstanding Balance	3,230	2,284	1,742	1,585
New Long-term Debt	1,950	0	0	0
Long-term Amortisations	2,671	542	157	162
Variation Short-term Debt	(225)	0	0	0
Final Outstanding Balance	2,284	1,742	1,585	1,423

Table

3.9

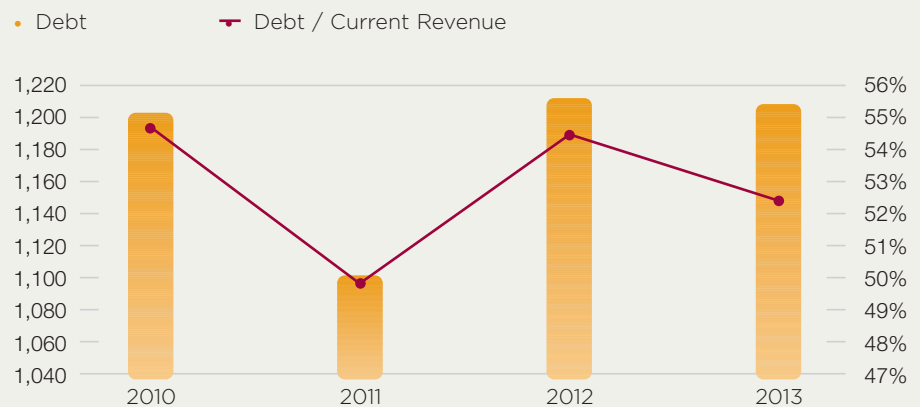
Total Public Administration (thousands of euros)

	2010	2011	2012	2013
Initial Outstanding Balance	753,331	1,202,385	1,101,843	1,211,686
New Long-term Debt	551,950	0	200,000	35,000
Long-term Amortisations	102,671	100,542	90,157	38,537
Variation Short-term Debt	(225)	0	0	0
Final Outstanding Balance	1,202,385	1,101,843	1,211,686	1,208,149
Short-term Debt	0	0	0	0
Long-term Debt	1,202,385	1,101,843	1,211,686	1,208,149

Graph

3.10

Debt (millions of euros)



Table

3 **11**

Main Indicators (thousands of euros)

	Settlement estimation 2010	2011	2012	2013
Gross Savings (1)	303,280	388,855	374,211	413,893
As % of Current Revenue	13.9	17.7	16.9	18.1
Financing Capacity (Need)	(354,195)	112,364	(98,094)	15,208
As % of Non-financial Revenue	-14.5	4.9	-4.3	0.6
Gross Savings after Amortisations	200,608	288,312	284,054	375,356
Debt (as of 12/31)	1,202,385	1,101,842	1,211,686	1,208,149
Debt + Guarantees (as of 12/31)	1,202,958	1,102,238	1,212,021	1,208,429
As % of Current Revenue (1)	55.0	50.1	54.8	52.7

(1) Current revenue from special contributions and urban development fees are excluded.

D. Forecast Degree of Compliance with the Economic and Financial Plan in 2010

This report was completed before the 2010 consolidated settlement became available, although the settlements and annual accounts of the dependent entities have already been approved.

Nevertheless, the 2010 consolidated settlement is not expected to exceed

the deficit established in the Economic and Financial Plan given that the deficit of the individual settlement of the City of Barcelona stands at 12.4% of non-financial revenue, less than the amount established in the plan in consolidated terms.

The settlement of the individual budget of the City of Barcelona is presented below:

Table

3 **12**

City of Barcelona Expended Budget (millions of euros)

Current Revenue	2,233.6
Current Expenses	1,773.4
Gross Savings	460.2
As a % of Current Revenue	20.6
Non-financial Revenue	2,423.0
Non-financial Expenses	2,506.9
Capacity (Need) for Financing Prior to SEC-95 Adjustments	(83.9)
SEC-95 Adjustments (1)	(216.3)
Capacity (Need) for Financing	(300.2)
As a % of Non-financial Revenue	(12.4)

(1) This includes a negative adjustment amounting to 93 million euros as a consequence of the negative settlement of shared central government revenue in 2008.

Now that the 2010 fiscal year has closed and been audited, the debt as of 31 December 2010 for the purposes of the General Budget Stability Law was as follows:

Table

313

Debt (thousands of euros)

	12.31.2010
City of Barcelona	
Short-term Debt	0
Long-term Debt	1,200,101
Total Debt City of Barcelona	1,200,101
Other Public Administration Bodies	
Short-term Debt	0
Long-term Debt	1,428
Total Debt Other Bodies	1,428
Total Public Administration	
Short-term Debt	0
Long-term Debt	1,201,529
Total Debt Public Administration	1,201,529

The Economic and Financial Plan forecast debt at the close of 2010 of 1,202.4 million euros, slightly higher than the final year-end figure.

4

2010 Annual Accounts

(along with the auditors' report)



Avda. Diagonal, 640
08017 Barcelona



**Gabinete Técnico
de Auditoría y Consultoría, s.a.**

Balmes, 89-91
08008 Barcelona

This version of our report on the annual accounts is a free translation of the original, which was issued in Catalan and prepared in accordance with generally accepted accounting principles for governmental entities in Spain. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

AUDITOR'S 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, 2010, the statement revenues and expenses, the budget reconciliation statement and the related notes to the annual accounts for the year then ended. The Corporation's Directors are responsible for the preparation of these annual accounts in accordance with the financial reporting framework applicable to the Entity (as identified in Note 1.1.a to the accompanying annual accounts), and in particular, with the accounting principles and criteria included therein. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on the work performed in accordance with legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying annual accounts for 2010 present fairly, in all material respects, the net worth and financial position of the Barcelona City Council as of December 31, 2010 and 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 in accordance with the applicable financial reporting framework, and in particular, with the accounting principles and criteria included therein.

PricewaterhouseCoopers Auditores, S.L.

Miquel Alfocea i Martí
Partner

Gabinete Técnico
de Auditoría y Consultoría, S.A.

Jordi Vila López
Partner

Barcelona, April 28, 2011

PricewaterhouseCoopers Auditores, S.L.
R. M. Madrid, full 87.250-1, foli 75, tomo 9.267, llibre 8.054,
secció 3ª. Inscrita en el R.O.A.C. amb el número S0242 -
CIF: B-79 031290

Gabinete Técnico de Auditoría y Consultoría, S.A.
R. M. Barcelona, Volum 10296, Llibre 9349, Foli 42, Sec. 2.
Full B-27831. Inscrita en el R.O.A.C. amb el número S0687
Inscrita en l'Institut de Censors Jurats de Comptes. CIF A-
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City of Barcelona
Balance Sheet as of December 31, 2010 and 2009
(thousands of euros)

Table

41**Assets**

As of December 31, 2010 **As of December 31, 2009**

	Note		
Fixed Assets		7,567,338	7,685,831
Intangible Fixed Assets	3	19,562	17,756
Tangible Fixed Assets	3	6,824,382	6,477,216
Public Land Assets	3	490,048	447,556
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties	3 & 8	(588,346)	(561,057)
Fixed Assets Pending Classification and in Progress	3	1,358,805	1,802,576
Investments in Infrastructures and Assets for Public Use	3	6,657,198	5,870,064
Investments Assigned for Public Use	3 & 8	(6,657,198)	(5,870,064)
Accumulated Depreciation	3	(778,108)	(705,202)
Long-term Financial Investment	4	236,329	204,066
Long-term Off-budget Receivables	5	4,666	2,920
Deferred Expenses	6	983	1,186
Current Assets		945,988	757,549
On-budget Receivables	7	663,571	656,620
Allowance for Bad Debt	7	(332,951)	(293,327)
		330,620	363,293
Other Off-budget Receivables		32,717	22,017
Public Administrations Receivables	14	1,165	232
Short-term Financial Investment		484,495	300,597
Cash		96,991	71,410
Total Assets		8,514,309	8,444,566

Notes 1 to 20 of the attached report form an integral part of the balance sheet as of December 31, 2010.

City of Barcelona
Balance Sheet as of December 31, 2010 and 2009
(thousands of euros)

Table

4.2

Liabilities

As of December 31, 2010 **As of December 31, 2009**

	Note		
Equity	8	5,531,692	6,175,562
City of Barcelona Equity		7,647,614	7,510,425
Property Assigned to Municipal Agencies and Third Parties		(588,346)	(561,057)
Property Delivered for Public Use		(6,657,198)	(5,870,064)
Property Assigned by Municipal Agencies and Third Parties		58,121	56,674
Results of Previous Fiscal Years		5,039,584	4,725,520
Results of Fiscal Year		31,917	314,064
Deferred Income		691,044	645,414
Capital Transfers and Other Capital Income	9	592,281	555,568
Other Deferred Income	10	98,763	89,846
Provisions for Contingencies and Expenses	11	90,595	86,967
Long-term Liabilities		1,520,533	780,704
Long-term Loans and Debentures	12	1,090,101	650,101
Long-term Guarantees and Deposits		27,976	27,603
Other Long-term Payables	13	402,456	103,000
Short-term Liabilities		680,445	755,919
Short-term Payables for Loans and Debentures	12	110,000	100,000
On-budget Payables		434,260	527,011
Public Administration Payables	14	28,398	30,266
Other Off-budget Payables	15	95,462	84,971
Accrued Expenses	16	12,123	10,193
Amounts Pending Application		202	3,478
Total Liabilities		8,514,309	8,444,566

Notes 1 to 20 of the attached report form an integral part of the balance sheet as of December 31, 2010.

City of Barcelona

Statements of Revenues and Expenses for the Fiscal Years Ended as of December 31, 2010 and 2009

(see Note 17) (in thousands of euros)

Table

43

Expenses	2010	2009	Revenues	2010	2009
Personnel Expenses	345,820	360,512	Sale of Goods and Services	51,408	37,519
Wages and Salaries	266,830	281,329	Sale of Goods	355	315
Compensation for Services	3,258	3,278	Charges on Services	7,380	8,118
Social Security Expenses	74,665	74,698	Public Prices for Sale of Services	43,673	29,086
Other Welfare Expenses	1,067	1,207			
Welfare Benefits	1,647	1,222	Other Operating Revenues	162,891	174,007
			Interest	1,525	3,946
			Profit Sharing	–	9,526
			Surcharge on Collection Proceedings	9,763	11,393
Financial Expenses	22,724	23,161	Late Payment Surcharge	10,848	8,115
			Fines	90,362	87,373
			Rents, Concessions and Special Uses	36,753	40,275
Taxes	348	198	Diverse	13,640	13,379
Works, Supplies and Subcontracted Services	539,819	538,316	Taxes	885,870	844,729
Rent	22,431	23,049	Property Tax (IBI)	504,177	454,030
Maintenance and Repairs	13,024	12,348	Tax on Economic Activity (IAE)	97,871	99,357
Supplies	35,258	32,021	Tax on Motor Vehicles (IVTM)	71,288	72,267
Communications	8,207	7,823	Tax on Construction, Installations and Works (ICIO)	26,058	24,273
Subcontracted Work	396,547	387,725	Tax on the Increase in Land Values (IIVT)	101,678	93,623
Miscellaneous Expenses	64,352	75,350	Assignment of Central Government Taxes	84,798	101,179
Current Transfers	871,066	812,359	Other Tax Revenues	174,792	164,324
To Municipal Agencies and Firms	563,992	501,768	Charges on Services	62,367	61,830
To Consortia and Communities	251,286	252,608	Charges on Use of Public Domain	112,425	102,505
Other Current Transfers	55,788	57,983	Replaced Taxes	–	(11)
Provision to Allowance for Bad Debt	61,077	44,626	Current Transfers	943,036	996,915
			Supplementary Finance Fund	741,998	814,057
			Other Central Government Agencies	48,072	18,533
			From the Generalitat of Catalonia	90,408	101,783
			From Local Entities	60,378	61,216
			Foreign Transfers	1,699	854
			Miscellaneous	481	472
Total Operating Expenses	1,842,501	1,780,394	Total Operating Revenues	2,217,997	2,217,494
Operating Result (Before Capital Transfers)	375,496	437,100			
Capital Transfers	38,208	55,032			
Operating Result (After Capital Transfers)	337,288	382,068			
Negative Extraordinary Results	230,895	–	Positive Extraordinary Results	–	38,210
Provision for Depreciation	74,036	64,209			
Financial Investment Provisions	440	42,005			
Result For The Year	31,917	314,064			
Total	2,217,997	2,255,704	Total	2,217,997	2,255,704

Notes 1 to 20 of the attached report form an integral part of the statement of revenues and expenses as of December 31, 2010.

Integral report of the annual accounts corresponding to the fiscal year ending December 31, 2010

Note 1 - Basis of presentation

1.1. Accounting Policies

The annual accounts have been drawn up from the City's accounting records corresponding to the fiscal year 2010 and have been prepared in accordance with the generally accepted accounting principles for public administrations, as laid down in the Instruction on Local Government Accounting Standards, order of November 23, 2004, which took effect on January 1, 2006, and in Law 1/2006, which governs Barcelona's special regime, for the purpose of presenting a faithful rendering of the equity, of the financial position, of the results of its operations reflected in the statement of revenues and expenses and in the expending of the budget, and of the resources obtained and applied during the fiscal year. The following prevailing legislation was also taken into account

- Law 7/1985, of April 2, governing the basis of law for local legislation.
- Royal Decree Law 781/1986, of April 18, approving the Amended Text of the current provisions concerning the local regime.
- Legislative Decree 2/2003 of April 28, approving the Amended Text of the Municipal Law of the Local Government System of Catalonia.
- Legislative Royal Decree 2/2004, of March 5, approving the Amended Text of the Law Regulating Local Taxation (Law 39/1988, of December 28).
- Royal Decree 500/1990, implementing Law 39/1988.
- 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.
- 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 financial accounting, consolidation of accounts and budget accountancy.

The financial accounting is undertaken in accordance with generally accepted accounting principles in order to offer a faithful rendering of the equity 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 revenues and expenses.
- Report.

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

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

The report is basically presented in accordance with the models established by the mentioned 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 and those of its autonomous agencies, public entities and dependent firms.

The budget account is composed of the budget results statements:

- Summary of the status of the revenues account budget.
- Summary of the 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 28, 2011. 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 2010 and 2009 fiscal years have been drawn

up in accordance with the provisions of 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 revenues 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.

Table	
4 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

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 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 mentioned 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 Amended Text 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 by 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, 2010, the differences between the book value and the recoverable value of those shareholdings with substantial losses have been provided for in the attached accounts (see Note 4).

Except where there is better evidence of the recoverable value of these investments, the net equity of the company in which the shareholding is held is detailed, corrected for adjustments due to changes in the value of financial derivatives and for implied capital gains at the valuation date.

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 the voluntary and enforced collection periods. In addition, provision has been made for receivables owing for non-fiscal concepts when they are regarded as doubtful.

2.6. Capital Transfers and Other Capital Income

Upon their concession, capital transfers are recorded under the "Capital Transfers and Other Capital Income" caption in the liabilities column of the consolidated balance sheet and moved to equity 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.

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

2.7. Other Deferred Income

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. Revenues and Expenses

a) Financial and Budget Accounts

Revenues and expenses are primarily recorded in the statement of revenues and expenses in the fiscal year in which they occur depending on the real flow of assets and services they represent and regardless 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.

Revenues 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) Capital Transfers

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

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. Notwithstanding this, 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

45

	12.31.2009	Additions	Retirements	Transfers	12.31.2010
Intangible Fixed Assets	17,756	0	0	1,806	19,562
Land	350,606	36,950	(4,791)	15,837	398,602
Buildings	5,323,456	103,994	(101,623)	234,188	5,560,015
Fixed Assets Assigned to Municipal Agencies and Third Parties	561,057	(89,422)	116,905	(194)	588,346
Vehicles	18,584	141	–	–	18,725
Machinery, Equipment, Installations and Tools	54,292	969	–	12,415	67,676
Data-processing Equipment	121,832	947	–	18,510	141,289
Office Furniture and Equipment	45,322	2,069	–	93	47,484
Other	2,067	178	–	–	2,245
Tangible Fixed Assets	6,477,216	55,826	10,491	280,849	6,824,382
Public Land Assets	447,556	7,546	(152)	35,098	490,048
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties	(561,057)	89,422	(116,905)	194	(588,346)
Fixed Assets Pending Classification	1,802,576	673,479	(16,717)	(1,100,533)	1,358,805
Investments in Infrastructure and Assets for Public Use	5,870,064	705	(1,344)	787,773	6,657,198
Investments Assigned for Public Use	(5,870,064)	(705)	1,344	(787,773)	(6,657,198)
Gross Tangible and Intangible Fixed Assets and Infrastructure	8,184,047	826,273	(123,283)	(782,586)	8,104,451
Accumulated Depreciation	(705,202)	(74,036)	83	1,047	(778,108)
Net Tangible and Intangible Fixed Assets and Infrastructure	7,478,845	752,237	(123,200)	(781,539)	7,326,343

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”. These captions include 2,461,998 thousand euros as of

December 31, 2010 and 2,472,135 thousand euros as of December 31, 2009, corresponding to the value of lands containing buildings.
Additions during the fiscal year include the following:

Table	
4 6	Investments Carried Out Directly by the City of Barcelona 287,931
	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 June 18, 2008 347,944
	• Investments carried out by third parties 53,825
	Obligatory Free Assignments and Profit Sharing 28,774
	Assets Received on Exchange 13,938
	For collections in kind 4,439
	For recovery of assets assigned to third parties 89,422
	826,273

The net book value of retirements carried out during the fiscal year includes the following:

Table	
4 7	By Sale 5,716
	For the assignment of assets to third parties 116,905
	By Exchange Operations 470
	Others 109
	123,200

The net book value of transfers during the fiscal year is as follows:

Table	
4 8	Assigned equity (Note 8) 234
	Property Delivered for Public Use (Note 8) (787,773)
	Property Assigned to Third Parties 194
	Tangible Fixed Assets Losses (10,323)
	Application to Fixed Asset Profits 16,129
	(781,539)

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

Table		
4	9	
Buildings		8,930
Equipments		26,280
Parks and Forests		1,452,830
Mixed		356,834
Systems		646,937
Thoroughfares		3,351,599
Municipal Assets of an Artistic Nature		112,439
Urban Furniture		73,224
Property for Public Use: HOLSA		628,125
Total		6,657,198

Items totally written off and in use as of 31 December 2010 are the following:

Table		
4	10	
Vehicles		10,412
Machinery, Equipment, Installations and Tools		19,194
Data-processing Equipment		62,330
Office Furniture and Equipment		23,885
Others		6,374
Total		122,195

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 2010 was as follows:

Table

4 **11**

	12.31.2009	Additions	Retirements	Transfers	12.31.2010
Financial Investments	173,553	8,000	–	–	181,553
Long-term Credits with MMAMB	–	27,942	–	–	27,942
Sale of Long-term Fixed Assets and Future PMS Property Exchange	75,294	8,350	(4,747)	(10,924)	67,973
Long-term Deposits and Guarantees	262	–	–	–	262
Provision for Depreciation of Financial Fixed Assets	(45,043)	(440)	4,082	–	(41,401)
Total	204,066	43,852	(665)	(10,924)	236,329

The addition in “Financial Investments” corresponds to the amount subscribed to and disbursed by the City of Barcelona in the capital increase carried out by Fira 2000, S.A., taking the City of Barcelona’s holding from 15.43% to 17.80%.

The additions to “Long-term Credits with the Federation of Municipalities in the Metropolitan Area of Barcelona (MMAMB)” correspond to amounts to be received from this organization in relation to the negative settlements of the share in state taxes in the fiscal years 2008 and 2009 and which have a due date of longer than one year (5,208 thousand euros [2008 fiscal year] and 22,734 thousand euros [2009 fiscal year]). The 1,302 thousand euros of the 2008 fiscal year settlement which falls due in the fiscal year 2011 are included in the short term. The overall amount of this debt has been recognized as “Extraordinary Results” (Note 17.6.).

Additions due to “Sale of Long-term Fixed Assets and Future Municipal Land Equity (PMS) Property Exchanges”

correspond basically to amounts to be received deriving from the exchange of future assets.

Transfers have the balancing item of short-term off-budget receivables for amounts to be received in the year 2011 (10,924 thousand euros).

The retirement for the receipt of constructions deriving from exchanges has the balancing item of Public Land Assets (4,747 thousand euros – Note 3).

The additions to “Provision for Depreciation of Financial Assets” correspond to adjustments in value due to the negative results originating in the companies Barcelona Holding Olímpico, S.A., Port Fòrum Sant Adrià, S.L. and Barcelona Emprèn CR, S.A. The retirements for these concepts are due to the reversal of the provision made in previous fiscal years in Fira 2000, S.A. and Informació i Comunicació de Barcelona, S.A.

The financial investments of the City of Barcelona as of 31 December 2010 are summarized in the following table:

Table

4 ¹²

Long-term Financial Investments (Data as of December 31, 2010)

Name	Interest Held %	Equity as of 12.31.10/ 2010 Net Equity Prior to Results (1)	2010 Recoverable Fiscal Year Result (1)	Value 12.31.10 (1)	Book Value of the Holding 12.31.10 (*)
Autonomous Agencies					
MA Disabled Persons	100	1,048	(356)	692	–
MA Urban Landscape and Quality of Life	100	(9,359)	12,275	2,916	–
MA Education	100	6,736	287	7,023	–
MA IT Services	100	1,915	(1,186)	729	–
MA Town Planning	100	644	358	1,002	–
MA Finances	100	1,681	53	1,734	–
MA Markets	100	2,591	286	2,877	–
MA Barcelona Sports	100	1,254	372	1,626	–
Municipal Agency of Social Services	100	0	2,719	2,719	–
Public Entities					
MA Housing	100	126,146	93	126,239	–
MA Culture	100	3,583	761	4,344	–
MA Parks and Gardens	100	4,514	755	5,269	–
MA Mies Van Der Rohe Foundation	100	9,599	99	9,698	–
Total		150,352	16,516	166,868	–
Municipal Firms					
Barcelona de Serveis Municipals Group	100	222,700	12,640	235,340	69,809
Barcelona Infraestructures Municipals Group	100	20,637	593	21,230	12,949
Informació i Comunicació de Barcelona, S.A.	100	2,868	48	2,916	1,500
Barcelona Activa, S.A., S.P.M.	100	14,660	85	14,745	2,013
SM Barcelona Gestió Urbanística, S.A.	100	735	18	753	61
Total		261,600	13,383	274,984	86,332
Interest of Less than 50%					
Barcelona Holding Olímpic, S.A. (HOLSA)	49.00	3,641	(119)	3,522	3,522
Barcelona Sagrera Alta Velocitat, S.A.	25.00	150	0	150	150
Barcelona Emprèn SCR, S.A.	24.06	2,940	(311)	2,629	2,846
Barcelona Regional, S.A.	17.65	325	0	325	270
Fira 2000, S.A.	17.80	53,132	(3,323)	49,809	47,019
Port Fòrum Sant Adrià, S.L.	5.00	12	1	13	13
Total		60,200	(3,752)	56,448	53,820
Total Financial Investments		472,152	26,148	498,300	140,152
Long-term Surface Rights					9,901
Long-term Guarantees and Deposits					262
Long-term Disposal of Fixed Assets					19,110
Future Assets Swaps					38,962
Other MMAMB Credits					27,942
Total Long-term Financial Investments					236,329

(*) Appears in the individual financial statement of the City of Barcelona as of 31 December 2010.

(1) Adjusted according to the holding percentage, for autonomous agencies the value of their own equity is considered, and for public entities and dependent firms the net equity corrected for adjustments due to the change in value of financial derivatives and for external partners in consolidated groups is considered.

Culminating the bidding process organized by the City of Barcelona in the fiscal year 2010 for the sale of 36% of the shares in Serveis Funeraris de Barcelona, S.A., and simultaneously the buyback of 49% of the private capital shares in Cementiris de Barcelona, S.A., the two transactions were completed on 13 April 2011, with the result that the City of Barcelona, through Barcelona de Serveis Municipals, S.A., now holds 15% of the equity of Serveis Funeraris de Barcelona, S.A. and all of the equity of Cementiris de Barcelona, S.A.

On 1 January 2010, in accordance with its statutory provisions, Barcelona Holding Olímpic, S.A. entered the winding-up period prior to its final closure. The extraordinary meeting of shareholders held on 16 February 2010 set this winding-down of the company in motion and constituted its liquidating committee.

The breakdown for Barcelona de Serveis Municipals, S.A. and Barcelona d'Infraestructures Municipals, S.A. groups are as follows (data as of 31 December 2010):

Table

4 13

Name	Interest Held %	Net Equity as of 12.31.10 Prior to Results (1)	2010 Fiscal Year Result (1)	Net Equity as of 12.31.10 (1)
Barcelona de Serveis Municipals Group				
Barcelona de Serveis Municipals, S.A.	100	185,514	8,822	194,336
Parc d'Atraccions Tibidabo, S.A.	100	10,727	(2,201)	8,526
Tractament i Selecció de Residus, S.A.	58.64	27,368	926	28,294
Selectives Metropolitanes, S.A. (2)	58.64	1,784	199	1,983
Solucions Integrals per als Residus, S.A. (2)	58.64	3,054	536	3,590
Cementiris de Barcelona, S.A.	51.00	1,939	729	2,668
Serveis Funeraris de Barcelona, S.A.	51.00	9,949	6,636	16,585
Transports Sanitaris Parets, S.L. (3)	26.01	(14)	43	29
Mercados de Abastecimientos de Barcelona, S.A.	50.69	34,183	3,071	37,254
Barcelona d'Infraestructures Municipals Group				
Barcelona d'Infraestructures Municipals, S.A.	100	17,140	8	17,148
Pro Nou Barris, S.A.	100	1,038	3	1,041
22 Arroba Bcn, S.A.	100	7,014	364	7,379
Agència de Promoció del Carmel i Entorns, S.A.	100	256	59	315
ProEixample, S.A.	62.12	6,831	91	6,922
Foment de Ciutat Vella, S.A.	56.67	4,826	63	4,889

(1) Adjusted according to the holding percentage, considering net equity corrected for adjustments due to the change in value of financial derivatives.

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

(3) Interest held through Serveis Funeraris de Barcelona, S.A. Although it has a 26% participation, it is incorporated within the consolidation perimeter through overall integration given that BSM has control (51%) of SFB and that SFB at the same time has control (51%) of TSP.

The balance sheet and the statement of revenues and expenses for the fiscal year 2010 refer to the City of Barcelona individually. The changes resulting from

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

Table

4 14

City of Barcelona Consolidated

Fixed Assets	7,568,321	8,234,408
Current Assets	945,988	1,274,512
Total Assets	8,514,309	9,508,920
Net Equity Before Results	5,499,775	6,492,495
Result of the Fiscal Year	31,917	67,002
Other Long-term Liabilities	2,302,172	2,041,122
Current Liabilities	680,445	908,301
Total Liabilities	8,514,309	9,508,920
Ordinary Revenues	2,217,997	2,512,205
Ordinary Expenses	(1,955,185)	(2,216,225)
Extraordinary Results	(230,895)	(228,978)
Results of Fiscal Year	31,917	67,002

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

4 15

	Current and Capital Transfers	Other Expenses	Revenues	Accounts Receivable	Accounts Payable
Municipal Agencies	432,399	3,822	6,062	3,146	90,809
Municipal Firms	157,687	4,574	67,986	8,474	112,361
Firms in which the City Holds an Interest	16	–	–	–	–
Total	590,102	8,396	74,048	11,620	203,170

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

416

	Loan Arrangement Expenses
Balance as of December 31, 2009	1,186
Expenses for Arranging New Operations	–
Allocation to Results as Financial Expenses	(203)
Balance as of December 31, 2010	983

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, 2010 are classified according to their nature, as shown below:

Table

417

Item	Receivable
Direct Taxes	187,612
Indirect Taxes	7,561
Charges and Other Revenues	320,438
Current Transfers	72,362
Capital Gains	9,557
Disposal of Real Investments	312
Capital Transfers	65,729
Total Receivable	663,571

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

Table

4 **18**

Balance as of December 31, 2009	293,327
Amount Charged to Statement of Revenues and Expenses	61,077
Bad Debts Written Off	(21,453)
Balance as of December 31, 2010	332,951

The provision for bad debts is determined by applying the collectability ratio estimated by the City of Barcelona based on its past experience to the tax receivables currently under forcible collection (196,211 thousand euros) and receivables for fines in both the voluntary and enforced collection periods (190,940 thousand euros). In addition, provisions

have been made for non-tax receivables whose recovery is regarded as doubtful.

Note 8 - Equity

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

Table

4 **19**

	City of Barcelona Equity	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 2009	Total
Initial Balance	7,510,425	(561,057)	(5,870,064)	56,674	4,725,520	314,064	6,175,562
2010 Results	–	–	–	–	–	31,917	31,917
Allocation of 2009 Results	–	–	–	–	314,064	(314,064)	–
Change in Property Assigned to Third Parties (Note 3)	–	(27,289)	–	–	–	–	(27,289)
Change in Property Assigned by Third Parties	(1,213)	–	–	1,447	–	–	234
Transfer of Capital Transfers and Other Capital Income (Note 9)	138,402	–	–	–	–	–	138,402
Property Delivered for Public Use (Note 3)	–	–	(787,773)	–	–	–	(787,773)
Additions Delivered for Public Use (Note 3)	–	–	(705)	–	–	–	(705)
Retirements in Fiscal Year Delivered for Public Use (Note 3)	–	–	1,344	–	–	–	1,344
Final Balance	7,647,614	(588,346)	(6,657,198)	58,121	5,039,584	31,917	5,531,692

Note 9 – Capital Transfers and Other Capital Income

The movements under this caption are as follows:

Table					
4 ²⁰	Balance as of 12.31.09	Transfers and Other Income Received	Transfers to Equity (Note 8)	Transfers to Results (Note 17.6)	Balance as of 12.31.10
	555,568	184,278	(138,402)	(9,163)	592,281

Additions in the fiscal year include 94,503 thousand euros corresponding to the contribution made by Central Government from the 2009 State Fund for Employment and Local Sustainability. Of this total amount, 81,669 thousand euros have been used for their purpose, and the remaining

amount will be used in the fiscal year 2011.

Transfers to equity include 124,611 thousand euros corresponding to projects financed in their entirety by the 2009 State Fund for Local Investment, and which correspond to investments delivered for general use.

Note 10 – Other Deferred Income

The movement registered under this caption during 2010 is as follows:

Table		
4 ²¹	Balance as of December 31, 2009	89,846
	Additions in the Fiscal Year	12,704
	Transfers to Accrued Revenues (Note 16)	(3,151)
	Transfers to Results	(636)
	Balance as of December 31, 2010	98,763

The balance as of December 31, 2010 corresponds to revenues received in advance for the usage of assets under municipal ownership. The revenues received in advance are 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

4.22	Balance as of December 31, 2009	86,967
	Amount Charged to "Miscellaneous Expenses"	15,776
	Cancellation of the Provision registered:	
	– Payable to Extraordinary Results	(12,148)
	Balance as of December 31, 2010	90,595

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, 2010, corresponding to long-term loans and debentures subscribed by the City of Barcelona can be broken down as follows:

Table

423

Debentures and Loans

Description	Outstanding Amount as of 12.31.2010	Long Term	Short Term
Banking System	810,101	800,101	10,000
Private Placements	290,000	290,000	0
Public Issues	100,000	0	100,000
Total Debt	1,200,101	1,090,101	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 2010 fiscal year is as follows:

Table

4.24	Balance as of December 31, 2009	750,101
	New Operations	550,000
	Contractual Repayments	(100,000)
	Early Amortization	0
	Balance as of December 31, 2010	1,200,101

As of December 31, 2010 there were unexecuted stand-by lines for a total of 46 million euros.
The debt profile by maturities as of December 31, 2010 is as follows:

Table

425	Maturity	Amount
	2011	110,000
	2012	90,000
	2013	102,125
	2014	126,159
	2015	146,159
	2016	156,158
	2017	126,125
	2018	46,125
	2019	46,125
	2020	71,125
	2021 and beyond	180,000
	Total	1,200,101

The average interest rate during the 2010 fiscal year was 2.8%.
As of December 31, 2010, 45.8% of the City of Barcelona’s financial debt had a fixed interest rate, and 54.2% had a floating interest rate.

Note 13 – Other Long-term Payables

The caption “Other Long-term Payables” includes the following concepts:

Table

426		
	Suppliers of Fixed Assets Maturing in a Period Longer than One Year	3,576
	Central Government – Final Settlement of the Share of State Taxes for 2008	74,790
	Central Government – Provision Final Settlement of Share of State Taxes for 2009 (Note 17.6)	324,090
	Balance as of December 31, 2010	402,456

The total amount of the final settlement of the share in state taxes corresponding to the fiscal year 2008 is 93,487 thousand euros, of which 18,697 thousand euros (Note 15) is payable in the fiscal year 2011 and the remaining 74,790 thousand euros becomes payable during the period 2012-2015 at a rate of 18,697 thousand euros per year.

Note 14 – Public Administrations

The breakdown of these accounts is as follows:

Table		
4.27	Receivable	Payable
Value Added Tax	–	156
Personal Income Tax	–	7,100
Social Security	1,165	21,142
Balance as of December 31, 2010	1,165	28,398

Note 15 – Other Off-budget Payables

The balance for this caption as of December 31, 2010 is as follows:

Table		
4.28		
Deposits and Guarantees Received		24,696
Fixed Assets Short-term Suppliers		2,443
Bonus Payments to Personnel to Pay in 2011 for Attendance and Punctuality in 2010 as well as the June Bonus		17,927
Other Payables		10,226
Central Government – Final Settlement of the Share of State Taxes for 2008 (Note 13)		18,697
Payable to Administrations for IAE and IBI Surcharges		21,473
Other Short-term Off-budget Payables		95,462

The movement for fixed assets short-term suppliers during the fiscal year 2010 is as follows:

Table		
4.29		
Balance as of December 31, 2009		2,850
Long-term Transfers		2,443
Payments in the Fiscal Year		(2,850)
Balance as of December 31, 2010		2,443

Note 16 – Accrued Expenses

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

as of December 31, 2010, in accordance with their accrual periods and regardless of the date of requirement of payment on demand, and is as follows:

Table	
430	Accrued Interest as of 31 December 2010 that Had not Become Payable on this Date
	8,972
	Transfer to Short-term of Other Deferred Income (Note 10)
	3,151
Total	
12,123	

Note 17 – Statement of Results for the 2010 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 the 2010 fiscal year comprised 6,715 workers (32% women and 68% men).

During the fiscal year 2010, the City of Barcelona has employed staff on a temporary basis under the Local Employment Plans, amounting to an average of 510 workers (34% women and 66% men).

17.2. Welfare Benefits

Welfare benefits include the amounts paid by the City of Barcelona in 2010 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 1,093 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 revenues and expenses.

This 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

4³¹

Autonomous Local Agencies (City of Barcelona)	260,211
Municipal Public Entities (City of Barcelona)	149,567
Municipal Firms (City of Barcelona)	154,213
Municipal Association of the Barcelona Metropolitan Area and EMSHTR	128,830
Consortia	42,340
Other Public Entities	7,407
Non-profit Organizations	30,013
Metropolitan Transport Authority	72,886
Autonomous Community	7,072
Others	18,527
Total	871,066

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

4³²

Autonomous Local Agencies (City of Barcelona)	10,000
Municipal Public Entities (City of Barcelona)	8,596
Municipal Firms (City of Barcelona)	7,941
Consortia	6,871
Regional Barcelona	4,094
Others	706
Total	38,208

17.6. Extraordinary Results

Extraordinary results can be broken down as follows:

Table

4³³

	Expenses	Revenues
From Fixed Assets	13,464	59,412
Modification of Receivables, Payables and Provisions	40,124	38,892
Provision Final Settlement of Share of Central Government Taxes in 2009 (Note 13)	324,090	–
Discount to the MMAMB relating to settlements of the share of state taxes for 2008 and 2009 (Note 4)	–	29,244
Capital Transfers and Other Capital Income Allocated to Results (Note 9)	–	9,163
Other Extraordinary Results	–	10,072
Net Extraordinary Results	230,895	–

17.7. Sale of Goods and Services

This entry mainly includes public prices charged for the provision of services (principally the collection of commercial and industrial waste and the selective collection of recyclable waste), as well as revenue deriving from the provision of a service under the private regime.

17.8. Other Operating Revenues

Other operating revenues essentially comprises interest, revenue from 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. Revenues 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 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 Revenues

Grouped under the caption "Other Tax Revenues" are, basically, the charges for

the sale of services and use of the public domain.

17.11. Revenues 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, 2010, the guarantees provided by the City of Barcelona to cover credit operations amounted to 117 thousand euros.

The fees to be received by the temporary consortium PricewaterhouseCoopers, S.L. and Gabinete Técnico de Auditoría y Consultoría, S.A. for auditing services and the expenses incurred for rendering these services in the fiscal year 2010 amount to 942.5 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 financial group, and the appropriate part thereof will be duly charged to each of the entities in the ambit of the tender.

Pursuant to the provisions of Law 15/2015 of 5 July, laying down measures to deal with late payment in commercial transactions, as of 31 December 2010, and with respect to the total liabilities paid in the second half of the year for operating expenditure corresponding to chapter two of the municipal budget, the average number of days taken to pay amounts owing was 57.6 days. 68.35% of the amount was paid within a period of 55 days or under. The amount of outstanding liabilities that have exceeded the 55-day deadline established by law is 4,064,875.48 euros.

Note 19 – Statement of Source and Application of Funds for the 2010 and 2009 Fiscal Years

Table

434

Application of Funds	2010 Fiscal Year	2009 Fiscal Year	Source of Funds	2010 Fiscal Year	2009 Fiscal Year
Tangible Fixed Asset Acquisitions (1)	694,515	807,286	Funds from Operations	50,395	363,377
Financial Fixed Asset Acquisitions	44,292	7,999	Sale of Tangible and Financial Fixed assets (1)	9,487	3,183
Long-term Off-budget Payables	1,746	1,011	Transfers of Fixed Assets to Off-budget Receivables	10,924	4,458
Amortization and Transfers to Short-term of Long-term Loans and Debentures	110,000	100,000	Long-term Off-budget Receivables	–	–
Deferred Expenses	–	763	Net Change in Long-term Guarantees and Deposits	373	894
Revenues Transfers to Short-term Liabilities	3,151	2,748	Long-term Loans and Debentures	550,000	90,000
Transfer to Short-term of Suppliers of Fixed Assets	2,443	–	Long-term Fixed-asset Payables	3,576	2,443
Short-term Transfer and Cancellation Settlement of Share in Central Government taxes	25,767	–	Provisional Settlement of Share in Central Government Taxes	324,090	100,557
			Deferred Income	196,982	305,286
Total Funds Applied	881,914	919,807	Total Funds Obtained	1,145,827	870,198
Sources of Funds in Excess of Applications of Funds (Increase in Working Capital)	263,913	–	Application of Funds in Excess of Sources of Funds (Decrease in Working Capital)	–	49,609
Total	1,145,827	919,807	Total	1,145,827	919,807

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

Table

435

Change in Working Capital	2010		2009	
	Increase	Decrease	Increase	Decrease
Accounts Receivable	–	21,040	90,198	–
Short-term Financial Investments	183,898	–	39,407	–
Cash	25,581	–	–	157,467
Accounts Payable	75,474	–	–	21,747
Total	284,953	21,040	129,605	179,214
Increase in Working Capital	–	263,913	–	–
Decrease in Working Capital	–	–	49,609	–

The funds obtained from operations are as follows:

Table

436

	2010	2009
Net Results for the Fiscal Year	31,917	314,064
Provision for Depreciation (Note 3)	74,036	64,209
Variation Provision for Depreciation of Financial Assets (Note 4)	(3,642)	42,005
Deferred Expenses (Note 6)	203	178
Allocation of Long-term Provisions (Note 11)	15,776	14,254
Net Result of Fixed Assets	(45,948)	(30,513)
Deferred Income Transferred to Results (Notes 9 and 10)	(9,799)	(2,170)
Cancellation of Long-term Provisions (Note 11)	(12,148)	(38,650)
Funds Generated Through Operations	50,395	363,377

Note 20 – Budgetary Information

2010 Budget Account

Table

437

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

Caption	Initial Budget	Final Budget	Net Receivables	Receipts
1 Direct Taxes	780,018	780,018	831,503	780,297
2 Indirect Taxes	53,087	53,087	55,066	51,505
3 Charges and Other Revenues	288,041	292,145	353,648	243,112
4 Current Transfers	914,620	946,766	943,036	878,291
5 Capital Gains	43,249	48,524	50,345	41,805
6 Disposal of Real Property	15,000	15,778	9,487	9,368
7 Capital Transfers	54,536	213,412	179,866	131,160
8 Financial Assets	–	71,345	–	–
9 Financial Liabilities	311,220	551,220	551,816	551,816
Total	2,459,771	2,972,295	2,974,767	2,687,354

Table

438

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

Caption	Initial Budget	Final Budget	Payables	Paid
1 Personnel Expenses	350,926	351,925	344,132	344,012
2 Current Goods and Services Expenses	524,779	546,129	527,493	418,483
3 Financial Expenses	41,197	29,278	21,018	21,017
4 Current Transfers	837,800	891,805	880,805	766,704
6 Investment	573,224	415,746	293,459	213,829
7 Capital Transfers	22,625	627,381	439,976	313,192
8 Financial Assets	8,000	8,060	7,999	7,999
9 Financial Liabilities	101,220	101,971	101,443	101,415
Total	2,459,771	2,972,295	2,616,325	2,186,651

Table

4³⁹

Budget Result (in thousands of euros)

Non-financial Operations

Revenues (Caption 1 to 7)	2,422,951
Expenses (Caption 1 to 7)	(2,506,884)

Surplus before Financial Operations (83,933)

Financial Assets

Revenues (Caption 8)	–
Expenses (Caption 8)	(7,999)

Change in Financial Assets (Caption 8) (7,999)

Financial Liabilities

Revenues (Caption 9)	551,816
Expenses (Caption 9)	(101,443)

Change in Financial Liabilities (Caption 9) 450,373

Budget Result 358,441

Adjustments

Positive Financial Deviations	(150,417)
Negative Financial Deviations	39,774
Payables Financed with Budget Reserves	44,747

Adjusted Budget Result 292,545

Table

4⁴⁰

Budget Reserves (in thousands of euros)

1.- (+) Cash Funds 581,486

2.- (+) Receivables Pending 669,499

(+) Current Budget	287,413
(+) Previous Budgets	376,158
(+) Off-budget Operations	6,130
(-) Collections Pending Definitive Application	(202)

3.- (-) Payables Pending 518,484

(+) Current Budget	429,674
(+) Previous Budgets	4,586
(+) Off-budget Operations	84,224
(+) Pending Payments	0

I.- Total Budget Reserves (1+2-3) 732,501

II.- Bad Debts Outstanding 332,951

III.- Affected Financing Excess 167,269

IV.- Budget Reserves for General Expenses (I-II-III) 232,281

5

2010 Consolidated Accounts

(along with the auditors' report)



Avda. Diagonal, 640
08017 Barcelona



**Gabinete Técnico
de Auditoría y Consultoría, s.a.**

Balmes, 89-91
08008 Barcelona

This version of our report on the consolidated annual accounts is a free translation of the original, which was issued in Catalan and prepared in accordance with generally accepted accounting principles for governmental entities in Spain. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

AUDITOR'S 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, 2010, the consolidated statement of revenues and expenses and the related notes to the consolidated annual accounts for the year then ended. The Corporation's Directors are responsible for the preparation of these consolidated annual accounts in accordance with the financial reporting framework applicable to the Entity (as identified in Note 2.1.a to the accompanying annual accounts), and in particular, with the accounting principles and criteria included therein. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying consolidated annual accounts for 2010 present fairly, in all material respects, the consolidated net worth and consolidated financial position of Barcelona City Council and its autonomous local agencies, municipal agencies and city-owned companies (Consolidated Group) as of December 31, 2010 and of the consolidated results of its operations as reflected to above, and its consolidated source and application of funds for the year then ended in accordance with the applicable financial reporting framework, and in particular, with the accounting principles and criteria included therein.

PricewaterhouseCoopers Auditores, S.L.

Miquel Alcofea i Martí
Partner

Barcelona, April 28, 2011

Gabinete Técnico
de Auditoría y Consultoría, S.A.

Jordi Vila López
Partner

PricewaterhouseCoopers Auditores, S.L.
R. M. Madrid, full 87.250-1, foli 75, tomo 9.267, llibre 8.054,
secció 3ª. Inscrita en el R.O.A.C. amb el número S0242 -
CIF: B-79 031290

Gabinete Técnico de Auditoría y Consultoría, S.A.
R. M. Barcelona, Volum 10296, Llibre 9349, Foli 42, Sec. 2.
Full B-27831. Inscrita en el R.O.A.C. amb el número S0687
Inscrita en l'Institut de Censors Jurats de Comptes. CIF A-
58604745

The City of Barcelona Group
Consolidated Balance Sheets as of December 31, 2010 and 2009
(in thousands of euros)

Table

51**Assets**

As of December 31, 2010 **As of December 31, 2009**

	Note		
Intangible Fixed Assets	4 a)	19,528	21,526
Intangible Fixed Assets		48,285	43,623
Provisions and Depreciations		(28,757)	(22,097)
Tangible Fixed Assets and Infrastructures	4 b)	7,990,897	8,111,805
Tangible Fixed Assets		7,720,650	7,355,146
Public Land Assets		490,048	447,556
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties		(588,346)	(561,057)
Fixed Assets in Progress and Pending Classification		1,463,732	1,863,521
Investments in Infrastructure and Assets for Public Use		6,657,198	5,870,064
Investment Assigned for Public Use		(6,657,198)	(5,870,064)
Accumulated Depreciation and Provisions		(1,095,187)	(993,361)
Long-term Financial Investments		191,839	142,866
Interests in Associated Firms	5	23,818	13,821
Other Financial Investments	6	168,021	129,045
Long-term Trade Receivables	3.7	29,514	34,704
Deferred Expenses	7	2,630	2,832
Fixed Assets		8,234,408	8,313,733
Inventories	3,6	108,453	107,088
Provisions		(1,217)	(1,383)
		107,236	105,705
Accounts Receivable	8	832,645	765,850
Provisions	8	(349,195)	(309,140)
		483,450	456,710
Public Administrations Receivable	16	23,606	16,897
Short-term Financial Investments	3.4	521,916	333,334
Cash		135,453	108,205
Accrued Expenses		2,851	4,292
Current Assets		1,274,512	1,025,143
Total Assets		9,508,920	9,338,876

Notes 1 to 20 of the attached report form an integral part of the consolidated balance sheet as of December 31, 2010.

The City of Barcelona Group Consolidated Balance Sheets as of December 31, 2010 and 2009 (in thousands of euros)

Table

52

Liabilities

		As of December 31, 2010	As of December 31, 2009
	Note		
Equity		5,792,056	6,400,952
City of Barcelona Group Equity	9.1	5,491,482	5,853,439
City of Barcelona Group Equity		12,689,048	12,237,795
Property Assigned to Municipal Agencies and Third Parties		(588,346)	(561,057)
Property Delivered for Public Use		(6,657,198)	(5,870,064)
Property Assigned to Municipal Agencies and Third Parties		47,978	46,765
Income Allocable to the City of Barcelona	9.2	67,002	305,231
Consolidated Results		78,437	313,198
Results Allocable to Minority Interests	10	(11,435)	(7,967)
Consolidated Reserves	9.3	233,572	242,282
Minority Interests	10	86,322	81,983
Capital Transfers and Other Capital Income	11	681,119	640,989
Net Equity		6,559,497	7,123,924
Other Deferred Income	12	141,862	130,695
Provisions for Contingencies and Expenses	13	95,958	92,313
Long-term Loans and Debentures	14	1,336,438	855,351
Long-term Guarantees and Deposits		29,696	29,013
Other Long-term Payables	15	437,168	136,111
Long-term Liabilities		2,041,122	1,243,483
Short-Term Payables for Loans and Debentures	14	127,967	119,008
Accounts Payable		454,427	581,859
Public Administration Payables	16	57,529	49,963
Other Non-trade Payables		161,460	141,921
Accrued Expenses	17	106,918	78,718
Current Liabilities		908,301	971,469
Total Liabilities		9,508,920	9,338,876

Notes 1 to 20 of the attached report form an integral part of the consolidated balance sheet as of December 31, 2010.

The City of Barcelona Group
Consolidated Statement of Revenues and Expenses for the Fiscal Years Ended
as of December 31, 2010 and 2009 (in thousands of euros)

Table

53

	Note	2010	2009		Note	2010	2009
Personnel Expenses	18.1	636,432	616,522	Taxes	18.4	884,306	841,871
Works, Supplies and				Other Tax Revenues	18.5	173,748	165,056
Subcontracted Services	18.2	905,865	860,199	Sale of Services	18.6	306,260	290,164
Financial Expenses		33,930	34,082	Other Operating			
Current Transfers	18.3	419,888	477,886	Revenues	18.7	168,282	166,606
Provision to Allowance				Current Transfers	18.8	960,541	1,021,612
for Bad Debts and Others	8	64,605	46,492	Financial Revenues		1,640	4,128
Share in Operating Result				Other Revenues		17,280	28,027
of Firms Consolidated				Share in Operating Result			
by the Equity Method	2.2	2,698	80	of Firms Consolidated			
				by the Equity Method	2.2	148	1
Total Operating Expenses		2,063,418	2,035,261	Total Operating Revenues		2,512,205	2,517,465
Operating Result							
Before Capital Transfers		448,787	482,204				
Capital Transfers	18.3	24,983	56,228				
Operating Result							
After Capital Transfers		423,804	425,976				
Provision for Depreciation							
of Fixed Assets	4	113,228	102,188				
Extraordinary Expenses	18.9	389,774	243,933	Extraordinary Revenues	18.9	160,796	240,455
Pre-tax Consolidated							
Results		81,598	320,310				
Corporate Income Tax	3.13	3,161	7,112				
Consolidated Results		78,437	313,198				
Results Allocated							
to Minority Interests	10	11,435	7,967				
Results Allocated							
to the City of Barcelona		67,002	305,231				
Total		2,673,001	2,757,920	Total		2,673,001	2,757,920

Notes 1 to 20 of the attached report form an integral part of the consolidated statement of revenues and expenses as of December 31, 2010.

The City of Barcelona Group Report on the Consolidated Annual Statement for the Year 2010

Note 1 – Nature of the Consolidated Group

The City of Barcelona Group comprises 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

a) These consolidated annual accounts are drawn up based on the audited individual accounts of each of the consolidated entities. In order to present a faithful rendering of the equity, the financial position and of the results of its operations reflected in the statement of revenues and expenses and in the expending of the budget, and of the resources obtained and applied during the fiscal year, the annual accounts of the City of Barcelona and its municipal agencies have been drawn up according to the generally accepted accounting principles set out for public administrations, as laid down in the Instruction on Local Government Accounting Standards, order of November 23, 2004, which took effect on January 1, 2006, and in Law 1/2006, which governs Barcelona's special regime, and the annual accounts of the dependent firms have been drawn up in accordance with the Amended Text of Limited Corporations Law and the directives of the General Accounting Plan, approved by Royal Decree 1514/2007, and with the successive modifications made to these rules and regulations.

b) The following prevailing legislation was also taken into account

- Law 7/1985, of April 2, governing the basis of law for local legislation.
- Royal Decree Law 781/1986, of April 18, approving the Amended Text of the

current provisions concerning the local regime.

- Legislative Decree 2/2003 of April 28, approving the Amended Text of the Municipal Law of the Local Government System of Catalonia.

- Legislative Royal Decree 2/2004, of March 5, approving the Amended Text of the Law Regulating Local Taxation (Law 39/1988, of December 28).

- Royal Decree 500/1990, implementing Law 39/1988.

- 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.

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

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 Instruction on Local Government Accounting Standards (ICAL), applicable from January 1, 2006, with the particularities deriving from the commercial subgroup, and the consolidated statement of revenues and expenses has been drawn up in more detail than required by mentioned standards in order to provide more thorough information on revenues and expenses in order to offer a faithful rendering of the equity 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 mentioned ICAL.

The budget statements corresponding to the City of Barcelona and local autonomous agencies were approved by the Decree issued by the Mayor's Office on 28 and 25 February 2011 respectively.

The general account of the City of Barcelona and its local autonomous bodies, as well as the annual accounts of the public business bodies and private municipal firms, will be submitted to the Municipal Council Plenum for approval within the established statutory period.

The annual consolidated accounts for the fiscal years 2010 and 2009 were drawn up in accordance with the stipulations of the ICAL, following uniform criteria on appraisal, grouping, classification and monetary units, as a result of which the information presented is standardised and comparable.

2.2. Consolidation Principles

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

Table

54

Name	Interest Held %	Net Equity as of 12.31.10 Prior to Results (1)	2010 Fiscal Year Results (1)	Technical Book Value 12.31.10 (1)	Book Value of the Holding 12.31.10 (*)
Municipal Agencies					
MA Disabled Persons	100	1,048	(356)	692	–
MA Urban Landscape and Quality of Life	100	(9,359)	12,275	2,916	–
MA Education	100	6,736	287	7,023	–
MA IT Services	100	1,915	(1,186)	729	–
MA Town Planning	100	644	358	1,002	–
MA Finances	100	1,681	53	1,734	–
MA Markets	100	2,591	286	2,877	–
MA Barcelona Sports	100	1,254	372	1,626	–
Municipal Agency of Social Services	100	–	2,719	2,719	–
Public Entities					
MA Housing	100	126,146	93	126,239	–
MA Culture	100	3,583	761	4,344	–
MA Parks and Gardens	100	4,514	755	5,269	–
MA Mies Van der Rohe Foundation	100	9,599	99	9,698	–
Subtotal Municipal Agencies		150,352	16,516	166,868	–
Municipal Firms					
Barcelona de Serveis Municipals Group	100	222,700	12,640	235,340	69,809
Barcelona Infraestructures Municipals Group	100	20,637	593	21,230	12,949
Informació i Comunicació de Barcelona, S.A.	100	2,868	48	2,916	1,500
Barcelona Activa, S.A., S.P.M.	100	14,660	85	14,745	2,013
SM Barcelona Gestió Urbanística, S.A.	100	735	18	753	61
Subtotal Municipal Firms		261,600	13,384	274,984	86,332
Total		411,952	29,900	441,852	86,332

(*) Included in the individual financial statements of the City of Barcelona as of December 31, 2010.

(1) Adjusted according to percentage holding. For autonomous bodies, the value of the net equity is considered; and for public commercial entities and municipal firms, the City of Barcelona equity corrected for adjustments due to the change in value of financial derivatives and due to external partners in the consolidated groups is considered.

The 2010 fiscal year includes the first year of activity of the Municipal Agency of Social Services.

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, 2010):

Table

55

Name	Interest Held %	Ney Equity as of 12.31.10 Prior to Results (1)	2010 Fiscal Year Results (1)	Ney Equity as of 12.31.10 (1)
Barcelona de Serveis Municipals Group				
Barcelona de Serveis Municipals, S.A.	100	185,514	8,822	194,336
Parc d'Atraccions Tibidabo, S.A.	100	10,727	(2,201)	8,526
Tractament i Selecció de Residus, S.A.	58.64	27,368	926	28,294
Selectives Metropolitanes, S.A. (2)	58.64	1,784	199	1,983
Solucions Integrals per als Residus, S.A. (2)	58.64	3,054	536	3,590
Cementiris de Barcelona, S.A.	51.00	1,939	729	2,668
Serveis Funeraris de Barcelona, S.A.	51.00	9,949	6,636	16,585
Mercados de Abastecimientos de Barcelona, S.A.	50.69	34,183	3,071	37,254
Transports Sanitaris Parets, S.L. (3)	26.01	(14)	43	29
Barcelona d'Infraestructures Municipals Group				
Barcelona d'Infraestructures Municipals, S.A.	100	17,140	8	17,148
Pro Nou Barris, S.A.	100	1,038	3	1,041
22 Arroba Bcn, S.A.	100	7,014	364	7,378
Agència de Promoció del Carmel i Entorns, S.A.	100	256	59	315
ProEixample, S.A.	62.12	6,831	91	6,922
Foment de Ciutat Vella, S.A.	56.67	4,826	63	4,889

(1) Adjusted according to percentage holding. The City of Barcelona equity corrected for adjustments due to the change in value of financial derivatives is considered.

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

(3) Interest held through Serveis Funeraris de Barcelona, S.A. Despite a 26% participation 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, S.A. and Foment de Ciutat Vella, S.A., 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, S.A. has expired. Furthermore, the assets of Mercados de Abastecimientos de Barcelona, S.A. 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.

In accordance with the statutory provisions of Foment de Ciutat Vella, S.A., the first of four reductions of capital by amortizing 25% of the class B shares held by private shareholders was effected in the fiscal year 2010, entailing an increase in the percentage holding of Barcelona d'Infrastructures Municipals, S.A. in the company's share capital.

Culminating the bidding process organized by the City of Barcelona in the fiscal year 2010 for the sale of 36% of the

shares in Serveis Funeraris de Barcelona, S.A., and simultaneously the buyback of 49% of the private capital shares in Cementiris de Barcelona, S.A., the two transactions were completed on 13 April 2011, with the result that the City of Barcelona, through Barcelona de Serveis Municipals, S.A., now holds 15% of the equity of Serveis Funeraris de Barcelona, S.A. and all of the equity of Cementiris de Barcelona, S.A.

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

5 6

Name	Interest Held %	Net Equity as of 12.31.10 Prior to Results (1)	2010 Fiscal Year Results (1)	Net Equity 12.31.10 (1)
Barcelona Holding Olímpico, S.A. (HOLSA)	49.00	3,641	(119)	3,522
Barcelona Sagrera Alta Velocitat, S.A. (2)	25.00	150	–	150
Barcelona Emprèn, SCR, S.A. (4)	26.04	3,183	(336)	2,847
Barcelona Regional, AMDUI, S.A. (2) (5)	20.63	380	–	380
Catalana d'Iniciatives SCR, de RC, S.A. (2) (6)	24.25	12,547	(2,243)	10,304
Mediacomplex, S.A. (2) (3)	33.30	6,467	148	6,615
Total		26,368	(2,550)	23,818

(1) Adjusted according to interest held.

(2) Fiscal Year 2010 Audited Annual Accounts.

(3) Indirect shareholding through 22 Arroba Bcn, S.A. belonging to Barcelona d'Infrastructures Municipals Group.

(4) The City of Barcelona holds a direct interest of 24.06% and an indirect interest, through Barcelona MA Culture, of 1.98%.

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

(6) Indirect holding through Barcelona de Serveis Municipals, S.A.

In accordance with the statutory provisions of Barcelona Holding Olímpic, S.A., on January 1, 2010, the company entered the liquidation period prior to being dissolved. The extraordinary meeting of the shareholders on 16 February 2010 initiated the process to

wind down the company and constituted its liquidation committee.

The share of Barcelona de Serveis Municipals S.A. in the increase of capital effected by Catalana d'Iniciatives, SCR, in the Common Regime, resulted in a rise in its shareholding from 16.44% to 24.25%, as

a consequence of which it is regarded as an associated company in the group.

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 in accordance with the criteria detailed in Note 3.4.

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

- Third parties holding an 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 four 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 respect, 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, it 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, 2010, is 12,881 thousand euros, entailing a charge to the caption "Provision for Depreciation of Fixed Assets" on the 2010 consolidated statement of revenues and expenses of 565 thousand euros.

Administrative concessions mainly correspond to the concessions granted by third parties to Barcelona de Serveis Municipals, S.A. and refer to four car parks currently in use, the Barcelona Nord bus station and the shopping centre at the Hospital del Mar. The period of concession varies 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 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 revenues 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	
57	Estimated Years of Useful Life
Buildings	33–65
Property Assigned by Third Parties	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 mentioned 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 (PMS) refers to the group of assets which, in accordance with Legislative Decree 1/2005, of July 26, approved by Amended Text 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 the 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 in the consolidated 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 figures 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 recoverable value of those shareholdings with substantial losses have been provided for in the attached consolidated annual accounts. Except where there is better evidence of the recoverable value of these investments, the net equity of the company in which the shareholding is held is detailed, corrected for adjustments due to changes in the value of financial derivatives and for implied capital gains at the valuation date.

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 ratings 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, 2010 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 the voluntary and enforced collection periods. In addition, provision has been made for receivables owing for non-fiscal concepts whose recovery is regarded as doubtful.

- 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 one part of 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 3,332 and 4,024 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 equity 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 the accounts.

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

3.9. Other Deferred Revenues

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 deferred to the immediately following year, which is recorded under the caption "Accrued Expenses" (see Note 17) 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

Revenues and expenses are primarily recorded in the consolidated statement of revenues 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) Capital Transfers

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

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 Text of the Corporate Tax Law and article 25 of the Law on local taxation, most of these entities 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:

	12.31.09	Additions	Retirements	Transfers	12.31.10
Research and Development Expenses	587	–	–	–	587
Concessions	5,044	–	–	–	5,044
Patents, Licenses and Trademarks	1,208	32	(3)	35	1,272
Data-processing Applications	17,581	1,313	(62)	18,583	37,415
Others	19,203	83	–	(15,319)	3,967
Intangible Fixed Assets	43,623	1,428	(65)	3,299	48,285
Accumulated Depreciation	(22,097)	(6,167)	63	(556)	(28,757)
Net Intangible Fixed Assets	21,526	(4,739)	(2)	2,743	19,528

The elements totally written off as of December 31, 2010 are the following:

Concessions	3,853
Data-processing Applications	7,852
Research and Development Expenses	198
Total	11,903

b) Tangible Fixed Assets and Infrastructures

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

Table

510

	12.31.09	Additions	Retirements	Transfers	12.31.10
Land	438,622	36,950	(4,791)	(3,609)	467,172
Buildings	5,781,752	101,248	(101,785)	259,723	6,040,938
Fixed Assets Assigned to Municipal Agencies and Third Parties	561,057	(89,422)	116,905	(194)	588,346
Land and Properties	6,781,431	48,776	10,329	255,920	7,096,456
Vehicles	32,244	141	–	(252)	32,133
Machinery, Equipment, Installations and Tools	325,299	9,538	(2,928)	18,924	350,833
Data-processing Equipment	144,165	1,017	(20)	18,027	163,189
Office Furniture and Equipment	64,626	2,157	(54)	531	67,260
Others	7,381	3,745	(12)	(335)	10,779
Other Fixed Assets	573,715	16,598	(3,014)	36,895	624,194
Total Tangible Fixed Assets	7,355,146	65,374	7,315	292,815	7,720,650
Public Land Assets	447,556	7,546	(152)	35,098	490,048
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties	(561,057)	89,422	(116,905)	194	(588,346)
Fixed Assets Pending Classification	1,863,521	722,441	(18,967)	(1,103,263)	1,463,732
Infrastructures and Assets for Public Use	5,870,064	705	(1,344)	787,773	6,657,198
Investments Assigned for Public Use	(5,870,064)	(705)	1,344	(787,773)	(6,657,198)
Gross Tangible Fixed Assets and Infrastructures	9,105,166	884,783	(128,709)	(775,156)	9,086,084
Accumulated Depreciation and Provisions	(993,361)	(107,139)	2,315	2,998	(1,095,187)
Net Tangible Fixed Assets and Infrastructures	8,111,805	777,644	(126,394)	(772,158)	7,990,897

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 2,522,647 thousand euros as of December 31, 2010 and 2,554,322 thousand euros as of December 31, 2009 corresponding to the value of lands containing buildings.

Additions during the fiscal year are the following:

Table

5 **11**

Investments Carried out Directly by the City of Barcelona	285,090
Investments Carried out by Decentralized Entities Pursuant to the Terms of the Decree issued by the Mayor's Office on June 18, 2008	347,944
Recovery of Assets Assigned to Third Parties	89,422
Other Investments Carried out by Dependent Entities	61,351
Investments Carried out by Third Parties	53,825
Obligatory Free Assignments and Profit-sharing	28,774
Assets Received on Exchange	13,938
Assets Due to Collection in Kind	4,439
Total	884,783

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

- Houses built on behalf of the Municipal Agency for Housing.
- Barcelona de Serveis Municipals, S.A., for the completion of three car parks and the start of three new-build car parks, and the continuation of improvements to the premises of the Zoo Ciutadella and the project for the new Zoo Marino.

• Cementiris de Barcelona, for refurbishing and improving the various types of funerary constructions, environmental improvements, the new installation of crematoria and new service vehicles.

- Serveis Funeraris de Barcelona, for the refurbishment of the Les Corts funeral home and the purchase of new service vehicles.

The net accounting value of the retirements carried out over the fiscal year covers the following concepts:

Table

5 **12**

Assignment of Assets to Third Parties	116,905
By Sale	5,716
By Fixed Asset Reconstruction	1,406
By Delivery of Assets on Exchange	470
Others	1,897
Total	126,394

The net accounting value of the transfers carried out over the fiscal year has the following offsets:

Table

5 **13**

Property Delivered for Public Use	(787,773)
Application to Tangible Fixed Assets Losses	(10,323)
Application to Tangible Fixed Assets Profits	16,129
Changes in Use of Housing Developments	6,169
Received Assigned Assets	234
Property Assigned to Third Parties	194
Others	3,212
Total	(772,158)

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

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

Table		
5	14	
	Thoroughfares	3,351,599
	Parks and Forests	1,452,830
	Systems	646,937
	Property for Public Use: HOLSA	628,125
	Mixed	356,834
	Municipal Assets of an Artistic Nature	112,439
	Urban Furniture	73,224
	Equipments	26,280
	Buildings	8,930
	Total	6,657,198

The elements totally written off and in use as of December 31, 2010 are the following:

Table		
5	15	
	Data-processing Equipment	68,757
	Machinery, Equipment, Installations and Tools	58,197
	Office Furniture and Equipment	27,987
	Vehicles	10,428
	Buildings	1,772
	Others	53,111
	Total	220,252

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		
5	16	
	Catalana d'Iniciatives, SCR, de RC, S.A.	10,305
	Mediacomplex, S.A.	6,614
	Barcelona Holding Olímpic, S.A. (HOLSA)	3,522
	Barcelona Emprèn, SCR, S.A.	2,847
	Barcelona Regional, AMDUI, S.A.	380
	Barcelona Sagrera Alta Velocitat, S.A.	150
	Total	23,818

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	
5 17	Investment Portfolio 59,690
	Deposits and Guarantees 5,141
	Other Long-term Credits 103,190
Total	168,021

The investment portfolio can be broken down as follows:

Table

518

	Firm's Owner (*)	% Interest Held	Investment Cost	Provisions	Net Book Value as of 12.31.10
Fira 2000, S.A.	AB	17.80	47,019	–	47,019
Port Fòrum Sant Adrià, S.L.	AB	5.00	15	(2)	13
Clavegueram de Barcelona, S.A.	BSM	17.50	685	–	685
GL Events CCIB, S.L.	BSM	12.00	241	–	241
Catalunya Carsharing, S.A.	BSM	2.89	65	(65)	–
Túnels i Accessos de Barcelona, S.A.	BSM	1.04	3,805	–	3,805
Ecoenergíes Barcelona Sud, Zona Franca i Gran Via l'Hospitalet, S.A.	BSM	17.55	2,475	–	2,475
Districlima, S.A.	TERSA	11.73	4,020	–	4,020
Ecoparc del Mediterrani, S.A.	TERSA	11.73	960	–	960
Ecoparc de Barcelona, S.A.	TERSA	3.05	383	(383)	–
Gestora de Runes de la Construcció, S.A.	TERSA	8.21	135	–	135
Recuperació d'Energia, S.A.	TERSA	7.00	34	–	34
Ecoparc del Besòs, S.A.	TERSA	2.93	385	(118)	267
Funeràries de Catalunya, S.A.	SFB	4.46	30	–	30
Grand Tibidabo, S.A.	PATSA	0.03	11	(11)	–
UTE Siresa, Sociedad Unipersonal-Engrunes					
Recuperació i Manteniment, Empresa de Inserción, SLU	SIRESA	11.73	6	–	6
Financial Investments			60,269	(579)	59,690

(*) Key:

AB: The City of Barcelona; BSM: Barcelona de Serveis Municipals, S.A.; PATSA: Parc d'Atraccions Tibidabo, S.A.; SFB: Serveis Funeraris de Barcelona, S.A.; TERSA: Tractament i Selecció de Residus, S.A.; SIRESA: Solucions Integrals per als Residus, S.A.U.

The following changes took place over the course of the fiscal year:

- The General Meeting of the firm Fira 2000, S.A. agreed to increase its share capital, taking the interest of Barcelona City Council from 15.43% to 17.80%.
- The share of Barcelona de Serveis Municipals S.A. in the increase of capital effected by Catalana d'Iniciatives, SCR, in the Common Regime, resulted in a rise in its shareholding from 16.44% to 24.25%, as a consequence of which it is regarded as a an associated company in the group (see Note 2.2.).
- TERSA participated in the increase of capital of Districlima, S.A. through the capitalisation of the loan granted to this company in the 2009 fiscal year for the sum of 3,000,000 euros.

With this increase, it retains its holding of 11.73%.

- Solucions Integrals per als Residus, SAU (Siresa), the equity of which is entirely owned by TERSA, has a holding in UTE Solucions Integrals per als Residus, SAU – Engrunes Recuperació i Manteniment, Empresa d'Inserció, SLU, amounting to 20% of its capital, which, adjusted according the percentage holding of BSM in TERSA, corresponds, in consolidated terms, to 11.73%.
- The retirement of the participation account that the Barcelona Institute of Culture had in Barcelona Emprèn, SCR, S.A. amounting to 1,000,000 euros has been retired due to the contract coming to a final end.

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

Table

5 19

Sales of long-term assets and PMS
 future asset swaps
 Long-term Clients and Receivables
 Others

67,973
 30,366
 4,851

Total

103,190

Additions have been made in the 2010 fiscal year under the caption "Clients and Long-term Receivables" for long-term credits with the Federation of Municipalities in the Metropolitan Area of Barcelona (MMAMB) corresponding to amounts to be received from this organization in relation to the negative settlements of the share in state taxes in the fiscal years 2008 and 2009

and which have a due date of longer than one year (5,208 thousand euros [2008 fiscal year] and 22,734 thousand euros [2009 fiscal year]). The 1,302 thousand euros of the 2008 fiscal year settlement which falls due in the fiscal year 2011 are included in the short term. The overall amount of this debt has been recognized as "Extraordinary Results" (see Note 18.9.).

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

5 ²⁰	a) By the City of Barcelona	684,433
	Direct Taxes	187,612
	Indirect Taxes	7,561
	Charges and Other Revenues	320,438
	Current Transfers	60,744
	Capital Gains	9,557
	Disposal of Real Investments	312
	Capital Transfers	65,729
	Others	32,480
	b) By Municipal Agencies and Firms	148,212
	Total Receivable	832,645

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

Table

5 ²¹	Balance as of December 31, 2009	309,140
	Amount Charged to the Statement of Revenues and Expenses	62,176
	Application Due to Write-off of Unrecoverable Receivables	(22,121)
	Balance as of December 31, 2010	349,195

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 (196,211 thousand euros) and receivables for fines in both the voluntary and enforced collection periods (190,940 thousand euros). In

addition, provision has been made for receivables owing for non-fiscal concepts whose recovery is regarded as doubtful. The provision for the fiscal year, 62,176 thousand euros, is shown under debit on the consolidated statement of revenues and expenses, along with other provisions for sundry items amounting to 2,429 thousand euros.

Note 9 – Equity

9.1. City of Barcelona Group Equity

The amounts and movements registered in the City of Barcelona Group Equity accounts during the fiscal year are as follows:

Table

522

	City of Barcelona Group Equity	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	12,237,795	(561,057)	46,765	(5,870,064)	5,853,439
Allocation of City of Barcelona Results 2009	314,064	–	–	–	314,064
Transfer from Capital Transfers	138,402	–	–	–	138,402
Change in Property Assigned	–	(27,289)	–	–	(27,289)
Variation in Assigned Assets	(1,213)	–	1,213	–	–
Property Delivered for Public Use	–	–	–	(787,134)	(787,134)
Final Balance	12,689,048	(588,346)	47,978	(6,657,198)	5,491,482

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.

9.2. Results

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

Table

523

Results of the City of Barcelona	31,917
Aggregate Result of Municipal Agencies and Firms	47,567
Result of Share by Equity Method	(2,550)
Consolidation Adjustments	1,503
Consolidated Results	78,437
Results Allocable to Minority Interests Before Interim Dividends (Note 10)	(11,435)
Results Allocable to the City of Barcelona	67,002

9.3. Consolidation Reserves

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

Table

524

	Balance as of 12.31.09	2009 Result (a)	Transfers and Others	Balance as of 12.31.10
Fully Consolidated	241,407	(1,301)	(7,907)	232,199
MA Housing	43,559	(3,461)	(55)	40,043
MA Disabled Persons	1,190	(138)	(2)	1,050
Ma Mies Van der Rohe Foundation	1,559	(2)	3	1,560
MA IT Services	5,953	1,079	(417)	6,615
MA Town Planning	(1,252)	46	–	(1,206)
MA Finances	3,876	125	(39)	3,962
MA Markets	3,173	270	(852)	2,591
MA Parks and Gardens	4,373	95	316	4,784
MA Education	6,944	276	–	7,220
MA Culture	3,068	184	–	3,252
MA Barcelona Sports	537	717	–	1,254
MA Urban Landscape and Quality of Life	1,829	(11,189)	–	(9,360)
Barcelona de Serveis Municipals Group (b)	142,549	10,057	(5,368)	147,238
Barcelona d'Infraestructures Municipals Group (c)	8,462	639	(1,585)	7,516
Informació i Comunicació de Barcelona, S.A.	2,818	(131)	(806)	1,881
Barcelona Activa, S.A.	12,174	53	898	13,125
SM Barcelona Gestió Urbanística, S.A.	595	79	–	674
Municipal Agency of Social Services	–	–	–	–
By the Equity Method	875	(40,023)	40,521	1,373
Barcelona Holding Olímpico, S.A.	(581)	(39,947)	42,055	1,527
Barcelona Sagrera AV	–	–	–	–
Barcelona Emprèn, SCR, S.A.	1,438	(42)	(1,569)	(173)
Barcelona Regional, AMDUI, S.A.	18	1	–	19
Mediacomplex, S.A.	–	(35)	35	–
Catalana d'Iniciatives, SCR, de RC, S.A.	–	–	–	–
Total	242,282	(41,324)	32,614	233,572

(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, S.A.; Tractament i Selecció de Residus, S.A.; Serveis Funeraris de Barcelona, S.A.; Transports Sanitaris Parets S.L.; Cementiris de Barcelona, S.A.; Mercados de Abastecimientos de Barcelona, S.A.; Selectives Metropolitanes, S.A.; Solucions Integrals per als Residus, S.A.) (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, S.A.; 22 Arroba Bcn, S.A.; Agència de Promoció del Carmel i Entorns, S.A.; ProEixample, S.A.; and Foment de Ciutat Vella, S.A. (see Note 2.2).

To calculate the consolidation reserves, the book and technical book values of the interests held, the dividends collected over the 2010 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, among others, the correction of the existing temporary difference

between provision for capital transfers and execution of the works and services financed by them. In the case of Barcelona Holding Olímpic, S.A., this is the provision for the depreciation of the financial investment in this firm made in the fiscal year 2009 due to the negative result obtained by the company, a result which in this fiscal year is included in the consolidation reserve.

Note 10 – Minority Interests

The balance of this caption reflects the proportion of the equity 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

525

	Capital	Reserves	Fiscal Year Results	Interim Dividend	Subsidies, Donations and Bequests	Total
BSM Group:						
TERSA Group	5,973	15,331	1,170	–	1,353	23,827
SFB Group	3,830	6,821	6,475	(1,191)	37	15,972
Cementiris de Barcelona, S.A.	29	737	701	(343)	1,440	2,564
Mercabarna, S.A.	6,996	25,648	2,988	–	612	36,244
Total	16,828	48,537	11,334	(1,534)	3,442	78,607
BIM Group:						
Foment de Ciutat Vella, S.A.	2,344	1,105	45	–	–	3,494
ProEixample, S.A.	2,846	1,319	56	–	–	4,221
Total	5,190	2,424	101	–	–	7,715
TOTAL	22,018	50,961	11,435	(1,534)	3,442	86,322

Note 11 – Capital Transfers and Other Capital Income

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

Table

526

Balance as of December 31, 2009	640,989
Additions	195,315
Transfer to Equity	(138,402)
Transfer to Results	(13,104)
Others	(3,679)
Balance as of December 31, 2010	681,119

Additions in the fiscal year included 94,503 thousand euros corresponding to the contribution by central government from the 2010 State Fund for Employment and Local Sustainability. Of the total amount of this contribution, the figure of 81,699 thousand euros has been used for its designated purpose,

and the remaining amount will be used in the 2011 fiscal year.

Transfers to equity include 124,611 thousand euros corresponding to projects financed in their entirety by the 2009 State Fund for Local Investment, and which correspond to investments delivered for general use.

Note 12 – Other Deferred Income

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

Table		
5²⁷	Balance as of December 31, 2009	130,695
	Additions	18,233
	Transfer to Revenues for the Year	(4,137)
	Transfer to Short-term	(3,411)
	Others	482
	Balance as of December 31, 2010	141,862

By nature, 140,366 thousand euros correspond to revenues received in advance of the usage of assets under municipal ownership and 1,496 thousand euros to income from the provision of diverse services.

The revenues received in advance is transferred annually to the consolidated statement of revenues 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 most significant additions correspond basically to income received in advance for the right to use assets owned by the municipality.

The amount transferred to short-term is the one which is set to be applied to the

consolidated statement of revenues and expenses for the 2011 fiscal year and is shown in the caption “Accrued Expenses” of the liabilities of the consolidated balance sheet for the fiscal year ended December 31, 2010 (see Note 17).

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.

The movement in this caption is as follows:

Table		
5²⁸	Balance as of December 31, 2009	92,313
	Additions	16,086
	Cancellation of Provisions with Credit to Extraordinary Results	(12,285)
	Transfers	(70)
	Others	(86)
	Balance as of December 31, 2010	95,958

Additions have been charged to the caption “Works, Supplies and Subcontracted Services” for the amount of 15,994 thousand euros and 92 thousand euros for “Extraordinary Expenses”.

Note 14 – Debentures and Loans

The outstanding amounts as of December 31, 2009 corresponding to debentures and loans, both short and long-term, can be broken down as follows:

Table

529

Description	Outstanding Amount as of 12.31.2010	Long- term	Short- term
European Union Market			
Banking System	1,065,914	1,046,438	19,476
Private Placements	290,000	290,000	–
Public Bond Issues	100,000	–	100,000
Total Long-term Debt	1,455,914	1,336,438	119,476
Total Short-term Debt	8,491	–	8,491
Total Debt	1,464,405	1,336,438	127,967

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 of subscribed long-term loans and debentures during the 2010 fiscal year is as follows:

Table

530

Balance as of December 31, 2009	962,099
Additions:	
- New Operations	619,452
Disposals:	
- Contractual Repayments	106,781
- Early Amortization and Assignment	18,856
Balance as of December 31, 2010	1,455,914

The long-term debt profile by maturities as of December 31, 2010 is as follows (in thousands of euros):

Table

531

Maturity	Amount
2011	119,476
2012	116,378
2013	121,569
2014	153,474
2015	166,243
2016	172,485
2017	135,234
2018	51,908
2019	52,179
2020	77,476
2021 and beyond	289,492
Total	1,455,914

As of December 31, 2010 there were stand-by lines for a total of 59,000 thousand euros, of which 8,491 thousand euros are executed.

The average interest rate during the 2010 fiscal year was 2.8%.

As of December 31, 2010, 37.6% of the City of Barcelona's consolidated long-term financial debt had a fixed interest rate, and 62.4% had a floating interest rate.

Note 15 – Other Long-term Payables

This caption includes the following concepts:

Table		
532	Suppliers of Fixed Assets with a Due Date Greater than One Year	3,576
	Central Government – Final Settlement of the Share of State Taxes for 2008	74,790
	Central Government – Provision Final Settlement of the Share of State Taxes for 2009 (Note 18.9.)	324,090
	Others	34,712
	<hr/>	
	Balance as of December 31, 2010	437,168
	<hr/>	

Note 16 – Public Administrations

The breakdown of these accounts is as follows:

Table
5³³

Item	Debit Balance	Credit Balance
Social Security	1,194	28,005
Value Added Tax	20,894	14,051
Personal Income Tax	15	12,523
Corporate Tax	1,109	2,345
Grants	392	132
Others	2	473
Total	23,606	57,529

Inspection is pending for Group entities of those fiscal years not prescribed for all applicable taxes. No significant

additional liabilities are expected for entities as a result of possible inspections.

Note 17 – Accrued Expenses

This account reflects the Group's definite liabilities as of December 31, 2010, 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
5³⁴

Capital and Current Transfers	50,039
Assigned Land Pending Allocation to Revenues	30,822
Urban Development Fees	4,823
Revenues Transfers to Short-term	3,151
Annual Users' Fees	1,651
Grave Assignments	1,641
Fees for Private-use Concessions	1,129
Other Advanced Revenues	1,780
Unmatured Accrued Interest	11,882
Total	106,918

Accrued and unmatured payments to personnel are shown under the caption "Other Non-trade Payables" and amount to 37,730 thousand euros.

Note 18 – Statement of Results for the Fiscal Year 2010

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 2010 fiscal year has been 13,304 workers (40% women and 60% men).

During the fiscal year 2010, the City of Barcelona has employed staff on a temporary basis under the Local Employment Plans, amounting to an average of 696 workers (37% women and 63% 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		
5	Current Transfers	
	419,888	
35	Consortia and Foundations	135,959
	Municipal Association of the Barcelona Metropolitan Area and EMSHTR(*)	128,830
	Metropolitan Transport Authority	72,886
	Non-profit Organizations	51,163
	Other Public Agencies	9,200
	Autonomous Community	7,072
	Firms	5,663
	Others	9,115
	Capital Transfers	
	24,983	
	Consortia and Foundations	14,880
	Non-profit Organizations	2,143
	Firms	4,556
	Others	3,404
Total		444,871
(*) EMSHTR: Metropolitan Hydraulic Services and Waste Treatment Agency.		

18.4. Tax Revenues

This caption 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		
536	Property Tax	502,613
	Tax on Economic Activities	97,871
	Tax on the Increase in Land Value	71,288
	Assignment of Central Government Taxes	84,798
	Tax on Motor Vehicles	101,678
	Tax on Construction, Installations and Works	26,058
	Total	884,306

18.5. Other Tax Revenues

Grouped under the caption "Other Tax Revenues" 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 revenues obtained by the entities within the sphere of their regular activities.

18.7. Other Operating Revenues

Other operating revenues 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		
537	Fines	90,606
	Concessions and Special Uses	53,559
	Late Payment Surcharges and Surcharges on Collection Proceedings	20,916
	Profit Share	1,944
	Others	1,257
	Total	168,282

18.8. Revenues 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		
538	Central Government	789,957
	Generalitat of Catalonia	93,164
	Local Entities	72,550
	Foreign Transfers	2,844
	Other Entities	2,026
	Total	960,541

18.9. Extraordinary Results

Extraordinary results can be broken down as follows:

Table		
539		
	Expenses	Revenues
Fixed Assets	13,961	60,434
Modification of Receivables, Payables and Provisions	40,479	39,063
Provision for Final Settlement of Share in Central Government Taxes in 2009	324,090	
Discount to the MMAMB relating to Settlements of the Share of State Taxes for 2008 and 2009		29,243
Capital Transfers Allocated to the Results		10,092
Other Extraordinary Results	11,244	21,964
Total	389,774	160,796
Net Negative Extraordinary Result		228,978

Note 19 – Other Information

As of December 31, 2010, the guarantees provided by the Group to cover credit operations amount to 5,422 thousand euros.

The fees to be received by the temporary consortium 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 the 2010 fiscal year amount to 942.5 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.

Pursuant to the provisions of Law 15/2015 of 5 July, laying down measures

to deal with late payment in commercial transactions, as of 31 December 2010:

a) In the case of the City of Barcelona and with respect to the total liabilities paid in the second half of the year for operating expenditure corresponding to chapter two of the municipal budget, the average number of days taken to pay amounts owing was 57.6 days. 68.35% of the amount was paid within a period of 55 days or under. The amount of outstanding liabilities that have exceeded the 55-day deadline established by law is 4,064,875.48 euros.

b) With regard to the dependent entities and in relation to amounts owing arising from contracts agreed after the law came into force on July 7, 2010, the amount of outstanding liabilities that exceeded the 55-day deadline established by law is 13,554,370.66 euros.

Note 20 – Table of Financing for the 2010 and 2009 Fiscal Years

Table

540

Applications of Funds	2010 Fiscal Year	2009 Fiscal Year	Source of Funds	2010 Fiscal Year	2009 Fiscal Year
			Funds Obtained	129,789	397,470
Acquisitions of Fixed Assets:			Sale of Fixed Assets:		
Tangible and Intangible	777,281	906,681	Tangible and Intangible	9,487	22,658
Financial	56,182	11,383	Retirements financial assets	1,000	–
			Transfers of Fixed Assets	10,924	–
Long-term Trade Receivables	–	4,814	Long-term Trade Receivables	5,190	–
Deferred Expenses	–	763	Deferred Income	18,715	4,374
Minority Interests	–	–	Minority Interests	–	–
Capital Transfers and Other Capital Income	–	5,409	Capital Transfers	191,635	311,503
Transfer of Deferred Income to Short-term	3,411	2,930			
Applications of Deferred Income for Assignment of Asset	–	1,619	Long-term Loans	619,452	166,310
Transfers to Deferred Income	–	–	Transfers to Deferred Income	–	288
Applications of Provisions for Contingencies and Expenses	156	7,988			
Long-term Guarantees and Deposits	–	326	Long-term Guarantees and Deposits	683	–
Short-term Transfers and Cancellation Settlement Share in State Taxes	25,767	–			
Payment and Transfer to Short-term of Long-term Debentures	138,365	108,517			
Other Long-term Payables	–	–	Other Long-term Payables	2,734	2,474
			Provision Settlement of Share in Central Government Taxes	324,090	100,557
Total Applications	1,001,162	1,050,430	Total Sources	1,313,699	1,005,634
Changes in Working Capital (Increase)	312,537		Changes in Working Capital (Decrease)	–	44,796
Total	1,313,699	1,050,430	Total	1,313,699	1,050,430

Table

5 41

Change in Working Capital

	2010		2009	
	Increase	Decrease	Increase	Decrease
Inventories	1,531	–	44,990	–
Accounts Receivable	32,008	–	90,152	–
Short-term Financial Investments	188,582	–	30,930	–
Cash	27,248	–	–	151,449
Accounts Payable	63,168	–	–	59,419
Total	312,537	0	166,072	210,868
Increase in Working Capital	312,537			
Decrease in Working Capital				44,796

The funds obtained from operations have been as follows:

Table

5 42

	Note	2010	2009
Result of the Fiscal Year	–	67,002	305,231
Net Results on Fixed Assets	18.9	(46,473)	(30,932)
Provision for Depreciation	–	113,228	102,188
Provisions for Contingencies and Expenses	13	16,086	16,984
Deferred Expenses	7	202	178
Cancellation Long-term Provisions	13	(12,285)	(40,972)
Deferred Income Transferred to Statement of Revenues and Expenses	12	(4,137)	(2,519)
Capital Grants Transferred to Results	11	(13,104)	(3,540)
Changes in Provisions for Financial Investments	6	(4,715)	2,859
Result of Minority Interests	10	11,435	7,967
Extraordinary Result of HOLSA	–	–	39,947
Share by the Equity Method	2.2	2,550	79
Funds from Operations		129,789	397,470

6

Five-year Data

Table

61

City of Barcelona (2006-2010)

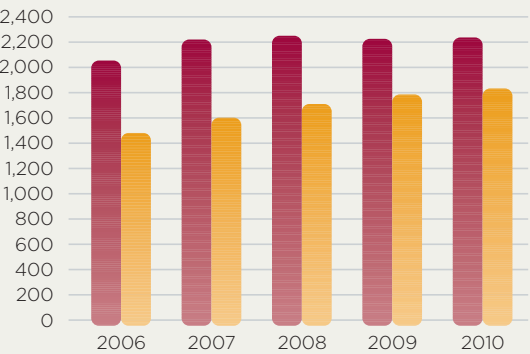
	2006	2007	2008	2009	2010	Annual Growth (%)
Personnel (on average)	6,659	6,826	6,958	7,087	6,793	0.5%
Economic Position (thousands of euros)						
Current Revenue	2,039,749	2,206,461	2,239,324	2,217,494	2,217,997	3.1%
Current Expenses	1,469,974	1,589,894	1,700,126	1,780,394	1,842,501	6.1%
Gross Saving	569,775	616,567	539,198	437,100	375,496	-6.8%
Net Investments	437,168	546,452	575,109	551,637	575,557	6.8%
Cash Surplus (Deficit)	87,147	133,359	157,745	20,000	-450,000	
Total Debt as of 12/31	1,061,206	927,847	770,101	750,101	1,200,101	0.9%
Ratios						
Gross Saving / Current Revenue (%)	27.9	27.9	24.1	19.7	16.9	
Interest Coverage (x)	22.2	25.9	38.2	23.7	18.7	
Capital Expenditure Coverage (x)	1.3	1.1	0.9	0.8	0.7	
Capital Expenditure / Total Expenses (%)	26.7	27.0	26.6	32.5	29.3	
Debt / Current Revenue (%)	52.0	42.1	34.4	33.8	54.1	
Debt / Primary Saving (x)	1.8	1.4	1.4	1.6	3.0	
Average Life of Long-term Debt (years)	5.4	5.9	4.5	5.8	5.9	

Graph

62

Current Revenue and Expenses (millions of euros)

• Current Revenue • Current Expenses

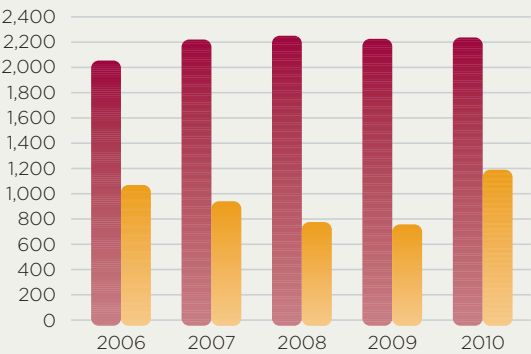


Graph

63

Current Revenue and Total Debt (millions of euros)

• Current Revenue • Total Debt as of 12/31

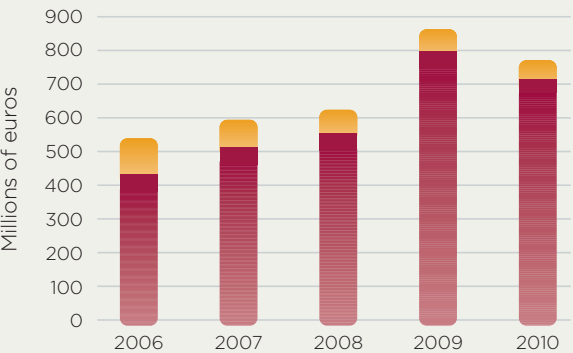


Graph

64

Direct and Indirect Capital Expenditures

• Direct Capital Expenditure • Indirect Capital Expenditure



Debt Ratings (at 2011/03/31)

Moody's Investors Service: Aa2 neg (March 2011)

Rating & Investment Information: AA+ neg (April 2010)

Standard & Poor's: AA neg (April 2010)

Fitch: AA+ neg (March 2011)

Table

65

City of Barcelona (2006-2010)

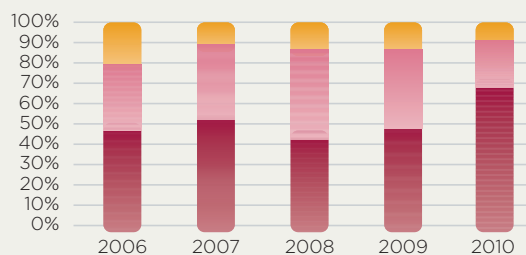
Balance Summary (thousands of euros)	2006	2007	2008	2009	2010	Annual Growth (%)
Intangible Fixed Assets	4,153	6,310	8,947	10,169	8,266	29.9%
Tangible Fixed Assets and Infrastructures	6,131,838	6,509,097	7,025,921	7,468,676	7,318,077	5.2%
Long-term Financial Investments	190,120	200,796	218,758	204,066	236,329	4.6%
Long-term Off-budget Receivables	4,027	1,980	1,909	2,920	4,666	3.8%
Deferred Expenses	1,024	802	601	1,186	983	-5.2%
Fixed Assets	6,331,162	6,718,985	7,256,136	7,687,017	7,568,321	5.2%
Accounts Receivable	300,707	284,992	295,344	385,542	364,502	0.7%
Cash	414,545	496,597	490,067	372,007	581,486	15.9%
Current Assets	715,252	781,589	785,411	757,549	945,988	8.5%
Total Assets	7,046,414	7,500,574	8,041,547	8,444,566	8,514,309	5.5%
City of Barcelona Equity	4,987,660	5,590,666	6,159,258	6,175,562	5,531,692	5.0%
Subsidies and Other Capital Income	238,628	214,257	257,350	555,568	592,281	16.6%
Net Equity	5,226,288	5,804,923	6,416,608	6,731,130	6,123,973	5.8%
Deferred Income	96,540	95,353	92,594	89,846	98,763	7.5%
Provisions for Contingencies and Expenses	98,207	110,276	111,363	86,967	90,595	3.1%
Long-term Loans and Debentures	1,061,206	927,847	770,101	750,101	1,200,101	0.9%
Other Long-term Liabilities	58,150	39,615	26,709	130,603	430,432	37.6%
Long-term Liabilities	1,314,103	1,173,091	1,000,767	1,057,517	1,819,891	5.7%
Short-term Payables for Loans and Debentures	0	0	0	0	0	-
Payables and Others	487,841	505,112	611,863	645,726	558,322	2.4%
Accrued Expenses	18,182	17,448	12,309	10,193	12,123	-6.6%
Current Liabilities	506,023	522,560	624,172	655,919	570,445	2.2%
Total Liabilities	7,046,774	7,500,574	8,041,547	8,444,566	8,514,309	5.5%

Graph

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Breakdown of Debt by Markets

- Bank Loans
- Public Bond Issues
- Private Placements

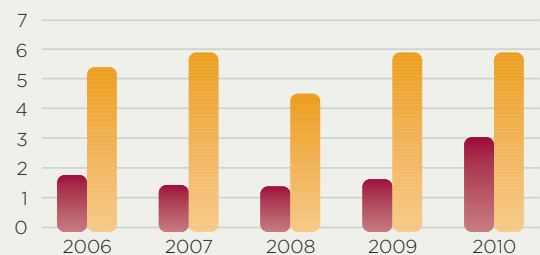


Graph

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Repayment Capacity and Average Life of Debt (years)

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



Table

68

Public Administration Debt According to the Excess Deficit Protocol (2006-2010)

Debt (millions of euros)	2006	2007	2008	2009	2010	Annual Growth (%)
Central Government	302,975	291,442	332,025	438,946	487,870	9.7%
Regional Government	57,961	59,827	69,806	87,665	115,455	15.2%
Local Authorities	27,570	29,392	31,780	34,708	35,442	6.8%
Spanish Municipalities	22,177	23,874	26,058	28,587	28,769	7.3%
City of Barcelona (1)	1,061	928	770	753	1,202	0.9%

(1) Includes consortia and foundations consolidated for the purposes of the General Budget Stability Law.
 Source: Bank of Spain (www.bde.es/infoest).

Table

69

City of Barcelona Group (2006-2010)

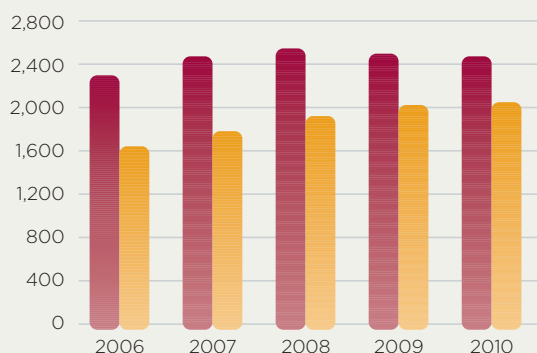
	2006	2007	2008	2009	2010	Annual Growth (%)
Personnel (on average)	13,028	13,317	13,572	12,697	13,112	0.6%
Economic Position (thousands of euros)						
Current Revenue	2,311,060	2,485,986	2,553,410	2,517,465	2,512,205	3.2%
Current Expenses	1,672,158	1,805,362	1,940,213	2,035,261	2,063,418	5.8%
Gross Saving	638,902	680,624	613,197	482,204	448,787	-5.4%
Net Investments	479,325	629,374	678,834	628,141	632,189	4.8%
Cash Surplus (Deficit)	84,766	108,154	129,467	-47,730	-495,557	
Total Consolidated Debt as of 12/31	1,178,843	1,067,110	927,773	974,358	1,464,405	2.9%
Ratios						
Gross Saving / Current Revenue (%)	27.6	27.4	24.0	19.2	17.9	
Interest Coverage (x)	22.1	25.8	25.1	17.1	14.9	
Capital Expenditure Coverage (x)	1.3	1.1	0.9	0.8	0.7	
Capital Expenditure / Total Expenses (%)	26.9	27.6	27.8	31.8	29.2	
Debt / Current Revenue (%)	51.0	42.9	36.3	38.7	58.3	
Debt / Primary Saving (x)	1.8	1.5	1.5	1.9	3.0	
Average Life of Long-term Debt (years)	6.0	6.6	5.5	7.0	6.6	

Graph

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Current Revenue and Expenses (millions of euros)

• Current Revenue • Current Expenses

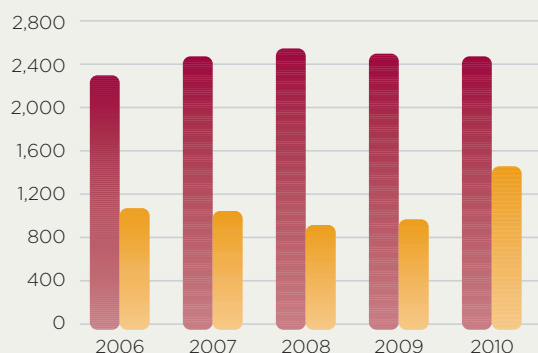


Graph

611

Current Revenue and Total Debt (millions of euros)

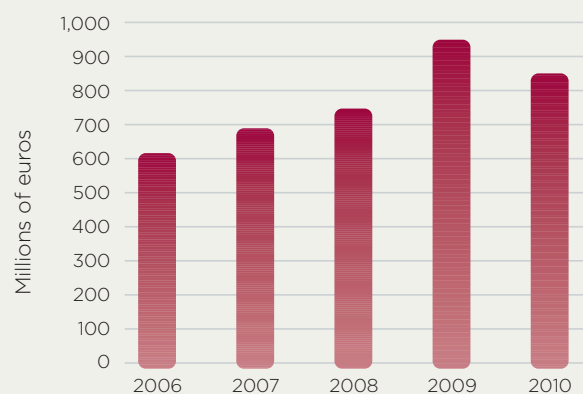
• Current Revenue • Total consolidated Debt as of 12/31



Graph

612

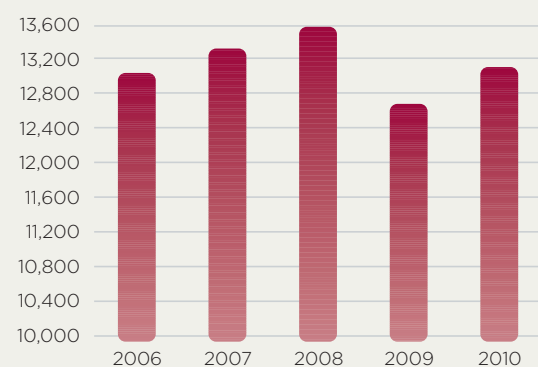
Consolidated Gross Capital Expenditure



Graph

613

City of Barcelona Group Personnel (on average)



Table

614

City of Barcelona Group (2006-2010)

Balance Summary

(thousands of euros)

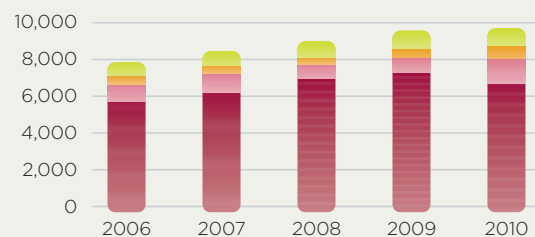
	2006	2007	2008	2009	2010	Annual Growth (%)
Intangible Fixed Assets	50,039	56,526	19,164	21,526	19,528	-17.2%
Tangible Fixed Assets and Infrastructures	6,584,506	7,031,640	7,637,578	8,111,805	7,990,897	5.5%
Financial Intangible Assets	135,962	154,834	158,827	142,866	191,839	9.0%
Accounts Receivable for Long-term Trade Operations	30,871	27,473	29,890	34,704	29,514	0.9%
Deferred Expenses	2,824	2,474	2,247	2,832	2,630	-4.2%
Fixed Assets	6,804,202	7,272,947	7,847,706	8,313,733	8,234,408	5.4%
Inventories	42,896	52,179	60,715	105,705	107,236	16.7%
Accounts Receivable	399,196	390,270	386,271	473,607	507,056	3.3%
Cash	472,455	542,723	562,058	441,539	657,369	14.1%
Accrued Expenses	1,840	2,844	1,476	4,292	2,851	8.1%
Current Assets	916,387	988,016	1,010,520	1,025,143	1,274,512	9.2%
Total Assets	7,720,589	8,260,963	8,858,226	9,338,876	9,508,920	5.9%
Equity	5,182,291	5,821,869	6,404,928	6,400,952	5,792,056	5.1%
Minority Interests	69,491	72,632	80,548	81,983	86,322	3.2%
Subsidies and Other Capital Income	271,194	247,348	343,333	640,989	681,119	17.5%
Net Equity	5,522,976	6,141,849	6,828,809	7,123,924	6,559,497	6.1%
Other Deferred Income	171,661	179,187	133,101	130,695	141,862	1.9%
Provisions for Contingencies and Expenses	111,633	126,951	124,289	92,313	95,958	0.5%
Long-term Loans and Debentures	1,178,843	1,067,110	923,616	962,099	1,455,914	2.8%
Other Long-term Liabilities	94,539	83,628	62,419	165,124	466,864	30.2%
Long-term Liabilities	1,556,676	1,456,876	1,243,425	1,350,231	2,160,598	6.0%
Short-term Payables for Loans and Debentures	0	0	4,157	12,260	8,491	—
Accounts Payable	602,121	611,277	726,918	773,743	673,416	2.5%
Accrued Expenses	38,816	50,961	54,917	78,718	106,918	15.5%
Current Liabilities	640,937	662,238	785,992	864,721	788,825	4.1%
Total Liabilities	7,720,589	8,260,963	8,858,226	9,338,876	9,508,920	5.9%

Graph

615

Composition of Liabilities (millions of euros)

- Net Equity
- Long-term Loans and Debentures
- Other Long-term Liabilities
- Current Liabilities

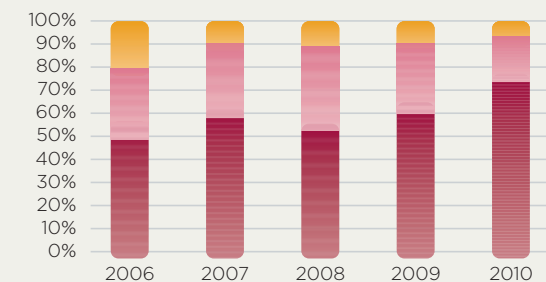


Graph

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Breakdown of Consolidated Debt by Markets

- Bank Loans
- Public Bond Issues
- Private Placements



Table

617

Consolidated Debt of the City of Barcelona: Public Administration and Commercial Entities (2006-2010)

Consolidated Debt

(millions of euros)

	2006	2007	2008	2009	2010	Annual Growth (%)
Public Administration	1,061	929	774	750	1,200	0.9%
Commercial Entities	118	138	154	224	264	16.8%
Total Debt	1,179	1,067	928	974	1,464	2.9%

Published by: Ajuntament de Barcelona
Management: Gerència Municipal
Direcció de comunicació corporativa
Publishing: Serveis Editorials Estudi Balmes, SL
Publishing co-ordination: Xavier Vila
Cover photo: © Vicente Zambrano
Photos: © The authors
Printing: Departament d'Imatge
i producció editorial

© Ajuntament de Barcelona
www.bcn.cat (The City Council | Financial Information)
Legal Deposit: B-24.707-2011



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