



CÓRDOBA
ENTRE TODOS



Debt Sustainability Analysis

Province of Córdoba | August 2020

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Table of Contents

1. Use of Provincial Financial Debt Proceeds

2. Drivers for a Debt Restructuring

3. Fiscal Projections

4. Sustainability of Provincial Financial Debt

Infrastructure Works Plan

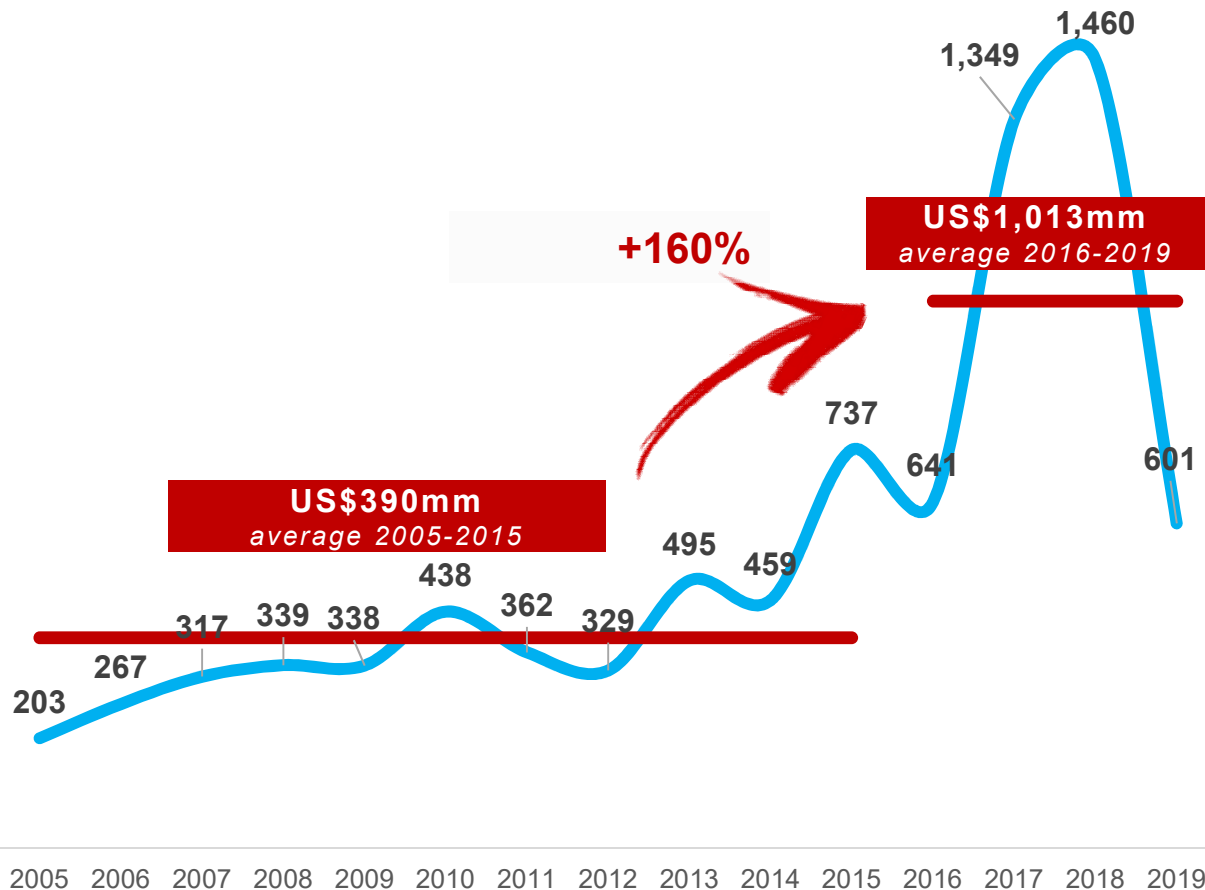
The execution of the infrastructure plan is leading to an important improvement in economic and social competitiveness

Type of work	Amount (US\$mm)
Roadwork	2,568
Gas pipelines and Connectivity	898
Aqueducts and Water	418
Electric Infrastructure	353
Sanitation and Sewage	523
Public Facilities	986
Total	5,746

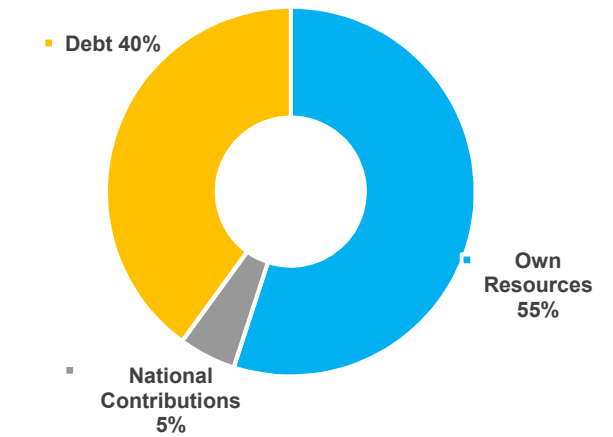


Public Investment

Investment of the Non-Financial Public Administration* (US\$mm)



Investment by source of funding



Source: Ministry of Finance (2016 - 2019).

2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

* It contemplates works executed by the APNF and capital transfers destined to the financing of works by the ACIF; / 2 BCRA annual average exchange rate.

The Province considers a minimum investment in capital expenditure of USD 300 million as a floor for the maintenance of its economic, productive, logistical and social variables



Table of Contents

1. Use of Provincial Financial Debt Proceeds

2. Drivers for a Debt Restructuring

3. Fiscal Projections

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Drivers for a Debt Restructuring

1. Argentine Macroeconomic Crisis

- **Recession:** 2.2% drop in 2018 and 2.5% in 2019, with a significantly larger drop expected in 2020
- **Inflation:** rates above 45% in 2018 and 2019, and similar numbers expected for 2020
- **Devaluation:** the Argentine peso depreciated 325% against the dollar between 2018 and 2019
- **Unemployment:** levels close to 10% in 2019, with a considerably higher number expected for 2020

2. No Access to Capital Markets

- **No access:** the capital market for Argentine issuers is virtually closed for voluntary financing exercises at reasonable interest rates
- **High yields:** the country risk (EMBI Argentina) exceeds 1,700 points since August 2019, with peaks greater than 4,300
- **Sovereign default:** since May 2020, Argentina has been in Default, negotiating the restructuring its debt for US\$ 65bn

3. COVID-19 Crisis

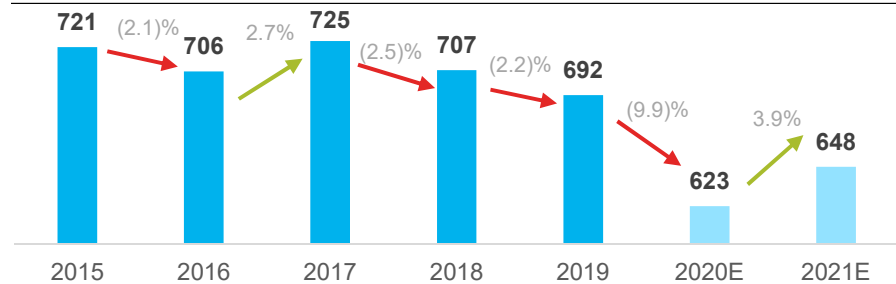
- **Record isolation:** Argentina developed one of the longest restrictive quarantine in the world
- **Unprecedented interruption in economic activity:** Since the beginning of the quarantine, the EMAE has suffered a record fall of more than 20%, the largest recorded fall ever
- **Greater fiscal challenge:** the measures adopted in relation to the COVID-19 crisis put even more pressure on the province's fiscal accounts, since it paused the activity, significantly reducing income, and increasing current expenses



Mismatch between scheduled debt service payments and fiscal resources, with no access to capital markets

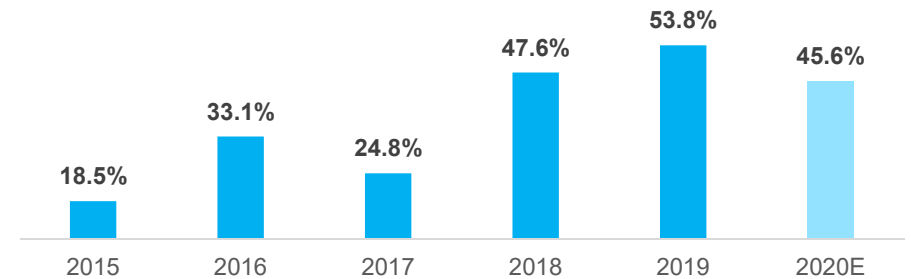
1. Argentina's Macroeconomic Crisis: Variables' Deterioration

GDP



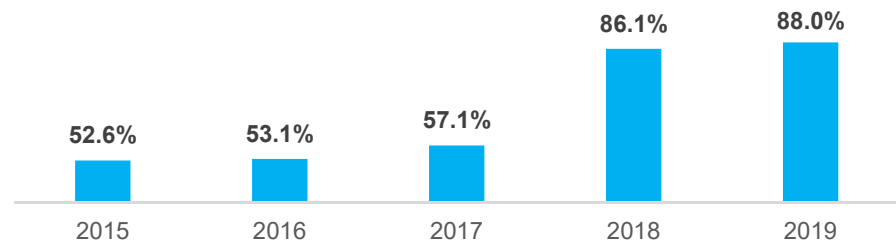
Source: INDEC and IMF as of June 24, 2020. In constant trillions of 2004 pesos

Inflation



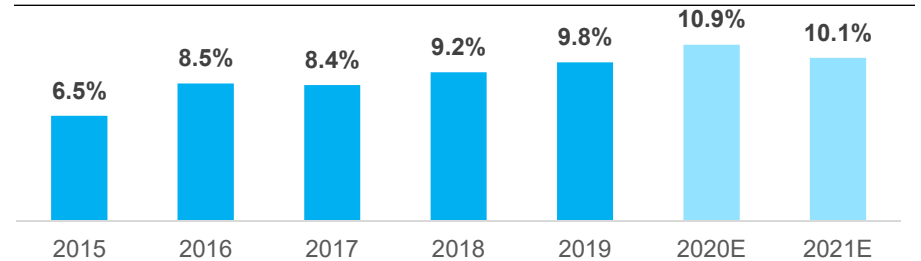
Source: Central Bank of the Argentine Republic (April 4, 2020)

Total debt (% of GDP)



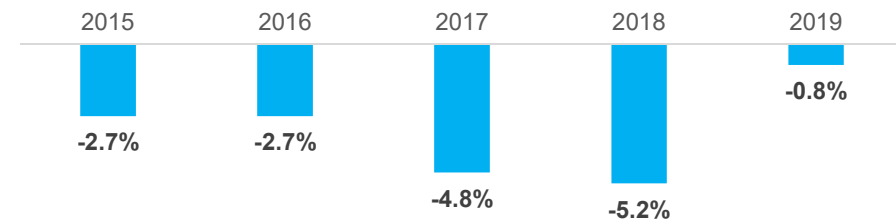
Source: IMF (April 4, 2020)

Unemployment



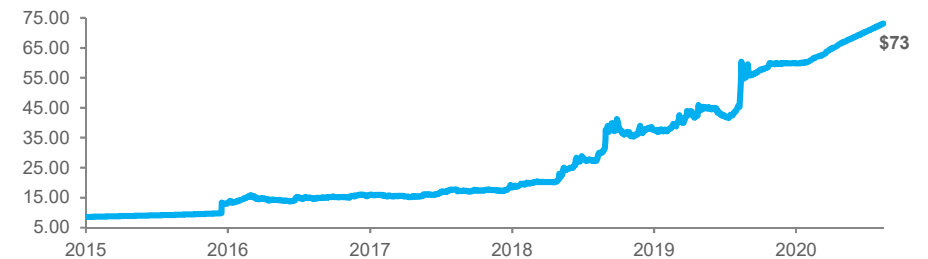
Source: IMF (April 4, 2020)

Current Account Balance (% of GDP)



Source: IMF (April 4, 2020)

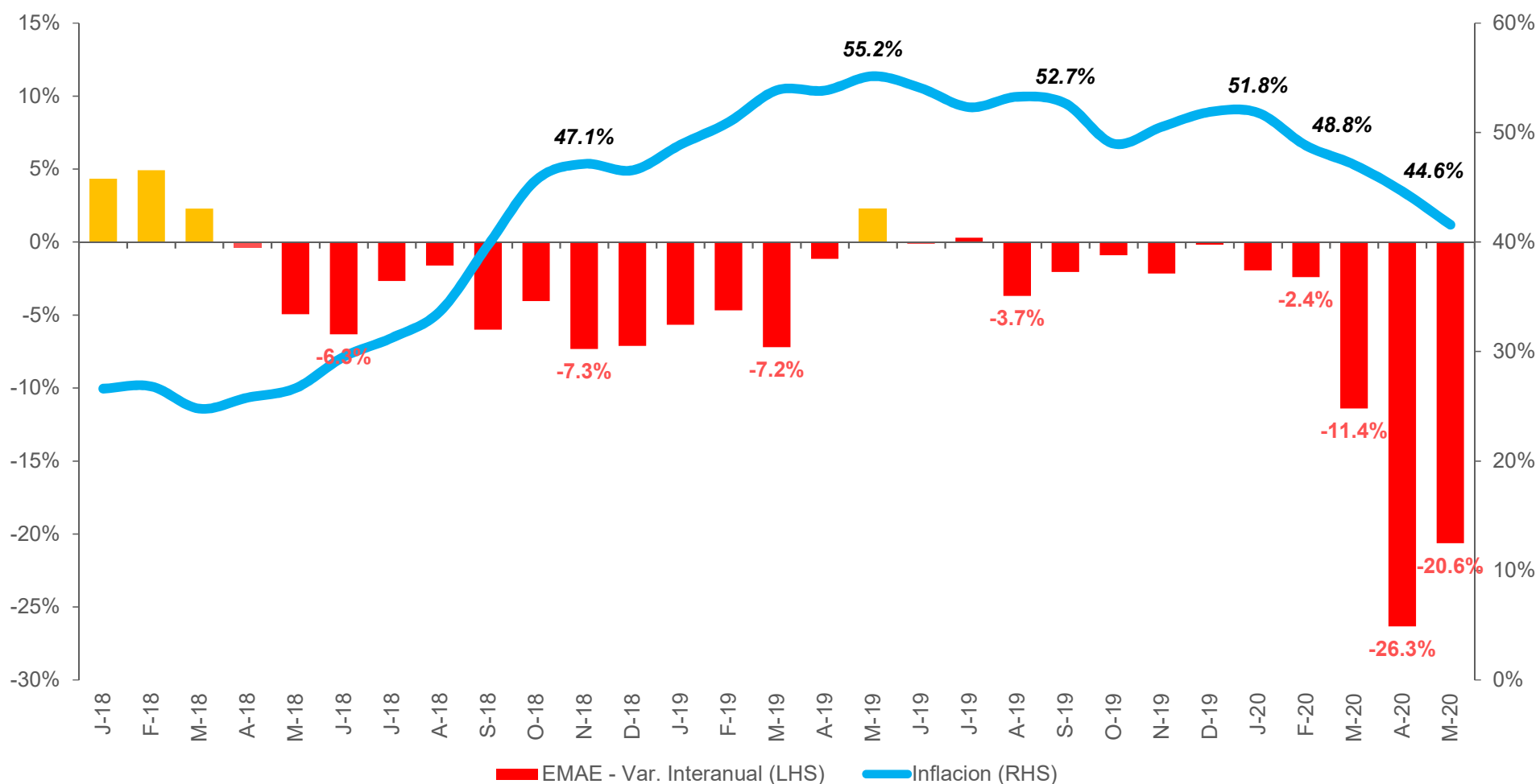
BCRA 3500 - ARS / USD evolution



Source: Central Bank of the Argentine Republic as of August 14, 2020

1. Argentine Macroeconomic Crisis: Economic Activity Slump

Economic Activity and Inflation

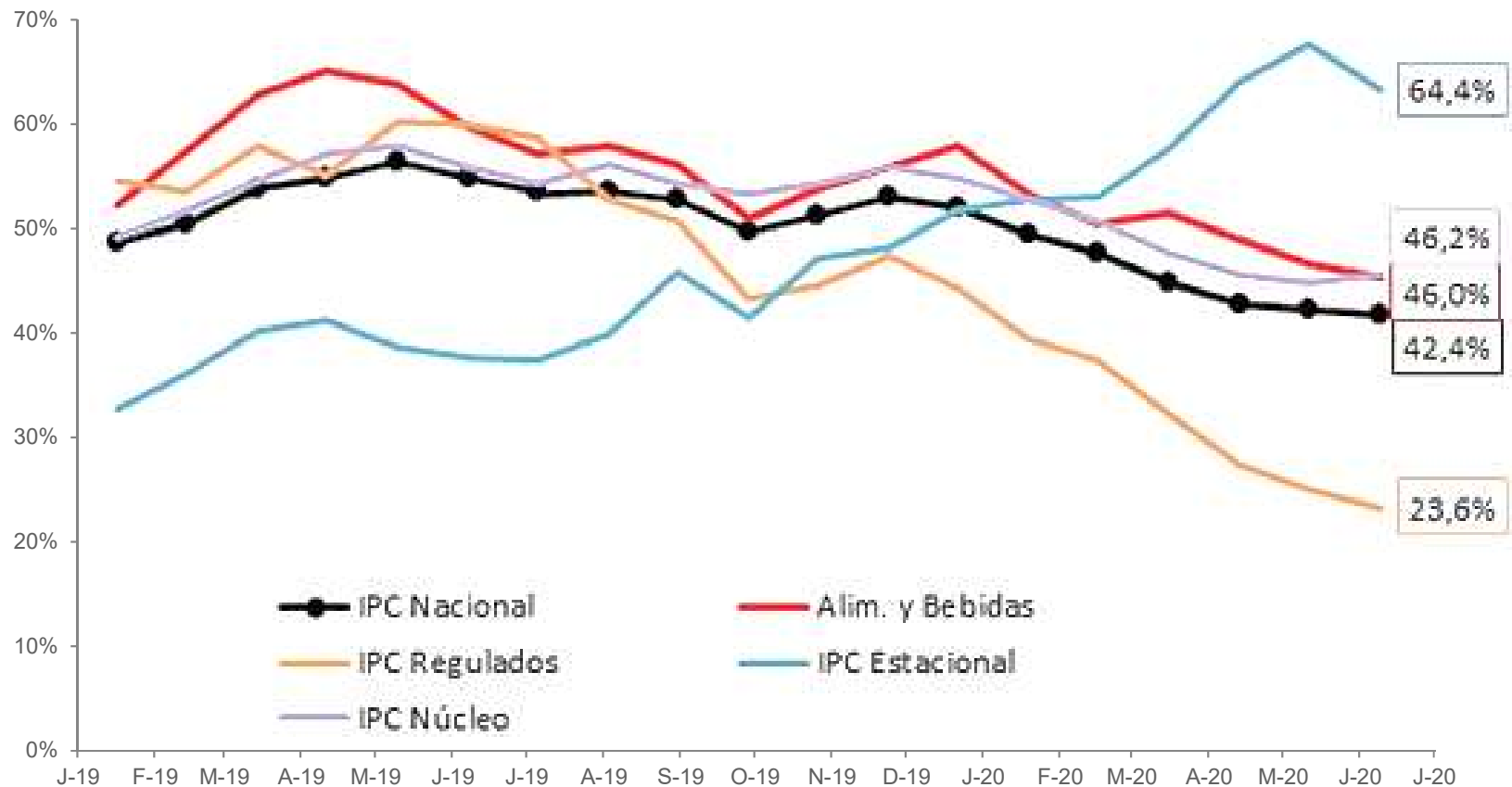


Note: 1) Based on the INDEC's Monthly Economic Activity Estimator (EMAE); 2) Year-on-year inflation each month (CPI Córdoba)

Source: Ministry of Finance (2020)

1. Argentina's Macroeconomic Crisis: High inflation due to inertial, structural and expectations sources

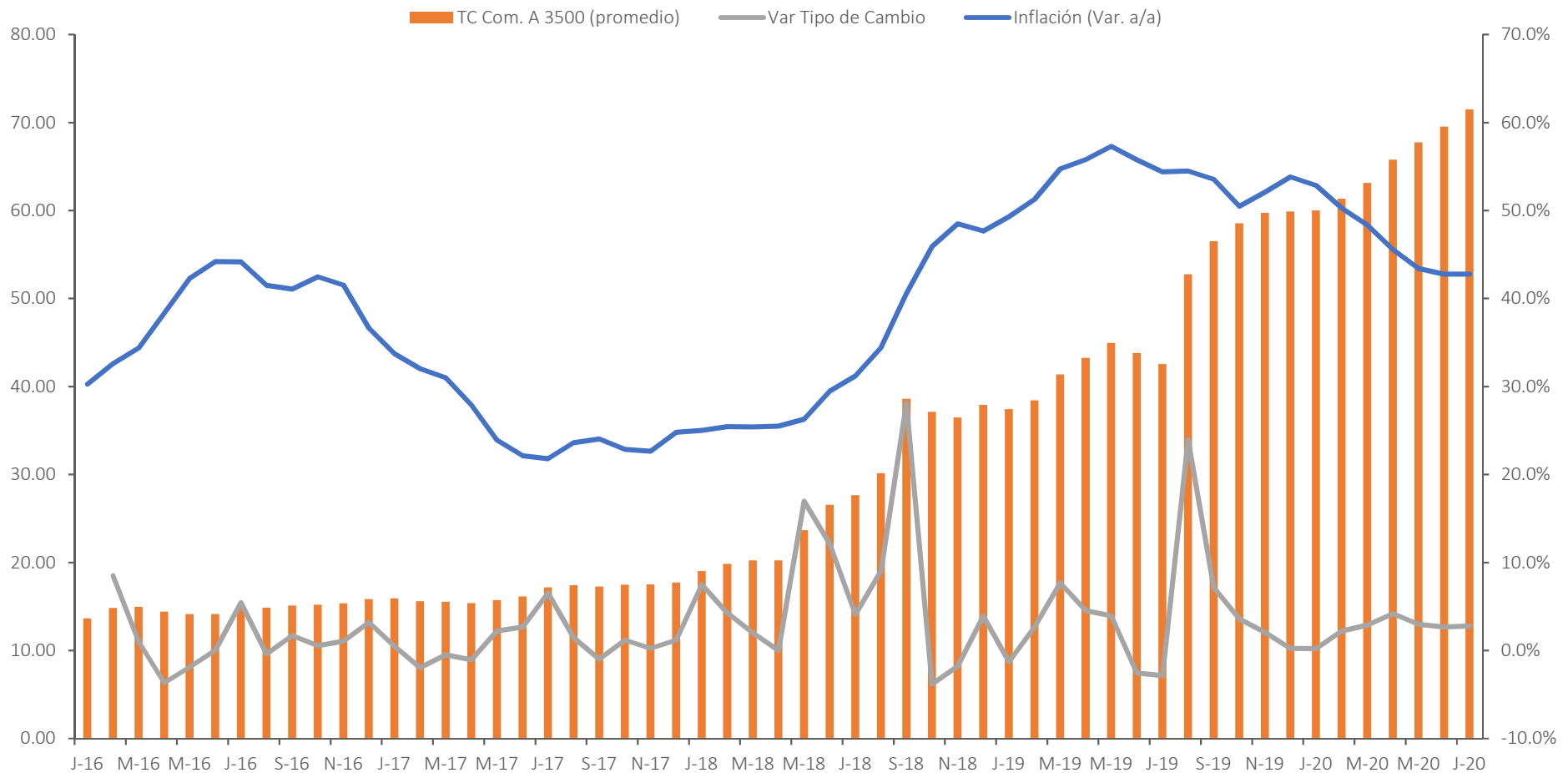
Year-on-Year Changes - Selected Prices Index (%)



Source: IARAF

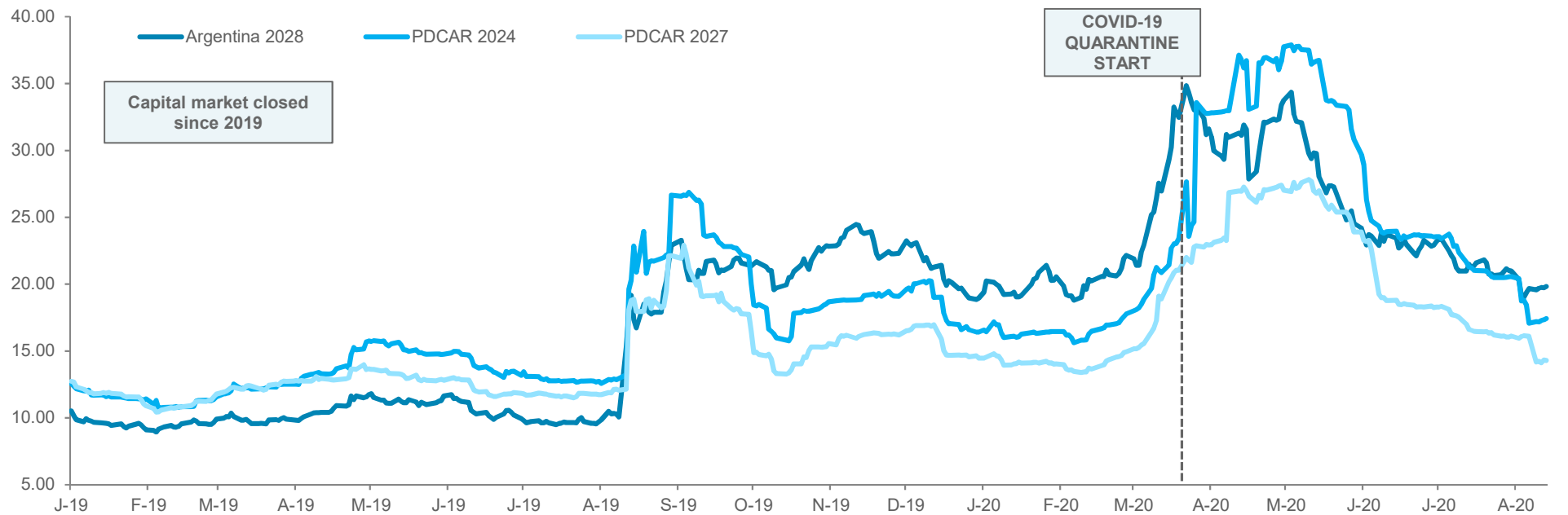
1. Argentina's Macroeconomic Crisis: High Inflation and FX depreciation

ARS/USD (LHS), Depreciation and Inflation (RHS)

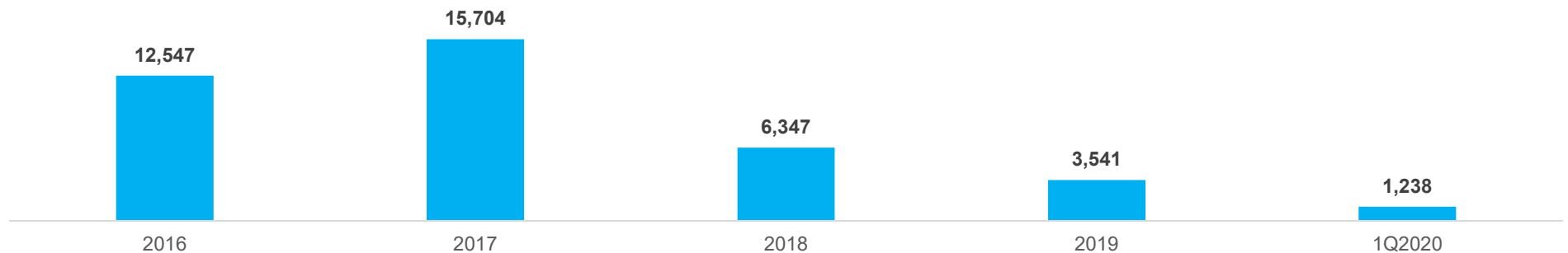


2. No Access to Capital Markets

International Law Bonds – Yields Evolution, Argentina vs. Córdoba (in %)



Corporates financing through capital markets (US\$mm)



Source: Bloomberg

3. COVID-19: Current Situation

Main measures of the National Government

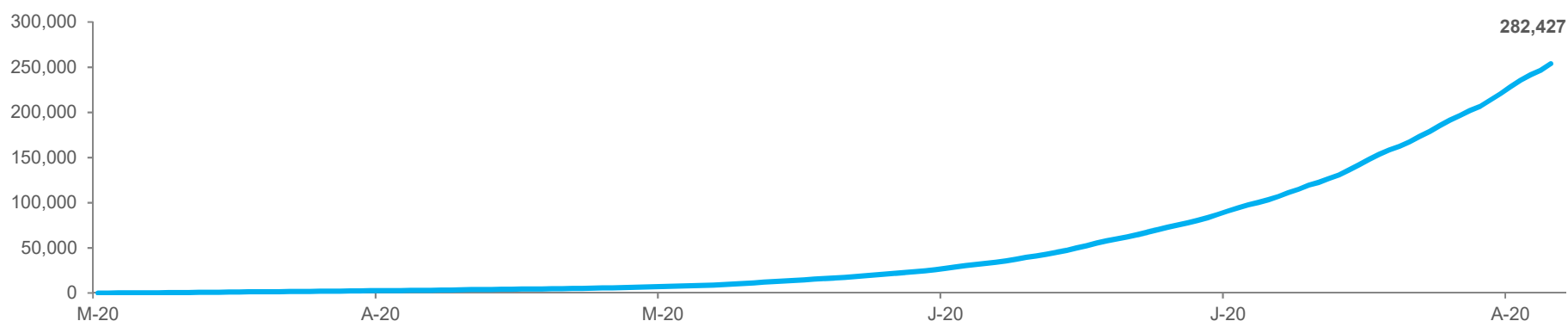
- National public health emergency
- Mandatory national isolation, with the deployment of security forces to ensure compliance
- Total closure of borders
- Suspension of domestic and international flights, except those for repatriation of residents
- Suspension of medium and long distance transport
- Suspension of any type of event

Situation in Córdoba

- 4,280 cases and 77 deaths accumulate in the Province of Córdoba
- Córdoba only surpassed by the Province of Buenos Aires, the City of Buenos Aires and Chaco in number of cases
- Creation of Ps. 5,000 million Fund to fight the pandemic
- 6.02% occupancy of available beds as of August 2020
- Province's borders closed to inbound transit unless "essential" workers

As a consequence, on April and May 2020, the EMAE recorded a year-on-year fall in economic activity of 20.6% and 26.3%, respectively

COVID-19 cases in Argentina



Notes: Information as of August 13, 2020

3. COVID-19: Argentina's GDP Drop

Year-on-year GDP Evolution (in %)

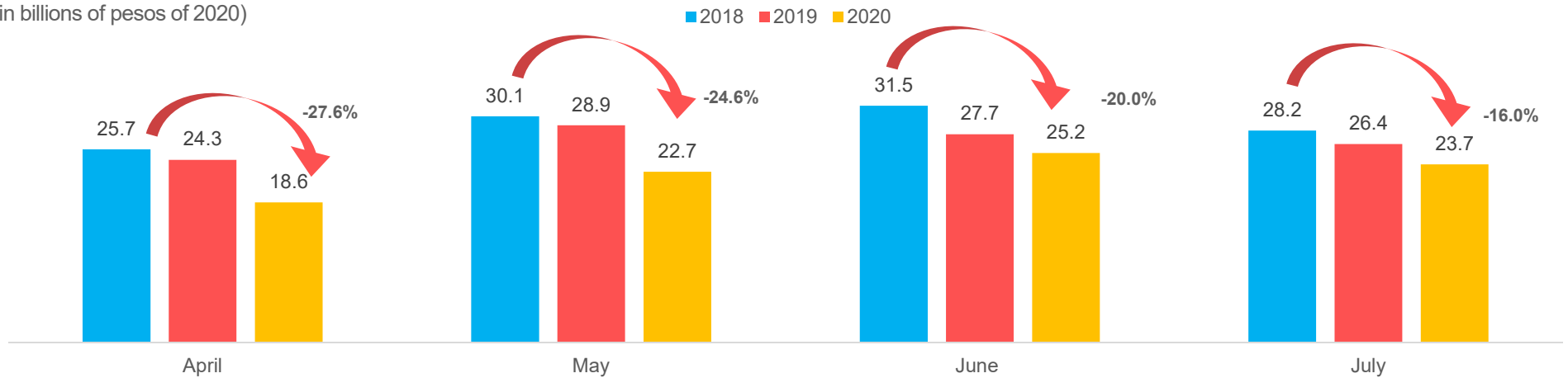


Source: Ministry of Finance based on Inveceq.

3. COVID-19: Deep Fall in Tax Collections (in absolute and real terms)

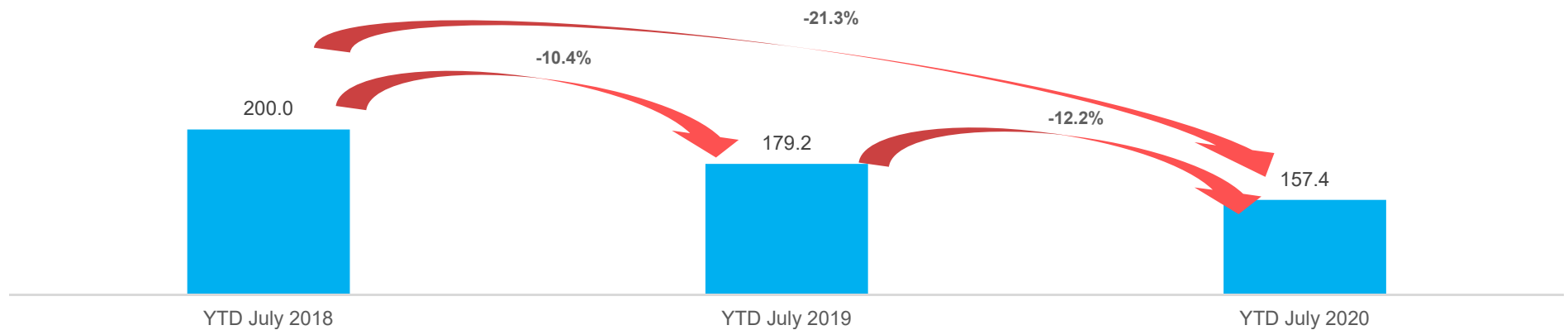
Monthly tax collections*

(in billions of pesos of 2020)



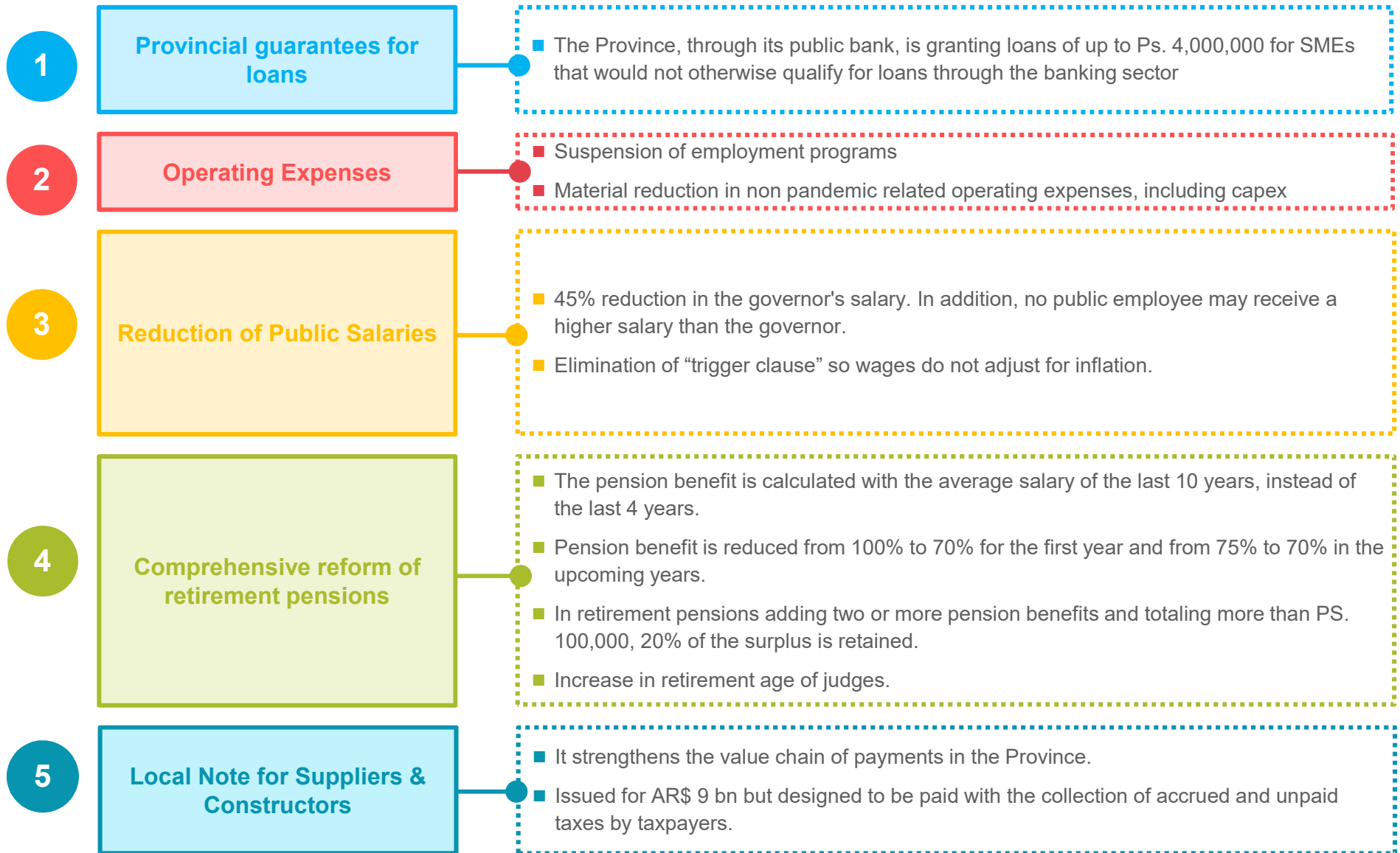
Cumulative YTD tax collections*

(in billions of pesos of 2020)



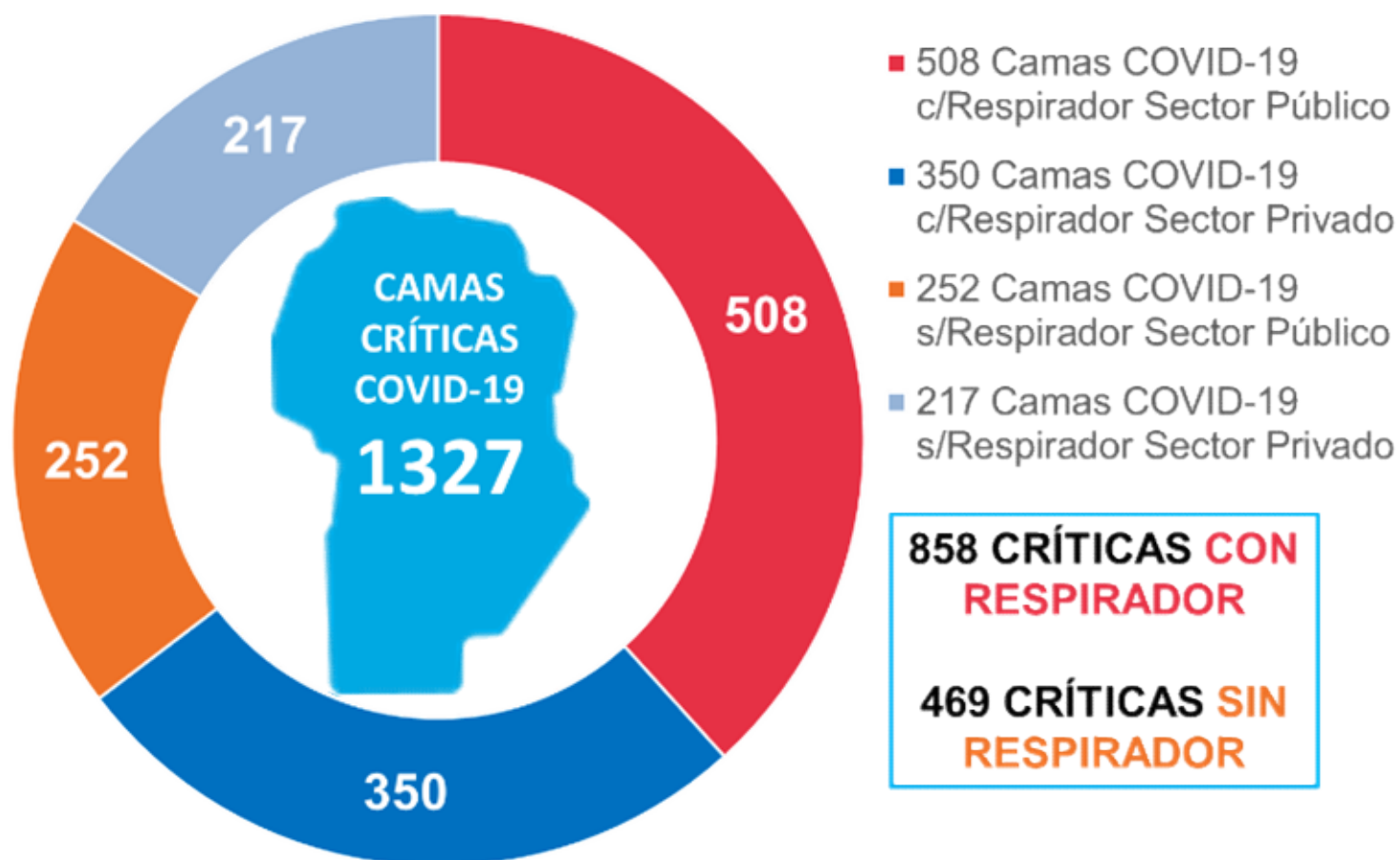
Notes: Based on CPI Córdoba until June 2020 and own estimate for July

3. COVID-19: Mitigation Efforts by the Province



3. COVID-19: Provincial Sanitary Effort

Creation of a Fund to Fight the pandemic: ARS 5 billion.



3. COVID-19: Current Situation



Business Markets World Politics TV More

BUSINESS NEWS APRIL 9, 2020 / 8:03 AM / 4 MONTHS AGO

IMF chief says pandemic will unleash worst recession since Great Depression

She said the crisis would hit emerging markets and developing countries hardest of all, which would then need hundreds of billions of dollars in foreign aid.

“Just three months ago, we expected positive per capita income growth in over 160 of our member countries in 2020,” she said on Thursday in remarks prepared for delivery ahead of next week’s IMF and World Bank Spring Meetings.

“Today, that number has been turned on its head: we now project that over 170 countries will experience negative per capita income growth this year.”



3. COVID-19: Current Situation



International
Labour
Organization

ILO: COVID-19 causes devastating losses in working hours and employment

GENEVA (ILO News) – The COVID-19 crisis is expected to wipe out 6.7 per cent of working hours globally in the second quarter of 2020 – equivalent to **195 million full-time workers.**

Press release | 07 April 2020

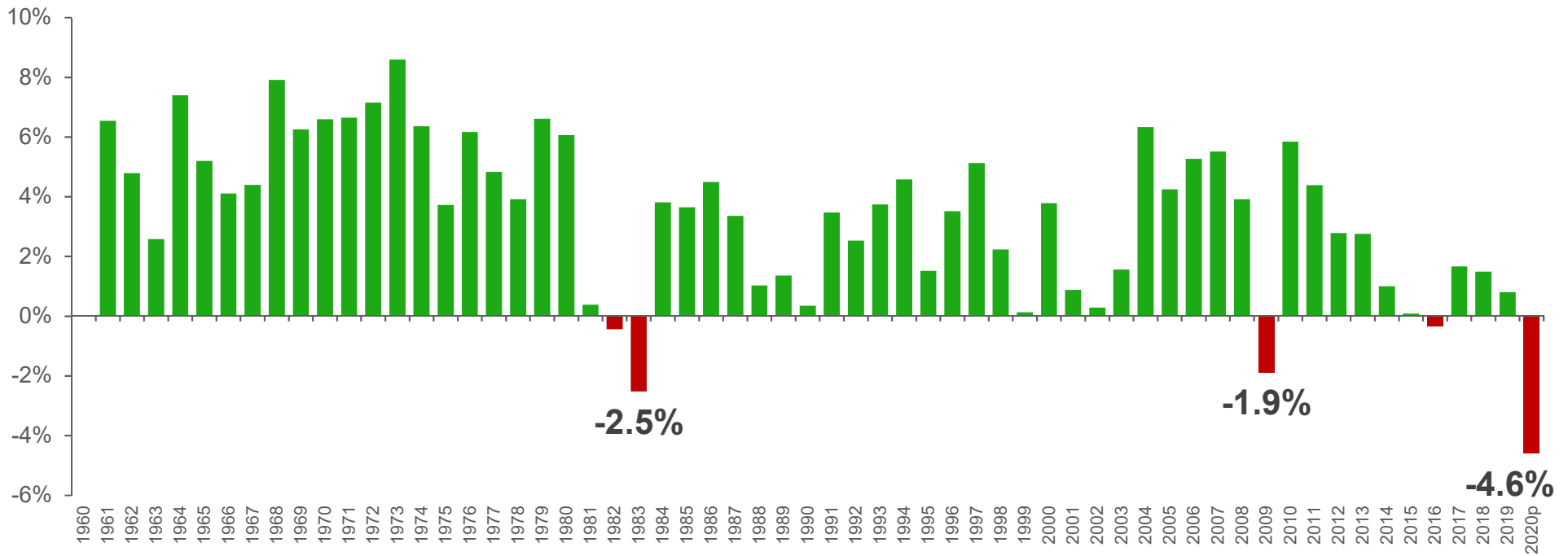


3. COVID-19: Current Situation

April 12, 20 - 5:36 pm - LABS

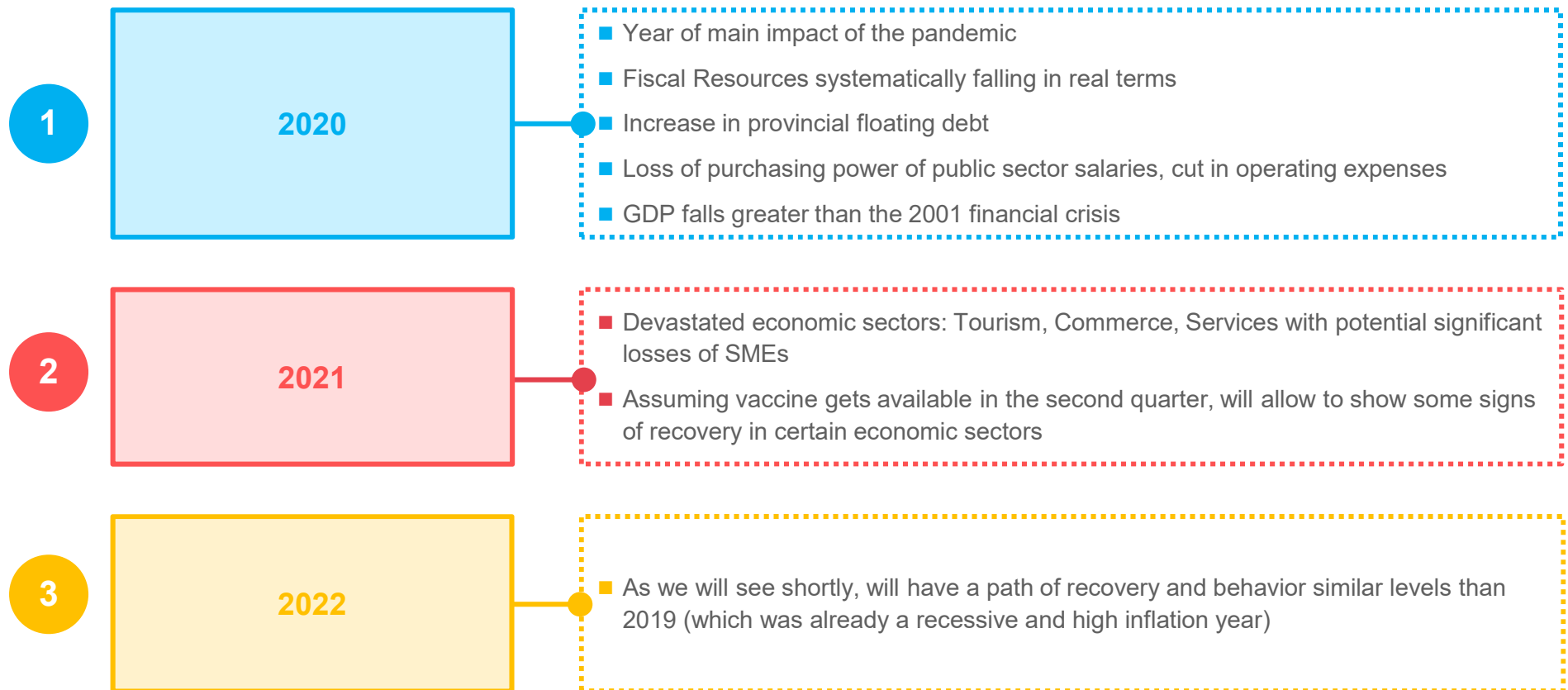
World Bank expects Latin America's GDP to fall 4.6% in 2020

Among the major countries in the región, the hardest hit will be Mexico and Ecuador (both with a 6% fall in GDP), followed by Argentina (-5,2%), Brazil (-5%) and Peru (-4,7%)



Source: Ministerio de Finanzas en base a Banco Mundial.

4. Driver's Material Impact on Cordoba's Economy

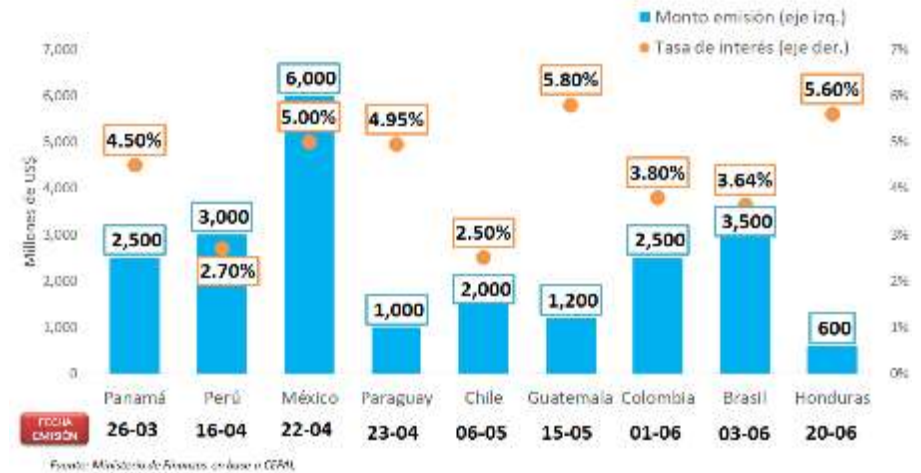


5. Global Environment for Restructuring

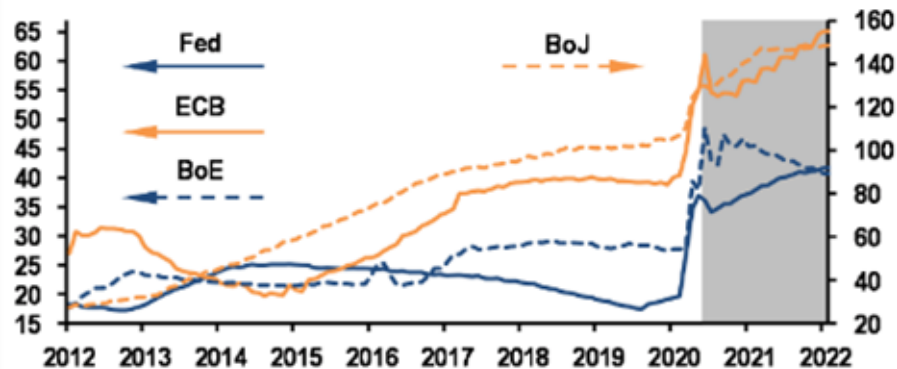
Global Context

- Greater global liquidity
- Quantitative monetary expansion of central banks to address the COVID-19 crisis
- Debt issues in Latin America reflect greater global liquidity and appetite for products from issuers with good credit profiles
- Global credit restructurings

Sovereign debt issues in Latin America in recent months

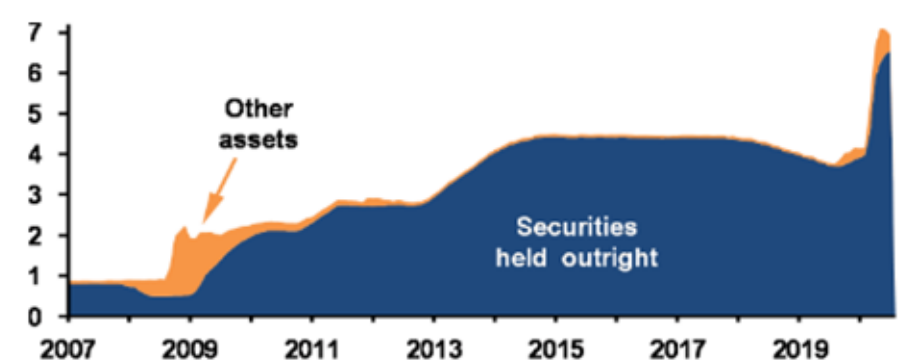


G-4 central bank balance sheets (% of GDP)



Source: Federal Reserve and other central banks

Composition of Federal Reserve Assets (% of GDP)



Source: Federal Reserve and other central banks



Table of Contents

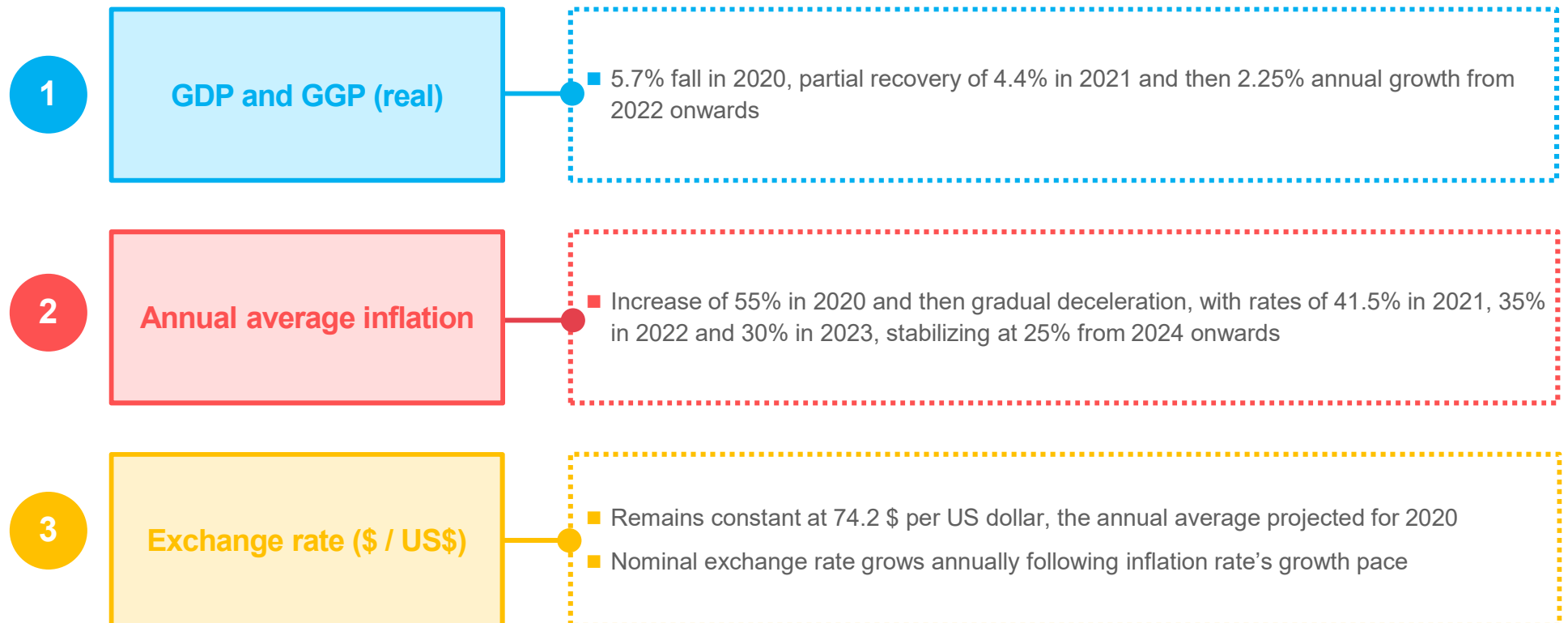
1. Use of Provincial Financial Debt Proceeds

2. Drivers for a Debt Restructuring

3. Fiscal Projections

4. Sustainability of Provincial Financial Debt

Macroeconomic Assumptions



Source:

PBG: for the years 2020 and 2021, the IMF WEO was considered; For 2022 onwards, it is aligned with the National Government's projections.

Inflation: own estimate based on the REM to March 2020 of the BCRA.

Exchange Rate: own estimate based on the March 2020 REM of the BCRA.

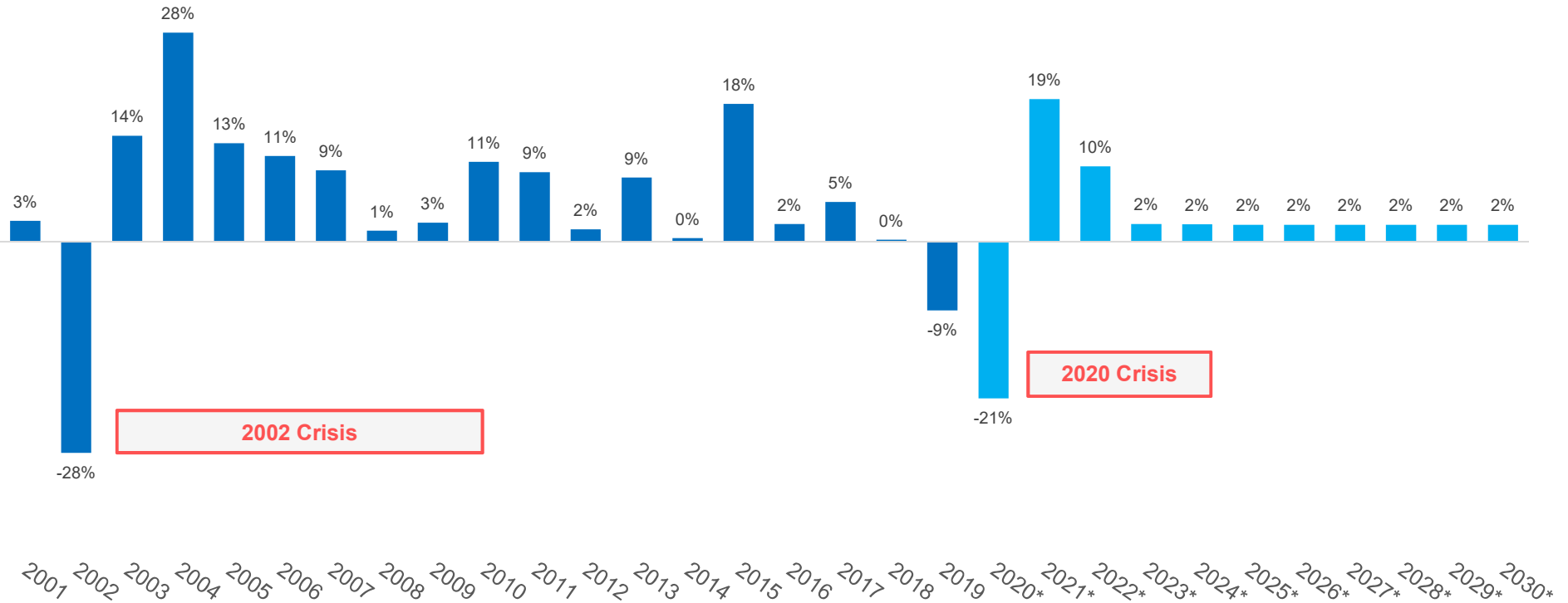
Fiscal Resources

1. Taxes

- Real fall in tax collection of 9% in 2019 and 21% projected for 2020
- Partial and gradual recovery later, with a real increase in projected collections of 19% in 2021 and 10% in 2022

Tax Collections

(annual average growth)



Notes: * 2020 to 2030 projected.

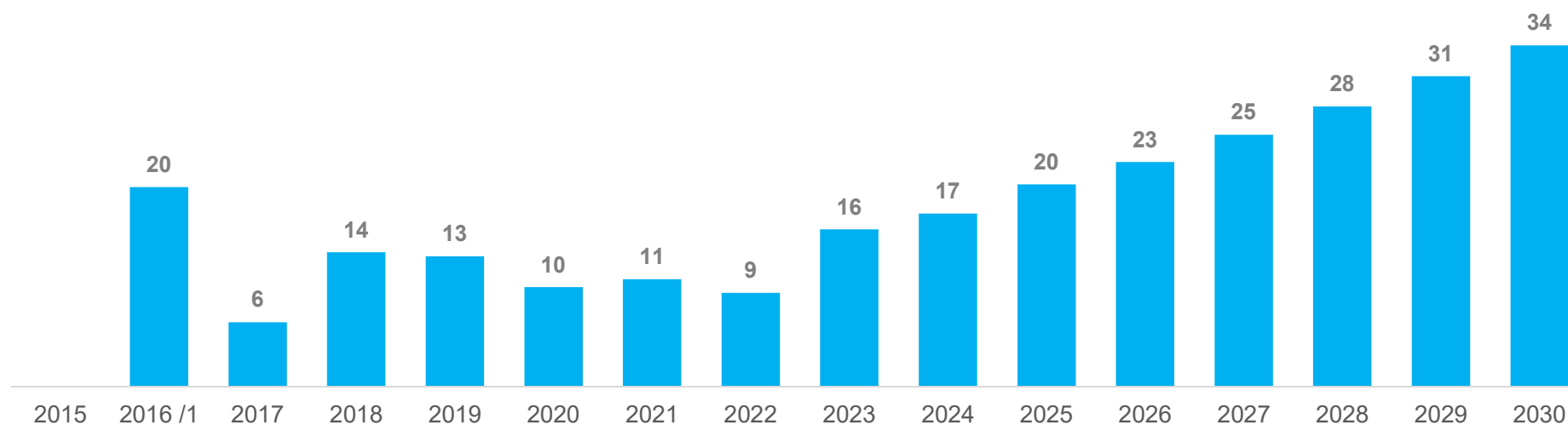
Fiscal Resources (continued)

2. Federal Government (ANSES) financing of pension deficit

- Federal Government fulfills its obligation to finance the equivalent of the deficit it would be bearing if the provincial pension fund had been transferred with a 2-year lag
- Estimated transfers of \$ 10,000 million pesos in 2020
- From 2021 onwards, ANSES would cover 69% of the “accounting” deficit of the Fund
- Due to the 2-year time lag between accrual and actual payment, these transfers cover an average of 45% of the deficit for the year

Federal Government financing of the pension deficit

(as a % of the accounting deficit of the Fund)



Notas: 1/ Includes payments for years 2011-2015.

Fiscal Resources (continued)

3. Federal Government Transfers

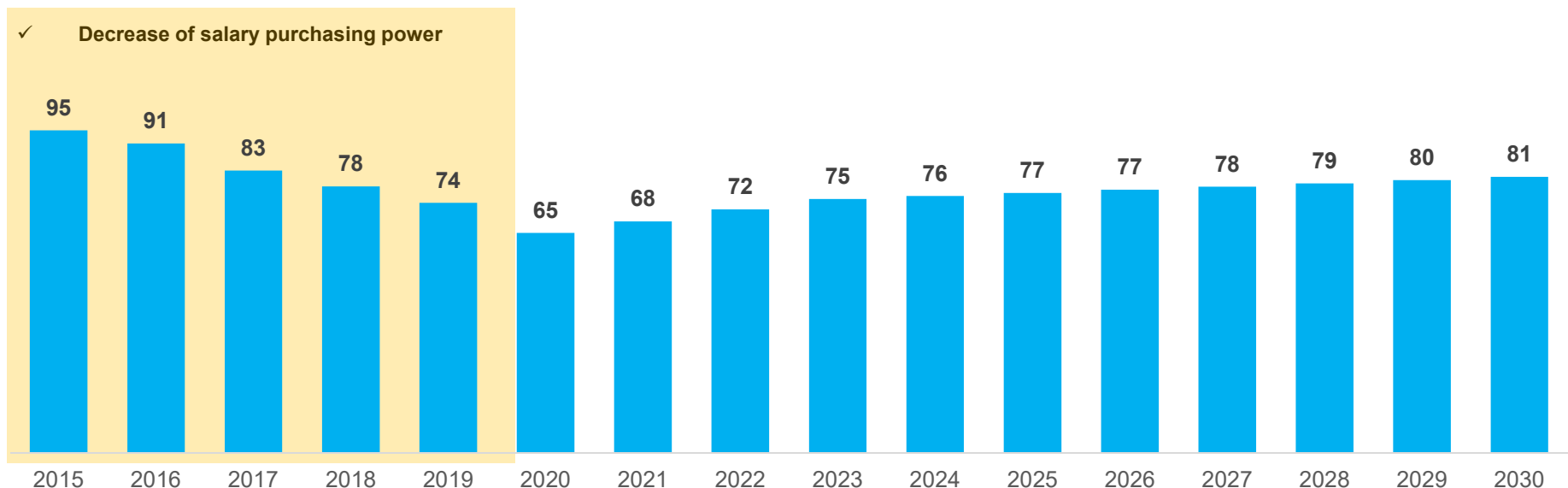
- Estimated transfer of \$ 6,000 million pesos in 2020 for the only time in concept of distribution of Advances from the National Treasury by the national Government, of which 20% is shared to municipalities
- Federal Government complies with the remittance of around \$ 5,000 million pesos in 2020 (it is kept updated for inflation in the future) to finance national programs executed by the Province and FONID

4. Social Security Contributions

- Contribution rates remain constant over time (the increase in employer contribution rates to the Provincial Energy Company and the Bank of Córdoba is incorporated, which goes from 20% to 25% as of 2019)

Social Security Contributions

(in billions of constant 2020 pesos)



Notes: * 2020 to 2030 projected. The increase in employer contributions for the year 2020 is not considered to compensate for the drop in contributions.

Current Expenditures (continued)

1. Salaries expenses and related items

Average real pocket salary

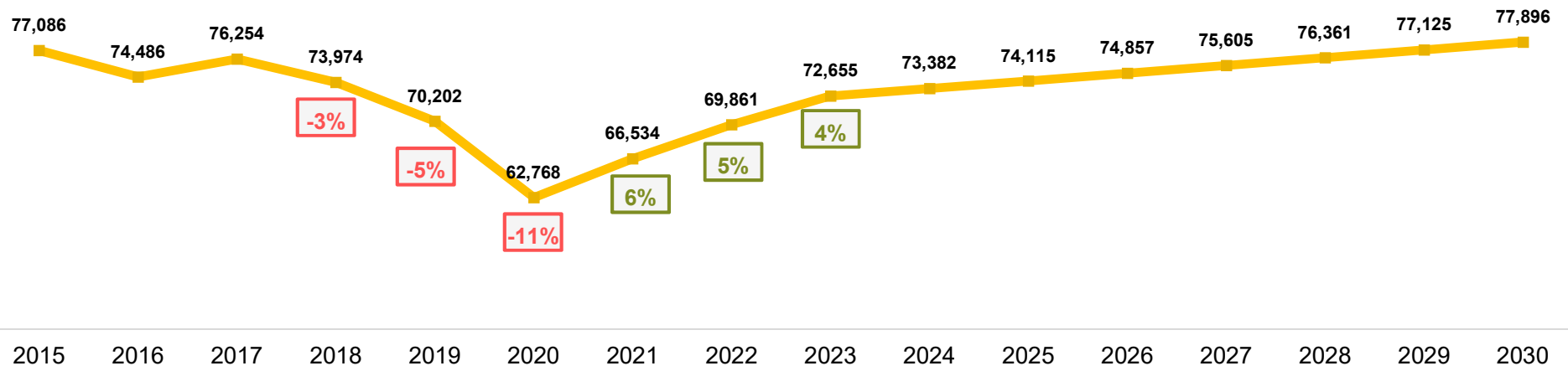
- Provincial public employee salaries would fall 5% in 2019 and 11% projected for 2020
- Starting in 2021, a partial recovery of the purchasing power of wages is assumed, with real annual growth of 6% in 2021, 5% in 2022 and 4% in 2023. From 2024, a real wage growth of 1% per year is projected

Public employment

- Provincial public employment growing at 0.4% annually on average
- The sectors with the highest expected unemployment growth are Health and Safety, with average annual rates of 0.8%

Average monthly pocket salary * of the Non-Financial Public Administration (APNF)

(in constant 2020 pesos)

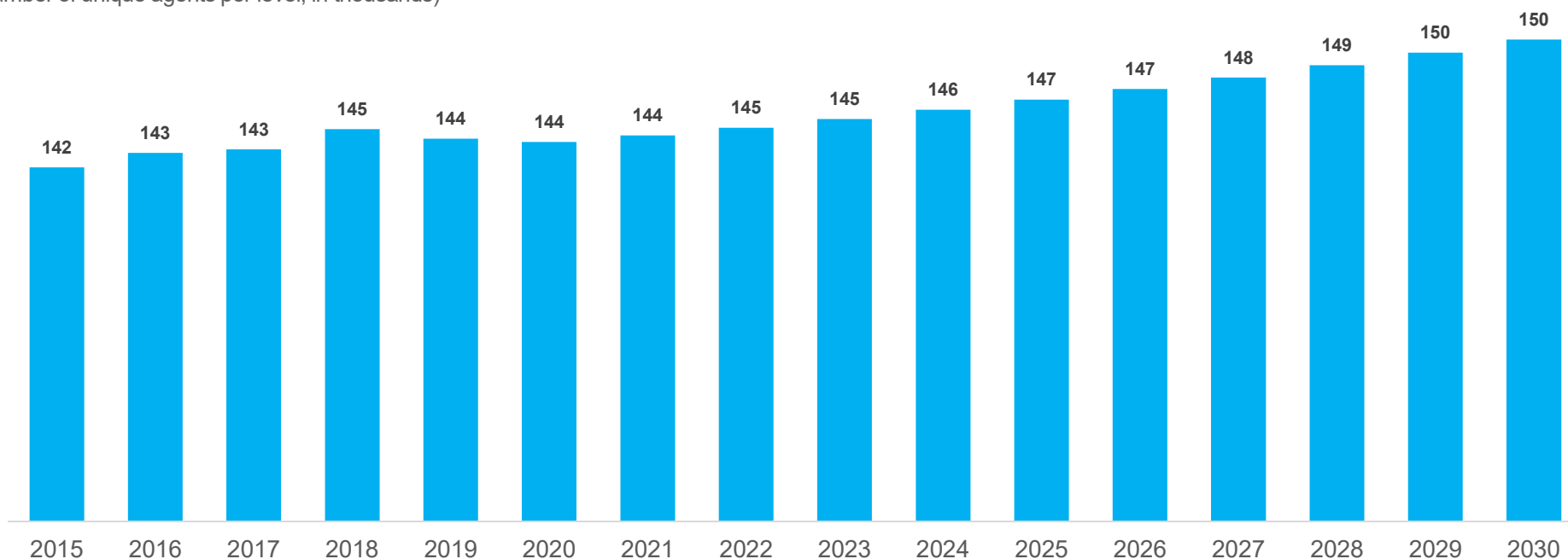


Notes: * Remuneration subject to contributions, net of the personal retirement contribution plus non-remunerative fixed amounts. ** 2020 to 2030 projected values.

Current Expenditures (continued)

APNF Headcount

(number of unique agents per level, in thousands)



2. Social Security benefits

Benefits

- Maintains current pension legislation
- Total benefits grow at an annual average 3.8% according to the 2018-2050 Actuarial Projection of the Provincial Social Security System

Current Expenditures (continued)

3. Other current expenses

Consumer goods and non-financial public sector

- The projection is modified upwards with respect to the 2020 Budget approved due to an increase in inflation
- As of the year 2021, it is indexed according to the evolution of the CPI

Current transfers to the private sector

- The approved 2020 Budget projection is maintained
- As of the year 2021, it is indexed according to the evolution of the CPI

Current transfers to the public sector

Coparticipation with municipalities

It is modified with respect to the projection of the approved 2020 Budget due to:

- Review of the projection of coparticipating tax collection
- Distribution of Advances from the National Treasury for COVID-19 (2020 only)

Other transfers to municipalities

- The projection of the approved 2020 Budget is maintained
- As of the year 2021, it is indexed according to the evolution of the CPI

Health Fund

- In 2020, \$ 5,000 million pesos are allocated from the Health Fund to cover COVID-19 expenses
- Remains in 2021 adjusted for inflation
- For 2022 and 2023 it is reduced by 50% annually on the nominal value of the previous year, until its extinction in 2024

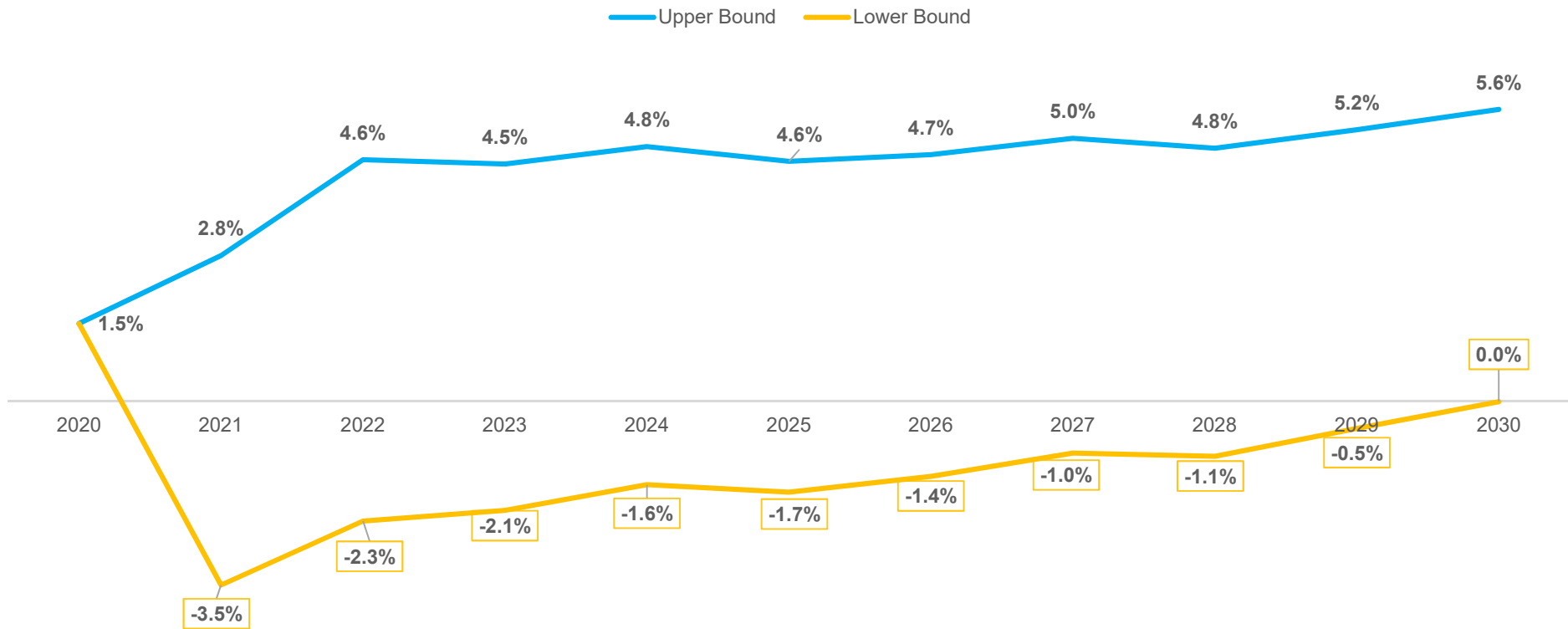
Capital Expenditures

- ✓ Cordoba requires a minimum yearly capex of US\$300 million (the “Projected Capex”)
- ✓ This Projected Capex is well below previous years investments and in line with historical maintenance capex for the Province
- ✓ Mainly focused on maintaining Cordoba’s economic, productive, logistical and social infrastructure
- ✓ As a province with industrial activity such as automotive, agriculture, among others, it is key to do the correct and timely maintenance of key infrastructure
- ✓ Main areas of maintenance capex are:
 - Hospitals and Health System
 - Police and Security Forces equipment
 - Works on Roads and Highways

Projected Fiscal Balance

Primary Fiscal Balance¹⁾

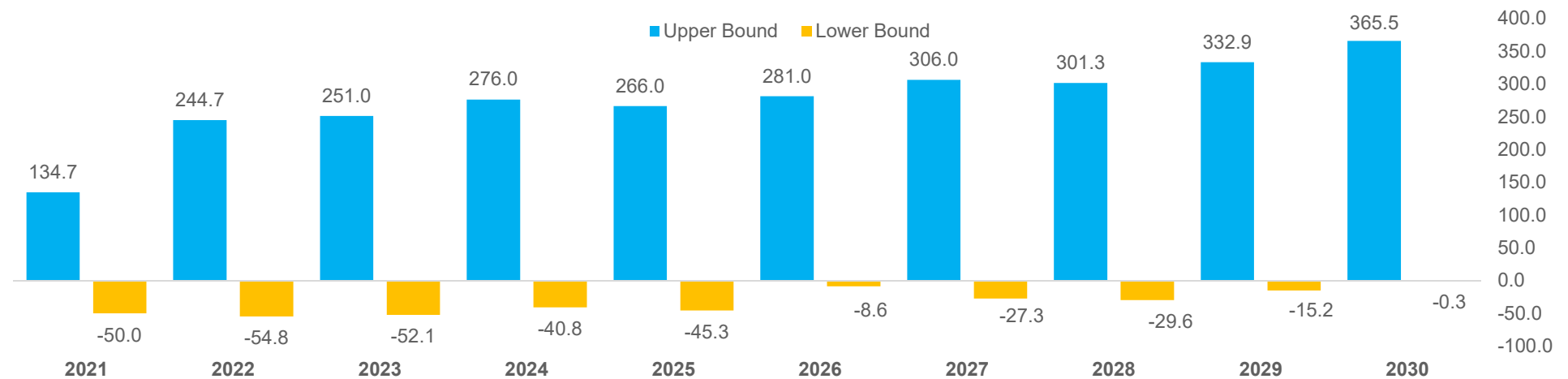
(% of net current income)



Notes: (1) Includes automatic income of national origin (National co-participation scheme, special laws, Federal Solidarity Fund, Fiscal Consensus Compensation), provincial tax resources, non-tax income, property income, sale of goods and services and transfers streams

Projected Fiscal Balance

Primary Fiscal Balance (US\$ mm) ⁽¹⁾



Notes: (1) Excludes debt service payments.

Public Debt Service * (US\$ mm)

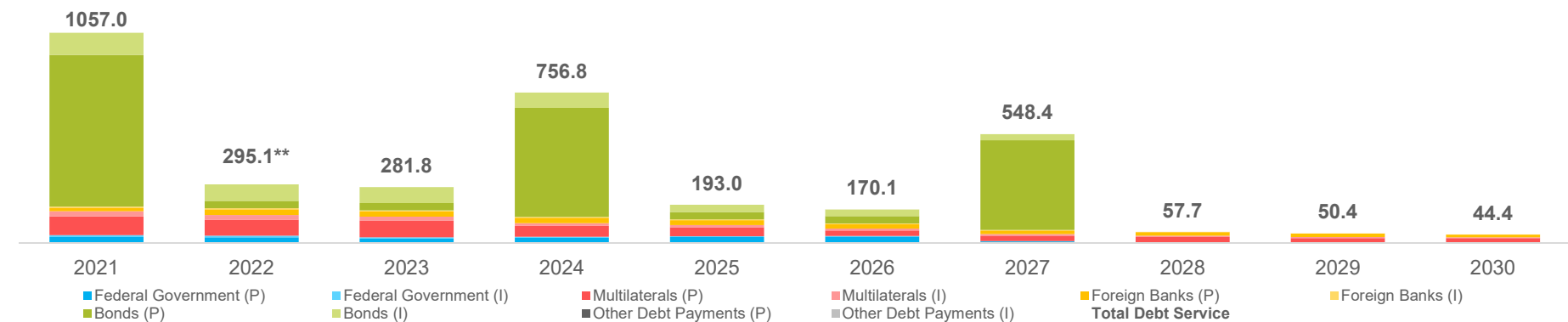




Table of Contents

1. Use of Provincial Financial Debt Proceeds

2. Drivers for a Debt Restructuring

3. Fiscal Projections

4. Sustainability of Provincial Financial Debt

Provincial Financial Debt

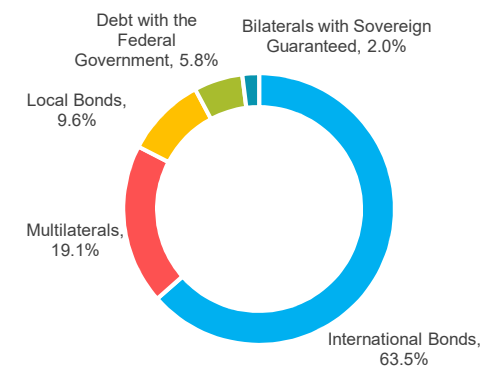
Debt Stock Composition *

Concept	Amount (US\$mm)
International Bonds	1,685**
Local Bonds	255
Multilaterals	507
Bilaterals with Sovereign Guarantee	53
Debt with the Federal Government	155
Total	2,655

Bullet Structures
PDCAR 2021
PDCAR 2024
PDCAR 2027

Amortizing Structures

Debt by Type * (%)



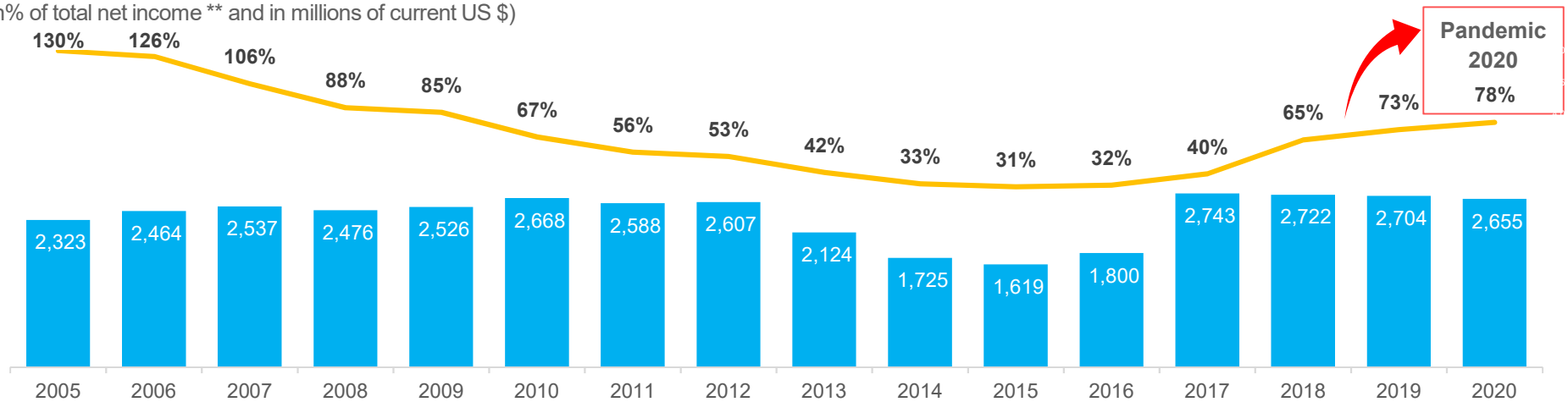
* Calculations based on debt stock and exchange rate as of March 31, 2020

** In 2020, the Province canceled US \$ 15.6 million of principal from the PDCAR 2021 that it had in its possession. The current principal amount is US \$ 709,405,0000. The original notional is kept for illustrative purposes

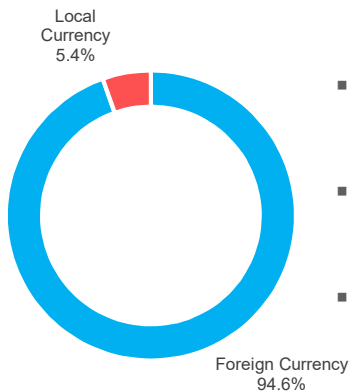
Provincial Financial Debt (continued)

Evolution of Debt Stock

(in% of total net income ** and in millions of current US \$)

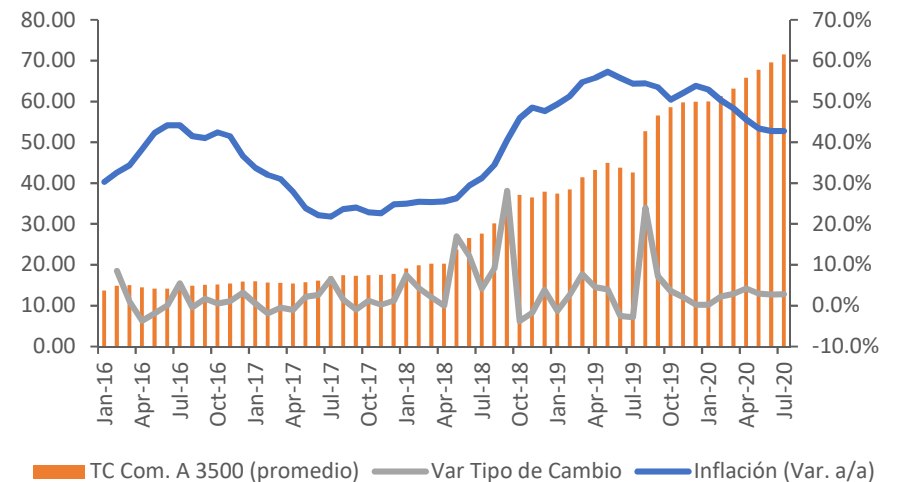


Debt by Currency (%)



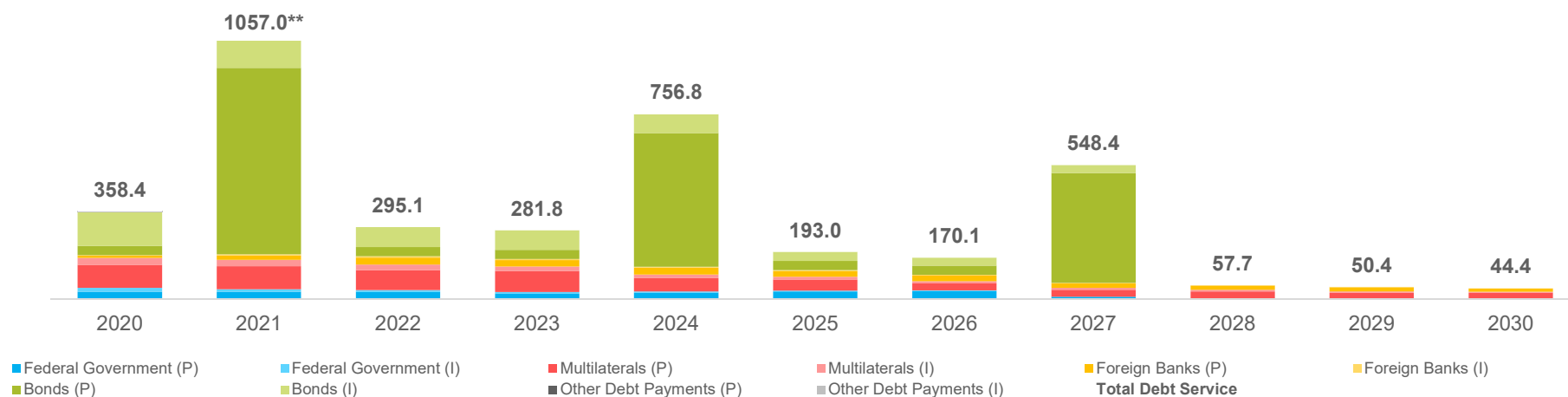
- Restriction in the FX market will presumably sustain until 2024.
- Gap between regulated FX market and blue chip fluctuates around 70%.
- Argentina restructuring cleared space for the FX market until 2024.

ARS/USD (LHS), Depreciation and Inflation (RHS)

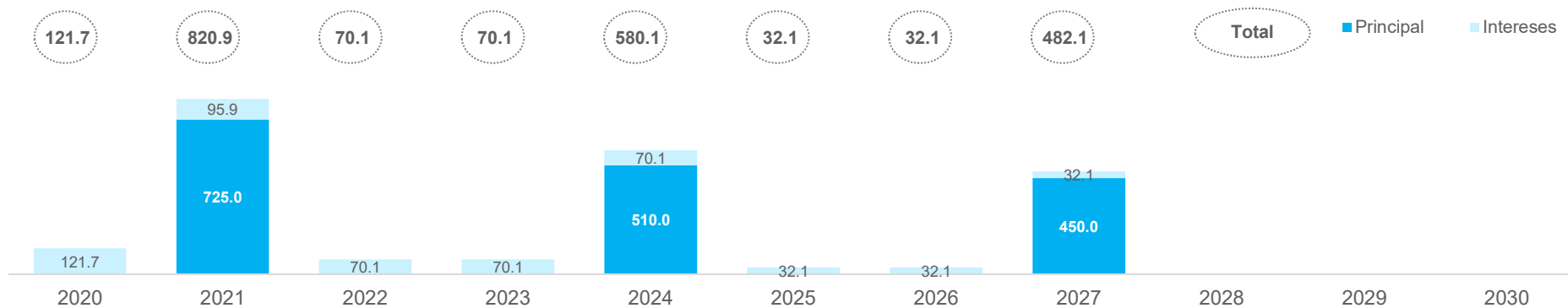


Provincial Financial Debt (continued)

Province Public Debt Service * (US \$ mm)



Debt service profile of the Province's international bonds (US \$ mm) *



* Calculations based on debt stock and exchange rate as of March 31, 2020

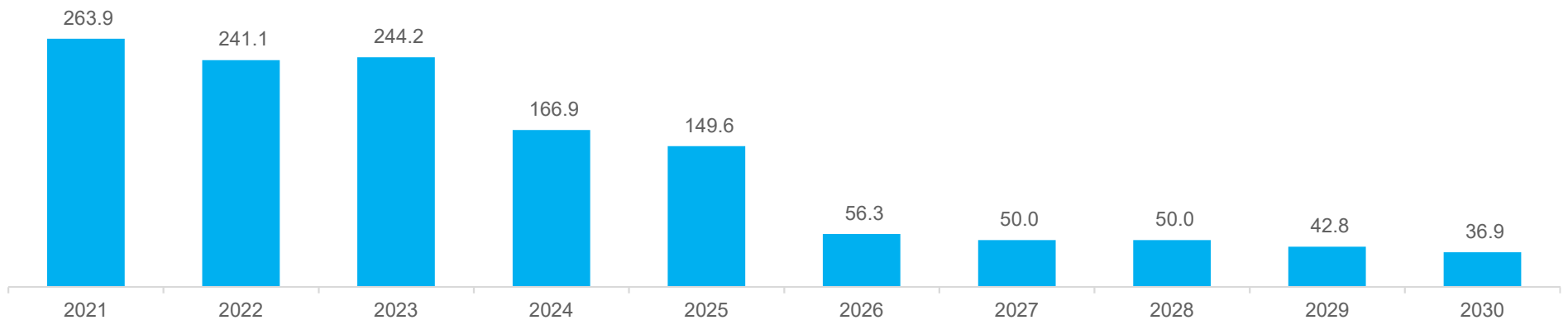
** In 2020, the Province canceled US \$ 15.6 million of principal from the PDCAR 2021 that it had in its possession. The current principal amount is US \$ 709,405,000. The original notional is kept for illustrative purposes

Financial Debt Excluding International Bonds

Treatment of Other Financial Debt

Type of Debt	Action plan
Multilaterals and Bilaterals	<ul style="list-style-type: none"> - Remains accruing with interest rates well below market conditions, with average life around 10 years (ECA: 1% per year, Arab Cooperation Funds: 2.5%, Multilateral: LIBOR + 2%) - Secured debt with “Coparticipation resources”
Federal Government and Fiduciary Funds administered by the Federal Government	<ul style="list-style-type: none"> - Remains performing, with preferential terms and conditions

Maturity Profile of Other Financial Debt (Excludes International Jurisdiction Bonds) (US \$ mm)



Cost of Capital Rationale

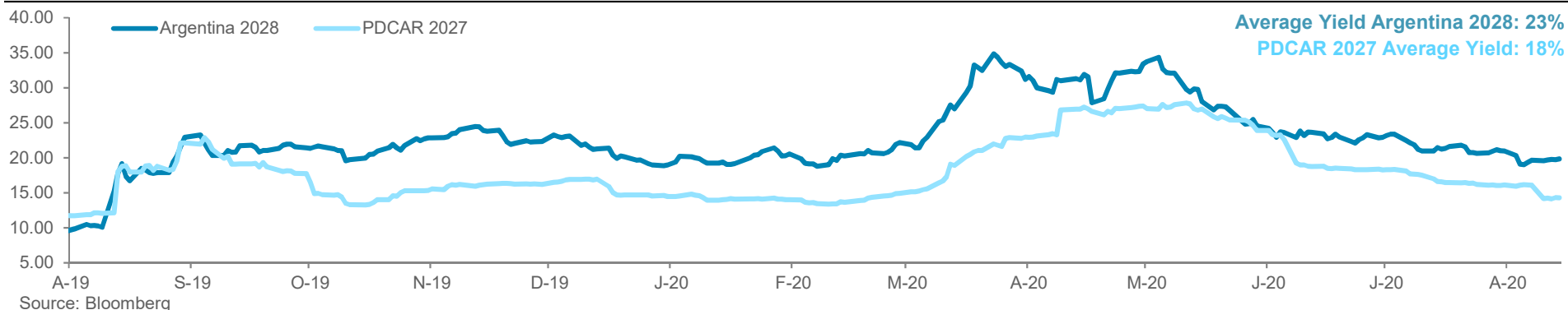
Cost of capital rationale

- Province of Argentina with 100% of its financial debt performing
- Compliance history with 100% amortized bonds. Examples:
 - PDCAR 2017 (US \$ 596 mm)
 - CO 2017 (U \$ 100 mm)
 - EPECOR 2020 (US \$ 565mm)
- 100% of PDCAR 2021, 2024 and 2027 performing debt services
- Risk ratings that reflect a different credit profile within Argentina. Even with Argentina in Default, historically the Province paid its financial obligations in a timely manner
- The region, due to the liquidity of the capital markets, has reflected relatively low cost of capital for issuers with a good credit profile
- The trading of the Province's bonds reflects a better performance in yields than the sovereign.

Ratings of the Province of Córdoba vs. The sovereign

PROVINCIA DE CÓRDOBA			
al 13/08/2020	Moody's	Fix SCR - Fitch	S&P
Escala Nacional	Ca.ar	A2 (arg) A (arg)	raB+ raB
Escala Global	Ca	CCC	CCC
a la fecha de emisión			
Escala Global	Moody's	Fix SCR - Fitch	S&P
PDCAR21	B3	n/d	B-
PDCAR24	B3	B	B-
PDCAR27	B3	B	B
Escala Nacional			
CO26 - USD 150.000.000	Baa2.ar	n/d	n/d
CO26 - Reapertura	Baa2.ar	AA-(arg)	n/d
ARGENTINA			
al 13/08/2020	Moody's	Fitch	S&P
Escala Global	Ca	RD	SD

Evolution of the yields of the bonds of the Province and the Sovereign since August 2019



EXIT YIELD CORDOBA: 9%



CÓRDOBA
ENTRE TODOS



Debt Sustainability Analysis

Province of Córdoba | August 2020