



THE GOVERNMENT
OF THE GRAND-DUCHY OF LUXEMBOURG
Ministry of Finance

Grand-Duchy of Luxembourg

Investor Presentation

February 2023





Executive Summary

Key Facts

- ✚ Despite the energy crisis real GDP growth in 2022 remained positive (+1.7%).
- ✚ 2023 growth is expected to be around +1.5%.
- ✚ Public debt is expected to increase to 24% of GDP in 2023, thus Luxembourg continues to respect its own ceiling of 30% of GDP.
- ✚ Support and energy measures decided so far (Solidaritätspak 1.0 et 2.0, Energiedesch, Guarantees) to cushion inflationary effects for companies and households due to the energy crisis amount to 3.4% of GDP.
- ✚ Unemployment rate followed a downward trend, reaching its lowest level since 2009 in March 2022. In December 2022 the unemployment rate was at 4.8%.
- ✚ Despite the war context, total employment remained dynamic and is estimated to grow by +3.4% in 2022. For 2023, employment is expected to grow by +2.3%.

Focus on Contemplated Transaction

- ✚ Key Features of contemplated transaction:

Issuer	Grand Duchy of Luxembourg
Type	Luxembourg Government Bond RegS Bearer, Senior, Unsecured
Ratings	Aaa/AAA/AAA (all stable) (Moody's/S&P/Fitch)
Expected Size	EUR Benchmark
Maturity	Medium to long term
Documentation	Standalone LGB



1. Luxembourg at a Glance
2. Focus on Luxembourg's Public Finances
3. Focus on Luxembourg's Credit Rating and Debt Management



THE GOVERNMENT
OF THE GRAND-DUCHY OF LUXEMBOURG
Ministry of Finance



1. Luxembourg at a Glance



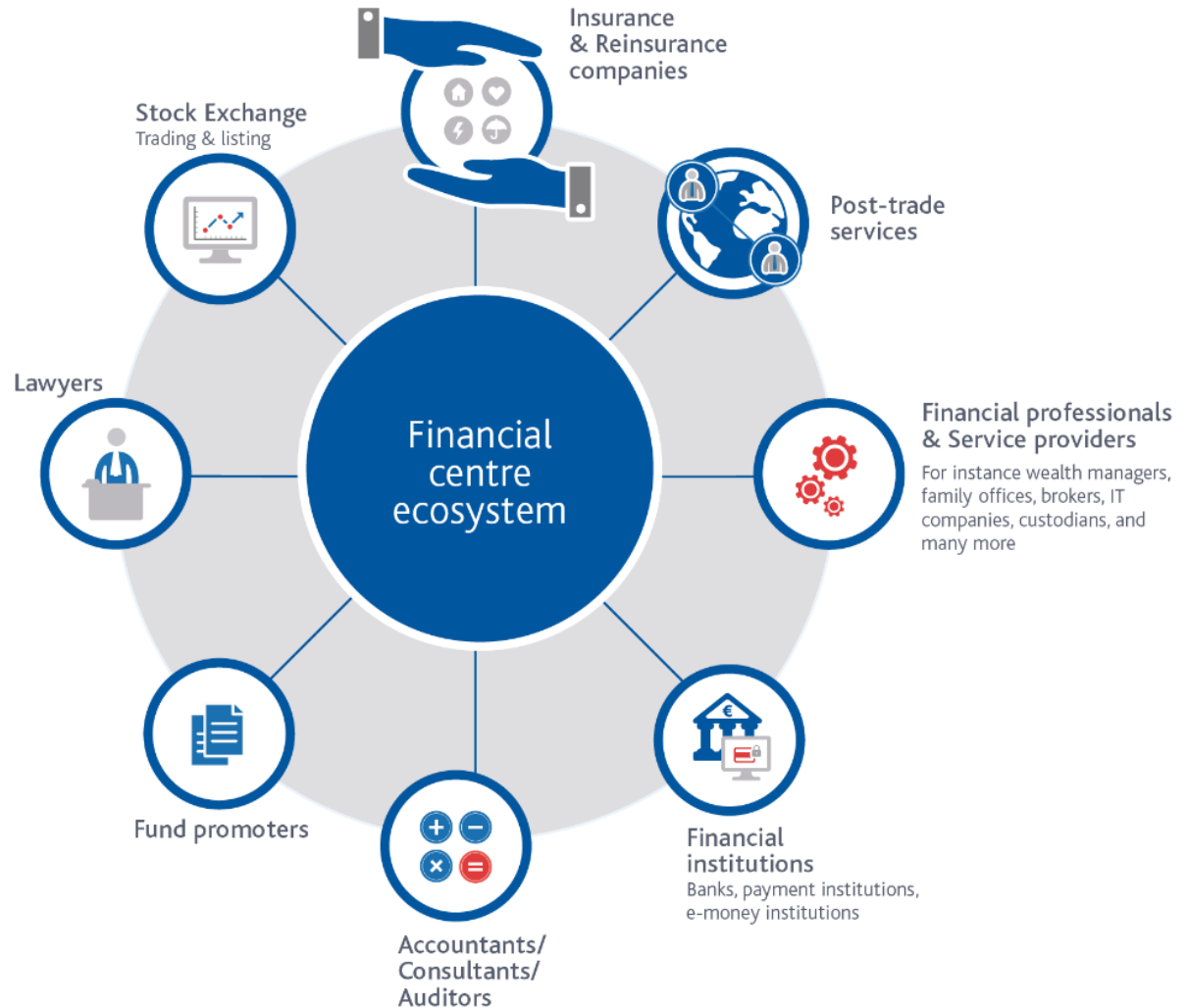
Luxembourg in a Nutshell





Luxembourg as International Financial Centre

- ✦ Luxembourg is a **cross-border hub** and centre of excellence facilitating multi-jurisdictional and international financial services.
- ✦ Luxembourg hosts the **world's 2nd largest investment fund centre**.
- ✦ Total net fund assets under management **exceeded EUR 5000bn in 2022**.





Open and Diversified Economy

Luxembourg: snapshot of an open...

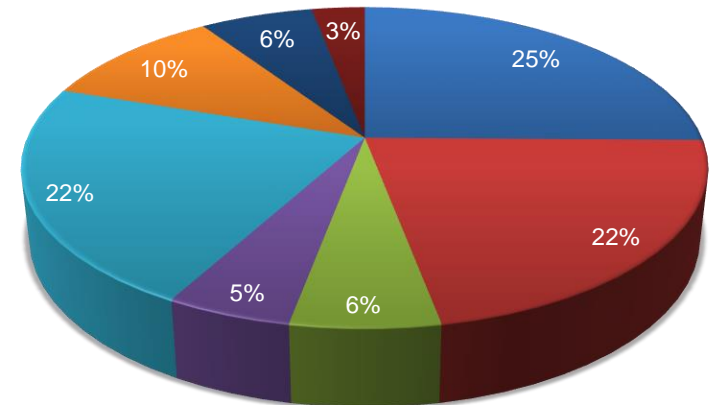
- ✦ **Total exports exceeded 200% of GDP** in 2021, of which EUR 26bn in goods and EUR 129bn in services.
- ✦ Luxembourg **ranked #2 in the world for trade openness**.¹

...and growth-oriented economy, beyond the financial sector

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

¹ The World Bank, 2021.

Sectoral Share of Gross Value Added in 2021*



- Financial Services
- Real Estate and Administrative Services
- Public administration
- Manufacturing
- Trade, Transportation & Communication
- Health / Education
- Construction
- Other

Source : National Statistical Office.
*Latest data available



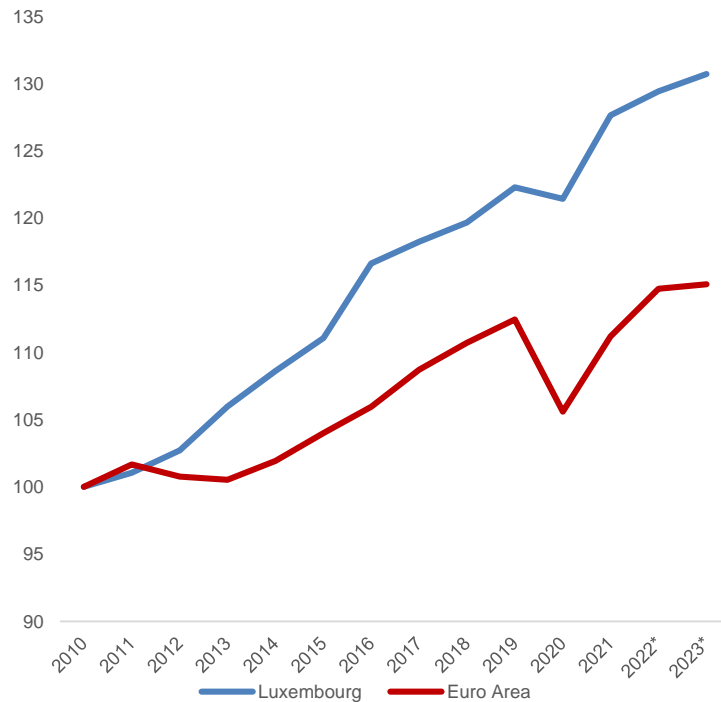
2. Focus on Luxembourg's Public Finances



Macroeconomic Context

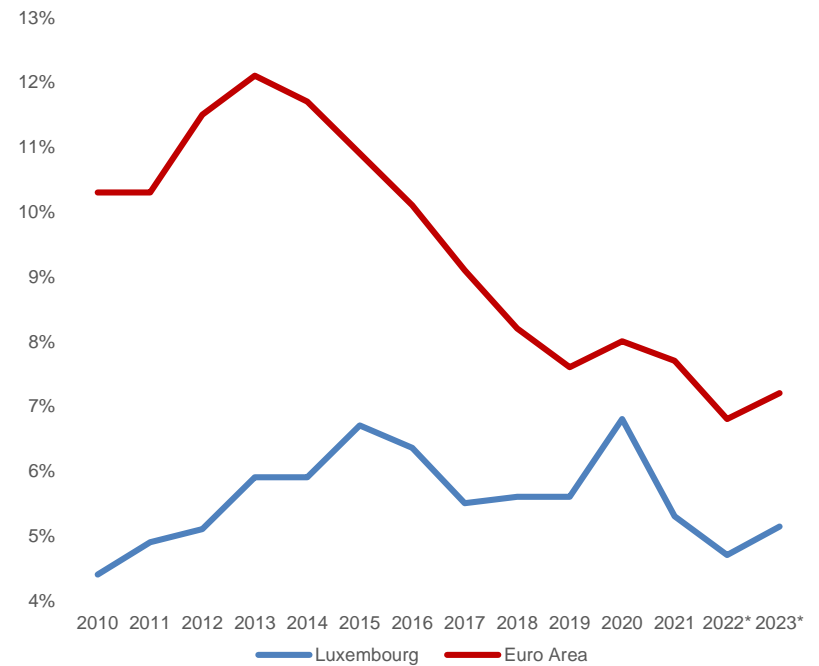
Real GDP (Index 100 = 2010)

Continued overperformance vs. Euro Area



Annual Unemployment Rate

Unemployment consistently below the Euro Area



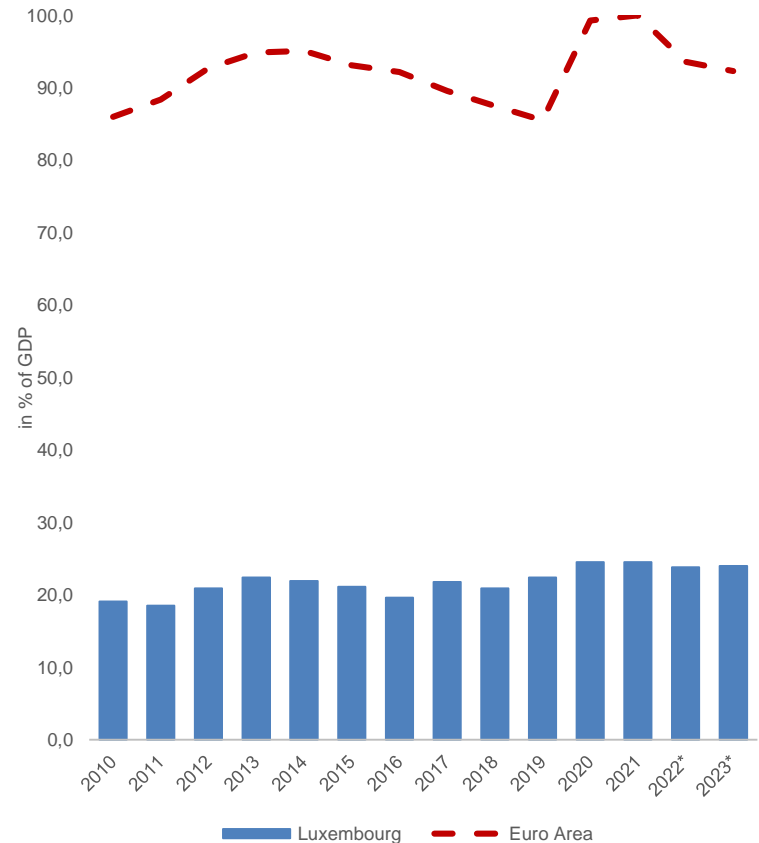
Sources: European Commission, AMECO.



Public Finances (1/2)

- ✦ Despite the support measures in 2022, debt ratio decreased by 0.7 percentage point, from 24.5% of GDP in 2021 to 23.8% of GDP in 2022 and is expected to increase to 24% in 2023.
- ✦ Levels of public debt continue to remain low, notwithstanding the uncertainties surrounding the geopolitical conflicts.
- ✦ Debt ratio is forecast to remain below the 30% of GDP ceiling as enshrined in the Government Coalition Agreement 2018-2023.
- ✦ Luxembourg also holds financial assets worth 45% of GDP, of which 37% of GDP are invested through the pension reserve fund.

Evolution of Public Debt



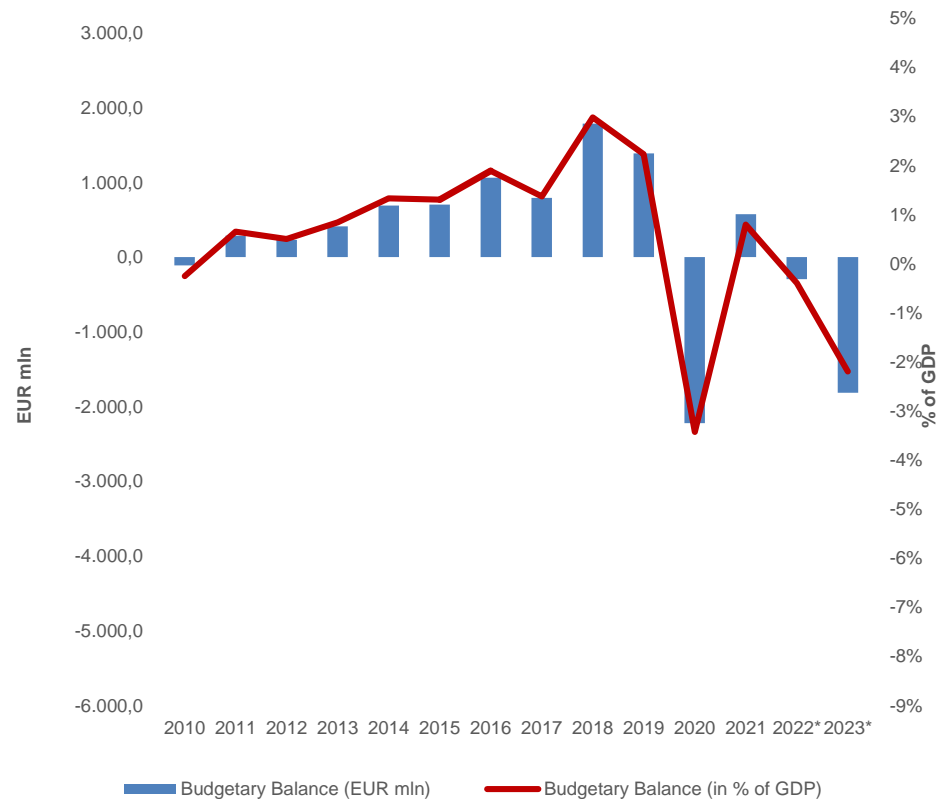
Sources :
Luxembourg: Ministry of Finance (National Budget 2023).
Euro Area: European Commission, AMECO (Autumn 2022 Economic Forecast).



Public Finances (2/2)

- ✦ Luxembourg has a **track record of budget surpluses in normal times**, being the only EU Member State to have complied consistently with Stability and Growth Pact rules since their inception.
- ✦ **Public finances** : a general government balance of -0.4% of GDP in 2022. Most recent budget numbers are encouraging and point towards a possible more balanced situation for 2022.
- ✦ Given the uncertainties surrounding the economic outlook, **general government is expected to run a deficit for 2023 (-2.2%), but is expected to decrease gradually until 2026.**
- ✦ **Measures decided by Luxembourg** to cushion the inflationary pressure caused by the energy crisis on companies and households in the context of the current events **amount to 3.4% of GDP.**
- ✦ Package includes among others: postponement of automatic wage indexation, introduction of an energy tax credit, temporary reduction in fuel prices, price caps on electricity & gas.

Budgetary Balance



Sources: National Statistical Office, Ministry of Finance (National Budget 2023).



3. Focus on Luxembourg's Credit Rating and Debt Management



Credit Ratings

S&P	AAA	Stable
Moody's	Aaa	Stable
Fitch	AAA	Stable
DBRS	AAA	Stable

Rationale behind the AAA rating :

- ✓ *“The measures taken by the government in the context of the pandemic have made it possible to support the Luxembourg economy without compromising the soundness of public finances”*
- ✓ *“Public finances are a key strength for Luxembourg's rating”*
- ✓ *“Luxembourg's strong fiscal position is a key rating strength”*
- ✓ *“Luxembourg has a history of budget surpluses, which supports its low level of debt”*
- ✓ *“Flexible economic policies, very high wealth levels provide shock absorption capacity”*



Debt Management (1/2)

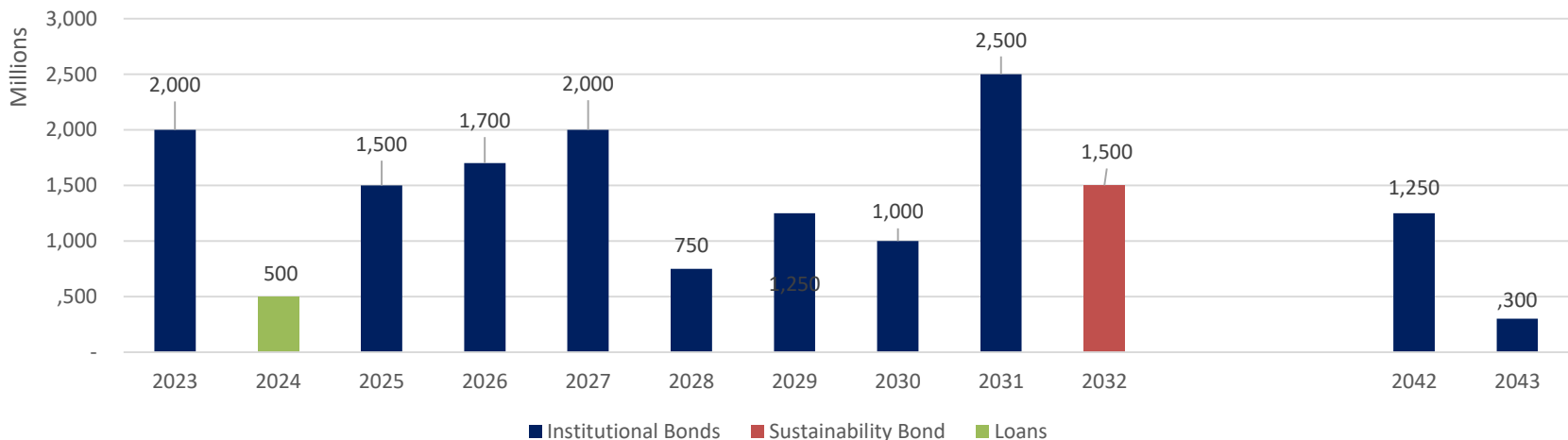
Syndicated Luxembourg Government Bonds (LGB) are the cornerstone of the Treasury's long-term funding strategy.

- ✚ Short-term liquidity needs are met via bank loans (actual outstanding EUR 500 mil.) or Treasury Notes (currently none outstanding).
- ✚ Luxembourg has 11 LGBs outstanding for a total amount of EUR 15.75 bn.

Optimizing refinancing and interest rate risk, zero FX exposure.

- ✚ Outstanding LGBs (fixed-rate and issued in EUR only) have an average maturity of 6.46 years with the next redemption scheduled for July 2023.

Redemption profile





Debt Management (2/2)

Outstanding Luxembourg Government Bonds (LGB)

	Issue Date	Notional	Maturity	Maturity date	Coupon	Currency
LGB 2.125% 2023	10/07/2013	2,000,000,000	10y	10/07/2023	2.125%	EUR
LGB 0.00% 2025	28/04/2020	1,500,000,000	5y	28/04/2025	0.000%	EUR
LGB 0.00% 2026	13/11/2019	1,700,000,000	7y	13/11/2026	0.000%	EUR
LGB 0,625% 2027	01/02/2017	2,000,000,000	10y	01/02/2027	0.625%	EUR
LGB 2.25% 2028	19/03/2013	750,000,000	15y	19/03/2028	2.250%	EUR
LGB 1.375% 2029	25/05/2022	1,250,000,000	7y	25/05/2029	1.375%	EUR
LGB 0.00% 2030	28/04/2020	1,000,000,000	10y	28/04/2030	0.000%	EUR
LGB 0.00% 2031	24/03/2021	2,500,000,000	10y	24/03/2031	0.0000%	EUR
LGB 0.00% 2032	14/09/2020	1,500,000,000	12y	14/09/2032	0.000%	EUR
LGB 1.75% 2042	25/05/2022	1,250,000,000	20y	25/05/2042	1.75%	EUR
LGB 2.75% 2043 (PP)	20/08/2013	300,000,000	30y	20/08/2043	2.75%	EUR

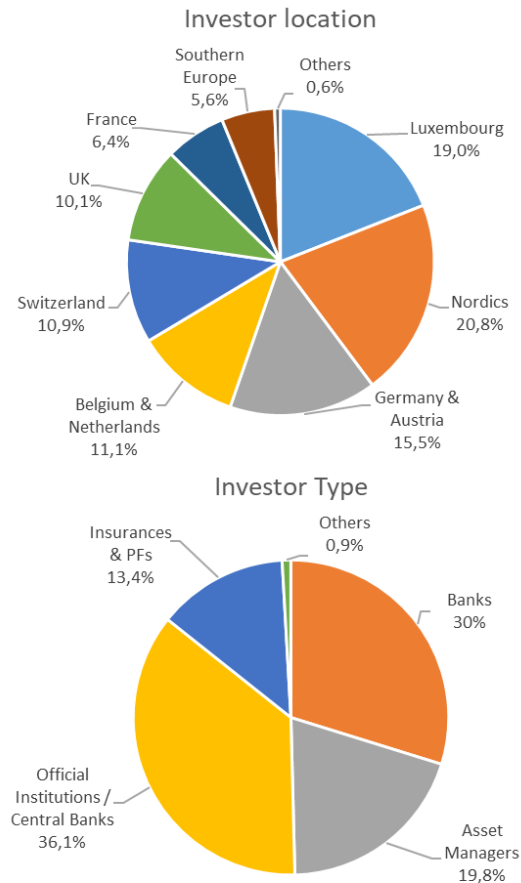
In addition, bank loans amounting to 500mil EUR are outstanding at the end of February 2023

Source: Luxembourg State Treasury

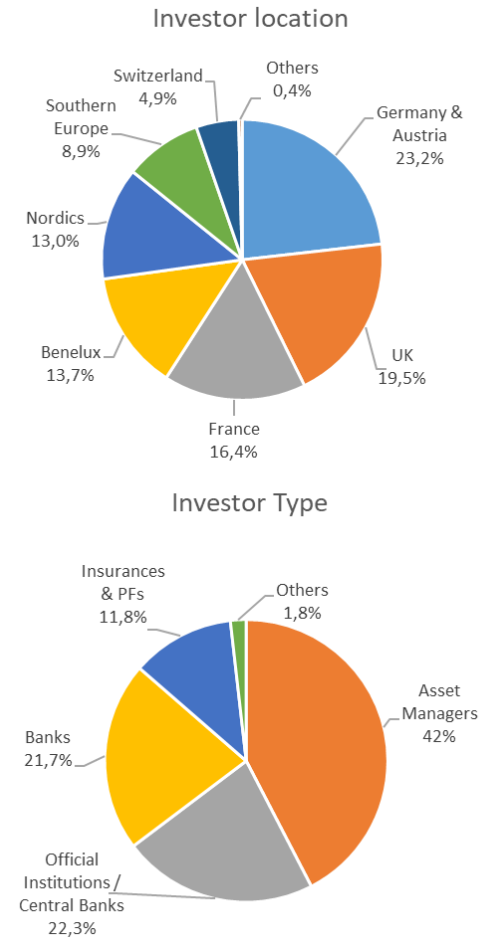


Varied Investor base for LGBs

**1.25 bn EUR LGB 2029
May 2022**



**1.25 bn EUR LGB 2042
May 2022**





Contact details

Key contacts	Contact numbers	Email
Bob KIEFFER Director of the Treasury	+352 247-82619	bob.kieffer@fi.etat.lu
Paul HILDGEN Luxembourg State Treasury	+352 247-82728	paul.hildgen@ts.etat.lu
Luc WITRY Luxembourg State Treasury	+352 247-82749	luc.witry@ts.etat.lu
Luca GRISOT Luxembourg State Treasury	+352 247-72712	luca.grisot@ts.etat.lu

Ministry of Finance
3 rue de la Congrégation
L-1352 Luxembourg
Luxembourg
<http://www.mf.public.lu/>

Luxembourg State Treasury
3 rue du Saint-Esprit
L-1475 Luxembourg
Luxembourg
<http://www.te.public.lu/>



Disclaimer

This presentation has been prepared and presented by the Grand Duchy of Luxembourg acting through its Minister of Finance (the “Issuer”) in connection with the proposed Offer (“the Offer”).

This document does not qualify as a prospectus within the meaning of Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as amended.

This document does not qualify either as a simplified prospectus within the meaning of the Luxembourg law dated 16 July 2019 on prospectuses for securities. This document and its contents have not been approved by the Luxembourg Financial Services Authority, the Commission de Surveillance du Secteur Financier.

The Bonds to be issued under the Offer will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. Subject to certain exceptions, the Offer may not be offered, sold or delivered within the United States or to U.S. persons (as that term is defined in Regulation S under the U.S. Securities Act).

This document and its contents have not been approved by the UK Financial Services Authority or an authorized person (as defined in the Financial Services and Markets Act 2000 (the “FSMA”) for distribution. The issuance of the Bonds will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom. The Issuer will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to it.

This presentation is for information only and does not constitute investment advice or a recommendation and was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it. Its content has not been independently verified and may be subject to revision and /or modification before closing. Any statements, projections and/or forecasts presented are not reliable guarantees for future performances. Each potential investor remains solely responsible for evaluating the risks and benefits of investing in the Offer in the light of its own personal and financial circumstances. The Offer may not be suitable for all investors. Each potential investor is invited to consult with its personal advisors on legal, tax and related matters concerning the Offer. Furthermore, no assurance can be given that the Offer is suitable to fulfil any environmental, social and sustainability criteria or guidelines with which potential investors or their investments are required or intended to comply. The final version of the terms and conditions as detailed in the Offer’s Prospectus shall prevail.

This document remains the property of the Issuer.