



The Province of Tierra del Fuego, Antártida e Islas del Atlántico Sur

(A Province of Argentina)

US\$200,000,000 8.950% Secured Amortizing Notes due 2027

The Province of Tierra del Fuego, Antártida e Islas del Atlántico Sur (the “Province”) is offering US\$200,000,000 aggregate principal amount of its 8.950% notes due 2027 (the “Notes”). The Province will pay interest on the Notes on January 17, April 17, July 17 and October 17 of each year, beginning on July 17, 2017. The Notes will mature on April 17, 2027. The Province will pay the principal of the Notes in 33 quarterly periods starting on April 17, 2019, as follows: (i) the first 12 payments will be in equal installments of 2.500% of the initial aggregate principal amount, (ii) the subsequent 14 payments will be in equal installments of 3.000% of the initial aggregate principal amount and (iii) the final 7 payments will be in equal installments of 4.000% of the initial aggregate principal amount.

The Notes will be direct, general, unconditional and unsubordinated Public External Indebtedness (as defined below) of the Province, and will be secured by the Argentine Collateral Trust (as defined herein). The assets of the Argentine Collateral Trust consist of certain Contributions (as defined herein) paid to the Province by certain oil and gas producers and their successors or assigns.

Application has been made to list the Notes on the Luxembourg Stock Exchange, and to have the Notes admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, and the Province has also applied to list the Notes on the *Mercado de Valores de Buenos Aires S.A.* (“MERVAL”) and to have the Notes admitted to trading on the *Mercado Abierto Electrónico S.A.* (“MAE”).

Investing in the Notes involves risks that are described in the “Risk Factors” section beginning on page 14 of this offering memorandum.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, (the “Securities Act”) or the securities laws of any other jurisdiction. Unless they are registered, the Notes may be offered only in transactions that are exempt from registration under the Securities Act or the securities law of any other jurisdiction. Accordingly, the Notes are being offered only to qualified institutional buyers (“QIBs”) pursuant to Rule 144A under the Securities Act (“Rule 144A”) and persons outside the United States in reliance on Regulation S of the Securities Act. You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Any offer or sale of bonds in any Member State of the European Economic Area which has implemented Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU (the “Prospectus Directive”), must be addressed to Qualified Investors (as defined in the Prospectus Directive). For further details about eligible offerees and resale restrictions, see “Notice to Investors.”

Price to investors: 98.610% plus accrued interest, if any, from April 17, 2017

The Notes will be issued in registered form and will be issued in denominations of US\$1,000 and in integral multiples of US\$1,000 in excess thereof. This offering will require a minimum subscription amount of US\$150,000. The Notes will be registered in global form in the name of The Depository Trust Company or its nominee and will be held through direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”) on or about April 17, 2017. This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus securities dated July 10, 2005, as amended.

Offers of the Notes to the public in Argentina will be made by a *prospecto de emisión* (local offering memorandum) in the Spanish language containing substantially the same information as this offering memorandum (the “Argentine Offering Memorandum”), other than with respect to the description of U.S. securities and tax laws that are relevant to the Notes, but in a different format. UBS Securities LLC is not participating in the offering of the Notes in Argentina.

*Joint Bookrunner and
Initial Purchaser*
UBS Investment Bank

*Joint Bookrunner and
Argentine Placement Agent*
Puente

The date of this offering memorandum is April 6, 2017.

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IMPORTANT NOTICES

You should rely only on the information contained in this offering memorandum. The Province has not, UBS Securities LLC as initial purchaser (the “Initial Purchaser”) and Puente Hnos. S.A. (the “Argentine Placement Agent”) have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Province is not, and the Initial Purchaser and the Argentine Placement Agent are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum and may have changed since that date.

The Province is relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing Notes, you will be deemed to have made the acknowledgements, representations, warranties and agreements described under the section “Notice to Investors” in this offering memorandum. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

Neither the delivery of this offering memorandum nor any sale made hereunder will, under any circumstances, imply that the information herein is correct as of any date subsequent to the date of the cover of this offering memorandum.

This offering memorandum may only be used for the purposes for which it has been published. This offering memorandum may not be copied or reproduced in whole or in part. It may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this offering memorandum, you agree to these restrictions. See “Notice to Investors.”

This offering memorandum is based on information provided by the Province and other sources that the Province believes are reliable. The Province cannot assure you that information from other sources is accurate or complete. This offering memorandum summarizes certain documents and other information, and the Province refers you to them for a more complete understanding of what the Province discusses in this offering memorandum. In making an investment decision, you must rely on your own examination of the Province and the terms of the offering and the Notes, including the merits and risks involved.

After having made all reasonable inquiries, the Province confirms that it accepts responsibility for the information it has provided in this offering memorandum and assumes responsibility for the correct reproduction of the information contained herein. To the best of the Province’s knowledge and belief, having taken all reasonable care to ensure such is the case, the information contained in this offering memorandum is in accordance with the facts and contains no omission likely to affect their importance.

The Initial Purchaser has, with respect to the global offering of the Notes outside of Argentina, and the Argentine Placement Agent has, with respect to the offering of the Notes in Argentina, agreed to perform a series of marketing and placement efforts of the Notes in Argentina. The Province and the Initial Purchaser and the Argentine Placement Agent are not making any representation to any purchaser of Notes regarding the legality of an investment in the Notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Notes.

None of the United States Securities and Exchange Commission (the “SEC”), any state securities commission or any other regulatory authority has approved or disapproved of the securities or passed upon or endorsed the merits of this offering or the adequacy or accuracy of this offering memorandum. Any representation to the contrary is a criminal offense.

In connection with the issue of the Notes, the Initial Purchaser (or persons acting on behalf of the Initial Purchaser) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Initial Purchaser (or persons acting on their behalf) will undertake any stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Notes is made and,

if begun, may be ended at any time, but it must end no later than 30 days after the date on which we received the proceeds of the issue, or no later than 60 days after the date of allotment of the relevant Notes, whichever is the earlier. Any stabilization action will be undertaken in accordance with applicable laws and regulations.

ENFORCEMENT OF CIVIL LIABILITIES

The Province is a political subdivision of a sovereign state. Consequently, it may be difficult for investors or a trustee to obtain, or realize in the United States or elsewhere, judgments against the Province.

To the fullest extent permitted by applicable law, the Province will irrevocably submit to the jurisdiction of any New York state or any U.S. federal court sitting in the City of New York, Borough of Manhattan, and any appellate court thereof, in any suit, action or proceeding arising out of or relating to the Notes or the Province's failure or alleged failure to perform any obligations under the Notes, and the Province will irrevocably agree that all claims in respect of any such suit, action or proceeding may be heard and determined in such New York state or U.S. federal court. The Province will irrevocably waive, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of any suit, action or proceeding and any objection to any proceeding whether on the grounds of venue, residence or domicile, subject to the provisions of Section 145.2 of the Code of Civil, Commercial Labor, Rural and Mining Procedure of the Province (the "Provincial Code of Procedure"), Sections 74 and 76 of the Administrative Code (*Código Contencioso Administrativo*) of the Province and Section 1 of Provincial Law No. 339, which are provisions of public policy and therefore cannot be waived.

To the extent that the Province has or hereafter may acquire any immunity (sovereign or otherwise) in respect of its obligations under the Notes or the Indenture from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property (except for property considered of the public domain or dedicated to the purpose of an essential public service or otherwise exempt from attachment or seizure under applicable Argentine and Provincial law), the Province will irrevocably waive such immunity in respect of its obligations under the Indenture and/or the Notes, and, without limiting the generality of the foregoing, the Province agrees that the waivers set forth in the Indenture shall have the fullest scope permitted under the Foreign Sovereign Immunities Act of 1976 of the United States, as amended (the "Immunities Act"), and are intended to be irrevocable for purposes of such Act. Notwithstanding the foregoing, the Province reserves the right to plead sovereign immunity under the U Immunities Act with respect to actions or proceedings brought against it under U.S. federal securities laws or any state securities laws, and the Province's appointment of a process agent is not intended to extend to such actions or proceedings. However, under the Immunities Act, it may not be possible to enforce in the United States a U.S. judgment against the Province. In addition, under the laws of Argentina, it may not be possible to obtain in Argentina recognition or enforcement of a U.S. judgment and any attachment or other form of execution (before or after judgment) on the property, and revenues of the Province will be subject to the applicable provisions of the *Código Procesal Civil y Comercial de la Nación Argentina* (the "Code of Civil and Commercial Procedure of Argentina"), the applicable budgetary law and Federal Law No. 25,973. See "Description of the Notes—Governing Law" and "—Submission to Jurisdiction."

A foreign judgment will be enforced in Argentina if it complies with the following requirements: (i) all formalities required for the enforceability thereof under the laws of the country in which it was issued; (ii) has been translated into Spanish, together with all related documents, and it satisfies the authentication requirements of the laws of Argentina; (iii) was issued by a competent court; (iv) was issued after serving due notice and giving an opportunity to the defendant to present its case; (v) is not subject to further appeal; (vi) is not inconsistent with Argentine public policy; and (vii) is not incompatible with another judgment previously or simultaneously issued by an Argentine Court.

In a March 6, 2014 decision of the Supreme Court of Argentina in *Claren Corporation vs. Estado Nacional* the Supreme Court of Justice of Argentina held that the enforcement of a foreign judgment sought by Claren Corporation did not satisfy one of the requirements set forth in the Code of Civil and Commercial Procedure of Argentina (i.e., that a foreign judgment cannot contravene Argentine law principles of public policy), given the fact that such an enforcement as requested by the plaintiff would imply that such plaintiff, pursuant to an individual action filed before a foreign court, would circumvent the public debt restructuring process set forth by the Federal Government through emergency legislation enacted in accordance with the Argentine Constitution. In addition, the Supreme Court of Argentina held that such norms were part of Argentine public policy and, therefore, that the enforcement of a foreign judgment such as the one sought by the plaintiff could not be granted as it would be clearly contrary to such legislation. Following this decision, the enforceability of

a foreign judgment in Argentina against the Province may be subject to a strict interpretation of local public order principles and a similar award or decision may be expected.

Enforcement of judgments against the Province and the investors' ability to levy attachments against it is limited by Sections 74 and 76 of the Administrative Code of the Province. Such provisions establish that for payment of judgments by the Province, the proposed budget for the following year shall include the allocation of disbursements under judgments against the Province with final determination of amounts due notified on August 20 of each year. The required allocations for compliance with judgments due in lawsuits where the determination of amounts is made final and not appealable and notified subsequent to such date and until December 31 of each year, shall be included in the extended budget for the next succeeding year, which shall be sent to the Provincial Legislature until March 31 of the next succeeding year for such purposes. The creditor will be entitled to apply for judicial enforcement of its claim under the judgment on and after December 31 of the year of execution of the budget in which the necessary allocation for compliance with the judgment was supposed to be made.

Attachment prior to judgment or attachment in aid of execution will not be ordered by courts of Argentina or the Province with respect to public property if such property is located in Argentina and is included within the provisions of Articles 234, 235 and 237 of the Argentine Civil and Commercial Code (the "Civil and Commercial Code"), Section 80 of the Provincial Constitution, Section 75 of the Administrative Code of the Province or directly provides an essential public service.

DEFINED TERMS AND CONVENTIONS

Certain Defined Terms and Conventions

The terms set forth below have the following meanings for the purpose of this offering memorandum:

- “AFIP” means the *Administración Federal de Ingresos Públicos* (the Argentine Tax Authority);
- “ANSES” means the *Administración Nacional de la Seguridad Social* (the National Social Security Administration);
- “Argentina” or the “Nation” means the Republic of Argentina;
- “BTU” means the british thermal unit, a standard unit of measurement used to denote the amount of heat energy in fuels. MMBTU stands for one million BTUs;
- “Central Bank” means the *Banco Central de la República Argentina* (Central Bank of Argentina);
- “*Coeficiente de Estabilización de Referencia*” or “CER” means an economic indicator adopted on February 3, 2002, which reflects the value in pesos as indexed to consumer price inflation. The nominal amount of a CER-based financial instrument is converted to a CER-adjusted amount and interest on the financial instrument is calculated on the CER-adjusted balance;
- “Federal Government” means the non-financial sector of the central government of Argentina, excluding the Central Bank;
- “Ministry of Economy and Public Finance” means the *Ministerio de Hacienda y Finanzas Públicas de la Nación* (the Federal Ministry of Economy and Public Finance of Argentina);
- “Gross domestic product” or “GDP” is a measure of the total value of final products and services produced in Argentina or the Province, as the case may be, in a specific year;
- “Hydrocarbons Law” means Federal Law No. 17,319, as amended and supplemented;
- “INDEC” means the National Institute of Statistics and Census;
- “IPIEC” means *Instituto Provincial de Análisis, Investigación, Estadísticas y Censos de la Provincia* (Provincial Institute of Analysis, Research, Statistics and Census of the Province); and
- “Ministry of Economy” means the *Ministerio de Economía de la Provincia* (the Ministry of Economy of the Province);
- “Probable Reserves” or “P2” correspond to additional hydrocarbon reserves, the recovery of which is considered less likely than that of Proven Reserves but more likely than possible reserves.
- “Proven Reserves” or “P1” means the amount of hydrocarbons which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a certain date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations.
- “Province,” “we,” “our” and “us” means the issuer of the Notes;
- “Regional Infrastructure Trust Fund” means the *Fondo Fiduciario Federal de Infraestructura Regional*.
- “Total Reserves” corresponds to the sum of Proven Reserves plus 50% of Probable Reserves.
- “Unemployment Rate” (calculated by the INDEC) means the percentage of the Province’s labor force that has not worked a minimum of one hour with compensation or 15 hours without compensation

during the week preceding the date of measurement. The “labor force” refers to the sum of the population of the provincial area that worked a minimum of one hour with compensation or 15 hours without compensation during the week preceding the date of measurement, plus the population that is unemployed and actively seeking employment.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All annual information presented in this offering memorandum is based upon periods from January 1 to December 31, unless otherwise indicated.

Unless otherwise stated, prices and figures are stated in current values of the currency presented.

Preliminary Information

Certain statistical information included in this offering memorandum is preliminary in nature and reflects the most recent reliable data readily available by the Province as of the date of this offering memorandum. Preliminary financial, economic, statistical and other information presented in this offering memorandum may subsequently be materially revised to reflect new or more accurate data as a result of the review by IPIEC, the *Contaduría General de la Provincia* (the “General Accounting Office”), or other Provincial entities. These revisions could reveal that the Province’s economic and financial conditions as of any particular date are materially different from, and less favorable than, those described in this offering memorandum. These revisions could materially and adversely affect the market value of the Notes.

National Information

Certain information presented in this offering memorandum relating to the national economy of Argentina is included only for the purpose of providing context for the information included herein and related to the economy of the Province. Such information has been extracted from the information made public by the Federal Government, including in its filings with the SEC.

On January 8, 2016, Decree No. 55/2016 was issued by the Federal Government declaring a state of administrative emergency on the national statistical system and on INDEC, until December 31, 2016. INDEC ceased publishing statistical data until a rearrangement of its technical and administrative structure was finalized. On June 16, 2016, INDEC published the CPI (as defined below) for the first time since the state of administrative emergency on the national statistical system was declared. See “Risk Factors—Risks Relating to Argentina—Persistent high inflation could have a material adverse effect on the Province’s economic prospects.” In addition, in June 2016, INDEC published revised GDP data for 2004 through 2015 and in March 2017 it published preliminary estimated GDP data for 2016.

Hydrocarbon Information

Information about hydrocarbon reserves and production, and hydrocarbon royalty payments has been prepared by the Department of Hydrocarbons of the Province (*Secretaría de Energía e Hidrocarburos*), which generates statistical information about hydrocarbon reserves and production in the Province, and the Provincial Collections Agency (*Agencia de Recaudación Fueguina*) which records transactions related to the revenues and production of provincial hydrocarbon and management of hydrocarbon royalties with information derived from certifications presented by oil and gas concessionaires. The information in such certifications may differ from information contained in statements presented to other agencies in Argentina as a result of variations in calculations.

In addition, certain information about hydrocarbon reserves and production, and hydrocarbon royalty payments has been extracted from the information made public by the Federal Government. In particular, official information about Argentina’s hydrocarbon sector is available in Spanish on the website of the *Ministerio de Energía y Minería de la Nación* (National Ministry of Energy and Mining, “Ministry of Energy” or “MEMN”) at <https://www.minem.gob.ar/>. Information on this website is not incorporated by reference and does not constitute a part of this offering memorandum.

Legislative Approval Process

Certain information included in this offering memorandum for the fiscal year ended December 31, 2015 is still under review by the Provincial Legislature.

According to article 17 of the Provincial Constitution, the Province submitted to the Provincial Legislature for its approval the *Cuenta de Ahorro-Inversión-Financiamiento* (Report on Savings-Investments-Financing)

corresponding to the previous fiscal year, on May 31, 2016. Provincial law does not include a term for the approval by the Provincial Legislature.

Provincial Accounting Practices

The Province maintains its books and records in pesos and prepares its budgets and statements of revenues and expenditures in accordance with provincial accounting principles and rules, regulations and practices consistent therewith (“Provincial Accounting Practices”). Provincial Accounting Practices are consistent with those followed by other provinces in Argentina but differ in several material respects from generally accepted accounting principles in Argentina (“Argentine GAAP”) and from generally accepted accounting principles in other jurisdictions, including the United States (“U.S. GAAP”). The primary features of Provincial Accounting Practices are: (i) revenues are not accounted for on an accrual basis, but instead are recognized in the period in which they are actually received; (ii) expenditures are accounted for on an accrual basis when the expenditure is incurred but not when paid, except for amortization and interest expenses, which are accounted for as such when paid; (iii) interest and principal amounts payable by the Province in respect of its debt obligations are accounted for during the period in which they are due, (iv) capital investments are recorded at cost, without reduction for depreciation or amortization, and, accordingly, the Province does not record any depreciation or amortization charges in its accounts; (v) capital expenditures and investments in intangible assets are capitalized based on the amounts invested in each fiscal year; (vi) construction contracts are expensed using the percentage of completion method; and (vii) revenues, expenditures and public debt are not adjusted for inflation in the Province’s accounts.

Methodology of Calculation of Gross Domestic Product

The Province’s GDP is calculated by IPIEC, using the calculation method recommended by Working Document No. 23: “National Accounts of the Republic of Argentina, 2004 Base Year” released by the INDEC and the 2008 National Accounts System and prepared pursuant to the guidelines of the United Nations, the European Commission, the Organization for Economic Cooperation and Development, the International Monetary Fund and the World Bank (the “2008 National Accounts System”). The 2008 National Accounts System recommends that production be measured at basic prices, defined as “prices before adding taxes levied on goods and subtracting subsidizes on goods” and recommends that all transactions involving the utilization of goods and services (such as final consumption, intermediate consumption, and capital formation) be measured at purchase prices, defined as “amounts paid by purchasers for taking over a good or service unit, excluding the deductible portion of added value taxes, i.e., the effective costs to users.”

In addition to these general methodological criteria, for the purpose of calculating the GDP, the Province uses the information supplied by the 2004/2005 National Economic Census and the Large Business National Survey prepared by the INDEC. In both cases, production is measured at basic prices. As a result, amounts calculated with respect to the Province are methodologically consistent with national results.

In addition, the aggregation of the Province’s economic activities by segment is done in accordance with the National Classification of Economic Activities (ClnAE-2010) prepared by the INDEC, which has been adapted from the International Standard Industrial Classification, fourth revision (SIC-rev.4) prepared by the United Nations Statistics Division. As a result, the provincial calculation results are consistent with national results.

The Province undertook a reorganization of the IPIEC in 2015. As part of this process, the IPIEC’s administrative structure was changed such that the IPIEC now reports directly to the Governor’s office, rather than to the Ministry of Economy, which the Province believes provides the IPIEC with increased autonomy. However, as a result of the resources dedicated to this reorganization, IPIEC only published preliminary statistical GDP data for the year 2015.

In addition, because the Province employs a methodology for the calculation of its GDP figures that is substantially similar to that employed by the Federal Government for the calculation of Argentina’s GDP, and because historic national GDP figures were revised on June 29, 2016 by INDEC, Provincial GDP figures could vary as a result of such statistical review. For these reasons, provincial GDP information for the year 2015 is preliminary.

Currency of Presentation

Financial information in this offering memorandum relating to GDP is presented in both nominal pesos (pesos not adjusted for inflation) and constant pesos that reflect the relative prices prevailing at the relevant date. In the case of presentation of Argentine national GDP figures in constant pesos, the country uses 2004 constant pesos (“2004 Constant Pesos”).

Financial information relating to the Province’s GDP is presented in 2004 Constant Pesos. Financial information in this offering memorandum relating to historic revenues, expenditures and public debt is presented in nominal pesos. The Province believes that such presentation is likely to result in less distortion to the period-over-period comparability of such information than those which would result from presenting such analysis in reference to constant peso figures. Information derived from the 2016 budget (the “2016 Budget”) is also presented in nominal pesos.

Rounding

Certain figures included in this offering memorandum have been rounded for ease of presentation. Percentage figures included in this offering memorandum have not in all cases been calculated on the basis of such rounded figures but rather on the basis of such amounts prior to rounding. For this reason, percentage amounts in this offering memorandum may vary slightly from those obtained by performing the same calculation using the non-rounded figures. Similarly, certain other amounts that appear in this offering memorandum may not be exactly the sum due to presented totals to rounding.

EXCHANGE RATES AND EXCHANGE CONTROLS

Unless otherwise specified, references in this offering memorandum to “dollars,” “U.S. dollars” and “US\$” are to the official currency of the United States of America, and references to “peso(s)” and “P\$” are to Argentine pesos.

The Province publishes most of its economic indicators and other statistical data in pesos. For figures reflecting flows of peso amounts during a specified period, the average peso/U.S. dollar exchange rate for that period is used. For figures reflecting amounts as of a specific date, the exchange rate applicable on that date is used.

Since February 2002, the peso has floated against other currencies, however, the Central Bank purchases or sells U.S. dollars on the currency exchange market on a regular basis in order to minimize fluctuations in the value of the peso in relation to the U.S. dollar.

After several years of variations in the nominal exchange rate, in 2012, there was a devaluation of approximately 14% of the peso against the U.S. dollar. This was followed by a further devaluation of the peso against the U.S. dollar of approximately 30% in 2013 and 2014, which included a devaluation of approximately 24% in January 2014. In 2015, there was a devaluation of approximately 52% of the peso against the U.S. dollar, which included a devaluation of 10% from January 1, 2015 to September 30, 2015, and a 38% devaluation in the last quarter of 2015, which was mainly experienced after December 16, 2015, as a consequence of a significant economic reform implemented by the new federal administration. See “Risk Factors—Risks Relating to Argentina.”

The following table sets forth the annual high, low, average and period-end “reference” exchange rates for the periods indicated, expressed in pesos per U.S. dollar and not adjusted for inflation. There can be no assurance that the peso will not depreciate or appreciate again in the future. The Federal Reserve Bank of New York does not report a noon buying rate for pesos.

The table below sets forth nominal exchange rate figures:

Nominal Exchange Rates (pesos per U.S. dollar)

	Exchange rates ⁽¹⁾			Period end
	High	Low	Average ⁽²⁾	
Years ended December 31,				
2011	4.304	3.972	4.130	4.303
2012	4.917	4.305	4.552	4.917
2013	6.518	4.923	5.479	6.518
2014	8.556	6.543	8.119	8.552
2015	13.763	8.554	9.269	13.005
2016	16.039	13.069	14.779	15.850
2017				
January	16.053	15.808	15.906	15.911
February	15.835	15.368	15.598	15.455
March (through March 30).....	15.668	15.387	15.530	15.410

Notes:

(1) Central Bank reference exchange rates (Communication “A” 3500 of Central Bank).

(2) Average of daily closing quotes.

Source: Central Bank.

Currency conversions, including conversions of pesos into U.S. dollars, are included for the convenience of the reader only and should not be construed as a representation that the amounts in question have been, could have been or could be converted into any particular denomination, at any particular rate or at all. Unless otherwise indicated, such dollar amounts have been converted from peso amounts at an exchange rate of P\$15.850 per US\$1.00, based on the currency bid daily rate published by the Central Bank on December 30, 2016.

As of March 30, 2017, the peso/U.S. dollar reference exchange rate was P\$15.410 to US\$1.00.

Exchange Controls

Due to the deterioration of the Argentine economy and financial system in 2001, the inability of Argentina to service its public external debt and the decreased level of deposits in the financial system, the Federal Government issued Decree No. 1,570/2001 on December 3, 2001, which established certain monetary and currency exchange control measures, including restrictions on the free disposition of funds deposited in banks and restrictions on the transfer of funds abroad, subject to certain exceptions.

In addition to the above measures, on February 8, 2002, the Central Bank implemented regulations under which, among other restrictions, certain transfers of funds abroad to service principal and/or interest payments on foreign indebtedness required prior authorization of the Central Bank. Although some of the restrictions adopted by the Central Bank in the following years have been eliminated or reduced since 2003.

Following the recent presidential elections in Argentina in October and November of 2015, in December 2015, the Central Bank issued Communication “A” 5850, as amended, which eliminated a significant portion of the foreign exchange restrictions imposed in 2011 and 2012. In 2011, pursuant to Central Bank Communication “A” 5245 (as amended) and Resolution No. 3826/15 issued by the AFIP, all banks and foreign exchange agencies were required to obtain approval for every purchase of foreign currency, whether performed by individuals or by a legal entity, through an online system administered by AFIP. If a transaction failed to obtain AFIP approval, the purchaser was not able to complete the transaction. The restrictions imposed in 2012 included certain more restrictive foreign exchange regulations on purchases of foreign currency and transfers of foreign currency abroad. Such regulations included the requirement for financial institutions to inform in advance and obtain approval from the Central Bank with respect to any foreign exchange transaction to be entered into through the foreign exchange market. Further restrictions were also lifted or relaxed pursuant to Communication “A” 6037, issued by the Central Bank on August 8, 2016, effective as of August 9, 2016.

The primary changes related to the foreign exchange market that have been implemented as a result of the most recent Argentine presidential elections include, among others: (i) the elimination, through Communication “A” 6037 of the Central Bank, of the requirement to mandatorily transfer and settle the proceeds from new foreign financial indebtedness incurred by the financial sector, the non-financial private sector and local governments through the *Mercado Único y Libre de Cambios* (“MULC”); (ii) the possibility for Argentine residents to make capital contributions and purchase equity in companies constituted abroad through the MULC without an amount limit, to the extent that said investment (a) is directly or indirectly linked to the development of productive activities and non-financial services; and (b) can be deemed a foreign “direct investment,” as per Communication “A” 4237, as amended, and other requirements set forth in Communication “A” 6037 are met; (iii) pursuant to Communication “A” 6037, as amended, the mandatory minimum stay period of 120 consecutive days applies only if the foreign indebtedness proceeds entered Argentina; (iv) in the case of partial or total prepayment of principal corresponding to new foreign financial indebtedness, access to the MULC is permitted subject to the mandatory minimum period mentioned above; (v) the ability to purchase or acquire foreign currency without specific allocation (*atesoramiento*) or prior approval by Argentine residents that are individuals, legal entities from the private sector organized in Argentina and not authorized to deal in foreign exchange, certain trusts and other estates domiciled in Argentina, as well as Argentine local governments has been restored; (vi) the reduction from 30% to 0% of a mandatory, non-transferable and non-interest bearing deposit of the amount of certain transactions involving foreign currency inflows for a 365 calendar day period; (vii) the elimination of the requirement of a minimum holding period (three business days) related to the purchase and sale of securities authorized to be listed or negotiated in different local and international stock exchange markets; (viii) the replacement of the *Declaración Jurada Anticipada de Importación* (Advance Sworn Import Declaration or “DJAI”) with a new import procedure that requires certain filings and import licenses for certain goods (including textiles, footwear, toys, domestic appliances and automobile parts), which, unlike the previous system, does not contemplate discretionary Federal Government approval of payments for the import of products through the MULC; and (ix) access to the MULC for payment of principal, debt service, services, profits, dividends and non-financial non-produced assets is granted upon fulfillment of Central Bank’s reporting regime set forth by Communication “A” 3602 and Communication “A” 4237.

Communication “A” 6037 amended rules on the following topics: (i) MULC general rules, (ii) payment of Argentine imports of goods and other payments, (iii) services, income, current transfers and non-financial assets, (iv) financial indebtedness, (v) foreign offshore assets of Argentine residents, (vi) financial derivatives, and (vii) exchange transactions with non-residents.

On December 30, 2016, the Central Bank further eased foreign exchange controls by eliminating the mandatory repatriation of proceeds from the export of services. On January 4, 2017, through Resolution No. 1/2017 the Ministry of the Treasury and Finance reduced to zero days the mandatory minimum stay period applicable to (i) the inflow of funds to the local foreign exchange market arising from certain foreign indebtedness, and (ii) any entry of funds to the foreign exchange market by non-residents.

On January 20, 2017, the Secretary of Commerce increased the term in which the proceeds from export goods must be transferred and settled through MULC from five to ten years.

For further information in relation to all exchange restrictions and controls investors should seek advice from their legal advisors and analyze the regulations of the Central Bank, Decree No. 616/2005, Resolution of the Ministry of Treasury and Finance No. 365/2005 and the Foreign Exchange Criminal Regime (Law No. 19,359, as amended), as further supplemented and amended.

FORWARD-LOOKING STATEMENTS

This offering memorandum and any related supplement (including any documents incorporated by reference) may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the “Securities Exchange Act”). Forward-looking statements are statements that are not historical facts, including statements about the Province’s beliefs and expectations. These statements are based on the Province’s current plans, estimates and projections. Therefore, you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made. The Province undertakes no obligation to update any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties, including, but not limited to, those set forth in “Risk Factors” in this offering memorandum. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. The information contained in this offering memorandum identifies important factors that could cause such differences. Such factors include, but are not limited to:

- adverse domestic factors, such as increases in inflation rates and salaries, high interest rates, exchange rate volatility, lack of investment, limited access to credit and/or foreign currency;
- political disputes or social unrest, any of which could lead to lower economic growth;
- adverse external factors, such as a decline in foreign investment, changes in international prices for goods produced in the Province (including oil and gas prices), fluctuations in international interest rates, recessions or low levels of economic growth in Argentina’s trading partners;
- the relationship with the Federal Government and other provinces, in particular under the scope of a potential amendment to the tax agreements between the Federal Government and the Argentine provinces, as set forth in the Federal Tax Co-Participation Law No. 23,548 (the “Federal Co-Participation Law”);
- other adverse factors, such as climatic or political events, international or domestic hostilities and political uncertainty;
- a reduction in the Province’s tax revenues and other revenues; and
- the risks factors discussed under “Risk Factors.”

Each of these factors could lead to lower economic growth, reduce the Province’s revenues thereby affecting the Province’s accounts, and adversely affect its financial condition.

SUMMARY

This summary highlights information contained in this offering memorandum, including selected economic and financial data about the Province. It is not complete and may not contain all of the information you should consider before purchasing the Notes. You should carefully read this entire offering memorandum, including “Risk Factors,” before purchasing the Notes.

Selected Economic Information (in millions of pesos unless otherwise indicated)

	The year ended December 31,				
	2011	2012	2013	2014	2015
NATIONAL ECONOMY					
Nominal National GDP (in millions of pesos)	2,179,024	2,637,914	3,348,308	4,579,086	5,854,014 ⁽¹⁾
Real GDP (in millions of 2004 Constant Pesos).....	710,782	703,486	720,407	702,306	720,898 ⁽¹⁾
Rate of change Real GDP from prior year (2004 Constant Pesos)	6.0%	(1.0)%	2.4%	(2.5)%	2.6% ⁽¹⁾
Unemployment rate.....	6.7%	6.9%	6.4%	6.9%	5.9% ⁽³⁾
Inflation (as measured by CPI).....	9.5%	10.8%	10.9%	24.0 ⁽⁸⁾ %	n.a.
PROVINCIAL ECONOMY					
Nominal Provincial GDP ⁽²⁾	15,186.8	20,251.7	25,669.0	32,022.7	n.a.
Real GDP (in millions of 2004 Constant Pesos).....	6,270.2	7,045.5	7,222.8	6,069.9	6,254.4
GDP rate of change from prior year ⁽²⁾ (2004 Constant Pesos).....	—	12.4%	2.5%	(16.0)%	3.0%
Real GDP as a % of National Real GDP	0.9%	1.0%	1.0%	0.9%	0.9%
Unemployment rate (% unemployed) ⁽⁴⁾	5.0%	4.9%	4.7%	4.3%	4.6% ⁽³⁾
PROVINCIAL PUBLIC SECTOR FINANCES⁽⁵⁾					
Current revenues	3,133.6	3,857.4	5,245.0	7,478.6	9,393.2
Current expenditures	3,320.6	4,181.4	5,437.9	7,697.9	10,372.1
Operating balance ⁽⁶⁾	(187.0)	(324.0)	(192.8)	(219.3)	(978.9)
Capital revenues	219.6	292.8	412.5	616.4	883.1
Capital expenditures	223.8	289.3	352.8	486.6	952.4
Overall balance ⁽⁷⁾	(191.3)	(320.6)	(133.1)	(89.6)	(1,048.3)
PROVINCIAL PUBLIC CONSOLIDATED SECTOR DEBT					
Total debt	1,188.2	1,351.8	2,001.2	2,027.9	5,308.0
Debt as a % of Nominal Provincial GDP	7.8%	6.7%	7.8%	6.3%	n.a.

Notes:

- (1) Preliminary information subject to change.
 - (2) Nominal Provincial GDP for 2015 is not available. Provincial GDP figures could vary as a result of the statistical review that the Province is currently carrying out following INDEC's revisions to its historic information. See “Presentation of Financial and Other Information- Methodology of Calculation of Gross Domestic Product.”
 - (3) Data as of September 30, 2015.
 - (4) Information for the cities of Ushuaia and Rio Grande.
 - (5) The Province's revenues and expenditures only include financial results from central administration and decentralized agencies. It does not include financial results from fiduciary funds and special accounts that registered (i) capital expenditures (real direct investments) of P\$36.1 million in 2012, P\$59.9 million in 2013, P\$189.5 million in 2014, P\$238.7 million in 2015, and P\$178.7 million in the nine-month period ended September 30, 2015; or (ii) capital revenues (federal capital transfers) of P\$36.1 million in 2012. Fiduciary funds and special accounts did not register capital revenues or capital expenditures other than in the years specified. Revenues and expenditures of the Social Security System are presented separately. See “Public Sector Finance—Social Security System.”
 - (6) Represents current revenues minus current expenditures.
 - (7) Represents total revenues minus total expenditures.
 - (8) For the year 2014, inflation was calculated using CPI Nu, a different methodology implemented by INDEC intended to measure prices of goods on a country-wide basis.
- n.a.: Not available.

Sources: Province's Statistics Department and INDEC.

The Province

General

The Province of Tierra del Fuego is one of Argentina's 23 provinces. It is located at the southernmost tip of the region known as "Patagonia." With a surface area of 1,002,445 square kilometers (approximately 387,046.2 square miles), it borders Chile to the west and south and the Atlantic Ocean to the north, east, and southeast, and it is connected to the Pacific Ocean by way of the Beagle Channel. Tierra del Fuego is just north of Antarctica and is separated from Antarctica by the Strait of Magellan. The Province's capital is Ushuaia, the southernmost city in the world.

According to the most recent Argentine national census, which was finalized in 2010, the estimated population of the Province in 2010 was 127,205 inhabitants. INDEC projections based on the same national census information calculate that the population of the Province was 156,509 inhabitants in 2016, representing 0.3% of Argentina's total population and 5.3% of the total population of the Patagonian region, which includes the provinces of Neuquén, Río Negro, Chubut, and Santa Cruz. According to 2010 Argentine national census data, approximately 96.8% of the total population of the Province is located in the cities of Río Grande and Ushuaia, with approximately 44.5%, or approximately 56,593 inhabitants, living in Ushuaia and approximately 52.3%, or approximately 66,475 inhabitants, living in Río Grande. Approximately 2.3% of the population of the Province, or approximately 2,949 inhabitants, lives in the city of Tolhuin, and the remaining population of the Province, approximately 0.9% or approximately 1,188 inhabitants, lives in other regions of the Province. According to the 2010 national census, population density in the Province is 0.1 inhabitants per square kilometer, and varies widely in different areas of the Province. The average annual population growth in the Province is 26.0%. It is estimated that this high growth rate is due primarily to the positive economic effects of the Industrial Promotion Regime and a relatively high medium average salary in the Province compared to other provinces.

National and Provincial governments

On October 25, 2015, presidential and congressional elections took place in Argentina and a run-off between Mr. Daniel Scioli (*Frente para la Victoria* or "FPV") and Mauricio Macri (*Alianza Cambiemos* or "Cambiemos") was held on November 22, 2015, resulting in Mr. Macri being elected as the successor to former president Cristina Fernández de Kirchner (FPV), with 51.3% of the votes. Mr. Macri took office on December 10, 2015, for a term of four years.

The Provincial government is organized into an executive branch, a legislative branch and a judicial branch.

The executive branch of the Province consists of a governor and, in his/her absence, a vice-governor elected at the same time, in the same manner, and for the same term as the governor. Governors and vice-governors are elected by popular vote and serve a four-year term. The Provincial Constitution allows the governor and vice-governor to be re-elected or to succeed one another for a second consecutive term. If they have been re-elected or have succeeded one another, they may not be elected again to either of those positions for the following consecutive term.

General elections in the Province were held on June 21, 2015. None of the candidates obtained the required 50% vote. As a result, a second round of elections took place on June 28, 2015. The political party Frente para la Victoria, led by Rosana Bertone as Governor and Juan Carlos Arcando as Lieutenant Governor, obtained 49.7% of the total vote and 45.0% of the total vote went to Formula Federico Sciurano and Miriam Boyadjian, of the Unir Tierra del Fuego party. The term of the current governor of the Province expires on December 16, 2019.

The legislative branch of the Province consists of a single body (the "Legislature"), which is comprised of 15 representatives (*diputados*) who are elected by popular vote and who serve four-year terms. When the Provincial population surpasses 150,000 inhabitants based on actual census data (as opposed to population projections), the number of representatives may increase by one representative for each additional 10,000 inhabitants, up to a maximum of twenty-five new representatives. The Legislature is re-elected in its entirety every four years. The vice-governor serves as President of the Legislature. The most recent Provincial legislative elections were held on October 27, 2015. The terms of the current representatives began on December 17, 2015 and will end December 16, 2019.

The Provincial judicial branch includes trial courts, a court of appeals, and the Superior Court of Justice, which have jurisdiction over civil, commercial, administrative, labor, family and criminal matters within the Province. The Legislature appoints the members of the Superior Court of Justice based upon the governor's recommendation. The Counsel of Magistrates appoints other judges with the approval of the Legislature.

The Provincial economy

The Province has a diversified economy, with the hydrocarbon industry, commerce, tourism, and construction as the primary economic drivers. In addition, as a result of the relatively small number of inhabitants in the Province, the Provincial public sector accounts for a significant portion of the Province's economic activity. Hydrocarbon production, fishing, and sheep raising were, until the 1970s, the main (and virtually only) economic drivers in the Province. Following the 1970s and, as a result of the Industrial Promotion Regime, industrial activity increased significantly and transformed the Provincial economy.

The unemployment rate in 2011 for the urban areas of Ushuaia-Río Grande (representing approximately 96.8% of the population of the Province) was 5.0%. As of September 30, 2016, the unemployment rate for these same areas was 4.6%.

Public sector finances

The public sector of the Province consists of the central administration of the Province, centralized and decentralized agencies and instrumentalities, non-autonomous community administrations, autonomous entities, Banco de Tierra del Fuego ("BTF"), corporations in which the Province holds a majority interest, mixed companies, and any such other business organizations in which the Provincial Government holds a majority interest in equity or decision-making power. The Court of Auditors, the State Attorney's Office, the General Accounting Office, and the General Treasury are the Controlling Authorities under the Provincial Constitution. See "*The Province—Provincial Government.*"

The Province administers its own social security regime through a Provincial social security administration, as it did not transfer its pension fund to the Federal Government, as other provinces did pursuant to the Federal Pact for Employment, Production and Growth (*Pacto Federal para el Empleo, la Producción y el Crecimiento*) between the Federal Government and certain provinces dated August 12, 1993.

For the nine months ended September 30, 2016, the Province's total current revenues amounted to P\$8,923.5 million, the Province's total capital revenues amounted to P\$694.1 million, the Province's total current expenditures amounted to P\$9,179.6 and the Province's total capital expenditures amounted to P\$774.2 million, resulting in an overall deficit of P\$336.3 million for the abovementioned period.

The following table shows the composition of the Province's revenues and expenditures for the periods indicated:

Summary Revenues and Expenditures⁽¹⁾ **(P\$ million)**

	For the year ended December 31,					For the nine months ended September 30,	
	2011	2012	2013	2014	2015	2015	2016
Current revenues.....	3,133.6	3,857.4	5,245.0	7,478.6	9,393.2	6,816.9	8,923.5
Current expenditures	3,320.6	4,181.4	5,437.9	7,697.9	10,372.1	7,119.5	9,179.6
Operating balance⁽²⁾	(187.0)	(324.0)	(192.8)	(219.3)	(978.9)	(302.6)	(256.2)
Capital revenues	219.6	292.8	412.5	616.4	883.1	750.2	694.1
Capital expenditures	223.8	289.3	352.8	486.6	952.4	614.4	774.2
Overall balance⁽³⁾	(191.3)	(320.6)	(133.1)	(89.6)	(1,048.3)	(166.8)	(336.3)

Notes:

(1) Revenues and expenditures only include financial results from central administration and decentralized agencies. It does not include financial results from fiduciary funds and special accounts that registered (i) capital expenditures (real direct investments) of P\$36.1 million in 2012, P\$59.9 million in 2013, P\$189.5 million in 2014, P\$238.7 million in 2015, and P\$178.7 million in the nine-month period ended September 30, 2015 or (ii) capital revenues (federal capital transfers) of P\$36.1 million in 2012. Fiduciary funds and special accounts did not register capital revenues or capital expenditures other than in the years specified. Revenues and expenditures of the Social Security System are presented

separately. See "Public Sector Finance—Social Security System."

(2) Represents current revenues minus current expenditures.

(3) Represents total revenues minus total expenditures.

Source: Ministry of Economy.

Composition of revenues

The Province's revenues are classified into current revenues and capital revenues. The Province's revenue for 2015 totaled P\$10,276.2, an increase of 26.9% compared to the Province's total revenue of P\$8,094.9 million in 2014. This increase was mainly due to a 36.2% increase in transfers of Federal taxes to the Province and a 33.1% increase in Provincial tax revenues.

Provincial non-tax revenue in 2015 decreased by 8.2% compared to 2014, mainly due to a decrease in oil prices (from an average US\$75.9 per barrel in 2014 to an average US\$70.8 per barrel in 2015) and the devaluation of the peso during 2015, resulting in an impact on revenue from hydrocarbon royalties that are calculated by reference to the exchange rate published by *Banco de la Nación Argentina*.

For the five years ended December 31, 2015, 49.0% and 21.2% of the Province's revenue was derived from transfers of Federal taxes to the Province and from the Province's tax revenue, respectively. Revenue from hydrocarbon royalties for this period accounted for, on average, 7.7% of the Province's revenue, with the highest share accounting for 9.5% in 2012.

The following table shows the composition of the Province's revenues for the periods indicated:

	<u>Total Revenues</u>⁽¹⁾						
	<u>(P\$ million)</u>						
	For the year ended December 31					For the nine months ended September 30,	
	2011	2012	2013	2014	2015	2015	2016
Current Revenues							
Tax revenues							
Provincial tax revenues	572.3	744.0	1,316.7	1,883.7	2,507.4	1,750.0	2,336.1
Transfer of Federal taxes	1,661.8	2,110.8	2,738.0	3,750.4	5,106.9	3,708.8	4,750.7
Non-tax revenues							
Royalties	300.9	394.6	441.3	571.4	525.3	398.3	708.6
Other non-tax revenues	495.8	521.1	644.2	1,059.8	972.7	751.9	898.1
Sales of goods and services of the administration	36.3	34.0	41.1	68.8	94.4	62.2	77.1
Property income	1.1	3.5	2.6	3.6	3.0	2.2	3.4
Current transfers	65.5	49.3	61.1	141.0	183.6	143.5	149.4
Subtotal current revenues	3,133.6	3,857.4	5,245.0	7,478.6	9,393.2	6,816.9	8,923.5
Capital Revenues							
Provincial capital revenues	3.9	4.0	7.1	7.6	10.1	5.7	5.8
Federal capital transfers	182.3	236.8	356.3	551.6	808.9	696.3	627.0
Reduction of financial investments	33.4	52.0	49.1	57.2	64.0	48.2	61.3
Subtotal capital revenues	219.6	292.8	412.5	616.4	883.1	750.2	694.1
Total Revenue	3,353.2	4,150.2	5,657.6	8,094.9	10,276.2	7,567.1	9,617.6

Note:

(1) The Province's revenues includes central administration and decentralized agencies. It does not include financial information from fiduciary funds and special accounts that registered capital revenues (federal capital transfers) of P\$36.1 million in 2012. Fiduciary funds and special accounts did not register capital revenues other than in the years specified. Revenues of the Social Security System are presented separately. See "Public Sector Finance—Social Security System."

Source: Ministry of Economy.

Composition of expenditures

The Province provides a series of public services, mainly related to education, health, security, justice, social services, investments in infrastructure and public services, and in the Provincial administration. During the five-year period from 2011 through 2015, the Province's total expenditures increased from P\$3,544.5 million to P\$11,324.5 million, or by 219.5%, primarily as a result of the depreciation of the peso and increases in personnel expenditures. Provincial expenditures are classified as current or capital expenditures. In 2015, current

expenditures represented 91.6% of the total expenditures of the Province, and capital expenditures represented 8.4% of total expenditures of the Province.

Personnel expenditures, consist mainly of wages and other benefits paid to employees of the public administration of the Province, and make up the most significant component of the Province's total expenditures. Personnel expenditures for the years ended December 31, 2011, 2012, 2013, 2014, and 2015 were P\$2,241.4 million, P\$2,871.4 million, P\$3,810.2 million, P\$5,295.3 million and P\$7,263.6 million, respectively, which accounted on average for 64.5% of the Province's total expenditure for the five-year period ended December 31, 2015. For the nine-month period ended September 30, 2015 personnel expenditures totaled P\$4,948.5 million, corresponding to 64.0% of the Province's total expenditures for that period. For the nine-month period ended September 30, 2016 personnel expenditures totaled P\$6,739.4 million, corresponding to 67.7% of the Province's total expenditures for that period.

The following table shows the composition of the Province's expenditures for the periods indicated:

	<u>Total Expenditures</u>⁽¹⁾						
	<u>(P\$ million)</u>						
	For the year ended December 31,					For the nine months ended September 30,	
	2011	2012	2013	2014	2015	2015	2016
Current expenditures							
Personnel	2,241.4	2,871.4	3,810.2	5,295.3	7,263.6	4,948.5	6,739.4
Goods and services	200.2	205.7	63.9	346.8	436.9	252.2	360.3
Current transfers	877.0	1,025.5	1,273.0	1,871.7	2,407.1	1,753.7	1,839.5
Debt interest	2.1	4.7	4.9	9.3	18.7	10.8	11.6
Social security benefits	—	74.2	109.6	174.8	245.8	154.4	228.7
Other current expenditures	—	—	176.3	—	—	—	—
Subtotal current expenditures	3,320.6	4,181.4	5,437.9	7,697.9	10,372.1	7,119.5	9,179.6
Capital expenditures							
Real direct investment	172.6	231.2	262.8	347.1	716.8	439.8	561.9
Financial investments	4.9	3.4	13.3	34.9	49.0	36.2	138.7
Capital transfers	46.3	54.7	76.7	104.6	186.6	138.4	73.6
Subtotal capital expenditures	223.8	289.3	352.8	486.6	952.4	614.4	774.2
Total Expenditures	3,544.5	4,470.8	5,790.6	8,184.5	11,324.5	7,733.9	9,953.9

Note:

(1) The Province's expenditures includes central administration and decentralized agencies. It does not include financial information from fiduciary funds and special accounts that registered capital expenditures (real direct investments) of P\$36.1 million in 2012, P\$59.9 million in 2013, P\$189.5 million in 2014, P\$238.7 million in 2015, and P\$178.7 million in the nine-month period ended September 30, 2015. Fiduciary funds and special accounts did not register capital expenditures other than in the years specified. Expenditures of the Social Security System are presented separately. See "Public Sector Finance—Social Security System."

Source: Ministry of Economy.

Budget

The annual budget represents an estimate of the Province's revenue during the period covered by the budget based on assumptions regarding the economic activity of Argentina and the Province, and on the necessary expenditures to provide public services and honor the Province's obligations. The annual budget also constitutes an authorization of, and a limit on, expenditures and indebtedness by the Province during the relevant period. The House of Representatives has broad power to amend or reject the draft budget law submitted by the Executive Branch. Pursuant to Section 67 of the Provincial Constitution, the Executive Branch must submit a draft budget to the House of Representatives for approval before August 31 of each calendar year that covers the upcoming year. As required by the Financial Administration Law, the budget must include budgets for the central administration, the decentralized Agencies, and the social security institutions.

2016 Budget

The Province's Executive Branch submitted a budget proposal for the fiscal year ended December 31, 2016, pursuant to the terms set forth in the Province's Constitution. The proposal was enacted on December 30, 2015 and published in the Official Gazette on January 8, 2016 (the "2016 Budget").

The 2016 Budget represents the Province's forecast of Argentina's and the Province's economic activity. Although the Province considers that the assumptions and goals that the 2016 Budget was based on were reasonable in light of the prevailing circumstances at that time, most factors affecting the Province's economy are beyond its control, and actual results will depend on actual events. Therefore, economic performance in 2016 could substantially differ from the 2016 Budget. If the Federal Counsel of Fiscal Responsibility determines that the Provincial budget is not compliant with the Fiscal Responsibility Law, the Province may be subject to sanctions.

The 2016 Budget includes guidelines for wage negotiations that took into consideration the natural growth and the impact of salary adjustments that were agreed upon before the Macri administration took office. Therefore, the 2016 Budget does not fully reflect the Macri administration's public policies. The Macri policies are fully reflected in the 2017 Draft Budget (as such term is defined below).

Under the 2016 Budget, the Province expects total Provincial current revenues of P\$12,591.7 million, compared to P\$10,012.1 million actual revenues for 2015, which amounts to a 25.8% increase. This increase is mainly attributable to a 33.5% rise in Federal Co-Participation revenues as well as an 18.0% increase in Provincial tax revenue. The Province's total expenditures are expected to increase by 32.5% to P\$16,125.5 million in 2016, compared to P\$12,211.5 million actual expenditures for 2015.

The 2016 Budget estimates that the primary deficit will increase by 25.2%, to P\$1,820.2 million, compared to P\$1,453.4 actual primary deficit for 2015, and that the financial deficit will increase by 29% to P\$1,932.9 million, compared to P\$1,498.9 million actual financial deficit for 2015.

2017 Budget

The draft 2017 budget was submitted for consideration to the Province's House of Representatives on August 31, 2016, as required by the Provincial Constitution. On December 20, 2016, the draft budget was approved by the Provincial Legislature (the "2017 Budget").

The 2017 Budget reflects a series of estimates of future revenue for 2017 on the basis of macroeconomic forecasts and estimates concerning the economy of Argentina and the Province, including a 3.5% year over year growth rate, an inflation rate of approximately 17.0%, and an average exchange rate of P\$17.9 to the US\$1.00 for 2017.

Provincial revenue, estimates and forecasts were based on figures furnished by the AREF. Accordingly, 52.9% of revenue is expected to be derived from tax revenues. Fees are expected to account for 16.0% of Provincial revenues, royalties are expected to account for 17.0% of Provincial revenues, and funds (mainly the Social Services Fund) and levies are expected to account for 15.0% of Provincial revenues.

For the year 2017, the Province expects total current revenue of P\$16,707.0 million, compared to P\$12,591.7 million projected for 2016, which amounts to a 32.7% increase. This increase is mainly attributable to a 24.1% rise in Federal transfers and a 31.4 increase in Provincial tax revenue. The Province's total expenditures are expected to increase by 38.3% to P\$22,303.7 million in 2017, compared to P\$16,125.5 million projected for 2016.

In 2017, the Province estimates that the primary deficit will increase by 76.4%, to P\$3,210.2 million, compared to P\$1,820.2 million projected for 2016, and that the financial deficit will increase by 107.7% to P\$4,013.7 million, compared to P\$1,932.9 million projected for 2016.

Public Sector Debt

The Province satisfies its financial needs through a variety of sources of financing. As of December 31, 2015, the Province's total outstanding indebtedness amounted to P\$5,308.0 million (equal to US\$408.3 million

at the applicable exchange rate for that day of P\$13.30 per US\$1.0). As of December 31, 2016, 99.7% of the Province's total debt was internal debt.

The following table sets out the public consolidated debt position of the Province as of December 31 of each of the years indicated below in pesos and a convenience currency translation into U.S. dollars as of the periods indicated.

Total Outstanding Debt by Creditor

	As of December 31,					As of September 30,	
	2011	2012	2013	2014	2015	2016	
	<i>P\$ thousands</i>					<i>US\$ million⁽⁶⁾</i>	
Federal Government ⁽¹⁾	418,517.5	432,165.9	508,582.0	541,853.5	1,657,966.1	2,098,034.1	138.9
Multilateral credit agencies ⁽²⁾	9,317.8	18,249.3	17,748.4	14,951.7	15,386.1	16,549.4	1.1
Consolidated debt of the central administration ⁽²⁾⁽³⁾	107,762.0	94,716.1	70,167.1	66,393.5	252,284.6	234,145.5	15.5
Commercial banks and financial institutions ⁽²⁾	736.2	—	—	—	—	—	—
Treasury Notes ⁽⁴⁾	12,111.6	12,111.6	12,111.6	12,111.6	12,206.0	12,206.0	0.8
IPAUS –Provincial Law No 478 y No 1068 ⁽⁵⁾	747,380.1	875,092.1	1,392,603.9	1,392,603.9	3,370,194.7	3,370,194.7	223.2
Total	1,295,825.2	1,432,335.0	2,001,212.9	2,027,914.2	5,308,037.5	5,731,130.0	379.5

Notes:

(1) Includes loans granted by the Regional Infrastructure Trust Fund.

(2) Includes certain loans denominated in US dollars, valued at the selling exchange rate published by Banco de la Nación Argentina as of December 31 in each year.

(3) Includes certain treasury obligations corresponding to floating debt for an amount corresponding to the portion that has not been assigned a budgetary item for payment as of the cutoff date.

(4) Corresponds to outstanding PETREL short-term treasury notes issued in 2008 to suppliers, but not presented for payment in compliance with applicable law. Outstanding amounts are registered as indebtedness pursuant to applicable law.

(5) Denominated in US dollars and presented at the selling exchange rate published by Banco de la Nación Argentina on December 31. 2011 and 2012 debt is presented as if payable as of June 30, 2012, as determined by the Court of Auditors. Debt as of December 31, 2015 was valued pursuant to Provincial Law No. 1068.

(6) Exchange rate US\$1.00 = P\$15.1001

Source: General Accounting Office.

SUMMARY TERMS AND CONDITIONS OF THE NOTES

This summary highlights important information presented in greater detail elsewhere in the offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. You should carefully read this entire offering memorandum before investing in the Notes, including “Risk Factors.”

Issuer	Tierra del Fuego, Antártida e Islas del Atlántico Sur
Amount	US\$200,000,000
Interest	The Notes will bear interest at a rate of 8.950% per year. Interest on the Notes will be payable quarterly on each January 17, April 17, July 17 and October 17, beginning on July 17, 2017.
Repayment	The aggregate principal amount of Notes will be amortized over 33 quarterly periods starting on April 17, 2019, as follows: (i) the first 12 payments will be in equal installments of 2.500% of the initial aggregate principal amount, (ii) the subsequent 14 payments will be in equal installments of 3.000% of the initial aggregate principal amount and (iii) the final 7 payments will be in equal installments of 4.000% of the initial aggregate principal amount (each an “Amortization Amount”), <i>provided</i> that in the event of a Prepayment Event as described in “Description of the Notes— Extraordinary Royalties Prepayment Account and Argentine Extraordinary Royalties Prepayment Account” or in the event of a Trigger Event as described in “Description of the Notes—Trigger Events,” the Amortization Amount will be adjusted to reflect that any prepayment shall be in reverse order of maturity. Each Amortization amount will be repaid on each Payment Date commencing with the first principal installment being repaid two years after the Issue Date, with the Notes being repaid in full on the Maturity Date.
Maturity Date	The Notes will mature on April 17, 2027.
Issue Date	The Notes are expected to be issued on April 17, 2017.
Issue Price	98.610% plus accrued interest from April 17, 2017.
Indenture	The Notes will be issued pursuant to a trust indenture to be dated on or about April 17, 2017, among the Province, The Bank of New York Mellon, as trustee (the “Trustee”), The Bank of New York Mellon SA/NV, Luxembourg Branch as Luxembourg Listing Agent, Paying Agent and Transfer Agent and Banco de Valores S.A., as Argentine collateral agent (the “Argentine Collateral Agent”).
Status	The Notes are direct, general, unconditional and unsubordinated obligations of the Province, and will be secured by the Collateral.

Withholding Tax and Additional Amounts	The Province will make payments in respect of the Notes without withholding or deduction for any present or future taxes, duties, levies, contributions, withholdings or transfer expenses of whatever nature in effect on the Issue Date or imposed or established in the future by or on behalf of the Province, Argentina, or any jurisdiction in which the Province maintains a payment agent or any authority thereof or therein having the power to tax, except as set forth in “Description of the Notes—Additional Amounts.”
Collateral	All principal and interest due under the Notes and all other payment obligations of the Province in respect of the Notes will be secured equally and ratably (i) an Argentine law fiduciary assignment, granted on a first lien basis pursuant to the Argentine Trust Agreement, of any and all of the Province’s right, title and interest in the Assigned Percentage of the Specified Royalties, the Argentine Collateral Account (as defined below), the Argentine Dollar Debt Service Reserve Account (as defined below), the Argentine Peso Debt Service Reserve Account (as defined below), the Argentine Dollar Escrow Account (<i>Cuenta de Pago Argentina en U\$S</i>) (as defined below), the Argentine Expense Account (<i>Cuenta de Gastos</i>) (as defined below), New York Guarantee Trust Account (<i>Cuenta del Fideicomiso con Fines de Garantía en Nueva York</i>) (as defined below), the Argentine Trigger Event Prepayment Account (as defined below), and the Argentine Extraordinary Royalties Prepayment Account (as defined below), and (ii) by a first priority, perfected security interest, in favor of the Trustee for the benefit of the Trustee and the Holders, in the Payment Account (as defined below), the Debt Service Reserve Account (as defined below), the Trigger Event Prepayment Account (as defined below) and the Extraordinary Royalties Prepayment Account (as defined below), including any and all amounts on deposit from time to time in such accounts and the proceeds thereof.
Argentine Collateral Trust	A collateral trust will be created in Argentina on or about April 10, 2017 pursuant to Argentine Law among the Province and the Argentine Collateral Agent. The assets of the Argentine Collateral Trust, which will secure the Notes, consist of the Specified Royalties and any other amounts on deposit in certain bank accounts. See “Description of the Notes—The Collateral—Argentine Trust Agreement.”
Argentine Collateral Account	The Argentine Collateral Agent will establish a collateral account in the City of Buenos Aires for the purposes of collecting the Assigned Percentage of the Specified Royalties. All right, title and interest in and to all amounts on deposit from time to time in the Argentine Collateral Account will be held for the benefit of the Secured Parties as their interests shall appear under the Indenture and will not constitute payment of the Obligations (or any other obligations to which such funds are provided under the Indenture to be applied) until applied thereto as provided in the Indenture. See “Description of the Notes—Allocations and Payments—Argentine Collateral Account.”

Payment Account	The Trustee shall establish a Payment Account in the City of New York for the payment of Administrative Claims, and principal and interest on the Notes. Amounts on deposit in the Payment Account will be held for the benefit of the Trustee and the Holders. See “Description of the Notes—Allocations and Payments—Payment Account.”
Reserve Accounts	The Trustee will establish and maintain in the United States the Debt Service Reserve Account (as defined below), pledged to the Trustee subject to an account control and pledge agreement. In addition, the Argentine Collateral Agent shall maintain in the City of Buenos Aires the Argentine Peso Debt Service Reserve Account (as defined below) and the Argentine Dollar Debt Service Reserve Account (as defined below). The Debt Service Reserve Account shall at all times on and following the first Payment Date be required to be “Fully Funded.” The Debt Service Reserve Account shall be deemed to be “Fully Funded” so long as, at any time, the funds on deposit therein (together with (x) the amount on deposit in the Argentine Peso Debt Service Reserve Account, converted into U.S. dollars at the Applicable Exchange Rate on the relevant Determination Date, and (y) the amount on deposit in the Argentine Dollar Debt Service Account) are in an amount sufficient to provide for the payment in full of the next Scheduled Payment Amount. All right, title and interest in and to all amounts on deposit from time to time in the Debt Service Reserve Account and the Argentine Debt Service Reserve Accounts will be held for the benefit of the Secured Parties. See “Description of the Notes—Allocations and Payments—Debt Service Reserve Accounts.”
Extraordinary Royalties Prepayment Account and Extraordinary Royalties Argentine Account	The Trustee will establish the Extraordinary Royalties Prepayment Account (as defined below) in the City of New York and the Argentine Collateral Agent shall establish the Extraordinary Royalties Argentine Account (as defined below), which will be used for the partial payment of the principal owed by the Province under the outstanding Notes in certain circumstances. Amounts on deposit from time to time in the Extraordinary Royalties Prepayment Account will be held in trust for the benefit of the Secured Parties. See “Description of the Notes—Allocations and Payments—Extraordinary Royalties Prepayment Account and Extraordinary Royalties Argentine Account.”
Trigger Event Prepayment Account and Argentine Trigger Event Prepayment Account	The Trustee shall establish the Trigger Event Prepayment Account (as defined below) in the City of New York and the Argentine Collateral Agent shall establish the Argentine Trigger Event Prepayment Account (as defined below) the City of Buenos Aires, which will be used for the partial payment of the principal owed by the Province under the outstanding Notes in certain circumstances. Amounts on deposit from time to time in the Trigger Event Prepayment Account will be held in trust for the benefit of the Secured Parties. See “Description of the Notes—Allocations and Payments—Trigger Event Prepayment Account and Argentine Trigger Event Prepayment Account.”
Negative Pledge	The Notes are subject to a negative pledge. See “Description of the Notes—Covenants—Negative Pledge.”

Collective Action Clauses	The Indenture will contain provisions, commonly known as “collective action clauses” regarding future modifications to the Notes. Under those provisions, modifications affecting reserve matters specified in the Indenture, including modifications to payment and other key terms, may be made to the Notes, with the consent of the Holders of not less than 75% in aggregate principal amount outstanding of the Notes. See “Description of the Notes—Consents, Amendments and Waivers.”
Use of Proceeds.....	Pursuant to the Provincial Constitution and Provincial Law No.1,142, amended by Provincial Law No. 1,149), the Province intends to use the net proceeds of the Notes after deducting commissions, fees and expenses payable by the Province to (i) fund the development of infrastructure projects, including telecommunications and tourism infrastructure projects, the construction of public buildings, and transportation related infrastructure projects; and (ii) acquire capital assets.
Further Issues.....	The Province may from time to time, subject to the conditions set forth in the Indenture, and without notice to, or the consent of, the Holders of the Notes, create and issue Additional Notes (as defined below) having identical terms (other than issue price, issue date and date from which the interest will accrue) as Notes issued on the Issue Date. Any Additional Notes will be consolidated and form a single series with the Notes issued on the Issue Date; provided that if the Additional Notes are not fungible with the Notes for U.S. federal income tax purposes, such Additional Notes will be issued with a separate identification code from the Notes. See “Description of the Notes—Further Issues.”
Governing Law.....	The Indenture and the Notes will be governed by the law of the State of New York.
Form, Denominations and Settlement	<p>The certificates representing the Notes will be issued in fully registered form without interest coupons, in denominations of US\$1,000 and in integral multiples of US\$1,000 in excess thereof. This offering will require a minimum subscription amount of US\$150,000. The Notes will be registered in global form in the name of a nominee of The Depository Trust Company (“DTC”) for the accounts of its direct and indirect participants, including Euroclear and Clearstream Luxembourg.</p> <p>Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC or Euroclear and Clearstream Luxembourg (“participants”), or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be affected only through, records maintained by DTC, Euroclear and/or Clearstream Luxembourg, as applicable, or their respective nominees, and the records of participants. See “Description of the Notes—Form and Registration.”</p>
Listing	Application has been made to have the Notes admitted for listing on the <i>Mercado de Valores de Buenos Aires S.A.</i> and for trading on the MAE. Application will also be made to list the Notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market of the Luxembourg Stock Exchange.

Approvals	The Province will duly obtain all material governmental approvals, consents or licenses that are necessary under the laws of Argentina and the Province for the execution, delivery and performance of the Indenture, the Argentine Trust Agreement and any Notes by the Province or for the validity or enforceability thereof.
Transfer Restrictions	The Notes have not been registered under the Securities Act. As a result, the Notes will be subject to limitations on transferability and resale. See “Transfer Restrictions.”
Taxation	For a discussion of the Argentine and United States tax matters associated with the Notes, see “Taxation.” Prospective purchasers should consult their independent tax advisers to determine the consequences under the tax laws of the country of which they are residents.
Trustee	The Bank of New York Mellon
Argentine Collateral Agent	Banco de Valores S.A.

SUMMARY OF THE COLLATERAL

All principal and interest due under the Notes and all other obligations of the Province in respect of the Notes will be secured equally and ratably by (i) the assignment of the Specified Royalties pursuant to the Argentine Trust Agreement; (ii) a security interest, in favor of the Trustee for the benefit of the Holders and the Trustee, in the Payment Account, the Debt Service Reserve Account, the Trigger Event Prepayment Account and the Extraordinary Royalties Prepayment Account, pursuant to the Account Control and Pledge Agreement between the Province and the Trustee, granting to the Trustee sole and exclusive control and exclusive right of withdrawal over the relevant bank accounts; and (iii) a priority interest, in favor of the Argentine Collateral Agent, for the benefit of the Holders, in the Argentine Collateral Account, the Argentine Dollar Debt Service Reserve Account, the Argentine Peso Debt Service Reserve Account, the Argentine Dollar Escrow Account, the Argentine Expense Account, the New York Guarantee Trust Account, the Argentine Trigger Event Prepayment Account and the Argentine Extraordinary Royalties Prepayment Account, including all amounts on deposit from time to time in such accounts and the proceeds thereof.

The Assigned Percentage of Specified Royalties to be paid by the Dedicated Concessionaires to the Argentine Collateral Trust may decrease throughout the life of the Notes provided that certain coverage ratios and other applicable conditions are met. See “The Collateral—Transfer of the Specified Royalties—Assigned Percentage” and “Description of the Notes—Reduction of Assigned Percentage.”

Pursuant to the Argentine Trust Agreement, the Province agreed to irrevocably and unconditionally transfer to the Argentine Collateral Agent, in favor of the Argentine Collateral Trust and for the benefit of the Holders of the Notes, its right to collect the Specified Royalties. The transfer of the Specified Royalties will be conditioned to the simultaneous consummation of the sale and issuance of the Notes pursuant to the Indenture. The Province shall irrevocably instruct the Dedicated Concessionaires to make any and all payments in respect of the Specified Royalties to the Argentine Collateral Account. Payment in kind shall only be made under limited circumstances.

The Province agreed, pursuant to the Argentine Trust Agreement, to irrevocably instruct the Dedicated Concessionaires to make any payments with respect to the Specified Royalties directly to the Argentine Collateral Trust by depositing such payments into the Argentine Collateral Account.

According to Article 80 of the Province’s Constitution, enforcement of judgments against the Province and Holders’ ability to levy attachments against it is limited by Sections 74, 75 and 76 of the Administrative Code of the Province. Such provisions establish that any payments of judgments against the Province are to be included in the proposed budget for the following year, and that the final determination of amounts due are to be notified on August 20 of each year. The required allocations for compliance with judgments due in lawsuits where the determination of amounts is made final and not appealable and are notified subsequent to August 20 of each year and until December 31 of each year. Such amounts are to be included in the extended budget for the next succeeding year, which will be sent to the Provincial Legislature by March 31 of the next succeeding year for such purposes. The Holders are entitled to apply for judicial enforcement of its claim under the judgment on or after December 31 of the year in which the budget was executed and in which the necessary allocation for compliance with the judgment was made.

RISK FACTORS

An investment in the Notes involves a significant degree of risk. Before deciding to purchase the Notes, you should read carefully all of the information contained in this offering memorandum, including, in particular, the following risk factors. In addition, because the Province is a political subdivision of Argentina, the Province's economic performance and public finances have historically been and will continue to be significantly affected by national events and conditions, such as and by decisions taken and policies implemented by the Federal Government.

Risks Relating to Argentina

Argentine sovereign risk and economic policy

The Federal Government has historically exercised significant influence on the Argentine economy. The economic policies adopted by the Federal Government still have a substantial effect on Argentina, its provinces and the City of Buenos Aires, and on the market conditions, prices and rates of return of federal, provincial and local securities, including the Notes. The Argentine economy is also particularly sensitive to local political developments. In turn, the value of the Notes could be affected by changes in inflation, interest rates, exchange rates, taxes, labor costs, employment rates, social unrest and other political or economic events.

The Province's economic performance and finances are subject to the general economic conditions prevailing in Argentina, and could be affected by various developments that could occur. During 2001 and 2002, Argentina experienced a severe social, political and economic crisis. Although the Argentine economy has recovered significantly since 2002, it remains fragile and unstable due to (i) depressed commodity prices, on which the Argentine economy is relatively dependent and which are also volatile; (ii) high inflation; (iii) regulatory uncertainty; (iv) scarce availability of long-term fixed interest rate credits in Argentina, which could result in lower levels of domestic consumption; (v) a local investment rate which, as a percentage of GDP, is too low to maintain current growth rates; (vi) the Federal Government's high level of sovereign indebtedness; (vii) labor disputes and strikes which could affect different sectors of the Argentine economy; (viii) higher public spending by the Federal Government, which has generated and could continue to generate fiscal deficits; (ix) unemployment and unregistered employment, which remain high; (x) electricity and natural gas supplies, which could be insufficient to satisfy industrial demand and therefore could limit industrial development and consumption; (xi) political uncertainty regarding the changes implemented by the Macri administration; and (xii) the demand for foreign currency, which could escalate due to the factors mentioned above, generating capital flight.

As in the recent past, the Argentine economy could be adversely affected if social and political pressures inhibit the implementation by the Federal Government of policies aimed at controlling inflation, generating growth and enhancing consumer and investor trust. It is also possible that the policies implemented by the Federal Government to improve such factors prove to be unsuccessful.

Moreover, the interests of the Province may not always be aligned with those of the Federal Government or other Argentina provinces. No assurance can be given by the Province to investors that the decisions or actions to be taken by the Federal Government will not have an adverse effect on the Province's economy or its capacity to honor its debt, including the Notes.

The Province is a political subdivision of Argentina and, as a result, the Province's economic performance is subject to general economic conditions in Argentina and to decisions and measures adopted by the Federal Government, which it does not control.

Because the Province is a political subdivision of Argentina, the Province's economic performance and public finances are subject to general economic conditions in Argentina and may be significantly affected by national events, such as the 2001-2002 national economic crisis, and by decisions and measures adopted by the Federal Government, including those related to inflation, monetary policy and taxation. The Province does not control any of these events or decisions. As a result, you should also carefully consider the economic and other information periodically made public by Argentina. The Province does not take part in the formulation of such information.

Moreover, the interests of the Province may not always be aligned with those of the Federal Government or other Argentine provinces and, as a result, the Province cannot assure you that future decisions or measures adopted by the Federal Government will not have an adverse effect on the Province's economy that may affect its ability to service its debt obligations, including the Notes.

Presidential and legislative elections in Argentina may create uncertainties that could impact the Argentine and provincial economies and the securities market.

Presidential and congressional elections in Argentina took place on October 25, 2015, and a runoff election (*ballotage*) between the two leading presidential candidates was held on November 22, 2015, which resulted in Mr. Mauricio Macri (from the Cambiemos coalition) being elected president of Argentina. The Macri administration assumed office on December 10, 2015.

The Macri administration faces challenges in respect of Argentina's economy, such as reducing the rate of inflation, reducing the fiscal deficit, improving the competitiveness of the local industries and normalizing or adjusting prices of certain goods and services, such as electricity and natural gas. Some of the measures necessary to meet these objectives could be unpopular and generate political and social opposition or unrest. As a result, it is difficult to predict the impact of these measures on the Argentine economy as a whole.

Since assuming office, the Macri administration has announced or executed several significant economic and policy reforms, including:

- *INDEC reforms.* On January 8, 2016, based on its determination that INDEC had failed to produce reliable statistical information, particularly with respect to the consumer price index ("CPI"), GDP, poverty and foreign trade data, the Macri administration declared a state of administrative emergency for the national statistical system and INDEC. As of the date of this offering memorandum, INDEC has been publishing statistical information of the Federal Government on a regular schedule and the state of administrative emergency for the national statistical system and INDEC has been lifted. In June 2016, INDEC began publishing inflation rates. INDEC reported an increase of 15.8% for the months of May through December 2016, using its new methodology for calculating CPI. On June 29, 2016, INDEC also published revised GDP data for the years 2004 through 2015 and in March 2017 it published preliminary estimated GDP data for 2016. On September 22, 2016, INDEC resumed publication of its essential goods and services basket assessment. See "—Persistent high inflation could have a material adverse effect on the Province's economic prospects." On November 9, 2016, the Executive Board of the International Monetary Fund's (the "IMF") lifted its censure on Argentina, noting that Argentina had resumed the publication of data in a manner consistent with its obligations under the Articles of Agreement of the IMF.
- *Foreign exchange reforms.* The Macri administration eliminated substantially all of the foreign exchange restrictions, including certain currency controls, that were imposed by previous administrations. These reforms are expected to provide greater flexibility and easier access to the MULC. See "Exchange Rates and Exchange Controls" for a description of the principal measures adopted as of the date of this Offering Memorandum.
- *Fiscal policy.* The Macri administration has taken steps to optimize Argentina's fiscal accounts, reducing the primary fiscal deficit by approximately 1.3% of GDP in December 2015, and will pursue a primary fiscal deficit target of 4.8% of GDP in 2016 and 4.3% of GDP in 2017 through the elimination of subsidies and the reorganization of certain expenditures.
- *Correction of monetary imbalances.* The Macri administration announced the adoption of an inflation targeting regime in parallel with the floating exchange rate regime and set inflation targets for the next four years, including a band of 20-25% for 2016. The Central Bank has increased efforts to reduce excess monetary imbalances and raised peso interest rates to offset inflationary pressures.
- *National state of emergency and reforms in the energy industry.* Following years of very limited investment in the energy sector, as well as the continued freeze on electricity and natural gas tariffs since the 2001-2002 economic crisis, Argentina began to experience energy shortages in 2011. In response to the growing energy crisis, the Macri administration declared a state of emergency with respect to the national electricity system, which will remain in effect until December 31, 2017. See "The Federal Government started implementing significant measures to solve the energy sector crisis but the potential result of these measures is uncertain."
- *Income Tax.* In December 2016, the Federal Congress approved an increase in the income tax minimum income threshold by approximately 23%, from P\$25,000 to P\$30,670 for married workers with at least two children and from P\$18,880 to P\$23,185 for single workers. The minimum income threshold for the income tax calculations

will be subject to automatic adjustments going forward, by reference to increases in the average wages paid to public sector employees. The Federal Congress also passed modifications to the income tax brackets to take the impact of inflation in recent years into account.

- *Tax Amnesty Program.* On July 22, 2016, the Federal Congress passed Law No. 27,260, (the “Tax Amnesty Program”) which, among other things, (a) created a reparations program for retirees and pensioners (the “Historic Reparations Program”), for the purpose of implementing agreements that allow raising benefit amounts and discharging social security debts; (b) declared a state of emergency in social security disputes; (iii) created a universal non-contributory pension system for the elderly, which was granted for life to all individuals over 65 years of age; and (d) established a tax amnesty program.

The Tax Amnesty Program provides that individuals and entities residing in Argentina and owning undeclared funds or property located in Argentina or abroad may declare such property until March 31, 2017 without penalty for tax evasion or claims for payment of outstanding tax liabilities with respect to such assets, provided that they can show that such assets were owned by them as of a certain cutoff date (currently July 22, 2016). The disclosure of assets located outside Argentina does not result in an obligation to repatriate such assets under the program. As a result of the disclosure of assets, the disclosing parties become liable to pay certain fines based on the amounts declared, the nature of the disclosed assets and the date of such disclosure. As of December 31, 2016, approximately P\$82,000 million had been received for payment of fines under the Tax Amnesty Program.

The Historic Reparations Program will be funded out of (i) funds received for payment of fines under the Tax Amnesty Program; (ii) funds from *Fondo de Garantía de Sustentabilidad de ANSES*; and (iii) the proceeds obtained from the liquidation of assets of ANSES, if funds obtained from (i) and (ii) are not sufficient. The Historic Reparations Program will afford retroactive compensation to retirees in an aggregate amount of more than P\$47.0 billion.

In addition, on June 13, 2016, the Argentine Government enacted Federal Law No. 27,253, which established a regime that permits rebates of the Value Added Tax (“VAT”) paid on the purchase of certain staples by retired taxpayers that receive minimum pensions as well as beneficiaries of social programs.

As of the date of this Offering Memorandum, the impact that these measures taken by the Macri administration will have on the Argentine economy as a whole, or on the financial industry in particular, cannot be predicted. In addition, there is uncertainty as to which measures announced during the Presidential election campaign the Macri administration will implement and the timing of such implementation, if any. In particular, we cannot predict how the Macri administration will address certain political and economic issues that were central during the Presidential election campaign, such as the financing of public expenditures, public service subsidies and tax reforms, or the impact that any measures related to these issues that are implemented by the Macri administration will have on the Argentine economy as a whole. Additionally, in the recent elections, political parties opposed to the Macri administration retained a majority of the seats in the Argentine Congress, which will require the Macri administration to seek political support from the opposition for its economic proposals. This creates further uncertainty as to the ability of the Macri administration to pass any measures. The inability of the Macri administration to properly implement measures as a result of lack of political support may adversely affect the Argentine economy and financial condition and, as a consequence, the economy and financial condition of the Province.

Persistent high inflation could have a material adverse effect on the Province’s economic prospects.

According to INDEC data, since 2003, consumer prices increased by 10.5% in 2012, 10.9% in 2013, 23.9% in 2014 (calculated using IPCNu, a different methodology). According to the City of Buenos Aires’ CPI, inflation was 26.6% in 2013, 38.0% in 2014, 26.9% in 2015 and 41.0% in 2016. According to the Province of San Luis’ CPI, which measures inflation in the Province of San Luis, inflation was 31.4% in 2016. In June 2016, INDEC published the CPI for the first time since Decree No. 55/2016 declared the state of administrative emergency on the national statistical system. INDEC reported an increase of 15.8% for the months of May through December 2016. Although the data published by INDEC using the new methodology is closer to the inflation index published by private consultants, differences between the official and private calculations persist.

Continuing high inflation rates could negatively affect the Province’s economic growth and its ability to service its debt obligations, including the Notes. The Province cannot assure you that inflation rates will decline or remain stable in the future or that the measures adopted or that may be adopted by the Federal Government to control inflation will be

effective or successful. Recent adjustments approved by the government in electricity and gas tariffs, as well as the increase in the price of gasoline have been passed through to prices, creating additional inflationary pressure. The factors that contribute to inflation are mainly the result of Federal Government economic policies that are not under the control of the Province.

In addition, approximately 7.2% of the Federal Government's outstanding debt is adjusted by reference to the CER, which was linked to the INDEC CPI until 2015, to the City of Buenos Aires CPI between January and March 2016 and to the Province of San Luis CPI until May 25, 2016. Therefore, any significant increase in the inflation rates could increase the federal outstanding debt and, consequently, have an adverse effect on Argentina's financial condition and, consequently, have an adverse effect on the Province's financial condition.

Some national and international economic agents have expressed their concerns about the accuracy of the INDEC's CPI and other economic data published by INDEC in the past.

During the presidency of Fernández de Kirchner, the INDEC underwent institutional and methodological reforms that gave rise to controversy regarding the reliability of the information that it produced, including GDP, unemployment and poverty data. Reports published by the IMF stated that alternative measures of inflation for macroeconomic surveillance, including data produced by private sources, showed inflation rates considerably higher than those published by INDEC between 2007 and 2015. The IMF also censured Argentina for failing to make sufficient progress, as required under the Articles of Agreement of the IMF, in adopting remedial measures to address the quality of official data, including inflation and GDP data. In February 2014, the INDEC released a new inflation index, known as the IPCNu, which was intended to measure prices on goods across the country and replaced the previous index that only measured inflation in the City of Buenos Aires and its surrounding areas. Although this new methodology brought inflation statistics closer to those estimated by private sources, differences between official inflation data and private estimates persist.

Following the 2015 presidential elections, the Macri administration appointed Mr. Jorge Todesca, previously a director of a private consulting firm, as head of the INDEC. The INDEC is currently implementing certain methodological reforms and adjusting certain macroeconomic statistics. On January 8, 2016, Decree No. 55/2016 was issued by the Federal Government declaring a state of administrative emergency on INDEC. Following the declaration, the INDEC stopped publishing certain statistical data until a reorganization of its technical and administrative structure was performed in order to supply adequate and reliable statistical information. During the implementation of these reforms, INDEC used official CPI figures and other statistics published by the Province of San Luis and the City of Buenos Aires. Despite these reforms, there is uncertainty as to whether official data will be sufficiently corrected, how fast and to what extent INDEC can regain its credibility and within what time period such data will be corrected, and what effect these reforms will have on the Argentine economy. As of the date of this offering memorandum, INDEC has begun publishing certain revised data, including foreign trade and balance of payment statistics. On June 15, 2016, the INDEC began publishing inflation rates, INDEC reported an increase of 15.8% for the months of May through December 2016. On January 1, 2016, the state of emergency was lifted.

Despite these expected reforms, there is uncertainty as to whether official data will be sufficiently corrected and within what time period such data will be corrected, and what effect these reforms will have on the Argentine economy. Furthermore, the Province cannot make any assurances that controversies will not arise in the future regarding the inflation rate calculation methodology.

The reintroduction of exchange controls and restrictions on capital inflows and outflows by the Central Bank may limit the availability of international credit and the liquidity of the market for securities of the Province.

In 2001 and 2002, following a run on Argentina's financial system triggered by the public's lack of confidence in the continuity of the convertibility regime that resulted in massive capital outflows, the Federal Government implemented exchange controls and restrictions on the transfer of foreign currency in an attempt to prevent capital flight and a further depreciation of the peso. These exchange controls substantially limited the ability of issuers of debt securities, among others, to accumulate or maintain foreign currency in Argentina or make payments abroad. Although several of such exchange controls and transfer restrictions were subsequently suspended or terminated, in June 2005 the Federal Government issued a decree that established new controls on capital flows, which in turn resulted in a decrease in the availability of international credit for Argentine companies and provinces.

In addition, from 2011 until President Macri took office in December 2015, the Federal Government increased controls on the sale of foreign currency and the acquisition of foreign assets by local residents, limiting the possibility of transferring funds abroad. Furthermore, new regulations issued from 2012 until President Macri took office subjected certain foreign exchange transactions to prior approval by Argentine tax authorities. During the Fernández de Kirchner administration, through a combination of foreign exchange and tax regulations, the Argentine authorities significantly curtailed access to the foreign exchange market by individuals and private-sector entities.

The extensiveness of exchange controls introduced in the past, and in particular after 2011 during the Fernández de Kirchner administration, gave rise to an active unofficial U.S. dollar trading market, and the peso/U.S. dollar exchange rate in such market substantially differed from the official peso/U.S. dollar exchange rate.

As of the date of this offering memorandum, substantially all exchange controls have been eliminated or relaxed by the Macri administration.

Notwithstanding the measures recently adopted by the Macri administration, the Central Bank and the Federal Government may impose new exchange controls and restrictions on transfers abroad, which may further discourage lending by foreign investors and have an adverse effect on the economy and the Province, especially if access to domestic capital markets is also substantially constrained. In addition, new exchange controls could impact the Province's ability to make payments under the Notes. See "Exchange Rates and Exchange Controls."

Federal Government measures affecting the Argentine and provincial economies may have a material adverse effect on the Province's economic and financial position.

In recent years, the Federal Government has increased its direct intervention in the economy, including, among other things, production, import and export restrictions, exchange rate and capital controls, price controls higher tax rates and changes in the tax laws.

In April 2012, the Federal Government, pursuant to Decree No. 530/2012, ordered a temporary 30-day intervention of Argentine oil company YPF S.A. ("YPF") and sent a bill to the Federal Congress, for the expropriation of 51.0% of the shares of YPF represented by Class D shares and which belonged to Repsol YPF S.A. ("Repsol") and its controlling or controlled affiliates, which was duly approved. In February 2014, Argentina and Repsol signed the "Amicable Solution and Expropriation Agreement" to reciprocally waive their claims and to compensate Repsol. This agreement, which sets compensation payable by Argentina at approximately US\$5.0 billion through U.S. dollar-denominated sovereign bonds, was approved by the Federal Congress pursuant to Law No. 26,932 dated April 24, 2014. Argentina delivered the agreed amount of bonds to Repsol in May 2014, thus ending the dispute between the parties. Immediately after receiving such bonds, Repsol sold substantially all of them to JPMorgan Chase & Co.

The Province cannot assure you that the Federal Government will not adopt other measures to increase its direct intervention in the economy in the future, such as expropriations, nationalizations, enforced renegotiations or modifications to existing contracts, new tax rules, supporting modifications to laws, rules and policies that affect the economy. If such or similar measures are adopted by the Federal Government, they may have a material adverse effect on the economy of Argentina and, in turn, on the Province's economic and financial condition, the value of its bonds and its ability to service its debt obligations, including the Notes.

The intervention of the Central Bank in the foreign exchange market may have a negative impact on international reserves and a material adverse effect on the Argentine and Provincial economies and the Province's ability to service its debt obligations, including the Notes.

The level of international reserves deposited in the Central Bank decreased significantly, to US\$25.5 billion as of January 20, 2016, down from US\$47.4 billion as of November 1, 2011, reducing the Federal Government's capacity to intervene in the foreign exchange market. Recently, the Central Bank adopted measures aimed at increasing the level of international reserves by entering into agreements with various foreign and Argentine entities. As of October 17, 2016, the international reserves reached US\$39.3 billion, surpassing US\$39 billion for the first time since May 2013. As of December 31, 2016, the level of international reserves was US\$38.8 billion.

Purchases of pesos by the Central Bank could cause a decrease in the international reserves of the Central Bank. A significant decrease in the Central Bank's international reserves may have an adverse impact on Argentina's and the Province's ability to withstand external shocks to the economy.

A significant depreciation of the peso would, among other effects, increase the cost of servicing the Province's foreign currency denominated public debt. A significant appreciation in the value of the peso could, among other effects, make provincial exports less competitive with goods from other sources. Either a significant depreciation or appreciation could have a material adverse effect on the Argentine and the provincial economy and the Province's ability to service its debt obligations, including the Notes.

Argentina's ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth.

In 2005 and 2010, Argentina conducted exchange offers to restructure part of its sovereign debt that had been in default since the end of 2001. As a result of these exchange offers, Argentina restructured over 92% of its indebtedness. In 2012, plaintiffs in New York obtained a U.S. District Court order enjoining Argentina from making interest payments in full on the bonds issued pursuant to the 2005 and 2010 exchange offers ("Exchange Bonds") unless Argentina paid the plaintiffs in full, under the theory that the former payments violated the *pari passu* clause in the 1994 Fiscal Agency Agreement (the "FAA") governing those non-performing bonds. The Second Circuit Court of Appeals affirmed the so-called *pari passu* injunctions, and on June 16, 2014, the U.S. Supreme Court denied Argentina's petition for a writ of certiorari and the stay of the *pari passu* injunctions was vacated on June 18.

In 2014, the Federal Government took a number of steps intended to continue servicing the bonds issued in the 2005 and 2010 exchange offers, which had limited success.

The Macri administration engaged in negotiations with holders of defaulted bonds in December 2015 with a view to bringing closure to fifteen years of litigation. In February 2016, the Federal Government entered into an agreement to settle with certain holders of defaulted debt and put forward a proposal to other holders of defaulted debt, including those with pending claims in U.S. courts, subject to two conditions: (i) obtaining approval by the Federal Congress and (ii) lifting of the *pari passu* injunctions. On March 2, 2016, the U.S. District Court agreed to vacate the *pari passu* injunctions, subject to two conditions: (i) repealing of all legislative obstacles to settlement with holders of defaulted debt securities issued under the FAA and (ii) full payment to holders of *pari passu* injunctions with whom the Federal Government had entered into an agreement in principle on or before February 29, 2016. The U.S. District Court's order was affirmed by the Second Circuit Court of Appeals on April 13, 2016. On March 31, 2016, the Federal Congress repealed the legislative obstacles to the settlement and approved the settlement proposal. On April 22, Argentina issued US\$16.5 billion of new debt securities in the international capital markets and applied US\$9.3 billion of these proceeds to satisfy settlement payments on agreements with holders. The U.S. District Court vacated all *pari passu* injunctions upon confirmation of such payments.

On December 22, 2016, in a case involving certain creditors that had not responded to the February 2016 settlement proposal and alleged a continued violation of the *pari passu* clause, the District Court found that no continued *pari passu* violation existed although the plaintiffs' bonds remained unpaid while Argentina was paying its consenting creditors as well as the newly issued bonds. In its ruling, the District Court also found that under New York law claims relating to Untendered Debt governed by New York law become time-barred after six years.

As of the date of this offering memorandum, litigation initiated by bondholders that have not accepted Argentina's settlement offer continues in several jurisdictions, although the size of the claims involved has decreased significantly.

Although the vacating of the *pari passu* injunctions removed a material obstacle to access to capital markets by the Federal Government, future transactions may be affected as litigation with holdout bondholders continues, which in turn could affect the Federal Government's ability to access international credit markets, and thus could have a material adverse effect on Argentina's and the Province's economies.

The Argentine economy could be adversely affected by economic events in other markets.

The Argentine economy is influenced by economic and financial conditions in other markets. Argentina is particularly affected by events in the economies of its main regional trading partners, such as Brazil (whose currency has recently depreciated by 25% against the U.S. dollar), or countries such as the United States and China, which are either regional trading partners or have a significant bearing on world economic cycles. The economy of Brazil, Argentina's largest export market and the principal source of Argentina's imports, is currently experiencing heightened negative pressure due to the uncertainties stemming from its ongoing political crisis. The Brazilian economy contracted by 3.8% during 2015, mainly due to an 8.3% decrease in industrial production. A further deterioration of economic conditions in

Brazil may reduce demand for Argentine exports and increase demand for Brazilian imports. While the impact of Brazil's downturn on Argentina cannot be predicted, the Province cannot rule out the possibility that the Brazilian political and economic crisis could have further negative impacts on the Argentine economy and that of its provinces and local governments. A decline in Brazilian demand for imports could have a material adverse effect on the Province's economic growth.

On August 31, 2016 the Senate of Brazil approved the impeachment and removal of Dilma Rousseff as president of Brazil, on the grounds of fiscal responsibility crimes during her term in office. Michel Temer, vice-president during Dilma Rousseff's administration, succeeded her, by constitutional mandate, as new president of Brazil to serve for the remaining period until January 1, 2019.

If interest rates increase significantly in developed countries, including the United States, Argentina and other emerging economies may find it more difficult and costly to obtain credit and refinance their current debt, which could negatively affect their economic growth. Also, if these countries fall into a recession, the Argentine economy would be impacted by a decline in its exports, particularly of its main agricultural commodities.

On June 23, 2016, the United Kingdom ("UK") voted by a majority in favor of the British government taking the necessary action for the UK to leave the European Union. At this time, it is not certain what steps will need to be taken to facilitate the UK's exit from the European Union or the length of time that this may take. The UK's decision to leave the European Union has caused, and is anticipated to continue to cause, significant new uncertainties and instability in the financial markets, which may affect the Province and the trading price of the Notes.

In addition, on December 4, 2016 in a referendum Italy voted to, among other things, revise Title V of the Italian constitution and overhaul the structure of the Italian parliamentary system. Italian voters rejected the constitutional changes submitted to the referendum vote by the government, prompting Prime Minister Matteo Renzi to resign. The Italian referendum vote has caused, and is anticipated to continue to cause, political uncertainty and instability, including the possibility of a new government being elected that takes positions or actions adverse to the Italian economy or the European Union.

These uncertainties could have a material adverse effect on the Province's fiscal condition or prospects. It is unclear at this stage what the impacts of these decisions will ultimately be for the Province or the trading price of the Notes. All these factors could have a negative impact on Argentina's economy and consequences on the Province's economic growth and ability to make payments under its debt obligations, including the Notes.

The Federal Government started implementing significant measures to solve the energy sector crisis but the potential result of these measures is uncertain.

Following Argentina's 2001-2002 economic crisis, the subsequent freeze of gas and electricity tariffs in pesos and the significant devaluation of the peso against the U.S. dollar, there has been a lack of investment in gas and electricity supply and transport capacity in Argentina. At the same time, demand for non-liquefied natural gas and electricity has increased substantially.

The Macri administration has announced various measures, including Decree No. 134/2015 of December 16, 2015, which placed the national electricity system in a state of emergency until December 31, 2017. The Macri administration also announced that it would review the energy subsidy policies, and on January 25, 2016, pursuant to Resolution No. 6/2016 and Resolution No. 31/2016, the Argentine Ministry of Energy approved the "Quarterly Reprogramming of Summer" for the wholesale electricity market, thus increasing rates by almost 200% on average, and the elimination of some natural gas subsidies and adjustments to natural gas rates.

Certain provincial governments, municipalities, hospitals, companies and residents, among others, have filed claims with the National Ministry of Energy and with competent courts against the new electricity and gas tariffs. In some cases, intervening courts have agreed to their demands or ordered public services providers to suspend the application of the new tariffs, arguing, in general, that the increased tariffs are arbitrary, illegal and/or unconstitutional. The Federal Government has been holding formal meetings with several provinces to assess the situation and the impact that the rise in electricity and gas tariffs may have on their economy and financial situation. As a result of those meetings, an understanding has been recently announced by the Federal Government with respect to natural gas and electricity involving limitations on the increase in tariffs and the establishment of differential rates or discounts in certain cases.

On August 18, 2016, the Supreme Court ruled and confirmed the suspension of the increased residential gas tariffs, arguing that the increased tariffs cannot be established without previously holding public hearings (a requirement that was not fulfilled by the Federal Government when increasing the tariff). The Supreme Court ruling did not address industries and businesses, to which gas tariff increases will be applicable. On September 16, 2016, the Ministry of Energy conducted a public hearing and informed that a new gas tariff scheme will be announced during October 2016. In addition, on September 6, 2016, the Supreme Court reversed a Federal Court of Appeals ruling that suspended the increase in residential electricity tariffs in certain districts of Buenos Aires province, arguing that the plaintiffs lacked standing to initiate the proceeding. As of the date of this offering memorandum, there are other claims initiated in other jurisdictions, which may reach the Supreme Court for resolution. On October 28, 2016, a non-binding public hearing was conducted by the Ministry of Energy and Mining and the National Electricity Regulating Agency (the *Ente Nacional Regulador de la Electricidad* or “ENRE”) to present tariff proposals submitted by distribution companies covering the greater Buenos Aires area (with approximately 15 million inhabitants) for the 2017-2021 period in the framework of the Integral Tariff Review (as defined below). On February 1, 2017, the ENRE enacted several resolutions which, among other policy changes, implement a reduction of electricity subsidies for electricity distributors Empresa Distribuidora y Comercializadora Norte S.A. and Empresa Distribuidora Sur S.A., and an increase in electricity tariffs for residential users of said companies. The amount of the increase varies between 61% and 148% depending on the amount of electricity consumption. On December 14, 2016, eight non-binding public hearings (in Buenos Aires, Mendoza, Neuquén, Mar del Plata, Formosa, Santiago del Estero and Puerto Madryn) were conducted by the Ministry of Energy and Mining and ENRE to present tariff proposals for electricity transmission at the national and regional levels and the seasonal reference prices of capacity and energy in the wholesale electricity market, as well as a proposal to reduce subsidies for the 2017-2021 period. The determination of the final tariffs and reference prices is pending.

Although the state of emergency is expected to allow the Federal Government to take measures to guarantee the supply of electricity, it is impossible to guarantee that the restrictions on the supply of energy will not continue. If the Federal Government fails to address the negative effects on energy generation, transportation and distribution in Argentina with respect to both the residential and industrial supply, resulting in part from the pricing policies of the prior Federal Government administrations, it could weaken confidence in and adversely affect the Argentine economy and financial condition and lead to social unrest and political instability. Furthermore, if the investment that is required to increase non-liquefied natural gas production and energy generation, transportation and distribution capacity fails to materialize on a timely basis, economic activity in Argentina could be curtailed and this could affect the economic and financial condition of the Province.

Fluctuations in the value of the peso could have a material adverse effect on the economies of Argentina and its provinces and their respective ability to service its debt obligations.

After several years of variations in the nominal exchange rate, in 2012, there was a devaluation of approximately 14% of the peso against the U.S. dollar. This was followed by a further devaluation of the peso against the U.S. dollar of approximately 30% in 2013 and 2014, which included a devaluation of approximately 24% in January 2014. In 2015, there was a devaluation of approximately 52% of the peso against the U.S. dollar, which included a devaluation of 10% from January 1, 2015 to September 30, 2015, and a 38% devaluation in the last quarter of 2015, which was mainly experienced after December 16, 2015, as a consequence of a significant economic reform implemented by the new federal administration. In 2016, despite there were no significant devaluations, the peso lost 21.9% of its value against the U.S. dollar.

A significant depreciation of the peso would, among other things, increase the cost of servicing the Province’s foreign currency denominated debt. A significant appreciation in the value of the peso could, among other things, make Provincial exports less competitive with goods from other sources. Either a significant depreciation or appreciation could have a material adverse effect on the Argentine and the provincial economy and the Province’s ability to service its debt obligations, including the Notes.

In turn, the high inflation recorded during the past years, with formal and “*de facto*” exchange controls and foreign trade restrictions imposed during the Cristina Fernández de Kirchner administration, resulted in an increasingly overvalued real official exchange rate. This overvaluation caused distortions in prices, a loss of competitiveness of Argentine production, impeded investment and resulted in economic stagnation.

A significant appreciation of the peso against the Dollar also presents risks for the Argentine and provincial economies, including the possibility of a reduction in exports (as a consequence of the loss of external competitiveness). Any such appreciation could also have a negative effect on economic growth and employment and reduce tax revenues in real terms.

From time to time, the Central Bank may intervene in the foreign exchange market in order to maintain the currency exchange rate. Additional volatility, appreciations or depreciations of the peso or reduction of the Central Bank's reserves as a result of currency intervention could adversely affect the Argentine economy and the provinces' ability to service their debt obligations, including the Notes.

Future crises in Argentina's financial sector could threaten the financial system and lead to renewed political and social tensions, adversely affecting the Argentine economy.

During 2001 and the first half of 2002, Argentina experienced a massive withdrawal of deposits from the Argentine financial system in a short period of time, as depositors lost confidence in the Federal Government's ability to repay its foreign debt and maintain the convertibility regime. This precipitated a liquidity crisis within the Argentine financial system, which prompted the Federal Government to impose exchange controls and restrictions on the ability of depositors to withdraw their deposits. A future run on deposits could create liquidity or solvency problems for financial institutions, resulting in a contraction of available credit, and could bring about similar or other Federal Government measures that lead to renewed political and social tensions.

Increases in the Federal Government's public expenditures could have a material adverse effect and long-standing negative consequences on Argentina's economic prospects.

During the recent years, the Federal Government significantly increased its public expenditures. In 2015, the Federal Government registered a primary balance deficit of P\$104.9 billion, or 2.0% of Argentina's GDP, and its public expenditures increased by 35.5% as compared to 2014, from P\$1,035.80 billion in 2014 to P\$1,403.40 billion in 2015. According to information published by the Ministry of Finance, for the eleven months ended November 30, 2016, the primary deficit of the Federal Government was P\$191.7 billion. The Federal Government received financial assistance from the Central Bank and ANSES to meet its financing needs.

The Macri administration has undertaken an important step to curb the fiscal deficit by reducing energy subsidies. However, changes in these policies could have a negative impact on consumer purchasing power and lead to higher inflation. Furthermore, the Federal Government's primary fiscal balance could be negatively affected if public expenditures continue to increase in the future. Weaker fiscal results of Argentina could have a material adverse effect on the Federal Government's ability to access long-term financing and, in turn, limit the Province's ability to access international financial markets.

Federal Government intervention and regulation may adversely affect the Concessionaires' (including the Dedicated Concessionaires') operations and financial condition and, therefore, may adversely affect the Province's economic performance and public finances and the Province's ability to make payment on the Notes.

Historically, the Argentine oil and gas industry has been subject to significant control by the Federal Government through the ownership of state-owned companies engaged in this business. Between 1993 and 2011, the Federal Government reduced its level of regulation and privatized large sectors of the oil and gas industry, leading to an increasing participation of private companies. Notwithstanding such reduction in overall regulation and control of the industry, the Argentine oil and gas industry is still subject to governmental regulation and intervention in such matters as the award of exploration and production permits and Concessions, restrictions on production and exports, the imposition of gross production assessments and tax (such as the imposition of export tariffs on crude oil exports) and specific investment obligations related to drilling, and other work and environmental controls, as well as domestic price controls. Furthermore, in 2004 the Federal Government established Energía Argentina S.A. ("ENARSA"), a state-owned hydrocarbon and energy company, intended to do business in the energy industry, including oil and gas activities. The corporate purpose of ENARSA is the exploration and exploitation of solid, liquid and gaseous hydrocarbons, the transport, storage, distribution, commercialization and industrialization of these products, as well as the transportation and distribution of natural gas, and the generation, transportation, distribution and sale of electricity.

In this context:

(i) Export taxes have resulted and could result in future production declines.

Certain measures adopted by the Argentine Government have had an impact on the price of crude oil in the domestic market. The prices of crude oil were mainly determined based on supply and demand in the domestic market from 1991 to 2001. However, from 2002 to January 2017, the Argentine Government imposed certain taxes on exports of crude oil to boost reductions in the price at which the crude oil is sold in the domestic market. Resolution No. 394/2007 issued by the Ministry of Economy and Public Finance, published on November 16, 2007, modified the taxes on exports of crude oil and other products derived from crude oil. The current regime provides that in accordance with Resolution No. 394/2007 if the international WTI (West Texas Intermediate) price exceeds the benchmark price, which is currently fixed at US\$60.9/barrel, producers may charge a price of US\$42/barrel, and the remaining amount will be withheld by the Argentine Government as an export duty. If the international WTI price is lower than the benchmark price but higher than US\$45/barrel, a 45% withholding tax will apply. If the price is lower than US\$45/barrel, the applicable export duty will be established by the Federal Government within 90 business days. The withholding export tax rates determined as set forth above are also applicable today to diesel, gasoline and other crude oil by-products.

Resolution No. 1/2013 issued by the Ministry of Economy and Public Finance increased the cutoff values set forth in Resolution No. 394/2007 to US\$70/barrel and US\$80/barrel, respectively. Pursuant to Resolution No. 1/2013, the purpose of this measure is to achieve a similar level of profitability between the oil to be exported and the oil for the domestic market.

On December 29, 2014, due to a decline in the international prices of crude oil the Ministry of Economy and Public Finance issued Resolution No. 1077/2014 whereby the rate of the export tax on crude oil and certain by-products was reduced if the international price of crude oil was lower than US\$79 per barrel. Such reduced rate is not applicable if the international price exceeds US\$79 per barrel. In such case, Resolution No. 1077/2014 establishes application of a formula as a result of which the Argentine Government maintains by means of a withholding tax the difference between US\$70 per barrel and the export price.

In addition, various measures issued by the Argentine Government prohibited or limited the Concessionaires' (including the Concessionaries of Dedicated Areas) ability to pass along price increases to end users of gas.

On January 7, 2017, the extension of Article 6 of National Law No. 25,561, which established the authority of the Federal Government to establish the rates export taxes to be paid for hydrocarbons, expired. There can be no assurance that in the near future, export taxes or other rights will be reinstated, which would reduce the income of the Concessionaires (including the Concessionaires of Dedicated Areas). In addition, changes and subsequent amendments to such regulations, threshold amounts, withholding taxes or the scope of intervention by the Argentine Government that discourage investments, could also have an adverse impact on the Concessionaire's ability (including the Concessionaires of Dedicated Areas) to produce and market their hydrocarbons. Such events could result in an adverse effect on their operations and financial condition, which could affect the economic performance and public finance of the Province.

(ii) The Federal Government has intervened and may further intervene in the determination of oil and gas prices.

Since 2002, the Federal Government has prevented the gas transportation and distribution companies from passing gas price increases along to end users, thus causing the price of non-liquefied natural gas in Argentina (especially the gas used for residential purposes) to remain substantially lower than regional market prices of non-liquefied natural gas. These limitations have had, and may continue to have, a substantial adverse effect on the results of operations and the financial condition of the Concessionaires (including the Concessionaires of Dedicated Areas) and, therefore, they may have an adverse impact on the Province's economy, financial condition and the ability to pay its debts, including the Notes. See "Legal and Regulatory Framework of Oil and Gas Exploration and Production."

(iii) The Federal Government may limit oil and gas exports.

Since 2002, the Federal Government has imposed extensive restrictions on exports of non-liquefied natural gas, crude oil and liquefied petroleum gas ("LPG"). These limitations have had, and may continue to have, a material adverse effect on the Concessionaires' operations and financial condition and, therefore, may continue to adversely affect our economic performance and public finances. In addition, the Concessionaires' operations and financial condition, as well as the Province's economic performance and public finances, may be adversely affected if the Federal Government: (a) continues issuing additional regulations or exerting political pressure to curb price increases or reduce exports on oil and gas products; (b) applies its regulatory emergency authority to set prices on oil and gas products; (c) reassign the volume

of natural gas to be supplied to the local market; or (d) adopts other measures to stabilize prices or determine domestic supply.

Foreign shareholders of companies operating in Argentina have initiated investment arbitration proceedings against Argentina that have resulted and could result in arbitral awards and/or injunctions against Argentina and its assets and, in turn, limit its financial sources.

In response to the emergency measures implemented by the Government during the 2001-2002 economic crisis, a number of claims were filed before the International Centre for Settlement of Investment Disputes (“ICSID”) against Argentina. Claimants alleged that the emergency measures were inconsistent with the fair and equitable treatment standards set forth in various bilateral investment treaties by which Argentina was bound at the time.

As of the date of this offering memorandum, there are four final awards issued by ICSID tribunals against Argentina in an aggregate total of US\$467.4 million, and Argentina is seeking the annulment of three additional awards for an aggregate total of US\$805.5 million. There are four ongoing cases against Argentina before ICSID with claims totaling US\$1.65 billion, and in one of these cases (with aggregate claims totaling US\$1.6 billion) the ICSID tribunal has already ruled that it has jurisdiction. There are seven additional cases with claims totaling US\$3.1 billion in which the parties agreed to suspend the proceedings pending settlement discussions. A successful completion of these negotiations could lead additional ICSID claimants to withdraw their claims, although the Province can offer no assurance to this effect. Two additional awards were recently rendered in an aggregate amount of US\$14.5 million and as of January 13, 2017, the deadline for applications for annulment has not yet passed.

Claimants have also filed claims before arbitral tribunals under the rules of the United Nations Commission on International Trade Law (“UNCITRAL”) and under the rules of the International Chamber of Commerce (“ICC”).

As of January 13, 2017, there was one final outstanding UNCITRAL award against Argentina for a total of US\$7.39 million and Argentina is seeking the annulment of two additional awards for an aggregate amount of US\$21.1 million. As of such date, there were three ongoing cases against Argentina before UNCITRAL and ICC tribunals with claims totaling US\$625.4 million, including one case with a US\$508.7 million claim in which the tribunal had already ruled that it has jurisdiction. There was one additional case with a claim of US\$168.7 million in which the parties agreed to suspend the proceedings pending settlement discussions.

In October 2013 and May 2016, Argentina settled two final awards issued by an UNCITRAL tribunal that awarded a claim against Argentina for US\$104.0 million and US\$189.5 million, respectively.

The Province is not a party to any of these proceedings and, as such, cannot give any assurance that Argentina will prevail in having any or all of those cases dismissed, or that if awards in favor of the plaintiffs are granted, that it will succeed in having those awards annulled. Any awards rendered against Argentina could have a material adverse effect on the Argentine and provincial economies and the Province’s ability to service its debt obligations, including the Notes.

Risks Relating to the Province

Growth rates in developing economies tend to be very volatile. A sudden and significant decline in the growth rate of the Province could have a material adverse effect on the Province’s public finances and its ability to service its debt obligations, including the Notes.

The economy of the Province, like that of Argentina, has experienced significant volatility in recent decades, including numerous periods of low or negative growth and high and variable levels of inflation.

On March 27, 2014, the Federal Government announced a new methodology for calculating GDP using 2004 as the base year as opposed to 1993, which was the base reference year under the prior methodology of calculating GDP. In addition, in June 2016, INDEC published revised national GDP data for 2004 through 2015 and in March 2017 it published preliminary estimated GDP data for 2016. According to the revised data, the Argentine economy experienced a slowdown in 2014 in real terms, with GDP decreasing at a rate of 2.5%, growth of 2.6% in 2015 and a slowdown of 2.3% in 2016, each compared to the preceding year. In real terms, the Province’s GDP registered a 12.4% increase in 2012, a 2.5% increase in 2013, a 16.0% decrease in 2014 and a 3.0% increase in 2015, in each case compared to the prior year. No assurances can be given that the rate of growth experienced over past years will be achieved in subsequent years or that the economy will not contract. If economic conditions in Argentina were to slow down or contract, if inflation were to accelerate further, or if the Federal Government’s measures to attract or retain foreign investment and

international financing in the future are unsuccessful, such developments could adversely affect Argentina's economic growth and in turn affect the Province's economy and financial condition.

In most cases, these factors are outside the control of the Province. If the Province's economic growth slows, stops or contracts, the Province's revenues may decrease significantly, the market price of the Notes may be adversely affected and the Province's ability to service its public debt, including the Notes, may be materially adversely affected.

The global economic and financial crisis has and could continue to negatively affect the Province's economy.

The global economic and financial crisis that commenced in 2008 has had a significant negative impact on the economies of countries around the world. Developed economies like the United States have sustained some of the effects, while some emerging economies like that of China and Brazil have suffered substantial but comparatively milder effects. More recently, several European economies have revealed significant macroeconomic imbalances. The financial markets have reacted adversely, curtailing the ability of certain of these countries to refinance their outstanding debt. The Province cannot predict the ongoing impact of this crisis on the Province's economy and financial performance. The ongoing effects of the crisis could include a reduction in exports, a decline in provincial and national co-participation tax revenues and an inability to access international capital markets, which may materially and adversely affect the Province's economy.

The depreciation of the currencies of one or more of the Province's trading partners or trade competitors relative to the peso may result in provincial exports becoming more expensive and less competitive. It may also cause an increase in relatively cheaper imports. A decrease in exports and an increase in imports may have a material adverse effect on the Province's economic growth, financial condition and ability to service its debt obligations, including the Notes.

Fluctuations in the value of the peso could have an adverse effect on the Province's economy and its ability to service its debt obligations.

All decisions relating to the peso are adopted by the Central Bank and the Federal Government and may have an adverse impact on the financial condition of Argentina and its provinces. Following the collapse of the peso U.S. dollar parity under the convertibility regime and the implementation of a floating exchange rate system in early 2002, the peso depreciated significantly and has continued to fluctuate, despite regular Central Bank intervention in the foreign exchange market.

During the last eight years, the peso has depreciated significantly against the U.S. dollar. After several years of variations in the nominal exchange rate, there was a devaluation of approximately 14% of the peso against the U.S. dollar in 2012. This was followed by a further devaluation of the peso against the U.S. dollar that exceeded 30% in 2013 and 2014, including a loss of approximately 24% in January 2014. In 2015, there was a devaluation of the peso against the U.S. dollar of approximately 52%, including a 10% devaluation from January 1, 2015 to September 30, 2015, and a 38% devaluation in the fourth quarter of 2015, which occurred mainly after December 16, 2015 as a consequence of significant economic reforms implemented by the Macri administration.

A nominal depreciation of the peso would increase the cost of servicing the Province's public debt, while a real appreciation of the peso could make exports from the Province less competitive with goods from other countries and lead to a decrease in exports from the Province.

The Province is unable to predict whether, and to what extent, the value of the peso may further depreciate or appreciate against the U.S. dollar. Any further significant depreciations or appreciations of the peso could have a material adverse effect on the Argentine and provincial economies and the Province's ability to service its debt obligations, including the Notes.

The intervention of the Central Bank in the foreign exchange market, aimed at counteracting sharp fluctuations in the value of the peso, may affect the level of international reserves and could have an impact on the Argentine and provincial economies and the Province's ability to service its debt obligations.

During recent years, the Central Bank has regularly intervened in the foreign exchange market in order to manage the currency and prevent sharp fluctuations in the value of the peso. Purchases of pesos by the Central Bank could cause a decrease in the international reserves of the Central Bank. A significant decrease in the Central Bank's international reserves may have an adverse impact on Argentina's and the Province's ability to withstand external shocks to the economy. Since the new Macri administration came into office, the Central Bank has reduced its interventions in the

foreign exchange market significantly, although the Province cannot assure you that further interventions will not be imposed in the future.

Additionally, the level of international reserves deposited with the Central Bank has varied significantly during the past five years, reaching as low as US\$24.1 billion as of December 17, 2015, resulting in a reduced capacity of the Federal Government to intervene in the foreign exchange market. The Central Bank recently took certain measures to increase the level of international reserves deposited with the Central Bank through the execution of certain agreements with several Argentine and foreign entities. These measures have resulted in increased international reserves, reaching US\$50.6 billion as of March 1, 2017. The Province cannot assure you the extent to which this program will effectively maintain an adequate level of international reserves and what effects a decline in international reserves may have on the provincial economy.

The Province's limited sources of financing and investment may have an adverse effect on its economy and ability to service its obligations, including the Notes.

The Province's primary source of financing remains the Federal Government. The Province cannot assure you that foreign investors and lenders will be willing to invest in or lend money to the Province in the future, or that the Province will be able or willing to access international capital markets. The Province cannot assure you either that local sources of financings will remain available. The loss or limitation of these sources of financing or the Province's inability to attract or retain foreign investment in the future could adversely affect the Province's economic growth and public finances and its ability to service its debt obligations, including the Notes.

The Province's Industrial Promotion Regime grants certain benefits aimed at promoting the manufacturing business, and its repeal, non-renewal, expiration or modification could have adverse effects on its results.

Law No. 19,640, passed in 1972, established a special tax and customs regime for the National Territory of Tierra del Fuego, Antártida e Islas del Atlántico Sur (the "Industrial Promotion Regime"), as part of a geopolitical strategy that fostered population growth. Under the Industrial Promotion Regime, a free-trade area was established in all Provincial territory other than Isla Grande de la Tierra del Fuego, and a special customs area was established in Isla Grande de la Tierra del Fuego, including an industrial sub-regime that grants fiscal and customs benefits aimed at promoting the manufacturing sector. See "Provincial Industrial Promotion Regime."

In 2009, changes in the domestic tax provisions of the Industrial Promotion Regime were introduced that were designed to prioritize the production of electronic goods in the Province, and consolidate it as a hub for manufacturing electronic goods for mass consumption.

At present, the Industrial Promotion Regime is a broad and complex framework that encompasses all the economic activities performed in the Province (other than those related to the exploitation of natural resources, which are developed under the general regime), and half of the economically active population of the Province is employed in areas subject to the Industrial Promotion Regime.

Although in accordance with Mercosur regulations the Federal Government may decide to extend the Industrial Promotion Regime beyond its original effective date in 2023, no assurance can be made that the Federal Government will grant such extension or that, if granted, such extension will have favorable terms to the Province or that the current terms will be maintained. The elimination of the Industrial Promotion Regime or a material change that limits, modifies or eliminates the tax and customs benefits established in it could have adverse effects on the employment rate, economic growth and public finances of the Province, and on its ability to repay its debt, including the Notes.

The Provincial manufacturing sector has historically depended in substantial part on foreign imports duties imposed by the Federal Government over which the Province has no control. Any reduction of these subsidies, as occurred in February 2017, may have a material adverse effect on the Province's manufacturing sector.

The competitive advantage that certain products have in the Argentine market depends on the import duties imposed by the Federal Government and applicable to these products when they are imported from other countries. Import duties in Argentina are established by the Federal Government by decree. In February 2017, the Federal Government issued Decree No. 117/2017 establishing a reduction from 35% to 0% of the import duty for finished goods related to information technology, which includes computers and other electronics (except for cellular phones), and which will take effect on April 1, 2017. By eliminating the import duty applicable to these products, which are produced domestically

in substantial numbers in the Province, foreign manufacturers of these information technology products will be able to sell their products in Argentina at substantially lower prices than in the past, which may have a material adverse effect on the Province's manufacturing sector. As a result, the Province believes that this decision may have an adverse effect on the employment rate and economic growth of the Province, as it may result in closures or significant reductions of certain companies operating in the Province.

The Provincial Government has become indebted to IPAUSS, which could result in an increase in the Province's aggregate indebtedness.

During the economic crisis experienced by the Province in the 1990s, certain deposits in BTF, including deposits made by the Social Security Provincial Institute (currently, the Instituto Provincial Autárquico Unificado de Seguridad Social, or "IPAUSS") of dues and contributions belonging to the Provincial pension system, totaling US\$208 million as of that date, were used by BTF to grant loans that were not repaid. As part of BTF's bailout program, under Provincial Law No. 478, this debt was recognized by the Province and a residual fund was created from which high-risk loans for up to US\$208 million were excluded. As a result, the Province became the largest debtor of the Provincial pension system. See "The Provincial Economy—Provincial Social Security System." There can be no assurance that similar issues involving the Province's Social Security System or BTF will not develop in the future, which in turn could materially adversely affect the results of BTF and the Province's economic growth and public finances and ability to pay its debt obligations, including the Notes.

The Province is required to cover the deficits of its social security system, which could adversely affect its ability to make payments under the Notes.

The Province's social security system functions on a "pay-as-you-go" basis, meaning that it does not maintain funds that are invested to meet future pension or healthcare obligations. Instead, it receives stipulated contributions from employees and from the Province on behalf of its employees and uses those funds as needed to meet current payment obligations to beneficiaries. If required payments exceed the funds contributed to the social security system by employees and by the Province on behalf of its employees (as has been the case for the past 6 years), the Province is required by Provincial law to cover the deficit. Until 2011, the Federal Government made transfers to the Province to cover approximately 70% of these deficits, but since 2012 these transfers were not made and as a result the Province has increased social security expenditures in recent years. The Province is currently negotiating with the Federal Government in order to reinstitute such transfers, including reimbursement to the Province of the amounts not received since 2012, but no assurance can be given that such agreement will be finalized. If the agreement with the Federal Government is not finalized and no further sources to fund the deficit of the social security system are available to the Province, the Province is likely to continue recording deficits in its overall balance and, as a result, its ability to pay its debt obligations, including the Notes, may be adversely affected.

The Province's economy relies on the production and export of commodities. A decline in international prices for the Province's principal commodity exports could have a material adverse effect on the Province's economy and public finances.

The Province has historically relied on commodities, particularly the production and export of agricultural products such as soybeans, corn, rice and meat. The global market for commodities is highly competitive, subject to transportation and other costs, and sensitive to world economic cycles. Commodity prices have increased to historically high levels since 2003. However, the prices of most of the Province's commodity exports declined significantly between the third quarter of 2008 and the first quarter of 2009, and subsequently began to increase, until the fourth quarter of 2011, when they declined again. In addition, revenues that the Federal Government receives from taxes on export of commodities would also decrease, thus producing a decrease in export tax revenues. Moreover, the Macri administration has eliminated export taxes on many agricultural products and has reduced export taxes on soybeans from 35% to 30%. If international commodity prices continue to decline or do not increase further in the future or if export tax revenues were to decrease, Argentina's economy, and consequently, the Province's economy, financial condition and ability to pay its debt obligations, including the Notes, could be adversely affected.

A suspension, interruption or delay of federal tax transfers or financial assistance from the Federal Government or any modification of the Federal Co-Participation Regime in a manner that is unfavorable to the Province may have

a material adverse effect on the Province's public finances and its ability to meet its debt service obligations, including the Notes.

The Federal Co-Participation Law currently governs the Federal Co-Participation Regime. Under this law, the Federal Government is currently required to transfer to the provinces 100.0% of revenues from consumption taxes levied on various non-basic goods (such as cigarettes and alcohol), 89.0% of value-added tax revenues, 64.0% of income tax revenues, 100.0% of property transfer tax revenues, 83.8% of taxes on prizes, 50.0% of cooperative tax revenues, 100.0% of minimum presumed income tax revenues and 30.0% of financial transactions tax revenues.

During 2015, transfers from the Federal Government represented 49.7% of Province's total revenues. A modification of the Federal Co-Participation Regime is subject to the consent of all of the provinces of Argentina, the City of Buenos Aires and the Federal Government. Modifications have been postponed in several instances due to the importance of the revenues involved and the fact that no government was willing to reduce its participation in the regime. The Federal Government, the provinces and the City of Buenos Aires have not been able to come to an agreement regarding changes to the regime. In February 2016, the Federal Government, through Decree No. 406/16, created the *Acuerdo para el Nuevo Federalismo* ("Agreement for a New Federalism") program which is designed to eliminate a 15.0% deduction from co-participation payments to the provinces which was used to partially fund ANSES. On May 18, 2016 the Federal Government, the Argentine provinces and the City of Buenos Aires entered into an agreement to eliminate the current reduction of 15% of the resources of co-participation monies destined to social security obligations and other expenses in charge on ANSES, as provided for in the Federal Agreement of August 1992, as amended and supplemented, and reassigned to the provinces. The agreement provides that starting in 2016 the current reduction of 15% will be prorated by 3% per year over the following calendar years, resulting in the following scheduled deductions: 12% in 2016, 9% in 2017, 6% in 2018, 3% in 2019 and 0% starting in 2020. The Province cannot assure you that the current Federal Co-Participation Regime or the referred agreement will not be suspended or interrupted or that it will not be modified in a way that is unfavorable to the Province. Any such event could have a material adverse effect on the Province's public finances and its ability to meet its debt service obligations, including the Notes.

Liquidity or other problems that BTF may face could have an adverse effect on the Province's economic growth and cause the Province to incur extraordinary, unbudgeted expenditures.

BTF is a major source of financing for consumers and businesses in the Province and for the Province. If BTF were to experience liquidity or other problems, the amount of financing available to the Provincial private sector could be reduced, which could in turn negatively affecting the Province's economic growth.

During the financial crisis of the late 1990s and early 2000s, BTF's liquidity was significantly reduced as a result of a run on deposits and its inability to attract new deposits following the federally mandated freeze on deposits, as well as the increase in its portfolio of non-performing loans. As a result, in accordance with the Central Bank's regulations, the General Treasury of the Province made several capital contributions to BTF, as authorized by Provincial law. The Province has not made any capital contributions to BTF for more than five years. However, the Province cannot assure you that it will not be required to provide further financial or other support to BTF if its liquidity were compromised, which could lead to unbudgeted expenditures and liabilities, undermine the Province's public finances and adversely affect its ability to service its debt obligations, including the Notes.

If the Federal Council of Fiscal Responsibility were to determine that the Province's budget did not comply with the Federal Fiscal Responsibility Law, the Province could be subject to sanctions.

In August 2004, the Federal Congress adopted Law No. 25,917 ("Federal Fiscal Responsibility Law"), which became effective on January 1, 2005 and the Province adhered to this law through Provincial Law No. 694. This law establishes a fiscal regime for the Federal Government and the provinces relating to transparency in public administration, expenditures, fiscal balances and indebtedness and, in particular, requires balanced budgets. In 2009, the Federal Congress enacted Law No. 26,530, which suspended for 2009 and 2010 some of the general rules of the Federal Fiscal Responsibility Law, including the prohibition on the use of proceeds of new indebtedness to fund current expenditures and the freeze on new borrowings if debt service obligations exceed 15.0% of current revenues (net of transfers to municipalities). National budget laws for 2012, 2013, 2014, 2015 and 2016 extended this suspension to each of such years. The Federal Fiscal Responsibility Law also created the *Consejo Federal de Responsabilidad Fiscal* ("Federal Council of Fiscal Responsibility"), which is comprised of representatives from the Federal and Provincial governments and is responsible for controlling compliance by the provinces and the Federal Government with the Federal Fiscal

Responsibility Law. As of the date of this offering memorandum, the Federal Council of Federal Fiscal Responsibility has never imposed sanctions on any province for non-compliance with the Federal Fiscal Responsibility Law. However, if the Federal Council of Federal Fiscal Responsibility determines that the Province's budget does not comply with the currently applicable sections of the Federal Fiscal Responsibility Law, the Province could be subject to sanctions, including restrictions on federal tax benefits for the Provincial private sector, limitations on guaranties from the Federal Government, denial of authorizations for further borrowings and limitations on federal transfers (other than federal tax transfers mandated by law, including Federal Co-Participation Regime transfers). For the fiscal year ended on December 31, 2016, the Province was in compliance with the Fiscal Responsibility Law, as amended by Law 26,530, including the provisions related to increases in expenditures, indebtedness and the maintenance of a balanced budget.

Any revisions to the Province's official financial or economic data resulting from a subsequent review of such data by the Provincial Office of Statistics or any other Provincial entity could reveal a different economic or financial situation in the Province, which could affect your evaluation of the market value of the Notes.

Certain financial, economic and other information presented in this offering memorandum may subsequently be materially revised to reflect new or more accurate data as a result of the review by the Province's General Accounting Office, the Province's Statistics Office or any other Provincial entity that reviews the Province's official financial and economic data and statistics. These revisions could reveal that the Province's economic and financial conditions as of any particular date are significantly different from those described in this offering memorandum. These differences could affect your evaluation of the Province's conditions and impact in the market value of the Notes.

The Province keeps its books and records in pesos and prepares its budgets and revenue and expense statements in accordance with reporting standards that differ from the accounting principles in effect in other jurisdictions.

The Province keeps its books and records in pesos and prepares its budgets and revenue and expense statements in accordance with the Province's accounting standards. Other Argentine provinces apply these accounting standards, but these standards differ from the generally accepted accounting principles of Argentina (the "Argentine GAAP") and the generally accepted accounting principles of other jurisdictions, such as the United States (the "U.S. GAAP"). The main features of the Province's accounting standards include the following: (i) revenues are not recorded in the Province's budgets and revenue and expense statements based on the accrual method, but are recognized in the period they are received; (ii) expenses are recorded in budgets and revenue and expense statements based on the accrual method and not at the moment of payment; (iii) capital investments are measured at cost, without deduction for depreciation or amortization and, therefore, the Province does not record any depreciation or amortization charges in its books; (iv) capital expenditures and investments in intangible property are not capitalized; instead, they are recorded as an expense in the year they are incurred; and (v) construction contracts are recorded as an expense using the degree of progress method. No assurance can be given that a reconciliation among the Province's accounting standards, the Argentine GAAP and the U.S. GAAP will not identify material quantitative differences among the Province's budgets and statements prepared in accordance with the Province's accounting standards, the Argentine GAAP and the U.S. GAAP. In particular, the Province does not restate its revenue, expense or public debt data for inflation, as required under certain circumstances by the Argentine GAAP, since the Argentine GAAP are not legally applicable to the Argentine provinces. The financial information on historical revenues and expenses contained in this offering memorandum is stated in pesos at nominal value, as the Province considers that disclosing the information in such manner will result in a smaller distortion in the comparison of such information from one period to another than the distortion that would result from presenting such discussion in constant amounts in pesos. We cannot assure, however, that such form of disclosure will accurately reflect the trends underlying the variations by line item. Increases in total expenditures could have a material adverse effect on the Province's ability to pay its debt obligations, including the Notes.

The Province's economy remains vulnerable to external shocks that could be caused by significant economic difficulties of Argentina's and/or the Province's major regional trading partners or by more general "contagion" effects, which could have a material adverse effect on the Province's economic growth and its ability to service its public debt.

Considering the recent international turmoil, Argentina's and the Province's economies remain vulnerable to external shocks, including those relating to or similar to the global economic crisis that began in 2008 and the recent uncertainties surrounding European sovereign debt. For example, the challenges faced by the European Union to stabilize some of its member economies, such as Greece, Ireland, Italy, Portugal and Spain, have had international implications affecting the

stability of global financial markets, which has hindered economies worldwide. Although economic conditions vary from country to country, investors' perceptions of events occurring in one country may substantially affect capital flows into and investments in securities from issuers in other countries, including Argentina.

Furthermore, weak, flat or negative economic growth of any of Argentina's and/or the Province's major trading partners, such as China or Brazil, could adversely affect Argentina's and the Province's economy. The United States is the Province's largest export market, representing 20.6% of total exports in 2016, and as such, any decline in U.S. demand for Provincial exports could have a material adverse effect on the Province.

Although the Chinese economy has grown significantly in recent years, the rate of growth has declined and the Chinese economy may not be able to sustain the same growth rate in the future. Adverse economic conditions, including economic instability, a slowdown in overall economic growth in China, or an economic downturn or recession, may result in reduced demand by China for the Province's exports.

Further, the renminbi, the legal currency in China, is not a freely convertible currency and therefore restrictions on currency exchange implemented by the Chinese government may limit the ability of the Province's trading partners to pay for the Province's exports. The value of the renminbi against other foreign currencies is subject to changes in the Chinese government's policies and international economic and political developments. Recently, on August 11, 2015, the Chinese government reformed the quotation mechanism of the central parity of renminbi against the US dollar to enhance renminbi exchange rate flexibility. The Chinese government may decide to further revalue the renminbi against the US dollar or other currencies, or allow the renminbi to enter into a full or limited free float, which could result in an appreciation or depreciation in the value of the renminbi against the US dollar or other currencies. Any devaluation of the renminbi against the US dollar could negatively affect the volumes of the Province's exports to China.

The Province's economy may be affected by "contagion" effects. International investors' reactions to the events occurring in one emerging market country sometimes appear to follow a "contagion" pattern in which an entire region or investment class is disfavored by international investors. Argentina, including the Province, could be adversely affected by negative economic or financial developments in other emerging market countries. In the past, the Province has been adversely affected by such contagion effects on a number of occasions, including the 1994 Mexican financial crisis, the 1997 Asian financial crisis, the 1998 Russian financial crisis, the 1999 devaluation of the Real and the 2001 collapse of Turkey's fixed exchange rate regime. The Province cannot assure you that similar events in the future will not have an adverse effect on its economic growth and its ability to service its public debt, including the Notes.

The Province may also be affected by conditions in developed economies, such as the United States, that are significant trading partners of Argentina or have influence over world economic cycles. For example, if interest rates increase significantly in developed economies, including the United States, Argentina and its emerging markets trading partners, such as China, could find it more difficult and expensive to borrow capital and refinance existing debt, which could adversely affect economic growth in those countries, as well as in the Province.

Continued increases in personnel expenditures could have a material adverse effect on the Province's public finances and its ability to service its debt, including the Notes.

Total expenditure of the Province increased by P\$1,005.8 million, P\$926.3 million, P\$1,319.8 million, P\$2,293.9 million, and P\$3,140.0 in 2011, 2012, 2013, 2014 and 2015, respectively, in each case compared to the prior year. In connection with personnel expenditures, the Province adopted various measures in each year from 2010 to 2015, partially in response to pressure from labor unions, to improve, in real terms, the compensation and benefits of public employees. In addition, the Province has over time increased public employment. During 2015, personnel expenditures made up for 64.1% of the Province's total expenditures and increased by P\$1,968.4 million compared to 2014. The Province has limited flexibility to reduce personnel expenditures in the future because its employees are covered by statutory guarantees of employment stability. The cumulative effect of these measures between 2011 and 2015 has led to a substantial increase in the Province's expenditures during this period, including a 224.1% nominal increase in personnel expenditures. The Province cannot assure you that public employees will not request further compensation increases or that further increases will not be granted, or that additional personnel will not be hired. Such increases could have an adverse effect on the Province's public finances and its ability to service its debt, including the Notes.

Measures adopted by the Federal and Provincial Government and claims by workers and labor unions may exert pressure on the Province to increase salaries and/or grant additional employee benefits or discontinue the reforms launched, all of which could increase the Province's expenditures.

In the past, the Federal and Provincial Government have passed laws, regulations and decrees ordering private companies to maintain certain salary levels and provide certain benefits to their employees.

Additionally, both public sector and private sector employees have in the past exerted significant pressure on their employers to increase salaries and provide more benefits. In the future, the Federal Government may adopt new measures ordering companies to increase salaries and provide additional benefits to their employees and/or employers may succumb to pressure from their employees to such ends. Any such increase or the discontinuance of the current reforms launched by the Provincial Government may result in higher expenditures for the Province, therefore reducing its financial results.

The Province has experienced a fiscal deficit since 2011. If the Province were to require financial assistance from the Federal Government in the future and if the Federal Government does not provide such assistance or if the Province is unable to secure financing elsewhere, the Province may not be able to meet its debt service obligations, including on the Notes.

The Province's fiscal balance may be insufficient to meet the Province's debt service obligations, including the Notes. The overall balance of the Province has been negative since 2011 in an amount of P\$191.3 million for 2011, P\$320.6 million for 2012, P\$133.1 million for 2013, P\$89.6 million for 2014 and P\$1,048.3 million in 2015. Although the Federal Government has provided financial assistance in the past to the Province to cover such deficits, financial assistance may not be received in the future, in which case, if the Province were unable to secure alternative sources of financing elsewhere, the Province may not be able to meet its debt service obligations, including on the Notes.

In addition, the Province cannot assure you that foreign investors and lenders will be willing to lend money to the Province in the future, or that the Province may also be able or willing to access international capital markets. The Province also cannot assure you that any local sources of financings will remain available to it. The loss or limitation of these sources of financing or the Province's inability to attract or retain foreign investment in the future could adversely affect the Province's economic growth and public finances and ability to pay its debt obligations, including the Notes.

Failure to adequately address actual and perceived risks of institutional deterioration and corruption may adversely affect Argentina's and the Province's economy and financial condition.

A lack of a solid institutional framework and corruption have been identified as, and continue to be a significant problem for Argentina and its provinces. In Transparency International's 2015 Corruption Perceptions Index survey of 167 countries, Argentina was ranked 107, the same position that it held in 2014. In the World Bank's Doing Business 2016 report, Argentina ranked 121 out of 189 countries, up from 124 in 2015.

Recognizing that the failure to address these issues could increase the risk of political instability, distort decision-making processes and adversely affecting Argentina's and its provinces' international reputation and ability to attract foreign investment, the Macri administration has announced several measures aimed at strengthening Argentina's institutions and reducing corruption. These measures include the reduction of criminal sentences in exchange for cooperation with the government in corruption investigations, increased access to public information, the seizing of assets from corrupt officials, increasing the powers of the Federal Anticorruption Office (*Oficina Anticorrupción*) and the passing of a new public ethics law, among others. In the case of the Province, a draft public ethics law applicable to its public officers and employees is currently being considered by the Provincial Legislature.

The Federal Government's and the Province's ability to implement these initiatives is uncertain as it would require the involvement of the judiciary branch, which is independent, as well as legislative support. The Province cannot give assurances that the implementation any of these measures will be successful.

The Province is a defendant in various lawsuits related to its 2002 default on its public external indebtedness.

The Province is a party to several lawsuits arising in the ordinary course of its activities and involving a variety of issues, from alleged contractual breaches to damages for, in the aggregate, approximately P\$1,353.0 million, including six claims by IPAUSS for the collection of debt certificates for approximately P\$727.0 million. Because these

proceedings are currently at different stages, it is difficult for the Province to estimate their chances of success, any likely damages, or the length of time involved in each case.

The Province can give no assurance that further litigation will not result in substantial judgments against the Province. Present or future litigation could result in the attachment of, or injunctions on, assets of the Province that it intends to use for other purposes, and could have a material adverse effect on the Province's public finances.

For further information regarding civil, commercial and administrative proceedings involving the Province, see "The Provincial Economy—Litigation."

Risks Relating to the Collateral

Operational risks related to oil and gas exploration and production may adversely affect the Concessionaires' results of operations and financial condition and may therefore adversely affect the Province's ability to repay the Notes.

Oil and gas exploration and production activities are subject to natural hazards and uncertainties, including those relating to the physical characteristics of oil and gas fields. The operations of the Concessionaire are subject to all of the risks generally inherent in the exploration and production of oil and gas, including, but not limited to, blowouts, fires, equipment failure, weather and natural disasters, strikes and other risks that can result in personal injuries, loss of life and property and environmental damage. Drilling activities are also subject to numerous risks and may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. In addition, the Concessionaires' operations of gas gathering, compression and treatment plants, oil transportation, storage and loading facilities are subject to all of the risks generally inherent to such operations.

The occurrence of any such events relating to operations may adversely affect the Concessionaires' financial condition and results of operations, which may reduce the value of the Collateral and adversely affect the Province's ability to repay the Notes.

The Concessionaires' concessions and licenses may be terminated, which could have a material adverse effect on their operations and financial condition and therefore on the Province's ability to repay the Notes.

The terms of the concessions under which some of the Concessionaires' businesses operate typically require the operator to meet specified requirements and to maintain minimum quality and service standards as well as to make certain minimum investments. Failure to comply with these criteria or any other term under the concession could result in the imposition of fines or other government actions. In addition, the Concessionaires' licenses or concessions may be terminated or revoked.

According to the Hydrocarbons Law, exploration permits and production concessions may be terminated by a competent authority upon the occurrence of any of the following events: (i) failure to pay annual fees within three months from the date on which payment is due; (ii) failure to pay hydrocarbon royalties within three months from the date on which payment is due; (iii) substantial and unjustifiable failure to comply with specified production, conservation, investment, work or other obligations; (iv) repeated failure to provide information to, or facilitate the inspections by, authorities or to utilize adequate technology in operations; (v) in the case of exploration permits, failure to apply for a concession within 30 days of determining the existence of commercially exploitable quantities of hydrocarbons, and failure to file with the competent authority the development program and investment commitment related to the exploitation of such hydrocarbons within 90 days thereafter; (vi) bankruptcy of the concessionaire; (vii) death or cessation of legal existence of the holders of the exploration permits or concessions; or (viii) failure to transport hydrocarbons to third parties on a non-discriminatory basis or repeated violation of the authorized tariffs for such transportation. Except for the cases of bankruptcy, death or cessation of the concessionaire, a cure period should be granted by the competent authority.

There can be no assurance that the Concessionaires will be able to comply in full with the terms and conditions of their licenses and concessions in the future. The Province cannot assure that if a Concession is terminated, such concession will be awarded to a new Concessionaire. The termination or revocation of the licenses or concessions may reduce the value of the Collateral and adversely affect the Province's ability to repay the Notes. See "Legal and Regulatory Framework of Oil and Gas Exploration and Production."

Declines in oil and gas prices may adversely impact the amount of hydrocarbon royalties collected by the Province.

Under the Hydrocarbons Law, the amount of the hydrocarbon royalties payable under a concession is fixed at an amount equal to 12% of production valued at the wellhead price, which pursuant to the regulations of the Ministry of Energy, is defined as the sale price of oil or gas, net of certain expenses of compression, transport, treatment and shrinkage. Additionally, pursuant to Law No. 27,007, in case of extension periods, an additional royalty of 3% will be added for each extension, up to a maximum of 18%.

The Federal Government imposes tariffs on oil exports, and the Concessionaires currently pay oil royalties to the Province calculated as a percentage of wellhead prices which are denominated in U.S. dollars. The Province verifies the affidavits from concessionaires by auditing their billing, production volumes, discounts (freight, costs and treatment) in accordance with the terms of the concessions.

Irrespective of the hydrocarbon royalty payment calculations, declines in oil or gas prices would have a negative impact on the amount of hydrocarbon royalties collected by the Province, which may reduce the value of the Collateral and adversely affect the Province's ability to repay the Notes.

In addition, the Hydrocarbons Law establishes that the Federal Government or the provinces, as applicable, may reduce the 12% payable as royalties referred to above, up to 5% of the wellhead price. Such reduction may only occur if it is shown that actual production is not economically feasible. The Province cannot give assurance that the percentage payable as hydrocarbon royalties will not be subject to a reduction in the future.

Miscalculation of the quantities of oil and gas Total Reserves (as defined herein) may adversely affect the Concessionaires and, as a result, the Province's economic performance and public finances.

Reserve estimates are inherently speculative and subject to numerous uncertainties. Furthermore, past production performance is not a guarantee of future production. The accuracy of any reserve estimate depends on the quality of available data and judicious interpretation of engineering and geological information. Results of drilling, testing and production after the date of the estimate may require substantial upward or downward adjustments. Accordingly, the reserves estimated by the Concessionaires may vary considerably from the quantities of oil and gas that will ultimately be produced. The Province cannot give any assurance that any modifications in the reserve estimates will not be made and that such modifications, if made, will not adversely affect the Concessionaires and therefore the Province's economic performance, public finances and ability to pay its debt obligations including the Notes.

Limits upon transport capacity can limit the ability of Concessionaires to increase the production of gas and adversely affect the economic performance and public finances of the Province.

The ability of the Concessionaires to make economically productive use of their reserves depends upon, among other things, the limits of the necessary oil and gas transport facilities to get production to potential customers at a commercially acceptable price. Generally, petroleum is transported through pipelines and tanker-trucks to refineries, and gas through pipelines in order to reach clients.

In spite of the fact that existing pipelines currently have excess capacity, the possibility that demand and production will outstrip the existing facilities for long-distance transport could adversely affect the operations and assets of the concessionaires and, as a result, the economic performance, the public finances, and the ability of the Province to service the Notes.

Lack of availability of transportation capacity may limit the ability of the Concessionaires to increase oil and gas production and may adversely affect the Province's economic performance and public finances.

The ability of the Concessionaires to economically exploit their reserves is dependent upon, among other things, the availability of the necessary transportation infrastructure to transport the oil and gas produced by the Concessionaires to potential buyers at a commercially acceptable price. Oil is usually transported through pipelines and tankers to refiners and gas is usually transported through pipelines to customers.

Despite the fact that the existing gas pipelines currently have excess capacity, the potential lack of available capacity in the existing long line gas transmission systems in the future may adversely affect the concessionaires' operations and financial condition and, as a result, the Province's economic performance, public finances and ability to repay the Notes.

Gas royalties collected by the Province (including the hydrocarbon royalties) are adversely affected by fluctuations in the value of the peso.

Under applicable regulations, a significant portion of the gas royalties are calculated by reference to wellhead prices denominated in pesos (without adjustment to variation in the peso/U.S. dollar exchange rate) and equally payable in pesos.

As a result, the depreciation of the peso will adversely affect the amount of gas royalties calculated by reference to wellhead prices denominated in pesos, and in turn reduce the value of the Collateral, and adversely affect the Province's ability to repay the Notes.

The current horizon of Total Reserves of gas as of December 31, 2015 is approximately 12.6 years. Extending the reserve horizon and the maintenance of gas production levels depends on additional capital expenditures by the Concessionaires.

The Concessionaires' future increases in and maintenance of current production levels may depend upon their ability to locate additional gas reserves and invest in them, perform additional development work on existing wells, or develop existing undeveloped reserves. The horizon of Total Reserves of gas as of December 31, 2015 is approximately 12.6 years. Unless the Concessionaires conduct successful exploration and development activities in the future, the Proven Reserves of the Concessionaires will generally decline.

The horizon of Total Reserves of oil as of December 31, 2015 is approximately 10.1 years. Extending the reserve horizon and the maintenance of oil production levels depends on additional capital expenditures by the Concessionaires.

The Concessionaires' future increases in and maintenance of current production levels may depend upon their ability to locate additional gas reserves and invest in them, perform additional development work on existing wells, or develop existing undeveloped reserves. The horizon of proven Total Reserves of oil as of December 31, 2015 is approximately 10.1 years. Unless the Concessionaires conduct successful exploration and development activities in the future, the Proven Reserves of the Concessionaires will generally decline.

Any increase in oil or gas production levels may adversely affect the horizon of proven oil or gas reserves, respectively.

Different events, such as increases in oil or gas prices, may encourage the Concessionaires to increase oil or gas production levels. If the Concessionaires increase current oil or gas production levels and the development of new oil or gas reserves does not successfully offset such increase, the horizon of proven oil or gas reserves under the Concessions may be shortened.

The Concessionaires are not participating in the offering of Notes and all information relating to the Concessionaires and its business and operations has been derived from public information and information provided by the Province.

The Concessionaires are not participating in the offering of the Notes and will not receive any portion of the net proceeds therefrom, all of which will be received by the Province. Moreover, the Concessionaires have not reviewed this offering memorandum, nor are the Concessionaires responsible for the accuracy or completeness of any information contained or otherwise referred to herein. The information relating to the Concessionaires has been derived from information provided by the Province.

Risks Relating to the Notes

There is no prior market for the Notes; if one develops, it may not be liquid. In addition, a listing of the Notes on a securities exchange cannot be guaranteed.

There currently is no market for the Notes. The Province cannot promise that such a market will develop or if one does develop, that it will continue to exist. If a market for the Notes were to develop, prevailing interest rates and general market conditions could affect the price of the Notes. This could cause the Notes to trade at prices that may be lower than their principal amount or their initial offering price.

In addition, although application will be made to list the Notes on the Luxembourg Stock Exchange, the MERVAL, admitted for trading in the MAE and to trade on the Euro MTF Market, the Notes offered hereby may not be so listed and traded. Moreover, even if a tranche of Notes is so listed and traded at the time of issuance, the Province may decide

to delist the Notes and/or seek an alternative listing for such Notes on another stock exchange, although there can be no assurance that such alternative listing will be obtained.

The Province's credit ratings may not reflect all risks of investing in the Notes.

The Province's credit ratings are an assessment by rating agencies of the Province's ability to pay its debt when due. Consequently, real or anticipated changes in the Province's credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the Notes. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

There is no assurance that any rating will remain in effect for any given period of time or that it will not be lowered or withdrawn by a rating agency if, in its judgment, circumstances so warrant. If any rating with respect to the Notes is revised or withdrawn, then the liquidity or the market value of the Notes may be adversely affected. A rating on the Notes does not address the possibility of the occurrence of a default or the likelihood of payment by the Province of any redemption premium, additional amounts or any other payments under the Notes.

The rating agencies rating the Notes have been hired by the Province to provide their ratings on the Notes. A rating agency may have a conflict of interest where, as is the case with the ratings of the Notes, the issuer of a security pays the fee charged by the rating agency for its rating services.

It is possible that other rating agencies not hired by the Province may provide an unsolicited rating that differs from (or is lower than) a rating provided by a rating agency of the Notes. As of the date of this offering memorandum, the Province is not aware of the existence of any unsolicited rating provided (or to be provided at a future time) by any rating agency not hired to rate the Notes; however, there can be no assurance that an unsolicited rating will not be issued prior to or after the issuance date, and none of the Province, the Trustee or the Initial Purchaser is obligated to inform investors (or potential investors) in the Notes if an unsolicited rating is issued. Consequently, each investor (or potential investor) should monitor whether an unsolicited rating of the Notes has been issued by a non-hired rating agency and should consult with its financial and legal advisors regarding the impact of such an unsolicited rating. If any non-hired rating agency provides an unsolicited rating on the Notes that differs from (or is lower than) the rating thereon provided by a rating agency, then the liquidity or the market value of the Notes may be adversely affected.

The Notes are subject to restrictions on resales and transfers.

The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes may be offered and sold only (a) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in compliance with Rule 144A or (b) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. For certain restrictions on resale and transfer, see "Plan of Distribution" and "Notice to Investors."

It may be difficult for you to obtain or enforce judgments against the Province.

The Province is a political subdivision of a sovereign entity. Consequently, while the Province has irrevocably submitted to the jurisdiction of U.S. state or federal courts sitting in the Borough of Manhattan, the City of New York, with respect to the Notes, which are governed by New York law, it may be difficult for holders of Notes or the trustee in respect of the Notes to obtain or enforce judgments of courts in the United States or elsewhere against the Province. See "Enforcement of Civil Liabilities."

If holders of the Notes obtained a foreign judgment against the Province, it may be difficult for holders to have that judgment recognized and enforced in Argentine courts in light of the March 6, 2014 decision of the Supreme Court of Argentina in *Claren Corporation vs. Estado Nacional*. In that case, the Supreme Court of Argentina held that the enforcement of a foreign judgment sought by Claren Corporation did not satisfy one of the requirements set forth in the Code of Civil and Commercial Procedure of Argentina (i.e., that a foreign judgment cannot contravene Argentine law principles of public policy), given the fact that such an enforcement as requested by the plaintiff would imply that such plaintiff, pursuant to an individual action filed before a foreign court, would circumvent the public debt restructuring

process set forth by the Federal Government through emergency legislation enacted in accordance with the Argentine Constitution. In addition, the Supreme Court of Argentina held that such norms were part of Argentine public policy and, therefore, that the enforcement of a foreign judgment such as the one sought by the plaintiff could not be granted as it would be clearly contrary to such legislation.

In addition, if holders of the Notes obtained a foreign judgment against the Province, they could find it difficult for such judgment to be recognized and enforced at times of emergency, as determined by the Federal Congress during the 2001-2002 crisis. The Supreme Court of Justice of Argentina held that the enforcement of the foreign judgment requested by Claren Corporation did not meet one of the requirements set forth in the Code of Civil and Commercial Procedure of Argentina (i.e., that a foreign judgment cannot contravene Argentine law principles of public policy). The Supreme Court of Argentina held that (a) the emergency legislation enacted in accordance with the Argentine Constitution after the issuance of the titles held by Claren Corporation (which were the object of the claim) was part of the Argentine public order; and (b) the enforcement sought by Claren Corporation would have resulted in the elution of a restructuring process of Public debt implemented by such legislation. Following this decision, the enforceability of a foreign judgment in Argentina against the Province may be subject to a strict interpretation of local public order principles and a similar award or decision may be expected. The Province cannot assure you that you will be able to obtain or enforce judgments against the Province, including with respect to the Notes.

The Notes will contain provisions that permit the Province to amend the payment terms of the Notes without the consent of all Holders.

The Notes will contain provisions regarding voting on amendments, modifications and waivers, which are commonly referred to as “collective action clauses.” Under these provisions, certain key terms of the Notes may be amended, including the maturity date, interest rate and other payment terms, without your consent.

The cash flow from the assignment of the Trust Property may not be sufficient to meet the liabilities acquired by the Province with respect to the Notes.

The liabilities acquired by the Province in relation to repayment of the Notes are secured by an assignment in trust of the Trust Property. No assurance can be given that the cash flows from the trust assignment described above will be sufficient to meet the Province’s payment obligation with respect to the Notes.

The Assigned Percentage of Specified Royalties to be paid by the Concessionaires may decrease throughout the life of the Notes, which may reduce the value of the Collateral and adversely affect the Province’s ability to repay the Notes.

Pursuant to the provisions of the Indenture and the Argentine Trust Agreement, the Assigned Percentage of Specified Royalties to be paid by the Concessionaires may decrease throughout the life of the Notes, provided that certain coverage ratios and other applicable conditions are met. In order to any such reduction to be effected, the Province will provide a certificate stating that the applicable conditions for a reduction of the Assigned Percentage of Specified Royalties have been met. See “The Collateral—Assigned Percentage” and “Description of the Notes—Reduction of Assigned Percentage.” Any such reduction in the Assigned Percentage of the Specified Royalties, including the discretion of the Province to specify which of the Specified Royalties shall be affected by the reduction, may reduce the value of the Collateral and adversely affect the Province’s ability to repay the Notes.

The Province’s ability to fund the Debt Service Reserve Account, the Extraordinary Royalties Payment Account or the Trigger Event Prepayment Account or fund Extraordinary Royalties’ Payment Events or make other payments of principal and interest and any other amounts under the Notes may be subject to restrictions imposed by foreign exchange regulations.

If foreign exchange regulations from time to time in effect limit the Province’s ability to purchase and/or transfer foreign currency abroad, the Debt Service Reserve Account, the Extraordinary Royalties Payment Account or the Trigger Event Prepayment Account may become temporarily or permanently totally or partially unfunded and the Province may not be able to make payments of principal and interest or any other amounts under the Notes, including Extraordinary Royalties’ Payments.

Argentina may restrict remedies available to creditors in the future.

To protect debtors affected by the economic crisis, since 2001, the Federal Government adopted measures that temporarily suspended proceedings to enforce creditors' rights, including mortgage foreclosures and bankruptcy petitions. Such limitations have restricted creditors' ability to collect defaulted loans. Most of these measures have been rescinded. However, it is possible that in any future adverse economic environment, the government may adopt new measures that restrict the ability of creditors to enforce their rights in respect of Argentine companies, which could also have a material adverse effect on the Argentine financial system.

The value of the Collateral may not be sufficient to satisfy the Province's obligations under the Notes.

The Province's obligations under the Notes are secured by a first-priority lien on the Collateral. The Collateral securing the Notes may decrease in value or lose all value over time, which may lead to a loss of some or all of the principal in investments. Accordingly, there may not be sufficient proceeds from the Collateral to pay all or any of the amounts due on the Notes.

USE OF PROCEEDS

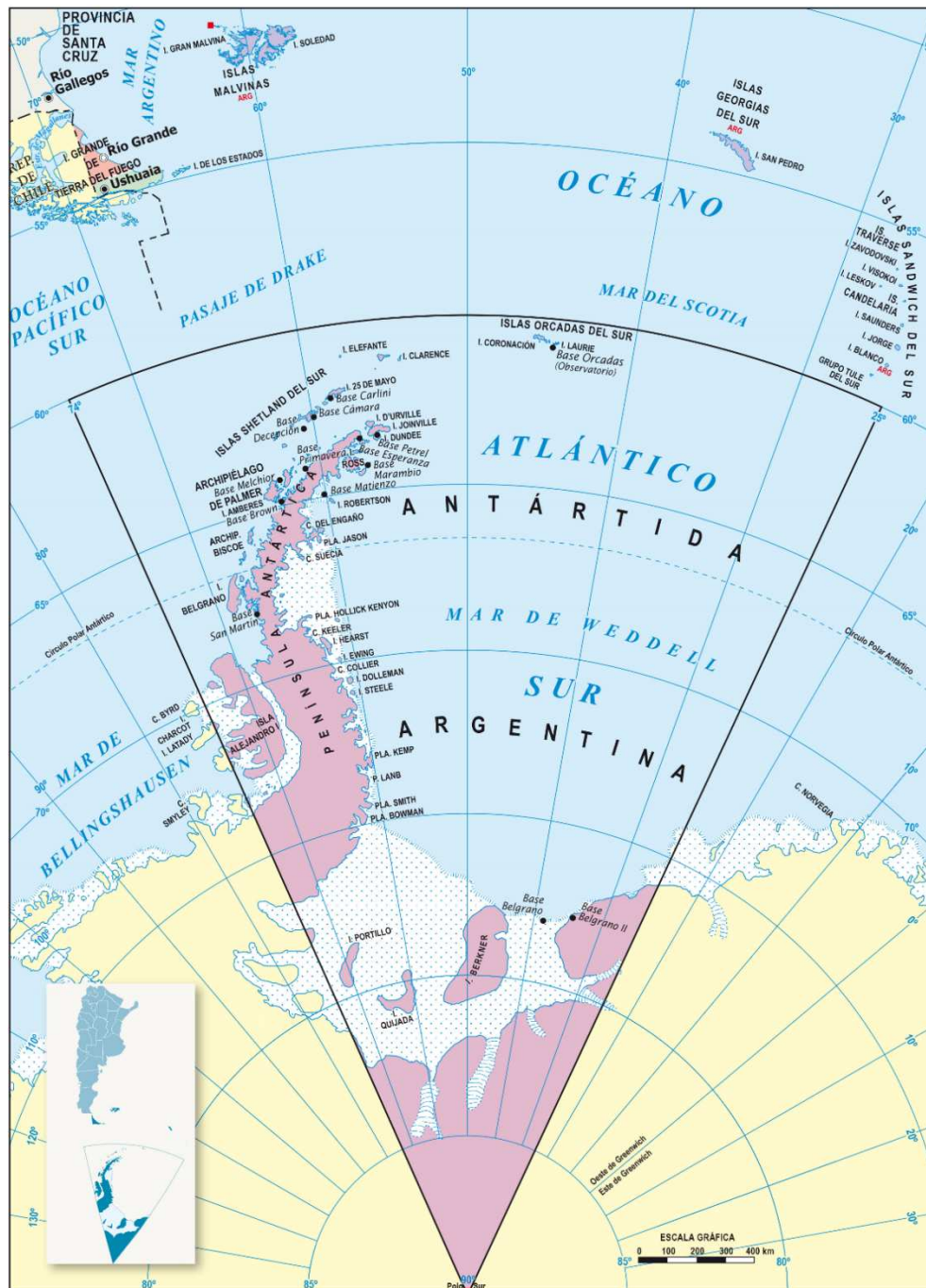
The Province estimates that the net proceeds from the offering, after deducting commissions and other expenses payable by the Province, will be approximately US\$194,208,590. Pursuant to the Provincial Constitution and Provincial Law No. 1,142 (as amended by Provincial Law No. 1,149), the Province intends to use the net proceeds of the Notes after deducting commissions, fees and expenses payable by the Province to fund the development of infrastructure projects, including the development of a Provincial optical fiber trunk network, the development of a coastal program in the Beagle Canal, a new sewage pretreatment plant in Golondrina Bay, a new sewage treatment plant in Arroyo Grande, maintenance and repair of the Province's medical evacuation airplane, a new building for the Province's Court of Auditors, construction works in public buildings, construction of the Bicentenario micro stadium for multiple uses and an auxiliary sports-center, construction of the Deportivo Margen Sur sports complex, and construction of a new building for the Provincial Legislature.

THE PROVINCE

Introduction

The Province of Tierra del Fuego is one of Argentina's 23 provinces. It is located at the southernmost tip of the region known as "Patagonia." With a surface area of 1,002,445 square kilometers (approximately 387,046.2 square miles) it borders Chile to the west and south and the Atlantic Ocean to the north, east, and southeast, and it is connected to the Pacific Ocean by way of the Beagle Channel. Tierra del Fuego is just north of Antarctica and is separated from Antarctica by the Strait of Magellan. The Province's capital is Ushuaia, the southernmost city in the world.

The following maps show the Province's location in Argentina:



Population

According to the most recent Argentine national census, which was finalized in 2010, the estimated population of the Province in 2010 was 127,205 inhabitants. INDEC projections based on the same national census information calculate that the population of the Province was 156,509 inhabitants in 2016, representing 0.3% of Argentina's total population and 5.3% of the total population of the Patagonian region, which includes the provinces of Neuquén, Río Negro, Chubut, and Santa Cruz.

According to 2010 Argentine national census data, approximately 96.8% of the total population of the Province is located in the cities of Río Grande and Ushuaia, with approximately 44.5%, or approximately 56,593 inhabitants, living in Ushuaia and approximately 52.3%, or approximately 66,475 inhabitants, living in Río Grande. Approximately 2.3% of the population of the Province, or approximately 2,949 inhabitants, lives in the city of Tolhuin, and the remaining population of the Province, approximately 0.9% or approximately 1,188 inhabitants, lives in other regions of the Province.

According to the 2010 national census, population density in the Province is 0.1 inhabitants per square kilometer, and varies widely in different areas of the Province. The average annual population growth in the Province is 26.0%. It is estimated that this high growth rate is due primarily to the positive economic effects of the Industrial Promotion Regime and a relatively high medium average salary in the Province compared to other provinces.

History

Tierra del Fuego is the most recently established province in Argentina. The capital of the Province is Ushuaia, which gets its name from a native word meaning "bay facing west." The territory was originally discovered during an expedition directed by Ferdinand Magellan, who named it "*Tierra de Humo*" (Land of Smoke) and, later, "*Tierra de Fuego*" (Land of Fire).

From the middle of the 1550s to the early 1800s, Spanish, Dutch, English and French explorers ventured into Tierra del Fuego and its surrounding seas. In the early 1800s, the Beagle Channel was discovered, which opened up a new route between the Atlantic and Pacific Oceans. In the mid-1800s, Argentine sovereignty became more firmly established in the western area of Isla Grande de Tierra del Fuego. In 1884, the Government of Tierra del Fuego was created, which included a section of Antarctica and the south Atlantic islands.

In 1883, gold was discovered in Tierra del Fuego, and many Croatians from the Dalmatian coast arrived in search of gold. In addition to the new wave of immigrants, the gold rush brought some technological progress. By 1910, gold exploration had decreased, but most of the immigrants settled in the Province permanently.

With the creation of the Maritime Governance of Tierra del Fuego in 1943, construction began on the naval bases in Ushuaia and Río Grande, together with an airport, and other infrastructure in the Province, which attracted a significant number of new immigrants.

On April 26, 1990, a law was enacted granting Tierra del Fuego the status of "province." The Constitution of the Province of Tierra del Fuego, Antártida e Islas del Atlántico Sur (the "Provincial Constitution") was drafted the following year and enacted on June 1, 1991.

Constitutional Framework and Relationship between Federal and Provincial Governments

The Argentine Federal Constitution (the "Argentine Constitution") determines the division of powers between the Federal and Provincial governments. Each province has its own constitution, which establishes its governmental structure and calls for the election of each Provincial governor, vice-governor, and members of the House of Representatives. Pursuant to the Argentine Constitution, each province has jurisdiction over primary education, healthcare, municipal institutions, the Provincial police force, the Provincial judiciary, and other matters of a local or Provincial nature. Additionally, each province has exclusive jurisdiction over borrowing money on its own credit, subject to Federal Government approval and monitoring.

The jurisdiction of the Federal Government is limited to other matters expressly delegated to the Federal Government by the provinces under the Argentine Constitution, which include, among other matters, national debt and federal public

property, the regulation of international trade and commerce and inter provincial commerce, the issuance of currency, regulation of banks and banking activities, national defense, foreign affairs, customs and the regulation of shipping and ports. The Federal Government does not provide for a statutory guarantee, and is not by law responsible for, the financial obligations of any province.

Under the Argentine federal system, each province retains significant responsibility for providing public services and other functions within its territory that require public expenditure, and is partially financed with resources obtained from a centralized tax collection system administered by the Federal Government. The Federal Co-Participation Regime was inaugurated in 1935, when the provinces agreed to delegate to the Federal Government their constitutional power to collect certain categories of taxes in exchange for a portion of the proceeds (also referred to as “tax co-participation”). This coordinated taxation regime has been amended several times, and currently the “shared” or “co-participated” taxes include income tax, value-added tax, a tax on financial transactions and several specific excise taxes levied on consumption.

Political Parties

The following are Argentina’s main political parties:

- *Cambios*, founded in 2015 as a coalition of several parties, including primarily:
 - *Unión Propuesta Republicana* (Republican Proposal Union, or “PRO”), founded in 2005 as an alliance for the national legislative elections following an electoral agreement among several political parties led by Mr. Mauricio Macri, the current President of Argentina;
 - *Unión Cívica Radical* (Radical Civic Union, or “UCR”);
 - *Coalición Cívica* (Civic Coalition, or “ARI”).
- *Partido Justicialista* (“PJ”), which evolved from former President Juan D. Perón’s efforts in the 1940s, and includes the following factions:
 - *Frente para la Victoria* (Front for Victory) (“FPV”), founded in 2005 by former President Néstor Kirchner with the support of a group of governors and members of the PJ; and
 - *Frente Peronista* (Peronist Front).
- *Frente Renovador* (Renewal Front, or “FR”), founded in 2013 by Sergio Massa, in the Province of Buenos Aires, together with a number of other mayors, to participate in the obligatory, simultaneous and open primary elections held in August 2013 and in the mid-term elections held in October 2013.

On October 25, 2015, Presidential and Congressional elections took place in Argentina. Daniel Scioli (FPV) obtained 36.9% of the total vote and Mr. Mauricio Macri (*Cambios*) obtained 34.3% of the total vote. Based on these results, a presidential run-off was held on November 22, 2015, resulting in the election of Mr. Mauricio Macri, with 51.4% of the votes.

In addition to the major national political parties, the Movimiento Popular Fueguino (“MPF”), founded in 1972 as an association of neighbors, is a relevant political force in the Province. The Province was ruled from January 10, 1992 to January 9, 2000 by the MPF.

The PJ has ruled the Province for 6 years. From 2000 to 2004 under Manfredotti’s administration, and from 2005 to 2007 under the Cocco administration. From 2007 through 2015, the governor was Fabiana Ríos from ARI. Ms. Ríos was the first woman to be elected as a governor for a province.

Rosana Bertone is the Province’s current governor. The term of the current governor of the Province ends on December 16, 2019.

Provincial Government

Executive Branch

The executive branch of the Province consists of a governor and, in his/her absence, a vice-governor elected at the same time, in the same manner, and for the same term as the governor. Governors and vice-governors are elected by

popular vote and serve a four-year term. The Provincial Constitution allows the governor and vice-governor to be re-elected or to succeed one another for a second consecutive term. If they have been re-elected or have succeeded one another, they may not be elected again to either of those positions for the following consecutive term.

The governor is in charge of the administration of the Province and performs the following duties, among others: legal representation of the Province in all official relationships; naming and removing ministers and accepting ministers' resignations; naming and removing any officers and employees in the Provincial public administration; submitting to the Legislature the budget for the public administration and decentralized Provincial agencies; and remitting funds (*fondos coparticipables*) to municipalities and communes.

General elections in the Province were held on June 21, 2015. None of the candidates obtained the required 50% vote. As a result, a second round of elections took place on June 28, 2015. The political party Frente para la Victoria, led by Rosana Bertone as Governor and Juan Carlos Arcando as Lieutenant Governor, obtained 49.7% of the total vote and 45.0% of the total vote went to Formula Federico Sciurano and Miriam Boyadjian, of the Unir Tierra del Fuego party. The term of the current governor of the Province expires on December 16, 2019.

Legislative Branch

The legislative branch of the Province consists of a single body (the "Legislature"), which is comprised of 15 representatives who are elected by popular vote and who serve four-year terms. When the Provincial population surpasses 150,000 inhabitants based on actual census data (as opposed to population projections), the number of representatives may increase by one representative for each additional 10,000 inhabitants, up to a maximum of twenty-five new representatives. The Legislature is re-elected in its entirety every four years. The vice-governor serves as President of the Legislature. The most recent Provincial legislative elections were held on October 27, 2015. The terms of the current representatives began on December 17, 2015 and will end December 16, 2019.

The following table shows the composition of the Legislature according to political party.

Composition of the Provincial Legislature by political party
(as of December 31, 2016)

Parties	Number of seats
Frente Para la Victoria (FPV)	8
Movimiento Popular Fueguino (M.P.F.).....	4
Unión Cívica Radical – Cambiemos.....	3
Total	15

Source: Provincial Electoral Court (Juzgado Electoral Provincial)

Judicial Branch

The Provincial judicial branch includes trial courts, a court of appeals, and the Superior Court of Justice, which have jurisdiction over civil, commercial, administrative, labor, family and criminal matters within the Province. The Legislature appoints the members of the Superior Court of Justice based upon the governor's recommendation. The Counsel of Magistrates appoints other judges with the approval of the Legislature.

Judges serve for as long as they are in good standing. While judges in the Superior Court of Justice may be removed only by the Legislature through impeachment proceedings, other judges can be removed by a *Jurado de Enjuiciamiento* (impeachment jury). Argentina also has federal courts with jurisdiction over federal matters within the Province.

Agencies

The Provincial Constitution provides for the existence of the following Provincial agencies:

Tribunal de Cuentas (Court of Auditors)

The Court of Auditors is an autonomous agency established by the Provincial Constitution for the external auditing of the financial operations of the three Provincial branches. It was established on November 26, 1992 by Provincial Law No. 50 and consists of three members, two public accountants and one lawyer. Provincial Law No. 50 established that the operational functions of the Court of Auditors would be decentralized, and provided that the lawyer member shall be

appointed by the Counsel of Magistrates, one of the accountant members by the Executive Branch, and the other accountant member by the Legislature. Members serve for as long as they are in good standing and may be subject to impeachment proceedings.

The Court of Auditors is responsible for informing the provincial government about investment accounts included in the budget for each fiscal year, prior to June 30 of the following fiscal year. A fiscal auditor is appointed, who is responsible for analyzing the accounts of the previous year and for preparing a report from each agency that is included as part of the resolution that is submitted to the Legislature for approval.

Fiscal de Estado (State Attorney)

The State Attorney is in charge of advising and monitoring the legality of the actions of the Provincial public administration and the Provincial treasury. He or she is a party to all administrative lawsuits, and in any other lawsuits that directly or indirectly affect the interests of the Province. The State Attorney is appointed for life by the Executive Branch, with the approval of the Legislature, as long as he or she is in good standing, and he or she may be removed only through impeachment proceedings. The qualifications to be State Attorney are the same as those required to be a member of the Superior Court of Justice.

Contador General (General Accountant) and Tesorero (Treasurer)

The General Accountant and the Treasurer of the Province are nominated by the Executive Branch, with approval of the Legislature. The General Accountant supervises all payment orders to be fulfilled with public funds that are not included in the Province's annual budget law, the Province's accounting laws, special expenditures laws and other provisions. The Treasurer may not make payments unless he or she has been authorized to do so by the General Accountant, in addition to complying with other applicable laws. If the General Accountant and the Treasurer do not fulfill their duties, they may be held personally liable. The Province's accounting laws determine the qualifications, duties, and procedures for removal of the General Accountant and Treasurer.

Political Division

Pursuant to Provincial Decree No. 149/70, the Province is divided into four departments and utilizes a system of non-adjointing territories for its municipalities and communes. This results in land between each municipality or commune which does not form part of any particular municipality. Decisions regarding territories that are not part of any commune or municipality are the responsibility of the Governor's office. There may be more than one municipality or commune represented by a single department.

The four departments are as follows:

- Department of Antártida Argentina, which includes almost the entire Argentine Antarctic region, except Islas Orcadas del Sur (South Orkney Islands);
- Department Islas del Atlántico Sur, which includes the Islas Malvinas (Falkland Islands) and the archipelagos grouped under the name Antillas del Sur;
- Department of Rio Grande, located in the northeast of Isla Grande de Tierra del Fuego; and
- Department of Ushuaia, which includes the southern Argentine portion of Isla Grande de Tierra del Fuego.

The maritime border with the province of Santa Cruz on the easternmost portion of the Strait of Magellan has not been definitively agreed between the provinces, but the Province has entered into an agreement with the province of Santa Cruz to share the royalties from any oil and natural gas extracted there. See "*Hydrocarbon Royalties*."

Municipalities

The Provincial Constitution recognizes municipalities as individual natural, essential, socio-political communities that are sustained by sufficient socio-cultural and socio-economic development. To that end, the Provincial Constitution guarantees political, administrative, and economic autonomy to municipalities, and allows them to establish municipal charters by which they will be governed.

The Province recognizes municipalities as long as they are based on a stable population of at least 2,000 inhabitants, and institutional autonomy is granted to municipalities with a stable population of over 10,000 inhabitants.

Furthermore, the rural area of a municipality can only extend up to five kilometers from its urban center. As a result, there are areas in the Province that are not part of any municipal jurisdiction. Rural urban communities with at least 400 inhabitants and an urban center located at least 30 km from the closest municipality are recognized as communes.

There are four municipalities in the Province: Ushuaia, Río Grande, Tolhuin, and Puerto Argentino (Stanley). In June 2013, two municipalities in the Province, Río Grande and Ushuaia, established municipal charters. There are no communes within these municipalities. The laws creating the towns of Puerto Almanza in 1987 and San Sebastián in 1983 provide for the creation of “development committees” (*comisiones de fomento*). Until these development committees are established, Puerto Almanza will be temporarily administered by the municipality of Ushuaia, and San Sebastián will be temporarily administered by the municipality of Río Grande.

Health

Tierra del Fuego Province has one of the highest life expectancies in Argentina, with an average lifespan of 77 years. The Province is divided into two regions, North (comprised of the city of Río Grande and Tolhuin) and the South (comprised of the city of Ushuaia), which have a combined total of 70 health care facilities (39 private facilities, 21 Provincial facilities, four municipal centers for primary care, three armed forces facilities, and three union-owned facilities). All of these healthcare facilities are equipped with standard medical equipment. Ten of these facilities are suitable for hospitalization, providing a total 360 beds. Each region has at least one hospital that provides high-complexity healthcare. According to INDEC data, as of December 31, 2015, 88.5% of the population in the Province had healthcare coverage under either union-owned health insurance or private healthcare plans.

In 2015 public expenditures on healthcare totaled P\$1,240.1 million, which accounted for 10.1% of the Province’s total expenditures for the year.

Education

According to the 2010 national census, approximately 32.0% of the Province’s population is being educated by the Province’s educational system, with approximately 11.5% of those individuals receiving a primary level education. As of the date of this offering memorandum, the Province has 40 institutions at the preschool level, which includes 27 public and 13 private institutions; 44 institutions at the primary level, which includes 33 public and 11 private institutions; and 34 institutions at the secondary level, which includes 20 public and 14 private institutions. In addition, there are three rural schools that cover all educational levels, including a school at Base Esperanza in the Argentine Antarctic, which provides education to students at all levels.

In 2015, public expenditure on education was P\$3,192.0 million, which accounted for 28.2% of the Province’s total expenditures for that year.

Provincial Social Security System

On October 10, 1984, Territorial Law No. 244 created the pension and retirement regime for employees of the Provincial Government, decentralized entities, municipalities and the Legislative Branch. The regime was administered by the *Instituto de Servicios Sociales del Territorio* (the “ISST”) created by Territorial Law No. 10, as amended in 1990 by Law 442, which created the *Instituto Provincial de Previsión Social* (“IPPS”) following the territory’s change in status to a Province.

During the 1990s, the Province underwent an economic crisis that caused macroeconomic changes, including, among others, a reduction in real GDP. As a result, the ISST used a US\$208 million deposit it had in the BTF to grant loans, which were never repaid. In order to reimburse BTF for this loss, a residual fund was created by Provincial Law No. 478, which excluded high risk loans, up to an amount of US\$208 million, with the Province indebted to the ISST for the amounts owed.

On November 28, 2001, Provincial Law No. 534 created the IPAUSS as the successor entity to IPPS and which unified the Provincial pension and healthcare systems.

In early 2010, there was a ratio of 5.2 active public sector employees per pensioner. By December 2015, that ratio had dropped to 3.3 active public sector employees per pensioner. As of January 2010, there were 3,261 pensions paid by

the Province; in late 2015, there were 5,904 pensions paid. As of early 2016, the average monthly retirement pension is P\$30,437.

In January 2016, in order to reduce the structural monthly fiscal deficit, which amounted to approximately 40 million pesos per month by the end of 2016, the Provincial Government, through the Social Security Emergency Law (*Ley de Emergencia Previsional*): (i) declared a two-year emergency for the Provincial Social Security System; (ii) instructed the BTF to make available to the Provincial Executive Branch the remaining earnings of the BTF, which made a deposit of the retained earnings corresponding to the Province in the sum of approximately 120 million pesos to cover the seasonal cash deficit of the IPPS; (iii) created a separate fund to pay pensions by requiring an extraordinary financial contribution to be paid by all beneficiaries of the Provincial pension regime (which cannot be cumulative or exceed 15% of any beneficiary's contributions) and a further contribution from active public sector employees of between 1% and 4.5% of their salary depending on to age; (iv) enacted certain further reforms to the system in an attempt to restore solvency to the social security system; and (v) established that interest at a rate equal to LIBOR would be recognized on BTF's US\$208 million debt from May 12, 2000 through January 11, 2016. As a result of this measure, BTF's debt to that date amounted to P\$3,565.0 million at the applicable exchange rate. See "Public Sector Debt—IPAUSS".

In addition, Provincial Law No. 1,069 created a fund for financing the social security system of the Province, consisting of an additional 3% levy on the Provincial gross revenue tax on financial intermediation and insurance activities. The reform measures include:

- separating the administration of the pension and health social security systems;
- increasing the retirement age to 60 years, with a minimum of 30 years of contributions; and
- changing the manner in which pension payments are calculated by taking an average of the best 120 months during the past 10 years rather than an average of the best 24 months during the same timeframe.

THE PROVINCIAL ECONOMY

The National Economy

The national economy has fluctuated over the last five years. Argentina experienced considerably high growth rates in 2011 (up 6.0% from 2010). Between 2012 and 2015, however, real GDP fluctuated. Specifically, real GDP decreased by 1.0% in 2012, increased by 2.4% in 2013, decreased by 2.5% in 2014, and, according to preliminary estimates released by INDEC in March 2017, real GDP increased by 2.6% in 2015 and decreased by 2.3 in 2016.

The Federal Government's fiscal balance deteriorated in 2012, from a surplus of P\$4,920 million in 2011 (0.2% of the national GDP) to a deficit of P\$4,375 million in 2012 (0.2% of the national GDP). The primary fiscal deficit amounted to P\$22,479 million in 2013 (0.7% of the national GDP), and P\$38,562 million in 2014 (0.9% of the national GDP). In 2015, the fiscal deficit deteriorated further to P\$104,797 million, or 1.8% of the national GDP.

Since 2012, accelerated inflation, combined with certain exchange controls put in place by the government to anchor the nominal exchange rate, had a negative effect on Argentina's competitiveness and also had an adverse impact on its current account and the Central Bank's ability to raise and maintain international reserves. Argentina's macroeconomic indicators declined as a result of a combination of several adverse factors, including, but not limited to, an exchange rate lag, paired with a constant loss of competitiveness, and the ongoing lack of availability or credibility of official inflation and poverty statistics in Argentina. See "Risk Factors—Risks Related to Argentina—Argentina's ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth."

Furthermore, since 2010, Argentina's international reserves have declined significantly, mainly due to an exchange rate lag. The level of international reserves amounted to US\$46,400 million as of December 2011, US\$43,300 million as of December 2012, US\$30,600 million as of December 2013, US\$31,400 million as of December 2014, and US\$25,600 million as of December 2015, which was a record low over the past 10 years. International reserves improved during 2016, totaling US\$38.8 billion as of December 31, 2016.

Argentina's Public Sector Debt

Argentina's total gross public indebtedness is comprised of foreign currency and peso-denominated debt directly owed by the Federal Government, as well as indirect debt comprised of the collateral underlying securities issued by the Federal Government or other national public entities, the provinces (including the City of Buenos Aires), and private sector entities. It does not include direct indebtedness of the provinces or other entities that are not backed by the Federal Government.

As of September 30, 2016, the Federal Government's total gross public debt increased by 4.4% to US\$251.2 billion (51.4% of nominal GDP) from US\$240.7 billion as of December 31, 2015 (53.5% of nominal GDP).

In 2005 and 2010, Argentina offered its creditors certain debt swap options to restructure a portion of its sovereign debt that had been in default since 2001. As a result of such offers, Argentina restructured more than 92% of its outstanding debt under either the 2005 or the 2010 debt swaps. The holdout creditors who refused the debt swap options offered by Argentina in 2005 and 2010 sued Argentina in several jurisdictions, including the United States, Italy, Germany, and Japan. Judgments have been rendered in many of the proceedings initiated in the United States and Germany. See "Risk Factors—Risks Related to Argentina—Argentina's ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth."

In early 2016, the Macri administration announced that the Federal Government had entered into preliminary agreements with a group of bondholders and had submitted a proposal to the remaining ones, including those with pending lawsuits being litigated in U.S. courts. As a result of those negotiations, on April 22, 2016, Argentina issued new debt securities in the international capital markets in the aggregate principal amount of US\$16.5 million in the international capital markets, US\$9.3 million of which would be used to make the payments agreed upon with holders of unpaid bonds in the aggregate principal amount of US\$8.2 million.

As of the date of this offering memorandum, suits brought by bondholders who refused Argentina's offer are still being litigated in several jurisdictions, but the amounts involved have been significantly reduced.

Economy of the Province

The Province has a diversified economy, with the hydrocarbon industry, commerce, tourism, and construction as the primary economic drivers. In addition, as a result of the relatively small number of inhabitants in the Province, the Provincial public sector accounts for a significant portion of the Province's economic activity.

Each of Argentina's provinces, including the Province, calculates its respective Provincial GDPs through its own statistics departments, each of which uses its own methods of calculation. For that reason, Argentina's GDP cannot be calculated by simply aggregating the GDP of each of the provinces. The Province has calculated GDP based on its method since 2004.

The Province's GDP is calculated by IPIEC, in accordance with the methods implemented by INDEC's National Office of National Accounts (*Dirección Nacional de Cuentas Nacionales*).

IPIEC estimated that the Province's nominal GDP in 2014 was P\$32,022.7 million (approximately US\$3,944 million at the prevailing exchange rate as of the close of 2014) in 2014.

The Province's GDP per capita in 2014 was P\$216,161.0 (approximately US\$26,625 at the prevailing exchange rate as of the close of 2014), compared to P\$178,272.9 (approximately US\$32,538 at the prevailing exchange rate as of the close of 2013).

In 2012, the Province's real GDP increased by 12.4% compared to 2011. This increase was mainly due to a 23.0% increase in the production of the manufacturing sector.

In 2013, The Province's real GDP showed a slight increase equal to 2.5% in real terms. The slowdown in the Province's growth rate was mainly caused by a 4.0% growth rate in the manufacturing sector production, which was a more modest rate of growth when compared to previous years.

In 2014, the Province's real GDP decreased by 16.0% in real terms, mainly as a result of a decrease in industrial production.

In 2015, the Province's real GDP increased by 3.0% in real terms, mainly as a result of an increase in industrial production of 3.6%, which was partially offset by a decreased economic output in the oil, gas and water supply sector.

The following table shows the evolution of the Province's GDP, per capita GDP, and contribution to national GDP for the periods indicated:

Provincial Gross Domestic Product

	For the year ended December 31,				
	2011	2012	2013	2014	2015⁽¹⁾
Real GDP (in millions of constant 2004 pesos).....	6,270.2	7,045.5	7,222.8	6,069.9	6,254.4
Real GDP growth (%).....	—	12.4	2.5	(16.0)	3.0
GDP (in millions of current pesos).....	15,186.8	20,251.7	25,669.0	32,022.7	n.a.
GDP (in millions of U.S. Dollars) ⁽²⁾	3,677.0	4,449.5	4,685.1	3,944.3	n.a.
Population (inhabitants).....	135,742	139,852	143,987	148,143	152,317
GDP per capita (in current pesos).....	111,879.8	144,808.2	178,272.9	216,161.0	n.a.
GDP per capita (in U.S. Dollars)	27,088.2	31,815.5	32,538.1	26,624.7	n.a.
Exchange rate ⁽¹⁾	4.13	4.55	5.48	8.12	9.27
Provincial GDP /National GDP (%).....	0.8	0.9	0.9	0.9	0.9

Notes:

(1) Preliminary information subject to change. Nominal Provincial GDP for 2015 is not available. Provincial GDP figures could vary as a result of the statistical review that the Province is currently carrying out following INDEC's revisions to its historic information. See "Presentation of Financial and Other Information-Methodology of calculation of Gross Domestic Product."

(2) Converted to pesos at the average reference exchange rate reported by BCRA Communication "A" 3500 during the reported period.

Source: INDEC and IPIEC

Main Economic Measures Adopted since December 2015

Following the Provincial elections that took place on June 28, 2015, a transition period began for the newly elected authorities to take office.

During this period, the new Provincial administration defined a set of actions in order to:

- fix, in the short run, the root-causes of the imbalance in the Province's public accounts and, specifically, in the public employees' Social Security Fund; and
- foster the diversification of the Province's productive mix in the medium- and long-term by way of activities supporting the development of domestic resources and enabling sustainable economic growth over time.

In furtherance of these priorities, and since taking office in December 2015, the new Provincial administration has implemented the following policies:

- *Increased fiscal and taxation supervision:* The new Provincial administration created the AREF (*Agencia de Recaudación Faguina*) in order to strengthen fiscal supervision and improve fiscal fairness through Provincial Laws No. 1,069 (Tax Law), No. 1,074 (AREF Creation), and No. 1,075 (New Tax Code). The Macri administration also imposed enhanced fiscal supervision procedures, adopted a new way of managing tax revenues, and renewed certain systems currently in place, without placing increased pressure on Provincial tax revenues.
- *Rebalancing of public accounts:* The new Provincial administration enacted Provincial Laws No. 1,061 (2016 Budget), No. 1,062 (Permanent Supplementary Budget Law), and Law No. 1,063 (Emergency of the Building Infrastructure of Educational Facilities) in order to: (i) carry out a wide-ranging human resources reorganization process; (ii) authorize the Province's legislative, judicial, and executive branches to make budgetary changes; (iii) freeze job openings for permanent staff in all jurisdictions and public agencies; and (iv) build emergency infrastructure for state-run educational facilities for a period of one year, as well as for the health, urban, environmental and infrastructure system, in each case ensuring that additional resources be used primarily to fix deficiencies in hospital supplies and equipment, security, and education.
- *Fixing imbalances in public employees' Social Security Fund:* In order to fix the imbalances in the public employees' Social Security Fund, the Provincial Government enacted Provincial Laws No. 1,068 (Emergency of the Social Security System), No. 1,070 (Creation of the Social Security Fund), No. 1,071 (Creation of the Province's Health Insurance), No. 1,072 (Special Pension Fund) and No. 1,076 (Retirement and Pension Funds for employees working at the three branches of the Provincial Government). The main purposes of these laws are to: (i) fix the imbalance between the revenues of the system and its payment obligations, reducing its deficit; (ii) calculate the indebtedness owed by public agencies contributing to the Social Security Fund, establishing a payment methodology and applicable interest on such debt; (iii) negotiate agreements with such public agencies for the payment of their outstanding obligations; and (iv) arrange a monthly payment schedule to settle unpaid salaries owed by the Social Security Fund to its beneficiaries. As of the date of this offering memorandum, the Province is in compliance with such payment schedule.

Tax Amnesty

Through the enactment of Provincial Law No. 1,122 in 2016, the Province opted to adhere to the Federal Government's tax Amnesty Program. Provincial Law No. 1,122 sets forth the scope and limitations of the benefits provided thereunder, which include:

- Turnover Tax: Taxpayers are required to assess their income tax liability pursuant to the certain pre-determined income-generating activities and rates;
- Stamp Tax: Instruments being executed within the framework of the Amnesty Program will be subject to the provisions of the tax law; and
- Real Estate Tax: Real estate located in the Province will be reported and will be subject to the terms of the tax law.

Furthermore, the law provides that: (i) taxpayers who abide by the Amnesty Program will be released from criminal prosecution for the unpaid tax; (ii) the payment of any resulting liabilities will not be subject to surcharges and interest if made in a lump sum, with the AREF having authority to offer payment plans in up to 12 installments; and (iii) the benefits will be maintained to the extent the Federal Government's Amnesty Program remains in force and effect.

Principal Sectors of the Provincial Economy

Hydrocarbon production, fishing, and sheep raising were, until the 1970s, the main (and virtually the only) economic drivers in the Province. Following the 1970s and, as a result in particular of the Industrial Promotion Regime, industrial activity increased significantly, and transformed the Provincial economy. Today, the manufacturing of cell phones, displays and televisions is a large percentage of the Province's economy. In addition, tourism has also become a leading segment of the Provincial economy due to the promotion of several tourist attractions on the island and interest in winter sports.

According to IPIEC, in 2015, cell phone output totaled 11.9 million units, and the output of displays and televisions reached 3.5 million units, compared to 11.3 million units and 3.1 million units, respectively, in 2014. In 2013, the output of cell phones and the output of displays and televisions in the Province totaled 13.6 million units and 4.0 million units, respectively. As a percentage of the Province's real GDP, the production of electronic products and home appliances increased from 23.0% in 2010 to 27.0% in 2011, 32.0% in 2012, 34.0% in 2013, and fell to 29.0% in 2014.

The other segments of the Province's economy and their impact on the Province's real GDP are:

- the manufacturing industry, which accounted, on average, for 54.0% of the Province's real GDP for the five-year period ended December 31, 2015;
- oil and gas and water supply, which accounted, on average, for 17.6% of the Province's real GDP for the five-year period ended December 31, 2015;
- commerce and tourism, which accounted, on average, for 7.3% of the Province's real GDP for the five-year period ended December 31, 2015;
- agriculture, farming, forestry and fishing, which accounted, on average, for 1.1% of the Province's real GDP for the five-year period ended December 31, 2015;
- public administration, education and health, which accounted, on average, for 10.1% of GDP for the five-year period ended December 31, 2015; and
- other sectors accounted, on average, for 9.8% of GDP for the five-year period ended December 31, 2015.

The following table shows the evolution of the Province's real GDP by economic sector from 2011 through 2015:

Provincial Real GDP by Sector
(P\$ million)

	For the year ended December 31,				
	2011	2012	2013	2014	2015 ⁽¹⁾
<i>Primary Sector</i>					
Oil, gas and water supply.....	1,250.8	1,198.8	1,154.8	1,097.3	1,067.1
Agriculture, farming, forestry and fishing	84.6	90.0	59.3	52.5	74.6
<i>Secondary Sector</i>					
Manufacturing industry.....	3,249.8	3,994.7	4,159.1	3,147.2	3,260.6
<i>Tertiary Sector</i>					
Public administration, education and health	632.8	640.0	676.2	657.2	706.5
Commerce and tourism.....	453.3	482.2	508.5	477.8	478.5
<i>Other Sectors</i>	598.9	639.9	665.0	637.8	667.1
Total	6,270.2	7,045.5	7,222.8	6,069.9	6,254.4

Note:

(1) Preliminary information subject to change.

Source: IPIEC

The following table shows the composition of the Province's real GDP, based on the percentage representation of the primary, secondary and tertiary sectors:

Composition of the Province's real GDP
(as a % of total Province's real GDP)

	For the year ended December 31,				
	2011	2012	2013	2014	2015 ⁽¹⁾
<i>Primary Sector</i>					
Oil, gas and water supply.....	19.9	17.0	16.0	18.1	17.1
Agriculture, farming, forestry and fishing	1.3	1.3	0.8	0.9	1.2
<i>Secondary Sector</i>					
Manufacturing industry.....	51.8	56.7	57.6	51.8	52.1
<i>Tertiary Sector</i>					
Public administration, education and health	10.1	9.1	9.4	10.8	11.3
Commerce and tourism.....	7.2	6.8	7.0	7.9	7.7
<i>Other Sectors</i>	9.6	9.1	9.2	10.5	10.7
Total	100.0	100.0	100.0	100.0	100.0

Note:

(1) Preliminary information subject to change.

Source: IPIEC

Primary Sector

Oil and gas production

Oil and gas are extracted in the northern area of the Province and are exported or transported to refineries outside of the Province by sea. In 2015, the Province extracted 626.5 thousand cubic meters (m³) of oil, which accounted for approximately 2.0% of national production. In turn, gas production amounted to 3,033 million m³, which accounted for 7.0% of national production. There is a gas pipeline extending from San Sebastián, crossing the Strait of Magellan and connected to the national distribution networks. Methane and propane are also locally produced from natural gas.

Gas and Oil Production in the Province

	As of December 31,					
	2011	2012	2013	2014	2015	2016
Gas Production (Mm ³)	3,803,307	3,637,672	3,500,283	3,399,034	3,032,968	3,949,416
Oil Production (m ³) ⁽¹⁾	775,582	772,081	712,487	698,579	626,492	624,779

Note:

(1) Includes stabilized gasoline.

Source: Hydrocarbon and Energy Secretary of the Province (Secretaría de Energía e Hidrocarburos de la Provincia, "SEH.")

Fishing

Fishing activities in the Province resulted in the production of approximately 34,000 tons of fish in 2014. During 2011, 2012, and 2013, production in the Province amounted to approximately 61,300, 69,900, and 40,800 tons, respectively.

Fishing activities in the Province consist of coastal fishing and commercial fishing. Coastal fishing is carried out by individuals and small businesses. Although the production volume is low, coastal fishing helps generate employment opportunities in the Province. Commercial fishing consists of integrated fishing and industrial processing and generate most of the fishing output.

The main good produced in the fishing industry is surimi fish paste, and 95.0% of fish caught include hake, codfish, codling, seabream, southern blue whiting, and salmon. Fishing for crustaceans (mainly snow crab), mollusks (scallop and squid), and big-game fish have also become popular.

Farming

As of 2007, the last date for which information is available, the Province had 85 farming operations, extending over 1,005,635 hectares throughout the Province. These operations mainly consist of animal husbandry and a few agricultural activities that are carried out due to the unfavorable agricultural and ecological conditions of the region.

Sheep-raising is the main husbandry activity in the Province and is mainly carried out in the plateaus and plains of the northern area of the island. As of 2007, the last date for which information is available, the stock amounted to slightly over 480,745 head of sheep, and the main sheep breed is Corriedale. This breed is a dual purpose breed that is used in the production of both meat and wool.

The Province has a seasonal sheep-breeding industry between May and June and seasonal wool shearing industry from September through February. Each sheep produces between three to six kilograms of wool. As of the date of this offering memorandum, farming activities are not material to the Province's overall economic results.

Secondary Sector

Manufacturing Activities

The legal framework established early in the 1970s by the enactment of Law No. 19,640 created a favorable tax and customs regime for the establishment of industrial centers and manufacturing operations.

The most significant investments began in 1977, which resulted in the development of industrial areas with approximately 100 manufacturing plants. By the mid-1980s, these plants had created about 7,000 jobs directly and 10,000 jobs indirectly. Most of the companies that created manufacturing plants are engaged in the textile and electronics sectors.

Today, the manufacturing industry continues to represent a significant portion of the Province's economic activity, although it is lower than its relative contribution of the sector the mid-1980s.

Specifically, the manufacturing industry accounted for 52.1% of the Provincial GDP in 2015, and is based on the transformation of raw materials from foreign countries. The manufacturing sector in the Province is characterized by

high levels of relative specialization in electronic household appliances such as radio, television, communications equipment, and video and DVD players, among others.

Other important industrial activities are those related to the plastics industry, such as the production of potassium sorbate, PET preform, PVC compound and plastic matrices for electronic devices, as well as the textile industry, both in the stage of spinning, knitting, and textile manufacturing.

Tertiary Sector

Public administration, education and health

Economic activity reported in this sector mainly consists of public infrastructure projects undertaken by the Province. Such projects include the paving of National Route No. 3 highway, expanding the port of Ushuaia, the construction of the new international airport in Ushuaia and the construction of the winter sports complex called “Cerro Castor,” located in Cerro Krund, 25 km north of Ushuaia.

Tourism and Commerce

In the last 10 years, tourism has become a main economic driver for the Province, particularly with respect to the services sector. Tourism showed an upward trend after the devaluation of the peso beginning in January 2002, when cheaper prices made the Province (and Argentina generally) more attractive as a tourist destination. Various sub-sectors of the Province’s economy benefit from tourism, including hotels and restaurants, construction and business activities.

International tourism accounts for approximately 45.0% of the tourists that visit the Province. The remaining 55.0% consists of Argentine tourists, mainly from the cities of Buenos Aires, Córdoba, and Rosario.

During 2015, total passenger traffic at Ushuaia International Airport and Río Grande Airport was approximately 686,000 passengers and 164,000 passengers, respectively, compared to approximately 561,000 passengers and 162,000 passengers, respectively, during 2014.

Cruise related activities are an important part of tourism activities in the Province. The number of cruise ships arriving per season in the Province has grown from 185 in the 2010-2011 season to 203 in the 2014-2015 season, and the number of tourists arriving via cruise ships grew from 32,180 in the 2010-2011 season to 35,509 in the 2014-2015 season.

Among the Province’s principal tourist attractions are protected natural areas, marine wildlife, ski resorts, and museums. Important attractions include the Tierra del Fuego National Park (*Parque Nacional Tierra del Fuego*), the End of the World Museum (*Museo Del Fin del Mundo*), the Ushuaia Maritime and Penitentiary Museum (*Museo Marítimo y del Presidio de Ushuaia*), the Yamana Museum, the “Virginia Choquintel” Museum, the Art Museum (*Museo de Arte Fueguino*), the Atlantic Coast Interpretation Center (*Centro de Interpretación Costa Atlántica*), the Malvinas in the Memory Gallery (*Sala de Exposición “Malvinas en la Memoria”*), the Monsignor Fagnano Museum (*Museo Monseñor Fagnano*) and the Khami Museum.

In 2011, 2012, 2013, 2014, 2015, and 2016 Ushuaia was visited by 247,877 visitors, 240,984 visitors, 247,260 visitors, 286,394 visitors, 311,562 visitors, and 209,328 visitors. The following table sets forth information regarding the origin of visitors to Ushuaia during the periods indicated and variations in the type of visitor to Ushuaia from the previous year.

Number of Visitors to the Province

	For the year ended December 31,											
	2011		2012		2013		2014		2015		2016 ⁽¹⁾	
	Visitors	Variation	Visitors	Variation	Visitors	Variation	Visitors	Variation	Visitors	Variation	Visitors	Variation
Residents	133,259	9.2%	129,315	(3.0)%	142,338	10.1%	160,987	13.1%	170,303	5.8%	172,739	1.4%
Non-residents	114,618	(22.2)%	111,670	(2.6)%	104,922	(6.0)%	125,408	19.5%	141,259	12.6%	125,637	(11.1)%
Total	247,877	(8.0)%	240,984	(2.8)%	247,260	2.6%	286,394	15.8%	311,562	8.8%	298,376	(4.2)%
Nights per stay	2.6		2.6		2.7		2.7		2.6		2.6	

Note:

(1) Preliminary information subject to change.

Source: INDEC

Exports Originating from the Province

In Argentina, information relating to exports is collected and released by the INDEC. This information is primarily based on data collected in connection with the issuance of shipping permits by the Argentine Federal Customs Bureau. Since 1995, export data has also been collected in connection with the export of goods that do not require such permits, such as energy.

Provincial exports include exports of all goods produced in any territory of the Province, either grown, extracted, or collected, and all goods processed or produced in the Province, which includes goods made entirely from raw materials produced outside of the Province and those altered in the Province into a different product (as classified under the Mercosur rules).

From 2011 to 2015, the value of Provincial exports decreased from US\$443 million to US\$162 million (i.e., averaging a 16.0% reduction per year during such period, mainly as a result of decreases in natural gas exports. As of December 31, 2015, the Province's exports accounted, on average, for 0.3% of Argentina's total exports.

Classification of Primary Exported Items

The Province's main export products are fish, shellfish and natural gas. The Province's main exports for the five-year period ended December 31, 2015 were as follows:

- unprocessed seafood, otherwise known as primary products, which accounted, on average, for 27.0% of the Province's total exports from 2011 through 2015; and
- natural gas, which accounted for 34.0% of the Province's total exports for such period.

The Province's exports of primary products accounted for approximately 1.0% of Argentina's total export of primary products in 2015, while Provincial exports of natural gas accounted for approximately 2.0% of total exports of petroleum gas in Argentina. The Province's exports of food processing leftovers and prepared animal feed (fish meal) accounted for 1.0% of Argentina's total export of such goods in 2015.

The following table sets forth a breakdown of the Province's exports by product category for the years ended 2011 through 2016:

Exports by Economic Sector **(in millions of U.S. Dollars)**

	For the year ended December 31,					
	2011	2012	2013	2014	2015	2016
Primary products	64.7	64.3	52.7	63.9	83.1	72.5
Agricultural goods	44.5	41.7	28.4	25.8	33.4	29.9
Industrial goods	79.0	70.1	44.3	76.6	39.2	33.6
Oil and energy	254.4	104.7	54.4	7.6	6.4	5.6
Total	442.6	280.8	179.8	174.0	162.0	141.5

Source: IPIEC

Destination of Exports

Exports from the Province are distributed among a small group of countries. The countries with the highest export share are Brazil, the United States, Japan, and France, which collectively account for 59.0% of the Province's total exports. As a group, exports to these countries exceed exports to MERCOSUR and the European Union.

In terms of the economic impact on exports per region, the European Union, Mercosur and the North American Free Trade Area have the most relevant impact. In 2015, exports to the European Union accounted for 23.0% of total exports from the Province. The Province's other key export markets include MERCOSUR (21.0%) and the North American Free Trade Area (19.0%).

The following table sets forth a breakdown of the Province's exports by geographic destination, as a percentage of the Province's total exports:

Geographic Distribution of Exports
(as a % of total exports)

	For the year ended December 31,					
	2011	2012	2013	2014	2015	2016
Brazil	13.6%	21.5%	18.0%	19.1%	15.9%	16.8%
Chile	55.8%	34.9%	27.9%	1.7%	1.9%	0.9%
United States.....	3.5%	3.5%	9.1%	14.8%	15.8%	20.6%
Japan	4.9%	8.0%	8.3%	8.1%	15.2%	11.7%
France	6.0%	7.8%	8.4%	7.8%	12.6%	3.8%
Uruguay	3.0%	3.3%	6.9%	5.3%	4.9%	5.3%
Venezuela	0.0%	0.0%	1.6%	18.5%	0.0%	0.0%
Spain	1.9%	3.7%	2.3%	3.5%	3.1%	2.5%
China.....	1.3%	1.4%	3.5%	2.8%	4.4%	2.9%
Singapore.....	0.2%	0.2%	0.5%	0.4%	1.7%	9.4%
South Africa.....	0.9%	1.9%	1.6%	1.5%	3.2%	4.0%
United Kingdom	n.a.	0.0%	0.0%	0.0%	4.5%	5.6%
Canada	1.0%	0.4%	1.5%	2.4%	3.0%	2.3%
Russia	1.1%	1.9%	1.4%	2.3%	0.8%	2.8%
Hong Kong	0.6%	2.1%	1.5%	1.7%	1.8%	0.9%
Poland.....	1.2%	1.3%	1.6%	1.2%	0.8%	2.3%
Vietnam	0.2%	0.8%	0.2%	1.6%	3.6%	0.0%
Portugal.....	0.1%	0.5%	0.5%	0.9%	1.1%	2.9%
Other	4.6%	6.8%	5.1%	6.3%	5.6%	5.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: IPIEC

Economically Active Population and Employment

INDEC prepares a number of indexes that are used to measure the social, demographic, and economic characteristics of the Argentine population based on data collected in the Permanent Household Survey (*Encuesta Permanente de Hogares* or “EPH”). EPH is an ongoing survey used to track labor market trends, and its results are released periodically. The EPH is conducted in the Ushuaia-Río Grande area. The region surveyed under the EPH has 146,000 inhabitants (representing approximately 96.0% of the Province’s population) as of July 1, 2015.

The unemployment rate in 2011 for the Ushuaia-Río Grande urban areas (representing approximately 96.8% of the population of the Province) was 5.0%. As of September 30, 2016, the unemployment rate for these same areas was 5.6%.

The following table shows the employment statistics for the periods indicated in the Province and Argentina:

Employment Statistics for the Province and Argentina
(as a percentage of total population)

		Rate of average employment participation (14 years and older)		Unemployment rate (% of Economically Active Population)		Time-based Underemployment Rate	
		Tierra del Fuego	Argentina	Tierra del Fuego	Argentina	Tierra del Fuego	Argentina
2011	First quarter	63.4%	58.9%	8.4%	7.4%	2.6%	8.2%
	Second quarter	65.4%	59.9%	7.0%	7.3%	5.3%	8.4%
	Third quarter	62.6%	60.0%	4.3%	7.2%	4.6%	8.8%
	Fourth quarter	61.9%	59.2%	5.0%	6.7%	2.3%	8.6%
2012	First quarter	60.0%	58.4%	7.5%	7.1%	1.5%	7.4%
	Second quarter	62.8%	59.2%	8.2%	7.2%	4.6%	9.4%
	Third quarter	64.7%	60.1%	7.3%	7.6%	2.8%	8.9%
	Fourth quarter	63.1%	59.3%	4.9%	6.9%	2.2%	9.0%
2013	First quarter	67.1%	58.5%	10.1%	7.9%	2.2%	7.9%
	Second quarter	68.1%	59.4%	10.1%	7.2%	2.4%	9.7%
	Third quarter	64.7%	58.9%	8.0%	6.8%	2.5%	8.8%
	Fourth quarter	64.0%	58.7%	4.7%	6.4%	1.1%	7.8%
2014	First quarter	65.9%	58.5%	8.5%	7.1%	3.8%	8.1%
	Second quarter	64.6%	58.0%	9.0%	7.5%	2.8%	9.4%
	Third quarter	62.6%	57.9%	6.9%	7.5%	2.6%	9.3%
	Fourth quarter	60.8%	58.7%	4.3%	6.9%	1.3%	9.1%
2015	First quarter	61.2%	57.7%	4.3%	7.1%	2.2%	7.6%
	Second quarter	61.6%	57.5%	4.9%	6.6%	2.4%	9.0%
	Third quarter	63.3%	57.9%	4.6%	5.9%	1.9%	8.6%
	Fourth quarter ⁽¹⁾	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2016	First quarter ⁽¹⁾	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Second quarter	58.7%	57.8%	6.9%	9.3%	4.3%	11.1%
	Third quarter	60.0%	57.7%	5.6%	8.5%	3.7%	10.1%
	Fourth quarter ⁽¹⁾	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Notes:

(1) Data not reported by INDEC.

Source: INDEC

As of 2015, net salaries of registered workers in the Province were, on average, 35.0% higher than average net salaries as of 2014. In the same period, salaries of registered workers in Argentina increased by 30.9%. As of 2015, average salaries of registered workers in the Province, including workers in the area of Ushuaia and Río Grande, ranked first among the provinces of Argentina.

Poverty

The Province's only source of data relating to poverty consists of statistics compiled by the INDEC as part of the EPH, and the data includes information on poverty in the Ushuaia-Río Grande area; the only area covered by the INDEC in the EPH. See "—Economically Active Population and Employment." The INDEC discontinued the release of poverty statistics on June 30, 2013 and resumed such measurements in the second quarter of 2016, exclusively reporting disaggregated data at the national and regional level.

Poverty assessments are based on the value of a basket of goods and services (consisting principally of food, clothing, transportation, health care, housing, and education), which is considered the minimum goods necessary to sustain a household. The basket is valued at market prices, and the resulting threshold is considered the "poverty line."

Based on the percentage of individuals recorded by the INDEC as living in the Ushuaia-Río Grande area for the year ended December 31, 2012, 1.2% of the Province's inhabitants were living below the poverty line. For the six-month period ended June 30, 2016, 6.3% of the Province's inhabitants were living below the poverty line.

The following table sets forth the percentage of households and the population in the Province with monthly incomes below the poverty line for the periods indicated:

Poverty in the Province
(as a percentage of total households and total population)

	Poverty in the Province		Poverty Nationwide	
	% households	% population	% households	% population
December 31, 2011.....	2.1%	2.1%	4.8%	6.5%
December 31, 2012.....	1.6%	1.2%	4.0%	5.4%
June 30, 2016.....	4.8%	6.3%	23.1%	32.2%

Source: INDEC

The Federal Government has recently increased spending for programs intended to reduce poverty across Argentina, including the following welfare programs:

- Universal Assignment per Child (*Asignación Universal por Hijo*), managed by ANSES, which pays on a monthly basis P\$1,434 per child (up to five children per household) to parents who are not formally employed or who are unemployed. Currently, there are approximately 4,598 beneficiaries utilizing this program in the Province.
- Social Work Income Program, Argentina Works (*Programa de Ingreso Social con Trabajo, Argentina Trabaja*), which was designed to increase worker participation in the economy through cooperation with employers and providing additional income per child, healthcare insurance, and social security contributions to registered workers. This program provides workers with employment opportunities in the fields of maintenance, cleaning and construction.
- National Food Security Plan (*Plan Nacional de Seguridad Alimentaria*), which is intended to provide food assistance to families, welfare organizations and targeted at risk groups on a regional basis throughout the country.

The Argentine and provincial governments created a number of welfare programs intended to provide assistance to people who are exposed to poverty and other social and economic hardships, including the following:

- Children's Cafeterias (*Comedores Infantiles*), which seeks to provide access to adequate food for disadvantaged children, as well as to prevent diseases which are related to hunger and malnutrition.
- Child Development Centers (*Centros de Desarrollo Infantil*), which provides comprehensive assistance to children who are six months old to ten years old, and who are in need of temporary care due to family crises or other vulnerabilities.

Litigation

The Province is a party to several lawsuits arising in the ordinary course of its activities and involving a variety of issues, from alleged contractual breaches to damages for, in the aggregate, approximately P\$1,353.0 million. Because these proceedings are at different stages, it is difficult for the Province to estimate the chances of success, any potential damages, or the length of time involved in each case.

The following are the most significant lawsuits brought against the Province as of the date of this offering memorandum:

IPAUSS

IPAUSS has brought several claims against the Province for the collection of debt certificates in an aggregate amount of approximately P\$727.0 million. Pursuant to Provincial Law No. 478 enacted in March 2000, any outstanding amounts

under such debt certificates will be consolidated and assumed by the Province once verified by the Court of Auditors. See “Public Sector Debt—IPAUSS.”

As part of BTF’s bailout program, under Provincial Law No. 478, this debt was recognized by the Province and a residual fund was created from which high-risk loans for up to US\$208.0 million were excluded. As a result, the Province became the largest debtor of the Provincial pension system. See “The Provincial Economy—Provincial Social Security System.”

Social Security Fund for the Province’s Law Enforcement and Prison Service Employees

A claim was brought by the Social Security Fund for the Province’s Law Enforcement and Prison Service Employees in the amount of P\$187.8 million, and the Province is required to pay this amount pursuant to the decision in *Caja de Retiro de la Policía de la Provincia de Tierra del Fuego a/Gobierno de la Provincia de Tierra del Fuego AIAS S/Administrative Litigation (REPAS)*, file No. No. 18,134, filed in the Judicial District South, Civil and Commercial Court of 1st Instance, No. 2 and which was recognized by Provincial Decree No. 2,706 / 15. Pursuant to a payment agreement entered into by the Province with the claimants, this amount will be paid in 60 installments of P\$4.95 million each.

Asociación de Trabajadores del Estado (ATE)

A claim has been brought by the State Employees Association (*Asociación de Trabajadores del Estado*, or “ATE”) for approximately P\$111.8 million, which is being processed under order *ATE c/Government of the Province of Tierra del Fuego S/AIAS S/Administrative Litigation (REPAS)*, file No. 4570, filed in the Southern Judicial District Court of 1st Instance of Labor. The court decided against the Province but has yet to establish the amount of the fine to be imposed.

Individual Claims

A claim has been brought by the construction company Andrade Gutiérrez S.A. for approximately P\$95.0 million, which is processed under the order *Constructora Andrade Gutiérrez S.A. and others c/Government of the Province of Tierra del Fuego S/Administrative Litigation*, file No. 2,235/09, filed in the Southern Judicial District: Superior Court of Justice. This claim is currently in the trial phase.

A claim has been brought by Celentano, Antonio Javier against the Province for P\$21.1 million, which is being processed under order *S/Administrative Litigation*, file No. 2,343/10. Decree No. 2343/10 was filed in the Southern Judicial District. This case is currently in the trial phase in the Superior Court of Justice.

A claim has been brought by Castellano, Gabriela Jorgelina c/Rausch Raul Gerónimo and others against the Province for P\$34.2 million, which is being processed under order, file No. 2,276, filed in the Southern Judicial District Civil and Commercial Court in 1st Instance: No. 2. This case is currently in the trial phase.

Payment of the amounts involved in these lawsuits will be based either on an agreement between the parties or a final judgment rendered by a competent court. See “Risk Factors—Risks Related to the Province—The Province is a defendant in various lawsuits related to its 2002 default on its public external indebtedness.”

PROVINCIAL INDUSTRIAL PROMOTION REGIME

Within the Province, a growing industrial base has developed in recent years, based largely on a special tax and customs promotional regime. On May 16, 1972, Law No. 19,640 established special tax and customs regulations in the Province (then a national territory) that provide for significant tax and customs benefits, known as the “Industrial Promotion Regime.” The Industrial Promotion Regime was created to promote economic activity and ensure permanent settlement across the territory, notwithstanding the region’s southern location, adverse climate conditions, and distance from large urban areas, which stifle economic and demographic growth.

The Industrial Promotion Regime is comprised of two different regimes: the first between the territory of the Province and the continental national territory (“CNT”), and the second between the special customs area (“SCA”) established by the Industrial Promotion Regime and the rest of the territory of the Province. The SCA is an area that is subject to economic import and export prohibitions and in which a special customs tariff system applies.

In addition, Law No. 19,640 declared Isla Grande de Tierra del Fuego as a free trade zone and SCA. A free trade zone is an area where goods are not subject to ordinary customs controls and foreign trade transactions are not subject to customs taxes, except in certain cases where certain fees are applicable. Furthermore, import and export transactions carried out in both the SCA and the free trade zone are not subject to economic prohibitions, unless required by law.

Any company that adheres to the Industrial Promotion Regime’s standards (the “Promoted Company”) in the national territory, and, particularly, in the SCA, enjoys significant national tax exemptions for any activities carried out, and/or any property located in, the territory. Pursuant to Decree No. 1234/2007, the rights and duties of Promoted Companies under the Industrial Promotion Regime are effective until December 31, 2023. Such benefits do not cover Provincial taxes, however, so activities conducted by the Promoted Companies are subject to Provincial gross revenue tax, among other taxes.

Principal Tax Benefits

As a result of the Industrial Promotion Regime, the activities or transactions carried out in the SCA and any property located therein are exempt from payment of any national tax. A brief summary of the tax and customs benefits granted to Promoted Companies are as follows:

Tax benefits established by the Industrial Promotion Regime for the sale of goods originating in the SCA:

The following tax benefits apply solely to products that are fully manufactured in the SCA, or subject to a final process involving a transformation or substantial work in the Province, prior to the time of export.

Income Tax

The Industrial Promotion Regime provides for a 100.0% income tax exemption for income derived from the sale of goods from the SCA in the CNT, provided that such sales are carried out by Promoted Companies set up in the SCA. The Promoted Company may not, however, deduct expenses originating in the CNT in order to qualify for the income tax exemption.

In addition, and pursuant to the provisions of External Note No. 1/2008 issued by AFIP, Promoted Companies engaging in the export and/or import of goods, whether among independent persons or related persons, must comply with the requirements set forth in Sections 8, 14 and 15 of the Income Tax Law and General Resolution No. 1122 relating to transfer pricing. These obligations do not apply to any such transactions between the SCA and the CNT or the free trade zones.

Value Added Tax (“VAT”)

Income derived from the sales of goods from the SCA performed in the CNT, or which generate a taxable event therein, are subject to VAT. However, the Industrial Promotion Regime allows Promoted Companies to compute in each tax period, for purposes of determining the relevant tax, a presumed tax credit equivalent to the amount resulting from the application of the tax rate in effect at the time of the sale on the revenue derived from the sale of the good in the CNT as reflected on an invoice or equivalent document issued during the same tax period. (The current general VAT rate of 21% is reduced to 10.5% for certain goods pursuant to Section (28)(e) of the VAT Law.) For such purposes, certain deductions shall be made from the net invoiced price. The Promoted Companies are not permitted to compute the actual tax credits originating in the CNT as a result of the purchase of supplies and/or services subject to VAT.

Limitations on the Income Tax and VAT Exemptions

The promotional benefits derived from the income tax and VAT exemptions described above have been limited in two circumstances, as set forth in Decree No. 710/2007, which was enacted on June 11, 2007. The first applies to industrial companies domiciled in the SCA that sell goods to end consumers and/or companies related to the Promoted Company, which, in turn, resell or commercialize the goods to end consumers and/or to other companies related to the Promoted Company or the purchasing company that are directly or indirectly providing goods to end consumers. The second applies to transactions with companies related to the Promoted Company in which the selling price of the products invoiced by the Promoted Company is in excess of the resale price in the CNT.

In these situations, for purposes of the income tax, 70.0% or 85.0% of the selling price invoiced by the manufacturer, respectively, is deemed to be related to activities carried out in the SCA, which means that the remaining 30.0% or 15.0% is taxable. In the first situation, in order to assess such tax on the amount resulting from the exemption, the Promoted Company may make certain deductions. For example, it may deduct from such 70.0% of the selling price all computable costs and expenses incurred in the SCA and sale commissions (up to 30.0% of such selling price). In the event that the sales to final consumers are invoiced through intermediaries domiciled in the CNT, as applicable, the commission invoiced by such intermediaries may be deducted from the remaining 30.0% of the selling price of such transactions, and such deduction shall not exceed in any event 30% of the selling price. In addition, and in the second event contemplated by Decree No. 710, the person in the CNT shall only compute as cost of its sale 85.0% of the reselling price of the product.

For VAT purposes, in the first limitation event contemplated by Decree No. 710, the Promoted Company will determine the presumed tax credit over 70.0% of the actual selling price of the product in the CNT. In the second event of benefit limitation, the reseller in the CNT may compute the amount resulting from application of the effective tax rate over 85% of the actual reselling price as a tax credit.

For purposes of Decree No. 710/2007, three types of economic relationship are contemplated:

- the company domiciled in the CNT holds a direct or indirect interest in controlling equity or management of the Promoted Company or vice versa, or the same person or group of persons hold a direct or indirect interest in controlling the company domiciled in the CNT and in the Promoted Company;
- where over 60.0% of total sales is performed by the Promoted Company within the same tax period, per each product line, to the same company domiciled in the CNT, or 60.0% of sales is directed to several companies located in the CNT that are affiliated (unless there is evidence that the actual selling price as invoiced is comparable, per product line, to that of transactions of a similar nature performed with or among independent parties); and
- the actual selling price invoiced by the Promoted Company to one or more companies domiciled in the CNT exceeds the price agreed upon in similar transactions carried out with or among independent parties and the price of commercialization by the company domiciled in the CNT is similar to or lower than such agreed upon between independent parties.

Tax benefits under other federal laws

Minimum Presumed Income Tax ("MPIT")

Section 3 of Law No. 25,063 provides that any property owned by Promoted Companies and located in the Province are exempt from payment of MPIT.

Tax on Bank Debits and Credits

Law No. 25,413 established a tax on credits and debits in bank accounts and other transactions, and such tax is specifically allocated. For the reason, the tax would not be covered by the benefits of the Industrial Promotion Regime. However, Section 7 of Decree No. 380/2001, which provides for implementing regulations under the law, establishes a reduced tax rate reduced to 5 per thousand for credits and 2.5 per thousand for debits in relation to such bank accounts that are exclusively used to perform transactions for which a benefit is provided pursuant to the Industrial Promotion Regime exclusive to carry out transactions benefited by Law No. 19,640 of Industrial Promotion Regime.

Other Taxes; Technology Tax Law

The Technology Tax Law No. 26,539, enacted on November 4, 2009, established what is known as the “technology tax” that is levied on certain electronic or computer goods.

Such law: (i) replaced annex II to Section 70(b) of Law No. 3,764 on Excise Taxes; and (ii) removed certain items from the schedule attached to Section 28(e) of the VAT Law. Therefore, the Technology Tax Law added more goods to the list of goods subject to excise tax at the 17% rate (including, without limitation, products such as photo and video cameras, air conditioners and decoders) and removed the VAT reduction applicable to certain electronic products such as cell phones and displays, which increased from 10.5% to 21%.

In addition, Decree No. 252, dated April 7, 2009, as amended, established that any products manufactured by beneficiaries under Law No. 19,640 on Industrial Promotion, which may provide evidence of origin in the SCA, shall benefit from an excise tax reduction such that the rate payable would be 38.5% of the general rate.

Therefore, the industry companies set up in the Province received strong support from the Federal Government. The Province believes that the Technology Tax Law has caused Argentina to be better positioned than Brazil in the free trade zone of Manaus, enabling it to become more competitive and encouraging the import substitution process in order to create a technology production area in the Province.

Customs benefits under the Industrial Promotion Regime

The Industrial Promotion Regime recognizes the transactions carried out by Promoted Companies from and to the Province as foreign trade transactions. Therefore, the entry of goods into the Province is deemed to be an import, even if such goods come from the CNT, and is thus considered an export from the CNT’s perspective. Accordingly, any exit of goods from the Province is deemed to be an export and, if the place of destination is the CNT, it is deemed to be an import from the CNT’s perspective. Customs benefits under the Industrial Promotion Regime differ based on the transaction concerned and the origin of goods.

Imports into the SCA

- *From a foreign country (excluding the CNT) or national free trade zones:* Any entry of goods into the SCA is deemed to be an import and, therefore, should be subject to import duties. However, the Industrial Promotion Regime provides for an import duty exemption applicable to these transactions, except for the antidumping duties that may be imposed if goods are imported under dumping conditions. Goods will be deemed to have been dumped where the export price in the country of origin upon being exported to the SCA is lower than the price at which any like or similar goods are sold to consumers in such country of origin. In order to determine this practice, monitoring agencies carry out investigations in accordance with applicable law. The goods under investigation are also exempt from payment of any other tax, with or without special allocation, and special contributions imposed as a result of the import then existing or thereafter created (unless otherwise established by the relevant law) and from fees charged for statistical services and confirmation of the destination. In addition, they are exempt from advanced deposits and any other foreign exchange requirements (excluding trading of foreign currency that will be governed by general applicable rules and regulations) and from any other existing or future restrictions based on economic grounds, unless expressly applicable to the case.

It should be noted that in order to avoid any potentially abusive practices or damages to national production, the Argentine Executive Branch may establish or authorize quantitative prohibitions or limitations on certain goods or types of goods. In addition, and for a like purpose, it may quantitatively limit, by means of tariff quotas, total import duty exemptions. Such tariff quotas will be distributed among habitual importers based on their background and solvency information, and a margin shall be reserved for a reasonable period of time to be distributed among potential new interested importers.

- *From the CNT:* These goods are also exempt from payment of import duties, taxes with or without special allocation, special contributions imposed as a result of the import, and fees charged for statistical services and confirmation of destination. They are also fully exempt from advanced deposits and other foreign exchange requirements, as well as economic restrictions, provided that the goods imported into the SCA have been under “free customs circulation” within the CNT until export. The following goods are not deemed to be under “free customs circulation” in the CNT: (i) any such goods which are of national origin but are required to be exported

as a result of the use of supplies temporarily imported for improvement purposes; and (ii) foreign goods that have not been finally imported for consumption in the CNT.

In order for the recognition of the transaction as an export not to raise the price of products supplies to the SCA, the Industrial Promotion Regime provides for an exemption from applicable export taxes in the event of export of goods from the CNT to the SCA, including the tax on sales and any other tax under a federal revenue-sharing scheme and other taxes. The transactions are not subject to foreign exchange requirements and export restrictions. On the other hand, as the transaction is deemed to be an export, and subject to certain conditions, export benefits under the general regulations are applicable (unless the exporter and importer are the same person) and VAT recovery is also applicable, though being restricted, after offsetting thereof, to being credited against other national taxes, without return or transfer to third parties.

Exports from the SCA

This event includes all exits of goods from the SCA to foreign countries. Pursuant to the Industrial Promotion Regime, all such transactions are exempt from export duties and other taxes imposed as a result thereof, unless expressly imposed by the respective applicable law. The destination of the export, whether a foreign country, national free trade zone, or the CNT, has no impact on the customs duty exemption, and it is only relevant to determine two secondary aspects. First, only final exports from the SCA to national free trade zones and the CNT are exempt from the obligation of entry and foreign currency settlement. Second, if the destination of exports is a foreign country (excluding the CNT and national free trade zones), products that prove to have been originated in the SCA may have access to certain export benefits.

In turn, in order to facilitate introduction of the products manufactured by Promoted Companies into other areas of the country, and provided that such goods are proved to be made in the SCA, import thereof into the CNT is exempt from import duties and any other tax or contribution, with or without special allocation, as a result of import and fees charged for statistical services and confirmation of destination. They are also exempt from advanced deposits and other foreign exchange requirements, as well as any import restrictions, unless the Argentine Executive Branch expressly imposes an import restriction for economic reasons.

As an exception to all the foregoing benefits, even if the goods come from the SCA, final import into the CNT would be subject, if applicable, to excise taxes on consumption. In such event, a creditable payment equivalent to 25.0% of the respective rate should be made upon import on the value declared in import-related customs documents for the goods originated in, and coming from, the SCA. If the goods are not proved to have originated in the SCA, they shall be treated upon import into the CNT as imports of foreign goods from abroad. Therefore, import duties, taxes, and prohibitions will apply.

Continuity of the Industrial Promotion Regime

The Province's Industrial Promotion Regime affords a treatment that "mirrors" that of the Manaus Free Zone in Brazil, pursuant to Decision No. 8, dated August 5, 1994, rendered by Mercosur's Common Market Council (CMC). This decision provided for the application of the prevailing national tariff to goods from commercial and industrial free zones, export processing zones, and SCAs, except for the Province's Industrial Promotion Regime and the Manaus Free Zone, which products were granted an exemption from the application of the prevailing national tariffs for goods and services. Brazil has extended the term of the Manaus Free Zone until 2073.

Law 19,640, which created the Industrial Promotion Regime, has no expiration date. The Federal Government has decreed that the Industrial Promotion Regime, including the regulations that specify and make the Industrial Promotion Regime applicable to certain specific industries and products, such as Decree No. 479/95, Decree No. 490/03 and Decree No. 1,234/07, expire on December 31, 2023. The Province is in discussions with the Federal Government for the extension to these decrees, pursuant to the provisions of the Argentine Constitution, as amended in 1994, which state, among others, that decisions of Mercosur such as Decision No. 8/94 prevail over internal Argentine law. As of the date of this offering memorandum, such extensions have not been approved.

In addition, the competitive advantage that certain products have in the Argentine market depends on the applicable import duties imposed by the Federal Government and established by the Federal Government by decree. In February 2017, the Federal Government issued Decree No. 117/2017 establishing a reduction in import duty from 35% to 0% for finished goods related to information technology, which includes computers and other electronics (except for cellular

phones), and which will take effect on April 1, 2017. By eliminating the import duty applicable to products that are substantially produced in the Province, foreign manufacturers of information technology products will be able to sell their products in Argentina at substantially lower prices than in the past, which may have a material adverse effect on the Province's manufacturing sector. As a result, the Province believes that this decision may have an adverse effect on the employment rate and economic growth of the Province, as it may result in closures or significant reductions of certain companies operating in the Province.

Primary Companies Active in the Province

Approximately 48 active companies fall within the scope of the Industrial Promotion Regime, which vary widely as to their size and the businesses in which they are engaged. During 2015, 15 companies accounted for 81.0% of the employment under the Industrial Promotion Regime, while three of these companies accounted for 50.0% of the output thereunder (Newsan, Mirgor and BGH). Out of these 15 principal companies, 13 are engaged in the electronics business.

Electronics

During 2015, four companies were responsible for over 90.0% of cell phone production in the Province (Newsan, Mirgor, Brightstar, BGH). With respect to the manufacturing of air conditioners, four companies were responsible for 80% of production (Newsan, BGH, Radio Victoria and Carrier).

Similarly, three companies that manufacture microwaves accounted for 93.0% of production (Newsan, BGH, Radio Victoria).

In the case of televisions, production is distributed among a greater number of companies, with seven companies collectively accounting for 93.0% of production (Newsan, Mirgor, BGH, Electrofueguina, FAPESA, Radio Victoria and Digital Fueguina).

Plastics

The main companies in the plastics sector are Rio Chico, which manufactures shrink wrap and seed storage bags, and Vinisa Fueguina, which manufactures polyethylene terephthalate preforms. The main companies in the textile segment are Australtex (knitting and dyeing), Sueño Fueguino (clothing manufacturer), and Fabrisur (knitted apparel).

Hydrocarbons

The hydrocarbons sector is not covered by the Industrial Promotion Regime. The most active companies in this sector are YPF, Total Austral, Wintershall Energía, Pan American Sur, and Pan American Fueguina. In addition, there are other companies that provide services for this industry.

Fishing

In the fishing sector, Arbumasa (a member of the Amasua Spanish group), Argenova (a member of the Pescanova Spanish group), and Pesquera Santa Elena are the main companies operating in the Province.

Services

Several major companies in the services sector operate in the Province, such as supermarkets (La Anónima and Carrefour), mobile services (Claro, Movistar, and Personal), landlines and internet (Telefónica), banks (nine banks and 23 branches, including Banco de la Nación Argentina, BTF, Santander Río, Galicia, Patagonia, Francés, HSBC, Hipotecario, and Macro), insurance companies (SanCor and La Caja), utility providers (such as the Provincial Office of Water Supply and Sewage Service (*Dirección Provincial de Aguas y Servicios Sanitarios*), the Provincial Office of Energy for Ushuaia (*Dirección Provincial de Energía para Ushuaia*), and Río Grande public utility (*Cooperativa Eléctrica de Río Grande*), and transportation services, among others.

PROVINCIAL AGENCIES

The Province seeks to take part in the Provincial economy to the extent that its involvement may improve the quality of essential services provided to its citizens, as further described in this section. Until the early 1990s, companies owned by the Province were engaged in banking, electricity, water supply, and insurance, and had a significant stake in the Provincial economy. However, during the 1990s the Province privatized all of these entities. The main Provincial agencies as of the date of this offering memorandum are described below. These Provincial agencies have not been incorporated as state-owned corporations but operate as decentralized government agencies, except for BTF, as described below.

Decentralized Agencies

The Province has eight decentralized agencies. These agencies are: the Provincial Office of Ports (*Dirección Provincial de Puertos*); the Provincial Office of Sewage Works and Services (*Dirección Provincial de Obras y Servicios Sanitarios*); the Provincial Office of Energy (*Dirección Provincial de Energía*); the Provincial Office of Road Management and Transportation (*Dirección Provincial de Vialidad*); the Tourism Office (*Instituto Fueguino de Turismo*); the Provincial Housing Office (*Instituto Provincial de Vivienda*); the Provincial Gambling Authority (*Instituto Provincial de Regulación de Apuestas*); and the Provincial Revenue Service (*Agencia de Recaudación Fueguina*).

The Provincial Office of Road Management and Transportation, the Tourism Office, the Provincial Housing Office and the Provincial Revenue Service consolidate their budgets with the accounts of the central administration of the Province, in accordance with Section 8 of Provincial Law No. 495 on Public Financial Administration and Control Systems (the “Financial Administration Law”).

Pursuant to the terms of the Fiscal Responsibility Law, the Provincial Office of Sewage Works and Services, the Provincial Office of Energy and the Provincial Gambling Authority, are deemed to be separate entities and, as such, do not consolidate their financial results with the accounts of the central administration of the Province.

Provincial Office of Ports

The Provincial Office of Ports (*Dirección Provincial de Puertos*) (the “DPP”), created under Provincial Law No. 69 in 1993, is an autonomous governmental entity (*entidad autárquica de derecho público*) that operates both as a private enterprise and as a public agency.

The DPP is responsible for matters relating to Provincial port activities and the execution and enforcement of agreements with other jurisdictions’ government agencies.

The DPP is also responsible for exercising police power over activities in connection with Provincial ports, and it has jurisdiction over all rivers, lakes, and seas in or connected to the Province. The following table shows the DPP’s results of operations for the periods indicated below:

	For the year ended December 31,				
	2011	2012	2013	2014	2015
	P\$ million				
Current Income	54.1	55.3	62.9	95.7	145.2
Current Expenses	44.0	55.3	69.8	87.8	127.4
Economic Profit	10.1	0.0	(6.8)	7.9	17.8
Capital Gains.....	—	—	—	—	—
Capital Expenditures	2.2	0.5	1.5	0.6	7.4
Financial Gains	7.9	(0.5)	(8.3)	7.4	10.5

Source: General Accounting Office

Provincial Office of Sewage Works and Services

The Provincial Office of Sewage Works and Services (*Dirección Provincial de Obras y Servicios Sanitarios*) (the “DPOSS”) was created by Territorial Law No. 158 in 1981.

DPOSS is an autonomous governmental entity charged with creating and enforcing policies related to the supply of drinking water, the disposal of urban and suburban sewage, and the provision of remediation services.

The DPOSS currently supplies drinking water to the City of Ushuaia and the San Sebastián Border Crossing. It also provides drinking water, and sewage services to the City of Tolhuin.

The following table shows the DPOSS's results of operations for the periods indicated below:

	For the year ended December 31,				
	2011	2012	2013	2014	2015
	P\$ million				
Current Income	23.6	41.1	66.3	115.0	125.5
Current Expenses	30.7	43.3	66.4	85.2	120.5
Economic Profit (loss)	(7.2)	(2.2)	(0.1)	29.8	5.0
Capital Gains.....	1.4	—	—	—	—
Capital Expenditures	1.0	1.3	1.7	0.8	7.2
Financial Gains (losses)	(6.8)	(3.5)	(1.7)	29.0	(2.2)

Source: General Accounting Office

Provincial Office of Energy

The Provincial Office of Energy (*Dirección Provincial de Energía*) (the “DPE”) was created under Territorial Law No. 117 in 1978. DPE is an autonomous governmental entity charged with creating and enforcing policies related to electrical power in the Province.

Further, DPE supplies electricity to the Province, in addition to preparing, and submitting proposals regarding the granting, renewal, and expiration of utility concessions for the Executive Branch's consideration.

DPE also implements regulations and prepares tariff schedules with respect to power projects and the inspection of power works. It also keeps a general inventory of its property and that of the Province used for power supply.

The following table shows the DPE's results of operations for the periods indicated below:

	For the year ended December 31,				
	2011	2012	2013	2014	2015
	P\$ million				
Current Income	79.9	99.6	111.8	156.3	174.5
Current Expenses	65.7	82.7	102.3	146.8	228.9
Economic Profit (loss)	14.2	16.9	9.5	9.5	(54.4)
Capital Gains.....	—	—	—	40.8	139.5
Capital Expenditures	20.7	12.8	29.4	56.2	128.9
Financial Gains (losses)	(6.5)	4.2	(19.9)	(5.9)	(43.8)

Source: General Accounting Office

Provincial Office of Road Management

The Provincial Office of Road Management (*Dirección Provincial de Vialidad*) (the “DPV”) was created by Provincial Law No. 22 in 1992. It is an autonomous governmental entity that reports to the Provincial Ministry of Public Works and Utilities.

It is responsible for Provincial roads as well as the execution and enforcement of agreements relating to road management with government agencies from other jurisdictions.

The following table shows the DPV's results of operations for the periods indicated below:

For the year ended December 31,					
	2011	2012	2013	2014	2015
	P\$ million				
Current Income	22.0	23.8	32.3	44.4	61.3
Current Expenses	22.6	31.1	41.2	54.1	75.6
Economic Profit (loss)	(0.5)	(7.4)	(8.9)	(9.7)	(14.2)
Capital Gains.....	—	5.4	8.0	43.1	3.6
Capital Expenditures	6.1	7.8	22.7	25.3	8.1
Financial Gains (losses)	(6.6)	(9.8)	(23.5)	8.1	(18.6)

Source: General Accounting Office

Tourism Office

The Tourism Office (*Instituto Fueguino de Turismo*) (the “InFueTur”) was created by Territorial Law No. 390 and modified in 1993 by Provincial Law No. 65. It is an autonomous governmental entity responsible for regulating tourism in the Province. InFueTur’s main functions include the inspection, planning, scheduling, promotion, and supervision of tourism-related activities and services.

The following table shows the InFueTur’s results of operations for the periods indicated below:

For the year ended December 31,					
	2011	2012	2013	2014	2015
	P\$ million				
Current Income	5.4	6.5	8.5	10.8	15.0
Current Expenses	15.9	18.7	24.9	31.7	44.5
Economic Profit (loss)	(10.5)	(12.2)	(16.4)	(20.9)	(29.5)
Capital Gains.....	—	—	—	0.2	—
Capital Expenditures	0.1	0.3	0.2	0.5	1.4
Financial Gains (losses)	(10.6)	(12.5)	(16.5)	(21.2)	(30.9)

Source: General Accounting Office

Provincial Housing Office

The Provincial Housing Office (*Instituto Provincial de Vivienda*) (the “IPV”) was created by Provincial Law No. 19 in 1992.

The IPV is an autonomous governmental entity. The IPV’s functions include devising and enforcing the Province’s housing policy, striving for an integrated housing solution, promoting the federalization of housing policy, and allocating the resources provided for such purposes by the Federal Government. The IPV’s goal is to create better uses for land and urban improvements and provide housing solutions for families and individuals in need within the Province. To that end, the IPV analyzes, develops, and promotes the use of construction materials of local origin, the use of unconventional energy sources, and establishes technical qualification guidelines for houses with respect to weather, geographic, and social conditions in the area.

The following table shows the IPV’s results for the periods indicated below:

For the year ended December 31,					
	2011	2012	2013	2014	2015
	P\$ million				
Current Income	76.2	98.1	144.7	188.5	246.4
Current Expenses	51.7	67.7	87.2	117.7	157.1
Economic Profit (loss)	24.6	30.4	57.5	70.7	89.4
Capital Gains.....	111.0	162.5	183.9	110.3	357.5
Capital Expenditures	94.0	117.8	133.2	209.0	473.0
Financial Gains (losses)	41.6	75.1	108.2	(28.0)	(26.1)

Source: General Accounting Office

Provincial Gambling Authority

The Provincial Gambling Authority (*Instituto Provincial de Regulación de Apuestas*) (the “IPRA”) was created by Provincial Law No. 88 in 1993.

The IPRA is an autonomous decentralized entity in the sphere of the Provincial Ministry of Health and Welfare. The IPRA’s main functions are authorizing, regulating, controlling, managing, operating, and taking other actions related to gambling and other activities involving stakes and prizes. It also directs and manages the Provincial lottery.

The following table shows the IPRA’s results of operations for the periods indicated below:

For the year ended December 31,					
	2011	2012	2013	2014	2015
	P\$ million				
Current Income	67.1	79.2	103.6	136.9	195.0
Current Expenses	65.3	77.2	93.2	141.3	188.3
Economic Profit (loss)	1.8	2.0	10.4	(4.4)	6.7
Capital Gains.....	—	—	—	—	—
Capital Expenditures	4.0	4.7	6.8	0.0	0.3
Financial Gains (losses)	(2.2)	(2.7)	3.6	(4.4)	6.4

Source: General Accounting Office

Provincial Revenue Service

The Provincial Revenue Service (*Agencia de Recaudación Faguina*) (the “AREF”) was created by Provincial Law No. 1074 in January 11, 2016. The AREF exercises all powers formerly delegated to the Secretariat of Public Revenue, the Under-Secretariat of Registry, the Provincial Office of Ownership Matters, the Provincial Register Office, the Provincial Office of Territorial Information, and the General Tax Office, all of which were merged into the AREF.

The AREF is the enforcement authority for taxation in the Province. The AREF collects fees, royalties, and duties. In addition, the AREF enforces the Tax Code, the Registry Law, supplementary legal regulations, as well as any other law in connection with sources of tax.

The AREF’s funding comes from several sources, including: (i) a 4.2% fee that AREF retains from all taxes and royalties it collects monthly (the royalties and rights are derived from the National Law No. 26,197); (ii) income related to its own investments; and (iii) additional funds allocated under the Provincial budget.

Provincial Government-owned Companies

Banco de Tierra del Fuego

The BTF was founded in 1982 as an autonomous institution pursuant to Territorial Law No. 234 in 1982.

The BTF’s primary objective is to increase access to financing that promotes farming, mining, industrial manufacturing, forestry, tourism, and other commercial activities with the objective of promoting and supporting the Province’s economic development, as well as increasing access to housing.

The BTF acts as a financial agent for the Province. In addition, it provides customized financial solutions to public sector institutions, businesses, and individuals while promoting development throughout the Provincial economy.

The BTF is governed by its bylaws and Federal Laws No. 19,550 and No. 21,526. Therefore, it is subject to the regulations and banking standards adopted by the Central Bank, including minimum capital, solvency, and liquidity requirements. Its fiscal year ends on December 31 of each year.

The BTF's headquarters are located at Maipú 897, City of Ushuaia. The BTF has six branches in three cities of the Province (Ushuaia, Río Grande, and Tolhuin), plus three branches in other provinces (the City of El Calafate in the Province of Santa Cruz, the City of Río Gallegos in the Province of Santa Cruz, and the City of Buenos Aires).

The following table shows selected financial information derived from the BTF's audited financial statements for the periods indicated below:

BTFs Financial Information

	For the year ended December 31,				
	2011	2012	2013	2014	2015
Assets					
Cash & Dues from Banks.....	265.9	271.2	300.1	423.3	530.2
Government and Private Securities	448.3	289.4	216.7	339.4	1,241.4
Loans.....	437.7	617.2	985.8	1,300.1	1,491.1
Other Receivables for Financial Intermediation..	151.6	129.5	44.1	193.2	450.1
Receivables from operating leases	0.9	0.9	1.2	1.4	1.4
Interests in other Company	0.1	0.1	0.1	0.1	0.1
Sundry Receivables.....	22.0	34.4	45.9	52.1	65.8
Property, Plant and Equipment.....	22.1	25.8	30.9	36.9	45.8
Sundry Assets.....	6.6	7.8	9.3	13.7	9.1
Intangible Assets.....	6.9	5.5	3.9	3.3	2.1
Allocation Pending Items.....	0.2	0.1	0.3	0.2	0.3
Total Assets	1,362.2	1,381.9	1,638.4	2,363.7	3,837.4
Liabilities					
Deposits	979.3	998.4	1,274.4	1,627.4	2,726.0
Other Liabilities for Financial Intermediation.....	139.5	104.9	15.2	190.9	399.6
Sundry Liabilities	12.9	17.6	21.4	31.5	40.1
Provisions.....	4.9	3.5	3.7	9.1	5.9
Subordinated Notes	—	—	—	—	—
Allocation Pending Items.....	21.0	16.2	11.9	52.0	40.2
Total Liabilities	1,157.6	1,140.6	1,326.6	1,910.9	3,211.8
Net Equity	204.6	241.4	311.9	452.8	625.6
Capital	0.1	0.1	53.1	53.1	53.1
Non-capitalized Contributions	53.0	53.0	—	—	—
Equity Adjustments.....	103.6	103.6	103.6	103.6	103.6
Reserves of Profits	17.2	44.0	78.4	128.1	244.5
Retained Earnings	30.7	40.6	76.8	168.0	224.4
Unrealized valuation difference	—	—	—	—	—
Total Liabilities and Net Equity	1,362.2	1,381.9	1,638.4	2,363.7	3,837.4

Source: Central Bank

PUBLIC SECTOR FINANCES

Scope and Methodology

The table below sets forth the Province's revenues and expenses for the years 2011 to 2015 and for the nine-month periods ended September 30, 2015 and September 30, 2016.

Summary Revenues and Expenditures (P\$ million)⁽¹⁾

	For the year ended December 31,					For the nine months ended September 30,	
	2011	2012	2013	2014	2015	2015	2016
Current revenues	3,133.6	3,857.4	5,245.0	7,478.6	9,393.2	6,816.9	8,923.5
Current expenditures	3,320.6	4,181.4	5,437.9	7,697.9	10,372.1	7,119.5	9,179.6
Operating balance⁽²⁾	(187.0)	(324.0)	(192.8)	(219.3)	(978.9)	(302.6)	(256.2)
Capital revenues	219.6	292.8	412.5	616.4	883.1	750.2	694.1
Capital expenditures	223.8	289.3	352.8	486.6	952.4	614.4	774.2
Overall balance⁽³⁾	(191.3)	(320.6)	(133.1)	(89.6)	(1,048.3)	(166.8)	(336.3)

Notes:

(1) Revenues and expenditures only include financial results from central administration and decentralized agencies. It does not include financial results from fiduciary funds and special accounts that registered (i) capital expenditures (real direct investments) of P\$36.1 million in 2012, P\$59.9 million in 2013, P\$189.5 million in 2014, P\$238.7 million in 2015, and P\$178.7 million in the nine-month period ended September 30, 2015 or (ii) capital revenues (federal capital transfers) of P\$36.1 million in 2012. Fiduciary funds and special accounts did not register capital revenues or capital expenditures other than in the years specified. Revenues and expenditures of the Social Security System are presented separately. See "Public Sector Finance—Social Security System."

(2) Represents current revenues minus current expenditures.

(3) Represents total revenues minus total expenditures.

Source: Ministry of Economy of the Province.

The Province's budgets and accounts reflect the consolidated results of the institutions and agencies that comprise the general central administration of the Province. The Province does not consolidate the results of its municipalities, provincial enterprises and other agencies that do not participate in the general administration of the Province, or those of BTF. Pursuant to the terms of Federal Law No. 25,917 (the "Fiscal Responsibility Law"), DPP, DPOSS, DPE and IPRA, are deemed to be companies and, as such, are not consolidated with the non-financial public administration for the purposes of reporting information under this scheme. Social Security Agencies are also presented separately in order to avoid duplicating revenues and expenditures. See "—Social Security System."

The public sector of the Province consists of the central administration of the Province, centralized and decentralized agencies and instrumentalities, non-autonomous community administrations, autonomous entities, BTF, corporations in which the Province holds a majority interest, mixed companies, and any such other business organizations in which the Provincial Government holds a majority interest in equity or decision-making power. The Court of Auditors, the State Attorney's Office, the General Accounting Office, and the General Treasury are the Controlling Authorities under the Provincial Constitution. See "The Province—Provincial Government."

Pursuant to applicable law, the Province is required to transfer to its municipalities: (i) 46.1% (including 1.1% for the municipality of Tolhuin, pursuant to Provincial Law No. 892/2012) of the revenue from Provincial gross revenue tax and stamp tax; (ii) 26.1% (including 1.1% for the municipality of Tolhuin, pursuant to Provincial Law No. 892/2012) of the transfers to the Province from the Federal Co-Participation Regime, the simplified tax scheme for small taxpayers (*monotributo*), and excess revenue from the Greater Buenos Aires suburban district (*conurbano*); and (iii) 21.1% (including 1.1% for the municipality of Tolhuin, pursuant to Provincial Law No. 892/2012) of oil and gas royalties.

The Province records transfers to municipalities, including contributions, loans and advances to Provincial enterprises, as expenditures and transfers from these entities to the Province as revenue.

As provided by Provincial Public Financial Administration Law, the Province maintains its books and records in pesos and prepares its budgets and statements of revenue and expenditures in accordance with the generally accepted accounting principles applicable to the governmental accounting system and the general accounting standards approved

for the public sector. The accounting system of the Province applies to all entities of the Provincial non-financial public sector.

The Province's General Accounting Office regulates the Province's Governmental Accounting System. In addition to performing internal controls on the Provincial public sector, it establishes the accounting procedures and methodology, runs accounting information systems, prepares the economic accounts of the public sector, and prepares the account rendering.

The Province's General Treasury regulates the Provincial Treasury System, which consists of the entities, rules and procedures related to the collection of revenue and payments that constitute the cash flows of the Provincial public sector.

The Court of Auditors (*Tribunal de Cuentas*) is an external entity that oversees the Provincial public sector. In accordance with the powers and obligations conferred by the Provincial Constitution and Provincial Law No. 50, it has control over administrative acts and approves the collection of revenue and investment of public funds.

The Province administers its own social security regime through a Provincial social security administration. The Province did not transfer its pension fund to the Federal Government, as other provinces did pursuant to the Federal Pact for Employment, Production and Growth (*Pacto Federal para el Empleo, la Producción y el Crecimiento*) between the Federal Government and certain provinces dated August 12, 1993. See "The Province—Social Security System."

Main Sources of Revenue

The Province's revenues are classified into current revenues and capital revenues. The Province's revenue for 2015 totaled P\$10,276.2, an increase of 26.9% compared to the Province's total revenue of P\$8,094.9 million in 2014. This increase was mainly due to a 36.2% increase in transfers of Federal taxes to the Province and a 33.1% increase in Provincial tax revenues.

Provincial non-tax revenue in 2015 decreased by 8.2% compared to 2014, mainly due to a decrease in oil prices (from an average US\$75.9 per barrel in 2014 to an average US\$70.8 per barrel in 2015) and the devaluation of the peso during 2015, resulting in an impact on revenue from hydrocarbon royalties that are calculated by reference to the exchange rate published by Banco de la Nación Argentina.

For the five years ended December 31, 2015, 49.0% and 21.2% of the Province's revenue was derived from transfers of Federal taxes to the Province and from the Province's tax revenue, respectively. Revenue from hydrocarbon royalties for this period accounted for, on average, 7.7% of the Province's revenue, with the highest share accounting for 9.5% in 2012.

The following table shows the composition of the Province's revenues for the periods indicated:

Total Revenues⁽¹⁾							
(P\$ million)							
	For the year ended December 31					For the nine months ended September 30,	
	2011	2012	2013	2014	2015	2015	2016
Current Revenues							
Tax revenues							
Provincial tax revenues	572.3	744.0	1,316.7	1,883.7	2,507.4	1,750.0	2,336.1
Transfer of Federal taxes	1,661.8	2,110.8	2,738.0	3,750.4	5,106.9	3,708.8	4,750.7
Non-tax revenues							
Royalties	300.9	394.6	441.3	571.4	525.3	398.3	708.6
Other non-tax revenues	495.8	521.1	644.2	1,059.8	972.7	751.9	898.1
Sales of goods and services of the administration	36.3	34.0	41.1	68.8	94.4	62.2	77.1
Property income	1.1	3.5	2.6	3.6	3.0	2.2	3.4
Current transfers	65.5	49.3	61.1	141.0	183.6	143.5	149.4
Subtotal current revenues	3,133.6	3,857.4	5,245.0	7,478.6	9,393.2	6,816.9	8,923.5
Capital Revenues							
Provincial capital revenues	3.9	4.0	7.1	7.6	10.1	5.7	5.8
Federal capital transfers	182.3	236.8	356.3	551.6	808.9	696.3	627.0
Reduction of financial investments	33.4	52.0	49.1	57.2	64.0	48.2	61.3
Subtotal capital revenues	219.6	292.8	412.5	616.4	883.1	750.2	694.1
Total Revenue	3,353.2	4,150.2	5,657.6	8,094.9	10,276.2	7,567.1	9,617.6

Note:

(1) The Province's revenues and expenditures only include financial results from central administration and decentralized agencies. It does not include financial results from fiduciary funds and special accounts that registered (i) capital expenditures (real direct investments) of P\$36.1 million in 2012, P\$59.9 million in 2013, P\$189.5 million in 2014, P\$238.7 million in 2015, and P\$178.7 million in the nine-month period ended September 30, 2015 or (ii) capital revenues (federal capital transfers) of P\$36.1 million in 2012. Fiduciary funds and special accounts did not register capital revenues or capital expenditures other than in the years specified. Revenues and expenditures of the Social Security System are presented separately. See "Public Sector Finance—Social Security System."

Source: Ministry of Economy.

Current Revenues

Tax Revenues

Tax revenues of the Province include provincial tax revenues and transfers of federal taxes.

Provincial Tax Revenues

Provincial tax revenues are the second most important source of the Province's revenue. Historically, the largest source of the Province's tax revenue has been the collection of the gross revenue tax. The Province's total revenue from provincial taxes for the years ended December 31, 2011, 2012, 2013, 2014 and 2015, was P\$572.3 million, P\$744.0 million, P\$1,316.7 million, P\$1,883.7 million, and P\$2,507.4 million, respectively, which accounted on average for 21.2% of the Province's total revenue for the five-year period ended December 31, 2015. For the six-month period ended June 30, 2015, provincial tax revenue totaled P\$1,101.1 million, corresponding to 22.3% of the Province's total revenue. For the nine-month period ended June 30, 2016, revenue from provincial taxes totaled P\$1,503.1 million, corresponding

to 24.7% of the Province's total revenue. The six-month period ended June 30, 2016, and the comparative information for the six-month period ended 2015, is the latest date for which Provincial tax revenue data is available.

The following table shows the composition of provincial tax revenues for the periods indicated.

Composition of Provincial Tax Revenues⁽¹⁾
(P\$ million)

	For the year ended December 31,					For the six months ended June 30,	
	2011	2012	2013	2014	2015	2015	2016
Gross revenue tax	546.7	713.2	1,081.8	1,543.4	1,914.0	834.2	1,179.0
Rural real estate tax	—	—	7.2	4.3	3.0	0.4	0.8
Stamp tax	24.7	30.2	78.1	110.0	142.8	63.5	89.9
Social Financing Fund	0.8	0.6	149.6	226.0	447.7	203.0	233.4
Total	572.3	744.0	1,316.7	1,883.7	2,507.4	1,101.1	1,503.1

Notes:

(1) The Province does not regularly prepare or publish quarterly reports containing the breakdown of provincial tax revenues.

Source: Ministry of Economy.

The Province collects the following principal taxes:

Gross Revenue Tax. Gross revenue tax is the most important individual tax in terms of provincial tax revenue. Gross revenue tax is imposed at a fixed rate on most commercial activities or businesses undertaken in the Province, which ranges from 1.0% for primary activities to 4.5% for certain activities involving the provision of services and financial intermediation. The Province's total revenue from gross revenue tax for the years ended December 31, 2011, 2012, 2013, 2014 and 2015, was P\$546.7 million, P\$713.2 million, P\$1,081.8 million, P\$1,543.4 million, and P\$1,914.0 million, respectively, which accounted on average for 86.4% of the Province's total tax revenue for the five-year period ended on December 31, 2015. The increase in total revenue from gross revenue tax between 2011 and 2015 is mainly related to the depreciation of the peso against the U.S. dollar and increased economic activity. Between 2011 and 2015, Provincial tax revenues derived from gross revenue tax has decreased as a percentage of total tax revenues from 95.5% in 2011 to 76.3% in 2015, as Provincial tax revenues corresponding to the Social Financing Fund have increased. See "—Social Financing Fund." For the six-month period ended on June 30, 2015 revenue from gross revenue tax was P\$834.2 million, corresponding to 75.8% of the Province's total tax revenue for that period. For the six-month period ended on June 30, 2016 revenue from gross revenue tax was P\$1,179.0 million, corresponding to 78.4% of the Province's total tax revenue for that period.

Rural Real Estate Tax. The Province imposes a progressive tax that is assessed through a combination of tax rates ranging from 0.2% to 1.2% of the appraised value of each rural property located in the Province, subject to a minimum of P\$250 per property. There are nine tax categories categorized by ranges of appraised value. The first property value range, from P\$0 to P\$33,000, is subject to a 0.2% tax rate. Real property owned by the Federal Government and the Provincial and municipal governments, among others, is exempt from this tax. The Province has delegated the right to collect the urban real estate tax to the municipal governments. The Province did not recognize any significant revenue from the rural real estate tax for the years ended December 31, 2011 and 2012. In December 2012, Provincial law No. 440 was enacted, which modified the mechanism of valuation of rural properties for purposes of the rural real estate tax and established a minimum tax applicable per property. Revenue from the rural real estate tax for the years ended 2013, 2014, and 2015 totaled P\$7.2 million, P\$4.3 million, and P\$3.0 million, respectively, which accounted on average for 0.2% of the Province's total tax revenue for the five-year period ended on December 31, 2015. The increase in 2013, from 2011 and 2012, and the subsequent decrease in total revenue from real estate tax between 2013 and 2015 is mainly due to an increase in tax rate applied in 2013 and a subsequent reduction on the applicable tax rate in the following years. Between 2013 and 2015, Provincial tax revenues derived from rural real estate tax has decreased as a percentage of total tax revenues from 0.5% in 2013 to 0.1% in 2015, as Provincial tax revenues corresponding to the Social Financing Fund have increased. For the six-month period ended June 30, 2015 revenue from rural real estate tax was P\$0.4 million, corresponding to less than 0.1% of the Province's total tax revenue for that period. For the six-month period ended June

30, 2016 revenue from rural real estate tax was P\$0.8 million, corresponding to 0.1% of the Province's total tax revenue for that period.

Stamp Tax. The Province imposes a stamp tax on certain categories of public and private contracts executed within its territory and that have legal effects in the Province. The general tax rate is 1.0% of the value of the underlying instrument or transaction. The tax rate varies from 0.6% to 1.5% depending on the purpose of the transaction. For the years ended December 31, 2011, 2012, 2013, 2014, and 2015 the Province's total revenue from stamp taxes totaled P\$24.7 million, P\$30.2 million, P\$78.1 million, P\$110.0 million, P\$142.8 million, respectively, which accounted on average for 5.2% of the Province's total tax revenue for the five-year period ended on December 31, 2015. The increase in total revenue from stamp tax between 2011 and 2015 is mainly related to the depreciation of the peso against the U.S. dollar and increased economic activity. Between 2011 and 2015, Provincial tax revenues derived from stamp taxes has slightly increased as a percentage of total tax revenues from 4.3% in 2011 to 5.7% in 2015. For the six-month period ended June 30, 2015 revenue from stamp tax was P\$63.5 million, corresponding to 5.8% of the Province's total tax revenue for that period. For the six-month period ended June 30, 2016 revenue from stamp tax was P\$89.9 million, corresponding to 6.0% of the Province's total tax revenue for that period.

Social Financing Fund. This fund was created by Provincial Law No. 907, which modified Law No. 440, for the financing of social services in health and education. Contributions are made to the fund through a surcharge of 1.0% over the gross income tax rate. The Province's total revenue from this surcharge for the years ended December 31, 2011, 2012, 2013, 2014, 2015 totaled P\$0.8 million, P\$0.6 million, P\$149.6 million, P\$226.0 million, and P\$447.7 million, respectively, which accounted on average for 8.3% of the Province's total tax revenue for the five-year period ended on December 31, 2015. Between 2011 and 2015, Provincial tax revenues corresponding to the Social Financing Fund have increased both in absolute terms and as a percentage of total tax revenues from 0.1% in 2011 to 17.9% in 2015, due mainly to an increase in the gross income tax rate. For the six-month period ended June 30, 2015, revenue corresponding to the Social Financing Fund was P\$203.0 million, corresponding to 18.4% of the Province's total tax revenue for that period. For the six-month period ended June 30, 2016, revenue corresponding to the Social Financing Fund was P\$233.4 million, corresponding to 15.5% of the Province's total tax revenue for that period.

Transfer of Federal taxes

The Province's revenues from the transfer of federal taxes includes Federal Co-Participation Regime transfers and other federal tax transfers under special allocation schemes, as explained below. Transfer of federal taxes for the years 2011, 2012, 2013, 2014 and 2015 totaled P\$1,661.8 million, P\$2,110.8 million, P\$2,738.0 million, P\$3,750.4 million, and P\$5,121.5 million, respectively, which accounted on average for 49.0% of the Province's total revenue for the five-year period ended December 31, 2015. For the nine-month period ended September 30, 2015, transfer of federal taxes amounted to P\$3,708.8 million, corresponding to 48.3% of the Province's total revenue for that period. For the six-month period ended June 30, 2016, transfer of federal taxes amounted to P\$2,389.8 million, corresponding to 49.7% of the Province's total revenue for that period. The six-month period ended June 30, 2016, and the comparative information for the six-month period ended 2015, is the latest date for which federal tax transfers data is available.

The following table shows the composition of federal tax transfers to the Province for the periods indicated.

Composition of Federal Tax Transfers
(P\$ million)⁽¹⁾

	For the year ended December 31,					For the six months ended June 30, ⁽²⁾	
	2011	2012	2013	2014	2015 ⁽¹⁾	2015	2016
Federal Co-Participation ⁽³⁾	1,270.8	1,612.1	2,097.9	2,867.0	3,920.6	1,812.3	2,359.4
Service Transfers (Law No. 24.049)	12.0	12.0	12.0	12.0	12.0	6.0	6.0
Capital Gains Tax Regime ⁽⁴⁾	177.6	228.8	305.2	449.0	674.9	316.9	374.4
Personal Goods Tax Regime ⁽⁵⁾	38.6	47.6	67.5	94.0	119.6	66.9	79.8
Liquid Fuel Tax Regime ⁽⁶⁾	95.2	134.3	176.6	244.9	301.0	146.1	163.1
Small Taxpayers' Simplified Scheme	10.9	14.0	16.2	15.4	20.8	9.7	11.8
Electricity Regime (Law No. 24.065)	7.1	7.9	7.0	7.8	6.9	2.9	4.4
Fund for the Offset of Fiscal Imbalances	36.0	36.0	36.0	36.0	36.0	18.0	18.0
F.E.D.E.I.	13.6	18.0	19.7	24.4	29.7	10.9	14.2
Total	1,661.8	2,110.8	2,738.0	3,750.4	5,121.5	2,389.8	3,031.1

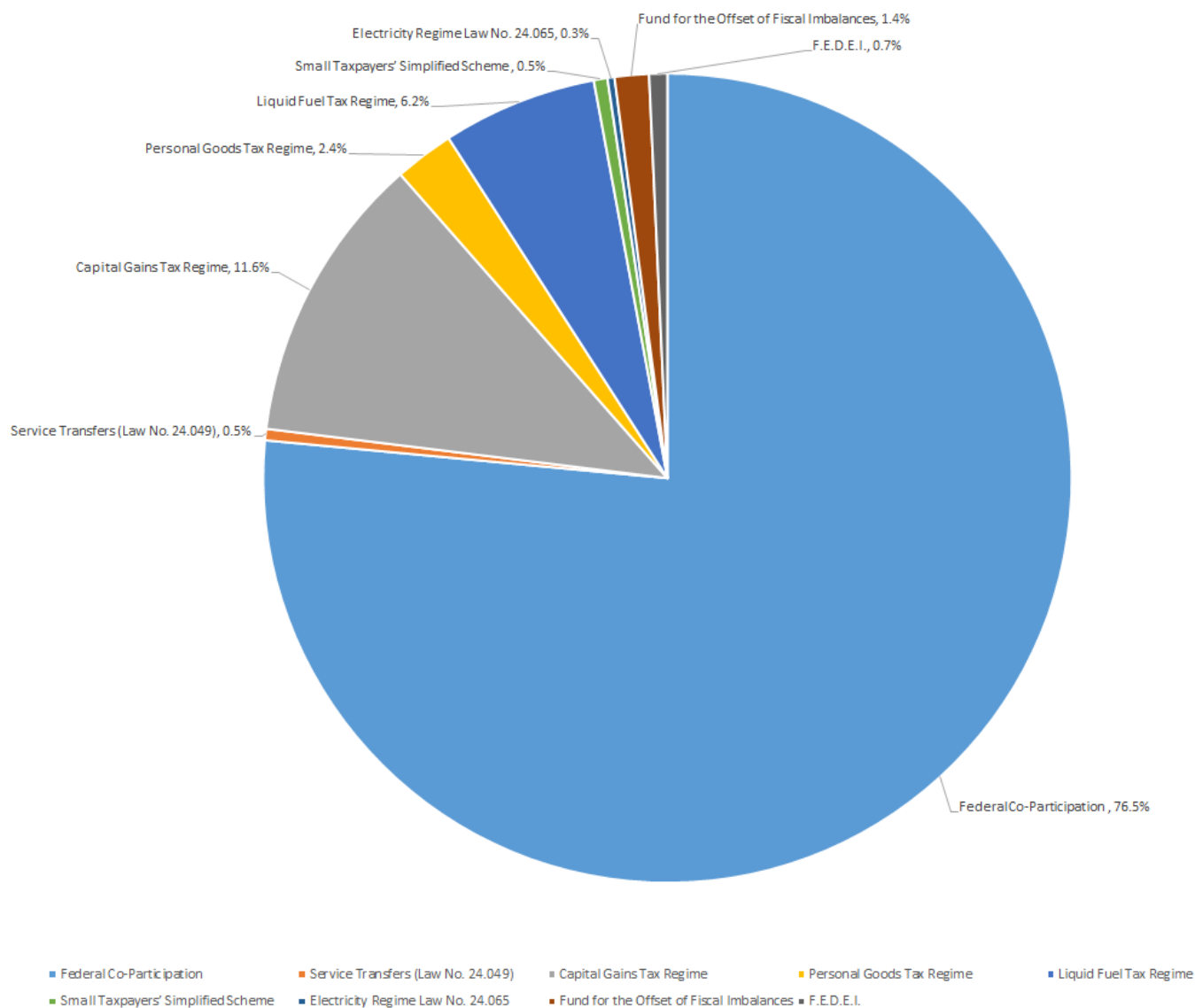
Notes:

- (1) Preliminary information subject to change. Minor differences between the data included in this column, as recorded by the Ministry of Economy and Finance, and the Federal Tax Transfers revenues recorded by the Ministry of Economy (included elsewhere in this offering memorandum) may appear, due to a lag between the recording of these revenues by the Province and the Federal Government.
- (2) The Province does not regularly prepare or publish quarterly reports containing the breakdown of federal tax transfers.
- (3) Includes Educational Financing Law No. 26,075.
- (4) Includes Conurbano Bonaerense Fund Excess (Law No. 24,621) Social Basic Infrastructure Fund (Law No. 24,073) and transfers under Law No. 24,699.
- (5) Includes transfers under Law No. 24,699 but excludes transfers under VAT (Law No. 23,966, article 5) and transfers under the Retirement and Pension Fund (Law No. 23,699, article 30) as these correspond to the Social Security System.
- (6) Includes transfers under the infrastructure works fund (Law No. 23,966), transfers under the FONAVI, Law No. 24,464, infrastructure works and transfers under the Highway Fund.

Source: Ministry of Economy and Finance.

The following chart sets out a breakdown of the average participation of each federal source revenue for the period 2011 to 2015.

Average Composition of Federal Tax Transfers (2011 – 2015)



Federal Co-Participation

Under the Argentine Constitution, both the federal and provincial governments are authorized to levy taxes. In 1955, the Federal and provincial governments entered into a coordinated tax arrangement (the “Federal Co-Participation Regime”), pursuant to which the Federal Government agreed to collect certain taxes on an exclusive basis and to distribute a portion of such tax revenue among the provinces. In exchange, the provincial governments agreed to limit the type of taxes they would collect directly.

The Federal Co-Participation Law governs the Federal Co-Participation Regime. The 1994 amendments to the Argentine Constitution granted constitutional recognition to the Federal Co-Participation Regime and allocated taxation powers between the Federal Government and the provinces as follows:

- Federal and provincial governments are both authorized to levy taxes on consumption and other indirect taxes;
- the Federal Government may also levy direct taxes, such as income taxes in certain specific cases;

- taxes established by the Federal Government, except those collected for specific purposes, are to be shared between the Argentine and provincial governments;
- the Federal Government has the exclusive right to levy taxes on foreign trade, which are excluded from the Federal Co-Participation Regime; and
- the provinces retain all taxation and other powers which are not expressly delegated to the Federal Government in the Argentine Constitution.

In addition, the 1994 amendments to the Argentine Constitution provided that the Federal Co-Participation Regime would be revised by the end of 1996 to provide for the distribution of funds among the Federal Government and the provinces on the basis of objective distribution criteria. Differences between the Federal Government and the provinces and among the provinces on the appropriate criteria on which the new distribution system should be based have prevented an agreement to date.

Taxes presently collected by the Federal Government that are under the Federal Co-Participation Regime are as follows: 100.0% of revenue from excise taxes levied on various non-basic goods, such as cigarettes and alcohol; 89.0% of revenue from excise taxes levied on VAT revenue; 64.0% of revenue from excise taxes levied on income tax revenue, 100.0% of revenue from excise taxes levied on property transfer tax revenue, 80.6% of revenue from excise taxes levied on tax on won prizes; 50.0% of revenue from excise taxes levied on cooperative tax revenue; 100.0% of revenue from excise taxes levied on minimum presumed income tax; and, since February 2002, 30.0% of revenue from excise taxes levied on financial transactions tax revenue.

A 1992 agreement among the Federal Government, the provinces and the City of Buenos Aires that permitted the 15.0% deduction for the federal pension system was extended and later codified in 2006 under Article 76 of National Law No. 26,078 (*Presupuesto de Gastos y Recursos de la Administración Nacional para el Ejercicio 2006*). In November 2015, the Supreme Court of Justice rendered judgment against the Federal Government in connection with claims brought by two Argentine provinces (Santa Fe and San Luis), whereby it declared the 15.0% deduction unconstitutional. In the understanding of the Supreme Court of Justice, the deductions had been made with the provinces' consent between 1992 and 2005, but that the Federal Government has since made the deduction unilaterally, without the provinces' consent. In its judgment, the Supreme Court also ordered the Federal Government to return the funds that had been withheld from the provinces of Santa Fe and San Luis. Furthermore, the Supreme Court of Justice supported the enactment of a new Federal Co-Participation Law. In November 2015, the Supreme Court of Justice granted an injunction that had been sought by the province of Córdoba suspending the 15.0% deduction from taxes under the Federal Co-Participation Regime. Later that month, President Fernández de Kirchner issued an emergency decree expanding the Supreme Court's ruling to funds that were withheld from all provinces and the City of Buenos Aires under Article 76. This decree was repealed shortly after President Macri took office. As of the date of this Offering Memorandum, the provinces of Córdoba, San Luis and Santa Fe have reached an agreement with the Federal Government with respect to the return ordered by the Argentine Supreme Court of Justice.

In February 2016, Decree No. 406/2016 created the Agreement for a New Federalism ("*Programa Acuerdo para el Nuevo Federalismo*") and formed a council to discuss the terms of an agreement among the Federal Government, the provinces, and the City of Buenos Aires for a progressive elimination of the 15.0% deduction from the group of shared taxes agreed upon in 1992 to pay national social security liabilities (the "Deducted Funds"). On May 18, 2016, the Province entered into the Agreement for a New Federalism with the Federal Government, and pursuant to such agreement the Federal Government: (i) will cease to deduct the Deducted Funds, by means of a progressive and gradual return of 3.0% during 2016, 2017, 2018, 2019 and 2020; (ii) will return the Deducted Funds unduly withheld from January 1, 2006 through July 31, 2016, to the Province in five monthly installments, and in connection with the unduly Deducted Funds from January 1, 2006 through July 31, 2015, the Province shall bring collection proceedings; and (iii) the Province may obtain credits of up to the equivalent of six percentage points each year. See "Public Sector Finances—Main Sources of Revenues—Federal Co-Participation Regime."

Since March 2009, the Federal Government has allocated 30.0% of export duties levied on soybean exports to the provinces of Argentina through transfers to a fund called Fondo Federal Solidario, dedicated to the execution of public works in the provinces. Amounts transferred to this fund are shared among the provinces in the percentages contemplated by the Federal Co-Participation Regime under the Co-Participation Law. In turn, the provinces are required to transfer 30.0% of their share of these revenues to their respective municipalities.

Other federal tax transfers – Special Allocation Schemes

The Federal Government also distributes other tax revenue to the Province that are not included in the Federal Co-Participation Regime described above. The principal tax transfers include the following:

- *Educational Financing Law No. 26,075.* The Educational Financing Law No.26,075 (the “Education Financing Law”) was enacted to boost investments in education, science and technology, streamline the use of resources in order to provide equal learning opportunities, support policies aimed at enhancing teaching quality, and improve scientific and technological research to strengthen the strategic role of education, science and technology in Argentina’s economic, social and cultural development. Transfers under the Education Financing Law are distributed by the Federal Government among the provinces on a discretionary basis. The Province did not receive any transfers under the Education Financing Law for 2011. The Province received transfers for the years 2012, 2013, 2014 and 2015 totaling P\$74.3 million, P\$93.1 million, P\$121.0 million, and P\$232.4 million, respectively, which accounted on average for 3.6% of the Province’s total federal tax transfers for the five-year period ended December 31, 2015. The increase in transfers under the Education Financing Law between 2012 and 2015 is mainly explained by increased inflation rates during this period. For the six-month period ended June 30, 2015 transfers under the Education Financing Law was P\$114.3 million, corresponding to 4.8% of the Province’s total federal tax transfers for that period. For the six-month period ended June 30, 2016 transfers under the Education Financing Law was P\$155.6 million, corresponding to 5.1% of the Province’s total federal tax transfers for that period. The increase in transfers from this fund during 2015 was mainly due to an accounting change in the Federal Government’s finances that led to an increase in the amount of transfers from this fund to all provinces.
- *Housing Fund Law No. 24,464.* The Federal Government is required to transfer 42.0% of revenue from the federal tax on fuels to the *Fondo Nacional de la Vivienda* (the National Housing Fund or “FONAVI”) to fund the construction of low-income housing throughout the country. The Province is entitled to 2.65% of the funds transferred to FONAVI. The Province received FONAVI transfers for the years 2011, 2012, 2013, 2014 and 2015 totaling P\$70.9 million, P\$99.7 million, P\$131.3 million, P\$181.3 million, and P\$223.5 million, respectively, which accounted on average for 4.5% of the Province’s total federal tax transfers for the five-year period ended December 31, 2015. The increase in transfers under the Housing Fund Law between 2011 and 2015 is mainly explained by increased inflation rates during this period. For the six-month period ended June 30, 2015 FONAVI transfers were P\$108.5 million, corresponding to 4.5% of the Province’s total Federal tax transfers for that period. For the six-month period ended June 30, 2016 FONAVI transfers were P\$120.9 million, corresponding to 4.0% of the Province’s total Federal tax transfers for that period.
- *Highway Fund Decree Law No. 505/58.* The Federal Government is required to transfer 17.4% of revenue from the federal tax on fuels to *Fondo de Vialidad* (the “Highway Fund”). The Highway Fund distributes these funds to the provinces on the basis of the road construction and maintenance expenditures of each province, as well as other factors that include population size and fuel consumption. The Province received Highway Fund transfers for the years 2011, 2012, 2013, 2014 and 2015 totaling P\$17.5 million, P\$25.1 million, P\$32.7 million, P\$46.3 million, and P\$56.2 million, respectively, which accounted on average for 1.1% of the Province’s total federal tax transfers for the five-year period ended December 31, 2015. The increase in transfers under the Highway Fund between 2011 and 2015 is mainly explained by increased inflation rates during this period. For the six-month period ended June 30, 2015 Highway Fund transfers were P\$27.3 million, corresponding to 1.1% of the Province’s total federal tax transfers for that period. For the six-month period ended June 30, 2016 Highway Fund transfers were P\$30.7 million, corresponding to 1.0% of the Province’s total federal tax transfers for that period.
- *Fund for the Offset of Fiscal Imbalances Law No. 23, 562.* The Fund for the Offset of Fiscal Imbalances is comprised of an annual fixed amount of P\$549.6 million. These amounts are distributed by the Federal Government among the provinces on a discretionary basis. The Federal Government has decided to distribute a fixed amount to the Province from this fund corresponding to P\$36.0 million per year from 2011 to 2015, which accounted on average for 1.3% of the Province’s total federal tax transfers for the five-year period ended on December 31, 2015. For the six-month period ended on June 30, 2015 transfers from this fund were P\$18.0 million, corresponding to 0.8% of the Province’s total federal tax transfers for that period. For the six-month

period ended on June 30, 2016 transfers from this fund were P\$18.0 million, corresponding to 0.6% of the Province's total federal tax transfers for that period.

- *Simplified Tax Regime for Small Taxpayers.* Section 59 of National Law No. 24,977, amended by National Law No. 25,067, was enacted to simplify payments from small taxpayers, with the amounts collected by the Federal Government to be distributed among ANSES and the provinces. The Province received transfers under Section 59 in the amount of P\$10.9 million, P\$14.0 million, P\$16.2 million, P\$15.4 million, and P\$20.8 million for the years 2011, 2012, 2013, 2014, and 2015, respectively, which accounted on average for 0.5% of the Province's total federal tax transfers for the five-year period ended December 31, 2015. The variation in transfers under Section 59 between 2011 and 2015 is mainly explained by variations in economic activity and inflation rates during this period. For the six-month period ended June 30, 2015, transfers corresponding to the simplified tax regime were P\$9.7 million, corresponding to 0.4% of the Province's total federal tax transfers for that period. For the six-month period ended June 30, 2016, transfers from this fund were P\$11.8 million, corresponding to 0.4% of the Province's total Federal tax transfers for that period.

Non-tax Revenues

In addition to the tax revenues received by the Province, the Province receives other non-tax revenues and other non-tax payments and transfers from the Federal Government as federal contributions.

Royalties

The Province collects royalties related to the production of oil and gas. Hydrocarbon royalties are payable to the Province by the concessionaires under the Hydrocarbons Law and are set forth in the terms of the concession contracts. The amount of hydrocarbon royalties payable under the concessions are established in National Law No. 17,319 and equal 12.0% of the wellhead price for oil and gas production within the national territory, valued at the wellhead price. The Province may collect certain bonuses for concessions extensions. Furthermore, the Province may receive payments from certain concessionaires in the form of a variable cannon, which is adjusted based on hydrocarbon prices at the time of sale each month and actual hydrocarbon prices received by the relevant concessionaire, after deducting certain costs. Any amounts collected by the Province under the variable cannon may be later adjusted further to reflect any post-payment costs or any changes to the actual hydrocarbon price received by the relevant concessionaire each month. For purposes of presentation in this offering memorandum, adjustments in connection with the additional payments collected by the Province are divided evenly between gas and oil royalties.

Gas Royalties

The table below shows gas production, average prices, and royalties received by the Province for the periods indicated:

Gas Production, Average Prices, and Royalties Received by the Province

	For the year ended December 31,					
	2011	2012	2013	2014	2015	2016
Gas Production (in million m ³).....	3,803.3	3,637.7	3,500.3	3,399.0	3,033.0	3,949.4
Average Price (US\$/MMBTU)	1.01	1.50	1.76	2.07	1.93	2.14
Royalties (P\$ million) ⁽¹⁾⁽²⁾⁽³⁾	142.4	156.0	204.9	245.3	216.2	699.4
Royalties (in millions of US\$) ⁽¹⁾⁽²⁾⁽³⁾	34.2	33.8	36.6	29.9	22.9	46.7
Exchange rate ⁽⁴⁾	4.157	4.600	5.612	8.232	9.516	14.891

Notes:

(1) Hydrocarbon royalties are recorded by the Provincial Secretariat of Energy and Hydrocarbons with a month lag from the moment they are received, therefore, royalties data included in this table may show differences with the data prepared by the Ministry of Economy presented elsewhere in this offering memorandum.

(2) Includes LPG royalties.

(3) Gas royalties (including LPG) include a variable canon paid by concessionaires. For purposes of presentation, adjustments in connection with the variable canon collected by the Province have been divided evenly between gas and oil royalties.

(3) Each monthly payment is recorded at the peso/U.S. dollar exchange rate as published by the Central Bank on the 14th day (or if not a business day in Argentina, on the next business day) prior to each payment. The exchange rate included in this table is the average of the exchange rates used for each of these monthly payments.

Source: SEH

Concessionaires pay gas royalties to the Province in pesos. Gas royalties are calculated as a percentage of wellhead prices which, depending on the intended use of gas, are denominated in pesos or U.S. dollars, in accordance with regulations issued by the Federal Government. Under applicable regulations, a significant portion of gas royalties are calculated by reference to wellhead prices denominated and paid in pesos, without adjustment to variation in the peso/U.S. dollar exchange rate, and equally payable in pesos. See “Risk Factors—Risks Relating to the Collateral—Gas royalties collected by the Province are adversely affected by fluctuations in the value of the peso,” and “Hydrocarbon Royalties—Gas Royalties.”

In 2016, royalties from gas production paid to the Province totaled P\$699.4 million, which is a 223.5% increase from the P\$216.2 million paid in 2015. This increase was caused by an increase in output and in international prices, along with depreciation of the peso against the U.S. dollar.

In 2015, royalties from gas production paid to the Province totaled P\$216.2 million, which is an 11.9% decrease from the P\$245.3 million paid in 2014. This decrease was caused by a decline in output, mainly due to a fall in prices.

In 2014, royalties from gas production paid to the Province increased by 8.1% from P\$204.9 million in 2013 to P\$245.3 million in 2014, primarily due to an increase in the price of gas and by the depreciation of the peso against the U.S. dollar, partially offset by decreased production.

From 2011 to 2016, annual gas royalties paid to the Province in pesos increased on average by 54.4% per year, primarily due to the depreciation of the peso against the U.S. dollar, which positively affected the portion of the gas royalties calculated by reference to U.S. dollar-denominated wellhead prices, and, to a lesser extent, an increase in the price of gas paid by residential consumers.

Oil Royalties

Oil royalties are payable to the Province in pesos and calculated as a percentage of wellhead price, which are denominated in pesos.

The table below shows oil production, average prices, and royalties received by the Province for the periods indicated:

Oil Production, Average Prices, and Royalties Received by the Province

	For the year ended December 31,					
	2011	2012	2013	2014	2015	2016
Oil Production (in m ³)	775,582.3	772,080.5	712,487.3	698,578.9	626,492.2	624,778.8
Average Price (US\$/bbl)	61.2	72.8	71.4	75.9	70.8	58.1
Royalties (P\$ million) ⁽¹⁾⁽²⁾	147.9	218.5	240.3	330.3	315.0	393.0
Royalties (in millions of US\$) ⁽¹⁾⁽²⁾ ...	35.5	47.4	42.5	40.1	33.4	26.4
Exchange rate ⁽³⁾	4.157	4.600	5.612	8.232	9.516	14.891

Notes:

(1) Hydrocarbon royalties are recorded by the Provincial Secretariat of Energy and Hydrocarbons with a month lag from the moment they are received, therefore, royalties data included in this table may show differences with the data prepared by the Ministry of Economy presented elsewhere in this offering memorandum.

(2) Oil royalties include a variable canon paid by concessionaires. For purposes of presentation, adjustments in connection with the variable canon collected by the Province have been divided evenly between gas and oil royalties.

(3) Each monthly payment is recorded at the peso/U.S. dollar exchange rate as published by the Central Bank on the 14th day (or if not a business day in Argentina, on the next business day) prior to each payment. The exchange rate included in this table is the average of the exchange rates used for each of these monthly payments.

Source: SEH

In 2016, royalties from oil production paid to the Province totaled P\$393.0 million, which is a 24.8% increase from the P\$315.0 million paid in 2015. This increase was caused mainly by the depreciation of the peso against the U.S. dollar, partially offset by a decrease in international prices and in output.

In 2015, royalties from oil production paid to the Province totaled P\$315.0 million, which is a 4.6% decrease from the P\$330.3 million paid in 2014. This decrease was caused by a decline in output, mainly due to a fall in prices.

In 2014, royalties from oil production paid to the Province increased by 37.5%, from P\$240.3 million in 2013 to P\$330.3 million in 2014, primarily due to an increase in the price of oil and by the depreciation of the peso against the U.S. dollar.

From 2011 to 2016, annual oil royalties paid to the Province in pesos increased on average by 23.1% per year, primarily due to the depreciation of the peso against the U.S. dollar, which positively affected the portion of the oil royalties calculated by reference to U.S. dollar-denominated wellhead prices, which was partially offset by a reduction in the international price of oil and an average 0.3% decrease per year in production.

Other non-tax revenues

Other non-tax revenues received by the Province include certain hydrocarbon rights charged to concessionaires for issuing certificates of origin to hydrocarbons in the Province, the use of the land where the concessions are located (calculated based on the extension of the area and the hydrocarbon produced) and one-time fees charged to concessionaires when concessions are extended.

Other non-tax revenues include certain duties charged by the Province, income corresponding to fines imposed by the Province and non-hydrocarbon royalties (corresponding mainly to tourism and airport operation). Other non-tax revenues totaled P\$495.8 million, P\$521.1 million, P\$644.2 million, P\$1,509.8 million and P\$972.7 million for the years ended December 31, 2011, 2012, 2013, 2014, and 2015, respectively, which accounted on average for 12.3% of the Province's total revenue for the five-year period ended December 31, 2015. For the nine-month period ended September 30, 2015 transfers from other non-tax revenues were P\$751.9 million, corresponding to 9.9% of the Province's total federal tax transfers for that period. For the nine-month period ended September 30, 2016 transfers from other non-tax revenues were P\$898.1 million, corresponding to 9.3% of the Province's total federal tax transfers for that period.

Sales of goods and services of the administration

The Province receives revenues for fees paid by the users of certain services provided and goods sold by Provincial agencies. Revenue from the sales of goods and services for the Province for the years 2011, 2012, 2013, 2014 and 2015

totaled P\$36.3 million, P\$34.0 million, P\$41.1 million, P\$68.8 million, and P\$94.4 million, respectively, which accounted on average for 0.9% of the Province's total revenue for the five-year period ended December 31, 2015. For the nine-month period ended September 30, 2015 revenue from the sales of goods and services amounted to P\$62.2 million, corresponding to 0.8% of the Province's total revenue for that period. For the nine-month period ended September 30, 2016 revenue from the sales of goods and services amounted to P\$77.1 million, corresponding to 0.8% of the Province's total revenue for that period.

Property income

The Province receives revenues derived from property income, which is mainly interest paid on the Province's financial instruments. Revenue from property income for the years 2011, 2012, 2013, 2014 and 2015 totaled P\$1.1 million, P\$3.5 million, P\$2.6 million, P\$3.6 million, and P\$3.0 million, respectively, which accounted on average for 0.1% of the Province's total revenue for the five-year period ended December 31, 2015. For the nine-month period ended September 30, 2015 revenue from property income amounted to P\$2.2 million, corresponding to less than 0.1% of the Province's total revenue for that period. For the nine-month period ended September 30, 2016 revenue from property income amounted to P\$3.4 million, corresponding to less than 0.1% of the Province's total revenue for that period.

Current transfers

In addition to the tax transfers received by the Province under the Federal Co-Participation Regime, the Province receives other payments or transfers from the Federal Government as federal contributions, in order to finance certain current expenditures of the Province. These transfers are typically discretionary transfers to the Province from the Federal Government, known as National Treasury Contributions (*Aportes del Tesoro Nacional*, or "ATN") or other transfers under certain social programs managed by different Federal ministries.

ATN funds are transferred by the Federal Government to meet special or emergency needs, or to finance certain expenditures, deemed to be in the national interest.

Previous transfers under specific programs managed by the Federal Government have included a Teachers' Incentive Fund (*Fondo Incentivo Docente*) and the Federal Network of Teachers' Training and Education Fund (*Fondo Red Federal de Formación Docente*), which are both managed by the Ministry of Education. Other special programs include the Food Safety Plan (*Plan de Seguridad Alimentaria*) managed by the Ministry of Social Development, the Birth Plan (*Plan Nacer*), managed by the Ministry of Health, and the National Fishing Fund (*Fondo Nacional de Pesquero*) managed by the Ministry of Agriculture.

The Province received current transfers totaling P\$65.5 million, P\$49.3 million, P\$61.1 million, P\$141.0 million, and P\$183.6 million for the years 2011, 2012, 2013, 2014, and 2015, respectively, which accounted on average for 1.5% of the Province's total revenue for the five-year period ended December 31, 2015. For the nine-month period ended September 30, 2015, current transfers amounted to P\$143.5 million, corresponding to 1.9% of the Province's total revenue for that period. For the nine-month period ended September 30, 2016, current transfers amounted to P\$149.4 million, corresponding to 1.6% of the Province's total revenue for that period.

Capital Revenues

Provincial capital revenues are comprised of Provincial capital revenues, Federal capital transfers, and the balance of financial investments of the Province.

The following table depicts the composition of capital revenues of the Province for the periods indicated.

Composition of Capital Revenues⁽¹⁾
(P\$ million)

	For the year ended December 31					For the nine months ended September 30,	
	2011	2012	2013	2014	2015	2015	2016
Capital Revenues							
Provincial capital revenues	3.9	4.0	7.1	7.6	10.1	5.7	5.8
Federal capital transfers	182.3	236.8	356.3	551.6	808.9	696.3	627.0
Reduction of financial investments	33.4	52.0	49.1	57.2	64.0	48.2	61.3
Total Capital Revenues	219.6	292.8	412.5	616.4	883.1	750.2	694.1

Note:

(1) The Province's capital revenues includes central administration and decentralized agencies. It does not include financial information from fiduciary funds and special accounts that registered capital revenues (federal capital transfers) of P\$36.1 million in 2012. Fiduciary funds and special accounts did not register capital revenues other than in the years specified. Revenues of the Social Security System are presented separately. See "Public Sector Finance—Social Security System."

Source: Ministry of Economy.

The Province recorded total capital revenues of P\$219.6 million, P\$292.8 million, P\$412.5 million, P\$616.4 million and P\$883.1 million for the years ended December 31, 2011, 2012, 2013, 2014, and 2015, respectively, which accounted on average for 7.4% of the Province's total revenue for the five-year period ended December 31, 2015. For the nine-month period ended September 30, 2015 capital revenues amounted to P\$750.2 million, corresponding to 9.9% of the Province's total revenue for that period. For the nine-month period ended September 30, 2016 capital revenues amounted to P\$694.1 million, corresponding to 9.2% of the Province's total revenue for that period.

Federal Capital Transfers

Federal capital transfers consist primarily of transfers under the Federal Solidarity Fund and other capital transfers.

The Federal Solidarity Fund is comprised of 30.0% of taxes collected by the Federal Government that correspond to export duties levied on soybeans. Monies held in such fund are distributed to the provinces to be used in health, educational, hospital, housing and road infrastructure works. The provinces are required to transfer to their municipalities 30.0% of the amounts received.

Other federal capital transfers primarily include income from the Federal Housing Construction Program "Techo Digno," the National Educational Fund, and resources originating from the Fideicomiso Austral.

Federal capital transfers totaled P\$182.3 million, P\$236.8 million, P\$356.3 million, P\$551.6 million and P\$808.9 million for the years ended December 31, 2011, 2012, 2013, 2014, and 2015, respectively, which accounted on average for 6.4% of the Province's total revenue for the five-year period ended December 31, 2015. For the nine-month period ended September 30, 2015, federal capital transfers amounted to P\$696.3 million, corresponding to 9.2% of the Province's total revenue for that period. For the nine-month period ended September 30, 2016, federal capital transfers amounted to P\$627.0 million, corresponding to 6.5% of the Province's total revenue for that period.

Reduction of financial investments

Reduction of financial investment is considered to be a financing source for the Province that corresponds to a financing budget account created for covering shortfalls in the current and capital accounts. In 2011, 2012, 2013, 2014 and 2015, the Province registered P\$33.4 million, P\$52.0 million, P\$49.1 million, P\$57.2 million, and P\$64.0 million, respectively, which accounted on average for 0.9% of the Province's total revenue for the five-year period ended December 31, 2015. For the nine-month period ended September 30, 2015, reduction of financial investments amounted to P\$48.2 million, corresponding to 0.6% of the Province's total revenue for that period. For the nine-month period ended September 30, 2016, reduction of financial investments amounted to P\$61.3 million, corresponding to 0.6% of the Province's total revenue for that period.

Composition of Expenditures

The Province provides a series of public services, mainly related to education, health, security, justice, social services and investments in infrastructure and public services, and in the Provincial administration. Provincial expenditures are classified as current or capital expenditures. In 2015, current expenditures represented 91.6% of the total expenditures of the Province, and capital expenditures represented 8.4% of total expenditures of the Province.

The Province's current expenditures consist of personnel expenditures, goods and services, debt service and current transfers, which are net of payments made by the Province to its municipalities in accordance with a Provincial Co-Participation Regime and to unconsolidated Provincial agencies and enterprises, as well as transfers to the private sector for current expenditures.

The Province's capital expenditures include real direct investment, loans and capital contributions to Provincial enterprises, loans and transfers to municipalities for public works, and transfers to the private sector for use in the development of low income housing by non-profit entities and cultural activities, among others.

The tables below show the composition of the Province's expenditures for the periods indicated:

	Total Expenditures⁽¹⁾						
	(P\$ million)						
	For the year ended December 31,					For the nine months ended September 30,	
	2011	2012	2013	2014	2015	2015	2016
Current expenditures							
Personnel.....	2,241.4	2,871.4	3,810.2	5,295.3	7,263.6	4,948.5	6,739.4
Goods and services.....	200.2	205.7	63.9	346.8	436.9	252.2	360.3
Current transfers.....	877.0	1,025.5	1,273.0	1,871.7	2,407.1	1,753.7	1,839.5
Debt interest.....	2.1	4.7	4.9	9.3	18.7	10.8	11.6
Social security benefits.....	—	74.2	109.6	174.8	245.8	154.4	228.7
Other current expenditures.....	—	—	176.3	—	—	—	—
Subtotal current expenditures.....	3,320.6	4,181.4	5,437.9	7,697.9	10,372.1	7,119.5	9,179.6
Capital expenditures							
Real direct investment.....	172.6	231.2	262.8	347.1	716.8	439.8	561.9
Financial investments.....	4.9	3.4	13.3	34.9	49.0	36.2	138.7
Capital transfers.....	46.3	54.7	76.7	104.6	186.6	138.4	73.6
Subtotal capital expenditures.....	223.8	289.3	352.8	486.6	952.4	614.4	774.2
Total Expenditures.....	3,544.5	4,470.8	5,790.6	8,184.5	11,324.5	7,733.9	9,953.9

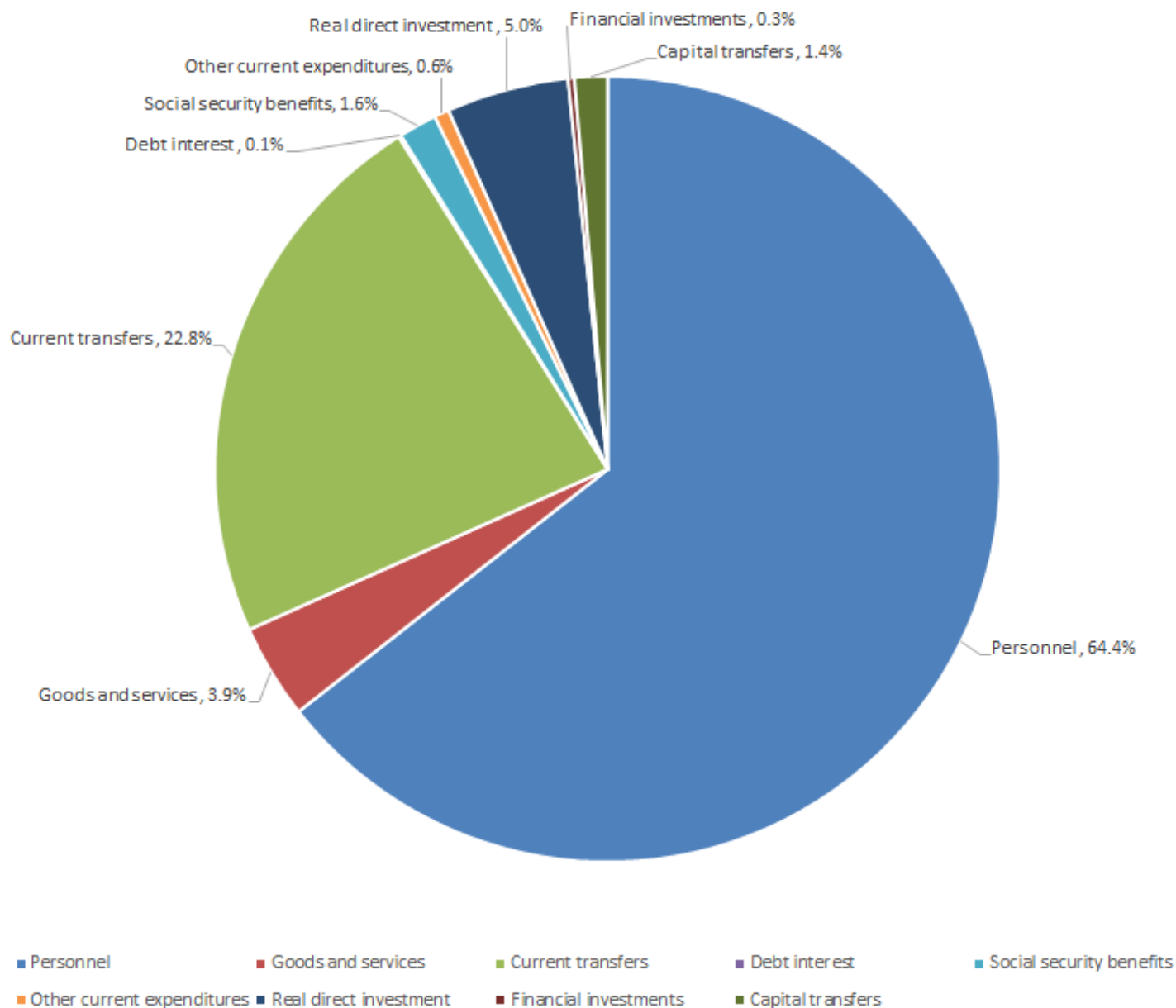
Note:

(1) The Province's expenditures includes central administration and decentralized agencies. It does not include financial information from fiduciary funds and special accounts that registered capital expenditures (real direct investments) of P\$36.1 million in 2012, P\$59.9 million in 2013, P\$189.5 million in 2014, P\$238.7 million in 2015, and P\$178.7 million in the nine-month period ended September 30, 2015. Fiduciary funds and special accounts did not register expenditures other than in the years specified. Expenditures of the Social Security System are presented separately. See "Public Sector Finance—Social Security System."

Source: Ministry of Economy.

The following chart sets forth the Province's expenditures on average by category of current and capital expenditure for the years 2011 to 2015.

Average Composition of Expenditures
(2011-2015)



Current Expenditures

Current expenditures include personnel expenditures, goods and services, current transfers, debt interest payments, certain social security benefits payments and other expenditures.

The main factors affecting current expenditures are (i) the results of the negotiations with Provincial employee unions, affecting personnel expenditures, (ii) increases in the unemployment rate in the Province, which can result in increased public expenditures for social programs, and (iii) natural disasters or any other events that can result in an increase in basic services.

Personnel

Personnel expenditures, consist mainly of wages and other benefits paid to employees of the public administration of the Province, and make up the most significant component of the Province's total expenditures. Personnel expenditures for the years ended December 31, 2011, 2012, 2013, 2014, and 2015 were P\$2,241.4 million, P\$2,871.4 million, P\$3,810.2 million, P\$5,295.3 million and P\$7,263.6 million, respectively, which accounted on average for 64.4% of the Province's total expenditures for the five-year period ended December 31, 2015. For the nine-month period ended September 30, 2015 personnel expenditures amounted to P\$4,948.5 million, corresponding to 64.0% of the Province's total expenditures for that period. For the nine-month period ended September 30, 2016 personnel expenditures amounted to P\$6,739.4 million, corresponding to 67.7% of the Province's total expenditures for that period.

The table below shows the number of Province's employees, by sector for the periods indicated:

Number of Provincial Employees

	As of December 31,				
	2011	2012	2013	2014	2015
Education	6,609	6,798	6,249	6,759	7,031
Public Administration	3,611	3,611	3,705	3,862	3,870
Health	1,982	1,982	1,977	2,045	2,089
Security	1,704	1,704	1,875	1,839	1,936
Decentralized entities	1,369	1,369	1,392	1,345	1,345
Judicial Power	487	487	545	570	570
Legislative Power	257	257	284	284	284
Total	16,019	16,208	16,027	16,704	17,125

Source: Ministry of Economy.

In 2015, the Province increased its personnel expenditures to meet the demand for public services due to its growing population. As a result, the Province has increased the number of public employees, mainly in the health and security sectors.

The Province has been adjusting its number of employees to a level sufficient for the Province to meet the demands for services as a result of an increasing population and the expansion of the Province's economy. In order to control the increase in personnel expenses, the Province's new administration has launched an expense reduction program that includes, among other measures (i) restricting the recruitment of additional employees in the Province's public administration and (ii) the implementation of a system to control extra or complementary payments for public employees. This policy covers, among others, both the Province's central administration and all government agencies. The decrees approving these policies have been extended through 2017.

The Province negotiates the salary policy, which consists of annual salary increases and other employment conditions, at the beginning of each year, with unions representing public employees. Salary negotiations start in February-March (with meetings known as "*paritarias*"). From 2011 to 2015, these negotiations ran on an annual basis. In 2016, the Province negotiated cost-of-living salary adjustments with the largest employee unions and agreed to a P\$2,500 yearly salary increase per public employee.

As a bargaining strategy with the provincial government, trade unions have undertaken direct actions, such as teacher strikes, before the start of the academic year. As of the date of this offering memorandum, a substantial number of the Province's employees were represented by one of the following unions:

- SUTEF – *Sindicato Unido de Trabajadores de la Educación Formal* –; and
- ATE.

Goods and Services

The Province purchases a wide variety of goods and services from the private sector in connection with the provision of education, health, security, and other public services, and the administration and general maintenance of the Provincial

government. For the years ended December 31, 2011, 2012, 2013, 2014, and 2015, goods and services expenditures were P\$200.2 million, P\$205.7 million, P\$63.9 million, P\$346.8 million and P\$436.9 million, respectively, which accounted on average for 3.9% of the Province's total expenditure for the five-year period ended December 31, 2015. For the nine-month period ended September 30, 2015, goods and services expenditures amounted to P\$252.2 million, corresponding to 3.3% of the Province's total expenditures for that period. For the nine-month period ended September 30, 2016, personnel expenditures amounted to P\$360.3 million, corresponding to 3.6% of the Province's total expenditures for that period.

Current transfers

Current transfers include transfers to the municipalities in the Province as required by the provincial Co-Participation Regime for the public and private sectors.

In 2013, the Province made transfers of P\$1,273.0 million, which accounted for 22.0% of the Province's total expenditures. In 2012, the Province made transfers of P\$1,025.5 million, which accounted for 22.9% of the Province's total expenditures. In 2011, the Province made transfers of P\$877.0 million, which accounted for 24.7% of the Province's total expenditures.

In 2015, the Province made transfers of P\$2,407.1 million, which represented 21.3% of the Province's total expenditures. Out of these transfers, 78.8% were allocated to the municipal public sector (co-participation), 21.2% were allocated to the private sector, and the remaining 0.8% were allocated to the federal public sector. In 2014, the Province made transfers of P\$1,871.7 million, which accounted for 22.9% of the Province's total expenditures. Of these transfers, 79.0% were allocated to the municipal public sector, and the remaining 21.0% were allocated to the private sector.

For the nine-month period ended September 30, 2015, current transfers expenditures amounted to P\$1,753.7 million, corresponding to 22.7% of the Province's total expenditures for that period. For the nine-month period ended September 30, 2016, personnel expenditures amounted to P\$1,839.5 million, corresponding to 18.5% of the Province's total expenditures for that period.

Transfers to the private sector mainly consist of transfers to the pension system (*Regimen Único de Pensiones Especiales*, or "RUPE") and subsidies to private schools to generally pay for the salaries and wages of teachers and school staff, which account for 70.0% of the total estimated private transfers financed by the Provincial Treasury each year. Other relevant transfers include the subsidy to cover the LPG price gap, the financial aid program (Red Solidaria Estimulo Económico, or "RedSol") program, social welfare programs, veteran's pensions, and the fund for medically uninsured constituents.

Debt interest payments

Debt interest payments include all interest payments on indebtedness made by the Province. For the years ended December 31, 2011, 2012, 2013, 2014, and 2015, debt interest payment expenditures totaled P\$2.1 million, P\$4.7 million, P\$4.9 million, P\$9.3 million and P\$18.7 million, respectively, which accounted on average for 0.1% of the Province's total expenditure for the five-year period ended December 31, 2015. For the nine-month period ended September 30, 2015, debt interest payment amounted to P\$10.8 million, corresponding to 0.1% of the Province's total expenditures for that period. For the nine-month period ended September 30, 2016, debt interest payment amounted to P\$11.6 million, corresponding to 0.1% of the Province's total expenditures for that period.

Social Security Benefits

Current expenditures for social security benefits of the central administration of the Province include certain retirement and disability pensions that are paid directly by the central administration and not by the Social Security System, under special regimes applicable to beneficiaries that would not be otherwise eligible for such benefits. For the years ended December 31, 2011, 2012, 2013, 2014, and 2015, other expenditures totaled P\$0.0 million, P\$74.2 million, P\$109.6 million, P\$174.8 million and P\$245.8 million, respectively, which accounted on average for 1.6% of the Province's total expenditure for the five-year period ended December 31, 2015. For the nine-month period ended September 30, 2015, Social Security benefits expenditures amounted to P\$154.4 million, corresponding to 2.0% of the Province's total expenditures for that period. For the nine-month period ended September 30, 2016, Social Security benefits expenditures amounted to P\$228.7 million, corresponding to 2.3% of the Province's total expenditures for that period.

Capital expenditures

Capital expenditures include real direct investments, financial investments, and capital transfers destined for public investments. The main factors that affect these investments are the performance of the national and Provincial economies, and the resulting impact on Federal Government transfers to the Province through the Federal Co-Participation Regime and Provincial tax collections. These factors, in turn, affect the ability of the Province to finance public works and make transfers to municipalities and regions for the same purpose.

Real direct investment

Real direct investments are primarily comprised of the funding for public works, such as irrigation and waterworks, housing plans, roads, and buildings. Other direct investments include the purchase of new capital goods such as hospital equipment, automobiles, and computers. Most works undertaken directly by the Provincial administration are funded with its own resources, as well as with funds from the *Fondo Federal Solidario*, transfers under the Federal Education Agreement, and internal credit from the Regional Federal Trust Fund (“FFFIR”).

For the years ended December 31, 2011, 2012, 2013, 2014, and 2015 real direct investments totaled P\$172.6 million, P\$231.2 million, P\$262.8 million, P\$347.1 million and P\$716.8 million, respectively, which accounted on average for 5.0% of the Province’s total expenditure for the five-year period ended December 31, 2015. For the nine-month period ended September 30, 2015 real direct investment amounted to P\$439.8 million, corresponding to 5.7% of the Province’s total expenditures for that period. For the nine-month period ended September 30, 2016 real direct investment amounted to P\$561.9 million, corresponding to 5.6% of the Province’s total expenditures for that period.

Financial investments

Financial investments include loans to municipalities, mainly for municipal public works and low cost housing works, as well as capital contributions to provincial enterprises. In the case of the Province, the most significant financial investments are made in the form of capital contributions to Fideicomiso Austral, which builds highway, hospital, energy, health, and port infrastructure. Under the “Agreement to Foster the Province’s Investment and Development” that was entered into between the Province and the Federal Government on March 15, 2010, the Federal Government agreed to make monthly transfers to the Province in an amount equal to 50.0% of the hydrocarbon royalties derived from parcels of land which are currently, or may in the future be, under concessions granted by the Federal Government and located in off-shore areas under its jurisdiction, located in the continental shelf adjacent to Isla Grande de Tierra Del Fuego (Decree No. 214, dated February 10, 1994). In turn, under the same agreement and for the purpose of securing the allocation of the amounts to be transferred by the Federal Government, the Province undertook to create a trust fund named “*Fideicomiso Austral*” and to set aside for that trust 50.0% of the hydrocarbon royalties from new inland concessions, including those then subject to tender. Financial investments vary according to the economic conditions and budget restrictions of the Province.

For the years ended December 31, 2011, 2012, 2013, 2014, and 2015 financial investments totaled P\$4.9 million, P\$3.4 million, P\$13.3 million, P\$34.9 million and P\$49.0 million, respectively, which accounted on average for 0.3% of the Province’s total expenditure for the five-year period ended December 31, 2015. For the nine-month period ended September 30, 2015, financial investment amounted to P\$36.2 million, corresponding to 0.5% of the Province’s total expenditures for that period. For the nine-month period ended September 30, 2016, financial investment amounted to P\$138.7 million, corresponding to 1.4% of the Province’s total expenditures for that period.

Capital transfers

In 2015, capital transfers of the central administration and decentralized entities of the Province, under the Fiscal Responsibility Law, amounted to P\$186.6 million, or 1.6% of the Province's total expenditures for the period. Out of total capital transfers made in 2015, approximately 97.6% were transferred to the municipal public sector, mostly in its entirety to the *Fondo Federal Solidario*. In 2014, capital transfers totaled P\$104.7 million, accounting for 1.3% of the Province's total capital expenditures for the period.

For the years ended December 31, 2011, 2012, and 2013, capital transfers totaled P\$46.3 million, P\$54.7 million, and P\$76.7 million, respectively. Capital transfers accounted on average for 1.4% of the Province’s total expenditure for the five-year period ended December 31, 2015.

Social Security System

The Province runs its own social security system for public employees and is one of the 13 provinces that did not transfer its social security system to the Federal Government. As of December 31, 2015, there were 5,599 total social security fund beneficiaries, and an annual 10.0% natural increase rate resulting from laws that permitted access to retirement at a very early age. Approximately 25.0% of the benefits were granted to pensioners under 50 years old, while only 25.0% of the benefits were granted to people over 56 years old. In addition, the Province police has their own pension fund.

Revenues and expenditures of the Social Security System are recorded by the Province separately, and are not consolidated with Provincial general income and expenditures. This presentation is utilized to avoid duplication of certain revenues and expenditures items that would be otherwise accounted for as both income and expenditures for the Social Security System and expenditures of the central administration under the Province's accounting methodologies.

In order to fix the imbalances in the public employees' Social Security Fund, the Provincial Government enacted Provincial Law No. 1,068 in response to the emergency of the Social Security System, No. 1,070 creating of the Social Security Fund, No. 1,071 creating of the Province's Health Insurance ("CPSPTF"), No. 1,072 creating a Special Pension Fund) and No. 1,076 creating retirement and Pension Funds for employees working at the three branches of the Provincial government.

The main purposes of these new laws are to: (i) remedy the imbalance between the Province's revenue and payment obligations, thereby reducing its deficit; (ii) determine the debt owed by public agencies to the Social Security Fund and establish a method of payment on such debt; (iii) negotiate agreements with such public agencies for the payment of their outstanding obligations; and (iv) arrange a monthly payment schedule to settle unpaid salaries owed by the Social Security Fund to its beneficiaries. As of the date of this offering memorandum, the Province is complying with such payment schedule in a timely manner.

The following table details the resources corresponding to social security of the Province based on the estimates according to the Fiscal Responsibility Law schemes for each of the periods indicated.

Revenues and Expenditures of Social Security System⁽¹⁾
(P\$ million)

	For the year ended December 31,					For the nine months ended September 30,	
	2011	2012	2013	2014	2015	2015	2016
Current income							
Tax							
Provincial origin	—	—	—	—	—	—	52.0
Federal origin	1.5	1.9	2.5	3.3	4.3	3.2	4.2
Social security contributions	524.8	617.2	849.8	1,305.7	2,059.5	1,413.4	2,081.0
Non Tax						4.2	6.6
Royalties	—	—	—	—	—	—	—
Other non-tax	1.3	2.6	2.7	6.6	4.8	4.2	6.6
Sale of goods and services of the Central Administration	—	—	—	—	—	—	—
Property rents	16.5	32.5	28.1	36.0	36.1	24.4	27.0
Current transfers	0.4	—	—	—	—	—	—
Total current income	544.1	654.2	883.0	1,351.5	2,104.6	1,445.2	2,170.8
Current expenses							
Consumer expenses						37.1	49.0
Personnel	13.5	17.6	21.4	32.3	49.6	34.2	45.0
Goods and services	2.5	0.2	0.2	0.3	0.4	3.0	0.3
Other expenses	—	3.4	4.6	3.6	3.6	—	3.7
Property rentals	—	—	—	—	—	—	—
Social security benefits	516.4	783.4	1,067.3	1,547.6	2,216.6	1,483.1	2,105.1
Current transfers	0.4	—	—	0.3	0.2	0.2	—
Total current expenses	532.7	804.6	1,093.4	1,584.0	2,270.3	1,520.4	2,154.1
Economic result	11.3	(150.4)	(210.4)	(232.5)	(165.7)	(75.2)	16.7

Note:

(1) Includes Caja de Policía and Parte Previsional del IPAUSS.

Source: Ministry of Economy.

Current income from social security received by the Province in 2015 totaled P\$2,104.6 million, representing an increase of 55.7% with respect to the previous year, mainly due to the increase in contributions to social security due to year-on-year wage increases. The Province's current social security income increased 286.8% between 2011 and 2015, while social security contributions averaged 96.7% of current income during the same period.

Current social security expenditures in 2015 were P\$2,270.3 million, representing an increase of 43.3% over the previous year, mainly due to a 43.2% increase in social security benefits. Current social security expenditures increased by 326.1% between 2011 and 2015, while social security benefits averaged 97.5% of current expenditures during that period.

BUDGET

Overview of the Budget Process

The annual budget represents an estimate of the Province's revenue during the period covered by the budget based on assumptions regarding the economic activity of Argentina and the Province, and on the necessary expenditures to provide public services and honor the Province's obligations. The annual budget also constitutes an authorization of, and a limit on, expenditures and indebtedness by the Province during the relevant period. The House of Representatives has broad power to amend or reject the draft budget law submitted by the Executive Branch.

Pursuant to Section 67 of the Provincial Constitution, the Executive Branch must submit a draft budget to the House of Representatives for approval before August 31 of each calendar year that covers the upcoming year. As required by the Financial Administration Law, the budget must include budgets for the central administration, the decentralized agencies, and the social security institutions.

The data reported in the sections below entitled "The 2016 Budget" and "The 2017 Draft Budget" relate to the central administration and the Decentralized Agencies. It should be noted that reports prepared pursuant to the Fiscal Responsibility Law cover only a subset of these entities.

The Fiscal Responsibility Law

On April 27, 2006, the House of Representative passed Provincial Law No. 694, whereby the Province adhered to the Federal Fiscal Responsibility Regime established by Federal Law No. 25,917. This federal law establishes a set of general rules concerning behavior towards tax compliance and transparency that will govern the conduct of provinces covered by the law. The following are certain rules as set forth by Federal Law No. 25,917:

- the nominal growth rate of public primary expenditures may not exceed the nominal GDP growth rate;
- the proceeds from the sale of property, plant and equipment and borrowings may not be allocated to fund current expenditures or result in automatic increases in following years;
- an increase in expenditures will only be authorized to the extent tax revenues increase as well; and
- the Federal and Provincial Governments, including the City of Buenos Aires, are required to prepare their budgets with a view to preserving financial balance (that is, once debt has been incurred).

Notwithstanding the foregoing, the Argentine congress passed Federal Law No. 26,530 in November 2009, which provided that during 2009 and 2010 (and 2011 pursuant to Federal Decree No. 2054/2010):

- all expenses made to encourage economic activities, maintain employment levels and provide for health emergencies and social assistance will not be taken into account in the calculation of the public expenditure threshold or the determination of the overall financial result; and
- limitations on the debt service/current revenues ratio (net of transfers to municipalities) and limitations on use of proceeds applicable to new loans to fund current expenses will not apply.

Pursuant to Section 21 of the Federal Fiscal Responsibility Law, principal and interest payments of public indebtedness may not be higher than 15% of the Province's current revenues, net of transfers to municipalities. However, Federal Law No. 26,530 and Federal Decree No. 2054/2010 suspended this 15.0% limit for 2009, 2010, and 2011.

Similarly, limitations on budget amendments as a result of increases in current expenses, capital decreases, financial expenditure increases, and possible accruals for new financial expenditures did not apply during 2009, 2010, and 2011 in light of Federal Law No. 26,530 and Federal Decree No. 2054/2010. In addition, national budget laws for the years 2012, 2013, 2014, 2015 and 2016 extended the abovementioned suspensions to each of such years.

As of the date of this offering memorandum, the Province was in compliance with all material aspects of the provisions of the Federal Fiscal Responsibility Law. The Province's current primary expenditures (the Province's central administration and decentralized agencies, as required by the Fiscal Responsibility Law) as of December 31, 2015 experienced a 34.7% increase compared to 2014. Such increase was primarily attributable to the growth in personnel expenditures due to salary adjustments to reflect the rise in the cost of living, and an increase in the Province's overall

costs due to Argentina's increasing inflation, among other factors. Furthermore, Section 19 of the Federal Fiscal Responsibility Law requires that the Province's budget be balanced. Financial results (i.e., results after borrowings) for 2015 meet this requirement.

The 2016 Budget

The Province's Executive Branch submitted a budget proposal for the fiscal year ended December 31, 2016, pursuant to the terms set forth in the Province's Constitution. The proposal was enacted on December 30, 2015 and published in the Official Gazette on January 8, 2016 (the "2016 Budget").

The 2016 Budget represents the Province's forecast of Argentina's and the Province's economic activity. Although the Province considers that the assumptions and goals on which the 2016 Budget was based were reasonable in light of the prevailing circumstances at that time, most factors affecting the Province's economy are beyond its control, and actual results will depend on actual events. Therefore, economic performance in 2016 could substantially differ from the 2016 Budget. See "Risk Factors." If the Federal Counsel of Fiscal Responsibility determines that the Provincial budget is not compliant with the Fiscal Responsibility Law, the Province may be subject to sanctions.

The 2016 Budget includes guidelines for wage negotiations that considered the natural growth and the impact of the salary adjustments that were agreed upon before the Macri administration took office. Therefore, the 2016 Budget does not fully reflect the Macri administration's public policies, with such policies being fully reflected in the 2017 Draft Budget (as such term is defined below).

Budget Assumptions

The Province used the macroeconomic assumptions prepared by the Federal Government as a basis to prepare the 2016 Budget. In particular, the Province assumed, among others: (i) an average US dollar/peso exchange rate of P\$10.6 for US\$1.00; (ii) natural growth with respect to salary increases; and (iii) a 19.5% increase for goods and services expenditures.

Budgetary Execution for 2015 and the 2016 Budget

The following table shows on a comparative basis the Province's: (i) actual revenues and expenditures for 2015; and (ii) revenues and expenditures for 2016 as reflected in the 2016 Budget:

Actual and Budgeted Revenue and Expenditures 2015 - 2016

(P\$ million, except for percentages) ⁽¹⁾

	Fiscal year ended December 31,					
	2015 ⁽²⁾		2016		Variation	
	(actual)		(budgeted)		(budgeted vs actual)	
	P\$ million	% ⁽³⁾	P\$ million	% ⁽³⁾	P\$ million	%
Current revenue						
Federal transfers						
Federal Co-Participation.....	3,688.2	34.3%	4,589.5	34.4%	901.3	24.4%
Other Federal Co-Participation.....	280.4	2.6%	658.8	1.4%	378.4	135.0%
Federal current transfers.....	1,348.4	12.5%	1,611.3	9.6%	262.9	19.5%
Total Federal transfers	5,317.0	49.4%	6,859.6	45.4%	1,542.6	29.0%
Provincial tax revenue						
Gross Revenue Tax	1,920.0	17.9%	2,199.0	15.4%	279.0	14.5%
Rural Real Estate Tax.....	2.9	0.0%	4.6	0.0%	1.7	56.5%
Stamp Tax	142.8	1.3%	186.6	1.3%	43.9	30.7%
Social Services Fund	441.8	4.1%	567.5	4.0%	125.7	28.5%
Total Provincial tax revenue.....	2,507.4	23.3%	2,957.7	20.7%	450.3	18.0%
Provincial non-tax revenue						
Royalties.....	525.3	4.9%	882.5	6.2%	357.2	68.0%
Other hydrocarbon rights.....	188.0	1.8%	154.2	1.1%	(33.8)	(18.0)%
Rates.....	634.1	5.9%	731.3	5.1%	97.2	15.3%
Other non-tax revenue.....	183.8	1.7%	105.5	0.7%	(78.3)	(42.6)%
Total non-tax revenue	1,531.2	14.2%	1,873.5	13.1%	342.3	22.4%
Other current revenue.....	656.4	6.1%	900.9	8.9%	244.5	37.2%

Fiscal year ended December 31,						
	2015 ⁽²⁾		2016		Variation	
	(actual)		(budgeted)		(budgeted vs actual)	
	P\$ million	% ⁽³⁾	P\$ million	% ⁽³⁾	P\$ million	%
Total current revenue	10,012.1	93.1%	12,591.7	88.0%	2,579.6	25.8%
Current expenditures						
Personnel	7,646.7	62.4%	9,208.2	56.7%	1,561.5	20.4%
Goods and services	584.1	4.8%	947.1	5.8%	363.0	62.2%
Current transfers	2,450.8	20.0%	3,238.4	19.9%	787.6	32.1%
Other expenditures	331.2	2.7%	120.6	0.7%	(210.6)	(63.6)%
Debt interest	45.5	0.4%	112.7	0.7%	67.2	147.7%
Total current expenditures	11,058.2	90.2%	13,627.0	83.9%	2,568.8	23.2%
Overall balance	(1,046.2)		(1,035.4)		10.8	(1.0)%
Capital revenue						
Federal capital transfers	672.0	6.3%	1,480.9	10.4%	809.0	120.4%
Provincial capital resources	10.1	0.1%	7.1	0.1%	(3.0)	(29.3)%
Decrease in financial investments	64.1	0.6%	225.6	1.6%	161.5	252.0%
Total capital revenue	746.1	6.9%	1,713.6	12.0%	967.5	129.7%
Capital expenditures						
Real direct investments	752.4	6.1%	2,110.9	13.0%	1,358.5	180.6%
Financial investments	287.7	2.4%	58.6	0.4%	(229.1)	(79.7)%
Capital transfers	158.7	1.3%	441.6	2.7%	282.9	178.2%
Total capital expenditures	1,198.8	9.8%	2,611.1	16.1%	1,412.3	117.8%
Total revenue	10,758.2	100.0%	14,305.3	100.0%	3,547.1	33.0%
Total expenditures (excluding interest)	12,211.5	99.6%	16,125.5	99.3%	3,913.9	32.1%
Primary Balance (excluding interest)	(1,453.4)		(1,820.2)		(366.8)	25.2%
Interest	45.5	0.4%	112.7	0.7%	67.2	147.6%
Total expenditures (including interest)	12,257.0	100.0%	16,238.2	100.0%	3,981.1	32.5%
Total surplus (deficit)	(1,498.9)		(1,932.9)		(434.0)	29.0%
Sources of financing	3,472.3		2,134.2		(1,338.1)	(38.5)%
Application of funds	1,973.4		201.3		(1,772.1)	(89.8)%
Total net financial results	1,498.9		1,932.9		434.0	29.0%

Notes:

(1) Budget data is presented in accordance with public finance accounting rules and in accordance with the methodology utilized in preparation of the Budget Law, excluding social security agencies information. Budget data may present differences when compared to the data presented in "Public Sector Finance," which is prepared pursuant to the Fiscal Responsibility Law.

(2) Preliminary information subject to change.

(3) Revenues are presented as a percentage of total revenues and expenditures are presented as a percentage of total expenditures.

Source: Ministry of Economy.

Subsequent to the enactment of the 2016 Budget, a number of developments and measures adopted by the Macri administration have resulted in changes to the Province's expected revenue and expenses for 2016. The effects of such developments and measures include, among others, (i) a 38% devaluation of the Argentine peso on December 17, 2015, (ii) changes in the domestic prices of oil (from US\$77 per barrel to US\$67.5 per barrel) and natural gas (an increase of 127% on average in the wellhead price), and (iii) a 27% increase in labor costs and higher inflation rates during the first quarter of 2016. As a result, as of the date of this offering memorandum, the Province expects the budgeted primary deficit to be less than the amount contemplated in the 2016 Budget.

Federal Transfers

For the year ended December 31, 2015, revenue from federal transfers totaled P\$5,317.0 million, compared to P\$6,859.6 million included in the 2016 Budget Law, representing a 29.0% increase, mainly driven by a 24.4% increase in Federal Co-Participation Regime transfers.

Provincial Tax Revenue

For the year ended December 31, 2015, Provincial tax revenue totaled P\$2,507.4 million, compared to P\$2,957.7 million included in the 2016 Budget Law, representing an increase of 18.0%, mainly driven by an estimated increase in gross revenues tax receipts of 14.5%, from P\$1,920.0 million in 2015 to P\$2,199.0 million included in the 2016 Budget Law.

Provincial non-tax Revenue

For the year ended December 31, 2015, Provincial non-tax revenue totaled P\$1,531.2 million, compared to P\$1,873.5 million included in the 2016 Budget Law, representing a 22.4% increase, mainly driven by an estimated 68.0% increase in royalties as a result of increased Provincial oversight and the devaluation of the peso.

Current Revenue

For the year ended December 31, 2015, current revenue totaled P\$10,012.1 million, compared to P\$12,591.7 million included in the 2016 Budget Law, which represents a 25.8% increase.

Current Expenditures

Current expenditures totaled P\$11,058.2 million for the year ended December 31, 2015, compared to P\$13,627.0 million included in the 2016 Budget Law, accounting for a 23.2% period-over-period increase, mainly driven by a 20.4% increase in personnel expenditures and a 32.1% increase in current transfers. The increase in personnel expenditures is mainly attributable to salary increases agreed upon in 2015 that had an impact on public accounts in early 2016, mainly offset by the Provincial Government's policies aimed at balancing public accounts.

Capital Revenue

For the year ended December 31, 2015, capital revenue totaled P\$746.1 million, compared to P\$1,713.6 million included in the 2016 Budget Law, representing an 129.7% increase primarily due to an increase in other federal capital transfers during this period.

Capital Expenditures

For the year ended December 31, 2015, capital expenditures totaled P\$1,198.8 million, compared to P\$2,611.1 million included in the 2016 Budget Law, which represented a 117.8% increase, mainly attributable to an increase in real direct investment, which are expected to grow to P\$2,110.9 million.

Total Revenues

For the year ended December 31, 2015, total revenue amounted to P\$10,758.2 million, compared to P\$14,305.3 million included in the 2016 Budget Law, representing a 33.0% increase primarily due to the reasons set forth above in “—Capital Revenues” and “—Current Revenues.”

Total Expenditures

For the year ended December 31, 2015, total expenditures (excluding interest) totaled P\$12,257.0 million, compared to P\$16,238.2 million included in the 2016 Budget Law, accounting for a 32.5% increase primarily due to increases in current expenditures and capital expenditures.

Primary and Financial Results

For the year ended December 31, 2015, the Province's primary balance (excluding interest) was a deficit of P\$1,453.4 million, compared to a deficit of P\$1,820.2 million included in the 2016 Budget Law. The Province's total deficit amounted to P\$1,513.2 million for the year ended December 31, 2015, compared to P\$1,932.9 million included in the 2016 Budget Law, representing a 25.2% increase.

Budgetary Execution for the Nine-Month Period Ended September 30, 2015 and September 30, 2016

The following table shows, on a comparative basis, the Province's actual revenues and expenditures for the nine-month period ended September 30, 2015, along with estimates of revenues and expenditures included in the 2016 Budget:

September 30, 2015 Fiscal Results vs. Budgeted September 30, 2016 Fiscal Results

(P\$ million, except for percentages) ⁽¹⁾

	Nine months ended September 30,					
	2015 ⁽²⁾		2016 ⁽²⁾		Variation	
	P\$ million	% ⁽³⁾	P\$ million	% ⁽³⁾	P\$ million	%
Current revenue						
Federal transfers						
Federal Co-Participation.....	2,643.9	34.1%	3,481.7	34.1%	837.8	31.7%
Other Federal Co-Participation.....	1,049.1	13.5%	1,220.5	11.9%	171.4	16.3%
Federal current transfers.....	147.2	1.9%	177.5	1.7%	30.3	20.6%
Total Federal transfers	3,840.2	49.6%	4,879.7	47.8%	1,039.5	27.1%
Provincial tax revenue						
Gross Revenue Tax.....	1,195.2	15.4%	1,842.3	18.0%	647.1	54.1%
Rural Real Estate Tax.....	0.5	0.0%	1.6	0.0%	1.1	220.0%
Stamp Tax.....	102.6	1.3%	139.0	1.4%	36.4	35.5%
Social Services Fund.....	318.7	4.1%	353.1	3.5%	34.4	10.8%
Other provincial tax revenues.....	0.8	0.0%	64.5	0.6%	63.7	7962.5%
Total Provincial tax revenue	1,617.8	20.9%	2,400.5	23.5%	782.7	48.4%
Provincial non-tax revenue						
Royalties.....	398.5	5.1%	614.2	6.0%	215.7	54.1%
Other hydrocarbon rights.....	187.6	2.4%	65.3	0.6%	(122.3)	(65.2)%
Rates.....	495.2	6.4%	679.5	6.7%	184.3	37.2%
Other non-tax revenue.....	89.9	1.2%	146.1	1.4%	56.2	62.5%
Total Provincial non-tax revenue	1,171.3	15.1%	1,505.1	14.7%	333.8	28.5%
Other current revenue.....	473.2	6.1%	861.1	8.4%	387.9	82.0%
Total current revenue	7,102.5	91.7%	9,646.4	94.4%	2,543.9	35.8%
Current expenditures						
Personnel.....	5,304.3	63.5%	7,021.0	66.5%	1,716.7	32.4%
Goods and services.....	357.1	4.3%	499.4	4.7%	142.3	39.8%
Current transfers.....	1,774.8	21.3%	2,066.9	19.6%	292.1	16.5%
Other expenditures.....	56.4	0.7%	311.7	3.0%	255.3	452.7%
Debt interest.....	16.5	0.2%	11.4	0.1%	(5.1)	(30.9)%
Total current expenditures	7,509.1	89.9%	9,910.4	93.8%	2,401.3	32.0%
Overall balance	406.6		(264.0)		(670.6)	(164.9)%
Capital revenue						
Federal capital transfers.....	590.1	7.6%	501.6	4.9%	(88.5)	(15.0)%
Provincial capital resources.....	5.7	0.1%	5.8	0.1%	0.1	1.8%
Decrease in financial investments.....	48.2	0.6%	61.3	0.6%	13.1	27.2%
Total capital revenue	644.1	8.3%	568.7	5.6%	(75.4)	(11.7)%
Capital expenditures						
Real direct investments.....	507.2	6.1%	441.6	4.2%	(65.6)	(12.9)%
Financial investments.....	117.6	1.4%	138.7	1.3%	21.1	17.9%
Capital transfers.....	214.4	2.6%	74.3	0.7%	(140.1)	(65.3)%
Total capital expenditures	839.2	10.1%	654.6	6.2%	(184.6)	(22.0)%
Total revenue	7,746.5	100.0%	10,215.1	100.0%	2,468.6	31.9%
Total expenditures (excluding interest)	8,331.7	99.8%	10,553.6	99.9%	2,221.9	26.7%
Primary Balance (excluding interest)	(585.2)		(338.5)		246.7	(42.2)%
Interest.....	16.5	0.2%	11.4	0.1%	(5.1)	(30.9)%
Total expenditures (including interest)	8,348.3	100.0%	10,565.0	100.0%	2,216.7	26.6%
Total surplus (deficit)	(601.8)		(349.9)		251.9	(41.9)%

	Nine months ended September 30,					
	2015 ⁽²⁾		2016 ⁽²⁾		Variation	
	P\$ million	% ⁽³⁾	P\$ million	% ⁽³⁾	P\$ million	%
Sources of financing.....	1,995.0		3,273.5		1,278.5	64.1%
Application of funds.....	1,393.2		3,034.9		1,641.7	117.8%
Total net financial results	601.8		238.6		(363.2)	(60.4)%

Notes:

(1) Budget data is presented in accordance with public finance accounting rules and in accordance with the methodology utilized in preparation of the Budget Law, excluding social security agencies information. Budget data may present differences when compared to the data presented in "Public Sector Finance," which is prepared pursuant to the Fiscal Responsibility Law.

(2) Preliminary information subject to change.

(3) Revenues are presented as a percentage of total revenues and expenditures are presented as a percentage of total expenditures.

Source: Ministry of Economy.

Federal Transfers

For the nine-month period ended September 30, 2015, revenue from the Federal Tax Co-Participation Regime totaled P\$3,840.2 million, compared to P\$4,879.7 million for the same period in 2016, representing a 27.1% increase, mainly driven by a 31.7% increase in Federal Co-Participation Regime transfers.

Provincial Tax Revenue

For the nine-month period ended September 30, 2015, Provincial tax revenue totaled P\$1,617.8 million, compared to P\$2,400.5 million for the same period in 2016, representing an increase of 48.4% mainly driven by a 54.2% increase in gross revenues tax receipts, from P\$1,195.1 million for the nine-month period ended September 30, 2015 to P\$1,842.3 million for the same period in 2016.

Provincial Non-tax Revenues

For the nine-month period ended September 30, 2015, provincial non-tax revenue totaled P\$1,171.3 million, compared to P\$1,505.1 million for the same period in 2016, representing a 28.5% increase, mainly driven by a 54.1% increase in royalties as a result of increased Provincial oversight and the devaluation of the peso in December 2015.

Current Expenditures

Current expenditures totaled P\$7,509.1 million during the nine-month period ended September 30, 2015, compared to P\$9,910.4 million during the same period in 2016, accounting for a 32.0% period-over-period increase mainly driven by a 32.4% increase in personnel expenditures and a 16.5% increase in current transfers during this period. The increase in personnel expenditures was mainly attributable to the Provincial Government's policies aimed at balancing public accounts, mainly offset by salary increases agreed upon in 2015 that had an impact on public accounts in early 2016.

Capital Revenues

For the nine-month period ended September 30, 2015, capital revenue totaled P\$644.1 million, compared to P\$568.7 million during the same period in 2016, representing a 11.7% decrease.

Current Revenues

For the nine-month period ended September 30, 2015, current revenue totaled P\$7,102.5 million, compared to P\$9,646.4 million during the same period in 2016, which represents a 35.8% period-over-period increase.

Capital Expenditures

For the nine-month period ended September 30, 2015, capital expenditures totaled P\$839.2 million, compared to P\$654.6 million for the same period in 2016, which represented a 22.0% decrease mainly attributable to a decrease in capital transfers, which went from P\$214.4 million to P\$74.3 million during this period.

Total Revenues

For the nine-month period ended September 30, 2015, total revenue amounted to P\$7,746.5 million, compared to P\$10,215.1 million during the same period in 2016, representing a 31.9% increase, which was primarily due to the reasons set forth above in “—Capital Revenues” and “—Current Revenues.”

Total Expenditures

For the nine-month period ended September 30, 2015, total expenditures (excluding interest) totaled P\$8,331.7 million, compared to P\$10,553.6 million for the same period in 2016, accounting for a 26.6% increase, which was primarily due to increases in Current Expenditures and Capital Expenditures.

Primary and Financial Results

As of September 30, 2015, the Province’s primary balance (excluding interest) was a deficit of P\$585.2 million, compared to a deficit of P\$338.5 million as of September 30, 2016. The Province’s total deficit amounted to P\$601.8 million for the nine-month period ended September 30, 2015, compared to P\$238.6 million for the same period in 2016, representing a 60.4% decrease.

The 2017 Budget

As described above, the annual budget represents an estimate of the Province’s revenue during the period covered by the budget based on assumptions regarding the economic activity of Argentina and the Province, and of the necessary expenditures to provide public services and honor the Province’s obligations. The annual budget also constitutes an authorization of, and a limit on, expenditures and indebtedness by the Province during that period. A draft of the 2017 budget was submitted for consideration to the Province’s House of Representatives on August 31, 2016, as required by the Provincial Constitution. On December 20, 2016, the draft budget was approved by the Provincial Legislature (the “2017 Budget”).

In preparing and submitting the 2017 Budget, the Province considered estimates of changes to tax revenues in accordance with inflation and economic growth metrics, and relied on statements from the Federal Government’s ministries and on its own projections concerning business cycle development.

However, because the Province’s budget is required by the Provincial Constitution to be submitted by August 31 of each year, it is not possible to take into consideration final estimates or definitive projections of revenues under the Federal Co-Participation Regime, proposed inflation rates or projected exchange rate variations that arise from the Federal Government’s budget process, given that the Federal budget is required to be submitted for consideration of the Argentine Congress by September 15 of each year. As a result, such information as prepared by the Federal Government cannot be known by the time that the Provincial is submitted.

Notwithstanding the foregoing, the 2017 Draft Budget reflects a series of estimates of future revenue for 2017 on the basis of macroeconomic forecasts and estimates concerning the economy of Argentina and the Province, with a 3.5% year over year growth rate, an inflation rate of approximately 17.0%, and an average exchange rate of P\$17.9 to the US\$1.00 for 2017. Provincial revenue, estimates and forecasts were based on figures prepared by the AREF.

The following table shows 2017 Budget data on a comparative basis to the 2016 Budget and its budgeted variation:

Budgeted Revenue and Expenditures for 2016 and 2017 (in millions of P\$ except for percentages)

	Fiscal year ended/ending December 31,					
	2016 ⁽¹⁾		2017 ⁽¹⁾		Variation	
	P\$ million (budget)	%	P\$ million (budget)	%	P\$ million (budgeted)	%
Current revenue						
Federal transfers						
Federal Co-Participation.....	4,589.5	34.4%	6,190.6	32.4%	1,601.0	34.9%
Other Federal Co-Participation.....	658.8	1.4%	875.0	4.6%	216.2	32.8%
Federal current transfers.....	1,611.3	9.6%	1,446.6	7.6%	(164.7)	(10.2)%
Total Federal transfers	6,859.6	45.4%	8,512.1	44.6%	1,652.5	24.1%
Provincial tax revenue						
Gross Revenue Tax.....	2,199.0	15.4%	2,986.1	15.6%	787.1	35.8%
Rural Real Estate Tax.....	4.6	0.0%	6.1	0.0%	1.5	33.3%

	Fiscal year ended/ending December 31,					
	2016 ⁽¹⁾		2017 ⁽¹⁾		Variation	
	P\$ million (budget)	%	P\$ million (budget)	%	P\$ million (budgeted)	%
Stamp Tax	186.6	1.3%	236.9	1.2%	50.3	26.9%
Social Services Fund	567.5	4.0%	656.6	3.4%	89.2	15.7%
Total Provincial tax revenue	2,957.7	20.7%	3,885.7	20.4%	928.0	31.4%
Provincial non-tax revenue						
Royalties	882.5	6.2%	1,044.3	5.5%	161.8	18.3%
Other hydrocarbon rights	154.2	1.1%	175.3	0.9%	21.0	13.6%
Rates	731.3	5.1%	1,095.9	5.7%	364.6	49.9%
Other non-tax revenue	105.5	0.7%	112.9	0.6%	7.4	7.0%
Total non-tax revenue	1,873.5	13.1%	2,428.4	12.7%	554.9	29.6%
Other current revenue	900.9	8.9%	1,880.8	9.9%	979.9	108.8%
Total current revenue	12,591.7	88.0%	16,707.0	87.5%	4,115.4	32.7%
Current expenditures						
Personnel	9,208.2	56.7%	10,838.6	47.6%	1,630.4	17.7%
Goods and services	947.1	5.8%	2,074.2	9.1%	1,127.1	119.0%
Current transfers	3,238.4	19.9%	4,457.1	19.6%	1,218.7	37.6%
Other expenditures	120.6	0.7%	127.1	0.6%	6.5	5.4%
Debt interest	112.7	0.7%	445.5	2.0%	332.8	295.3%
Total current expenditures	13,627.0	83.9%	17,942.5	78.9%	4,315.5	31.7%
Overall balance	(1,035.4)		(1,235.5)		(200.1)	19.3%
Capital revenue						
Federal capital transfers	1,480.9	10.4%	2,374.0	12.4%	893.1	60.3%
Provincial capital resources	7.1	0.1%	12.5	0.1%	5.3	74.8%
Decrease in financial investments	225.6	1.6%	—	0.0%	(225.6)	—
Total capital revenue	1,713.6	12.0%	2,386.5	12.5%	672.8	39.3%
Capital expenditures						
Real direct investments	2,110.9	13.0%	3,524.4	15.5%	1,413.5	67.0%
Financial investments	58.6	0.4%	1,188.5	5.2%	1,130.0	1930.0%
Capital transfers	441.6	2.7%	93.8	0.4%	(347.8)	(78.8)%
Total capital expenditures	2,611.1	16.1%	4,806.8	21.1%	2,195.7	84.1%
Total revenue	14,305.3	100.0%	19,093.5	100.0%	4,788.2	33.5%
Total expenditures (excluding interest)	16,125.5	99.3%	22,303.7	98.0%	6,178.3	38.3%
Primary Balance (excluding interest)	(1,820.2)		(3,210.2)		(1,390.1)	76.4%
Interest	112.7	0.7%	445.5	2.0%	332.8	295.3%
Total expenditures (including interest)	16,238.2	100.0%	22,749.3	100.0%	6,511.1	40.1%
Total surplus (deficit)	(1,932.9)		(3,655.8)		(1,722.9)	89.1%
Sources of financing	2,134.2		4,327.2		2,193.0	102.8%
Application of funds	201.3		313.5		112.2	55.7%
Total net financial results	1,932.9		4,013.7		2,080.8	107.7%

Notes:

(1) Budget data is presented in accordance with public finance accounting rules and in accordance with the methodology utilized in preparation of the Budget Law, excluding social security agencies information. Budget data may present differences when compared to the data presented in "Public Sector Finance," which is prepared pursuant to the Fiscal Responsibility Law.

Source: Ministry of Economy.

Total Revenues. For the year 2017, the Province expects total Provincial revenue of P\$19,093.5 million, compared to P\$14,305.3 million projected for 2016, which amounts to a 33.5% increase. This increase is mainly attributable to a 31.4% rise in Provincial tax revenue (gross revenue tax and stamp tax) and an increase in Federal transfers of 24.1%.

The rise in Provincial tax revenues includes the following:

- a 35.8% increase in revenues from the gross revenue tax;

- a 26.9% increase in revenues from the stamp tax; and
- a 33.3% increase in revenue from the rural real estate tax.

Furthermore, as estimated in the 2017 Budget, capital revenues are expected to increase by 39.3% to P\$2,386.5 million in 2017, compared to P\$1,713.7 million projected for 2016.

Total Expenditures. The Province's total expenditures (excluding interest) are expected to increase by 38.3% to P\$22,749.3 million in 2017, compared to P\$16,125.5 million projected for 2016, mainly as a result of:

- an increase of 17.7% in personnel expenditures to P\$10,838.6 million in 2017, compared to P\$9,208.2 million projected for 2016;
- a 119.0% increase in expenditures for goods and services to P\$2,074.2 million in 2017, compared to P\$947.1 million projected for 2016, mainly due to the impact of inflation on health costs;
- a 37.6% increase in current transfers and other expenses to P\$4,457.1 million in 2017, compared to P\$3,238.4 million projected for 2016, mainly due to the impact on tariffs of subsidies granted to residents of the Province lacking access to the natural gas network; and
- a 84.1% increase in capital expenditures to P\$4,806.8 million in 2017, compared to P\$2,611.2 million projected for 2016, mainly as a consequence of the development of housing plans and the execution of works aimed at improving Provincial infrastructure.

Primary Balance. In 2017, the Province estimates that the primary deficit (excluding interest) will increase by 76.4%, to P\$3,210.2 million, compared to P\$1,820.2 million projected for 2016, considering the increasing costs of supplies necessary to provide the basic services provided by the Provincial Government.

Financial Results. In 2017, the Province estimates that the financial deficit will increase by 107.7% to P\$4,013.7 million, compared to P\$1,932.9 million projected for 2016. This increase is due to the Provincial infrastructure plan to be funded with loans borrowed from the Regional Infrastructure Trust Fund and from funding from the Federal Government for the execution of the Fideicomiso Austral.

PUBLIC SECTOR DEBT

Introduction

The Province satisfies its financial needs through a variety of sources of financing. As of December 31, 2015, the Province's total outstanding indebtedness amounted to P\$5.3 billion (equal to US\$399.1 million at the prevailing exchange rate as of December 31, 2015 of P\$13.30 per US\$1.0).

As of December 31, 2015, 36.2% of the Province's total indebtedness was denominated in pesos, while 63.8% was denominated in U.S. dollars. As of December 31, 2015, 0.3% of the Province's total indebtedness was payable in U.S. dollars, while the remaining 99.7% was payable in pesos. Although debt assumed by the Province with the IPAUSS is denominated in U.S. dollars, it is payable in pesos, see "—IPAUSS". As of September 30, 2016, 59.1% of the Province's total indebtedness was denominated in U.S. dollars, while 40.9% was denominated in pesos. As of December 31, 2015, 0.3% of the Province's total indebtedness was payable in U.S. dollars, while the remaining 99.7% was payable in pesos. Although debt assumed by the Province with the IPAUSS denominated in U.S. dollars, it is payable in pesos, see "—IPAUSS".

Out of the total indebtedness of the Province as of December 31, 2015: (i) 31.2% was attributable to borrowings from the Federal Government; (ii) 4.8% was attributable to consolidated debt owed to the decentralized agencies of the Province; (iii) 0.2% was attributable to treasury notes; (iv) 0.3% was attributable to indebtedness owed to Multilateral Credit Agencies through the Federal Government; and (v) the remaining 63.5% was attributable to debt with IPAUSS related to pension liabilities under Provincial Law No. 478. For more information relating to the debt with IPAUSS, see "—IPAUSS."

As of December 31, 2015, 31.5% of the Province's total debt was secured by Federal Co-Participation payments, and 68.5% was unsecured.

Debt interest payments include all interest payments on indebtedness made by the Province. For the years ended December 31, 2011, 2012, 2013, and 2014, total outstanding consolidated debt was P\$1,188.2 million, P\$1,351.8 million, P\$2,001.2 million, and P\$2,027.9 million, respectively, which accounted for 7.8%, 6.7%, 7.8%, and 6.3% of the Province's GDP, respectively.

Consolidated Debt

The following table shows the Province's consolidated public debt as of December 31 for each of the years indicated below:

Total Outstanding Debt by Creditor

	As of December 31,					As of September 30,	
	2011	2012	2013	2014	2015	2016	
	<i>P\$ thousands</i>					<i>US\$ million⁽⁶⁾</i>	
Federal Government ⁽¹⁾	418,517.5	432,165.9	508,582.0	541,853.5	1,657,966.1	2,098,034.2	138.9
Multilateral credit agencies ⁽²⁾	9,317.8	18,249.3	17,748.4	14,951.7	15,386.1	16,549.5	1.1
Consolidated debt of the central administration ⁽²⁾⁽³⁾	107,762.0	94,716.1	70,167.1	66,393.5	252,284.6	234,145.5	15.5
Commercial banks and financial institutions ⁽²⁾	736.2	—	—	—	—	—	—
Treasury Notes ⁽⁴⁾	12,111.6	12,111.6	12,111.6	12,111.6	12,206.0	12,206.0	0.8
IPAUSS—Provincial Law No 478 and No 1068 ⁽⁵⁾	747,380.1	875,092.1	1,392,603.9	1,392,603.9	3,370,194.7	3,370,194.7	223.2
Total	1,295,825.2	1,432,335.0	2,001,212.9	2,027,914.2	5,308,037.5	5,731,130.0	379.5

Notes:

(1) Includes loans granted by the Regional Infrastructure Trust Fund.

(2) Includes certain loans denominated in US dollars, valued at the selling exchange rate published by Banco de la Nación Argentina as of December 31 in each year.

(3) Includes certain treasury obligations corresponding to floating debt for an amount corresponding to the portion that has not been assigned a budgetary item for payment as of the cutoff date.

(4) Corresponds to outstanding PETREL short-term treasury notes issued in 2008 to suppliers, but not presented for payment in compliance with applicable law. Outstanding amounts are registered as indebtedness pursuant to applicable law.

(5) Denominated in US dollars and presented at the selling exchange rate published by Banco de la Nación Argentina on December 31, 2011 and 2012 debt is presented as if payable as of June 30, 2012, as determined by the Court of Auditors. Debt as of December 31, 2015 was valued pursuant to

Provincial Law No. 1068.
(6) Exchange rate US\$1.00 = P\$15.1001
Source: General Accounting Office.

Federal Government

The Province's indebtedness to the Federal Government was P\$418.5 million, P\$432.2 million, P\$508.6 million, P\$541.9 million and P\$1,658.0 million, on December 31, 2011, 2012, 2013, 2014 and 2015, respectively, which accounted on average for 31.2% of the Province's total debt for the five-year period ended December 31, 2015. As of September 30, 2016, the Province's indebtedness to the Federal Government was P\$2,098.0 million, or US\$137.4 million (at the exchange rate on that date of P\$15.26 = US\$1.00), corresponding to 36.6% of the Province's total debt for that period. The increased indebtedness 2015 and 2016 corresponds mainly to increased debt under the Federal Debt Reduction Program explained below. The Province's indebtedness to the Federal Government is denominated in pesos and is payable in pesos.

ANSES

On May 18, 2016, the Federal Government, the Argentine provinces and the City of Buenos Aires entered into an agreement to reduce the withholding of 15% of the resources of the Federal Co-Participation Regime destined to social security obligations and other expenses in charge of ANSES, as provided for in the Federal Agreement of August 1992. The agreement provides that beginning in 2016, the current deduction of 15% will be prorated by 3% over the following calendar years, resulting in the following scheduled reductions: 12% in 2016, 9% in 2017, 6% in 2018, 3% in 2019 and 0% in 2020 and the following years. The Federal Government may apply up to 50% of such additional amounts that will correspond to the Provinces and the City of Buenos Aires each year to compensate for other credits that is previously provided with respect to the Provinces and the City of Buenos Aires. This agreement was ratified by the Federal Congress through Law No. 27,260 and by the Provincial Legislature through Law No. 1,077 and Law No. 1,114. The terms of the agreement are effective as from January 1, 2016.

As of the date of this offering memorandum, in order for the Province to recover the funds deducted during the period between January 1, 2006 and December 31, 2016, which the Province considers to have been unduly deducted, it would have to initiate legal proceedings.

The Federal Government agreed to transfer to the amounts corresponding to the increased transfers applicable from January 2016 through July 2016, in five equal monthly installments starting in August 2016. In addition, the Federal Government agreed to increase the daily transfers of tax co-participation payments by 3% from August 1, 2016, which the Province has been receiving since that date.

The agreement also provides that the Federal Government will instruct the Fondo de Garantía de Sustentabilidad of ANSES to grant to the Provinces and the City of Buenos Aires a loan to be secured by Federal Co-Participation Regime payments according to the terms and conditions provided for therein. In December 2016 and January 2017, the Province entered into such loans with Fondo de Garantía de Sustentabilidad of ANSES and borrowed an aggregate principal amount of P\$349 million and P\$125 million, respectively. The loans bear interest at a rate of 15% per annum for 2017, and 12% for 2018 and 2019 and are secured by Co-Participation Regime Payments.

Programa Federal de Desendeudamiento (Federal Debt Reduction Program):

In May, 2010, the Province entered into an Agreement with the Federal Government under the Argentine Provincial Indebtedness Federal Debt Reduction Program (*Programa Federal de Desendeudamiento de las Provincias Argentinas* or "Federal Debt Reduction Program") to refinance its debt outstanding as of May 2010.

Other funds received by the Province from the Federal Government as loans for financial assistance were later covered by agreement No. 17,420 dated November 25, 2015 under the same program, in a principal outstanding amount of P\$420.8 million. Indebtedness under agreement No. 17,420 accrues interest at 6.0% per annum and is due in 2030. Interest on the loan will be capitalized through the end of a grace period that expired in January 2017. This facility is currently being repaid in 168 equal monthly installments starting on January 1, 2017.

In addition, on November 25, 2015, the Province executed Agreement No. 17,421 with the Federal Government for P\$1,050 million (P\$1,056.0 million including capitalized interest payments), under the same terms and conditions of the

Federal Debt Reduction Program. This facility is currently being repaid in 168 equal monthly installments beginning on January 1, 2017 at a 6.0% annual interest rate.

Loan under Agreement with PROFEDESS

On July 10, 2015, the Province entered into a loan agreement with Nación Fideicomisos S.A. within the framework of the Federal Operating Strengthening Program in Health and Security. Through this program, the Federal Government granted a loan in the amount of P\$22.3 million, which accrues interest at a fixed rate of 15%, payable in 60 monthly installments. The loan is disbursed according to advances in the works and the outstanding amount is adjusted according to the ICC (the Construction Cost Index). As of September 30, 2016, the total amount outstanding was P\$17.6 million. The purpose of this program is to purchase vehicles for the health and security sectors through a trust fund.

Loan from the Regional Infrastructure Trust Fund

On August 10, 2010, the Province executed an agreement with the Regional Infrastructure Trust Fund in the amount of P\$50 million, payable in 96 monthly installments, at a floating rate equal to the greater of the rate applicable to ten-year U.S. Treasury Notes plus 3.07% on an annual basis, or LIBOR plus 3.07% on an annual basis.

In addition, on April 22, 2014, the Province executed an agreement with the Regional Infrastructure Trust Fund in the amount of P\$61.5 million, payable in 120 monthly installments with a 12-month grace period, at a floating rate equal to the greater of (i) the rate applicable to ten-year U.S. Treasury Notes plus 3.07% on an annual basis, or (ii) LIBOR plus 3.07% on an annual basis.

Multilateral Credit Agencies

Through the Federal Government, the Province has received funds from certain U.S. dollar-denominated credit facilities outstanding with the Inter-American Development Bank ("IDB"), which have been used to finance several projects including road construction, water and sewage infrastructure, and improvements in public administration, education, and health. The final maturity date under these credit facilities is in 2022, and interest is payable (at fixed and floating rates, as applicable) at annual rates ranging from 5.4% to 5.8%. The IDB facilities are payable in U.S. dollars.

As of December 31, 2015, the Province was the beneficiary under credit facilities granted to the Federal Government, with the Federal Government as the direct obligor. The Province, as subsidiary obligor, has the obligation to reimburse the Federal Government for payments made under such agreements. In addition, the Province is a beneficiary to a loan from the IDB, pursuant to which the Federal Government assigns a portion of the financing to several provinces but remains the direct debtor, and each province has the obligation to reimburse the Federal Government for any payments made thereunder. Payments are secured with a portion of the Federal Co-Participation Regime payments to which the Province is entitled, to the extent necessary to cover the principal and interest due. This loan is related to the Neighborhood Improvement Program (*Programa Mejoramiento de Barrios* - IDB Loan 940/IDB 1134). The Province has authorized the Federal Government to debit and withhold funds from the Federal Co-Participation Regime accounts to the extent necessary to settle the Province's obligations under this loan, including principal and interest payment amounts, fees and interest during any applicable grace periods.

As of December 31, 2015, the outstanding principal due to the IDB amounted to P\$15.4 million (US\$1.1 million, at the then-prevailing exchange rate).

Central Administration's Consolidated Debt

Indebtedness of the Province to decentralized Provincial entities totaled P\$107.8 million as of December 31, 2011, P\$94.7 million as of December 31, 2012, P\$70.2 million as of December 31, 2013, P\$66.4 million as of December 31, 2014, and P\$252.3 million as of December 31, 2015. The increase in 2015 corresponds to an agreement entered into by the Province with the Provincial Police Compensation Agency (*Caja Compensadora de la Policía Provincial*), recognizing indebtedness for P\$185.9 million. Indebtedness of the Province to decentralized Provincial entities is denominated in pesos and payable in pesos.

Commercial Banks and Financial Institutions

As of December 31, 2011, the Province's indebtedness with BTF totaled P\$736,160. This balance has been fully repaid and, as of the date of this offering memorandum the Province does not have debts payable to any commercial banks.

Treasury Notes

The Province issued PETREL short-term treasury notes in 2008 to certain of its suppliers as payment for the goods or services provided to the Province. Certain holders of these notes were not able to present to the Province proof of their credits against the Province and therefore the treasury notes they held were not paid by the Province. The aggregate principal amount of such outstanding treasury notes is registered as indebtedness of the Province pursuant to applicable law.

Cash Management

In addition, the Province uses a unified fund of official accounts (*Fondo Unificado de Cuentas Oficiales*, or “FUCO”), which provides short-term financing to the Province in a maximum amount corresponding to the aggregate positive balance of all of the Provincial agencies’ accounts with BTF. FUCO records daily debits and credits corresponding to each of the different Provincial agencies, while these entities continue to maintain autonomy with respect to their asset dispositions and administrative and accounting decisions. Under the agreement between the Province and BTF, the Provincial treasury may use the aggregate balance of FUCO as an advance for short-term treasury requirements.

IPAUSS

During the economic crisis experienced by the Province in the 1990s, certain deposits in BTF, including deposits made by the Social Security Provincial Institute (currently, IPAUSS) of contributions belonging to the Provincial pension system totaling US\$208 million as of that date, were used by BTF to grant loans. These loans were never repaid.

The Province assumed these unpaid loans as Provincial indebtedness and as a result, the Province became the largest debtor to the Provincial pension system. This program was authorized under Provincial Law No. 478. The method of valuation of this indebtedness was later modified by Provincial Law No. 676 and further by Provincial Law No. 1,068.

In January 2016, the Social Security Emergency Law determined that this US\$208 million debt would be adjusted at an interest at a rate of LIBOR from May 12, 2000 through January 11, 2016. The law established that all other short-term indebtedness of the Province with IPAUSS would be consolidated, once verified by the General Accounting Office. As of the date of this offering memorandum, this verification process has not been finalized. Once the verification process is finalized, the total amount of indebtedness of the Province with IPAUSS is expected to increase and the structure of payments under this indebtedness will be established. The Province expects that even though this indebtedness is denominated in U.S. dollars, the payment schedule under this indebtedness will be in pesos once the verification process is finalized.

Debt Service

The tables below set forth the Province's debt service on outstanding debt as of the date of this offering memorandum, as projected until 2026, including interest, commissions, and principal repayments to be paid in each year in pesos and in U.S. dollars, as applicable.

Debt Amortization Schedule⁽¹⁾ (in millions)

	Debt Service				
	2017	2018	2019	2020	2021-2026
Peso-denominated debt ⁽²⁾					
Interest and fees	157.7	169.9	158.4	141.0	540.3
Amortization	195.5	280.7	322.4	346.6	2,151.6
Total peso-denominated debt.....	353.1	450.6	480.9	487.6	2,691.9
Debt in foreign currency ⁽³⁾⁽⁴⁾					
Interest and fees	77.3	103.4	134.6	172.0	2,308.5
Amortization	86.7	96.9	108.3	121.1	1,084.3
Total debt in foreign currency.....	164.0	200.3	242.9	293.1	3,392.9

Notes:

(1) Preliminary information subject to change.

(2) P\$ million.

(3) US\$ million.

(4) Debt payable to IPAUSS is presented as payable in US dollars, but the payment structure under this indebtedness is still being determined. See "—IPAUSS."

Source: General Accounting Office.

The 2016 Budget included estimated debt service expenses in the amount of P\$241.5 million, including repayments of principal for P\$133.0 million and interest for P\$108.5 million.

Pledge of Federal Tax Transfers

The Province has pledged part of its Federal Co-Participation Regime payments as collateral to secure its obligations under certain of its outstanding indebtedness. Pursuant to these security arrangements, the Federal Government, acting through Banco Nación, is entitled to withhold a portion of the Province's Federal Co-Participation Regime transfers to cover principal and interest payments on the secured debt.

Outstanding indebtedness secured with such pledges of Federal Co-Participation Regime transfers was P\$447.4 million, P\$523.3 million, P\$553.8 million and P\$1,670.3 million, as of December 31, 2012, 2013, 2014 and 2015, respectively, which accounted on average for 29.8% of the Province's total debt for the five-year period ended December 31, 2015.

Description of Non-Consolidated Indebtedness Liabilities

From time to time the Province incurs in certain liabilities that are not recorded as public debt and are not consolidated with its indebtedness pursuant to Federal Law 24,153 (the "Administration Finance Law"). The Province's primary source of non-consolidated liabilities is comprised of "floating debt," which includes short-term liabilities incurred with respect to employees, suppliers, contractors, other private companies and municipalities. The Province calculates its floating debt as the difference between the aggregate amount of payment orders issued by the Province and the amount of those orders that have been paid as of a certain point in time. The Province believes that the amount of its floating debt is not significant.

THE HYDROCARBON INDUSTRY IN ARGENTINA AND IN THE PROVINCE

Introduction

The Austral basin covers approximately 170,000 square kilometers, extending into the neighboring province of Santa Cruz and the country of Chile. The area in the Province involved in exploitation and exploration activities in connection with the hydrocarbon industry is currently 6,165.4 square kilometers. The basin is located at the southern tip of the South American Continent, on both sides of the Strait of Magellan, between El C ndor and Cerro Redondo hydrocarbon fields in Santa Cruz, and the Bay of San Sebasti n in the Province.

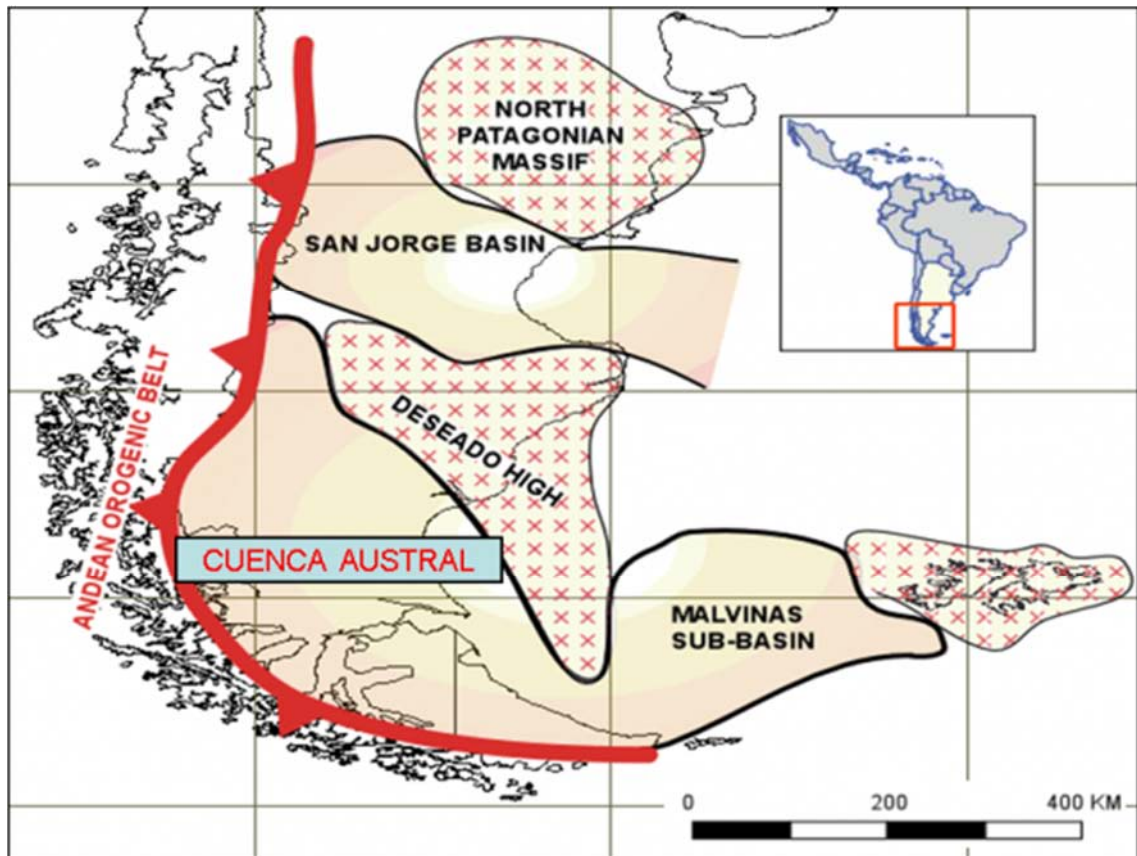
The Austral basin includes a large part of the Argentine Province of Santa Cruz, the Chilean Province of Magallanes, the eastern zone of the Strait of Magellan, Isla Grande de la Tierra del Fuego, and part of the Argentine continental shelf adjacent to them.

Hydrocarbon exploration, development, and refining activities have been ongoing in the Province since June 17, 1949, when the first oil well, named TF1, was discovered near the city of R o Grande.

Interest in geology and oil exploration in the Province began in the early twentieth century, reflecting the activity in Chile, on the other side of the Strait of Magellan. The success of oil discovery in Chile prompted Yacimientos Petrol feros Fiscales Sociedad del Estado ("YPF S.E.") and its predecessor state-run companies to restart studies and in 1949 drilling began on stratigraphic well TF1. On June 17, 1949, extraction test results indicated an initial production of 340,300 cubic meters per day of wet gas. This discovery encouraged YPF S.E. to continue with its seismic and gravimetric explorations in the Province.

The hydrocarbon industry in Argentina has historically been state-run and was initially dominated by YPF S.E., which used to be a government owned company.

The following is a map showing the Austral basin:



In 1989, the Federal Government began to deregulate the hydrocarbon sector as a result of the decline in productivity of the oil and gas industry in Argentina, along with other major reforms in the Argentine economy.

The deregulation of the hydrocarbon industry and the introduction of competition began under the legal framework of related laws, decrees and regulations. This new legal framework deregulated the oil and gas industry, which involved the removal of price controls for oil and gas products. In addition, the new regulations provided for the auction of exploration and production rights of certain fields then operated by YPF S.E. and for the conversion of risk and service contracts between YPF S.E. and private companies into exploration permits and production concessions. Concessions throughout Argentina were sold in competitive auctions during 1991 and 1992. Holders of production concessions have the right to produce oil and gas in the area or areas specified in such production concessions.

Hydrocarbons Law, as amended by Law No. 27,007 permits three types of concessions: conventional production, non-conventional production and production in the territorial sea or on the continental shelf. Each of these types of concessions is granted for 25, 35, and 30 years, respectively, with one ten-year extension at the option of the concessionaire.

The deregulation of the hydrocarbon industry in Argentina led to increased competition and capital investment during the 1990s. Technology that was commonplace in other oil and gas producing areas of the world, such as 3-D seismic studies, horizontal drilling, and advanced secondary recovery techniques, was introduced in Argentina and resulted in higher and more cost-efficient production, as well as increased reserves. Investment in recent years has been directed to non-conventional oil and gas exploration activities.

In 2012, the National Congress enacted National Law No. 26,741 that provides for the expropriation of 51% of the shares of YPF owned by Repsol and sets out the principles of the national hydrocarbon policy. See “Legal and Regulatory Framework of Oil and Gas Exploration and Production.”

Argentine oil production (including stabilized gasoline) amounted to 30.7 million m³ in 2016 (equal to 193.5 million barrels), 31.9 million m³ in 2015 (equal to 201.2 million barrels), 32.0 million m³ in 2014 (equal to 201.1 million barrels), 32.5 million m³ in 2013 (equal to 204.2 million barrels), 33.1 million m³ in 2012 (equal to 208.4 million barrels) and 33.3 million m³ in 2011 (equal to 209.6 million barrels). Argentine gas production amounted to 44,987 million m³ in 2016, 42,905 million m³ in 2015, 41,484 million m³ in 2014, 41,708 million m³ in 2013, 44,123 million m³ in 2012 and 45,527 million m³ in 2011. In 2014, Argentina was the fourth largest oil producer in South America, after Venezuela, Brazil and Colombia, and the largest gas producer in South America, according to the BP Statistical Review of World Energy.

Production and reserves

Hydrocarbon areas are classified based on the legal classification under the Hydrocarbons Law in exploration permits and exploitation concessions. The Executive Branch of the Province determines the areas for which the permits and concessions are awarded based on Section 9 of the Hydrocarbons Law.

As of the date of this offering memorandum, information on oil and gas reserves for Argentina is only available through 2015. As a result, any comparative information against Argentina’s oil and gas reserves is provided as of December 31, 2015.

The table below sets forth the oil and gas reserves for the areas or concessions basins in Argentina as of December 31, 2015, according to the MEMN:

Basin	Oil reserves (Mm ³) ⁽¹⁾	Gas reserves (MMm ³) ⁽¹⁾
Golfo San Jorge.....	297,278	57,698
Neuquina.....	101,437	186,803
Cuyana.....	23,829	829,000
Austral.....	18,208	160,904
Noroeste.....	5,650	24,471
Total.....	446,402	430,705

Note:

(1) P1+50% P2

Source: MEMN.

According to the MEMN, in 2016 the Province was the second largest gas-producing province in Argentina. Total Reserves of gas in the Province were approximately 8.9% of total gas reserves in Argentina. Total Reserves of gas in the Province accounted for approximately 8.4% of total gas reserves in Argentina as of December 31, 2015.

In 2016, the Province was the seventh largest oil-producing province in Argentina. Total Reserves of oil in the Province were approximately 1.3% of total oil reserves in Argentina.

The table below sets forth net oil and gas production in the Province for the respective periods, as recorded by the Province:

Oil and Gas Production in the Province

Year	Gas Production (in thousand m³)	As a % of National Production	Oil Production (in m³)⁽¹⁾	As a % of National Production
2011.....	3,803,307	8.4	775,582	2.3
2012.....	3,637,672	8.2	772,081	2.3
2013.....	3,500,283	8.4	712,487	2.2
2014.....	3,399,034	8.2	698,579	2.2
2015.....	3,032,968	7.1	626,492	2.0
2016.....	3,949,416	8.8	624,779	2.0

Notes:

(1) Includes stabilized gasoline.

Source: SEH.

Exploration and exploitation in Argentina increased as a result of Argentina's privatization program in the 1990s, including the division and sale of concessions, and resulting in new reserves and an increase in exploration in the 1990s.

Between 2011 and 2015, Argentine Total Reserves of oil declined by 2.9% and Argentine Total Reserves of gas increased by 7.4%. During this period, Provincial Total Reserves of oil increased by 13.3% and Provincial Total Reserves of gas decreased by 6.7%.

According to Resolution No. 324/06 of the National Secretary of Energy and Resolution No. 69/16 of the National Ministry of Energy and Mining, the calculation of the production of oil reserves of the Province were made in thousands of cubic meters without decimals (Mm³) and the calculation of the production of gas reserves of the Province were made in millions of m³ without decimals (MMm³).

The table below sets forth the Total Reserves of oil and gas in Argentina and the Province for the periods indicated:

Total Reserves of oil and gas in Argentina and the Province⁽¹⁾

Year	Argentina		Province		Provincial / National Reserves (%)	
	Oil Reserves⁽³⁾	Gas Reserves⁽²⁾	Oil Reserves⁽³⁾	Gas Reserves⁽²⁾	Oil^{(3)/(4)}	Gas^{(3)/(4)}
2011.....	459,763	401,209	5,564	41,023	1.2	10.2
2012.....	436,414	387,142	5,007	37,938	1.2	9.8
2013.....	436,518	399,265	5,724	39,018	1.3	9.8
2014.....	447,577	406,998	6,452	42,452	1.4	10.4
2015.....	446,402	430,704	6,303	38,295	1.4	8.9

Notes:

(1) (P1+50% P2). Includes Total Reserves of the Magallanes Area (approximately 23% corresponds to the Province) and the portion of Total Reserves corresponding to the Province of Vega Pleyade (80%). See "The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions."

(2) Thousands of cubic meters.

(3) Millions of cubic meters.

(4) Provincial production as a percentage of national production in Argentina.

Source: SEH

The ratio between the Total Reserves (volume) and the Province's production (volume / year) gives an estimated picture of the remaining years of reserve development, assuming a constant rate of production and reserves.

The following table shows the relationship between the total reserves and the production of the Province of gas and oil:

	Oil ⁽¹⁾				Gas ⁽¹⁾			
	Production ⁽²⁾	Proven Reserves (P1) ⁽²⁾	Probable Reserves (P2) ⁽²⁾	Years ⁽⁴⁾	Production ⁽³⁾	Proven Reserves (P1) ⁽³⁾	Probable Reserves (P2) ⁽³⁾	Years ⁽⁴⁾
2011	775,582	5,080	969	7.2	3,803,307	36,652	8,741	10.8
2012	772,081	4,680	653	6.5	3,637,672	33,760	8,357	10.4
2013	712,487	5,315	818	8.0	3,500,283	33,942	10,152	11.2
2014	698,579	5,466	1,972	9.2	3,399,034	34,856	15,194	12.5
2015	626,492	5,300	2,004	10.0	3,032,968	31,452	13,685	12.6

Note:

(1) Includes reserves of the Magallanes Area (approximately 23% correspond to the Province) and the portion of reserves corresponding to the Province of Vega Pleyade (80%). See "The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions."

(2) Thousands of cubic meters.

(3) Millions of cubic meters.

(4) (P1+50% P2)/Production.

Source: MEMN

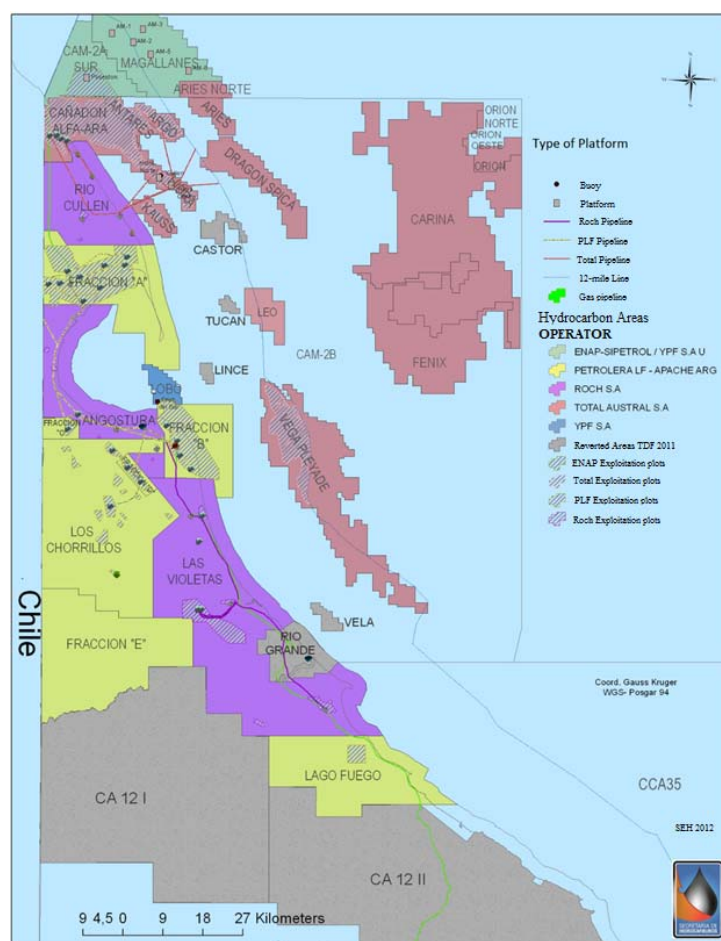
The Austral Basin

The Austral Basin has an approximate surface area of 170,000 square kilometers, including part of the Argentine Province of Santa Cruz and into Chile. The Austral Basin spans the southern end of Argentina and Chile.

Gross gas production of the Austral basin totaled 10,592 million m³ in 2016, 9,654 million m³ in 2015, 10,015 million m³ in 2014, 10,514 million m³ in 2013 and 11,135 billion m³ in 2012, accounting for 23.5%, 22.5%, 24.1%, 25.2% and 25.2%, respectively, of Argentina's total gas production during the relevant period. Total Reserves of gas in the Austral basin totaled 160,904 million m³ as of December 31, 2015, accounting for 37.4% of Total Reserves in Argentina.

El Condor and Cerro Redondo hydrocarbon fields are located in a region that starts in the Province of Santa Cruz and goes through the southernmost portion of the continent, ending in the San Sebastián bay in the Province. Both occupy an important part of the Argentine Province of Santa Cruz and the Chilean Province of Magallanes, the eastern portion of the Magallanes Strait, Isla Grande de la Tierra del Fuego and a portion of the Argentine continental platform. Eighty-five percent of Condor and Cerro Redondo are located in Argentina.

The following map shows the production areas in the Austral Basin:



The following table compares Total Reserves of gas, by Concession as of December 31, 2014 and 2015:

Total Gas Reserves of the Province⁽¹⁾
(MMm³)

Concession	As of December 31,	
	2014	2015
Las Violetas.....	3,821.2	2,809.2
Río Cullen	88.4	67.0
Angostura	0.1	0.0
Los Chorrillos.....	204.0	143.5
TDF	8,848.5	5,314.0
Lago Fuego.....	2,613.0	1,851.5
CMA1 ⁽²⁾	24,404.2	25,226.3
Lobo	0.0	0.0
Magallanes ⁽³⁾	2,473.1	2,359.8
Poseidon	0.0	523.5
Total.....	42,452.4	38,294.8

Notes:

(1) (P1+50% P2).

(2) Includes Total Reserves of the Magallanes Area (approximately 23% corresponds to the Province). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

(3) Includes the portion of Total Reserves of Vega Pleyade corresponding to the Province (80%). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

Source: SEH

The following table compares Total Reserves of oil, by Concession as of December 31, 2014 and 2015:

Total Oil Reserves of the Province⁽¹⁾
(Mm³)

Concession	As of December 31,	
	2014	2015
Las Violetas	548.5	398.9
Río Cullen	24.3	17.0
Angostura	11.3	0.0
Los Chorrillos	757.5	780.0
TDF	1,226.0	1,387.5
Lago Fuego	220.0	239.0
CMA1 ⁽²⁾	3,003.1	2,904.5
Lobo	0.0	0.0
Magallanes ⁽³⁾	661.0	567.2
Poseidon	0.0	8.5
Total	6,451.7	6,302.6

Notes:

(1) P1+50% P2

(2) Includes Total Reserves of the Magallanes Area (approximately 23% corresponds to the Province). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

(3) Includes the portion of Total Reserves of Vega Pleyade corresponding to the Province (80%). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

Source: SEH

Non-Conventional Projects

As of the date of this offering memorandum, there have been no non-conventional hydrocarbon projects developed in the Province.

Transportation and Production

Oil

Oil exploration activities in the Province led to the development of a total of 13 onshore and offshore exploitation areas, which are primarily located in the northern central area of the Province.

Oil produced in the Province is transported by sea via the Río Cullen and Cruz del Sur maritime terminals.

Gas

The aggregate length of the gas pipelines running throughout Argentina is approximately 13,000 kilometers. Gas produced in the Province is transported through three gas pipelines: Fuego 8 and Fuego 12 transport gas only within the Province, San Martín transports gas to the province of Buenos Aires.

The following table describes the gas pipelines operating in the Province.

Gas Pipelines serving the Province

Gas Pipeline	Length	Destination	Operator	Use (MMm³/d)
San Martín	4679.0 km	Buenos Aires	TGS	21,523
Fuego 8”	268.9 km	Ushuaia	Camuzzi	2,265
Fuego 12”	151.0 km	Ushuaia	Camuzzi	— ⁽¹⁾

Note:

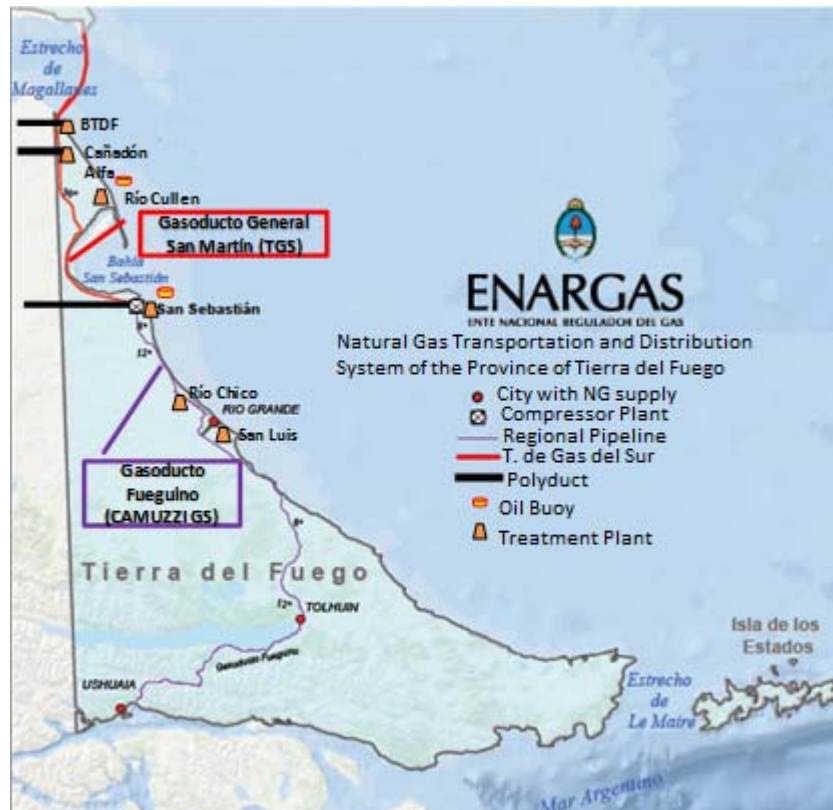
(1) Fuego 12” consists of partial pipes in the section of the main gas pipeline (Fuego 8”). Their use tracks that of the Fuego 8”.

Source: SEH, based on information published by Ente Nacional Regulador del Gas (“ENARGAS”).

Interruptions in production

There has been no significant interruption in oil or gas production during the past ten years.

The following is a map showing the main pipelines operating in the Province:



HYDROCARBON AREAS AND HYDROCARBON CONCESSIONAIRES

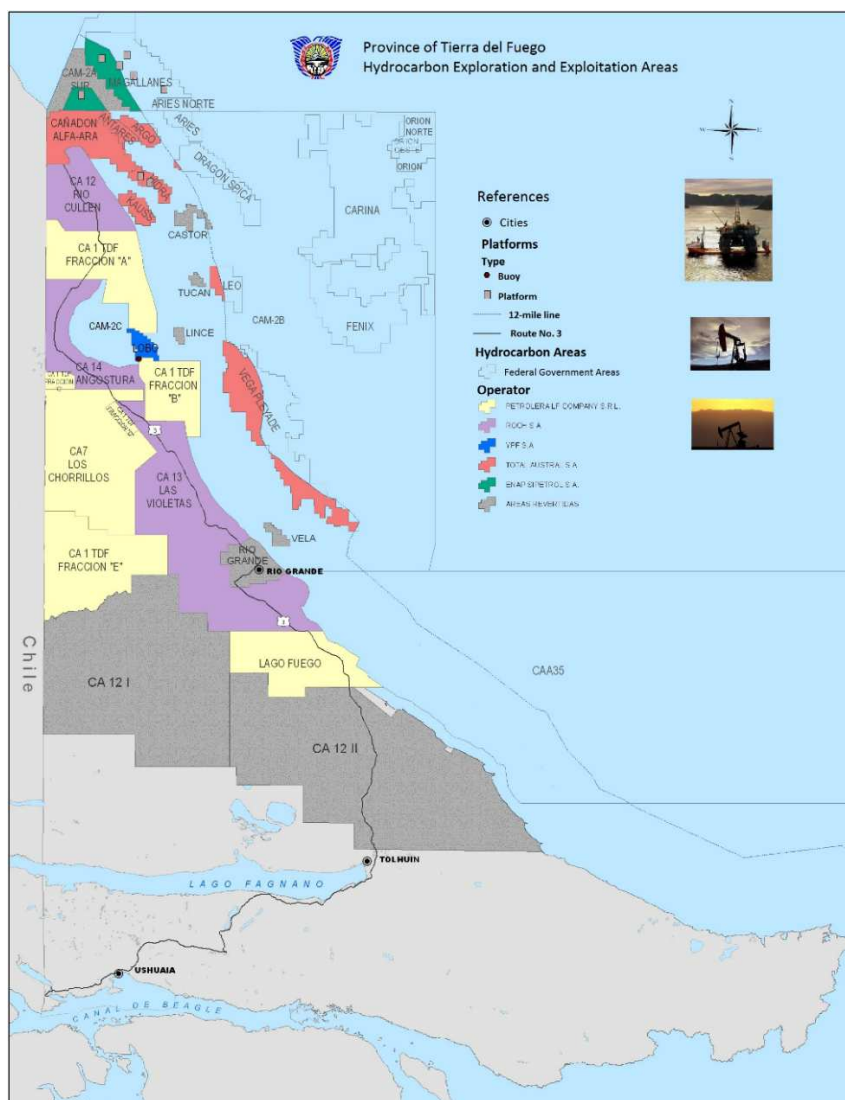
Introduction

Oil and gas fields located in the Province are exploited by companies pursuant to production concessions. Originally these concessions were granted by the Federal Government under Section 1 of Law No. 17,319. Pursuant to the amendments introduced to Hydrocarbons Law by Law No. 26,197, the concessions originally granted by the Federal Government were transferred to the provinces. As a result, beginning in 2007 all concessions are negotiated and granted directly by the Province. See “Legal and Regulatory Framework of Oil and Gas Exploration and Production.”

Concessionaires typically establish Temporary Joint Ventures (*Uniones Transitorias de Empresas*, or “UTE”) for purposes of operating a concession. Each party to a UTE is severally liable for its share of the applicable hydrocarbon royalties and has the right to unilaterally dispose of its interest in a hydrocarbon concession.

Concessionaires may assign their rights to explore oil and gas fields pursuant to, or produce oil and gas under, a concession, with the prior consent of the Provincial Government. In such cases, each concessionaire remains liable for its share of the applicable hydrocarbon royalties to the extent of its participation in such concession, and the assignee is also liable for the extent of its production.

The following map shows the main concessions in the Province:



Areas and Reservoirs shared with other jurisdictions

Description of the Magallanes Area

Due to the particular geographic location of the Magellan hydrocarbon field and pursuant to applicable law, the Magellan hydrocarbon field is administered by three different jurisdictions: the Province, the Province of Santa Cruz, and the Federal Government.

National Law No. 26,197 establishes that the Federal Government owns hydrocarbon fields located beyond 12 nautical miles from the baselines set forth in National Law No. 23,968 and up to the outer edge of the continental shelf. In addition, Agreement No. 14,392 between the Province and the Province of Santa Cruz, dated November 8, 1994 and ratified pursuant to Provincial Decree No. 1,487/10 (the “Magallanes Area Agreement”), regulates the distribution of royalties between the Province and the Province of Santa Cruz.

Accordingly, the Magallanes area is divided as follows: (i) the 12 nautical miles to the south of the eastern entrance of the Strait of Magellan belong to the Province; (ii) the 12 nautical miles to the north of the eastern entrance of the Strait of Magellan belong to the Province of Santa Cruz; and (iii) the outer 12 nautical miles belong to the Federal Government.

The Magallanes Area Agreement establishes that in the event that a rig is located within 12 nautical miles of both the Province and the Province of Santa Cruz, the royalties 55% of the production will be distributed to the Province of Santa Cruz and 45% of the production will be distributed to the Province. The allocation is based on the environmental risks in the Province of Santa Cruz, resulting from the transportation and the subsequent processing of hydrocarbons.

As of December 31, 2015, according to the latest certification of reserves, Total Reserves of the Magallanes area consisted of 2,466.3 Mm³ of oil and 10,259.9 MMm³ of gas.

The exploitation concession of the Magellan area was awarded to YPF in 1992, and Decree No. 1,460/92 approved the UTE agreement between YPF and Enap Sipetrol Argentina S.A, as the concession operator and the responsible party for performing all operations and activities in this area.

Description of the Vega Pleyade Field (CMA1)

The Vega Pleyade field, which belongs to the CMA1 area, is located 25 km from the coastline of the Province, sitting at a water depth of 30 to 70 meters. The first discovered wells were Vega x-1, discovered in November 1981, and Pleyade x-1, discovered in October 1985. As of the date of this offering memorandum, eight additional delineation wells have been drilled, for a total of ten wells. The geological profile of the hydrocarbon field was updated following drilling of the latest five delineation wells.

As of the date of this offering memorandum, the Vega Pleyade exploitation block has a concession area of 552.8 km², 56% of which is located within 12 nautical miles of the Province’s coastline and 44% of which is located within the jurisdiction of the Federal Government.

The project relating to the development of the Vega Pleyade hydrocarbon field comprises the installation of a rig with three dry gas wells. Gas is transported to the Río Cullen plant and operated by Total Austral S.A. Such installation was completed in October 2015 after several months of difficult operations affected by the strong winds in the region. In October and November 2016, the Vega Pleyade hydrocarbon field reached its optimum level of operations, which has been maintained as of the date of this offering memorandum.

A processing plant located in Río Cullen receives the fluids from the rigs installed in the Vega Pleyade hydrocarbon field, separates the liquids and dispatches them to the Cañadón Alfa plant for gas processing prior to injection into the San Martín Gas Pipeline to be distributed throughout the country.

Article 124 of the Argentine Constitution and National Law Nos. 24,145 and 26,197 govern the agreement between the Provincial Government and the Federal Government in relation to determining the conditions under which the concessionaires of the Vega Pleyade field will pay the royalties. Pursuant to such regulation, the Province will have jurisdiction over the area that is up to 12 nautical miles from the baselines set forth in Law No. 23,968, and the Federal Government with respect to the area located beyond such distance.

The agreement provides for the distribution of 80% of royalties to the Province and 20% to the Federal Government, which is based on the geological location of proven hydrocarbon reserves in the area with respect to each of the granting jurisdictions, rather than the geographical position of the exploitation block.

The Vega Pleyade field concession expires on January 5, 2021.

Gas and Oil Concessions in the Province

The following tables provide information related to active concessions for oil and gas production in the Province.

Concession	Area (Km2)	Partners	Concessionaire	% Share	Operator	Concession Start Date	Concession End Date ⁽¹⁾
CA – 13 (Las Violetas)	1,210.6	San Enrique Pet. S.A. Apco Austral S.A. Roch S.A. Antrim Argentina S.A. Compañía Desarrollos Petroeros y Ganaderos S.A. Secra S.A.	Roch S.A. (Rio Cullen - Las Violetas S.A. Y Otros U.T.E.)	100.0%	Roch S.A. (Rio Cullen - Las Violetas S.A. y Otros U.T.E.)	8/16/1991	8/17/2026
CA – 12 (Rio Cullen)	352.3	San Enrique Pet. S.A. Apco Austral S.A. Roch S.A. Antrim Argentina S.A. Compañía Desarrollos Petroeros y Ganaderos S.A. Secra S.A.	Roch S.A. (Rio Cullen - Las Violetas S.A.)	100.0%	Roch S.A. (Rio Cullen - Las Violetas S.A.)	8/16/1991	8/17/2026
CA – 14 (Angostura)	417.5	San Enrique Pet. S.A. Apco Austral S.A. Roch S.A. Antrim Argentina S.A. Desarrollos Petroeros y Ganaderos S.A. Secra S.A.	Roch S.A. (Rio Cullen - Las Violetas S.A. Y Otros U.T.E.)	100.0%	Roch S.A. (Rio Cullen - Las Violetas S.A. y Otros U.T.E.)	8/17/1991	8/17/2026
CA - 7 (Los Chorrillos)	912.4	Petrolera TDF Company SRL YPF S.A. Petrolera LF Company SRL	Petrolera TDF Company SRL YPF S.A. Petrolera LF Company SRL	35.0% 30.0% 35.0%	Petrolera LF Company SRL	4/12/1991	04/18/2026
Ca - 1 (Tierra del Fuego)	1,515.2	Petrolera TDF Company SRL YPF S.A. Petrolera LF Company SRL	Petrolera TDF Company SRL YPF S.A. Petrolera LF Company SRL	35.0% 30.0% 35.0%	Petrolera LF Company SRL	1/28/1992	11/14/2027
Ca - 12 (Lago Fuego)	534.6	Petrolera TDF Company SRL Petrolera LF Company SRL	Petrolera TDF Company SRL Petrolera LF Company SRL	50.0% 50.0%	Petrolera LF Company SRL	8/9/1987	11/6/2027
CAM (Magallanes) ⁽¹⁾	369.2	Sipetrol S.A. YPF S.A.	Sipetrol S.A. YPF S.A.	50.0% 50.0%	Sipetrol S.A.	8/1/1991	11/14/2017(1)
CAM - 2a sur (Poseidon)	56.3	Sipetrol S.A. YPF S.A.	Sipetrol S.A. YPF S.A.	50.0% 50.0%	Sipetrol S.A.	12/15/1997	The concessionaires reverted the areas to the Province in March 2017

Concession	Area	Partners	Concessionaire	%	Operator	Concession Start Date	Concession End Date ⁽¹⁾
	(Km2)			Share			
Lobo	42.3	YPF S.A.	YPF S.A.	100%	Petrolera LF Company S.R.L.	No operations	No operations
CMA - 1 (Cuenca Marina Austral 1)	755.2	Total Austral S.A.	Total Austral S.A.	37.5%	Total Austral S.A.	2/15/1994	2/15/2039
		Wintershall Energia S.A.	Wintershall Energia S.A.	37.5%			
		Pan American Sur S.R.L.	Pan American Sur S.R.L.	25.0%			

Notes:

(1) As of the date of this offering memorandum the Province is negotiating the extension of this concession, which expires on November 14, 2017. The Federal Government and the province of Santa Cruz have already extended the term of the corresponding concession in their respective jurisdiction.

(*) Concession start and end dates differ between different fields. See table Concessions of the CMA1 Area.

Source: SEH

Concessions of the CMA1 Area

Field	Start of the Concession	End of the Concession	Publication
Hidra.....	16/02/1997	5/1/2021	Decree 214/94
Cañadon.....	16/02/1997	5/1/2021	Decree 214/94
Antares	16/02/1997	5/1/2021	Decree 214/94
Kaus	16/02/1997	5/1/2021	Decree 214/94
Spica.....	31/07/1997	30/07/2022	Administrative Decision 416/97
Argo	17/11/1997	29/01/2025	Decree 214/94
Orión	16/02/2004	1/5/2021	Decree 214/94
North Orion	16/02/2004	1/5/2021	Decree 214/94
West Orion	16/02/2004	1/5/2021	Decree 214/94
Vega Pleyade.....	16/02/2004	1/5/2021	Decree 214/94
Leo ⁽¹⁾	23/12/2013	23/12/2038	Administrative Decision 882/2013

Notes:

(1) Field shared between the Province and the National State. An exploration permit was granted by the Administrative Decision No. 416/1997. Subsequently, the Hydrocarbons Secretariat of the Province was asked to grant a concession for the operation, which, as of the date of this offering memorandum, has not yet been granted. Note that the National State already made the concession for the exploitation of the part of the field that is in its jurisdiction through Administrative Decision No. 882/2013.

Source: SEH

As of the date of this offering memorandum, there are ten areas under concession in the Province, eight of which are currently productive. The following table shows the main fields under concession and type:

Concession	Field Name	Type	Concessionaire
Angostura (CA-14)	Angostura	On shore	Roch UTE
	Angostura Sur	On shore	Roch UTE
	Cerro Cortado ⁽³⁾	On shore	Roch UTE
	Gaviotas ⁽³⁾	On shore	Roch UTE
	Las Lagunas ⁽³⁾	On shore	Roch UTE
Cuenca Marina Austral 1 (CMA-1)	Cañadon Alfa-Ara-Ara Sur Antares-Argo	Off shore	Total Austral S.A., Wintershall Energia S.A., Pan American Sur S.R.L.
	Carina-Fenix-Orion-Orion Norte-Orion Oeste	Off shore	Total Austral S.A., Wintershall Energia S.A., Pan American Sur S.R.L.
	Hidra-Hidra Sur	Off shore	Total Austral S.A., Wintershall Energia S.A., Pan American Sur S.R.L.
	Kauss	Off shore	Total Austral S.A., Wintershall Energia S.A., Pan American Sur S.R.L.
	Vega Pleyade	Off shore	Total Austral S.A., Wintershall Energia S.A., Pan American Sur S.R.L.
Lago Fuego (CA-12)	Lago Fuego	On shore	Petrolera LF Company S.R.L.
Las Violetas (CA-13)	Las Violetas	On shore	Roch UTE
	Los Flamencos	On shore	Roch UTE
	Los Patos	On shore	Roch UTE
	Puesto Quince	On shore	Roch UTE
	Rio Chico	On shore	Roch UTE
	Rio Chico Norte	On shore	Roch UTE
	San Luis-Punta Maria Sur Arroyo Candelaria ⁽³⁾	On shore	Roch UTE
Lobo ⁽¹⁾	Lobo	Off shore	Petrolera LF Company S.R.L.
Los Chorrillos (CA-7)	Amalia ⁽³⁾	On shore	Petrolera LF Company S.R.L.
	Arroyo Augusto ⁽³⁾	On shore	Petrolera LF Company S.R.L.
	Arroyo Cachimba ⁽³⁾	On shore	Petrolera LF Company S.R.L.
	Arroyo Gamma	On shore	Petrolera LF Company S.R.L.
	Bajo Guadaloso ⁽³⁾	On shore	Petrolera LF Company S.R.L.
	Carmen Silva	On shore	Petrolera LF Company S.R.L.
	Castillo Oeste	On shore	Petrolera LF Company S.R.L.
	Cerro Mesa ⁽³⁾	On shore	Petrolera LF Company S.R.L.
	La Sara Norte	On shore	Petrolera LF Company S.R.L.
	Laguna Carmen Norte	On shore	Petrolera LF Company S.R.L.
	Laguna Chica ⁽³⁾	On shore	Petrolera LF Company S.R.L.
	Laguna Escondida	On shore	Petrolera LF Company S.R.L.
	Laguna Hortensia ⁽³⁾	On shore	Petrolera LF Company S.R.L.
	Laguna la Suerte ⁽³⁾	On shore	Petrolera LF Company S.R.L.
	Los Chorrillos	On shore	Petrolera LF Company S.R.L.
	O'Connors	On shore	Petrolera LF Company S.R.L.
	Puesto Dieciocho ⁽³⁾	On shore	Petrolera LF Company S.R.L.
	Rio Avilés	On shore	Petrolera LF Company S.R.L.
	San Goyo ⁽³⁾	On shore	Petrolera LF Company S.R.L.
	San Jorge ⁽³⁾	On shore	Petrolera LF Company S.R.L.

Concession	Field Name	Type	Concessionaire
	Sección Treinta	On shore	Petrolera LF Company S.R.L.
	Sur Arroyo Gamma ⁽³⁾	On shore	Petrolera LF Company S.R.L.
Magallanes (CAM)	Magallanes	Off shore	ENAP SIPETROL
Poseidon ⁽²⁾ (CAM 2a Sur)	Poseidon	Off shore	ENAP SIPETROL
Rio Cullen (CA-12)	Rio Cullen	On shore	Roch UTE
Tierra del Fuego (CA-1)	Bajo Grande ⁽³⁾	On shore	Petrolera LF Company S.R.L.
	Cabo Nombre	On shore	Petrolera LF Company S.R.L.
	Cañadon Piedra	On shore	Petrolera LF Company S.R.L.
	Sección Baños	On shore	Petrolera LF Company S.R.L.
	San Sebastián	On shore	Petrolera LF Company S.R.L.
	Cabeza de León ⁽³⁾	On shore	Petrolera LF Company S.R.L.
	La Sara Norte	On shore	Petrolera LF Company S.R.L.
	Fracción E ⁽³⁾	On shore	Petrolera LF Company S.R.L.

Notes:

(1) Part of the volume of hydrocarbons from this field has migrated to the neighboring field of San Sebastian. There are no calculated reserves in any category for this field; however, reserves are preliminarily estimated at 1500 Mm³ of gas and 60 m³ of certified condensate.

(2) No production since December 6, 2010 due to a flaw in one of the generators that caused the closure of all the wells in production. As of the date of this offering memorandum, no repairs have been made for its reactivation.

(3) Not in production.

Source: SEH

The following tables show the gas production concessions and oil production concessions for the year 2016. Many of the concessions are included in each of the tables, as they produce both gas and oil.

Gas Production per Concession Area
as of December 31 of 2016
(in thousands of m³)

Concession	Production per concession	Field	Production per field	Operator
Las Violetas	312,990	Las Violetas	70,828	Roch UTE
		Los Flamencos	176,872	
		Los Patos	32,899	
		Río Chico	6,452	
		San Luis-Punta María	25,939	
Rio Cullen	9,052	Rio Cullen	9,052	Roch UTE
Angostura	0	Angostura	0	Roch UTE
Los Chorrillos	4,764	Arroyo Gamma	1,608	Petrolera Lago Fuego S.R.L.
		Bajo Guadaloso	2,509	
		Carmen Silva	491	
		La Sara Norte	155	
Tierra del Fuego	679,569	Fracción A - Cabo Nombre	11,966	Petrolera Lago Fuego S.R.L.
		Fracción A - Cañadón Piedra	31,746	
		Fracción A - Sección Baños	125	
		Fracción B - San Sebastián	634,104	
		Fracción D - La Sara	1,628	
Lago Fuego	29,890	Lago Fuego	29,890	Petrolera Lago Fuego S.R.L.
Cuenca Marina Austral ⁽¹⁾	2,759,316	Vega Pleyade	1,494,941	Total Austral S.A.

Concession	Production per concession	Field	Production per field	Operator
		Cañadón Alfa-Ara-Ara Sur- Antares-Argo	1,197,536	
		Hidra-Hidra Sur	62,340	
		Kaus	4,498	
Lobo	0		0	YPF S.A.
Magallanes ⁽²⁾	153,836	Magallanes	153,836	ENAP SIPETROL Argentina
Poseidon	0		0	ENAP SIPETROL Argentina
Total	3,949,416		3,949,416	

Notes

(1) Includes the portion of production of Vega Pleyade corresponding to the Province (80%). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

(2) Includes the portion of production of Magallanes corresponding to the Province (approximately 23%). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

Source: SHE

Oil Production per Concession Area
as of December 31 of 2016
(in m³)

Concession	Production per concession	Field	Production per field	Operator
Las Violetas	45,430	Las Violetas	9,179	Roch UTE
		Los Flamencos	23,140	
		Los Patos	7,424	
		Puesto Quince	1,051	
		Río Chico	1,794	
		Río Chico Norte	400	
		San Luis-Punta María	2,443	
Rio Cullen	2,511	Rio Cullen	2,511	Roch UTE
Angostura	706	Angostura	376	Roch UTE
		Angostura Sure	330	
Los Chorrillos	25,589	Arroyo Gamma	2,362	Petrólera Lago Fuego S.R.L.
		Bajo Guadaloso	3,371	
		Carmen Silva	3,593	
		Castillo Oeste	1,166	
		La Sara Norte	5,212	
		Laguna Escondida	708	
		O'Connor	1,007	
		Río Aviles	2,229	
		Sección Treinta	2,581	
Tierra del Fuego	138,097	Fracción A - Cabo Nombre	15,457	Petrólera Lago Fuego S.R.L.
		Fracción A - Cañadón Piedra	26,675	
		Fracción A - Sección Baños	12,037	
		Fracción B - San Sebastián	69,201	
		Fracción D - La Sara	14,726	

Concession	Production per concession	Field	Production per field	Operator
Lago Fuego	3,502	Lago Fuego	3,502	Petrolera Lago Fuego S.R.L.
Cuenca Marina Austral 1 ⁽¹⁾	366,550	Vega Pleyade	39,306	Total Austral S.A.
		Cañadón Alfa-Ara-Ara Sur- Antares-Argo	218,245	
		Hidra-Hidra Sur	59,580	
		Kaus	49,419	
Lobo	0		0	YPF S.A.
Magallanes ⁽²⁾	45,394	Magallanes	45,394	ENAP SIPETROL Argentina
Poseidon	0		0	ENAP SIPETROL Argentina
Total	624,779		624,779	

Notes:

(1) Includes the portion of production of Vega Pleyade corresponding to the Province (80%). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

(2) Includes the portion of production of Magallanes corresponding to the Province (approximately 23%). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

Source: SEH

Dedicated Areas

As of the date of this offering memorandum, the Dedicated Areas consist of all of the production concession areas located within the jurisdiction of the Province. As of December 31, 2015, the Dedicated Areas represented 100% of the total amount of oil and gas production in the Province.

The following table shows gas production and the percentage share in production of the Province in the Dedicated Areas for years 2011 through 2015, and for the year 2016:

Gas Production per Concession Area

	2011	2012	2013	2014	2015	2016
	MMm ³					
Las Violetas	337,588.1	329,760.5	335,258.7	303,172.8	333,235.4	312,990.3
Rio Cullen	11,785.6	10,401.1	10,338.8	10,246.6	9,788.3	9,051.7
Angostura (CA-14)	116.5	1.1	—	—	0.5	—
Los Chorrillos	25,235.1	14,882.4	9,876.1	7,799.2	6,240.8	4,763.7
Tierra del Fuego	1,493,389.3	1,330,764.9	1,147,228.0	1,045,995.3	880,083.8	679,568.6
Lago Fuego	36,987.3	35,347.3	31,510.8	29,410.3	27,144.9	29,890.4
Cuenca Marina Austral 1 ⁽¹⁾	1,893,321.5	1,758,647.4	1,797,625.0	1,824,667.8	1,601,825.1	2,759,315.6
Lobo ⁽²⁾	—	—	—	—	—	—
Magallanes ⁽³⁾	4,883.5	157,867.7	168,445.8	177,741.9	174,649.7	153,835.9
Poseidon ⁽⁴⁾	—	—	—	—	—	—
Total	3,803,306.9	3,637,672.4	3,500,283.1	3,399,034.0	3,032,968.4	3,949,416.1

Notes:

(1) Includes the portion of production of Vega Pleyade corresponding to the Province (80%). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

(2) A portion of the hydrocarbons in this field have migrated to the neighboring San Sebastián field.

(3) Includes the portion of production of Magallanes corresponding to the Province (approximately 23%). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

(4) The Poseidón field has not been in production since December 6, 2010, as a result of the breakdown of a generator that caused the closure of all production fields. As of the date of this offering memorandum, the repairs required to restart production are not feasible.

Source: SEH

As of December 31, 2015, the Proven Reserves in the Dedicated Areas accounted for 100% of the total amount of Proven Reserves of gas and oil in the Province.

The following table shows historic information on Proven Reserves and Probable Reserves of gas in each of the Dedicated Areas:

	2011			2012			2013			2014			2015		
	(P1) ⁽¹⁾	(P2) ⁽¹⁾	Total	(P1) ⁽¹⁾	(P2) ⁽¹⁾	Total	(P1) ⁽¹⁾	(P2) ⁽¹⁾	Total	(P1) ⁽¹⁾	(P2) ⁽¹⁾	Total	(P1) ⁽¹⁾	(P2) ⁽¹⁾	Total
Las Violetas.....	1,483.7	73.8	1,520.6	1,009.0	0.0	1,009.0	3,132.0	1,424.0	3,844.0	3,023.0	1,596.3	3,821.2	2,233.1	1,152.2	2,809.2
Río Cullen.....	53.3	0.0	53.3	60.0	1.0	60.5	82.9	0.0	82.9	88.4	0.0	88.4	67.0	0.0	67.0
Angostura.....	0.3	0.8	0.7	0.0	0.0	0.0	0.5	0.0	0.5	0.1	0.0	0.1	0.0	0.0	0.0
Los Chorrillos.....	123.2	49.6	147.9	63.0	0.0	63.0	46.4	0.0	46.4	144.0	120.0	204.0	122.0	43.0	143.5
TDF.....	12,379.2	309.8	12,534.1	9,845.0	0.0	9,845.0	9,575.1	0.0	9,575.1	8,022.0	1,653.0	8,848.5	5,051.0	526.0	5,314.0
Lago Fuego.....	453.5	0.0	453.5	409.0	0.0	409.0	145.0	0.0	145.0	1,857.0	1,512.0	2,613.0	1,351.0	1,001.0	1,851.5
CMA1 ⁽²⁾	19,834.6	8,306.7	23,988.0	20,353.0	8,356.0	24,531.0	18,887.8	8,728.1	23,251.9	19,790.9	9,226.7	24,404.2	20,521.3	9,410.0	25,226.3
Lobo ⁽³⁾	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Magallanes ⁽⁴⁾	2,324.7	0.0	2,324.7	2,020.8	0.0	2,020.8	2,072.0	0.0	2,072.0	1,930.2	1,085.8	2,473.1	2,106.6	506.3	2,359.8
Poseidon ⁽⁵⁾ ...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,047.0	523.5

Notes:

(1) Millions of cubic meters.

Includes the portion of production of Vega Pleyade corresponding to the Province (80%). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

(2) Includes the portion of production of Magallanes corresponding to the Province (approximately 23%). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

(3) A portion of the hydrocarbons in this field have migrated to the neighboring San Sebastián field.

(4) The Poseidón field has not been in production since December 6, 2010, as a result of the breakdown of a generator that caused the closure of all production fields. As of the date of this offering memorandum, the repairs required to restart production are not feasible.

Source: SEH

The following table shows oil production and the percentage share in production of the Province in the Dedicated Areas for years 2011 through 2016:

Oil Production per Concession Area

	2011	2012	2013	2014	2015	2016
	Mm ³					
Las Violetas.....	55,070.3	52,278.6	53,192.9	47,030.2	47,307.4	45,430.2
Río Cullen.....	2,200.4	1,981.4	3,015.9	2,721.6	2,651.9	2,511.0
Angostura (CA-14).....	1,681.5	698.2	131.0	1,155.4	391.3	705.7
Los Chorrillos.....	74,879.6	62,125.8	44,457.3	31,808.4	25,776.8	22,588.6
Tierra del Fuego.....	210,274.3	198,142.1	191,024.6	177,030.9	153,586.0	138,097.4
Lago Fuego.....	4,214.3	3,875.0	3,767.8	3,688.5	3,360.3	3,501.6
Cuenca Marina Austral 1 ⁽¹⁾	425,651.5	390,552.5	362,752.7	379,470.0	343,171.3	366,550.4
Lobo ⁽²⁾	—	—	—	—	—	—
Magallanes ⁽³⁾	1,610.5	62,426.8	54,145.0	55,673.8	50,247.3	45,394.0
Poseidon ⁽⁴⁾	—	—	—	—	—	—
Total	775,582.3	772,080.5	712,487.3	698,578.9	626,492.2	624,778.8

Notes:

(1) Includes the portion of production of Vega Pleyade corresponding to the Province (80%). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

(2) A portion of the hydrocarbons in this field have migrated to the neighboring San Sebastián field.

(3) Includes the portion of production of Magallanes corresponding to the Province (approximately 23%). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

(4) The Poseidón field has not been in production since December 6, 2010, as a result of the breakdown of a generator that caused the closure of all production fields. As of the date of this offering memorandum, the repairs required to restart production are not feasible.

Source: SEH

The following table shows historic information on Proven Reserves and Probable Reserves of oil in each of the Dedicated Areas:

	2011			2012			2013			2014			2015		
	(P1) ⁽¹⁾	(P2) ⁽¹⁾	Total	(P1) ⁽¹⁾	(P2) ⁽¹⁾	Total	(P1) ⁽¹⁾	(P2) ⁽¹⁾	Total	(P1) ⁽¹⁾	(P2) ⁽¹⁾	Total	(P1) ⁽¹⁾	(P2) ⁽¹⁾	Total
Las Violetas.	206.9	37.7	225.7	165.0	0.0	165.0	447.0	247.0	570.5	422.9	251.4	548.5	292.2	213.3	398.9
Río Cullen.....	10.4	0.0	10.4	10.0	5.0	12.5	25.7	0.0	25.7	24.3	0.0	24.3	17.0	0.0	17.0
Angostura.....	11.8	13.9	18.7	8.0	0.0	8.0	13.2	0.0	13.2	11.3	0.0	11.3	0.0	0.0	0.0
Los Chorrillos.....	301.5	238.5	420.7	260.0	0.0	260.0	199.1	0.0	199.1	569.0	377.0	757.5	625.0	310.0	780.0
TDF.....	1,307.2	30.0	1,322.3	837.0	0.0	837.0	1,474.0	0.0	1,474.0	1,015.0	422.0	1,226.0	1,155.0	465.0	1,387.5
Lago Fuego	29.5	0.0	29.5	26.0	0.0	26.0	18.0	0.0	18.0	160.0	120.0	220.0	174.0	130.0	239.0
CMA1 ⁽²⁾	2,726.2	648.9	3,050.7	2,720.0	648.0	3,044.0	2,473.0	571.3	2,758.6	2,692.8	620.4	3,003.1	2,505.0	799.0	2,904.5
Lobo ⁽³⁾	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Magallanes ⁽⁴⁾	486.4	0.0	486.4	654.1	0.0	654.1	664.7	0.0	664.7	570.4	181.2	661.0	532.2	70.1	567.2
Poseidon ⁽⁵⁾ ...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.0	8.5

Notes:

(1) Thousands of cubic meters.

Includes the portion of production of Vega Pleyade corresponding to the Province (80%). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

(2) Includes the portion of production of Magallanes corresponding to the Province (approximately 23%). See “The Hydrocarbon Areas and the Hydrocarbon Concessions — Areas and Reservoirs shared with other jurisdictions.”

(3) A portion of the hydrocarbons in this field have migrated to the neighboring San Sebastián field.

(4) The Poseidón field has not been in production since December 6, 2010, following the breakdown of one of the generators that caused the closure of all production fields. As of the date of this offering memorandum, the repairs required to restart production have been determined to not be feasible.

Source: SEH

The Concessionaires of Dedicated Areas

A brief description is provided below for each of these concessionaires, including, in certain cases, descriptions of their direct or indirect parent companies. Investors should not rely (and no representation is made) on such parent companies upon making investment decisions with respect to the Notes.

YPF S.A.

YPF S.A. is a major Argentine integrated oil and gas company engaged in the exploration, development and production of oil and natural gas, refining, marketing, transportation and distribution of oil and a wide range of petroleum products, petroleum derivatives, petrochemicals and liquid petroleum gas. According to MEMN, YPF S.A. has not produced oil or gas for the years ended December 31, 2016 and December 31, 2015.

Total Austral S.A.

Total Austral S.A. is an affiliate of Total Final ELF, a worldwide oil and gas company based in France. According to MEMN, for the year ended December 31, 2016, Total Austral S.A. produced approximately 137,456 m³ of oil and approximately 1,034,743 Mm³ of gas in the Province. According to MEMN, in 2015, Total Austral S.A. produced approximately 128,689 m³ of oil and approximately 600,684 Mm³ of gas in the Province.

Panamerican Energy S.A.

Panamerican Energy S.A. (“PAE”) is a major oil and gas company in Argentina. According to MEMN, for the year ended December 31, 2016, PAE produced approximately 91,638 m³ of oil and approximately 689,829 Mm³ of gas in the Province. According to MEMN, in 2015, PAE produced approximately 85,793 m³ of oil and approximately 400,456 Mm³ of gas in the Province.

Wintershall Argentina S.A.

Wintershall Argentina S.A. is a global oil and gas company. According to the MEMN, for the year ended December 31, 2016, Wintershall Argentina S.A. produced approximately 137,456 m³ of oil and approximately 1,034,743 Mm³ of gas in the Province. According to MEMN, in 2015, Wintershall Argentina S.A. produced approximately 128,689 m³ of oil and approximately 600,684 Mm³ of gas in the Province.

ENAP SIPETROL Argentina

ENAP Sipetrol Argentina is an affiliate of Enap Sipetrol, a company engaged in the exploration and production of oil and gas as the international branch of the Chilean state-owned hydrocarbon company, ENAP (*Empresa Nacional del Petróleo*). According to MEMN, for the year ended December 31, 2016, ENAP Sipetrol Argentina produced approximately 45,394 m³ of oil and approximately 153,836 Mm³ of gas in the Province. According to MEMN, in 2015, ENAP produced approximately 50,247 m³ of oil and approximately 174,650 Mm³ of gas in the Province.

Roch UTE

Roch UTE is an UTE consisting of San Enrique Pet. S.A, Apco Austral S.A., Roch S.A., Antrim Argentina S.A., Desarrollos Petroleros y Ganaderos S.A., and SECRA S.A, which joined together to produce and exploit the concession in the areas known as Las Violetas, Río Cullen, and Angostura. For the year ended December 31, 2016 Roch UTE Fuego produced approximately 48,647 m³ of oil and approximately 322,042 Mm³ of gas in the Province. According to MEMN, in 2015, Roch UTE produced approximately 50,351 m³ of oil and approximately 343,024 Mm³ of gas in the Province.

Petrolera Lago Fuego S.R.L.

Petrolera Lago Fuego S.R.L. is a subsidiary of YPF S.A. According to MEMN, for the year ended December 31, 2016, Petrolera Lago Fuego S.R.L. produced approximately 164,188 m³ of oil and approximately 714,223 Mm³ of gas in the Province. According to MEMN, in 2015, Petrolera Lago Fuego S.R.L. produced approximately 182,723 m³ of oil and approximately 913,469 Mm³ of gas in the Province.

HYDROCARBON ROYALTIES

Concessionaires pay hydrocarbon royalties to the provinces in accordance with the Hydrocarbons Law and the terms of the concessions. The percentage of the hydrocarbon production payable by each concessionaire to each Province for hydrocarbon royalties is set forth in each applicable concession. The amount of hydrocarbon royalties payable under the concessions was set at 12.0% of commercialized oil and gas production, valued at the wellhead price, which percentage may be reduced up to 5.0% taking into account the productivity, conditions and location of the wells, in accordance with Section 59 of the Hydrocarbons Law. Commercialized production excludes amounts consumed in the oil fields, amounts re-injected or flared, and force majeure losses. Wellhead price is defined as final sale price realized by the concessionaire minus certain expenses relating to transportation, treatment, compression (gas only) and shrinkage (oil only). Oil royalties are paid to the Province by the concessionaires in pesos and calculated according to the sales price on the invoice minus the discounts for transportation, among others. Pursuant to the Hydrocarbons Law, as amended by National Law No. 27,007, in cases of extension periods, an additional royalty of 3.0% will be added for each extension, up to a maximum of 18.0%. In addition, in case of such extensions, the competent authority may include the payment of a bond of which the maximum amount shall be equal to the result of multiplying the remaining Proven Reserves at the end of the concession period times 2% of the average price for the basin, for the two-year period prior to the time when the extension is granted, according to the hydrocarbons involved.

The realized oil prices vary from field to field in accordance with the quality and quantity of oil produced. Until 2008, for all concessions, this price was based on WTI spot prices and ranged from a fixed discount to a percentage of WTI, depending on the field and the bargaining power of the parties. From 2008 to date, oil prices have been established by reference to retail prices of fuel sold to end-users as authorized by the Federal Government.

Before the economic, financial and social crisis in Argentina in 2001-2002, the price of gas sold in Argentina was determined by free market principles, with gas producers negotiating prices directly with distribution companies and large consumers, such as utilities and certain industrial companies. However, ENARGAS, the regulatory authority created in 1994, oversees the market of gas in Argentina and authorizes certain aspects of gas prices.

Starting in January 2002, the Federal Government has imposed rights on the export of hydrocarbons. Although Article 6 of National Law No. 25,561 (the "Public Emergency Law") established that the tariff on exports of hydrocarbons should not be lower than the wellhead price for the calculation and payment of hydrocarbon royalties to producing provinces, the emergency measures, including export duties, have had a substantial impact on the price of hydrocarbons and the subsequent payment of hydrocarbon royalties. The Public Emergency Law has been extended until December 31, 2017 by National Law No. 27,200.

Certain regulations issued by the Federal Government, including the imposition of tariffs on hydrocarbons exports and controls on gas prices, caused distortions in the calculation of hydrocarbon royalties by the concessionaires. These regulations have discouraged exports of crude oil, which was subsequently sold mainly in the domestic market at prices significantly lower than international prices. The price of the gas produced by the concessionaires remained at low levels relative to the international price, due to the price controls set by the Federal Government. Natural gas exports have reduced very significantly since 2004.

Transportation expenses in the Province vary from field to field and reflect charges incurred by the concessionaire for transporting oil or gas from the field to the point of delivery. Such charges vary in accordance with the distance from the field to the point of delivery and range from US\$5.4 per m³ to US\$8.3 per m³ for oil, in accordance with SEN Resolution No. 926/13. Pursuant to SEN Resolution No. 435/04, oil producers may obtain a reduction in the amount of royalties to be paid by proving the cost of transportation, when oil for commercial use is transported by means other than pipelines (i.e. by truck). Additionally, further reductions obtained in relation to costs associated with the preparation of oil for transport are limited to 1% of the realized oil price, pursuant to SEN Resolution No. 435/05. Shrinkage expenses, which are attributable to losses incurred in the storage and transportation process, are limited under current law to 0.3% of the volume of oil transported or stored, pursuant to SEN Resolution No 435/05.

Gas prices are converted to Argentine pesos, pursuant to the Public Emergency Law. The transportation fee is fixed at P\$0.012 per thousand cubic meter of gas per kilometer transported, pursuant to SEN Resolution No. 188/93. As for compression expenses, deductions can be made on the effective sale price of compressed gas by (i) up to P\$2.01 per thousand m³ for one-stage compression, (ii) up to P\$4.0 per thousand m³ for two-stage compression, and (iii) up to P\$8.01

for three-stage compression. Treatment expenses for gas are limited to P\$0.3 per thousand m³ of gas, in accordance with SEN Resolution No. 73/94.

Hydrocarbon royalties must be paid to the Province no later than the 15th day (or the next succeeding business day in Argentina) of each month with respect to production during the preceding calendar month. Royalties are paid in pesos at the selling exchange rate quoted by the Banco de la Nación Argentina on the business day immediately prior to the date on which payment is due. The Province has not experienced significant discrepancies in the calculation of amounts owed for hydrocarbon royalties. Hydrocarbon royalties received by the Province were US\$81.8 million for 2012, US\$80.3 million for 2013, US\$70.0 million for 2014, US\$56.2 million for 2015 and US\$82.2 million for 2016. Of the amounts corresponding to the years 2012 through 2016, on average, 42.9% were gas royalties, 53.0% were oil royalties, and 4.1% were LPG.

Hydrocarbon royalties are payable either in cash or, at the Province's election, and with 90 days prior notice to the concessionaires, in oil or gas ("Payment in Kind").

Information on production is sent on a monthly basis through a procedure known as Chapter IV Information ("*Información de Capítulo IV*"), to be submitted not later than the 20th of each month. The information on the transfer and sales volumes plus transportation costs and other information is sent together with the royalties settlement due on the 15th of each month. The companies determine production and sales prices and send the information directly to the provinces.

Under current regulations, the Province, or the SEN, as the case may be, has the right to challenge the wellhead price determined by the concessionaires for their hydrocarbon production within a certain period of time. In such cases, the concessionaires are required to provide sufficient evidence to support their prices. Should such support be deemed insufficient, the Province or the SEN, as the case may be, may determine a new wellhead price to be used as basis for calculating hydrocarbon royalties. Determinations made by the Province may be challenged to the SEN. Filing such challenges does not entitle the concessionaires to suspend the payment of hydrocarbon royalties or prevent the Province from collecting payment thereof, even through judicial means.

Oil Royalties

The amount of oil royalties paid to the Province by the concessionaires is affected by the volume of oil sold and the price the concessionaires are able to charge their customers for the oil they sell. The price of oil is determined by a range of factors, including quality, commercial, market and geographic conditions.

Notwithstanding the above, and principally since 2002, domestic prices in Argentina have not reflected the rise and fall in international oil prices. In order to boost oil production, in 2014, concessionaires agreed to set a domestic price at US\$83.0 per barrel, while the average international oil price per barrel was US\$93.0 in the same year. In 2015, and mainly due to the significant decrease in international oil prices, the domestic price agreed to between the Federal Government and the concessionaires was only US\$77.0 per barrel, while the international price of oil declined by approximately 45.0%. In January 2016, due to a depreciation of the peso against the U.S. dollar, domestic oil prices agreed with the Federal Government were reduced by US\$9.5 per barrel, from US\$77.0 per barrel to US\$67.5 per barrel. In the aggregate, the revenues received by the Province from oil royalties increased by 24.8% during 2016 compared to 2015, as a result of the depreciation of the peso against the US dollar, although the Province estimates that this increase will be partially offset by the reduction of domestic oil prices. The retail price of oil sold to end consumers is calculated by reference to the price for domestic transactions agreed upon between the Federal Government and concessionaires.

The following table shows the average price of oil in the Province for the periods indicated:

<u>Average Price of Oil in the Province</u>	
Period	Average price US\$/barrel
2011	
First quarter.....	59.3
Second quarter.....	56.6
Third quarter.....	62.1
Fourth quarter.....	66.8
2012	
First quarter.....	74.1
Second quarter.....	74.9
Third quarter.....	71.6
Fourth quarter.....	70.5
2013	
First quarter.....	68.7
Second quarter.....	70.7
Third quarter.....	71.3
Fourth quarter.....	74.9
2014	
First quarter.....	70.8
Second quarter.....	76.3
Third quarter.....	78.5
Fourth quarter.....	78.3
2015	
First quarter.....	72.0
Second quarter.....	71.0
Third quarter.....	71.6
Fourth quarter.....	68.5
2016	
First quarter.....	62.2
Second quarter.....	58.2
Third quarter.....	58.4
Fourth quarter.....	53.6

Source: SEH

Gas Royalties

The amount of gas royalties paid to the Province by the concessionaires is affected by the volume of gas sold and the price the concessionaires are able to charge their customers for the gas they sell. The supply of gas available to the concessionaires to sell depends on a range of factors, including domestic demand, which is seasonal, and the amount of gas contributed by each concessionaire to the national gas system. Additionally, gas prices and supply priorities were fixed pursuant to SEN Resolution No. 599/07, as amended by SEN Resolution No. 172/2011 and Resolution 89/2016 of the Ministry of Energy and Mining.

The distribution of gas produced in the Province is regulated by the Federal Government. The following list includes authorized distributions of gas:

- *Distributors for domestic use*: refers to distribution companies in charge of supplying homes, small businesses and government offices. The price is fixed by the ENARGAS. The average price was US\$0.47 per MMBTU during the year ended December 31, 2015. Supply to distributors accounted for 25.7% of the Province's gas production for the year ended December 31, 2015.
- *Compressed Natural Gas* ("CNG"): refers to the supply for vehicles equipped to use CNG as fuel. The price is fixed by the ENARGAS. The average price was US\$2.21 per MMBTU for the year ended December 31, 2015. Supply in CNG form accounted for 3.1% of the Province's gas production for the year ended December 31, 2015.

- *Electricity production*: refers to the supply to thermal plants to produce electricity. As a result of an agreement between the Federal Government and gas-producing provinces, the price is fixed in US dollars per MMBTU. The price in the Austral Basin was US\$2.88 per MMBTU for the year ended December 31, 2015, and the electricity supply accounted for 14.6% for the same period.
- *Industrial*: producers can sell gas for industrial use at market price without intervention by the Federal Government. The price is fixed in US dollars and was US\$3.73 per MMBTU for the year ended December 31, 2015. Gas sold for industrial use represented 56.6% for the year ended December 31, 2015.
- *Gas Plus*: no data is available from companies regarding how much gas produced is under the Gas Plus plan.

In addition, the price of LPG has been fixed by National Law No. 26,020 and SEN Resolutions No. 1,070/08, 197/10, 112/11, 229/11, 55/12 and 277/12, which have established the terms under which the price of LPG is calculated. Consequently, neither international nor local market conditions have any influence on its price. These regulations were effective until December 31, 2011, and have not been extended or modified as of the date of this offering memorandum.

Since the domestic use of gas increases during the winter season and distributors for domestic use charge lower gas prices to residential consumers compared to those charged to industrial users, concessionaires' revenues and gas royalties are lower in winter than in summer.

In March and April 2016, the Ministry of Energy and Mining issued Resolutions Nos. 28/2016, 34/2016 and 41/2016, establishing a new transport price scheme for natural gas intended for residential use, CNG consumption, and electricity production. These resolutions have been declared unconstitutional by Argentina's Supreme Court of Justice. On October 7, 2016, by means of Resolution No. 212-E/16, a new price scheme was established that capped increases at 300% for residential users and at 500% for commercial and industrial users. In addition, it established that prices will be adjusted every six months, in April and October, ending in 2019, when subsidies will be completely eliminated.

The following table shows the average price of gas in the Province for the periods indicated. Values shown represent the average sales price for gas for volumes extracted in the Province and sold both in the Province and the rest of the continent. No information is available for prices of the volumes actually delivered in the Province.

Average Price of Gas in the Province

Period	Average price US\$/MMBTU
2012	
First quarter	1.5
Second quarter	1.4
Third quarter	1.4
Fourth quarter	1.7
2013	
First quarter	1.8
Second quarter	1.7
Third quarter	1.6
Fourth quarter	2.0
2014	
First quarter	2.0
Second quarter	2.1
Third quarter	2.1
Fourth quarter	2.2
2015	
First quarter	2.1
Second quarter	1.9
Third quarter	1.7
Fourth quarter	2.0
2015	
First quarter	1.9
Second quarter	2.1
Third quarter	2.2
Fourth quarter	2.0
2016	
First quarter	1.9
Second quarter	2.1
Third quarter	2.2
Fourth quarter	2.4

Source: SEH

The following table shows the average price of oil and gas in the Province for the periods indicated:

Average Price of Oil and Gas in the Province

	2011		2012		2013		2014		2015		2016	
	Crude US\$/BII	Gas US\$/MM	Crude US\$/BII	Gas US\$/MM	Crude US\$/BII	Gas US\$/MM	Crude US\$/BII	Gas US\$/MM	Crude US\$/BII	Gas US\$/MM	Crude US\$/BII	Gas US\$/MM
January.....	58.7	0.9	76.2	1.6	70.8	1.8	75.5	1.9	73.9	2.2	62.9	1.9
February.....	59.2	0.9	74.7	1.54	67.3	1.8	67.2	2.0	71.2	2.1	62.1	1.9
March.....	60.0	0.9	71.4	1.5	68.0	1.7	69.7	1.9	71.0	2.0	61.6	1.8
April	56.0	0.9	79.8	1.4	68.5	1.7	73.8	2.1	70.6	2.0	61.6	2.0
May.....	56.6	0.8	75.3	1.4	72.2	1.7	77.5	2.1	70.9	1.9	54.8	2.5
June.....	57.3	0.7	69.6	1.3	71.5	1.6	77.7	2.1	71.5	1.8	58.4	2.0
July	59.2	1.0	72.4	1.2	70.5	1.5	78.8	2.0	71.9	1.5	58.2	2.0
August	66.1	1.0	71.3	1.3	71.3	1.5	78.4	2.2	71.9	1.8	58.4	2.2
September..	60.9	1.0	71.2	1.5	72.1	1.7	78.2	2.2	71.0	2.0	58.4	2.3
October	63.4	1.2	67.4	1.7	73.2	2.0	78.4	2.2	70.3	2.0	54.4	2.3
November..	65.2	1.4	70.7	1.8	75.5	1.9	78.2	2.1	69.8	2.1	55.0	2.3
December..	71.8	1.4	73.4	1.8	76.0	2.1	77.8	2.2	65.5	1.9	51.3	2.6

Source: SEH

Oil royalties are fixed in dollars and paid in pesos using the exchange rate of the business day prior to the date of payment. Gas royalties are fixed and paid in pesos.

Royalty Collection System

The concessionaires required to pay royalties make payments pursuant to the rules established for such purposes, including Hydrocarbons Law, Decree No. 1671/69, and Resolution Nos. 188/93 and 435/04, as amended and/or supplemented.

The concessionaires prepare an affidavit of determination of amounts due as royalties for each calendar month, per concession held, broken down by field, percentage share in each permit, or concession, and by type of hydrocarbons. These forms and payments are due on the 15th day of each month following the month of determination of amounts due. Such forms include, without limitation, information on volume sold, destination of sales to domestic or foreign destinations, sales price, production and type of hydrocarbons, freight discounts (storage, buoy use expenses, freight for crude and gas processing, and compression expenses), and the U.S. dollar exchange rate.

Delay in Payment of Royalties

Currently, there are no delays in the payment of royalties. However, in the event of any such delay, past due amounts will, without notice, accrue interest at the rate established for general discount transactions of Banco de la Nación Argentina.

Royalty Payments

The following tables show the oil and gas royalties charged in connection with each of the Dedicated Areas for each month in 2011, 2012, 2013, 2014, 2015 and 2016, compared to the royalties of oil and the total oil and gas royalties collected by the Province for the periods indicated. The amounts below are expressed in pesos:

Hydrocarbon Royalties paid by the Concessionaires of Gas Dedicated Areas (P\$ million)

	2011	2012	2013	2014	2015	2016
January	11.5	12.4	16.0	25.3	25.9	27.4
February	10.6	10.4	16.5	17.1	16.1	27.4
March	9.9	13.0	17.6	24.9	23.5	40.0
April	10.7	12.8	17.7	16.3	14.0	56.5
May	11.7	10.9	10.6	20.4	17.7	65.0
June	10.7	11.7	13.0	19.6	15.0	62.6
July	10.8	8.2	27.5	20.4	13.2	46.4
August	12.1	7.6	14.4	19.2	19.3	61.9
September	12.8	30.1	10.3	27.9	14.1	80.5
October	13.5	11.7	14.9	19.7	17.7	70.9
November	13.2	13.6	29.8	17.5	17.4	72.5
December	15.1	13.6	16.6	17.1	22.2	88.3
Total	142.4	156.0	204.9	245.3	216.2	699.4

Source: SEH

Hydrocarbon Royalties paid by the Concessionaires of Oil Dedicated Areas
(P\$ million)

	2011	2012	2013	2014	2015	2016
January	12.3	14.0	17.6	30.0	28.5	35.3
February	11.0	14.3	14.4	22.8	23.6	34.5
March	10.6	15.8	15.7	26.9	24.8	34.8
April	11.0	16.9	15.5	22.9	24.0	35.5
May	12.0	19.0	16.9	28.8	27.1	26.0
June	11.6	16.7	17.0	27.9	25.6	32.3
July	12.6	17.0	32.8	29.2	26.2	29.1
August	13.5	16.1	18.4	28.3	27.0	33.3
September	12.6	36.4	18.3	27.9	25.5	36.6
October	13.9	15.9	19.2	27.6	26.9	28.7
November	13.3	17.6	17.6	28.8	25.5	34.6
December	13.8	18.8	30.7	29.3	30.2	32.2
Total	147.9	218.5	240.3	330.3	315.0	393.0

Source: SEH

Hydrocarbon Royalties paid by the Concessionaires of Gas Dedicated Areas
(US\$ million)⁽¹⁾

	2011	2012	2013	2014	2015	2016
January	2.9	2.8	3.2	3.3	3.0	1.9
February	2.6	2.4	3.2	2.2	1.8	1.9
March	2.4	3.0	3.4	3.1	2.7	2.8
April	2.6	2.9	3.4	2.0	1.6	4.0
May	2.9	2.4	2.0	2.5	2.0	4.7
June	2.6	2.6	2.4	2.4	1.6	4.2
July	2.6	1.8	4.9	2.5	1.4	3.2
August	2.9	1.6	2.5	2.3	2.1	4.1
September	3.0	6.4	1.8	3.3	1.5	5.3
October	3.2	2.4	2.5	2.3	1.8	4.6
November	3.1	2.8	4.7	2.0	1.8	4.5
December	3.5	2.8	2.5	2.0	1.7	5.6
Total	34.2	33.8	36.6	29.9	22.9	46.7

Note:

(1) Payments in pesos have been converted to US dollars according to the exchange rate published daily by Banco de la Nación on the 14th day of each month or the business day prior to each payment.

Source: SEH

Hydrocarbon Royalties paid by the Concessionaires of Oil Dedicated Areas
(US\$ million)⁽¹⁾

	2011	2012	2013	2014	2015	2016
January	3.1	3.2	3.5	3.9	3.3	2.4
February	2.7	3.3	2.8	2.9	2.7	2.3
March	2.6	3.6	3.1	3.4	2.8	2.4
April	2.7	3.8	3.0	2.8	2.7	2.5
May	2.9	4.2	3.2	3.5	3.0	1.9
June	2.8	3.7	3.1	3.4	2.8	2.2
July	3.0	3.7	5.9	3.5	2.8	2.0
August	3.2	3.4	3.2	3.4	2.9	2.2
September	3.0	7.7	3.1	3.3	2.7	2.4
October	3.3	3.3	3.2	3.2	2.8	1.8
November	3.1	3.6	4.9	3.4	2.6	2.2
December	3.2	3.8	3.5	3.4	2.3	2.0
Total	35.5	47.4	42.5	40.1	33.4	26.4

Note:

(1) Payments in pesos have been converted to US dollars according to the exchange rate published daily by Banco de la Nación on the 14th day of each month or the business day prior to each payment.

Source: SEH

THE COLLATERAL

General

All principal and interest due under the Notes and all other obligations of the Province in respect of the Notes will be secured equally and ratably by (i) the assignment of the Specified Royalties pursuant to the Argentine Trust Agreement; (ii) a security interest, in favor of the Trustee for the benefit of the Holders and the Trustee, in the Payment Account, the Debt Service Reserve Account, the Trigger Event Prepayment Account and the Extraordinary Royalties Prepayment Account, pursuant to the Account Control and Pledge Agreement between the Province and the Trustee, granting to the Trustee sole and exclusive control and exclusive right of withdrawal over the relevant bank accounts; and (iii) a priority interest, in favor of the Argentine Collateral Agent, for the benefit of the Holders, in the Argentine Collateral Account, the Argentine Dollar Debt Service Reserve Account, the Argentine Peso Debt Service Reserve Account, the Argentine Dollar Escrow Account, the Argentine Expense Account, the New York Guarantee Trust Account, the Argentine Trigger Event Prepayment Account and the Argentine Extraordinary Royalties Prepayment Account, including all amounts on deposit from time to time in such accounts and the proceeds thereof.

Pursuant to Articles 1,682 and 1,683 of the Civil and Commercial Code, the Specified Royalties will be considered a fiduciary asset once they are assigned to the Argentine Collateral Trust and the Dedicated Concessionaires are duly notified. Pursuant to Article 1,669 of the Civil and Commercial Code and Decree No. 300/2015 of the City of Buenos Aires, the Argentine Collateral Agent must register the relevant trust agreement with the applicable public registries in Argentina.

The Province has been advised by its Argentine counsel that the Specified Royalties should constitute a fiduciary asset of the Argentine Collateral Trust as of the date of the execution of the Argentine Trust Agreement and will be enforceable against the Dedicated Concessionaires once the notary public fully executes the notification of the assignment to the Dedicated Concessionaires.

Transfer of the Specified Royalties

The Notes will be secured by a first priority perfected security interest in the Province's rights to receive payment in cash or payment in kind (under special limited circumstances, as discussed in "Description of the Notes—Foreign Exchange Limitation") of the Specified Royalties payable to the Province by the Dedicated Concessionaires under production concessions granted on specified hydrocarbon fields in the Dedicated Areas under the Hydrocarbons Law of Argentina, in accordance with the terms of the Argentine Trust Agreement.

The right to collect the Specified Royalties shall be transferred by the Province to Banco de Valores S.A. acting as the Argentine collateral agent (the "Argentine Collateral Agent") for the benefit of the Holders and the Trustee, in favor of the Argentine Collateral Trust and pursuant to the Argentine Trust Agreement to be dated on or prior the Issue Date among (A) the Province and (B) the Argentine Collateral Agent.

Pursuant to the Argentine Trust Agreement, the Province agreed to irrevocably and unconditionally transfer to the Argentine Collateral Agent, in favor of the Argentine Collateral Trust and for the benefit of the Holders, its right to collect the Specified Royalties. The rights to be transferred include, without limitation, all rights to receive payment in cash or payment in kind under or in relation to or as a consequence of the Specified Royalties (including, without limitation, sanctions, fines or interest) as well as any other rights arising from the Specified Royalties. The transfer of the Specified Royalties will be conditioned on the simultaneous consummation of the other transactions contemplated by the Transaction Documents, including the sale and issuance of the Notes pursuant to the Indenture.

Payments by the Dedicated Concessionaires

The Province will agree in the Argentine Trust Agreement to irrevocably instruct the Dedicated Concessionaires to make any payments with respect to the Specified Royalties directly to the Argentine Collateral Trust by depositing such payments into the collateral account established by the Argentine Collateral Agent in the City of Buenos Aires with Banco de Valores S.A. established in the Republic of Argentina for the purpose of collecting the Specified Royalties (the "Argentine Collateral Account").

Amounts in the Argentine Collateral Account will be held for the benefit of the Holders and the Trustee. See "Description of the Notes—Allocations and Payments—Argentine Collateral Account." All right, title and interest in and to all amounts on deposit from time to time in the Argentine Collateral Account will be held for the benefit of the

Holders and the Trustee as their interests shall appear under the Indenture and will not constitute payment of the obligations (or any other obligations to which such funds are provided under the Indenture to be applied) until applied thereto as provided in the Indenture. The assets of the Argentine Collateral Trust will consist of the Specified Royalties and any other amounts on deposit in the Argentine Collateral Account and other accounts held by the Argentine Collateral Agent pursuant to the Argentine Collateral Trust, as applicable.

In addition, the Province agreed to notify any successor, assignee or new concessionaire of the existence and terms of the Argentine Trust Agreement, indicating that such party must make payments due with respect to the Specified Royalties to the Argentine Collateral Account.

Assigned Percentage

Provided that all other applicable conditions are met, the Assigned Percentage of the corresponding Specified Royalties, shall vary throughout the life of the Notes, provided that certain coverage ratios and other applicable conditions are met, the Specified Royalties shall be reduced as described below:

On each Collateral Reduction Determination Date (as defined herein), to the extent that:

- (i) no Event of Default, Potential Event of Default, Prepayment Event or Trigger Event has occurred and is continuing; and
- (ii) the Reserve Adequacy Ratio has exceeded the Minimum Reserve Adequacy Ratio during the immediately preceding Collateral Reduction Determination Period;

then, the Assigned Percentage of the Specified Royalties, shall be reduced as necessary so that the 100% of Specified Royalties assigned under the Argentine Collateral Trust, is reduced by a percentage up to the following percentages such that on a pro forma basis the Adjusted Royalties Coverage Amount, as duly adjusted for the relevant reduction of the Assigned Percentage, equals or exceeds 3.0x on such Collateral Reduction Determination Date, provided that:

- (a) from (and including) the First Collateral Reduction Determination Date and to (but excluding) the fourth Collateral Reduction Determination Date, by a percentage of up to 2.5% on each of such Collateral Reduction Determination Dates, of the Base Specified Royalties;
- (b) on the fourth Collateral Reduction Determination Date, by a percentage of up to 7.5% of the Base Specified Royalties; and
- (c) from (and including) the fifth Collateral Reduction Determination Date and to the final Collateral Reduction Determination Date, the Assigned Percentage may be reduced by at most 10.0% of the Base Specified Royalties on each of such Collateral Reduction Determination Dates; provided further that, commencing on the fifth Collateral Reduction Determination Date, on each Collateral Reduction Determination Date, if the Adjusted Royalties Coverage Amount has equaled or exceeded 6.0x, the Assigned Percentage shall be further reduced up to a percentage such that when giving effect to any reduction on the relevant Collateral Reduction Determination Date, on a pro forma basis, the Adjusted Royalties Coverage Amount has equaled or exceeded 4.0x.

Upon request of the Argentine Collateral Agent, the Trustee shall provide to the Argentine Collateral Agent and to the Province the amount in U.S. dollars of the Scheduled Payment Amounts payable during the next succeeding Collateral Determination Period; and upon delivery by the Province to the Argentine Collateral Agent of a certificate stating that the conditions for a reduction of the Assigned Percentage of Specified Royalties have been met (in the form attached to the Argentine Trust Agreement), the Argentine Collateral Agent will provide a notice, in the form attached to the Argentine Trust Agreement, to each Dedicated Concessionaire informing of the percentage of Specified Royalties to be deposited by such Dedicated Concessionaire into the Argentine Collateral Account and the percentage to be delivered directly to the Province. See “Description of the Notes—Reduction of Assigned Percentage.”

Conversion and Transfer of Specified Royalties Outside of Argentina

To the extent permitted by Applicable Law, on each Determination Date, the Argentine Collateral Agent shall, through any local financial entity, (i) as promptly as practicable convert into U.S. dollars the lesser of (x) all of the Pesos

on deposit in the Argentine Collateral Account (the “Available Peso Amount”) and (y) the amount of the Available Peso Amount which (A) is necessary for the Debt Service Reserve Account to be Fully Funded and (B) when converted into U.S. dollars and added to amounts in U.S. dollars then on deposit in the Payment Account, makes the balance in U.S. dollars in the Payment Account equal to the next succeeding Scheduled Payment Amount subject to the Collateral Release Threshold (the amounts so converted into U.S. dollars, the “Converted Royalties”), and (ii) transfer such Converted Royalties to the Payment Account and/or the Debt Service Reserve Account, as applicable; provided that no transfer of Converted Royalties to the Payment Account shall be required to be made for payment of the final Scheduled Payment Amount if the Debt Service Reserve Account is Fully Funded;

If Applicable Law or any governmental authority prevents the Argentine Collateral Agent or local financial entities from (a) transferring the requisite amount of Converted Royalties to the Debt Service Reserve Account in order that it may be Fully Funded (without giving effect to amounts on deposit in the Argentine Debt Service Reserve Accounts), then such portion of Converted Royalties shall be (i) transferred to the New York Guarantee Trust Account and (ii) subsequently and immediately transferred to the Debt Service Reserve Account, provided that if (i) above is not permitted by Applicable Law or any governmental authority, such portion of Converted Royalties shall be transferred to the Argentine Dollar Debt Service Reserve Account, and as soon as practicable, the U.S. dollars on deposit in the Argentine Dollar Debt Service Reserve Account will be transferred to the Debt Service Reserve Account or (b) converting such requisite amount of Pesos to U.S. dollars, then such portion of the Available Peso Amount necessary for the Debt Service Reserve Account to be Fully Funded shall be transferred to the Argentine Peso Debt Service Reserve Account, and as soon as permitted under Applicable Law or by the applicable governmental authority, the Pesos on deposit in the Argentine Peso Debt Service Reserve Account will be converted into U.S. dollars and transferred to the Debt Service Reserve Account, or if such transfer is not permitted, to the Argentine Dollar Debt Service Reserve Account or to the New York Guarantee Trust Account, as applicable, and as soon as permitted under Applicable Law or by the applicable governmental authority, the U.S. dollars on deposit therein will be transferred to the Debt Service Reserve Account.

If Applicable Law or any governmental authority prevents the Argentine Collateral Agent or the intervening local financial entities from transferring the requisite amount of Converted Royalties to the Payment Account, then such portion of the Converted Royalties shall be (i) transferred to the New York Guarantee Trust Account and, as promptly as practicable, (ii) subsequently transferred to the Payment Account, provided that if (i) above is not permitted by Applicable Law or any governmental authority, such portion of Converted Royalties shall be transferred to the Argentine Dollar Escrow Account and, as soon as permitted under Applicable Law or by the applicable governmental authority, such U.S. dollars deposited in the Argentine Dollar Escrow Account shall be transferred to the Payment Account.

If the Debt Service Reserve Account is not Fully Funded immediately after the penultimate Payment Date, the Argentine Collateral Agent shall transfer to the Payment Account such amount of Converted Royalties that is equal to the difference between (x) the sum of the amount (if any) on deposit in the Payment Account and the amount on deposit in the Debt Service Reserve Account, immediately after the penultimate Payment Date and (y) the amount of the final Scheduled Payment Amount. The final Scheduled Payment Amount shall be paid with the funds on deposit in the Debt Service Reserve Account and, if such amounts are less than the Scheduled Payment Amount, the Payment Account.

On each Determination Date, if (i) the Debt Service Reserve Account is Fully Funded as described in the section entitled “—Allocations and Payments—Reserve Accounts,” (ii) the balance in the Argentine Collateral Account (assuming conversion of amounts in Pesos into U.S. dollars at the Applicable Exchange Rate on such Determination Date), when added to any amounts held in the Payment Account (such amounts as informed by the Trustee upon request from the Argentine Collateral Agent and including, for the avoidance of doubt, any amounts held in any other account in U.S. dollars opened and maintained by the Argentine Collateral Agent in Argentina or in the United States to which amounts converted into U.S. dollars may be transferred and held temporarily pending their transfer to the Payment Account), is equal to the next succeeding Scheduled Payment Amount, provided that, with respect to the amounts held in Pesos the balance should be equal to 1.35x the amounts required to convert such amounts into U.S. dollars at the Applicable Exchange Rate on such Determination Date (the “Collateral Release Threshold”), and (iii) so long as no Event of Default, Potential Event of Default or Trigger Event shall have occurred and be continuing, the Argentine Collateral Agent shall, immediately, (a) cease to convert and transfer funds to the Payment Account until the next Determination Date and (b) release to the Province all amounts in excess of the Collateral Release Threshold that are deposited prior to the next Determination Date in the Argentine Collateral Account (such amounts referred to in this section (b), the “Excess Collections”).

Notwithstanding the immediately preceding paragraph, in the event that a Prepayment Event and/or a Trigger Event shall have occurred and be continuing, the Argentine Collateral Agent shall proceed as described in the sections entitled “Extraordinary Royalties Prepayment Account and Argentine Extraordinary Royalties Prepayment Account” and “Trigger Event Prepayment Account and Argentine Trigger Event Prepayment Account,” as applicable. Beginning with the first payment of Specified Royalties in the next Collection Period, the Argentine Collateral Agent will resume the conversion and transfer of funds as described above.

For further detail regarding allocation of funds transferred by the Dedicated Concessionaires under the Specified Royalties and payments to be made in connection therewith, see “Description of the Notes.”

Covenants of the Province

The Province agreed in the Argentine Trust Agreement, among other things, that (i) it shall ensure that any concessionaires’ rights under any concession or interests in such concession shall not be transferred, sold or assigned by such concessionaires, unless (y) before such transfer, sale or assignment, the transferee or assignee shall assume any liabilities and obligations of the transferor or assignor concessionaire, including such Dedicated Concessionaire’s consent to the fiduciary collateral assignment, and (z) such transfer, sale or assignment shall be made to a new concessionaire; (ii) it shall not encumber, sell, transfer, assign or otherwise dispose of the proceeds of the Argentine Collateral Account or the Specified Royalties, or tolerate the existence of liens or interim relief measures in relation to them; (iii) it shall not take any actions designed to prevent, any limitations or restrictions under any agreement, document, instrument or legal relationship with respect to the Specified Royalties which may limit or restrict the Province’s ability to assign to the Argentine Collateral Agent any of its rights under such agreements, documents, instruments or legal relationships; (iv) it shall furnish to the Argentine Collateral Agent any certificates and/or notices provided under the Indenture, including, but not limited to, the Reserves Certificate, at such times as may be required under such Indenture and also when the Argentine Collateral Agent may so request, any and all kind of relevant information and reports referring to any issues related to all and/or any of the Specified Royalties; and (v) it will make all filings, and take all other actions, from time to time necessary to ensure that the Argentine Collateral Trust is at all times subject to a valid and first priority perfected security interest in favor of the Argentine Collateral Agent for the benefit of the Holders. The Province shall not request or take any action to authorize or permit any payment in kind with respect to the Specified Royalties, except for certain cases described in the Indenture.

Representations of the Province

The Province will make certain representations and warranties in the Argentine Trust Agreement, including, without limitation, that (i) it is fully empowered to execute and fulfill all of its obligations under the Argentine Trust Agreement; (ii) the Argentine Trust Agreement and the transactions contemplated therein have been authorized by the executive branch of the Province, and such authorization is in full force and effect and does not violate the laws or constitution of the Province, the constitution of the Republic, the laws or decrees of Argentina or national or provincial regulations, or any contractual obligation applicable to the Province, and no other authorization is required for the transactions contemplated by the Argentine Trust Agreement; (iii) the Argentine Trust Agreement constitutes a valid and legally binding obligation of the Province, executable and admissible as evidence in Argentina and in any other jurisdiction, without any registration, inscription, consent or any other formality or condition; however, it will be enforceable vis a vis the Province’s creditors upon the delivery of the notices to be made by the Province to each of the Dedicated Concessionaires and the Argentine National Secretariat of Energy; (iv) the Province is the unique and exclusive owner of the rights assigned under the Argentine Trust Agreement and has not encumbered, sold, transferred, assigned or disposed of in any other form such rights; (v) the Province is not in breach of any agreement, contract or obligation to which it is a party or under which it may be obliged, nor has violated any legal disposition, regulation, order, judgment, judicial requirement, notification or demand of any court or governmental entity, that adversely affects its capacity to be bound by the Argentine Trust Agreement and fulfill all of its obligations thereunder; and (vi) the Specified Royalties have effective and lawful existence, and the extension of each concession relating to the Specified Royalties was granted in accordance with the applicable laws, and these concessions are in full force and effect and constitute valid, binding and enforceable agreements of the Province.

Administration of the Specified Royalties

The Province shall cooperate with and assist the Argentine Collateral Agent in the performance of all the following actions in relation to the Specified Royalties: (i) give the Argentine Collateral Agent prompt notice of any default under

any concession, or under any other document, instrument or legal relationship corresponding to the Specified Royalties, and any notice, claim or penalty derived from any such concessions, documents, instruments or legal relationships, or from any event or circumstance that may or might give rise to a dispute regarding the existence, validity, effectiveness, enforceability, validity, integrity and/or manner of exercise of any of the Specified Royalties; and (ii) shall carry out any procedures, proceedings or actions with the SEN or any other governmental agency that the Province may deem advisable or the Argentine Collateral Agent may request, for purposes of objecting the computation by the Dedicated Concessionaires of any Specified Royalties, or any other actions relating to the exercise of the Province's rights under the Specified Royalties.

Taxes, Costs and Expenses

The Province will agree to pay all legal and other expenses, and all present or future taxes related to the Argentine Trust Agreement and the transactions contemplated therein (including any stamp or other taxes on any documents or other similar fees that may be imposed with respect to the execution and delivery of the Indenture and the Argentine Collateral Trust; income and minimum income tax, taxes on bank account debits and credits, gross revenue, and/or any other taxes that may be applicable to a trust and/or its assets in accordance with tax laws and regulations in force during the term of the trust).

Applicable Law, Jurisdiction and Immunities

The Argentine Trust Agreement is governed by and interpreted in accordance with the laws of Argentina, and the parties thereto have submitted irrevocably to the non-exclusive jurisdiction of the National Supreme Court of Justice of Argentina.

According to Article 80 of the Province's Constitution, enforcement of judgments against the Province and Holders' ability to levy attachments against it is limited by Sections 74, 75 and 76 of the Administrative Code of the Province. Such provisions establish that for payment of judgments by the Province, the proposed budget for the following year shall include the allocation of disbursements under judgments against the Province with final determination of amounts due notified on August 20 of each year. The required allocations for compliance with judgments due in lawsuits where the determination of amounts is made final and not appealable and notified subsequent to such date and until December 31 of each year, shall be included in the extended budget for the next succeeding year, which shall be sent to the Provincial Legislature until March 31 of the next succeeding year for such purposes. The Holders will be entitled to apply for judicial enforcement of its claim under the judgment on and after December 31 of the year of execution of the budget in which the necessary allocation for compliance with the judgment was supposed to be made.

Debt Service Reserve Accounts

A Debt Service Reserve Account will be established in the United States, which shall at all times be "Fully Funded" and both an Argentine Peso Debt Service Reserve Account and an Argentine Dollar Debt Service Reserve Account will be established in Argentina.

The Debt Service Reserve Account shall be deemed to be "Fully Funded" so long as, at any time, the funds on deposit therein (together with (x) the amount on deposit in the Argentine Peso Debt Service Reserve Account, converted to U.S. dollars at the Applicable Exchange Rate and (y) the amount on deposit in the Argentine Dollar Debt Service Reserve Account on the date of determination) are at least equal to:

- (i) from (and including) the first Payment Date to (but excluding) the first day of the 5th Collection Period, the amount of interest due under the Notes on the Scheduled Payment Date following the applicable Determination Date;
- (ii) from (and including) the first day of the 5th Collection Period to (but excluding) the first day of the 6th Collection Period, the amount of interest due under the Notes on the Scheduled Payment Date following the applicable Determination Date plus an amount equal to 33% of the next succeeding Amortization Amount;
- (iii) from (and including) the first day of the 6th Collection Period to (but excluding) the first day of the 7th Collection Period, the amount of interest due under the Notes on the Scheduled Payment Date following the applicable Determination Date plus an amount equal to 66% of the next succeeding Amortization Amount; and

- (iv) from (and including) the first day of the 7th Collection Period to (and including) the final Payment Date, an amount equal to interest due under the Notes on the next succeeding Scheduled Payment Date following the date of determination plus an amount equal to 100% of the next succeeding Amortization Amount.

The Debt Service Reserve Account shall be deemed Fully Funded for all purposes under the Notes and the Indenture if the Province has effected the funding in the manner and amounts herein described. The term “Fully Funded” when used as a verb has a correlative meaning. The Province will be entitled to make deposits directly to any of the Debt Service Reserve Account and the Argentine Debt Service Reserve Accounts at any time. Amounts in the Debt Service Reserve Account will be held for the benefit of the Holders and the Trustee. The Debt Service Reserve Account shall be funded by the Province during the grace period. See “Description of the Notes—Allocations and Payments—Reserve Accounts.”

LEGAL AND REGULATORY FRAMEWORK OF OIL AND GAS EXPLORATION AND PRODUCTION

Overview

From 1910 to 1950, the Federal Government conducted oil exploration and production activities through state agencies. In 1950, a state-owned company, *Empresa Nacional de Energía*, was created to perform the Federal Government's energy-related activities. In 1955, *Yacimientos Petrolíferos Fiscales Empresa del Estado*, which later became *Yacimientos Petrolíferos Fiscales Sociedad del Estado*, took over the oil exploration and production activities of *Empresa Nacional de Energía*. In 1958, National Law No. 14,773 established the Federal Government's ownership of hydrocarbon reserves. The Hydrocarbons Law, enacted in 1967, established the legal framework for oil and gas exploration and production in Argentina. It deemed the Federal Government to be the owner of Argentina's oil and gas reserves, but recognized the right of the provinces where hydrocarbons are located to share in the benefits of production by receiving payment of hydrocarbon royalties paid by the concessionaires to the Federal Government. The Hydrocarbons Law establishes the general legal framework for the exploration and production of oil and gas.

National Law No. 24,145 (the "Privatization Law") enacted on October 13, 1992 transferred the ownership of oil and gas reserves to the provinces where such reserves are located, subject to the existing rights of concessionaires at the time. Moreover, in 1992, National Law No. 24,076, and National Decrees No. 1,189/92 and No. 1,738/92 (together, the "Natural Gas Law") were enacted. This law establishes the basis for deregulation of natural gas transportation and distribution industries. In 1994, the Argentine Constitution was amended and, as a result of such amendment, the provinces are the original owners of the natural resources located within their territorial boundaries, including hydrocarbons. Accordingly, Law No. 26,197, enacted on January 3, 2007, amended Article 1 of the Hydrocarbons Law, acknowledging the provinces' ownership of hydrocarbon reserves located within their respective territories. Pursuant to Law No. 26,197, the Federal Government transferred to the provinces all concessions then-existing located in their respective territories and stated that, as of that date, the provinces should assume full exercise of ownership and rights to manage hydrocarbon reserves located within their respective territories.

Furthermore, Law No. 26,197 states that the exercise of powers by the Federal Government and the provinces in their capacity as granting authority is entirely applicable pursuant to the Hydrocarbons Law, and established that the Federal Government is responsible for designing energy policies at the federal level.

Argentine Hydrocarbon Industry Prior to Deregulation

Exploration and Production

The Hydrocarbons Law empowers the Federal Government to establish a national policy for the development of Argentina's hydrocarbon reserves, with the principal purpose of satisfying domestic demand. Although the Hydrocarbons Law permitted the Federal Government to grant exploration permits and production concessions to private parties, prior to 1990, no such permits or concessions were granted thereunder and virtually all oil and gas exploration and production in Argentina was carried out by or on behalf of YPF S.E.

During the period from 1967 to 1990, however, an increasing amount of oil and gas was produced by certain private companies operating under service contracts with YPF S.E. These contracts provided for payment by YPF of agreed-upon prices for oil and gas produced on its behalf by such companies. In addition, pursuant to several plans adopted by the Federal Government beginning in 1978 (including the Houston Plan), YPF S.E. entered into exploration (or "risk") contracts with private companies, under which such companies conducted exploration activities and, if marketable quantities of oil or gas were discovered, produced such oil or gas on behalf of YPF S.E. Under the State Reform Law (as defined below) and related regulatory decrees, most of such contracts (both service and risk) have been converted into permits or concessions governed by the Hydrocarbons Law, pursuant to which the concessionaires own and are entitled to freely dispose of oil and gas they produce.

Deregulation and Demonopolization

Deregulation of the oil and gas industry in Argentina commenced in 1989, eliminating the system whereby the entire domestic oil production was delivered to YPF S.E. and then distributed among the refining companies according to pre-established quotas. Deregulation also eliminated the former government price fixing scheme. The market for oil and refined products became entirely free.

In August 1989, National Law No. 23,696 and National Law No. 23,697 (the “State Reform Law” and the “Economic Emergency Law,” respectively) deregulated the economy and privatized Argentine state-owned companies. The State Reform Law granted the Federal Government broad authority to reorganize such companies and to declare certain state-owned assets (including certain oil fields of YPF S.E.) and most state-owned companies subject to privatization. Following the enactment of the State Reform Law and the Economic Emergency Law, the Executive Branch enacted a series of decrees relating to the de-monopolization and the deregulation of the oil industry (the “Oil Deregulation Decrees”). The Oil Deregulation Decrees eliminated restrictions on imports and exports of crude oil (subject to SEN approval in the case of exports) and, effective as of January 1, 1991, deregulated the domestic oil industry, including the prices of oil and petroleum products, and granted hydrocarbon producers certain rights, such as free trade for their production.

Oil Deregulation Decrees

The Oil Deregulation Decrees also reduced the percentage of Argentine oil production controlled by YPF S.E. and fostered competition in the Argentine oil industry. The Oil Deregulation Decrees provided for the auction of concessions on certain of YPF S.E.’s production fields and for the conversion of risk and service contracts between YPF S.E. and private companies into exploration permits and concessions (under which the private companies would be entitled to freely dispose of their oil production). As directed by Decree No. 1,055/1989, YPF S.E. transferred to the Federal Government those production fields assigned to it under the Hydrocarbons Law which had been inactive for five or more years or in which the average daily production during 1988 had been less than 200 m³ of oil (referred to as the “marginal areas”) and auctioned association rights in four highly productive areas (referred to as the “central areas”). Exploration permits and production concessions covering marginal areas were subsequently auctioned to private companies by the Ministry of Economy and Finance.

In 1992, the Natural Gas Act provided for the privatization of Gas del Estado. Pursuant to the Natural Gas Act, each privatized gas company was granted a license to operate the transferred assets, a regulatory framework was established for the privatized industry based on open, non-discriminatory access, and the ENARGAS was created to regulate the transportation, distribution, marketing and storage of non-liquefied natural gas in Argentina. In accordance with Decree No. 2,731/93, gas prices were deregulated as of January 1, 1994.

Privatization and Acknowledgement of the Rights of the Provinces

In January 1993, a commission was formed to propose amendments to the Hydrocarbons Law, in order to incorporate the effects of the Privatization Law. In 1994, the Argentine Constitution was amended. Its Article 124 established the provinces’ original ownership of natural resources located in their territory, which was reiterated by Law No. 26,197, enacted on January 3, 2007.

National Law No. 26,197 acknowledged the provinces’ original and exclusive ownership of hydrocarbons located in their territories and authority to grant concessions. It also recognized the provinces’ right to manage oil and gas fields located in their territories, including the right to manage exploration permits, mining concessions, and term extensions.

National Law No. 26,197 also instructed the MEMN to transfer to the provinces all the documents and information related to concessions and permits in force, within 180 days from its enactment.

YPF S.E. was privatized pursuant to the Privatization Law in a global equity offering in July 1993. The Privatization Law granted YPF exploration permits and concessions under the Hydrocarbons Law for the same areas that had been granted to its predecessor while state-owned.

Following its privatization, YPF acquired a dominant position in the Argentine oil and gas markets, both in the upstream and downstream sectors. In 2000, YPF merged with REPSOL S.A. (thereafter known as REPSOL YPF S.A.). In its capacity as concessionaire, YPF is subject to the same rules as apply to other companies.

Argentina underwent an extensive liberalization process as it sought to fully privatize its energy assets. This process included efforts to create a competitive market in the oil and natural gas sectors. Prior to the REPSOL YPF S.A. merger, the Federal Government approved an antitrust bill to regulate mergers and acquisitions, in addition to anticompetitive behavior. As a condition to the approval of the merger, REPSOL S.A. was ordered to reduce its stake in the natural gas market from 60.0% to 43.6% and to sell off some of its filling stations. Accordingly, YPF agreed to an asset swap with

Petróleo Brasileiro S.A. Since 2002, the Federal Government has adopted an approach to the energy and hydrocarbons industries that departs from the liberalization process promoted in the 1990s.

ENARSA

In October 2004, the Argentine Congress enacted National Law No. 25,943, which created a new state-owned energy company, ENARSA. The corporate purpose of ENARSA is the exploration and exploitation of solid, liquid, and gaseous hydrocarbons, including their transportation, storage, distribution, commercialization and industrialization, as well as the transportation and distribution of natural gas, and the generation, transportation, distribution and sale of electricity. Moreover, National Law No. 25,943 granted to ENARSA all exploration concessions for offshore areas located beyond 12 nautical miles from the coastline up to the outer boundary of the continental shelf that were vacant at the time when the law came into effect (*i.e.*, November 3, 2004). National Law No. 25,943 was amended by Law No. 27,007, as described below, eliminating all permits and hydrocarbon production concessions where association agreements with ENARSA have not been signed and reverting them to the Argentine Secretariat of Energy (except for permits and concessions granted prior to National Law No. 25,943). Additionally, National Law No. 27,007 provides for a six-month negotiating period to convert association agreements with ENARSA into permits or concessions. The Federal Government holds 53% of the equity interest of ENARSA and the provinces jointly hold an additional 12% of the equity interest of ENARSA. The remaining 35% of the equity interest of ENARSA was offered to the private sector. Among other things, ENARSA is responsible for the import, distribution, and commercialization of gas from Bolivia and of liquefied natural gas.

In addition, in October 2006, National Law No. 26,154 created a regime of tax incentives intended to encourage hydrocarbon exploration and which applies to new exploration permits awarded for the offshore areas granted to ENARSA and those over which no rights had been granted to third parties under the Hydrocarbons Law, provided that the provinces in which the hydrocarbon reservoirs are located adhere to this regime. Association with ENARSA is a precondition to qualifying for the benefits provided by the regime created by National Law No. 26,154. The benefits include early reimbursement of the VAT for investments made and expenses incurred during the exploration period and for investments made within the production period; accelerated amortization of investments made during the exploration period and accelerated recognition of expenses in connection with production for three years longer than the duration of production; and exemptions from payment of import duties for capital assets not manufactured within Argentina.

Expropriation Law

On May 3, 2012, the Federal Congress enacted National Law No. 26,741 (the “Expropriation Law”) which ordered the expropriation of 51% of YPF assets, represented by the same percentage of the company’s Class D shares. Such shares belonged to Repsol YPF and its controlling or controlled companies. The Expropriation Law ordered as well the expropriation of 51% of the assets of Repsol YPF Gas S.A. represented by 60% of the company’s Class A shares, which belonged to Repsol Butano SA and its controlling or controlled companies. The expropriated assets were distributed as follows: 51% to the Federal Government, and 49% to the other member provinces of the National Organization of Hydrocarbon-Producing States, distributing the shares according to the production levels and Proven Reserves of each province.

The Expropriation Law declared that achieving self-sufficiency in the supply of hydrocarbons, as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, was a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, job creation, increased competitiveness of various economic sectors and equitable and sustainable growth of the Argentine provinces and regions. The Expropriation Law also created the Federal Council of Hydrocarbons, which promotes the coordinated action of the Federal Government and the provinces to achieve the goal of National Law No. 26,741, and to rule on related matters.

Article 3 of the Expropriation Law sets out the principles of the national hydrocarbon policy, such as promoting the use of oil and oil products as a factor for development and increasing the competitiveness of various economic sectors, provinces, and regions; converting hydrocarbon resources into Proven Reserves, and exploiting such reserves; and maximizing investments and resources used in order to achieve oil self-sufficiency in the short, medium and long-term; among others.

Investments

On July 27, 2012, the Federal Government issued Decree No. 1,277/12, which abrogated the main provisions relating to the free availability of hydrocarbons that were specifically contained in Section 5, subsection (d), and Sections 13, 14 and 15 of Decree No. 1,055/89, Sections 1, 6 and 9 of Decree No. 1,212/89, and Sections 3 and 5 of Decree No. 1,589/89. Decree No. 1,277/12 enacted the “Hydrocarbons Sovereignty Regime Rules,” which regulates the Expropriation Law.

Decree No. 1,277/12 created the National Plan for Hydrocarbons Investments (the “Plan”). According to section 6 of Annex I, the Plan will take into consideration a complete, comprehensive evaluation of Argentina’s hydrocarbon sector and establish the criteria and the desirable goals on the matter of investments in exploration, exploitation, refining, transportation and commercialization of hydrocarbons.

Decree No. 1,277/12 also created the Commission for Planning and Strategic Coordination of the National Hydrocarbon Plan (the “Commission”), which was charged with developing the Plan. The Commission was dissolved by Decree No. 272/15, which also repealed certain of its duties and transferred the remaining duties and responsibilities to the Ministry of Energy.

The Plan requires any company that performs hydrocarbon exploration, exploitation, refining, transportation and commercialization activities to make available any technical information required by the Ministry of Energy. The Ministry of Energy is also responsible for the *Registro Nacional de Inversiones Hidrocarburíferas* (National Hydrocarbons Investments Registry) for all companies performing exploration, exploitation, refining, transportation, and commercialization activities. All these companies must file an annual investment plan with the Ministry of Energy.

In order to promote investment in hydrocarbon projects, the Federal Executive Branch issued Decree No. 929/13 on July 11, 2013, which created the Promotion Regime for Investment in the Exploitation of Hydrocarbons (the “Promotion Regime”). The Promotion Regime guaranteed the following terms to those engaged in hydrocarbon projects lasting a maximum period of 5 years with a direct investment of at least US\$1 billion:

- the right to export up to 20% of the project output with 0% export duty;
- the free disposal of all the revenues from such export;
- if there were a need to supply the local market, and the government restricted the right of the system beneficiaries to export 20% of their production, the right to obtain, for the domestic commercialization of 20% of the exportable hydrocarbons, a price in pesos no lower than the benchmark export price, with the priority right to convert such pesos to other currencies on the Free Exchange Single Market; and
- the holders of exploration permits and/or hydrocarbon exploitation concessions that have been included in the Promotion Regime have the right to request of the Federal Government or the provinces, as applicable, a 25-year “Concession of Non-conventional Hydrocarbons Exploitation,” which may be extended 10 years thereafter.

National Law No. 27,007, amending the Hydrocarbons Law

On October 31, 2014, National Law No. 27,007, which amended the Hydrocarbons Law, was published in the Official Gazette.

National Law No. 27,007 represents the most extensive reform to the Hydrocarbons Law since its enactment in 1967. Following the main lines of the Hydrocarbons Law, National Law No. 27,007 seeks to adapt it to the economic and geological reality of hydrocarbon deposits in Argentina. While National Law No. 27,007 was driven by the need to develop non-conventional hydrocarbons, particularly the Vaca Muerta formation, it also promotes conventional exploitation of mature fields and offshore deposits.

National Law No. 27,007 modifies the Hydrocarbons Law regulations in order to provide tools to boost hydrocarbon projects economically aligned with the geological reality of the country, mature fields, non-conventional formations, or offshore deposits, which all require a number of contractual and economic conditions that were not adequately covered by then-current laws.

In particular, National Law No. 27,007 introduced changes to the following:

Exploration permits

With respect to exploration permits, National Law No. 27,007 distinguishes between those with conventional objectives and those with non-conventional objectives, as well as those in which exploration is undertaken in the territorial sea and continental shelf. National Law No. 27,007 modifies the basic time periods governing such activities, from three to two, and limits the two basic periods to: (i) three years for exploration with conventional objectives; (ii) four years for exploration with non-conventional objectives; and (iii) four years for exploration in the territorial sea or on the continental shelf. In each of these cases, the extension period of up to five years (already established in the Hydrocarbons Law) is maintained, although it is subject to the permit holder having complied with its investment and other obligations. At the end of the first basic period and so long as the permit holder has complied with its obligations under the permit, the permit holder may continue to hold the entire area. After the second basic period ends, the permit holder may surrender the entire area or, if the holder decides to request the extension period, 50% of the remaining area.

Exploitation concessions

National Law No. 27,007 provides for three types of concessions: conventional production, non-conventional production, and production in the territorial sea or on the continental shelf, which will last 25, 35, and 30 years, respectively. In addition, permit holders or production concessionaires may request non-conventional production concessions on the basis of the development of a pilot plan. So long as the concessionaires (i) have complied with their obligations, (ii) are producing hydrocarbons in the areas under consideration and (iii) present an investment plan for the development of such areas as requested by the competent authorities up to one year prior to the termination of each term of the concession, they may request extension periods of ten years each.

Annual surface fee

The amounts to be paid with respect to the annual surface fee under Sections 57 and 58 of the Hydrocarbons Law for the periods of exploration and production have been increased with the aim of providing incentive exploration and development of these areas. Additionally, beginning with the second basic exploration period, the fees may be partially reduced according to the investments actually made in the relevant areas. Restrictions on the number of exploration permits and/or production concessions that an individual or legal entity may hold were eliminated.

Awarding of areas

New areas that are not concessions (derived from an exploration permit or the subdivision of a preexisting concession) are allocated through a public bidding process, with the committed investment amount used as the selection criteria. Argentine and foreign companies may bid, which is meant to drive up the number of bids and make the bidding process more competitive. The bidding documents are prepared by the competent authorities on the basis of the “Model Bidding Document,” which was drafted jointly by the competent authorities of the provinces and the SEN within 180 days of effective date of National Law No. 27,007. The bidder who proposes the highest investment amount will be awarded the new area.

Carry-over system

National Law No. 27,007 also provides that the Federal Government and the provinces may not establish new areas reserved for state-owned entities or companies with state participation in the future. Further, with respect to existing reserved areas that do not have association agreements with third parties as of the date of this new law, joint ventures may be entered into during the development phase as long as the participation of state-owned entities or companies with state participation must be proportional to the effective investments agreed to be carried out by them.

Royalties

Royalties have been set at a maximum of 12.0% of liquid hydrocarbons or natural gas production. Royalties may be reduced considering productivity of the area and the type of production. During periods of extension, an additional royalty of 3.0% will be added for each extension, up to a maximum of 18.0%. In addition, during such extensions, the competent authority may require the payment of an extension bond that has a maximum amount equal to the amount of Proven Reserves at the end of the concession period multiplied by 2.0% of the average basin price for the two-year period prior to the time that the extension is granted. The granting authorities may reduce the royalties to 5%, taking into account productivity and the condition and location of the wells.

Tertiary production, extra-heavy oil, and offshore projects may obtain a royalty reduction of up to 50.0%, with the prior approval of the licensing authority and the Ministry of Energy. Concessionaires may obtain a 25.0% reduction of the applicable royalties to non-conventional hydrocarbons during the 10 years following the end of the “Pilot Plan” if they were to require an exploitation concession of non-conventional hydrocarbons within three years of the effective date of the new law.

With respect to the royalty calculation and adjustment, the marketed production does not include the quantities consumed in the oilfields, the amounts re-injected or burnt, and any loss as a result of a force majeure event. The wellhead price is defined as the final sales price obtained by the concessionaire, minus certain expenses related to transportation, processing, compression (only for gas), and contraction (only for oil). Royalties are denominated in U.S. dollars and are payable in pesos.

Promotion regime

National Law No. 27,007 incorporates into the Investment Promotion Regime for the Exploration of Hydrocarbons (Decree No. 929/2013), as authorized by the MEMN, projects involving direct investments in foreign currency greater than US\$250 million to be invested during the first three years of the project. Moreover, it modifies the percentages of hydrocarbons which, beginning with the third year, will be subject to the benefits of the regime. For conventional and non-conventional production concessions, as well as offshore concessions at depths of less than 90 meters, the percentage is 20.0%. For offshore concessions at depths greater than 90 meters, the percentage is 60.0%.

Within the framework of the Investment Promotion Regime for the Exploration of Hydrocarbons, National Law No. 27,007 provides for contributions by companies to the provinces where the projects are located, which amount to 2.5% of the initial investment amount of the project, to be directed as “Corporate Social Responsibility” contributions. In addition, an amount to be determined by the MEMN according to the scope of the project will be contributed by the Federal Government to finance infrastructure.

Under the Investment Promotion Regime for the Exploration of Hydrocarbons, companies: (i) need not reinvest export revenues domestically; (ii) are entitled to obtain a price not less than the “export parity price” for export production when domestic oil production is insufficient to meet domestic needs and exports of oil and gas are prohibited; and (iii) receive tax incentives for the investment process.

Reduced rates

National Law No. 27,007 establishes that capital goods and certain assets that are essential to the execution of the investment plans of companies registered in the National Registry of Hydrocarbon Investments shall pay import duties as specified in Decree No. 927/13 (at reduced rates). This list may be extended to other strategic products.

Agreements between the Federal Government and the provinces

National Law No. 27,007 also reflects the commitment made by the Federal Government and the provinces to implement: (i) uniform environmental standards for hydrocarbon projects; and (ii) Provincial tax uniformity to encourage investment in the hydrocarbon industry.

The agreement on local taxes will be addressed by a fiscal agreement based on preliminary negotiations between the Federal Government and the provinces that may include:

- a 3.0% cap on the gross income tax rate.
- freezing the current rate on stamp duty and a commitment not to levy “financing agreements” with the stamp tax; and
- a guarantee of local fiscal stability.

Oil and gas sales and prices

The Hydrocarbons Law authorizes the Federal Government to regulate the Argentine oil and gas markets in order to foster exploration and production. Accordingly, the export of crude oil is prohibited during periods in which the Federal Government determines that domestic production will be insufficient to satisfy domestic demand. Under the Hydrocarbons Law, if the Federal Government sets domestic prices for crude oil and refined oil products during such periods, the domestic price of crude oil will not be lower than the price of comparable imported oil unless the price of

imported oil rises substantially due to exceptional circumstances. During periods in which the export of hydrocarbons is permitted, the Federal Government may establish guidelines for the domestic market in order to allow all Argentine producers to participate in such market. Notwithstanding the foregoing, from 1967 to December 1990, the Federal Government set official prices for crude oil, non-liquefied natural gas, and refined petroleum products at levels that were generally lower than prices of comparable imported products.

Until December 31, 1990, YPF S.E.'s crude oil production, whether extracted by YPF S.E. or by third parties operating under service contracts, was distributed among Argentine refineries according to a quota system. Under this system, the MEMN allocated a portion of crude oil to each refinery on a "market share" or "refining capacity" basis. The quota system was eliminated as of January 1, 1991.

Since January 1, 1994, the price of gas sold in Argentina has been determined by free market principles, with gas producers negotiating prices directly with distribution companies and large consumers, such as utilities and certain industrial companies. In 2004, however, ENARGAS was created to, among other purposes, regulate the transportation, distribution, marketing, and storage of non-liquefied natural gas. For example, although distribution tariffs include a component designed to reimburse gas distribution companies for the cost of gas delivered to customers, a gas distribution company may not pass through to customers any increases in the cost of gas delivered without the prior authorization from ENARGAS. ENARGAS reviews the price of all gas sale contracts twice a year and resets the component of each gas producer's distribution tariff in order to reimburse it for the actual cost of gas delivered. ENARGAS may not permit a gas distribution company to pass to its customers a portion of an increase in the cost of delivered gas in the event that ENARGAS decides that the proposed increase is disproportionate to the market price of gas from another production basin. If ENARGAS objects to a proposed increase for such reason, it must inform the gas distribution company.

Approximately 65% of the natural gas production obtained by these operators is delivered to domestic market networks through carriers, while the remaining gas is consumed in the oilfields, injected for storage into natural formations, delivered to industries and other producers, held in the operator's own or third parties' plants, or exported directly.

Currently, the national production of crude oil is mainly sold on the international market. Since 2002, the Federal Government has imposed export tariffs on the export of crude oil, which has reduced the price at which crude oil can be sold on the local market. In addition, in January 2003, hydrocarbon producers and refineries entered into a temporary price stability agreement in respect of crude oil, gasoline and diesel oil in the domestic market. After successive renewals, the term of the agreement was extended through April 2004. This agreement provided for local crude oil deliveries to be invoiced by the producers and paid by the refineries based on a WTI reference price not to exceed US\$28.5 per barrel. Any positive difference between the actual WTI (not to exceed US\$36.0 per barrel) and the reference price shall be paid out of any balance generated in periods where the actual WTI price is below US\$28.5 per barrel. During January 2003 and April 2004, a company could not charge market prices for crude oil sold on the domestic market if market prices exceeded a WTI reference price of US\$28.5 per barrel. Refineries, in turn, passed the crude oil reference price on to domestic prices, thereby keeping them lower than they would otherwise have been and suppressing price inflation until the balance was cancelled. When the WTI price increased over the benchmark price, the agreement became commercially unfeasible and was therefore terminated.

The enactment by the Argentine Congress of the Public Emergency Law on January 6, 2002 gave the Federal Government the ability to impose tariffs on the export of hydrocarbons. According to Federal Decree No. 310/02, effective as of March 1, 2002, a 20.0% export tariff was imposed on crude oil exports and a 5.0% export tariff was imposed on exports of certain oil products. On May 13, 2002, Federal Decree No. 809/02 imposed a 20.0% export tariff on LPG exports. Pursuant to Resolution Nos. 196/02 and 135/02 of the Federal Ministry of Economy, dated July 15, 2002 and July 1, 2002, respectively, the export tariff on LPG was reduced to 5%, and gasoline was exempted from the export tariff. As of May 13, 2004, the export tariff for crude oil exports was increased to 25%, the export tariff for LPG exports was increased to 20.0%, and a 5.0% export tariff was imposed on other oil products, through Ministry of Economy and Finance Resolution Nos. 337/2004, 335/2004, and 336/2004, respectively. The Public Emergency Law was extended through December 31, 2015 by National Law No. 26,896.

On August 5, 2004, the Ministry of Economy and Finance, through Resolution No. 532/04, increased the tariff imposed on crude oil exports. This Resolution established a progressive increase in export tariffs, which was tied to the

WTI reference price. If the WTI reference price exceeds US\$32.0 per barrel, the following export duties will be added to the 25.0% tariff:

WTI Reference Price per barrel. Additional rate: total export Tariff

Between US\$32.01 and US\$34.99	3.0% to 28.0%
Between US\$35.00 and US\$36.99	6.0% to 31.0%
Between US\$37.00 and US\$38.99	12.0% to 37.0%
Between US\$39.00 and US\$40.99	9.0% to 34.0%
Between US\$41.00 and US\$42.99	15.0% to 40.0%
Between US\$43.00 and US\$44.99	18.0% to 43.0%
Equal to or higher than US\$45.00	20.0% to 45.0%

On November 16, 2007, the Ministry of Economy and Finance issued Resolution No. 394/2007, which replaced Resolution No. 532/04 and established a new increase in export tariffs on liquid hydrocarbons (crude oil and oil products). According to the Resolution No. 394/07, such increases in export taxes were based, among other reasons, on the significant rise in international prices of oil and oil products.

The export aliquot will be calculated based on the following formula:

Where:

d: Export tax

Pi: International Price

VC: Cutoff value

$$d = \left(\frac{P_i - VC}{VC} \right) \times 100$$

The new export tax scheme established benchmarks and cut-off prices for each of the products. Under this framework, if the international price (Pi) of crude oil is higher than or equal to the benchmark (fixed at US\$60.9), the export duty shall be computed according to a specific formula that compares the Pi to the cut-off price fixed at US\$42.0. When the international price is higher than US\$60.9, the exporter's net earnings are always US\$42.0.

If the international price is lower than the benchmark (US\$60.9), a rate equal to forty-five percent (45.0%) shall be applied, and if the international price of oil is lower than US\$45 per barrel, the government shall determine the rates to be applied within 90 business days.

The same criteria shall be applied to oil products such as gasoline, fuel oil and lubricants, for which the applicable cut-off prices and benchmarks are different from those applied to crude oil. For other oils, jellies, paraffin, coke, pitches and asphalts, an export duty equal to such resulting from crude oil shall apply.

Notwithstanding the above, and as a result of the extraordinary situation of the international crude market and pursuant to the regulations in force in the Argentine market, the refineries and oil producers signed commercial agreements with the Federal Government stating that they would not apply international prices on the domestic market.

The Federal Government has also adopted measures to limit export volumes, seeking to ensure the availability of a sufficient amount of hydrocarbons for the domestic market. On May 23, 2002, the Federal Government enacted Decree No. 867/02, declaring a state of emergency with respect to the supply of hydrocarbons in Argentina until September 30, 2002 and empowering what is currently the Ministry of Energy to determine the volume of crude oil and LPG produced in Argentina that would be required to be sold on the domestic market. In addition, pursuant to SEN Resolution No. 140/02, temporary limitations were established for hydrocarbon exports during the months of June, July, August and September 2002. However, this Resolution was repealed on July 26, 2002 by SEN Resolution No. 341/02, and accordingly the temporary limitations are no longer in force. In addition, a register was created for crude oil export operations pursuant to Decree No. 645/02 and SEN Resolutions No. 202/02 and 1,679/04.

Ministry of Economy and Finance Resolution No. 127/08 provides that the formula also regulates the price of gas, increasing the rate of export duty applicable to permanent exports of natural gas from 45.0% to 100.0%, and modifying the previously applicable reference value set by the framework agreement between Argentina and Bolivia. It also sets the

maximum price in any natural gas import contract equal to Argentina's benchmark value for calculating natural gas export duties.

In addition, SEN Resolution No. 599/2007, extended by SEN Resolution No. 172/2011, requires producers to supply domestic demand of natural gas, and SEN Resolution No. 1,410/2010 sets forth a mechanism for gas distribution in accordance with a priority system by which residential users are prioritized. Once their demand is satisfied, producers may sell gas to purchasers of CNG or liquid gas (e.g., filling stations), consumers buying directly from producers, large consumers, treatment facilities, electricity producers and export customers, in that order.

Resolution No. 1/2013 established a new system of price agreements with producers of natural gas, pursuant to which the producers are given a price of US\$7.5/MMBTU for gas injections surplus to the domestic market base injection. The deadline for gas producers to participate in this program to file gas projects expired on October 4, 2013. The duration of gas projects submitted according to this program could not exceed five years.

These price agreements have the following characteristics: (i) the producer is guaranteed a minimum price of US\$7.5 per MMBTU for the volume of gas supplied to the domestic market above an adjusted base supply quantity; and (ii) the producer will be paid, on a monthly basis, an economic compensation equal to (a) the difference between the price of surplus gas volume injections and the price actually obtained for the injection of surplus gas volumes, plus (b) the difference between the base price and the price actually obtained for the sale of the adjusted base supply quantity. If in any relevant month, the quantities supplied to the domestic market are below the supply committed by producers for such period, the producer shall be subject to penalties which may comprise the input of gas volumes equal to volumes not supplied or the payment of an economic compensation. Additionally, the commission can terminate any project if any of the events regulated in section VI 2) of the annex of Resolution No. 1/2013 takes place.

In November 2013, the Commission issued Resolution No. 60/2013 (further supplemented by Resolution No. 83/2013), which launched a new scheme of the so-called "Guaranteed Price Agreements" applicable to gas producers having a low natural gas supply to the domestic market.

The main differences between this system and the one approved by Resolution No. 1/2013 are as follows:

- It is available only to companies with average natural gas injection lower than 3.5 million m³ per day during the six months prior to the issuance of Resolution No. 60/2013, including those companies with no gas injection at all.
- This new program sets a range of guaranteed prices which depends on the producers' natural gas injection performance per month. The price ranges are as follows:
 - For any incremental natural gas injections above the "base supply quantity" (which is equal to a daily average injection during the six months prior to the issuance of Resolution No. 60/2013), producers will receive a price of US\$7.5 per MMBTU.
 - For any natural gas injections from over 95% to 100% of the base supply quantity, the price will be US\$6.0 per MMBTU.
 - For any natural gas injections from over 90% to 95% of the base supply quantity, the price will be US\$5.0 per MMBTU.
 - For any natural gas injections from over 85% to 90% of the base supply quantity, the price will be US\$4.0 MMBTU.
 - In the case of a company with no injections at all during the six months prior to the issuance of Resolution No. 60/2013, the price shall be determined based upon the geological and/or technical features of the projects.
 - Projects within the new scheme shall have a maximum extension of four years, which the Ministry of Energy may extend for one additional year.

In relation to export taxes, the Ministry of Economy and Finance's Resolution No. 1/2013 raised the oil cut-off and reference values established by the Ministry of Energy's Resolution No. 394/2007 to US\$70 per barrel and US\$80 per barrel, respectively.

In 2015, the Federal Ministry of Economy and Finance issued Resolution No. 123/2015, which amended Resolution No. 1/2013 and provided the rules governing acquisitions, sales, and assignment of areas, rights and interests in the program of “Guaranteed Price Agreements” applicable to gas producers having a low natural gas supply to the domestic market (“*Reglamento de Adquisiciones, Ventas y Cesiones de Áreas, Derechos, y Participación en el marco del Programa de Estímulo a la Inyección Excedente de Gas Natural y del Programa de Estímulo a la Inyección de Gas Natural para Empresas con Inyección Reducida*”).

The Ministry of Economy and Finance’s Resolution No. 803/14, published in the Official Gazette on October 22, 2014, amended the rates of export duties on crude oil in the event that the international price falls below the reference value, as shown below:

International price (US\$ per barrel)	Rate
Lower than 80	13.0%
Lower than 75	11.5%
Lower than 70	10.0%

On December 31, 2014, after the fall in the international crude oil price, the Ministry of Economy and Finance further amended the export duties on exports of oil and some oil products, pursuant to Resolution No. 1,077/2014. Therefore, the existing scheme for exports of crude oil is as follows:

International price (US\$ per barrel)	Rate
Lower than 71	1%
Equal to or greater than 71	$(P_i - 70) / 70 \times 100$

Resolution No. 1,077/14 establishes a new withholding program based on the international price of crude oil (the “International Price”). The International Price is calculated based on the Brent value for the applicable month minus US\$8 per barrel. The new program establishes a 1.0% general nominal withholding applicable to all products covered by the resolution, including crude oil, diesel, gasoline and lubricants, as well as other oil products, to the extent that the International Price is below US\$71 per barrel. The resolution further provides an increasing variable withholding rate for crude oil exports to the extent the International Price exceeds US\$71 per barrel. As a result, the maximum a producer may charge is approximately US\$70 per barrel exported, depending on the quality of crude oil sold. The resolution also establishes increasing withholding rates for exports of diesel, gasoline, lubricants, and other oil products when the International Price exceeds US\$71 per barrel at rates that allow the producer to receive a portion of the higher price.

Crude Oil Production Stimulus Plan

In February 2015, the Federal Government adopted other measures to mitigate the impact of the decline in international price of crude oil. On February 4, 2015, the Commission issued Resolution No. 14/2015, which created the *Programa de Estímulo a la Producción de Petróleo Crudo* (Crude Oil Production Stimulus Program, or the “Oil Program”). The Oil Program was valid from January 1, 2015 through December 31, 2016. This Program provided for a payment in pesos to beneficiary companies, in an amount of up to US\$3.00 per barrel when such company’s quarterly production of crude oil is equal to or greater than the base production level under the Oil Program, in addition to compliance with certain other requirements set forth in Resolution No. 33/2015. The base production level under the Program is the total production of crude oil of the beneficiary company for the fourth quarter of 2014. Those beneficiary companies that have met the demand of all of the domestic refineries operating within Argentina may direct a portion of their production to the international market and receive an additional payment of US\$2.00 or US\$3.00 per barrel of crude oil exported, depending on the volume exported.

Companies registered under the *Registro Nacional de Inversiones Hidrocarburíferas* could request that the Commission include them in the Oil Program until April 30, 2015, providing certain information as regards to production and exports for 2014. If the Commission accepted these companies as beneficiary companies, they could receive the export and/or production stimulus described above. The payments are made in pesos using the Reference Exchange Rate of Central Bank Communication “A” 3,500 on the last business day prior to submitting the information for the quarter to the Commission.

New Natural Gas Price Scheme

In March and April 2016, the Ministry of Energy issued Resolutions Nos. 28/2016, 34/2016, and 41/2016, which established a new transport price scheme for natural gas intended for residential use, CNG consumption, and electricity production. As a result of this new price scheme, the average wellhead price for natural gas in the Province ranges from US\$5.2 to US\$5.6 per MBTU, which represents a 127% increase from the average wellhead price for natural gas in 2015. Moreover, natural gas prices vary in accordance with its use (residential, CNG consumption, or electricity production), which, in turn, varies depending on the season of the year. Since the wellhead price per MBTU is used to calculate gas royalties, the amounts received by the Province as a result vary over the year.

Export restrictions

The Federal Government adopted measures intended to limit the export volume in order to ensure the availability of a sufficient quantity of oil for the domestic market. On May 23, 2002, the Federal Government issued Decree No. 867/02, which declared a national emergency with respect to the supply of hydrocarbons until September 30, 2002, and authorized what is now the Ministry of Energy to determine the volume of LPG and crude produced in Argentina that must be sold on the domestic market. In accordance with SEN Resolution No. 140/02, temporary limitations to hydrocarbon exports were established during the months of June, July, August, and September 2002. However, this Resolution was repealed on July 26, 2002 by SEN Resolution No. 341/02. In addition, a crude oil export operations record was created by Decree No. 645/02 and SEN Resolutions No. 202/02 and No. 1,679/04.

Restrictions on the availability of foreign currency

On October 25, 2011, the Federal Government issued Decree No. 1,722/11, which required for all companies to enter into and negotiate in the currency exchange market all revenue originating from the export operations of crude oil, oil products, gas and mining, in accordance with the provisions of Article 1 of Decree No. 2,581, dated April 10, 1964.

During the last ten years, Argentina's oil and gas policy has undergone repeated state intervention including price regulation, redirection of gas deliveries, restrictions on exportations, and high export taxes in order to cover shortages in the domestic market.

Exploration permits and production concessions

The Hydrocarbons Law permits surface reconnaissance of territory not covered by existing exploration permits or production concessions upon authorization of the Province enforcement authority and the permission of the property owner. Exploration permits are granted by the Province, following the submission of competitive bids. An exploration permit gives the holder the exclusive right to perform the operations necessary or appropriate for the exploration of oil or gas within the area specified in the permit. Each exploration permit may cover only approved areas not to exceed 10,000 square kilometers (15,000 square kilometers for offshore exploration) and may have a term of up to 14 years (17 years for offshore exploration).

In the event that the holder of an exploration permit discovers commercially exploitable quantities of oil or gas, the holder may apply for, and is entitled to receive, an exclusive concession for the production and development of such oil or gas. A concession gives the concessionaire the exclusive right to produce oil or gas from the respective area for a term of 25 years (plus, in certain cases, a part of the unexpired portion of the underlying exploration permit), which may be extended for one additional term of 10 years by application to the Province, subject to terms and conditions approved by the grantor at the time of the extension. In the case of non-conventional oil and gas production concessions, the respective production term is 35 years from the day of the award of the production concession, and for new offshore oil and gas production concessions, the term is 30 years. A concession also confers upon the concessionaire the right to conduct all activities necessary or appropriate for the production of oil or gas, provided that such activities do not interfere with the activities of other holders of exploration permits or concessionaires and entitles the concessionaire to obtain a transportation concession for the oil or gas produced.

Holders of exploration permits and concessionaires are subject to requirements, including: (i) undertaking all necessary works to discover or extract hydrocarbons utilizing appropriate techniques; (ii) making the investments specified in such holders' concessions; (iii) preventing any damage to oil and gas fields and hydrocarbon waste; (iv) adopting adequate measures to prevent accidents and damage to agricultural activities, the fishing industry and

communications networks; (v) paying hydrocarbon royalties to the province in which the production takes place (see “*Hydrocarbon Royalties*”); and (vi) complying with all applicable federal, Provincial and municipal laws and regulations.

Exploration permits and concessions may be terminated by the Province upon the occurrence of certain events listed under Article 80 of the Hydrocarbons Law. The enforcement authority shall notify this situation to the holders of permits and licenses prior to revocation in order to give them the opportunity to remedy the violations within the time specified therein. Upon the expiration or termination of a concession, title and interest in and to all oil and gas wells, operating and maintenance equipment, and related facilities are automatically transferred to the Province without compensation to the concessionaire.

Current contracts

A variety of contractual arrangements are currently permitted in Argentina, including: (i) production sharing arrangements resulting from renegotiated production service contracts, pursuant to which private sector companies acquire title to an agreed-upon share of the production instead of cash compensation, with YPF as owner receiving the balance of the production; (ii) exploitation concessions under the Hydrocarbons Law (a) that resulted from the renegotiation of former production service or exploration service contracts relating to areas now in production, (b) that have been awarded over marginal production blocks tendered by YPF, or (c) that resulted from a declaration of commercially recoverable reserves from certain acreage covered by an exploration permit; (iii) joint ventures or association agreements between YPF and private sector companies for the exploration, development and exploitation of some of YPF’s main producing areas where these companies acquire a majority working interest and that take title to a share of the production equal to their interest; (iv) exploration contracts that are basically risk service contracts, most of which have been transformed into exploration permits or concessions, depending on the phase of the relevant contract; (v) exploration permits granted in response to international public tenders under the new exploration program (Plan Argentina) launched by the Federal Government in 1992; and (vi) service agreements with the provinces for the exploration, development and exploitation of marginal areas which were transferred by YPF to the provincial governments under Decree No. 1,055/89.

During 2008 and 2009, the Province entered into a number of agreements with YPF pursuant to which the terms of several concessions located within the province were extended for a 10-year term, which expire between 2026 and 2027. As a condition to the extension of the concessions, YPF has undertaken: (i) to make initial down payments to the Province in an aggregate amount of approximately US\$204 million; (ii) to pay the Province an extraordinary production fee of 3% of the production of the areas affected by this extension (the parties agreed to make additional adjustments of up to an additional 3% in the event of extraordinary income, as defined in each agreement); (iii) to perform exploration activities in the remaining exploration areas and make certain investments and expenditures until the expiry of the concessions in an aggregate amount of approximately US\$3.5 billion, and (iv) to make corporate social responsibility contributions to the Province in an aggregate amount of approximately US\$23 million.

In 2013, YPF and Chevron entered into an agreement to develop the *Loma Campana* project, representing the first non-conventional hydrocarbon project in Argentina. In 2014, the *La Amarga Chica* and *Bajada del Añelo* projects were granted a non-conventional hydrocarbon production concession in accordance with National Law No. 27,007. In addition, during 2015, several non-conventional production concessions were granted in accordance with National Law No. 27,007, which specifically concerns the areas of *Bandurria Norte*, *Bandurria Centro*, *Bandurria Sur*, *Cruz de Lorena*, *Sierras Blancas* and *Lindero Atravesado*. Most of these areas are located within the *Vaca Muerta* formation and develop shale gas, except for *Lindero Atravesado* which is focused on the exploitation of tight gas.

Environmental Protection

Based on Section 41 and subsection 32 of Section 75 of the Argentine Constitution, the Argentine Congress is vested with the power to establish the minimum requirements for environmental protection. It is the duty of the provinces to establish complementary provisions regarding these minimum requirements.

The Federal rules on environmental protection are based on National Law Nos. 25,675, 24,051 and 25,688. Any company or individual whose activity generates hazardous waste must register with the National Registry of Generators and Operators of Hazardous Waste. The *Secretaría de Recursos Naturales y Ambiente Humano* (Natural Resources and Human Environment Secretariat) coordinates this registry.

In accordance with Articles 54, 55 and 56 of the Provincial Constitution, the Province also has legislative authority over environmental matters. For instance, before a project can be initiated, many provinces require preliminary approval based on an environmental impact study. Provincial Law No. 55 establishes the objectives, policies and instruments for the preservation, conservation, protection and improvement of the environment and the procedures to be followed during the exploration and exploitation of conventional and non-conventional oil and gas. Provincial Law No. 55 sets forth the obligation of the concessionaires to obtain authorization prior to commencing any activity. Provincial Law No. 55 and Decree No. 1,333/93 establish the water protection regime and the sanctions applicable to those who contaminate provincial waters. Provincial Law No. 105 creates the regime for the treatment of hazardous waste applicable to the oil industry. Provincial Law No. 105 establishes the sanctions for those concessionaires in the hydrocarbons industry that fail to comply with the obligation to inform authorities and limit gas emissions. With the aim of fostering the preservation of the environment in oilfields and related activities for companies operating in the Province, Provincial Law No. 108 and Decree No. 599/93, as amended, require such companies to obtain an annual Certificate of Environmental Suitability for Hydrocarbon Activities (*Certificado de Aptitud Ambiental de la Actividad Hidrocarburífera*) to continue operating. Article 98 of Provincial Law No. 55 specifies the key responsibilities of the Provincial Secretariat of Environment and Sustainable Development (*Secretaría de Estado Ambiental y Desarrollo Sustentable*), including the following:

- fostering environmental preservation;
- elaborating, in coordination with the other Provincial agencies the program for environmental administration and policy;
- approving the environmental impact studies in each period of the project;
- supervising the execution of projects, works and all activities that harm or may harm the environment;
- supervising environmental conditions, as well as evaluating any real or potential harm;
- maintaining a program of information related to environmental matters in the Province;
- preparing budgets and recommendations for budget allocation in order to meet the requirements of environmental protection programs;
- promoting and preparing environmental studies;
- supervising the application of rules related to environmental preservation, conservation, improvement and defense;
- preparing agents of the Province to act in matters that concern the environment;
- preparing actions related to the preservation, conservation and improvement of the environment; and
- ordering investigations *ex officio* or by complaint of any activity that may harm the environment.

According to SEN Resolution No. 105/92 and Article 11 of Provincial Law No. 55, companies involved in hydrocarbon activities are required to restore the land affected by such activities. All hydrocarbon-related activities must be conducted in such a manner such that they avoid damaging the environment. As a result, environmental impact studies must be conducted, and any relevant regulations issued by the competent authority must be complied with. The use of open, outdoor pools as temporary storage sites for crude oil is strictly forbidden. Any existing cases must be reconditioned and the soil restored. Pools used in the drilling phase for the placement of the injection, emergency pools prepared to contain accidental spills, and treatment or water infiltration pools must also be eliminated and the soil reconditioned, except when they are common and necessary, in which case they must be kept clean, empty, and free of hydrocarbons.

The abandonment of wells in rural areas may be temporary or permanent, depending on the conditions for further use of the wells. The abandonment of a well in an urban area is required to always be permanent. Applicable regulations recommend techniques for the abandonment of wells, establishing periods, according to an order of priorities related to the different ways in which the environment is affected. Gas venting is forbidden in natural gas wells, as defined by applicable regulations. In others, a given percentile reduction of vented gas is implemented, according to provisions issued by the authority.

“Gas Plus” and “Petróleo Plus” Programs

Beginning in 2006, the Federal Government took a number of measures to encourage new investments in exploration activities. Argentina and Bolivia executed a long-term supply agreement, which required that Bolivia sell gas to Argentina at two and a half times the local gas price in Argentina. In addition, in October 2006, the two countries signed an energy integration agreement which contemplated the construction of a new Northwestern Gas Pipeline (*Gasoducto del Noroeste*), which, as of the date of this offering memorandum, is under construction. The *Gasoducto del Noroeste* was intended to facilitate the transportation of the Bolivian natural gas contemplated under the long-term supply agreement. However, the intervention of the Bolivian government and the nationalization of private oil and gas companies impacted the production of natural gas and the respective volumes of natural gas committed under the agreement executed with Bolivia. As a result, and due to the high demand during 2008 and 2009 winter seasons, several ships were hired by ENARSA in order to import liquefied natural gas, which was subsequently liquefied in a mobile plant for injection into the transport system to satisfy the increased demand for gas in Argentina.

Furthermore, the Federal Government created the “Gas Plus” Program, which was intended to increase natural gas exploration and reserves, by giving eligible participants the benefit of freely selling “Gas Plus” at market prices in a scenario where prices are regulated by the Federal Government. The aim of the “Gas Plus” Program is to supply gas to the domestic market and the price shall not be subject to the regulated prices. The “Gas Plus” Program established the conditions related to gas to be produced. The producer’s technical conditions and proposal must be filed with what is currently the Ministry of Energy for prior approval. Several projects have been approved since the creation of the “Gas Plus” Program, most of them in the Province.

Pursuant to Decree No. 2,014/2008, the Federal Government created the so-called “*Programa Petróleo Plus*” (Oil Plus Program) and “*Programa Refinación Plus*” (Refinery Plus Program) to promote production and exploration of oil reserves (through the exploration of new areas, recovery of exploited areas by means of leading technologies and others) and to promote fuel production (through the construction of new oil refineries and/or the expansion of refinery capacity at existing plants), respectively. Companies under the “Petróleo Plus” Program are entitled to receive certain incentives and tax refunds, which are intended to offset the loss resulting for those companies from the regulation of the price of crude oil in the local market and the export duties.

The content, terms, and scope of such programs were subsequently defined by a resolution issued in December 2008 by what is now the MEMN. Similarly, what is now the MEMN has regulated the requirements to be met by producing and/or refining companies in order to receive the incentives, subject to the prior involvement of the federal Secretariat of Finance, through the issuance of transferable tax credit certificates applicable to the payment of export duties for liquid hydrocarbons (crude oil and oil products), natural gas and liquefied petroleum gas. Applications to participate in these programs must be filed with the SEN, which shall approve them *ad referendum* to the Ministry of Federal Planning, Public Investment and Services (MINPLAN or *Ministerio de Planificación Federal, Inversión Pública y Servicios*).

To obtain such incentives (tax credit certificates for 12% of the difference between the local price and the international price applicable to such export), the following evidence must be provided: (i) producers must provide evidence that they can produce oil in addition to their average production, in addition to having increased their reserve replacement ratio, according to the calculation procedure set forth under the applicable regulations; and (ii) refiners must provide evidence that they have fuel production available in addition to their average production, obtained through the construction of new oil refineries and/or the expansion of the refinery capacity at existing plants, according to the calculation procedure set forth under the applicable regulations.

The main benefit of this rule is related to the so-called critical infrastructure projects. According to National Law No. 26,360, critical infrastructure projects are projects performed by producing companies for exploration and exploitation of new oil fields and/or to increase production capacity and incorporate new technologies for exploitation and development of existing fields, increasing their current capacity. Critical infrastructure projects are subject to the tax treatment specifically prescribed by such law.

The “Petróleo Plus” Program was rendered ineffective in July 2015 by Decree No. 1,330/2015. Due to the constant changes in the international market, the Federal Government implemented adaptation measures. This situation modified the initial conditions in which the “Petróleo Plus” Program was created, and in this context the decision of the Government was to cancel said program.

DESCRIPTION OF THE NOTES

This section of this Offering Memorandum is intended to be an overview of the material provisions of the Notes, the Indenture and the Account Control Agreement. The Province urges you to read the Indenture for a complete description of the Province's obligations and your rights as a Holder of the Notes. The Province has filed, or will file, copies of the Indenture at the offices of the trustee where you may request a copy in writing.

General

The Notes will be issued pursuant to an indenture to be dated April 17, 2017 (the "Indenture"), between the Province, The Bank of New York Mellon, as trustee (the "Trustee"), and Banco de Valores S.A., as Argentine Collateral Agent (as defined below). Notes issued under the Indenture will be direct, general, unconditional and unsubordinated obligations of the Province, entitled to the benefit and security of the Collateral (as defined below).

The Notes will be issued in denominations of U.S.\$1,000 and in integral multiples of U.S.\$1,000 in excess thereof. This offering will require a minimum subscription amount of U.S.\$150,000. Interest on the Notes will be payable quarterly on each January 17, April 17, July 17 and October 17 (each such date, a "Payment Date"), commencing on July 17, 2017. Interest will accrue from and including the previous Payment Date or, if not previously paid, the Issue Date, to but excluding the current Payment Date. Interest will be payable in U.S. dollars at a rate of 8.950% per year, computed on the basis of a 360-day year comprised of twelve 30-day months. Principal and interest under the Notes will be payable on each Payment Date, to the person in whose name the Note is registered at the close of business on the second Business day preceding the corresponding Payment Date (the "Record Date"). The Notes will be issued on April 17, 2017 (the "Issue Date"), at an issue price equal to 98.610% plus accrued interest, if any, from April 17, 2017 through the Issue Date and will mature on April 17, 2027 (the "Maturity Date").

The aggregate principal amount of Notes will be amortized over 33 quarterly periods, as follows: (i) the first 12 payments will be in equal installments of 2.500% of the initial aggregate principal amount, (ii) the subsequent 14 payments will be in equal installments of 3.000% of the initial aggregate principal amount and (iii) the final seven payments will be in equal installments of 4.000% of the initial aggregate principal amount (each an "Amortization Amount"); provided that in the event of a Prepayment Event as described in "Extraordinary Royalties Prepayment Account and Argentine Extraordinary Royalties Prepayment Account" or in the event of a Trigger Event as described in "Trigger Events" below, the Amortization Amount will be adjusted to reflect that any prepayment shall be in reverse order of maturity (meaning the last installment shall be paid first). Each Amortization Amount will be repaid on each Payment Date commencing with the first principal installment being repaid two years after the Issue Date, with the Notes repaid in full no later than the Maturity Date.

The definitions of certain capitalized terms used in this section are set forth under "—Certain Defined Terms."

Further Issues

The Province may from time to time, subject to compliance with (x) the Ratings Condition and (y) the other conditions set forth in the Indenture and without notice to, or the consent of, the Holders of the Notes, create and issue additional Notes ("Additional Notes") having identical terms (other than issue price, issue date and date from which interest will accrue) as the Notes issued on the Issue Date; *provided* that if the Additional Notes are not fungible with the Notes for U.S. federal income tax purposes, such Additional Notes will be issued with a separate identification code from the Notes. Unless the context otherwise requires, for all purposes of the Indenture and this "Description of the Notes," references to the Notes include any Additional Notes actually issued.

The Collateral

Pursuant to the Argentine Trust Agreement and the New York Security Documents (as defined below), all principal and interest due under the Notes and all other payment obligations of the Province in respect of the Notes (collectively, the "Obligations") will be secured equally and ratably by:

- (i) an Argentine law fiduciary assignment, granted on a first lien basis pursuant to the Argentine Trust Agreement, of:
 - (1) any and all of the Province's right, title and interest in the Assigned Percentage of the Specified Royalties,

- (2) the Argentine Collateral Account,
- (3) the Argentine Dollar Debt Service Reserve Account,
- (4) the Argentine Peso Debt Service Reserve Account,
- (5) the Argentine Dollar Escrow Account (*Cuenta de Pago Argentina en U\$S*),
- (6) the Argentine Expense Account (*Cuenta de Gastos*),
- (7) New York Guarantee Trust Account (*Cuenta del Fideicomiso con Fines de Garantía en Nueva York*),
- (8) the Argentine Trigger Event Prepayment Account, and
- (9) the Argentine Extraordinary Royalties Prepayment Account,

including, in the case of (2), (3), (4), (5) (6), (7), (8) and (9) above, any and all amounts on deposit from time to time in such accounts and proceeds thereof (items (i)(1) through (9), collectively, the “Argentine Collateral”); and

- (ii) a first priority, perfected security interest granted by the Province (pursuant to the New York Security Documents) in favor of the Trustee for the benefit of the Holders and the Trustee; in:
 - (1) the Payment Account,
 - (2) the Debt Service Reserve Account,
 - (3) the Trigger Event Prepayment Account, and
 - (4) the Extraordinary Royalties Prepayment Account,

including, any and all amounts on deposit from time to time in such accounts and proceeds thereof (items (ii)(1) through (4), collectively, the “New York Collateral” and the Argentine Collateral and New York Collateral, collectively, the “Collateral”).

The Province may at any time and from time to time, at its sole discretion, assign in support of the Obligations pursuant to the Argentine Trust Agreement, Hydrocarbon Royalties that correspond to either (i) the Dedicated Concessions in excess of the Assigned Percentage (if such percentage is reduced below 100% pursuant to “—Reduction of Assigned Percentage”) or (ii) other production Concessions or areas, *provided* that such Concessions or areas are not controlled or majority owned by the Province or any Public Sector Instrumentality. Upon the effectiveness of such assignment of Hydrocarbon Royalties (each, an “Addition”), the Hydrocarbon Royalties relating to such Addition shall constitute a part of the Argentine Collateral under the Indenture and the Argentine Trust Agreement.

Argentine Trust Agreement

On or prior to the Issue Date, the Province will establish a collateral trust in the City of Buenos Aires (the “Argentine Collateral Trust”), to be formed pursuant to, and governed by, a collateral trust agreement dated on or prior to the Issue Date and created under Argentine Law (the “Argentine Trust Agreement”) among the Province and Banco de Valores S.A., as collateral agent (the “Argentine Collateral Agent”). On the Issue Date, the assets of the Argentine Collateral Trust, which will secure the Notes, will consist of:

- its rights under the Argentine Trust Agreement (which will entitle it to directly receive payment of the Specified Royalties);
- the Argentine Dollar Escrow Account (*Cuenta de Pago Argentina en U\$S*),
- the Argentine Expense Account (*Cuenta de Gastos*),
- New York Guarantee Trust Account (*Cuenta del Fideicomiso con Fines de Garantía en Nueva York*),
- the Argentine Collateral Account;
- the Argentine Dollar Debt Service Reserve Account;
- the Argentine Peso Debt Service Reserve Account;
- the Argentine Trigger Event Prepayment Account; and

- the Argentine Extraordinary Royalties Prepayment Account,

including any and all amounts on deposit from time to time in such accounts and the proceeds thereof.

The assignment of the Specified Royalties under the Argentine Trust Agreement will constitute a fiduciary assignment of property under Argentine law until final payment of any amounts due under the Notes and, pursuant to Article 1685 of the Argentine Civil and Commercial Code and applicable provisions of Law No. 24,441, the Argentine Collateral Trust will not be generally subject to successful challenge by any creditor of the Province or the Argentine Collateral Agent (except with respect to fraud). The Argentine Trust Agreement will include typical undertakings (among others) by the Province to preserve and maintain the Argentine Collateral, including a prohibition on the part of the Province to alter the form or character of the Argentine Collateral in any way.

In accordance with the terms of the Indenture and the Argentine Trust Agreement, prior to the Issue Date, the Province shall (i) notify the Argentine National Ministry of Energy and Mining and the Dedicated Concessionaires of the fiduciary assignment (pursuant to the Argentine Trust Agreement) over the Specified Royalties and (ii) irrevocably instruct the Dedicated Concessionaires that they shall make any and all future payments of the Assigned Percentage of the Specified Royalties directly to the Argentine Collateral Account.

New York Security Documents

Pursuant to the Indenture, the Province will grant a first priority perfected security interest in favor of the Trustee, for the benefit of the Holders and the Trustee, in the New York Collateral. In addition, on the Issue Date the Province will (i) enter into a New York law governed account control and pledge agreement among the Province, the Trustee and the Account Bank (the “Account Control Agreement”), pursuant to which the Trustee will have sole control over, and an exclusive right of withdrawal with respect to, the Payment Account, the Debt Service Reserve Account, the Extraordinary Royalties Prepayment Account, and the Trigger Event Prepayment Account, and (ii) arrange for a UCC-1 financing statement to be filed (with respect to the New York Collateral in its entirety) in accordance with the requirements set forth in the Uniform Commercial Code in effect at such time in the State of New York (the “UCC”), in each case, so that the security interest granted over the New York Collateral pursuant to the Account Control Agreement will be perfected for purposes of the UCC (the Indenture, the Account Control Agreement and the UCC-1 financing statement, collectively, the “New York Security Documents”).

Allocations and Payments

Argentine Collateral Account

The Argentine Collateral Agent will establish a collateral account (the “Argentine Collateral Account”) in the City of Buenos Aires for purposes of collecting the Assigned Percentage of the Specified Royalties. All right, title and interest in and to all amounts on deposit from time to time in the Argentine Collateral Account will be held for the benefit of the Secured Parties as their interests shall appear under the Indenture and will not constitute payment of the Obligations (or any other obligations to which such funds are provided under the Indenture to be applied) until applied thereto as provided in the Indenture. The assets of the Argentine Collateral Trust will consist of the Assigned Percentage of the Specified Royalties and any other amounts on deposit in the Argentine Collateral Account. Pursuant to the Argentine Trust Agreement, the Province shall irrevocably instruct the Dedicated Concessionaires to make any and all payments in respect of the Assigned Percentage of the Specified Royalties to the Argentine Collateral Account. From time to time, the Province may request information about the Argentine Collateral Account from the Argentine Collateral Agent.

The Province shall not request or take any action to authorize or permit any payment in kind with respect to the Specified Royalties, except as described under the section entitled “Foreign Exchange Limitation” below. If, for any reason whatsoever, the Province receives payment of the Specified Royalties in the form of a payment in kind, then the procedure described in paragraph (ii)(B) of the section entitled “Foreign Exchange Limitation” shall apply. The Province has agreed to legally contest any payment in kind and will use its best efforts to have the Dedicated Concessionaires resume payments of the Specified Royalties in cash. For all purposes under the Indenture, any cash proceeds received from the sale of the Specified Royalties that have been paid in kind, once deposited in any of the Argentine Collateral Account, the Payment Account, the Debt Service Reserve Account, the Argentine Dollar Debt Service Reserve Account, the Argentine Peso Debt Service Reserve Account, the Extraordinary Royalties Prepayment Account, the Argentine Extraordinary Royalties Account, the Trigger Event Prepayment Account or the Argentine Trigger Event Prepayment Account, as the case may be, shall be included in the calculation of the Royalties Coverage Amount. For the purposes

of calculation of the Royalties Coverage Amount, the Trustee shall provide to the Argentine Collateral Agent and to the Province, upon request, the amount in U.S. dollars of the next succeeding Scheduled Payment Amount, and the Argentine Collateral Agent shall calculate the Royalties Coverage Amount on the last Business Day of each Collection Period.

Amounts on deposit in the Argentine Collateral Account shall, subject to the section entitled “—Priority of Distributions,” be held on deposit therein and may be invested and re-invested from time to time at the written direction of the Province in Argentine Permitted Investments, which Argentine Permitted Investments will be held in the name and be under the sole control and dominion of the Argentine Collateral Agent. In the absence of such written direction, amounts held in the Argentine Collateral Account shall remain uninvested. The Argentine Collateral Agent shall have no liability for any losses resulting from any such Argentine Permitted Investments. The Province is entitled to make deposits in the Argentine Collateral Account at any time.

Payment Account

As further explained under the section entitled “—Priority of Distributions,” on each Determination Date, certain amounts deposited in the Argentine Collateral Account will, as promptly as practicable and to the extent permitted under Applicable Law, be converted into U.S. dollars and transferred by the Argentine Collateral Agent to a non-interest bearing trust account established by the Trustee (on behalf of the Province) in the City of New York (the “Payment Account”) for the payment of Administrative Claims, and principal and interest on the Notes, over which, pursuant to the New York Security Documents, the Trustee shall have sole and exclusive control and sole and exclusive right of withdrawal. On each Payment Date, the Trustee shall pay to the Holders the Scheduled Payment Amount (as defined below) from the Payment Account. Any amounts deposited in the Payment Account prior to or following a payment on a Payment Date shall be invested and re-invested from time to time at the written direction of the Province in Permitted Investments. In the absence of such written direction, amounts held in the Payment Account shall remain uninvested. The Trustee shall have no liability for any losses resulting from any such Permitted Investments. The Province is entitled to make deposits in the Payment Account at any time. All right, title and interest in and to all amounts on deposit from time to time in the Payment Account will be held for the benefit of the Holders and the Trustee, as their interests shall appear under the Indenture, and will not constitute payment of the Obligations (or any other obligations to which such funds are provided under the Indenture to be applied) until applied thereto as provided in the Indenture.

Priority of Distributions

To the extent permitted by Applicable Law, on each Determination Date, the Argentine Collateral Agent shall, through any local financial entity, (i) as promptly as practicable convert into U.S. dollars the lesser of (x) all of the Pesos on deposit in the Argentine Collateral Account (the “Available Peso Amount”) and (y) the amount of the Available Peso Amount which (A) is necessary for the Debt Service Reserve Account to be Fully Funded and (B) when converted into U.S. dollars and added to amounts in U.S. dollars then on deposit in the Payment Account, makes the balance in U.S. dollars in the Payment Account equal to the next succeeding Scheduled Payment Amount subject to the Collateral Release Threshold (the amounts so converted into U.S. dollars, the “Converted Royalties”), and (ii) transfer such Converted Royalties to the Payment Account and/or the Debt Service Reserve Account, as applicable; *provided* that no transfer of Converted Royalties to the Payment Account shall be required to be made for payment of the final Scheduled Payment Amount if the Debt Service Reserve Account is Fully Funded.

If Applicable Law or any governmental authority prevents the Argentine Collateral Agent or local financial entities from (a) transferring the requisite amount of Converted Royalties to the Debt Service Reserve Account in order that it may be Fully Funded (without giving effect to amounts on deposit in the Argentine Debt Service Reserve Accounts), then such portion of Converted Royalties shall be (i) transferred to the New York Guarantee Trust Account and (ii) subsequently and immediately transferred to the Debt Service Reserve Account, provided that if (i) above is not permitted by Applicable Law or any governmental authority, such portion of Converted Royalties shall be transferred to the Argentine Dollar Debt Service Reserve Account, and as soon as practicable, the U.S. dollars on deposit in the Argentine Dollar Debt Service Reserve Account will be transferred to the Debt Service Reserve Account or (b) converting such requisite amount of Pesos to U.S. dollars, then such portion of the Available Peso Amount necessary for the Debt Service Reserve Account to be Fully Funded shall be transferred to the Argentine Peso Debt Service Reserve Account, and as soon as permitted under Applicable Law or by the applicable governmental authority, the Pesos on deposit in the Argentine Peso Debt Service Reserve Account will be converted into U.S. dollars and transferred to the Debt Service Reserve Account, or if such transfer is not permitted, to the Argentine Dollar Debt Service Reserve Account or to the

New York Guarantee Trust Account, as applicable, and as soon as permitted under Applicable Law or by the applicable governmental authority, the U.S. dollars on deposit therein will be transferred to the Debt Service Reserve Account.

If Applicable Law or any governmental authority prevents the Argentine Collateral Agent or the intervening local financial entities from transferring the requisite amount of Converted Royalties to the Payment Account, then such portion of the Converted Royalties shall be (i) transferred to the New York Guarantee Trust Account and, as promptly as practicable, (ii) subsequently transferred to the Payment Account, provided that if (i) above is not permitted by Applicable Law or any governmental authority, such portion of Converted Royalties shall be transferred to the Argentine Dollar Escrow Account and, as soon as permitted under Applicable Law or by the applicable governmental authority, such U.S. dollars deposited in the Argentine Dollar Escrow Account shall be transferred to the Payment Account.

If the Debt Service Reserve Account is not Fully Funded immediately after the penultimate Payment Date, the Argentine Collateral Agent shall transfer to the Payment Account such amount of Converted Royalties that is equal to the difference between (x) the sum of the amount (if any) on deposit in the Payment Account and the amount on deposit in the Debt Service Reserve Account, immediately after the penultimate Payment Date and (y) the amount of the final Scheduled Payment Amount. The final Scheduled Payment Amount shall be paid with the funds on deposit in the Debt Service Reserve Account and, if such amounts are less than the Scheduled Payment Amount, the Payment Account.

On each Determination Date, if (i) the Debt Service Reserve Account is Fully Funded as described in the section entitled “—Allocations and Payments—Reserve Accounts,” (ii) the balance in the Argentine Collateral Account (assuming conversion of amounts in Pesos into U.S. dollars at the Applicable Exchange Rate on such Determination Date), when added to any amounts held in the Payment Account (such amounts as informed by the Trustee upon request from the Argentine Collateral Agent and including, for the avoidance of doubt, any amounts held in any other account in U.S. dollars opened and maintained by the Argentine Collateral Agent in Argentina or in the United States to which amounts converted into U.S. dollars may be transferred and held temporarily pending their transfer to the Payment Account), is equal to the next succeeding Scheduled Payment Amount, provided that, with respect to the amounts held in Pesos the balance should be equal to 1.35x the amounts required to convert such amounts into U.S. dollars at the Applicable Exchange Rate on such Determination Date (the “Collateral Release Threshold”), and (iii) so long as no Event of Default, Potential Event of Default or Trigger Event shall have occurred and be continuing, the Argentine Collateral Agent shall, immediately, (a) cease to convert and transfer funds to the Payment Account until the next Determination Date and (b) release to the Province all amounts in excess of the Collateral Release Threshold that are deposited prior to the next Determination Date in the Argentine Collateral Account (such amounts referred to in this section (b), the “Excess Collections”).

Notwithstanding the immediately preceding paragraph, in the event that a Prepayment Event and/or a Trigger Event shall have occurred and be continuing, the Argentine Collateral Agent shall proceed as described in the sections entitled “Extraordinary Royalties Prepayment Account and Argentine Extraordinary Royalties Prepayment Account” and “Trigger Event Prepayment Account and Argentine Trigger Event Prepayment Account,” as applicable. Beginning with the first payment of Specified Royalties in the next Collection Period, the Argentine Collateral Agent will resume the conversion and transfer of funds as described above.

Debt Service Reserve Accounts

The Trustee (on behalf of the Province) will establish and maintain in the United States a U.S. dollar-denominated account, which account is a non-interest bearing trust account (the “Debt Service Reserve Account”). The Debt Service Reserve Account will be pledged to the Trustee for the benefit of the Holders and the Trustee pursuant and subject to the New York Security Documents, which provide for the Trustee to have sole and exclusive control and exclusive right of withdrawal. In addition, the Argentine Collateral Agent shall maintain in the City of Buenos Aires a Peso-denominated account (the “Argentine Peso Debt Service Reserve Account”) and a U.S. dollar-denominated account (the “Argentine Dollar Debt Service Reserve Account,” and together with the Argentine Peso Debt Service Reserve Account, the “Argentine Debt Service Reserve Accounts”). The Argentine Debt Service Reserve Accounts will be subject to the fiduciary assignment under the Argentine Collateral Trust.

The Debt Service Reserve Account shall at all times on and following the first Payment Date be required to be “Fully Funded.” On each Determination Date, to the extent permitted by Applicable Law, the Argentine Collateral Agent shall convert and transfer, through any local financial entity, to the Debt Service Reserve Account any U.S. dollar amounts

required for it to be Fully Funded from the Argentine Collateral Account as further explained under the section entitled “—Priority of Distributions.”

In the event of any kind of foreign exchange limitation, restriction or prohibition in Argentina such that the Argentine Collateral Agent, through any local financial entity, is unable to:

- (i) convert the amounts deposited in the Argentine Collateral Account into U.S. dollars, *then* the Argentine Collateral Agent shall transfer to the Argentine Peso Debt Service Reserve Account an amount in Pesos such that when converted into U.S. dollars at the Applicable Exchange Rate on the relevant Determination Date, are in an amount equal to make or maintain the Debt Service Reserve Account (including, for the avoidance of doubt, any amounts on deposit in the Argentine Dollar Debt Service Reserve Account), Fully Funded, or
- (ii) transfer such amounts so converted into the Debt Service Reserve Account, *then* the Argentine Collateral Agent shall transfer such converted amounts into the Argentine Dollar Debt Service Reserve Account, in an amount equal to make or maintain the Debt Service Reserve Account (not including, for the avoidance of doubt, any amounts on deposit in the Argentine Peso Debt Service Reserve Account) Fully Funded

(each such restriction to convert or transfer described in (i) and (ii) above, an “FX Limitation Event”), *then* as promptly as permitted by Applicable Law, the Argentine Collateral Agent will, in the case of (i) convert, through any local financial entity, such amounts in Pesos held on deposit in the Argentine Peso Debt Service Reserve Account into U.S. dollars, and transfer them to and deposit them in, the Debt Service Reserve Account or, to the extent the Argentine Collateral Agent is not permitted to do so under Applicable Law, into the Argentine Dollar Debt Service Reserve Account, or in the case of (ii), transfer the amounts in U.S. dollars held in deposit in the Argentine Dollar Debt Service Reserve Account to, and deposit them in, the Debt Service Reserve Account.

On each Determination Date and on each Payment Date, upon request from the Trustee, the Argentine Collateral Agent shall inform the Trustee about the balance on deposit in the Argentine Debt Service Reserve Accounts (assuming conversion of the held amounts in Pesos in the Argentine Peso Debt Service Reserve Account at the Applicable Exchange Rate on the relevant Determination Date). On each Determination Date and on each Payment Date, if (i) no Event of Default, Potential Event of Default, Trigger Event or FX Limitation Event of which a responsible officer of the Trustee has actual knowledge has occurred and is continuing, and (ii) the Debt Service Reserve Account is Fully Funded; then, the Trustee shall, as soon as practicable, release or instruct the Argentine Collateral Agent to release, as the case may be, any amounts in the Reserve Accounts that are in excess for the Debt Service Reserve Account to be Fully Funded, with such amounts to be released (x) first, if applicable, by the Argentine Collateral Agent from the Argentine Peso Debt Service Reserve Account, (y) second, if applicable, by the Argentine Collateral Agent from the Argentine Dollar Debt Service Reserve Account, and/or (z) third, if applicable, by the Trustee from the Debt Service Reserve Account; in each case, to the account designated by the Province in writing.

The Debt Service Reserve Account shall be deemed to be “Fully Funded” so long as, at any time, the funds on deposit therein (together with (x) the amount on deposit in the Argentine Peso Debt Service Reserve Account, converted to U.S. dollars at the Applicable Exchange Rate and (y) the amount on deposit in the Argentine Dollar Debt Service Reserve Account on the date of determination) are at least equal to:

- (i) from (and including) the first Payment Date to (but excluding) the first day of the 5th Collection Period, the amount of interest due under the Notes on the Scheduled Payment Date following the applicable Determination Date;
- (ii) from (and including) the first day of the 5th Collection Period to (but excluding) the first day of the 6th Collection Period, the amount of interest due under the Notes on the Scheduled Payment Date following the applicable Determination Date plus an amount equal to 33% of the next succeeding Amortization Amount;
- (iii) from (and including) the first day of the 6th Collection Period to (but excluding) the first day of the 7th Collection Period, the amount of interest due under the Notes on the Scheduled Payment Date following the applicable Determination Date plus an amount equal to 66% of the next succeeding Amortization Amount; and
- (iv) from (and including) the first day of the 7th Collection Period to (and including) the final Payment Date, an amount equal to interest due under the Notes on the next succeeding Scheduled Payment Date following the date of determination plus an amount equal to 100% of the next succeeding Amortization Amount.

The Debt Service Reserve Account shall be deemed Fully Funded for all purposes under the Notes and the Indenture if the Province has effected the funding in the manner and amounts herein described. The term “Fully Funded” when used as a verb has a correlative meaning. The Province will be entitled to make deposits directly to any of the Debt Service Reserve Account and the Argentine Debt Service Reserve Accounts at any time.

All right, title and interest in and to all amounts on deposit from time to time in the Debt Service Reserve Account and the Argentine Debt Service Reserve Accounts will be held for the benefit of the Secured Parties and will not constitute payment of the Obligations (or any other obligations to which such funds are provided under the Indenture to be applied) until applied thereto as provided in the Indenture.

The Trustee will invest and re-invest from time to time, at the specific written direction of the Province, amounts on deposit in the Debt Service Reserve Account in Permitted Investments. In the absence of such directions, amounts held in the Debt Service Reserve Account shall remain uninvested. The Trustee shall have no liability for any losses resulting from any such Permitted Investments. Similarly, amounts deposited in the Argentine Debt Service Reserve Accounts shall be invested and re-invested from time to time at the written direction of the Province in Argentine Permitted Investments. In the absence of such directions, amounts held in the Argentine Debt Service Reserve Accounts shall remain uninvested. The Argentine Collateral Agent shall have no liability for any losses resulting from any such Argentine Permitted Investments.

Payment

Principal of, and interest on, the Notes will be payable from the Payment Account at the office or agency of the Trustee to persons in whose name the Notes are registered. If on the Business Day that is five Business Days prior to any Payment Date the amount on deposit in the Payment Account is less than the Scheduled Payment Amount due on such Payment Date, the Trustee shall, no later than three Business Days prior to such Payment Date, before 10:00 a.m. (New York time), receive from the Argentine Collateral Agent who shall withdraw and transfer

- (i) to the extent permitted by Applicable Law, from the Argentine Peso Debt Service Reserve Account, and so long as the conversion into U.S. dollars or the transfer of such amounts from the Argentine Peso Debt Service Reserve Account is not permitted and/or such amounts so converted are insufficient to cover the Scheduled Payment Amount, to the extent permitted by Applicable Law, from the Argentine Dollar Debt Service Reserve Account; *provided* that to the extent the transfer of such amounts from the Argentine Dollar Debt Service Reserve Accounts is not permitted and/or such amounts are insufficient to cover the Scheduled Payment Amount, the Trustee shall withdraw the necessary amounts from the Debt Service Reserve Account, and
- (ii) deposit in the Payment Account, an amount equal to the lesser of (x) the amounts on deposit in the Debt Service Reserve Account, the Argentine Dollar Debt Service Reserve Account and/or the Argentine Peso Debt Service Reserve Account (the U.S. dollar equivalent of which will be calculated by the Argentine Collateral Agent using the Applicable Exchange Rate as of the date of determination), as applicable, and (y) the difference between (i) the amount of such Scheduled Payment Amount and (ii) the amount deposited in the Payment Account. If such funds in the Payment Account are insufficient to pay the next Scheduled Payment Amount, the Province shall be obligated to pay in U.S. dollars any shortfall promptly.

Payment of principal and interest on Notes in global form registered in the name of or held by DTC or its nominee will be made in immediately available funds to DTC or its nominee, as the case may be, as the registered Holder of the global Notes. If any of the Notes is no longer represented by a Global Note, payment of principal and interest on any Notes in physical, certificated form may, at the Province’s option, be made by check mailed directly to Holders at their registered addresses.

The Province will maintain a principal paying agent, a transfer agent and a registrar in the United States. If the Notes are issued in definitive form, then the Issuer will also appoint a paying agent in Luxembourg. The Province will also give prompt notice to all Holders of any future appointment or any resignation or removal of any paying agent, transfer agent, registrar, co-registrar or co-paying agent or of any change by any paying agent, transfer agent, registrar, co-registrar or co-paying agent in any of its specified offices. Initially, the Trustee will act as Paying Agent and Registrar for the Notes. The Province may change the Paying Agent and Registrar without notice to Holders. Except as required by the practices and procedures of DTC as depositary, payments on the Notes will be made at the office or agency of the Paying Agent in New York City.

If any date for an interest or principal payment is not a Business Day, the Payment Date shall fall on the next succeeding Business Day, and no additional interest shall be paid due to such deferral.

As used herein, “Business Day” means any day that is not a Saturday or Sunday, and that is not a day on which banking or trust institutions are authorized generally or obligated by law, regulation or executive order to close in the City of New York or the City of Buenos Aires.

Claims against the Province for the payment of principal of, or interest on, the Notes (including Additional Amounts, as defined herein) must be made within five and two years, respectively, from the due date for payment thereof.

Extraordinary Royalties Prepayment Account and Argentine Extraordinary Royalties Prepayment Account

The Trustee (on behalf of the Province) will establish an account with the Account Bank in the City of New York, which shall be a U.S. dollar denominated non-interest bearing trust account (the “Extraordinary Royalties Prepayment Account”), to be used for the partial payment of the principal owed by the Province under the outstanding Notes. Pursuant to the New York Security Documents, (i) the Trustee will have sole and exclusive control and sole and exclusive right of withdrawal with respect to the Extraordinary Royalties Prepayment Account, and (ii) all right, title and interest in and to all amounts on deposit from time to time in the Extraordinary Royalties Prepayment Account will be pledged to the Trustee and held for the benefit of the Secured Parties, as their interests shall appear under the Indenture. Any amounts deposited in the Extraordinary Royalties Prepayment Account shall be invested and re-invested from time to time at the specific written direction of the Province in Permitted Investments. The Trustee shall have no liability for any losses resulting from any such Permitted Investments. In the absence of such directions, amounts held in the Extraordinary Royalties Prepayment Account shall remain uninvested.

On or before the Issue Date, the Argentine Collateral Agent shall establish an account in the City of Buenos Aires (the “Argentine Extraordinary Royalties Prepayment Account”), which shall be subject to the fiduciary assignment under the Argentine Collateral Trust. Any amounts deposited in the Argentine Extraordinary Royalties Prepayment Account shall be invested and re-invested from time to time at the written direction of the Province in Argentine Permitted Investments. In the absence of such directions, amounts held in the Argentine Extraordinary Royalties Prepayment Account shall remain uninvested. The Argentine Collateral Agent shall have no liability for any losses resulting from any such Argentine Permitted Investments.

Prepayment Events

If during any Collection Period beginning 12 months after the Issue Date, both (i) the Reserve Adequacy Ratio is less than the applicable Minimum Reserve Adequacy Ratio and (ii) the Production Ratio is greater than 2.5, then the simultaneous occurrence of both such events shall constitute a “Prepayment Event.”

The Province shall immediately notify the Trustee and the Argentine Collateral Agent in writing upon becoming aware of a Prepayment Event. During each Collection Period following the Collection Period in which a Prepayment Event shall have occurred, the Argentine Collateral Agent shall (a) convert an amount equal to fifty percent (50%) of all Excess Collections into U.S. dollars (the amounts so converted, the “Extraordinary Royalties”), (b) as promptly as possible and to the extent permitted by Applicable Law, transfer such Extraordinary Royalties from the Argentine Collateral Account to the Extraordinary Royalties Prepayment Account and (c) convert into U.S. dollars and transfer all other Excess Collections to the Trigger Event Prepayment Account for application in accordance with “—Trigger Event Prepayment Account and Argentine Trigger Event Prepayment Account.”

To the extent the Argentine Collateral Agent is not permitted by Applicable Law to proceed as described in the preceding paragraph, then the Argentine Collateral Agent shall: (a) transfer an amount equal to fifty percent (50%) of all Excess Collections from the Argentine Collateral Account to the Argentine Extraordinary Royalties Prepayment Account, (b) as promptly as practicable and to the extent permitted by Applicable Law, convert such Excess Collections held in the Argentine Extraordinary Royalties Prepayment Account into the Extraordinary Royalties, (c) as promptly as practicable and to the extent permitted by Applicable Law, transfer such Extraordinary Royalties to the Extraordinary Royalties Prepayment Account and (d) transfer all other Excess Collections to the Argentine Trigger Event Prepayment Account for application in accordance with “—Trigger Event Prepayment Account and Argentine Trigger Event Prepayment Account.” The Province may instruct the Argentine Collateral Agent to effect the transactions referred to in

clauses (b) and (c) of the previous sentence under any alternative mechanism permitted by Applicable Law, *provided* that the Province shall bear all costs and expenses arising therefrom.

If a Prepayment Event shall occur and be continuing, all amounts on deposit in the Extraordinary Royalties Prepayment Account and the Argentine Extraordinary Royalties Prepayment Account shall be used, on the next succeeding Scheduled Payment Date, to partially prepay the principal owed by the Province under the outstanding Notes, in reverse order of maturity. Interest on the Notes shall be recalculated accordingly.

On the date that a Prepayment Event first ceases to continue (the “Prepayment Event Cure Date”), the Argentine Collateral Agent shall, as applicable, cease to transfer Extraordinary Royalties directly to the Extraordinary Royalties Prepayment Account and deposit Excess Collections into the Argentine Extraordinary Royalties Prepayment Account and to convert into U.S. dollars any amounts deposited therein as set forth above. In order to cause a Prepayment Event to cease to continue, the Argentine Collateral Agent and the Trustee must receive either (i) a Reserves Certificate, which demonstrates on a pro forma basis that the Reserve Adequacy Ratio is no longer less than the applicable Minimum Reserve Adequacy Ratio, or (ii) notice from the Province demonstrating that the Production Ratio corresponding to the most recently ended Collection Period (which Collection Period must have ended following the occurrence of such Prepayment Event) is less than or equal to 2.5.

Provided that no Trigger Event, Event of Default or Potential Event of Default shall have occurred and be continuing, immediately following the occurrence of the Prepayment Event Cure Date, any funds remaining on deposit in the Extraordinary Royalties Prepayment Account and the Argentine Extraordinary Royalties Prepayment Account, and any Excess Collections on deposit in the Argentine Collateral Account, shall, in each case, immediately, be released to such account as the Province shall designate in writing.

Trigger Event Prepayment Account and Argentine Trigger Event Prepayment Account

The Trustee (on behalf of the Province) will establish an account with the Account Bank in the City of New York, which account shall be a U.S. dollar denominated, non-interest bearing trust account (the “Trigger Event Prepayment Account”), to be used for the partial payment of the principal owed by the Province under the outstanding Notes. Pursuant to the New York Security Documents, (i) the Trustee will have sole and exclusive control and sole and exclusive right of withdrawal with respect to the Trigger Event Prepayment Account, and (ii) all right, title and interest in and to all amounts on deposit from time to time in the Trigger Event Prepayment Account will be pledged to the Trustee and held for the benefit of the Secured Parties, as their interests shall appear under the Indenture. Any amounts deposited in the Trigger Event Prepayment Account shall be invested and re-invested from time to time at the specific written direction of the Province in Permitted Investments. The Trustee shall have no liability for any losses resulting from any such Permitted Investments. In the absence of such directions, amounts held in the Trigger Event Prepayment Account shall remain uninvested.

The Argentine Collateral Agent shall establish an account in the City of Buenos Aires (the “Argentine Trigger Event Prepayment Account”), which shall be subject to the fiduciary assignment under the Argentine Collateral Trust. Any amounts deposited in the Argentine Trigger Event Prepayment Account shall be invested and re-invested from time to time at the written direction of the Province in Argentine Permitted Investments. The Argentine Collateral Agent shall have no liability for any losses resulting from any such Argentine Permitted Investments. In the absence of such directions, amounts held in the Argentine Trigger Event Prepayment Account shall remain uninvested.

Trigger Events

The occurrence of any of the following events shall constitute a “Trigger Event” under the Indenture:

- (i) If the Reserve Adequacy Ratio shall be less than the applicable Minimum Reserve Adequacy Ratio; or
- (ii) If the Royalties Coverage Amount shall be less than 1.35x.

The Province shall immediately notify the Argentine Collateral Agent and the Trustee in writing upon becoming aware of any circumstance that constitutes a Trigger Event as set forth above. For the purposes of calculation of the Royalties Coverage amount, the Trustee shall provide to the Argentine Collateral Agent and to the Province, upon request, the amount in U.S. dollars of the next succeeding Scheduled Payment Amount, and the Argentine Collateral Agent shall calculate the Royalties Coverage Amount on the last Business Day of each Collection Period. Immediately upon the occurrence and during the continuance of a Trigger Event, the Argentine Collateral Agent shall, as promptly as permitted

under Applicable Law, convert all Excess Collections in the Argentine Collateral Account into U.S. dollars and transfer such Excess Collections to the Trigger Event Prepayment Account, *provided* that, in the event that a Prepayment Event shall have occurred and be continuing, of which a responsible officer of the Trustee has actual knowledge, all Extraordinary Royalties shall be deposited in the Extraordinary Royalties Prepayment Account as described under “—Payment—Extraordinary Royalties Prepayment Account and Argentine Extraordinary Royalties Prepayment Account.” To the extent the Argentine Collateral Agent is not permitted to proceed as described in the preceding sentence, then the Argentine Collateral Agent shall transfer all Excess Collections to the Argentine Trigger Event Prepayment Account. Upon receipt of Excess Collections into the Argentine Trigger Event Prepayment Account, the Argentine Collateral Agent shall, as promptly as is permitted under Applicable Law, convert all such Excess Collections into U.S. dollars and transfer them to the Trigger Event Prepayment Account, *provided* that, in the event that a Prepayment Event shall have occurred and be continuing, of which a responsible officer of the Trustee has actual knowledge, all Extraordinary Royalties shall be deposited in the Argentine Extraordinary Royalties Prepayment Account and transferred to the Extraordinary Royalties Prepayment Account as described under “—Payment—Extraordinary Royalties Prepayment Account and Argentine Extraordinary Royalties Prepayment Account.”

The Province shall provide the Argentine Collateral Agent and the Trustee with the latest Reserves Certificate available, which shall be calculated on a pro forma basis as of each Payment Date. Should any Trigger Event not be cured within the 180-day period following the date upon which the Trustee receives written notice of the occurrence thereof, all amounts on deposit in the Debt Service Reserve Account, the Argentine Dollar Debt Service Reserve Account, the Argentine Peso Debt Service Reserve Account (but, in each case, only to the extent there are any funds in excess of the amounts necessary for the Debt Service Reserve Account to be “Fully Funded”), the Trigger Event Prepayment Account, the Argentine Trigger Event Prepayment Account, the Extraordinary Royalties Prepayment Account and/or the Argentine Extraordinary Royalties Prepayment Account (and in the case of any amounts standing to the credit of the Argentine Debt Service Reserve Accounts, the Argentine Trigger Event Prepayment Account and the Argentine Extraordinary Royalties Prepayment Account, to the extent permitted by Applicable Law), in each case, shall be used, on such date, if it is a Payment Date, or on the next Payment Date, as the case may be, to partially prepay the principal owed by the Province under the outstanding Notes, in reverse order of maturity, until the Trigger Cure Date (as defined below). Interest on the Notes shall be recalculated accordingly.

On the date that a Trigger Event first ceases to continue (the “Trigger Cure Date”) and the Province gives notice thereof to the Trustee and the Argentine Collateral Agent, and *provided* that no Event of Default or Potential Event of Default shall have occurred and be continuing, (a) the Argentine Collateral Agent shall cease to convert into U.S. dollars the Excess Collections and deposit such Excess Collections in the Trigger Event Prepayment Account, and shall release to the Province, immediately, all Excess Collections on deposit in the Argentine Collateral Account and all amounts on deposit in the Argentine Trigger Event Prepayment Account, *provided* that if a Prepayment Event shall have occurred and be continuing, the provisions contained in the section entitled “—Extraordinary Royalties Prepayment Account and Argentine Extraordinary Royalties Prepayment Account” shall apply and (b) the Trustee shall release to the Province all amounts on deposit in the Trigger Event Prepayment Account, in each case, to such account as the Province shall designate in writing. In order to cause a Trigger Event to cease to continue with respect to an event specified in (i) above, the Argentine Collateral Agent and the Trustee must each receive a copy of the most recent Reserves Certificate, demonstrating on a pro forma basis that the Reserve Adequacy Ratio is no longer less than the applicable Minimum Reserve Adequacy Ratio. A Trigger Event will be considered to have ceased to continue with respect to an event specified in (ii) above once the Trustee and the Argentine Collateral Agent receive a notice from the Province demonstrating that the Royalties Coverage Amount, as calculated by the Province on the date of such notice, is equal to or greater than 1.35x.

Conversion of Pesos into U.S. dollars

For purposes of the conversion of the Pesos into U.S. dollars as required by the terms of the Notes and the Argentine Trust Agreement, the Argentine Collateral Agent shall effect such conversion as early as practicable to the extent permitted by Applicable Law, including, without limitation, any applicable Central Bank regulations governing access to the foreign exchange market for payment of external indebtedness, and the regulations allowing access to the foreign exchange market for the purchase of U.S. dollars without a specific allocation (*atesoramiento*) under Communication “A” 6,037 (as amended and/or supplemented) issued by the Argentine Central Bank, or any other regime allowing the Argentine Collateral Agent to effect such conversion, in force as of the date hereof and from time to time, as the case may be. The ability of the Argentine Collateral Agent to transfer the converted amounts outside of Argentina will be

subject to the ability of the Argentine Collateral Agent to comply with any other applicable requirement to effect such transfer, including the ability to open an account in the United States in the name of the Argentine Collateral Trust. For such purposes, the Argentine Collateral Agent shall be entitled to open and maintain accounts in U.S. dollars in Argentina or in the United States as may be necessary, to which the converted amounts may be transferred and held temporarily pending their transfer to the relevant account as provided herein and in the Argentine Collateral Trust. The Argentine Trust Agreement will provide that the Argentine Collateral Agent shall open and maintain the New York Guarantee Trust Account, a U.S. dollar denominated New York account, at Bank of New York Mellon.

Coordination Between the Trustee and the Argentine Collateral Agent

Each of the Trustee and Argentine Collateral Agent shall consult with one another and promptly provide any available information needed by the other party to comply with the provisions of the Indenture and the Argentine Trust Agreement, respectively. Each of the Trustee and the Argentine Collateral Agent shall, promptly upon a responsible officer having actual knowledge of an Event of Default, Potential Event of Default, Trigger Event or Prepayment Event, in each case, communicate and coordinate with the other party in order to facilitate compliance with any of their respective obligations arising as a result of such event. Neither the Trustee nor the Argentine Collateral Agent and their responsible officers shall be deemed to have notice or actual knowledge of any Default, Event of Default (other than a payment default if the Trustee is acting as principal paying agent), Potential Event of Default, Trigger Event, FX Limitation Event or Prepayment Event unless written notice of any such event which is in fact such a Default, Event of Default, Potential Event of Default, Trigger Event, FX Limitation Event or Prepayment Event is received by a responsible officer of the Trustee at the Corporate Trust Office of the Trustee and the Argentine Collateral Agent, and such notice references the Indenture and the Notes and states on its face that it is a notice of such Default, Event of Default, Potential Event of Default, Trigger Event, FX Limitation Event or Prepayment Event.

Reduction of Assigned Percentage

On each Collateral Reduction Determination Date, to the extent that:

- (i) no Event of Default, Potential Event of Default, FX Limitation Event, Prepayment Event or Trigger Event has occurred and is continuing; and
- (ii) the Reserve Adequacy Ratio has exceeded the Minimum Reserve Adequacy Ratio during the immediately preceding Collateral Reduction Determination Period;

then, the Assigned Percentage to be applied to the Specified Royalties shall be reduced as necessary so that on a pro forma basis the Adjusted Royalties Coverage Amount, as duly adjusted for the relevant reduction of the Assigned Percentage, equals or exceeds 3.0x on such Collateral Reduction Determination Date; *provided however*, that

- (a) from (and including) the First Collateral Reduction Determination Date and to (but excluding) the fourth Collateral Reduction Determination Date, the Assigned Percentage may be reduced by at most 2.5% of the Base Specified Royalties;
- (b) on the fourth Collateral Reduction Determination Date, by a percentage of up to 7.5% of the Base Specified Royalties; and
- (c) from (and including) the fifth Collateral Reduction Determination Date and to the final Collateral Reduction Determination Date, the Assigned Percentage may be reduced by at most 10.0% of the Base Specified Royalties on each of such Collateral Reduction Determination Dates; provided further that, commencing on the fifth Collateral Reduction Determination Date, on each Collateral Reduction Determination Date, if the Adjusted Royalties Coverage Amount has equaled or exceeded 6.0x, the Assigned Percentage shall be further reduced up to a percentage such that when giving effect to any reduction on the relevant Collateral Reduction Determination Date, on a pro forma basis, the Adjusted Royalties Coverage Amount has equaled or exceeded 4.0x.

Upon request of the Argentine Collateral Agent, the Trustee shall provide to the Argentine Collateral Agent and to the Province the amount in U.S. dollars of the Scheduled Payment Amounts payable during the next succeeding Collateral Reduction Determination Period; and upon delivery by the Province to the Argentine Collateral Agent of a certificate stating that the conditions for a reduction of the Assigned Percentage of Specified Royalties have been met (in the form attached to the Argentine Trust Agreement), the Argentine Collateral Agent will provide a notice, in the form attached to the

Argentine Trust Agreement, to each Dedicated Concessionaire informing of the percentage of Specified Royalties to be deposited by such Dedicated Concessionaire into the Argentine Collateral Account and the percentage to be delivered directly to the Province.

Transfer, Exchange and Replacement of Notes

When any Holder surrenders Notes for transfer or exchange for Notes of a different denomination, the Trustee or the transfer agent, as the case may be, will authenticate and deliver to such Holder Notes of the appropriate form and denomination and of the same aggregate principal amount as the Notes that such Holder is surrendering. The Holder will not be charged a fee for the registration of transfers or exchanges of Notes. However, such Holder may be charged for any stamp tax or other governmental or insurance charges that must be paid in connection with the transfer, exchange or registration of transfer of Notes. The Province, the Trustee and any other agent appointed by the Trustee or the Province may treat the person in whose name any Note is registered as the owner of such Note for all purposes.

If any Note becomes mutilated, destroyed, stolen or lost, the Holders can replace it by delivering the Note or evidence of its loss, theft or destruction to the Trustee. The Province and the Trustee may require such Holders to sign an indemnity under which such Holders agree to pay the Province, the Trustee or any other agent appointed by the Trustee for any losses they may suffer relating to the Note that was mutilated, destroyed, stolen or lost. The Province and the Trustee may also require such Holders to present other documents or proof. After such Holders deliver these documents, if neither the Province nor the Trustee has notice that a protected purchaser has acquired the Note that such Holders are exchanging, the Province will execute, and the Trustee will authenticate and deliver to such Holders, a substitute Note with the same terms as the Note such Holders are exchanging. Such Holders will be required to pay all expenses and reasonable charges associated with the replacement of this definitive security.

In case any mutilated, destroyed, stolen or lost Note has become or will become due and payable within 15 calendar days following its delivery to the Trustee for replacement, the Province may pay such Note instead of replacing it.

Redemption

Optional Redemption by Holders

The Notes shall not be subject to redemption at the option of the Holders.

Tax Redemption by the Province

The Notes may be redeemed, in whole but not in part, upon giving no fewer than 30 and no more than 60 days' notice to the Holders (which notice will be irrevocable), at the Province's option at a redemption price equal to 100% of the outstanding principal amount of the Notes, plus accrued and unpaid interest to the redemption date and any Additional Amounts, if, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of Argentina or any other Relevant Taxing Jurisdiction (other than the Province or any political subdivision or taxing authority thereof), or any change in the official application, administration or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction) in Argentina, or any other Relevant Taxing Jurisdiction other than, for the avoidance of doubt, the Province or any political subdivision or taxing authority thereof, that the Province has or will become obligated to pay Additional Amounts, if such change or amendment is announced and will become effective on or after the issue date of the Notes (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the issue date of the Notes, after such later date) and such obligation cannot be avoided by the Province taking reasonable measures available to it (including, without limitation, taking reasonable measures to change the paying agent; *provided*, however, that such change shall not require the Province to incur material additional costs, or legal or regulatory burdens); *provided that* no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Province would be obligated to pay such Additional Amounts, were a payment in respect of the Notes then due. Prior to the giving of notice of redemption of Notes pursuant to the Indenture, the Province will deliver to the Trustee an officer's certificate to the effect that the Province is or at the time of the redemption will be entitled to effect such a redemption pursuant to the Indenture, and setting forth in reasonable detail the circumstances giving rise to such right of redemption. The officer's certificate will be accompanied by a written opinion of recognized counsel in the relevant jurisdiction independent of the Issuer to the effect, among other things, that:

- (i) the Province is, or is expected to become, obligated to pay such Additional Amounts as a result of a change or amendment, as described above; and
- (ii) all governmental approvals necessary for the Province to effect the redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained.

Ranking

The Notes are direct, general, unconditional and unsubordinated obligations of the Province, entitled to the benefit and security of the assets of the Collateral.

Additional Amounts

Under current law, payments of principal of and interest on the Notes made to Holders that are local and foreign individuals or foreign entities are not subject to withholding or deduction of any taxes, duties, assessments or governmental charges of whatever nature in the Province or Argentina. See “Taxation.” The Province will make payments of principal and stated interest in respect of the Notes without withholding or deduction for any present or future taxes, duties, levies, contributions, withholdings or transfer expenses of whatever nature and interest, penalties and fines in respect thereto in effect on the issue date or imposed or established in the future by or on behalf of the Province, Argentina or any jurisdiction in which the Province maintains a payment agent or any authority thereof or therein having the power to tax (together, the “Relevant Taxing Jurisdictions”), unless the Province is compelled by law, decree or resolution to so deduct or withhold (the “Relevant Jurisdiction Taxes”). In the event any such Relevant Jurisdiction Taxes are so imposed or levied, the Province will pay or cause to be paid the additional amounts (“Additional Amounts”) necessary to ensure that the net amounts receivable by the Holders after any payment, withholding or deduction in respect of such tax or liability shall equal the respective amounts of principal and interest which would have been received in respect of the Notes, as the case may be, in the absence of such Relevant Jurisdiction Tax; except that no Additional Amounts shall be payable with respect to any Note:

- (i) to a Holder or beneficial owner (or between a fiduciary, settler, beneficiary, member or shareholder of such Holder or beneficial owner, if such Holder or beneficial owner is an estate, a trust, a partnership, a limited liability company or a corporation, or to a third party on behalf of a Holder) where such Holder (or such fiduciary, settler, beneficiary, member or shareholder) is liable to pay such taxes in respect of such Note by reason of its having a present or former connection with the Relevant Taxing Jurisdictions (including, without limitation, such Holder or beneficial owner (or such fiduciary, settler, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein), other than the mere holding of such Note, enforcing rights under such Note, or the receipt of the relevant payment in respect thereof;
- (ii) if the Holder has failed to present such Note for payment (where presentation is required by the terms of the Note) within 30 days from the relevant date that Holders receive notice in accordance with the Indenture that the payment is available, except to the extent that the Holder thereof would have been entitled to Additional Amounts on presenting the same for payment on the last day of such period of 30 days;
- (iii) to the extent such Additional Amounts are owed due to the Holder or beneficial owner having failed to comply with any certification, identification, information, documentation or other reporting requirement concerning nationality, residence or identity if (a) such compliance is required by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or reduction in the rate of, deduction or withholding of any Relevant Jurisdiction Taxes for which the Province is required to pay Additional Amounts and (b) at least 30 days prior to the first Payment Date with respect to which the Province shall apply this clause (iii), the Province shall have notified the Holder or beneficial owner that the Holder or beneficial owner will be required to comply with such requirement; *provided*, however, that the exclusion set forth in this clause (iii) shall not apply in respect of any certification, identification, information, documentation or other reporting requirement if such requirement would be materially more onerous, in form, in procedure or in the substance of information disclosed, to the Holder or beneficial owner than comparable information or other reporting requirements imposed under U.S. tax law, regulation and administrative practice (such as IRS Forms W-8BEN and W-9);

- (iv) in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or similar tax, assessment or governmental charge;
- (v) in respect of any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest on the Notes;
- (vi) with respect to any combination of (i) (ii), (iii), (iv) or (v) herein.

As used herein, “issue date” shall mean April 17, 2017. As used herein, “relevant date” shall mean the later of the date on which any payment in respect of any Note first becomes due or (if the full amount of the money payable has not been received by the Trustee or any paying agent on or prior to such due date) the date on which notice is duly given to Holders in accordance with the Indenture that such monies have been so received and are available for payment.

In the event any such Relevant Jurisdiction Taxes are so imposed or levied, the Province will also (i) make such withholding or deduction and (ii) remit the full amount withheld or deducted to the relevant taxing authority in accordance with Applicable Law. Upon written request from the Trustee, the Province will furnish to the Trustee, within 30 Business Days after the date of payment of any such taxes, certified copies of tax receipts or, if such receipts are not obtainable, documentation reasonably satisfactory to the Trustee evidencing such payment by the Province. Upon written request of a Holder to the Trustee, copies of such receipts or other documentation, as the case may be, will be made available to the Holder. At least five Business Days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Province has actual knowledge that it is then obligated to pay Additional Amounts with respect to such payment, the Province will deliver to the Trustee an officials’ certificate (in form satisfactory to the Trustee) stating that Additional Amounts will be payable, the amounts so payable and setting forth such other information necessary to enable the Trustee to pay such Additional Amounts to Holder of Notes on the relevant payment date.

The Trustee, the Collateral Agent and any paying agent shall have the right to withhold or deduct any amounts payable in respect of taxes from any distributions made by it and shall have no obligation to gross-up or pay any Additional Amounts to any party in respect of any amounts so withheld or deducted.

The Province has agreed to pay all stamp or other documentary taxes or other duties of similar nature, if any, which may be imposed by the Relevant Taxing Jurisdictions with respect to the execution and delivery of the New York Security Documents and the Argentine Trust Agreement, the issuance of the Notes or the creation, performance, enforcement or otherwise, in connection with the New York Security Agreements and the Argentine Collateral Trust. The Province has also agreed to indemnify the Trustee and the Holders from and against all stamp, issue, registration, documentary or court taxes or other similar taxes and duties, including interest and penalties, paid by any of them in any jurisdiction in connection with any action taken by the Trustee, DTC, the common depository for the Euroclear System (“Euroclear”) and/or Clearstream Banking, *société anonyme*, Luxembourg (“Clearstream Luxembourg”), or the Holders to enforce the obligations of the Province under the Notes.

All references in this offering memorandum to principal of or interest on the Notes will include any Additional Amounts payable by the Province in respect of such principal or interest.

The Province has also agreed to pay any tax on debits and credits, income tax or minimum presumed income tax, or any tax of similar nature to the ones mentioned before, applicable to the Argentine Collateral.

The foregoing obligations shall survive any termination, defeasance or discharge of the Notes and the Indenture.

Covenants

Payment of Principal and Interest

The Province will duly and punctually pay the principal of and interest on the Notes in accordance with the terms of the Notes, the Indenture and the Argentine Trust Agreement.

Government Approvals

The Province will duly obtain all material governmental approvals, consents or licenses that are necessary under the laws of Argentina and the Province for the execution, delivery and performance of the New York Security Documents, the Argentine Trust Agreement and any Notes by the Province or for the validity or enforceability thereof, including, without limitation, any authorization that may be required by the Argentine Central Bank.

Certificates and Reports

The Province shall provide the Trustee and the Argentine Collateral Agent: (i) a Reserves Certificate, within 60 days after the end of each calendar year; (ii) a Production Certificate, on the 30th day of each calendar month after the closing date; (iii) as soon as available but in any event no later than 90 days after approval by the legislature of the Province, a copy of the Province's budget and statement of revenues for each calendar year, as approved by the legislature of the Province; (iv) as soon as available but in any event no later than 90 days after the end of each calendar quarter, a copy of the Province's summary interim statement of revenues and expenditures for such quarter and the portion of the year through the end of such quarter; and (v) no later than 90 days after its approval by the *Tribunal de Cuentas* of the Province, a copy of the Province's summary statement of revenues and expenditures for each calendar year; *provided* that documents referred to in (i) and (ii) shall be delivered in English or accompanied by an English translation, *provided, however*, that the supporting documents thereof shall be provided in Spanish; and *provided, further* that the documents described in (iii), (iv) and (v) above shall be delivered in Spanish *provided* that, if directed to do so by a Holder, the Trustee may request that any specific document be provided in English. Neither the Trustee nor the Argentine Collateral Agent shall have any obligation to review any of these documents; the delivery thereof shall create no obligation on the Trustee or the Argentine Collateral Agent to review any of these documents; and the delivery thereof shall not impute any knowledge of the content thereof and shall not constitute constructive or actual knowledge of any information contained therein or determinable therefrom, including compliance by the Province of its covenants and obligations under the Indenture (as to which the Trustee is entitled to rely exclusively on an officials' certificate delivered to the Trustee or to the Argentine Collateral Agent).

Copies of the Indenture, this offering memorandum and the forms of the Notes may be inspected free of charge, and copies of this offering memorandum may be obtained free of charge, during the normal business hours on any day, except Saturdays, Sundays and public holidays in Luxembourg, at the offices of the listing agent in Luxembourg, as long as the Notes are listed on the Luxembourg Stock Exchange.

Transfer of Specified Royalties

The Province will make all filings, and take all other actions, from time to time necessary to ensure that the Argentine Collateral Trust is at all times subject to a valid fiduciary assignment in favor of the Argentine Collateral Agent and that the New York Security Documents create a valid first priority perfected security interest in favor of the Trustee over the portion of the Collateral subject thereto, in each case for the benefit of the Holders and the Trustee. The Province shall not request or take any action to authorize or permit any payment in kind with respect to the Specified Royalties, except as described in the section entitled "Foreign Exchange Limitation" below.

Negative Pledge

So long as any Note remains outstanding, the Province shall not create, incur or assume any Lien upon any of the Province's present or future assets or revenues to secure or otherwise provide for the payment of any Indebtedness of the Province unless on or prior to the date such Lien is created or comes into existence, the obligations of the Province under the Notes are secured equally and ratably with the obligations of the Province with respect to such Indebtedness; *provided however*, that the foregoing restrictions shall not apply to the following Liens (each permitted Lien being independent of each other permitted Lien):

- (a) any Lien in existence on the date of the Indenture;
- (b) any Lien securing Indebtedness of the Province (including the Notes, but excluding any Indebtedness permitted to be secured pursuant to clauses (a), (c) through (g), (h) (but excluding any Indebtedness secured by a Lien that is a replacement, renewal or extension of a Lien granted in reliance upon this clause (b), and (i) through (l) hereof)) in an outstanding aggregate principal amount not to exceed (after giving *pro-forma* effect to the incurrence of the Indebtedness being so secured and the application of the proceeds thereof) 35% of the Province's annual revenues for the fiscal year most recently ended prior to the incurrence of the Lien; provided that the calculation of the Province's annual revenues shall not include the portions of the Province's revenues that is co-participated to municipalities under provincial law No. 892, and such annual revenues shall be expressed in U.S. dollars using the average peso/dollar exchange rate for such fiscal year;
- (c) any Lien upon bank accounts, deposits or proceeds thereof (or arising from the existence of rights of set-off against such accounts, deposits or proceeds) securing Indebtedness incurred in connection with letters of credit

issued by, or trade finance transactions with, a bank to which such Lien is granted or holding such rights, and which Indebtedness has a final maturity of not greater than 180 days from the date on which payment under such letter of credit or in connection with such trade finance transactions is due and payable;

- (d) any Lien upon any property to secure Indebtedness incurred specifically for the purpose of financing the acquisition of the property subject to such Lien;
- (e) any Lien existing on any property at the time of its acquisition to secure Indebtedness;
- (f) any Lien securing Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project; *provided* that the property over which such Lien is granted consists solely of the assets and revenues of such project or the ownership interest therein;
- (g) any Lien securing Indebtedness incurred for the purpose of financing all or part of the cost of personal property sold or services provided to the Province;
- (h) any replacement, renewal or extension of any Lien permitted by clauses (a), (b), (d) through (g) above and (i) through (l) below upon the same property theretofore subject to such Lien, including any replacement, renewal or extension of such Lien resulting from the refinancing (without increase in the principal amount) of the Indebtedness secured by such Lien;
- (i) any Lien to secure public or statutory obligations or otherwise arising by law to secure claims other than for borrowed money;
- (j) any Lien encumbering the right of the Province to receive Co-Participation Payments or any replacement thereof or any right to receive tax revenue provided under any similar law providing for the participation of the Province in Argentine federal tax revenues or any Lien on any other assets or revenues received or receivable by the Province from the Republic of Argentina in any given year, securing Indebtedness to any Official Person;
- (k) any Lien to secure direct or indirect Indebtedness incurred by the Province in connection with the implementation of the National Housing Fund (FONAVI) pursuant to Provincial Law No. 19 or federal Laws No. 24,464 and No. 23,966, each as amended or replaced from time to time;
- (l) any Lien on Specified Royalties to secure Indebtedness in the form of Additional Notes, *provided* that the total amount of Indebtedness secured by any Lien on Specified Royalties shall not exceed 1.3x the total amount of Specified Royalties received by the Province in the fiscal year prior to the date such Lien is created, incurred or assumed (after giving pro forma effect to the incurrence of the Indebtedness being so secured and the application of the proceeds thereof).

Provision for Payments in Annual Budget

The Province will take all necessary and appropriate action after the issuance of Notes to provide for the inclusion in its annual budgets, approved by the legislature of the Province, of all amounts reasonably expected by the Province to become due under any Notes issued and outstanding or to be redeemed during the time period covered by the budget in question as such amounts become due in the ordinary course; *provided* that any payments (i) made with respect to any Notes during any fiscal year prior to the adoption of the budget for such fiscal year by the legislation of the Province or (ii) made with respect to any Notes during any fiscal year for which provision is not made in the budget and approved or proposed for such fiscal year will be validly made under the laws of Argentina and the Province; *provided further*, that the failure of the Province to have made the necessary and appropriate provisions in its annual budgets for the payment of such amounts shall not constitute a defense to the legality or validity of any Transaction Document or any other documents, orders or decrees related thereto; *provided further*, that this section shall not be construed to impose any deadline for the submission of the proposed budget to the legislature or for the approval of the budget by the legislature.

Events of Default

An event of default under the Notes shall be any one of the following events:

- (a) The Province fails to pay any interest due on any of the Notes when due and payable and such default continues for a period of 15 days;

- (b) The Province fails to pay any principal due on any of the Notes when due and payable and such default continues for a period of 15 days;
- (c) The Debt Service Reserve Account is not Fully Funded in accordance with the provisions set forth in “—Debt Service Reserve Accounts” on any Payment Date and the Debt Service Reserve Account continues not to be Fully Funded during the 180 consecutive days thereafter;
- (d) The Province fails to duly perform or observe any term or obligation contained in the Notes, the New York Security Documents, the Indenture or the Argentine Trust Agreement, which failure continues unremedied for 60 days after written notice thereof has been given to the Province by the Trustee or to the Province and the Trustee by Holders of a majority of the Notes;
- (e) The Province fails to ensure that the Royalties Coverage Amount, on the last day of any Collection Period, is equal to or greater than 1.25, which failure continues unremedied for 180 consecutive days after the last day of such Collection Period and written notice thereof has been given to the Province by the Argentine Collateral Agent;
- (f) The Province fails generally to pay its Indebtedness (other than Indebtedness related to the provision of property or services to the Province) as it becomes due, or a moratorium or general suspension on the payment of Indebtedness is declared by the Province;
- (g) There has been entered against the Province or any Provincial Agency a final judgment, decree or order by a court of competent jurisdiction from which no appeal may be or is taken for the payment of money in excess of US\$10 million (or its equivalent in any other currency) and such final judgment, decree or order has not been satisfied;
- (h) (i) Any failure by the Province or any Provincial Agency, beyond any applicable grace period, to make any payment when due with respect to any Indebtedness in an aggregate principal amount greater than or equal to US\$10 million (or its equivalent in any other currency) or (ii) the acceleration of any Indebtedness of the Province in an aggregate principal amount greater than or equal to US\$10 million (or its equivalent in any other currency based on the Applicable Exchange Rate or similar exchange rate for currencies other than the Peso) due to an Event of Default, unless such acceleration is rescinded or annulled prior to judgment on the Notes;
- (i) The validity of the Notes, the New York Security Documents, the Indenture or the Argentine Trust Agreement is contested by the Province, or any final decision by any court in Argentina having jurisdiction from which no appeal may be or is taken, shall purport to render any provision of the Notes or any material provision of the New York Security Documents, the Indenture or the Argentine Trust Agreement invalid or unenforceable or purport to prevent or delay the performance or observance by the Province of any of its obligations under such Notes or any of the material obligations under the New York Security Documents, the Indenture or the Argentine Trust Agreement, and such invalidity, unenforceability or delay shall continue to be in effect or is not otherwise remedied within 60 days after its occurrence;
- (j) Any provincial constitutional provision, law, regulation, ordinance or decree necessary to enable the Province to perform its obligations under the Notes, the New York Security Documents, the Indenture or the Argentine Trust Agreement, or for the validity or enforceability thereof, shall expire, is withheld, revoked or terminated or otherwise ceases to remain in full force and effect, or is modified in a manner that materially adversely affects, or may reasonably be expected to materially adversely affect, any rights or claims of any of the Holders, and said expiration, withholding, revocation, termination or cessation shall continue in effect or not otherwise be remedied within 60 days after its occurrence;
- (k) The Province sanctions any law or regulation regarding, or consents to any amendment, supplement, waiver or any other modification of, the Dedicated Concessions (except to extend their terms) or the payment obligations of the Dedicated Concessionaires with respect to the Specified Royalties, in each case, that has a material adverse effect on the interests of the Holders in the Collateral; or

- (l) Any material reduction of or other modification that is materially adverse to the interests of the Holders in the manner of payment or the method of calculating any Specified Royalties and which is not remedied or mitigated within 60 days shall occur.

If any Event of Default occurs and is continuing, the Trustee in respect of Notes or the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding may declare all of the Notes to be due and payable immediately, by a notice in writing to the Province (and to the Trustee if given by Holders), and upon any such declaration, such principal, together with accrued interest to the date of acceleration, shall become immediately due and payable, without any further action or notice of any kind, unless prior to the date of delivery of such notice all events of default in respect of the Notes shall have been cured.

The Province shall immediately notify the Trustee in writing upon becoming aware of the occurrence of any Event of Default, Potential Event of Default, Prepayment Event or Trigger Event.

Immediately upon the occurrence and during the continuance of an Event of Default or Potential Event of Default, to the extent permitted by Applicable Law, the Argentine Collateral Agent shall:

- (x) convert into U.S. dollars and transfer the Excess Collections deposited in the Argentine Collateral Account to the Debt Service Reserve Account, or
- (y) if such transfer is not permitted by Applicable Law, *then* the Argentine Collateral Agent shall either (i) transfer such converted amounts to the Argentine Dollar Debt Service Reserve Account, or (ii) if such conversion is not permitted by Applicable Law, *then* the Argentine Collateral Agent shall transfer to the Argentine Peso Debt Service Reserve Account such Excess Collections and as promptly as permitted by Applicable Law, convert such amounts into U.S. dollars, if applicable, and transfer to and deposit such amounts in the Debt Service Reserve Account or the Argentine Dollar Debt Service Reserve Account, as applicable;

provided that (A) in the event a Prepayment Event shall have occurred and be continuing, 50% of all Excess Collections shall be converted into U.S. dollars and transferred by the Argentine Collateral Agent to the Extraordinary Royalties Prepayment Account (except that if such conversion into U.S. dollars and/or transfer to the Extraordinary Royalties Prepayment Account is not permitted by Applicable Law, *then* the Argentine Collateral Agent shall transfer to the Argentine Extraordinary Royalties Prepayment Account all such amounts and as promptly as permitted by Applicable Law, convert such amounts into U.S. dollars, if applicable, and transfer to and deposit such amounts in the Extraordinary Royalties Prepayment Account) and (B) in the event a Trigger Event shall have occurred and be continuing, all other Excess Collections shall be converted to U.S. dollars and transferred by the Argentine Collateral Agent to the Trigger Event Prepayment Account (except that if such conversion into U.S. dollars and/or transfer to the Trigger Event Prepayment Account is not permitted by Applicable Law, *then* the Argentine Collateral Agent shall transfer to the Argentine Trigger Event Prepayment Account all such amounts and as promptly as permitted by Applicable Law, convert such amounts into U.S. dollars, if applicable, and transfer to and deposit such amounts in the Trigger Event Prepayment Account).

On the date that an Event of Default or a Potential Event of Default first ceases to continue (the “Event of Default Cure Date”), and (i) *provided* that no Trigger Event shall have occurred and be continuing of which a responsible officer of the Argentine Collateral Agent shall have actual knowledge, the Argentine Collateral Agent shall cease to deposit Excess Collections in the Debt Service Reserve Account and/or the Argentine Debt Service Reserve Accounts, as applicable, and shall release to the Province, immediately, all Excess Collections deposited in the Argentine Collateral Account to such account as the Province shall designate in writing and (ii) *provided* that no Trigger Event shall have occurred and be continuing of which a responsible officer of the Trustee shall have actual knowledge, all amounts on deposit in the Debt Service Reserve Account and/or the Argentine Debt Service Reserve Accounts, as applicable, on or after an Event of Default Cure Date that are in excess of those amounts necessary for the Debt Service Reserve Account to be “Fully Funded” shall, as soon as practicable, be released to the Province (and such amounts will be released first from the Argentine Debt Service Accounts and then, to the extent of any remaining excess, from the Debt Service Reserve Account); *provided further* that if a Trigger Event shall have occurred and be continuing, such amounts that are in excess of those amounts necessary for the Debt Service Reserve Account to be “Fully Funded” shall be transferred first to the Argentine Trigger Event Prepayment Account (in the case of amounts deposited in the Argentine Debt Services Reserve Accounts) and second, to the extent of any remaining excess to the Trigger Event Prepayment Account (in the case of amounts deposited in the Debt Service Reserve Account), and the section entitled “Trigger Events” shall apply.

If, at any time after the principal of the Notes shall have been declared due and payable, and before any sale of property under any judgment or decree for the payment of the monies due shall have been obtained or entered, the Province or the administrator of the Payment Account shall pay or shall deposit with the Trustee a sum sufficient to pay the expenses and indemnity amounts of the Trustee, and reasonable compensation to the Trustee, all matured amounts of interest and principal upon all the Notes which shall have become due otherwise than solely by declaration (with interest on overdue amounts of interest, to the extent permitted by law (excluding for such purpose applicable law of the Province), and on such principal of each Note at the rate of interest specified in the Note, to the date of such payment) and any and all defaults under the Notes, other than the non-payment of principal on the Notes which shall have become due solely by declaration, shall have been remedied, then, and in every such case, the Holders of a majority in principal amount of the Notes then outstanding, by written notice to the Province and to the Trustee, may, on behalf of the Holders of all of the Notes, waive all defaults and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent on any subsequent default.

Consents, Amendments and Waivers

The Province may seek consents at any time and from time to time to amend or waive the terms of the Notes or the Indenture.

The Province, the Trustee and the Holders may, by mutual agreement in accordance with the terms below, generally modify or take actions with respect to the terms of the Notes or the Indenture insofar as it affects the Notes with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes (without the need for a meeting of Holders or a vote of such Holders at a meeting).

However, special requirements apply with respect to any amendment, modification, change or waiver with respect to the Notes or the Indenture insofar as it affects the Notes that would:

- change the due date or dates for the payment of principal of, or any installment of interest on, the Notes;
- reduce the principal amount of the Notes or the interest rate thereon;
- reduce the principal amount of the Notes that is payable upon acceleration of the Maturity Date;
- modify the Province's obligation to make any payments on the Notes (including any redemption price therefor);
- change the identity of the Issuer under the Notes;
- change the currency in which any amount in respect of the Notes is payable or the place or places in which such payment is to be made to a place outside the United States;
- reduce the percentage of the aggregate principal amount of the outstanding Notes held by Holders whose vote or consent is needed to modify, amend or supplement the terms and conditions of the Notes or the Indenture or to make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action;
- change the definition of "outstanding" with respect to the Notes;
- change the Province's obligation to pay any Additional Amounts in respect of the Notes as set forth under "—Additional Amounts";
- change the governing law provision of the Notes;
- change the courts of the jurisdiction of which the Province has submitted, the Province's obligation to appoint and maintain an agent for the service of process in New York City or the Province's agreement not to claim, and to waive irrevocably, immunity (sovereign or otherwise) in respect of any suit, actions or proceedings arising out of or relating to the Indenture or the Notes;
- authorize the Trustee, on behalf of all Holders of the Notes, to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Province or any other person;
- in connection with an exchange offer for, or offer to acquire all or any portion of, the Notes, amend any event of default under the Notes;

- change the ranking of the Notes, as described under “—Ranking”; or
- change certain material provisions regarding the Collateral set forth in the Argentine Trust Agreement in a manner that would materially and adversely affect the interests of Holders.

The above-listed matters are “reserved matters” and any amendment, modification, change or waiver with respect to a reserved matter is a “reserved matter modification.” A reserved matter modification, including a change to the payment terms of the Notes, may be made without a Holder’s consent, so long as the requisite supermajority of the Holders (set forth below) agrees to the reserved matter modification.

Any reserved matter modification to the terms of the Notes or to the Indenture insofar as it affects the Notes may generally be made, and future compliance therewith may be waived, with the consent of the Holders of not less than 75% in aggregate principal amount of the Notes at the time outstanding.

If any reserved matter modification is sought in the context of a simultaneous offer to exchange the Notes for new debt securities of the Province or of any other Person, the Province will ensure that the relevant provisions of the affected Notes, as amended by such reserved matter modification, are no less favorable to the Holders thereof than the provisions of the new debt security being offered in the exchange, or, if more than one debt security is so offered, no less favorable than the new debt security issued having the largest aggregate principal amount.

Any modification consented to or approved by the Holders pursuant to the above provisions will be conclusive and binding on all Holders of the Notes (whether or not such Holders have given such consent) and on all future Holders of the Notes (whether or not notation of such modification is made upon the Notes). Any instrument given by or on behalf of any Holder in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent holders.

The Province and the Trustee may, without the consent of any Holder of Notes, amend or supplement the Notes or the Indenture insofar as it affects the Notes for any of the following purposes:

- to add to the Province’s covenants for the benefit of the Holders of the Notes;
- to surrender any of the Province’s rights or powers;
- to provide additional security or collateral for the Notes;
- to modify the restrictions on, and procedures for, resale and other transfers of the Notes to the extent required by any change in Applicable Law or regulation (or the interpretation thereof) or in practices relating to the resale or transfer of restricted securities generally;
- to accommodate the issuance, if any, of Notes in book-entry or certificated form and matters related thereto;
- to conform the text of the Indenture or the Notes to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision of the Indenture or the Notes, as determined by the Province and set forth in an officials’ certificate;
- to cure any ambiguity or correct or supplement any defective provision contained in the Notes or the Indenture, *provided* such corrective action does not materially impair the rights of the Holders; or
- to change the terms and conditions of the Notes or the Indenture in any manner which the Province may determine, so long as any such change does not, and will not, adversely affect the interests of the Holders of the Notes.
- The term “outstanding,” when used with respect to the Notes, means, as of the date of determination, all Notes theretofore authenticated and delivered under the Indenture, except:
- Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation;
- Notes, or portions thereof, for whose payment, redemption or purchase, money in the necessary amount has been theretofore deposited with the Trustee or any paying agent for the Holders of such Notes; *provided* that if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the terms of the Indenture or provision therefor satisfactory to the Trustee has been made; and

- Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a protected purchaser in whose hands the Notes are valid obligations of the Province;

provided, however, that in determining whether the Holders of the requisite principal amount of outstanding Notes have given any request, demand, direction, consent or waiver hereunder, Notes owned, directly or indirectly, by or on behalf of the Province or any Public Instrumentality shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in relying upon such request, demand, direction, consent or waiver, only Notes which a responsible officer of the Trustee actually knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Province. The term "responsible officer," when used with respect to the Trustee, means any officer within the agency and trust department of the Trustee (or any successor group), including any managing director, director, vice president, assistant vice president, associate, the secretary, any assistant secretary or any other trust officer or assistant trust officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of the Indenture; and also means, with respect to a particular matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

Prior to any consent on a reserved matter modification affecting the Notes, the Province will deliver to the Trustee a certificate signed by an authorized representative of the Province, specifying, for the Province and each relevant Public Sector Instrumentality, the Notes deemed to not be outstanding as described above or, if no Notes are owned or controlled by the Province or any Public Sector Instrumentality, a certificate signed by an authorized representative of the Province to that effect.

Notices

All notices regarding the Notes shall be given by first class mail to Holders at their registered addresses as reflected in the register maintained by the Registrar and (ii) if the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Province will publish all notices to holders in English via the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>, *provided* that such method of publication satisfies the rules of such exchange. If it shall be impracticable to provide notice to the Holders in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Province or by the Trustee on behalf of and at the instruction of the Province shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the publication in lieu of which it is given. Neither the failure to provide notice nor any defect in any notice to any particular Holder shall affect the sufficiency of any notice with respect to other Notes. Any notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, or, if mailed, five Business Days after it has been sent.

Notwithstanding the foregoing, until such time as any definitive Notes are issued, there may (*provided* that, in the case of Notes listed on a stock exchange, the stock exchange agrees), so long as the Global Notes are held by or on behalf of DTC, Euroclear and/or Clearstream Luxembourg, be substituted for such publication in such newspapers the delivery of the relevant notice to DTC, Euroclear and/or Clearstream Luxembourg, as appropriate, for communication by them to the Holders. In addition, the Province shall also ensure that, so long as any of the Notes are represented by a Global Note held by or on behalf of DTC, Euroclear and/or Clearstream Luxembourg, all notices regarding the Notes will be delivered, in writing, to DTC, Euroclear and/or Clearstream Luxembourg, as appropriate. In any event, notices with respect to the Notes listed on the Luxembourg Stock Exchange will be published in Luxembourg in an authorized newspaper.

Form and Registration

The certificates representing the Notes will be issued in fully registered form without interest coupons.

The Notes will be offered and sold only to QIBs pursuant to Rule 144A and persons outside the United States in reliance on Regulation S under the Securities Act and will initially be represented by two or more global notes in definitive, fully registered book-entry form (the "Global Notes"), which will be deposited with the Trustee as custodian for, and registered in the name of a nominee of, DTC for credit to the respective accounts of the purchasers (or to such

other accounts as they may direct at Euroclear and/or Clearstream Luxembourg). The Global Notes will be subject to certain restrictions on transfer set forth therein as described under “Transfer Restrictions.”

Payment of principal and interest to Holders of the Notes in definitive, fully registered form will be made to those Holders of the Notes in whose names the Notes are registered at the close of business on the immediately preceding record date. Payment will be made by wire transfer or in the form of a check mailed to the address of each such Holder, as it appears on the register maintained by the registrar or the paying agent. However, the final payment on any Note in definitive, fully registered form will be made only upon presentation and surrender of such Note at the applicable corporate trust office of the paying agent or co-paying agent on the payment date. The principal paying agent is not responsible for maintaining a Luxembourg office.

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC or Euroclear and Clearstream Luxembourg (“participants”), or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC, Euroclear and/or Clearstream Luxembourg, as applicable, or their respective nominees (with respect to interests of participants), and the records of participants (with respect to interests of persons other than participants). Investors may hold their interests in the Global Note, directly through DTC, Euroclear and/or Clearstream Luxembourg, if they are participants in such systems, or indirectly through organizations that are participants in such systems.

So long as DTC, Euroclear and/or Clearstream Luxembourg, as applicable, or any nominee, is the registered owner or Holder of a Global Note, DTC, Euroclear and/or Clearstream Luxembourg, or such nominee, as the case may be, will be considered the sole owner or Holder of the Notes represented by such Global Note for all purposes under the Indenture. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC’s, Euroclear’s and/or Clearstream Luxembourg’s applicable procedures, in addition to those provided for under the Indenture. Payments made with respect to a Global Note will be made to DTC, Euroclear and/or Clearstream Luxembourg, as applicable, or their nominees, as the registered owner thereof. Neither the Province, the Trustee, nor any paying agent or the co-paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Province expects that DTC, Euroclear and/or Clearstream Luxembourg, as applicable, or their nominees, upon receipt of any payment in respect of a Global Note, will credit participants’ accounts with payments in amounts proportionate to their respective beneficial interests in such Global Note as shown on their respective records. The Province also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in accordance with DTC’s procedures, and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures. Transactions settled through DTC, Euroclear and Clearstream Luxembourg will settle on a T+3 basis.

The Province expects that DTC, Euroclear and/or Clearstream Luxembourg, as applicable, will take any action permitted to be taken by a Holder of Notes (including the presentation of Notes for exchange) only at the direction of one or more participants to whose account the interest in a Global Note is credited and only in respect of such portion of the securities as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Notes, each of DTC, Euroclear and Clearstream Luxembourg may exchange the applicable Global Note for certificated Notes which it will distribute to its participants and which may include the legend set forth under the heading “Transfer Restrictions.”

The Province understands that DTC is a limited purpose trust company organized under the laws of the State of New York, a “banking organization” within the meaning of New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the Uniform Commercial Code and a “Clearing Agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry

changes in accounts of its participants thereby eliminating the need for physical movement of certificates and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant either directly or indirectly (“indirect participants”).

The Province understands that Euroclear and Clearstream Luxembourg hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream Luxembourg provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream Luxembourg interface with domestic securities markets. Euroclear and Clearstream Luxembourg participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and/or Clearstream Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear and/or Clearstream Luxembourg participant, either directly or indirectly.

Subject to compliance with the transfer restrictions applicable to the Global Note, cross-market transfers between the participants in DTC, on the one hand, and Euroclear and/or Clearstream Luxembourg participants, on the other hand, will be effected through DTC in accordance with DTC’s rules on behalf of each of Euroclear and/or Clearstream Luxembourg by its depositary; however, such cross-market transactions will require delivery of instructions to Euroclear and/or Clearstream Luxembourg by the counterparty in such system in accordance with the rules and procedures and within the established deadlines of such system. Euroclear and/or Clearstream Luxembourg will, if the transaction meets its settlement requirements, deliver instructions to its depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream Luxembourg participants may not deliver instructions directly to the common depositaries for Euroclear and/or Clearstream Luxembourg.

Because of time zone differences, the securities account of a Euroclear and/or Clearstream Luxembourg participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear and/or Clearstream Luxembourg participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream Luxembourg) immediately following the settlement date of DTC. Cash received in Euroclear and/or Clearstream Luxembourg as a result of sales of interests in a Global Note by or through a Euroclear and/or Clearstream Luxembourg participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear and/or Clearstream Luxembourg cash account only as of the business day for Euroclear and/or Clearstream Luxembourg following DTC’s settlement date.

Although DTC, Euroclear and Clearstream Luxembourg are expected to follow the foregoing procedures in order to facilitate transfers of interests in a Global Note among participants of DTC, Euroclear and Clearstream Luxembourg, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Province, the Trustee or any paying agent or the co-paying agent will have any responsibility for the performance by DTC, Euroclear and/or Clearstream Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If (i) DTC is at any time unwilling or unable to continue as a depositary, or Euroclear and Clearstream Luxembourg cease to be clearing agencies, for the Global Notes and a successor depositary or clearing agency is not appointed by the Province within 90 days or (ii) an Event of Default shall have occurred and be continuing and the beneficial Holder of a Note shall have requested that the Province issue to such beneficial holder its proportionate interest in the Global Note, the Province will issue certificated Notes which may bear the legend referred to under “Transfer Restrictions,” in exchange for the Global Note. Holders of an interest in a Global Note may receive certificated Notes, which may bear the legend referred to under “Transfer Restrictions,” in accordance with DTC’s rules and procedures in addition to those provided for under the Indentures; *provided, however*, that if the Province is issuing certificated Notes pursuant to clause (ii) above, the Province shall only be required to issue certificated Notes to the beneficial owners of the Notes who request certificated Notes.

Foreign Exchange Limitation

The Province has agreed that, in the event of any FX Limitation Event, on any date of payment in respect of the Notes, to the extent permitted by such restriction or prohibition:

- (i) the Argentine Collateral Agent shall promptly notify the Province about such event and shall promptly notify the Province as to which of the following actions the Argentine Collateral Agent is taking, to the extent such practice does not contravene any communication, resolution, rule or interpretation issued or expressed by the Argentine Central Bank, credit (a) the Payment Account and the Debt Service Reserve Account (in accordance with the procedures described in “Priority of Distributions” above) and (b) the Extraordinary Royalties Prepayment Account and the Trigger Event Prepayment Account, with the funds deposited from time to time in the Argentine Collateral Account (or in the Argentine Extraordinary Royalties Prepayment Account, the Argentine Trigger Event Prepayment Account, the Argentine Dollar Debt Service Reserve Account and/or the Argentine Peso Debt Service Reserve Account, as applicable), by any legal mechanism in effect for the acquisition of U.S. dollars in any foreign exchange market. All costs incurred by the Argentine Collateral Agent or the Province, including any taxes on the performance of any operation to obtain the specified currency, will be borne by the Province; and
- (ii) should the Argentine Collateral Agent inform the Trustee in writing that it is unable to proceed as described in (i) above, then the Argentine Collateral Agent shall immediately thereafter send a written notice to the Province, with a copy to the Trustee, informing the Province of such circumstance and requiring the Province to pay or cause to be paid all such amounts then due. The Province will pay or cause to be paid all such amounts by (A) depositing funds in the Payment Account in U.S. dollars (and/or in the Debt Service Reserve Account, the Trigger Event Prepayment Account or the Extraordinary Royalties Prepayment Account, as applicable pursuant to the terms of the Indenture); (B) instructing the Dedicated Concessionaires, and giving notice to any federal or provincial entities as shall be necessary (as advised by the Province) to make payments of the Specified Royalties in kind, in which case the Province will sell such hydrocarbons paid in kind to a purchaser (the “Hydrocarbons Purchaser”) and shall deposit, either itself or through the Argentine Collateral Agent, the proceeds from such sale in cash into the Payment Account to be applied by the Trustee in accordance with the terms of the Indenture. The Hydrocarbons Purchaser shall be a well-known, first-tier company in the hydrocarbons sector which shall purchase the hydrocarbons received as payment in kind of the Specified Royalties under the usual terms and conditions agreed upon between unrelated parties in the hydrocarbons industry; or (C) any other legal mechanism for the acquisition of the specified currency in any foreign exchange market; *provided* that the decision as to which of the methods specified in (A), (B) and/or (C) will be used at the sole discretion of the Province. All costs incurred by the Province, including any taxes on the performance of such operations to obtain the specified currency, will be borne by the Province.

As set forth in the section entitled “Allocations and Payments—Argentine Collateral Account,” payment in kind of the Specified Royalties shall only be requested by the Province pursuant to the terms and conditions set forth under subparagraph (ii)(B) above. For the avoidance of doubt, neither the Trustee nor the Argentine Collateral Agent shall at any time be required to accept or receive hydrocarbons or bear any cost related to the procedures described in subparagraph (ii)(B) above nor have any responsibility with respect to any actions or inactions by the Hydrocarbons Purchaser or the Province. The Trustee and the Argentine Collateral Agent shall have no liability in the event payments of the Specified Royalties in the form of payment in kind are not received for reasons not attributable to the Trustee or the Argentine Collateral Agent, respectively.

Governing Law

The Indenture and the Notes will be governed by, and construed in accordance with, the law of the State of New York.

Submission to Jurisdiction

Under U.S. law, the Province is a political subdivision of a foreign sovereign state. Consequently, it may be difficult for Holders of Notes to obtain or realize judgments from courts in the United States or elsewhere against the Province. Attachment prior to judgment or attachment in aid of execution will not be ordered by courts of Argentina or the Province with respect to public property if such property is located in Argentina and is included within the provisions of

Articles 234, 235 and 237 of the Argentine Civil and Commercial Code or directly provides an essential public service. Furthermore, it may be difficult for the Trustee or Holders of the Notes to enforce, in the United States or elsewhere, the judgments of U.S. or foreign courts against the Province.

In connection with any suit, legal action or proceeding arising out of or relating to the Notes or the Indenture (subject to the exceptions described below), the Province has agreed:

- to irrevocably submit to the jurisdiction of any New York State or U.S. federal court sitting in New York City in the Borough of Manhattan and any appellate court of either thereof;
- that all claims in respect of such suit, legal action or proceeding may be heard and determined in such New York State or U.S. federal court and the Province will waive, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding; and
- to appoint as its process agent Corporation Service Company (CSC) which is presently located at 1180 Avenue of the Americas, Suite 210, New York, NY 10036-8401.

The process agent will receive, on behalf of the Province and its property, service of copies of any summons and complaint and any other process that may be served in any such suit, legal action or proceeding brought in such New York State or U.S. federal court sitting in New York City in the Borough of Manhattan. Service may be made by mailing or delivering a copy of such process to the Province at the address specified above for the process agent.

A final non-appealable judgment in any of the above legal actions or proceedings will be conclusive and may be enforced by a suit upon such judgment in any other courts that may have jurisdiction over the Province.

In addition to the foregoing, Holders of Notes may serve legal process in any other manner permitted by Applicable Law. The above provisions do not limit the right of the Trustee or any Holder of Notes to bring any action or proceeding against the Province or its property in other courts where jurisdiction is independently established.

To the extent that the Province may in any jurisdiction claim for itself or its property (except for properties of the public domain located in the Republic of Argentina or dedicated to the purpose of an essential public service), sovereign or other immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, the Province agrees not to claim and irrevocably waives such immunity in respect of its obligations under the Indenture and the Notes, and, without limiting the generality of the foregoing, the Province agrees that the waivers set forth in the Indenture shall have the fullest scope permitted under the Foreign Sovereign Immunities Act of 1976 of the United States, as amended, and are intended to be irrevocable for purposes of such Act. Notwithstanding the foregoing, the Province reserves the right to plead sovereign immunity under the Foreign Sovereign Immunities Act of 1976 of the United States with respect to actions or proceedings brought against it under the U.S. federal securities laws or any state securities laws, and the Province's appointment of a process agent is not intended to extend to such actions or proceedings.

Holders of Notes may be required to post a bond or other security with the Argentine courts as a condition to the institution, prosecution or completion of any action or proceeding (including appeals) arising out of or relating to the Notes filed in those courts.

Unless another jurisdiction is agreed upon by the parties, a judgment obtained against the Province in a foreign court may be enforced in the Supreme Court of the Republic of Argentina. Based on existing law, the Supreme Court of the Republic of Argentina will enforce such a judgment in accordance with the terms and conditions of the treaties entered into between Argentina and the country in which the judgment was issued. In the event there are no such treaties, the Supreme Court of the Republic of Argentina will enforce the judgment if it:

- complies with all formalities required for the enforceability thereof under the laws of the country in which it was issued;
- has been translated into Spanish, together with all related documents, and it satisfies the authentication requirements of the laws of Argentina;

- was issued by a competent court, according to Argentine international jurisdiction law, as a consequence of a personal action (action *in personam*) or a real action (action *in rem*) over a movable property if it has been moved to Argentina during or after the time the trial was held before a foreign court;
- was issued after serving due notice and giving an opportunity to the defendant to present its case;
- is not subject to further appeal;
- is not against Argentine public policy; and
- is not incompatible with another judgment previously or contemporaneously issued by an Argentine Court.

Currency Indemnity

The Province agrees that, if a judgment or order given or made by any court for the payment of any amount in respect of any Note or the Indenture to a Holder of Notes or the Trustee is expressed in a currency (the “Judgment Currency”) other than the specified currency, the Province shall indemnify the relevant Holders of Notes or the Trustee against any deficiency arising or resulting from any variation in rates of exchange between the date as of which the specified currency is notionally converted into the Judgment Currency for the purposes of such judgment or order and the date actual payment thereof is received (or could have been received) by converting the amount in the Judgment Currency into the specified currency promptly after receipt thereof at the prevailing rate of exchange in a foreign exchange market reasonably selected by such Holders of Notes or the Trustee. This indemnity will constitute a separate and independent obligation from the other obligations contained in the Notes or the Indenture and will give rise to a separate and independent cause of action.

Concerning the Trustee

The Bank of New York Mellon will be appointed the Trustee under the Indenture and has been appointed by the Province as Registrar and Paying Agent with regard to the Notes. The Bank of New York Mellon, in each of its capacities, including without limitation as Trustee, Registrar, and Paying Agent, assumes no responsibility for the accuracy or completeness of the information contained in this document or the related documents or of any failure by the Province or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information.

The Indenture contains provisions relating to the obligations and duties of the Trustee, to the indemnification of the Trustee and to the Trustee’s relief from responsibility for actions that it takes.

The Trustee is entitled to enter into business transactions with the Province or any of its affiliates without accounting for any profit resulting from such transactions.

Certain Defined Terms

The following are certain definitions used in this Offering Memorandum:

“Account Bank” means The Bank of New York Mellon, in its capacity as securities intermediary under the Account Control Agreement.

“Account Control Agreement” means that certain Account Control and Pledge Agreement, to be dated as of the Issue date, by and among the Province, the Trustee and the Account Bank as described under “—The Collateral—New York Security Documents.”

“Addition” has the meaning given to such term under the section entitled “The Collateral.”

“Additional Notes” has the meaning given to such term under the section entitled “Further Issues.”

“Adjusted Royalties Coverage Amount” means, for any Collateral Reduction Determination Date, the quotient obtained by dividing (x) the aggregate Assigned Percentage of the Specified Royalties deposited in the Argentine Collateral Trust during the Collateral Reduction Determination Period immediately preceding, by (y) the Argentine peso equivalent, based on the Applicable Exchange Rate as of such Collateral Reduction Determination Date, of the aggregate four succeeding Scheduled Payment Amounts in which Amortization Amounts shall be repaid.

“Administrative Claims” means, for any Collection Period, the sum of the amounts, if any, due and owing to the Trustee and the Argentine Collateral Agent on the Payment Date at the end of such Collection Period, and any such amounts due and unpaid from prior Collection Periods.

“Agents” means the paying agents, co-paying agent, transfer agents and registrar.

“Applicable Exchange Rate” means, for any date of determination, the peso-dollar exchange rate for the Business Day immediately preceding such date.

“Applicable Law” means all legally binding constitutions, treaties, statutes, laws, ordinances, rules, regulations, orders, interpretations, permits, judgments, decrees, resolutions, communiqués, injunctions, writs and orders of any governmental authority or arbitrator exercising competent jurisdiction, and shall in all cases include all applicable laws and regulations of Argentina and the Province.

“Argentine Collateral Trust” has the meaning given to such term under the section entitled “—The Collateral—Argentine Trust Agreement.”

“Argentine Debt Service Reserve Accounts” has the meaning given to such term under the section entitled “—Allocations and Payments—Debt Service Reserve Accounts,” namely, the Argentine Dollar Debt Service Reserve Account together with the Argentine Peso Debt Service Reserve Account.

“Argentine Dollar Debt Service Reserve Account” has the meaning given to such term under the section entitled “—Allocations and Payments—Debt Service Reserve Accounts.”

“Argentine Dollar Escrow Account” means *Cuenta de Pago Argentina en U\$S*, a U.S. dollar-denominated account in the City of Buenos Aires as so specified in the Argentine Trust Agreement.

“Argentine Expense Account” means *Cuenta de Gastos*, an expense account in the City of Buenos Aires as so specified in the Argentine Trust Agreement.

“Argentine Extraordinary Royalties Prepayment Account” has the meaning given to such term under the section entitled “—Payment—Extraordinary Royalties Prepayment Account and Argentine Extraordinary Royalties Prepayment Account.”

“Argentine Peso Debt Service Reserve Account” has the meaning given to such term under the section entitled “—Allocations and Payments—Debt Service Reserve Accounts.”

“Argentine Permitted Investments” means, with respect to proceeds on deposit in the Argentine Collateral Account, the Argentine Trigger Event Account, the Argentine Extraordinary Royalties Prepayment Account and the Argentine Debt Service Reserve Accounts: (i) deposits in Peso-denominated bank accounts if so permitted by the Central Bank of Argentina; (ii) time deposits or deposits in current or other deposit accounts at any financial institution in Argentina with a local or international investment grade rating issued by Standard & Poor’s Financial Services LLC, Moody’s Investors Service or FIX SCR S.A., (affiliate of Fitch Ratings), *Agente de Calificación de Riesgo*, Reg. CNV No.9; and (iii) interests in fixed income investment funds or “money market” funds having a maturity of less than one year.

“Argentine Trigger Event Prepayment Account” has the meaning given to such term under the section entitled “—Payments—Trigger Event Prepayment Account and Argentine Trigger Event Prepayment Account.”

“Argentine Trust Agreement” has the meaning give to such term under the section entitled “—The Collateral—Argentine Trust Agreement.”

“Assigned Percentage” means the percentage of the Specified Royalties assigned to the Argentine Collateral Trust from time to time, which shall initially be 100%, *provided* that, such percentage may be reduced as a result of a reduction of the Assigned Percentage as set forth under “Description of the Notes—Reduction of Assigned Percentage.”

“Banco de Tierra del Fuego” means Banco Provincia de Tierra del Fuego.

“Base Specified Royalties” means the Specified Royalties assigned under the Argentine Trust Agreement as of the Issue Date.

“Collateral Reduction Determination Date” shall mean, commencing on the First Collateral Reduction Determination Date, each April 17 of each year until the Indebtedness represented by the Notes shall have been repaid in full.

“Collateral Reduction Determination Period” means the period between each Collateral Reduction Determination Date, except that in the case of the First Collateral Reduction Determination Date, the Collateral Reduction Determination Period shall mean the period commencing one year prior to the First Collateral Reduction Determination Date and ending on the First Collateral Reduction Determination Date.

“Collateral Release Threshold” has the meaning given to such term under the section entitled “—Allocations and Payments—Priority of Distributions.”

“Collection Period” means the period between each Payment Date.

“Concessionaires” means the holders of Concessions, or any successors or assignees thereof, obligors for payment in relation to Concessions, or any successors or assignees thereof, or any other obligors for payments related to oil exploitation activities.

“Concessions” means the hydrocarbon exploration or exploitation rights for a given area, field or territory, granted by the Federal Government or the Province to Concessionaires under the Hydrocarbons Law, the Federal Mining Code (Law No. 1,919, as amended and restated, and other Argentine federal laws, and other laws of the Province, and pursuant to agreements with Concessionaires, as applicable).

“Converted Royalties” has the meaning given to such term under the section entitled “Allocations and Payments—Priority of Distribution”

“Co-Participation Payments” mean any transfers made by the Federal Government to the Province pursuant to Law No. 23,548, as amended or replaced from time to time, and any other law, decree or regulation governing the obligation of the Federal Government to distribute taxes collected by it to the Argentine provinces.

“Debt Service Reserve Account” has the meaning given to such term under the section entitled “—Allocations and Payments—Debt Service Reserve Accounts.”

“Dedicated Concessionaires” means the Concessionaires holding Concessions for Dedicated Areas.

“Dedicated Concessions” means the Concessions over the Dedicated Areas held by the Dedicated Concessionaires, as amended by agreements with the Province in connection thereof.

“Dedicated Areas” means, collectively, each of the following hydrocarbon areas located in the Province: *Las Violetas, Rio Cullen, Angostura, Los Chorrillos, Tierra del Fuego, Lago Fuego, Magallanes, Poseidon, Cuenca Marina Austral 1* and *Lobo*.

“Determination Date” shall mean any date in which any amounts, from the Specified Royalties or otherwise, are deposited into the Argentine Collateral Account.

“Event of Default” means the events of default provided under “—Events of Default.”

“Excess Collections” has the meaning given to such term under the section entitled “—Allocations and Payments—Priority of Distributions.”

“Extraordinary Royalties” has the meaning given to such term under the section entitled “—Payment—Extraordinary Royalties Prepayment Account and Argentine Extraordinary Royalties Prepayment Account—Prepayment Events.”

“Extraordinary Royalties Prepayment Account” has the meaning given to such term under the section entitled “—Payment—Extraordinary Royalties Prepayment Account and Argentine Extraordinary Royalties Prepayment Account.”

“Federal Government” means the federal government of Argentina.

“First Collateral Reduction Determination Date” shall mean April 17, 2019.

“FGS” means Sustainability Guaranty Fund (*Fondo de Garantía de Sustentabilidad*).

“Fully Funded” has the meaning given to such term under the section entitled “—Allocations and Payments—Debt Service Reserve Accounts.”

“FX Limitation Event” has the meaning given to such term under section entitled “—Allocations and Payments—Debt Service Reserve Accounts.”

“Global Note” has the meaning given to such term under the section entitled “—Form and Registration.”

“Holders” means the person in whose name a Note is registered in the Register.

“Hydrocarbons Law” means Law No. 17,319, as amended and supplemented by laws No. 24,076, 26,197 and 27,007 and any other federal law rule and regulation that may be applicable or that may hereafter replace or modify such laws, rules and regulations.

“Hydrocarbon Royalties” means the proceeds that the Province is entitled to receive, whether in cash or in kind, from the Concessionaires pursuant to the Concessions under the Hydrocarbons Law.

“Indebtedness” means obligations or guarantees (whether by contract, statute or otherwise) for borrowed money or evidenced by bonds, debentures, notes or similar instruments.

“Issue Date” means April 17, 2017.

“Lien” means any lien (statutory or other), pledge, mortgage, security interest, deed of trust, collateral assignment, fiduciary transfer, escrow, charge or other encumbrance on or with respect to, or any preferential arrangement which has the practical effect of constituting a security interest with respect to the payment of any obligation with or from the proceeds of, any currently existing or future asset or revenues of any kind.

“Minimum Reserve Adequacy Ratio” means (i) a Reserve Adequacy Ratio of at least 1.0x if the Remaining Maturity is five years or less, or (ii) a Reserve Adequacy Ratio equal to or greater than the ratio obtained by dividing five by the Remaining Maturity, if the Remaining Maturity is greater than five years.

“Moody’s” means Moody’s Investor’s Service, Inc. and its successors (including the surviving entity of any merger with another rating agency).

“New York Collateral” has the meaning given to such term under the section entitled “—The Collateral.”

“New York Guarantee Trust Account” means *Cuenta del Fideicomiso con Fines de Garantía en Nueva York*, an account in the City of New York as so specified in the Argentine Trust Agreement.

“New York Security Documents” has the meaning given to such term under the section entitled “—The Collateral—New York Security Documents.”

“Official Person” means (i) the International Bank for Reconstruction and Development, the Inter-American Development Bank and any other multi-lateral body or any bi-lateral body of which Argentina is a member and which lends to the Province directly or through the Federal Government, including the FGS; (ii) any official governmental agency or department of any country; and (iii) any export credit agency of any country.

“Payment Date” means January 17, April 17, July 17 and October 17, as set forth in “—General.”

“Permitted Investments” means, for the purposes of the Payment Account, the Debt Service Reserve Account, the Extraordinary Royalties Prepayment Account and the Trigger Event Prepayment Account, money market funds and having a rating in the highest investment category granted thereto by a recognized credit rating agency at the time of acquisition, including any fund for which any affiliate of the Trustee serves as an investment advisor, administrator, shareholder servicing agent, custodian or sub-custodian, notwithstanding that the affiliate of the Trustee charges and collects fees and expenses from such funds for services rendered (*provided* that such charges, fees and expenses are on terms consistent with terms negotiated at arm’s length).

“Person” means an individual, partnership, corporation, trust, association, joint venture or other entity, or a government or any political subdivision or agency thereof.

“Peso-dollar exchange rate” means the Peso/U.S. dollar exchange rate which is the higher amount in Pesos between: (i) the Negotiated Weighted Average (*Promedio Ponderado Negociado*, or PPN for its acronym in Spanish) as published by the MAE on its website (“*Indicador US\$- Forex MAE*” <http://www.mae.com.ar/mercados/forex/default.aspx>), or as replaced from time to time, (ii) the Peso/U.S. dollar exchange rate quoted by Banco de la Nación Argentina for the sale of U.S. dollar bills “*billete*” as published by Banco de la Nación Argentina on its website (www.bna.com.ar), or as replaced from time to time, and (iii) the Peso/U.S. dollar exchange rate quoted by the Argentine Central Bank, pursuant to Communication “A” 3500, or as replaced and or amended or supplemented from time to time.

“Potential Event of Default” means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

“Prepayment Event” has the meaning given to such term under the section entitled “—Payment—Extraordinary Royalties Prepayment Account and Argentine Extraordinary Royalties Prepayment Account—Prepayment Events.”

“Probable Reserves” are those quantities of hydrocarbons reserves which analysis of geosciences and engineering data indicate are less likely to be recovered than Proven Reserves but more likely to be recovered than possible reserves, as determined for each Concession by the Concessionaire.

“Production Certificate” means the certificate issued by the Province Ministry of Hydrocarbons (*Ministerio de Hidrocarburos*) that is based on documents produced by the Dedicated Concessionaires, the Federal Government or recognized independent consultants that are attached to the Production Certificate, that details the quantity of hydrocarbons produced by the Dedicated Concessionaires in the Dedicated Concessions during a period of three consecutive months, in accordance with the last available three monthly production reports filed by the Dedicated Concessionaires for the Dedicated Concessions at the time the certificate is issued.

“Production Ratio” means, as of any date, the ratio calculated by the Province, obtained by dividing (i) the product of (x) the hydrocarbons produced by the Dedicated Concessionaires in the Dedicated Concessions in a three-month period based on the last available Production Certificate; *provided* that the calculation of hydrocarbon production shall be considered in such percentage equal to the Assigned Percentage, (y) the weighted average well-head price for the hydrocarbons produced at the Dedicated Concessions referred to in (x) according to the last report filed by the Dedicated Concessionaires for the calculation, before the closing date and (z) 0.12, by (ii) the Scheduled Payment Amount payable at the end of such Collection Period.

“Proven Reserves” are those quantities of hydrocarbons which can be estimated with reasonable certainty to be commercially recoverable from a given date forward, from known reservoirs and under current economic conditions, operating methods and government regulations (including developed and undeveloped proven reserves as defined in Resolution 324/2006 issued by the Argentine National Energy Secretariat), the amount of which, when any calculation thereof is required hereunder, is equal to (i) the amount of such reserves, less (ii) cumulative production since the date of such certification as reported by the Dedicated Concessionaires on the affidavits, plus (iii) the amount of any new Proven Reserves; *provided* that each of (i), (ii) and (iii) shall be calculated on the basis of the most recent available reports (a) certified by the Federal Government or by the Argentine National Ministry of Energy and Mining; and/or (b) reported to the Argentine National Ministry of Energy and Mining or the Province by the Dedicated Concessionaires; and/or (c) as certified by the Province through the Province Ministry of Hydrocarbons on the basis of information provided in writing by the Dedicated Concessionaires and/or arising from the books and records of the Dedicated Concessionaires, or other information; and/or (d) as certified by a recognized independent consultant following the guidelines set forth in Resolution 324/2006 issued by the Argentine National Ministry of Energy and Mining; in all cases, since the most recent certification of the Federal Government.

“Provincial Agency” means each agency, department, regulatory authority, statutory corporation or other statutory public body or juridical entity of the Province, now existing or hereafter created, the Indebtedness of which is generally guaranteed in full (as to payment) by the Province.

“Public Sector Instrumentality” means Banco de Tierra del Fuego, any agency, department, authority, statutory corporation or other statutory body or juridical entity of the Province, now existing or hereafter created, or other entity owned or controlled by the government of the Province or any of the foregoing, and the term “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership or other ownership interests or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or entity.

“Rating Agency” means Moody’s.

“Ratings Condition” means that the Province shall have obtained confirmation from at least one Rating Agency that the Notes (including any Additional Notes) shall maintain a rating of at least B by Moody’s.

“Record Date” has the meaning given to such term under the section entitled “—General.”

“Register” means such instrument that the registrar will keep at the office or agency in which, subject to restrictions on transfer set forth in the Indenture, and such other reasonable regulations as it may prescribe, the registrar shall provide for: (i) the registration of the Notes and (ii) the registration of transfers and exchanges of the Notes, as provided therein.

“Relevant Taxing Jurisdiction” has the meaning given to such term under the section entitled “—Additional Amounts.”

“Remaining Maturity” of the Notes means, at any date of determination, the quotient obtained by dividing the number of days from and including such date of determination to but excluding April 17, 2027 by 365.

“Reserve Accounts” means, collectively, the Argentine Debt Service Reserve Accounts and the Debt Service Reserve Account.

“Reserve Adequacy Ratio” means, with respect to any date, the ratio obtained by dividing (x) the sum of the Proven Reserves and 50% of the Probable Reserves as stated in the most recent Reserves Certificate, by (y) the total commercialized hydrocarbon production for the Dedicated Concessions for which Specified Royalties have been assigned under the Argentine Trust Agreement for the 12 calendar months preceding such calculation date, the quotient of which shall be divided by the Remaining Maturity as of the last day of the calendar month preceding such report date.

“Reserves Certificate” means the certificate issued by the Province’s Ministry of Hydrocarbons detailing the Proven Reserves and Probable Reserves calculated as of the date on which the certificate is issued, and reflecting the calculation of the Reserve Adequacy Ratio and the Minimum Reserve Adequacy Ratio, together with all the supporting documentation.

“Royalties Coverage Amount” means, with respect to any Collection Period, the quotient obtained by dividing (x) the aggregate Specified Royalties deposited in the Argentine Collateral Account during such Collection Period by (y) the Argentine peso equivalent, based on the average peso-dollar exchange rate (as defined herein for the five Business Days prior to the Payment Date) of Argentine pesos to U.S. dollars during such Collection Period, of the next succeeding Scheduled Payment Amount payable after such Collection Period.

“Scheduled Payment Amount” shall mean, for the first eight Payment Dates after the issuance of the Notes, the aggregate interest due under the Notes on such Payment Dates, and at all times thereafter shall mean the sum of the aggregate interest due under the Notes on the applicable Payment Date plus the Amortization Amount due on such date.

“Scheduled Payment Date” shall mean any date in which a Scheduled Payment Amount is due and payable.

“Secured Parties” means the Argentine Collateral Agent, the Trustee, the Agents and the Holders.

“Specified Royalties” means 100% (one hundred percent) of the Hydrocarbon Royalties payable to the Province by the Dedicated Concessionaires under the Dedicated Concessions minus (i) the percentage of the Hydrocarbon Royalties, currently set at 4.2% (four point two percent), payable to the *Agencia de Recaudación Faguina* pursuant to Provincial Law No. 1,074, as may be amended; and (ii) the percentage of Hydrocarbon Royalties, currently set at 21.1% (twenty one point one percent), in the aggregate, payable to the Municipalities of Tierra del Fuego pursuant to Provincial Laws No. 892 and No.702, as these may be amended.

“Transaction Documents” means the Indenture, the Notes, the Account Control Agreement and the Argentine Trust Agreement.

“Trigger Cure Date” has the meaning given to such term under the section entitled “—Payment—Trigger Event Prepayment Account and Argentine Trigger Event Prepayment Account—Trigger Events.”

“Trigger Event” has the meaning given to such term under the section entitled “—Trigger Events.”

“Trigger Event Prepayment Account” has the meaning given to such term under the section entitled “—Payment—Trigger Event Prepayment Account and Argentine Trigger Event Prepayment Account.”

NOTICE TO INVESTORS

The distribution of this offering memorandum is restricted by law in certain jurisdictions. Persons who come in possession of this offering memorandum are required by the Province to inform themselves of, and to observe, any of these restrictions.

This offering memorandum does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. Neither the Province nor the Initial Purchaser accept any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

The Notes will be subject to the following restrictions on transfer. Holders of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of their Notes. By acquiring Notes, holders will be deemed to have made the following acknowledgements, representations to and agreements with the Province and the Initial Purchaser:

(1) You acknowledge that:

- i) the Notes have not been registered and will not be registered under the Securities Act or the securities laws of any other jurisdiction and are being offered for resale in transactions that do not require registration under the Securities Act or the securities laws of any other jurisdiction; and
- ii) unless so registered, the Notes may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth below.

(2) You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of the Province and you are not acting on behalf of the Province and that either:

- i) you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act), or QIB, and are acquiring the Notes for your own account or for the account of another QIB, and you are aware that the initial purchaser is selling the Notes to you in reliance on Rule 144A under the Securities Act; or
- ii) you are purchasing the Notes in an offshore transaction in accordance with Regulation S under the Securities Act.

(3) You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of Notes by its acceptance of the Notes will agree, that the Notes may be offered, sold or otherwise transferred only:

- i) to the Province;
- ii) inside the United States to a QIB (as defined in Rule 144A) in compliance with Rule 144A under the Securities Act;
- iii) outside the United States in compliance with Rule 903 or 904 under the Securities Act;
- iv) pursuant to a registration statement that has been declared effective under the Securities Act; or
- v) in any other jurisdiction in compliance with local securities laws.

(4) You acknowledge that the Province and the trustee reserve the right to require, in connection with any offer, sale or other transfer of Notes, the delivery of written certifications and/or other information satisfactory to the Province as to compliance with the transfer restrictions referred to above.

(5) You agree to deliver to each person to whom you transfer Notes, notice of any restrictions on transfer of such Notes.

(6) You acknowledge that each Restricted global security will bear a legend to the following effect:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE RESOLD, PLEDGED, OR OTHERWISE

TRANSFERRED EXCEPT AS PERMITTED BY THE FOLLOWING SENTENCES. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS, ACKNOWLEDGES AND AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES THAT IT WILL NOT RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUER, (B) IN COMPLIANCE WITH RULE 144A, UNDER THE SECURITIES ACT, TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, (C) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (D) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE UNITED STATES OR OF ANY STATE THEREIN.

THIS LEGEND MAY ONLY BE REMOVED WITH THE CONSENT OF THE ISSUER.”

(7) You acknowledge that each Regulation S global security will bear a legend to the following effect:

(8) “THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, PRIOR TO THE EXPIRATION OF 40 DAYS FROM THE LATER OF (1) THE DATE ON WHICH THIS NOTE WAS FIRST OFFERED AND (2) THE DATE OF ISSUANCE OF THIS NOTE, MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT (A) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF ONE OR MORE OTHER QUALIFIED INSTITUTIONAL BUYERS IN ACCORDANCE WITH RULE 144A, OR (B) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR 904 OF REGULATION S. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THIS NOTE AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE SHALL BE DEEMED BY THE ACCEPTANCE OF THIS NOTE TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.”

You acknowledge that the Province, the Initial Purchaser and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements. You agree that if any of the acknowledgments, representations or warranties deemed to have been made by your purchase of Notes is no longer accurate, you shall promptly notify the Province and the Initial Purchaser. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the foregoing acknowledgments, representations, warranties and agreements on behalf of each account.

Argentine Selling Restriction

Pursuant to Section 83 of Argentine Law No. 26,831, as amended and/or supplemented (*Ley de Mercado de Capitales*), there are no restrictions on the offer and sale of the Notes in Argentina or to Argentine persons, except that the Notes may only be publicly offered or sold in Argentina through the Province or through persons or entities duly authorized to publicly offer securities in Argentina.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (“NI 33-105”), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area (Iceland, Norway and Liechtenstein in addition to the member states of the European Union) which has implemented the Prospectus Directive (as defined below) (each, a “Relevant Member State”), each Initial Purchaser has represented and agreed that, with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State (the “Relevant Implementation

Date”), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Province for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes shall require the Province or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any ordinary notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in each Relevant Member State.

The above selling restriction is in addition to any other selling restrictions set out below.

Notice to Prospective Investors in the United Kingdom

Each Initial Purchaser has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and 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 Financial Services and Market Act 2000 of the United Kingdom) in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of Financial Services and Market Act 2000 of the United Kingdom does not apply to the Province, and
- (b) it has complied and will comply with all applicable provisions of the Financial Services and Market Act 2000 of the United Kingdom with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in France

The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this offering memorandum nor any other offering materials relating to the Notes described in this offering memorandum have been or shall be distributed to the public in France. Such offers, sales and distributions have been and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French Code *monétaire et financier*. This offering memorandum has not been submitted to the clearance procedures (visa) of the *Autorité des marchés financiers*.

Notice to Prospective Investors in the Kingdom of Spain

The Notes may not be offered, sold or distributed, nor may any subsequent resale of Notes be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law (*Ley 24/1988, de 28 julio del Mercado de Valores*) and related legislation or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Notes.

Neither the Notes nor the offering memorandum have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore the offering memorandum is not intended for any public offer of the Notes in Spain.

Notice to Prospective Investors in Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the Notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the Notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the Notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Notice to Prospective Investors in Hong Kong

Each Initial Purchaser has represented and agreed that it has not issued or had in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside of Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The Notes offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “Financial Instruments and Exchange Act”). The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Notice to Prospective Investors in Singapore

Each Initial Purchaser has acknowledged that this offering has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of any Notes may not be circulated or distributed, nor may any Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in

Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed for or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, then securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore

Chilean Selling Restriction

The offer of the Notes is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the "SVS"). The Notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the Notes are not subject to the supervision of the SVS. As unregistered securities, the Province is not required to disclose public information about the Notes in Chile. The Notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

Notice to Prospective Investors in Uruguay

This offering of the Notes is neither authorized for public offering in Uruguay nor registered with the Uruguayan Central Bank. The Notes may not be sold publicly under Uruguayan Securities Law 18.627 unless they are registered according to the terms and conditions established therein. The Notes may be offered privately and may not be offered directly to natural persons or determined legal entities and shall neither be offered on the Uruguayan Stock Exchange nor be advertised by any means. The offering of the Notes is strictly confidential and may not be distributed by the recipients hereof.

Notice Prospective Investors in Paraguay

The Notes have not been authorized for public offering within the Republic of Paraguay nor have they been registered with the National Securities Commission of the Republic of Paraguay. The Notes may not be sold for public offering pursuant to Securities Market Law 1284/98, as amended and supplemented, of the Republic of Paraguay. The Notes may be offered privately and may not be offered to individuals or indeterminate legal entities and may not be offered on stock exchanges of the Republic of Paraguay nor publicized in any medium.

TAXATION

The following discussion summarizes certain Argentine, provincial, and U.S. federal income tax considerations that may be relevant to you if you purchase own or sell the Notes. This summary is based on laws, regulations, rulings and decisions now in effect in each of these jurisdictions, including any relevant tax treaties. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules.

You should consult your tax advisor about the tax consequences of the acquisition, ownership and disposition of the Notes, including the relevance to your particular situation of the considerations discussed below, as well as of any foreign, state, local or other tax laws.

The following discussion does not address tax consequences applicable to holders of the Notes in particular jurisdictions that may be relevant to such holder. Holders of the Notes are urged to consult their own tax advisors as to the overall tax consequences of the acquisition, ownership and disposition of the Notes in relevant jurisdictions.

Argentine Taxation

The following summary is based upon tax laws of Argentina as in effect on the date of this offering memorandum and is subject to any change in Argentine law that may come into effect after such date. Prospective purchasers of the Notes should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Notes in Argentina.

Income Tax

Interest

Unless otherwise stated hereinafter, interest on the Notes will be exempt from Argentine Income Tax (“IT”) according to article 36 bis of Law 23,576, the Negotiable Obligations Law to the extent the conditions stated under article 36 of the Negotiable Obligations Law are met.

Decree No. 1076/92, as amended by Decree No. 1157/92, ratified by Law No. 24,307 (the “Decree”), however, eliminated the above exemption for holders who are subject to Title VI of the Argentine Income Tax Act (in general, entities organized or incorporated under Argentine law, Argentine branches of foreign entities, sole proprietorships and individuals who conduct certain business in Argentina (hereinafter referred to as the Argentine Entities)). Consequently, interest paid to Argentine Entities is subject to the IT as provided for by applicable Argentine tax law and regulations at a rate of 35%.

The exemption from Argentine income tax to interest payments on the Notes, as described above, will continue to be applicable in Argentina to revenue received by foreign beneficiaries abroad (i.e. individuals, undivided states or entities which are foreign fiscal residents that obtain income from an Argentine source) in spite of the fact that such revenue could be taxable by a foreign tax authority.

In the event of any withholding or deduction of any Relevant Taxes by a relevant jurisdiction, the Province has undertaken to make payments of additional amounts, subject to certain limitations, as will result in receipt by the Holders of the amounts that would otherwise have been receivable by them in respect of payments of such Notes in the absence of such withholdings or deduction. See “Description of the Notes—Additional Amounts.”

Capital Gains

According to Article 36 bis of the Negotiable Obligations Law, individuals, either resident in Argentina or not, and foreign entities without a permanent establishment in Argentina, will not be subject to the payment of IT on income derived from the sale, change, conversion or other disposition of the Notes provided that the Notes are placed through a public offering. The Province expects that the issuance of the Notes will satisfy the conditions of Article 36 of the Negotiable Obligations Law.

Argentine law provides generally that tax exemptions do not apply when, as a result of the application of an exemption, revenue that would have been collected by the Argentine Tax Authority would be collected instead by a

foreign tax authority (Articles 21 of the Income Tax Law and 106 of the Tax Proceedings Law). This principle, however, does not apply to holders who are foreign beneficiaries.

Argentine Entities are subject to the payment of IT at a rate of 35.0% on income derived from the sale, change, conversion or other disposition of the Notes. In the event of the imposition over local and foreign individuals or foreign entities of any deduction or withholding for or on account of IT, the Province has undertaken to make payments of additional amounts, subject to certain limitations, as will result in receipt by the Holders of the amounts that would otherwise have been receivable by them in respect of payments of such Notes in the absence of such withholdings or deduction. See “Description of the Notes—Additional Amounts.”

Value Added Tax

Any financial transaction and operation related to the issuance, placement, purchase, transfer, payment of principal and/or interest or redemption of the Notes will be exempt from VAT provided that the conditions of Section 36 of the Negotiable Obligations Law are fulfilled. The Province expects that the issuance of the Notes will satisfy the conditions of Section 36 of the Negotiable Obligations Law.

Personal Assets Tax

Under Law No. 23,966 regarding personal assets tax (“PAT”), resident individuals and undivided estates (regardless of their domicile or location) are subject to personal assets tax on all property situated in the country (including notes) or abroad existing as of December 31 of each year.

Pursuant to the amendments of Law No. 27,260 PAT has a non-taxable minimum threshold and tax rates that both vary according to the fiscal period. If the value of such assets exceeds the non-taxable minimum threshold, the exceeding amount will be subject to taxation.

The following non-taxable minimum threshold and rates apply:

<u>Fiscal year</u>	<u>Value of the taxable assets</u>	<u>Tax Rate</u>
2016	Up to P\$800,000	0.75%
2017	Up to P\$950,000	0.50%
2018 and following	Up to P\$1,050,000	0.25%

Law No. 27,260 established also that taxpayers that fulfilled their tax obligations corresponding to the two (2) fiscal periods prior to the 2016 fiscal year, and that comply with the requirements set forth in Section 66 (in general, not having any debts before the Federal Tax Authorities and not having adhered to the voluntary disclosure regime nor the tax obligation regularization regime established in the Voluntary Disclosure of Assets Law), shall qualify for the tax exemption on personal property for the 2016, 2017 and 2018 fiscal periods.

Individuals residing abroad and undivided estates located outside Argentina will only be taxed for their property located in Argentina. The applicable rate payable by these taxpayers is 0.75% for tax period 2016, 0.50% for 2017 and 0.25% for 2018 and the following years. The tax shall not be paid if the amount to be remitted is equal to or lower than P\$255.8.

Section 26 of Law No. 27,260 establishes the “substitute payer” system (a person domiciled or resident in the country acting as holder, custodian or depositary of negotiable obligations or authorized to dispose of negotiable obligations) does not apply to the Notes.

Under certain circumstances, assets held by companies or other entities domiciled or settled abroad (offshore entities) are assumed to be owned by individuals or undivided estates domiciled or settled in Argentina and, consequently, are subject to PAT. This assumption does not apply to securities issued by the Federal Government, a city or an Argentine Province (such as the Notes).

Tax on Presumed Minimum Income

The tax on presumed minimum income (“PMIT”) is levied on the value of the assets held by, in general, a Corporation at the end of the relevant tax period. Corporations domiciled in Argentina as well as the branches and permanent establishments in Argentina of companies or other entities incorporated abroad, among others, are subject to the tax at the rate of 1.0% (0.2% in the case of financial entities subject to Law No. 21,526, insurance companies and leasing entities) if the value of their assets exceeds P\$200,000 at the end of a given economic period. If the value of the assets exceeds P\$200,000, the total assets of the entity that are subject to taxation shall be taxable.

This tax will only be paid if the IT determined for any fiscal year does not equal or exceed the amount owed under the PMIT. On the other hand, if the PMIT exceeds the IT owed in the same fiscal year, only the difference shall be paid as PMIT. Any PMIT paid will be applied as a credit toward IT owed in the immediately following ten fiscal years.

Law 27.260, published in the National Official Gazette on July 22, 2016, abrogates this tax from the fiscal year which begins on January 1, 2019.

Tax on Debits and Credits of Bank Accounts

Law No. 25,413, as amended and regulated, establishes, with certain exceptions, a tax levied on debits from and credits to bank accounts maintained at financial institutions located in Argentina, and on other transactions that are used as a substitute for the use of bank checking accounts. The general tax rate is 0.6% for each debit and credit; however increased tax rates of 1.2% and reduced rates of 0.075% may apply in certain cases.

In the case of holders of bank accounts subject to the general 0.6% rate, 34% of the tax assessed and received by the tax collection agent in connection with the amounts deposited in said accounts, may be accounted for as payment on account of the Income Tax and/or the Minimum Presumed Income Tax. In the case of holders of bank accounts subject to the 1.2% rate, 17% of the amounts paid as TDC may be accounted for as payment on account of the Income Tax, the Minimum Presumed Income Tax and/or special contribution on corporate capital. This tax has certain exemptions; recorded movements in special checking accounts (Communication “A” 3250 of the Central Bank) are exempted from this tax if the accounts are held by foreign legal entities and if they are exclusively used for financial investments in the country.

To the extent that holders of the Notes receive payments by utilizing local bank checking accounts, such tax may apply.

Other Transfer Taxes

No Argentine transfer taxes are applicable to the sale and transfer of the Notes other than those specified in this Argentine Tax Consequences section.

Court Tax

In the event that it becomes necessary to institute enforcement proceedings in relation with the Notes, (i) in the federal tax courts of Argentina or the courts sitting in the City of Buenos Aires, a court tax (currently at a rate of 3.0%) will be imposed on the amount of any claim brought before such courts; or (ii) in the courts of the Province, certain court and other taxes will be imposed on the amount of any claim brought before such courts.

Provincial Tax Consequences

Gross Revenue Tax

In general, Argentine provinces provide particular exemptions for any income derived from securities issued by the Federal Government, provinces or municipalities, such as the Notes. Prospective investors should consider the tax consequences of the jurisdictions in which they are located. Any investors regularly engaged or presumed to be engaged in business in any jurisdiction where they receive revenues from interest arising from the Notes, could be subject to this tax at rates that vary according to the specific laws of each Argentine province, unless an exemption applies.

Several provincial tax authorities have set forth collection regimes in respect of Gross Revenue Tax that are applicable to any credits held in accounts opened with financial institutions, irrespective of their type and/or nature, including all the branches, whatever their location. In general, these regimes apply to those taxpayers who are included in the list provided by the Revenue Office of each jurisdiction on a monthly basis. Applicable tax rates will depend on

each tax authority. These tax collections constitute a payment on account of gross revenue tax for those taxpayers who are subject to such tax. Certain jurisdictions where this collection regime over credits in bank accounts is effective (such as the Province of Buenos Aires, Córdoba, City of Buenos Aires, Catamarca and Chubut) exclude from such regime the amounts credited as a result of transactions over securities, their income and/or stabilization or foreign exchange adjustments. Prospective investors should consider the tax consequences of the jurisdictions in which they are located.

In general, Argentine provinces provide particular exemptions for any income derived from securities issued by the Federal Government, provinces or municipalities, such as the Notes. In particular, for the Province, article 204 (g) of the Fiscal Code of the Province provides that all transactions related to the Notes are exempted from gross income tax, as well as all income produced by the Notes or any stabilization or currency conversion adjustments.

Prospective investors should consider the tax consequences of the jurisdictions in which they are located.

Stamp Tax

The Stamp Tax is a provincial tax levied on transactions formalized in writing and entered into in a provincial jurisdiction (or the City of Buenos Aires), or instruments executed outside a provincial jurisdiction (or the City of Buenos Aires) having effects or intended to have effects in other jurisdiction.

In general, the Provinces and the City of Buenos Aires provide an exemption to any actions, contracts and transactions made over the Notes issued by the Provincial Governments (such as the Notes). In the event of the imposition of any deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges on the payment by the Province in respect of the Notes, the Province has undertaken to make payments of additional amounts, subject to certain limitations, as will result in receipt by the Holders of the amounts that would otherwise have been receivable by them in respect of payments of such Notes in the absence of such withholdings or deduction.

Prospective investors should consider the tax consequences in force in the above mentioned jurisdictions at the time the concerned document is executed and/or has effects.

Tax on Gratuitous Transfer of Assets

At provincial level, the Province of Buenos Aires and Entre Ríos imposed a tax on gratuitous transfer of assets (the “TGTA”), the main characteristics of which are the following:

- The TGTA is applicable to any enrichment resulting from gratuitous transfers, including: inheritances, legacies, donations, anticipated inheritances or any other event that implies a gratuitous monetary enrichment.
- The tax is payable by individuals and legal entities that are beneficiaries of a gratuitous transfer of assets.

For taxpayers domiciled in such provinces, the tax is levied on the total amount of the gratuitous enrichment, for both property located in and outside such provinces. For taxpayers domiciled outside said provinces, the tax is levied only on the gratuitous transactions relating to assets located within such provinces.

The following types of property are deemed located in such provinces: (i) securities and shares of stock, notes, membership or equity interests and other negotiable instruments representing capital stock, issued by governmental or private entities and companies, domiciled in such provinces; (ii) securities, shares of stock and other negotiable instruments issued by private entities or companies domiciled in a different jurisdiction, that were physically located in such provinces at the time of their transmission; and (iii) securities, shares of stock and other negotiable instruments representing capital stock or its equivalent issued by entities or companies domiciled in another jurisdiction which are also physically located in another jurisdiction at the time of their transmission, in proportion to the issuers’ assets located in such provinces.

In the Province of Buenos Aires, the gratuitous transfer of assets is exempt from tax when the assets aggregate value, excluding deductions, exemptions and exclusions, is equal to or lower than P\$107.400 and this threshold rises to P\$448.500, when the transfer is done between parents, children and spouses. In the Province of Entre Ríos, pursuant to Decree 2554/2014 the gratuitous transfer of assets shall not pay the TGTA if the aggregate value is equal to or less than P\$60.000, or P\$250.000 if the transfer were done between parents, children or spouses.

Step-up rates from 4.0% to 21.9% have been established, based on the degree of kinship and taxable base involved.

As for the existence of the TGTA in other provinces, potential investors should analyze the tax laws of each province in particular.

U.S. Federal Income Tax Consequences

The following summary contains a description of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by a “United States person.” As used herein, the term “United States person” means a beneficial owner of Notes that is, for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust if (a) a U.S. court is able to exercise primary supervision over the trust’s administration and (b) one or more United States persons have the authority to control all of the trust’s substantial decisions, and the term “United States” means only the United States of America (including the states thereof and the District of Columbia).

This summary only addresses initial purchasers of the Notes that purchase the Notes at their “issue price” (the first price at which a substantial amount of Notes are sold for money, excluding sales to underwriter, placement agents or wholesalers) in the initial offering and hold the Notes as capital assets. It does not address considerations that may be relevant to you if you are an investor that is subject to special tax rules, such as a bank, thrift, individual retirement account or other tax-deferred account, real estate investment trust, regulated investment company, insurance company, dealer in securities or currencies, dealer or trader in securities or commodities that elects “mark-to-market” treatment, investor that will hold the Notes as a hedge or as a position in a “straddle” or conversion transaction, partnership (and partners therein) or other entity or arrangement treated as a partnership for U.S. federal income tax purposes, tax-exempt organization, a United States person holding the Notes in connection with a trade or business conducted outside the United States or a United States person whose “functional currency” is not the U.S. dollar. In addition, this summary does not address the alternative minimum tax, the Medicare tax on net investment income or other aspects of U.S. federal or state and local taxation, or any tax consequences arising out of the laws of any non-U.S. jurisdiction, that may be relevant to a United States person.

This summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect. All prospective purchasers should consult their own tax advisers as to the particular tax consequences to them of owning the Notes, including the applicability of U.S. federal, state, local, foreign and other tax laws, and possible changes in tax law.

The following discussion assumes that the Notes will not be issued with more than a *de minimis* amount of original issue discount (OID). If the issue price of a Note is less than its stated redemption price at maturity (generally, its principal amount) by more than a *de minimis* amount, you will be subject to special U.S. federal income tax rules with respect to this OID. OID will be considered *de minimis* if it is less than 0.25% of the stated redemption price at maturity multiplied by the “weighted average maturity” of the Notes. The “weighted average maturity” of a Note is the sum of the following amounts, determined for each installment of principal paid: (i) the number of complete years from the issue date until such principal payment is made, multiplied by (ii) a fraction equal to the amount of such principal payment divided by the Note’s stated redemption price at maturity. Holders of Notes with *de minimis* OID generally will include the amount of *de minimis* OID on the Notes in income, as capital gain, on a pro rata basis as principal payments are made on the Notes. If the Notes are issued with more than a *de minimis* amount of OID, you will be required to include such OID in income for U.S. federal income tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, even though the cash attributable to this income will not be received until a Note is sold, exchanged, redeemed or otherwise disposed.

Pre-Issuance Accrued Interest

If interest accrued prior to the date the Notes are issued, a portion of the purchase price of the Notes will be attributable to the amount of such accrued interest (the “pre-issuance accrued interest”). To the extent there is any pre-issuance accrued interest, the Province intends to take the position that a portion of the first interest payment on the Notes, equal to the amount of pre-issuance accrued interest, will be treated as a nontaxable return of the pre-issuance accrued interest. The remainder of this discussion assumes that if there is any pre-issuance accrued interest, the first interest payment on the Notes will be so treated, and references to interest in the remainder of this discussion exclude pre-issuance

accrued interest. If there is any pre-issuance accrued interest, U.S. Holders should consult their tax advisers concerning the U.S. federal income tax treatment of such interest.

Payments of Interest

Interest payable on the Notes will be subject to tax as ordinary income in accordance with the method of accounting that you generally use for U.S. federal income tax purposes. You will also be required to include in gross income as interest any withholding tax paid and any additional amounts paid with respect to withholding tax on the Notes (as described under “Description of the Notes—Additional Amounts”), including foreign withholding tax on payments of such additional amounts.

Interest received or accrued on the Notes will constitute foreign source “passive category income” to most United States persons for U.S. foreign tax credit purposes. If Argentine or other foreign withholding taxes are imposed, you will be treated as having actually received an amount equal to the amount of such taxes and as having paid such amount to the relevant taxing authority. As a result, the amount of interest income included in your gross income would be greater than the amount of cash actually received by you in such instance. You may be able, subject to certain generally applicable limitations, to claim a foreign tax credit (or, alternatively, a deduction if you have elected to deduct all foreign income taxes for that taxable year) for foreign withholding taxes imposed on payments of interest (including any additional amounts, as described under “Description of the Notes—Additional Amounts”). The calculation of U.S. foreign tax credits and, if you elect to deduct foreign income taxes, the availability of deductions involves the application of complex rules that depend on your particular circumstances. You should, therefore, consult your own tax advisors regarding the application of the U.S. foreign tax credit rules to interest income (including additional amounts) on the Notes.

Disposition of Notes

Upon a sale, redemption, retirement or other disposition of your Notes, you generally will recognize gain or loss equal to the difference between the amount you realize on the transaction and your adjusted tax basis in the Notes (except that any amount attributable to accrued and unpaid interest will be treated as a payment of interest for U.S. federal income tax purposes). Your adjusted tax basis in a Note generally will equal the cost of the Note to you reduced by payments of principal previously received in respect of such Note. If you are a United States person who is an individual, estate or trust and the Note being sold, redeemed, retired or otherwise disposed of is a capital asset held by you for more than one year, you may be eligible for reduced rates of taxation on any capital gain recognized. Your ability to deduct capital losses is subject to limitations.

Gain or loss recognized by you on the sale, redemption, retirement or other taxable disposition of a Note generally will be U.S. source gain or loss. Accordingly, if Argentine or other withholding tax is imposed on the sale or disposition of the Notes, you may not be able to fully utilize your U.S. foreign tax credits in respect of such withholding tax unless you have other foreign source income. You should consult your own tax advisors as to the foreign tax credit implications of such sale, redemption, retirement or other taxable disposition of a Note.

Information Reporting and Backup Withholding

The paying agents will be required to file information returns with the U.S. Internal Revenue Service with respect to payments made to certain United States persons on the Notes. In addition, certain United States persons may be subject to U.S. backup withholding tax in respect of such payments if they do not provide their taxpayer identification numbers to the relevant paying agent, and may also be subject to information reporting and backup withholding requirements with respect to proceeds from a sale, exchange or other disposition of the Notes. Any amounts withheld under the backup withholding tax rules will be allowed as a refund or credit against your U.S. federal income tax liability, provided that you timely furnish the required information to the U.S. Internal Revenue Service.

Individual United States persons that own “specified foreign financial assets” (as defined below) with an aggregate value in excess of US\$50,000 on the last day of their tax year or US\$75,000 at any time during the year are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. “Specified foreign financial assets” include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the Notes) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to

hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. United States persons who fail to report the required information could be subject to substantial penalties. You should consult your own tax advisors concerning the application of these rules to your investment in the Notes, including the application of the rules to your particular circumstances.

PLAN OF DISTRIBUTION

The Province intends to offer the Notes to Initial Purchaser UBS Securities LLC. The Notes will be offered and sold within the United States to QIBs in reliance on Rule 144A and outside the United States in reliance on Regulation S. Puente Hnos. S.A. is acting as Argentine Placement Agent for the Notes to be sold within Argentina.

Subject to the terms and conditions contained in a purchase agreement between the Province and the Initial Purchaser, the Province has agreed to sell to the Initial Purchaser, US\$200,000,000 principal amount of the Notes.

The Initial Purchaser has agreed to purchase all of the Notes being sold pursuant to the purchase agreement if any of these Notes are purchased. The Initial Purchaser has advised the Province that they propose initially to offer the Notes at the price listed on the cover page of this offering memorandum.

The Province has agreed to indemnify the Initial Purchaser and their affiliates against certain liabilities, including, without limitation, liabilities under the Securities Act, or to contribute to payments the Initial Purchaser may be required to make in respect of those liabilities.

The Initial Purchaser is offering the Notes, subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by its counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the Initial Purchaser of officer's certificates and legal opinions. The Initial Purchaser reserves the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Notes Are Not Being Registered

The Initial Purchaser proposes to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A.

The Initial Purchaser will not offer or sell the Notes except:

- To persons they reasonably believe to be QIBs: or
- pursuant to offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S.

Notes sold pursuant to Regulation S may not be offered or resold in the United States or to U.S. persons (as defined in Regulation S), except under an exemption from the registration requirements of the Securities Act or under a registration statement declared effective under the Securities Act.

Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors."

The Initial Purchaser will represent, warrant and undertake in the purchase agreement that:

- it has only communicated or caused to be communicated, and 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 Financial Services and Market Act 2000 of the United Kingdom) in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of Financial Services and Market Act 2000 of the United Kingdom does not apply to the Province; and
- it has complied and will comply with all applicable provisions of the Financial Services and Market Act 2000 of the United Kingdom with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

New Issue of Notes

The Notes are a new issue of securities with no established trading market. The Initial Purchaser has advised the Province that they or their affiliates presently may make a market in the Notes after completion of this offering. However, it is under no obligation to do so and may discontinue any market-making activities at any time without any notice.

The Notes are expected to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, and listed on the MERVAL and the MAE. However, that does not ensure that a liquid or active public trading market for the Notes will develop. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes

may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the Province's performance and other factors.

Settlement

The Province expects that delivery of the Notes will be made against payment for the Notes on April 17, 2017, which will be the seventh business day following the date of the pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market are generally required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or on the next succeeding business days will be required to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of this offering memorandum or the next succeeding business days should consult their own advisors.

Price Stabilization and Short Positions

In connection with the offering, the Initial Purchaser may engage in transactions that stabilize the market price of the Notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the Notes. If the Initial Purchaser creates a short position in the Notes in connection with the offering, i.e., if they sell more Notes than are listed on the cover page of this offering memorandum, the Initial Purchaser may reduce that short position by purchasing Notes in the open market. Purchases of a security to stabilize the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of such purchases.

Neither the Province nor the Initial Purchaser makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Province nor the Initial Purchaser makes any representation that the Initial Purchaser will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Puente Hnos. S.A.

Puente Hnos. S.A. is not a broker-dealer registered with the United States Securities and Exchange Commission and therefore may not solicit offers to purchase or make sales of any Notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. The Notes also will be offered in Argentina on a best efforts basis by Puente Hnos. S.A. as Argentine Placement Agent pursuant to a *contrato de colocación local* (local placement agreement) in accordance with the Argentine Offering Memorandum, which will be prepared in the Spanish language and will be substantially similar to this offering memorandum. The Argentine Placement Agent is authorized under applicable Argentine law to act as a placement agent in Argentina. UBS Securities LLC is not participating in the offering of the Notes in Argentina.

Other Relationships

The Initial Purchaser and its respective affiliates are full-service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services.

The Initial Purchaser and its affiliates have engaged in, and may in the future engage in, investment banking, commercial banking and other financial services and commercial dealings in the ordinary course of business with the Province. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Initial Purchaser and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Province or the Province's affiliates. To the extent that the Initial Purchaser or its affiliates have a lending relationship with the Province now or in the future, they would routinely hedge their credit exposure to the Province consistent with their customary risk management policies. Typically, the Initial Purchaser and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Province's securities, including potentially, the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchaser and its affiliates may also make investment recommendations and/or publish or express independent

research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

OFFICIAL STATEMENTS

Information included herein which is identified as being derived from information published by the Province or its agencies or instrumentalities, is included herein on the authority of such publication as a public official document of the Province. All other information and statements set forth herein relating to the Province are included as public official statements made on the authority of the Province.

The information with respect to Argentina that is included herein has been derived from publicly available sources, and the Province makes no representation regarding the accuracy or completeness of such information and accepts no responsibility for such information other than in respect of its accurate summary, reproduction and extraction.

VALIDITY OF THE NOTES

The validity of the Notes will be passed upon for the Province by Holland & Knight LLP, U.S. counsel to the Province, and by Bruchou, Fernández Madero & Lombardi, Argentine counsel to the Province and by the State Attorney of the Province, and for the Initial Purchaser by Linklaters LLP, U.S. counsel to the Initial Purchaser, and by Cabanellas Etchebarne Kelly, Argentine counsel to the Initial Purchaser and the Argentine Placement Agent.

As to all matters of Argentine and provincial law, Holland & Knight LLP may rely on the opinion of Bruchou, Fernández Madero & Lombardi and the opinion of the State Attorney of the Province; and Linklaters LLP may rely upon the opinion of Cabanellas Etchebarne Kelly. As to all matters of U.S. law, Bruchou, Fernández Madero & Lombardi and the State Attorney of the Province may rely on the opinion of Holland & Knight LLP; and Cabanellas Etchebarne Kelly may rely on the opinion of Linklaters LLP.

GENERAL INFORMATION

The Province

The Province has authorized the creation and issuance of the Notes pursuant to Provincial Law 1,132, and Provincial Decree No. 363/2017.

Except as disclosed in this offering memorandum, since December 31, 2016, there has been no material adverse change in the revenue or expenditures, or financial position of the Province.

Listing

Application has been made to list the Notes on the Luxembourg Stock Exchange and for the Notes to trade on the Euro MTF Market of the Luxembourg Stock Exchange. Application has been made to list the Notes on the MERVAL and for admission to trade on the MAE. The Luxembourg listing agent is The Bank of New York Mellon SA/NV, Luxembourg Branch.

Documents Relating to the Notes

Copies of the Indenture, the Argentine Trust Agreement, the New York Security Documents, this offering memorandum and the forms of the Notes may be inspected free of charge during normal business hours on any day, except Saturdays, Sundays and public holidays in Luxembourg, at the offices of the listing agent in Luxembourg, as long as the Notes are listed on the Luxembourg Stock Exchange. Copies of this offering memorandum may be obtained during normal business hours on any day except Saturdays, Sundays and public holidays, at the offices of the listing agent in Luxembourg, as long as the Notes are listed on the Luxembourg Stock Exchange.

Notices

For so long as any of the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange shall so require, all notices to holders of such series shall be published either in a newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or the *Tageblatt*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu), or otherwise in compliance with the relevant listing rules of the Luxembourg Stock Exchange.

Clearing

The Notes have been accepted for clearance through the DTC system and will be held through direct and indirect participants, including Euroclear and Clearstream. The relevant trading information is set forth in the following table:

<u>Offered Notes</u>	<u>CUSIP Number</u>	<u>ISIN Number</u>	<u>Common Code</u>
Rule 144A	886516 AC7	US886516AC70	159928381
Regulation S	P91528 AA0	USP91528AA03	159908232



ISSUER

**The Government of the Province of Tierra del Fuego,
Antártida e Islas del Atlántico Sur**

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US\$200,000,000

The Province of Tierra del Fuego, Antártida e Islas del Atlántico Sur

8.950 % Notes due 2027

OFFERING MEMORANDUM

April 6, 2017

*Joint Bookrunner and
Initial Purchaser*
UBS Investment Bank

*Joint Bookrunner and
Argentine Placement Agent*
Puente
