



Province of La Rioja

September 2020



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Provincial Debt Overview and Restructuring Guidelines

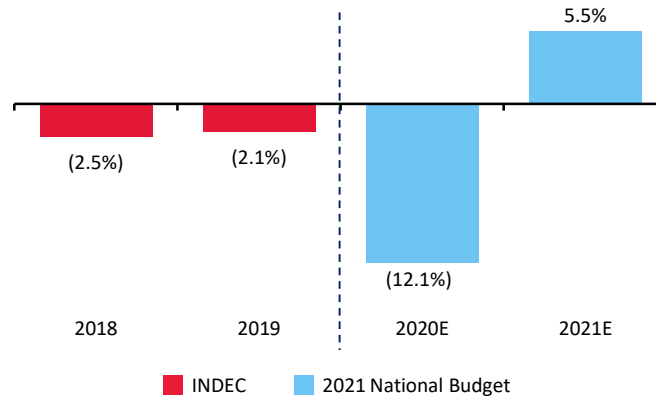
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Argentine Macroeconomic Crisis

Economic activity in Argentina has been seriously affected by the COVID-19 crisis

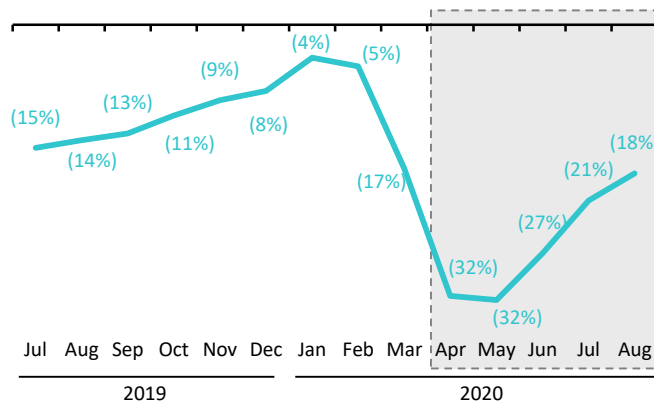
- A mandatory lockdown in Argentina began in March 2020, as a precautionary measure for the COVID-19
- Even though a gradual reopening of certain industries in different provinces has been allowed during subsequent months, many of them are still suspended or limited
- This situation generated an abrupt decline in the country's industrial activity, leading to one of the largest drops in GDP in recent decades
- Activity is expected to continue decreasing vs. 2019 levels during coming months, with a gradual recovery from 2021 onwards

Real Annual GDP Growth⁽¹⁾



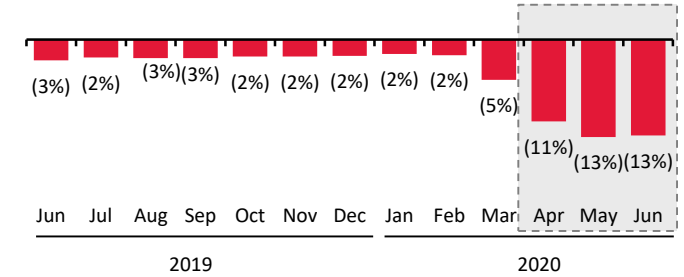
Construya Index

(accumulated vs. previous year)⁽¹⁾⁽³⁾



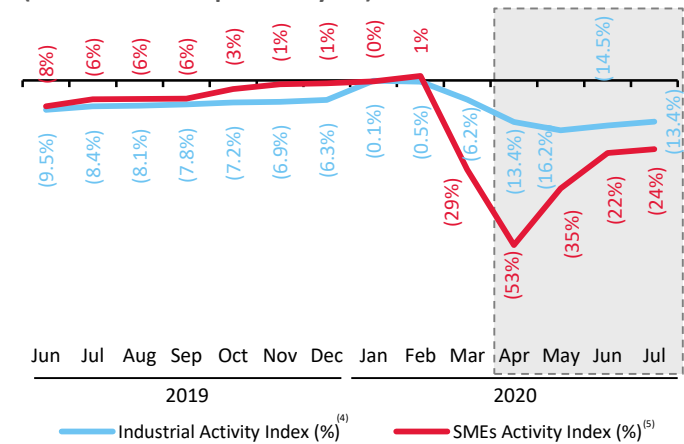
Real Monthly GDP Growth

(accumulated vs. previous year)⁽¹⁾⁽²⁾



Economic Activity Indicators

(accumulated vs. previous year)⁽¹⁾



Source: INDEC (National Institute of Statistics and Census), IMF and Ministry of Economy of the Republic of Argentina.

Note: Actual results may differ materially from the estimates and projections included above.

(1) Data corresponding to the Republic of Argentina.

(2) Source: INDEC - Monthly Estimator of Economic Activity as of August 2020. Data available until June 2020.

(3) Source: Construya Group as of August 2020.

(4) Source: Industrial Manufacturing Production Index (IPIM) elaborated by INDEC. Data available until July 2020.

(5) Source: Small and Medium Enterprises Activity Index elaborated by the Argentine Confederation of Medium Enterprises. Data available until July 2020.

The pandemic has generated a strong deterioration in the Argentine fiscal situation

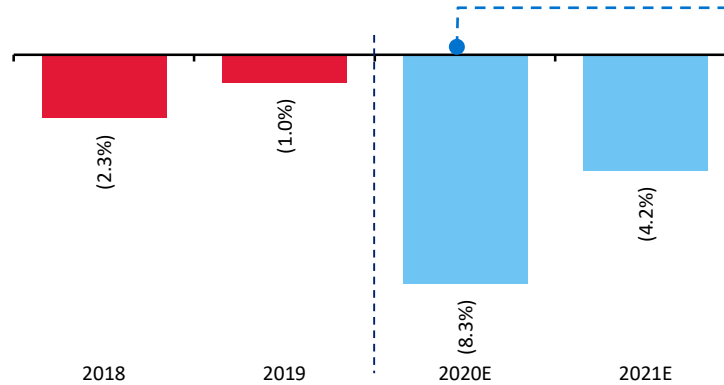
- COVID-19 contributed to the deterioration of the National fiscal accounts, mainly on the back of:

- The reduction in tax collection, generated by a lower activity level

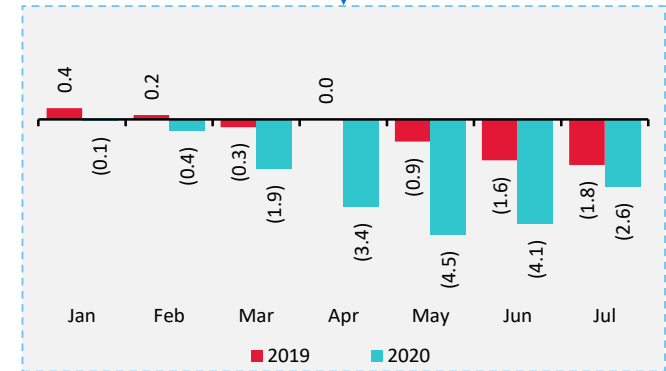
- The stimulus package implemented by the Government, which is estimated to account for ~6.6% of 2020 GDP, including ~4.7% of direct fiscal costs (i.e. cash grants and subsidies) and ~1.9% of indirect commitments (i.e. credits and guarantees)

Fiscal Balance Evolution⁽¹⁾⁽²⁾

Primary Balance (% GDP)

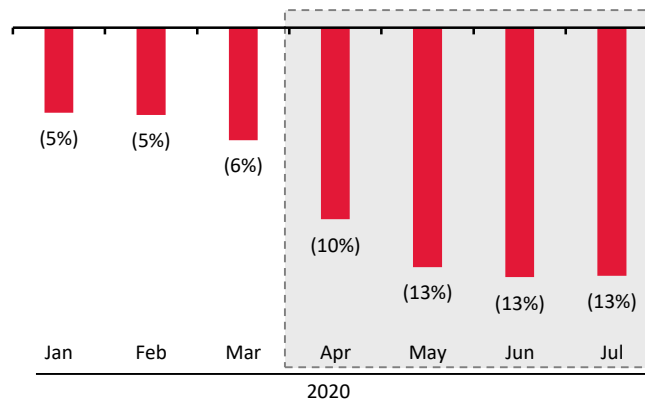


Monthly Fiscal Balance (US\$bn)



Tax Collection Contraction

(accumulated vs. previous year)⁽¹⁾⁽³⁾



COVID-19 Crisis Mitigants⁽⁴⁾

- The National Government has implemented different economic measures in order to mitigate the effects of the COVID-19 crisis, including, among others:

- ✓ **Emergency Assistance Program for Work and Production ("ATP")** which consists on supporting companies in reducing labor costs, mainly through the postponement of the payment of social contributions and through the assistance in the payment of salaries
- ✓ **Emergency Family Income ("IFE")** which consists on a monthly monetary transfer of AR\$ 10,000 destined to the most vulnerable social sectors
- ✓ Different measures aimed at **boosting credit to the productive sector**, with the objective of assisting in the economic reactivation

Source: INDEC (National Institute of Statistics and Census), BCRA (Central Bank), IMF and Ministry of Economy of the Republic of Argentina.

Note: Actual results may differ materially from the estimates and projections included above.

(1) Data corresponding to the Republic of Argentina.

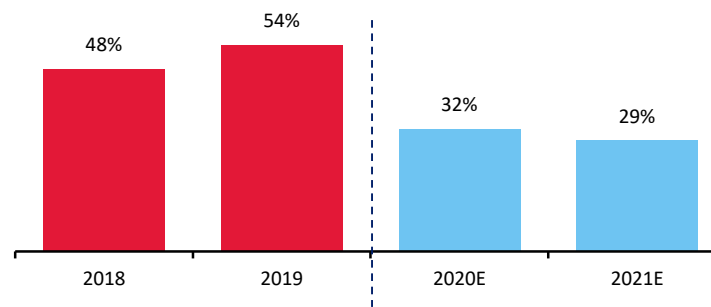
(2) Source: Ministry of Economy of the Republic of Argentina. 2020 and 2021 data from the 2021 National Budget (bill referral message, Section 9.3).

(3) Source: Ministry of Economy of the Republic of Argentina. Data available until July 2020. Data in real terms (Jan-19=100).

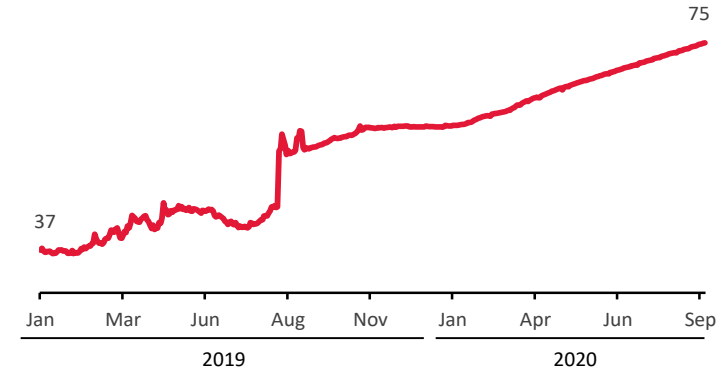
(4) Source: 2021 National Budget.

- High prevailing inflation levels, which are expected to only gradually decrease in coming years
- Strong devaluation as well as a drop in international reserves affect the capacity of repaying debt denominated in foreign currencies, for both the public and private sector
- Argentina, both at the National and Provincial level, currently does not have access to international credit markets at reasonable rates

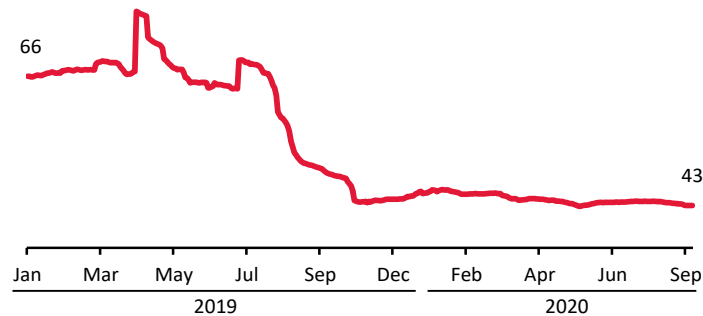
Annual Inflation Rate⁽¹⁾⁽²⁾



Fx Evolution⁽¹⁾



Gross International Reserves (US\$bn)⁽¹⁾



Country Risk (EMBI+) (bps)⁽¹⁾⁽³⁾



Source: INDEC (National Institute of Statistics and Census), BCRA (Central Bank) and Ministry of Economy of the Republic of Argentina.

Note: Actual results may differ materially from the estimates and projections included above.

(1) Data corresponding to the Republic of Argentina.

(2) Source: Ministry of Economy of the Republic of Argentina. 2020 and 2021 data from the 2021 National Budget.

(3) Source: J.P. Morgan. Last data as of September 22nd, 2020

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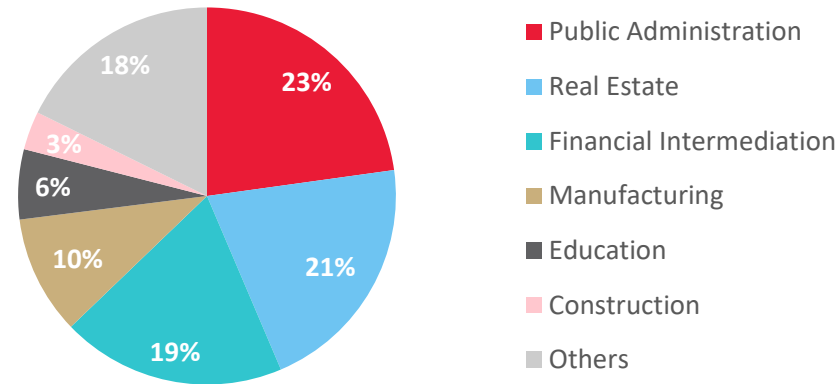
Current Situation of the Province



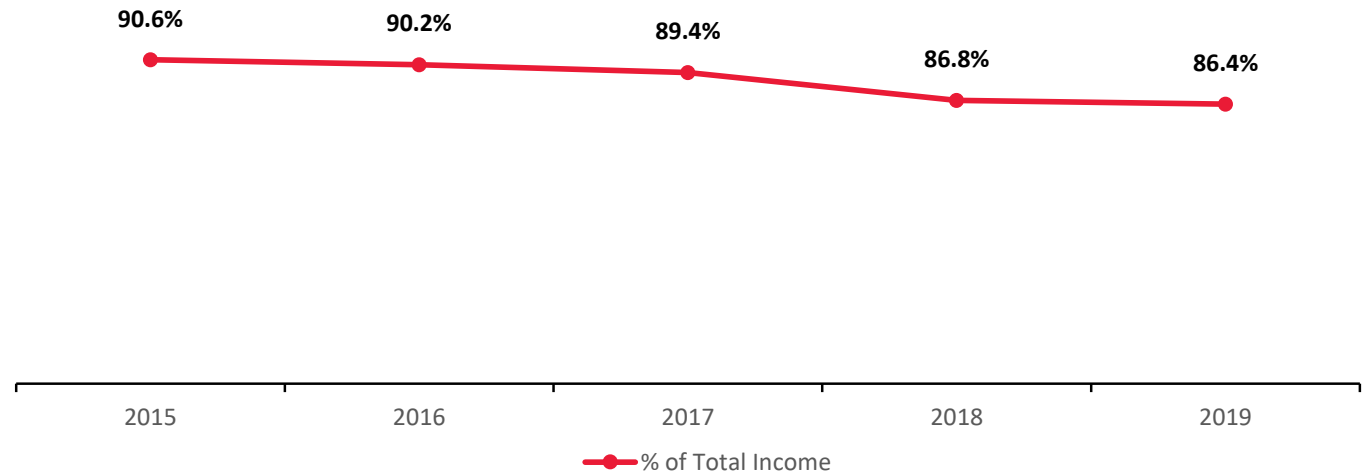
The economy of the Province is characterized by low private activity and high dependence on National Government Resources

- The Public Sector has historically been the largest contributor to the Province's GDP
- Services administered by the Provincial Government include: commerce, education and financial services
 - The Public Sector represents +90% of the construction activity
 - *Banco Rioja* constitutes 50% of the financial services sector
- More than 80% of the income of the Province comes from the National State, including co-participation resources and discretionary transfers
- In this context, one of the strategic objectives of the Province is to create additional sources of income and employment, including the development of the Parque Arauco wind farms

2017 GDP by Sector



High Reliance on National Income⁽¹⁾



Source: Ministry of Economy and Public Finance of the Province of La Rioja and General Directorate of Statistics and Census, Ministry of Labor, Employment and Industry of the Province of La Rioja.

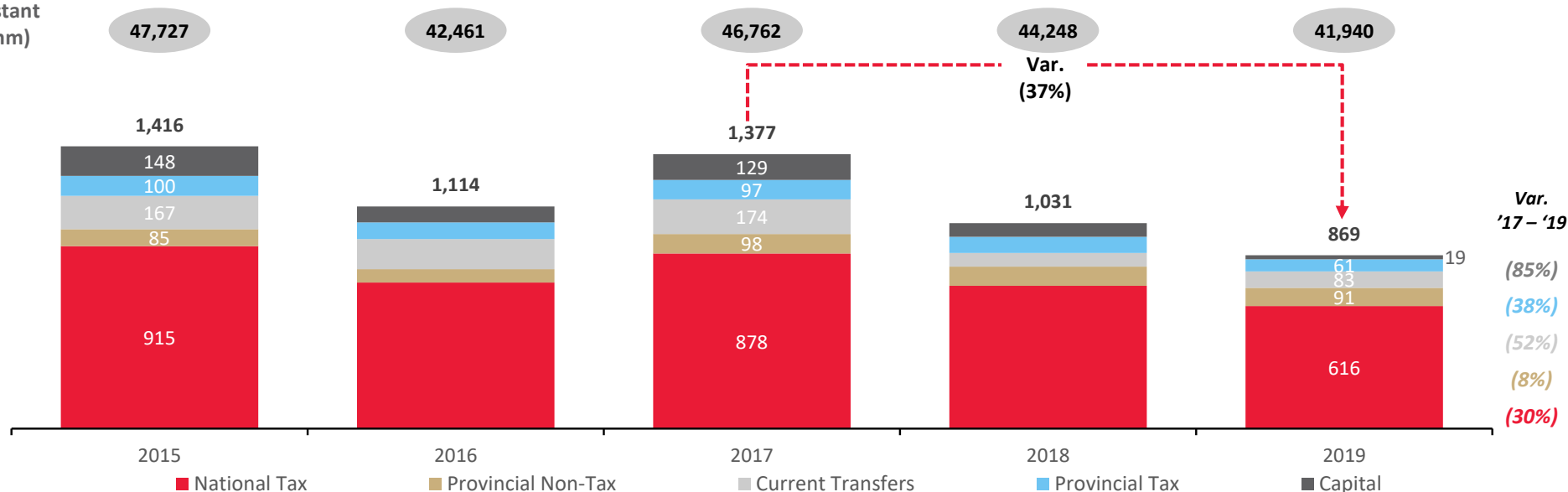
(1) Includes National tax income, current transfers and capital transfers from the Non-Financial Public Administration.

The Province's income has significantly decreased during recent years

Total Income Evolution

(US\$mm)

(Constant AR\$mm)



Main Variations

Resources from the National Government:

- **Tax:** Decrease in real terms mainly due to the impact of the national recession in the co-participation resources
- **Current Transfers:** Significant decrease due to the elimination of the Federal Solidarity Fund in 2018 (in 2017 was ~US\$23mm/~AR\$790mm in constant terms), and a decrease in non co-participation transfers that are negotiated annually

- **Capital Income:** ~85% reduction in capital transfers in 2019 mainly due to lack of priority of the previous National Administration to make investments in infrastructure in the Province. As a result, La Rioja has a public service infrastructure in relatively precarious conditions and with low population coverage. ~100% of the public services are administered by the province

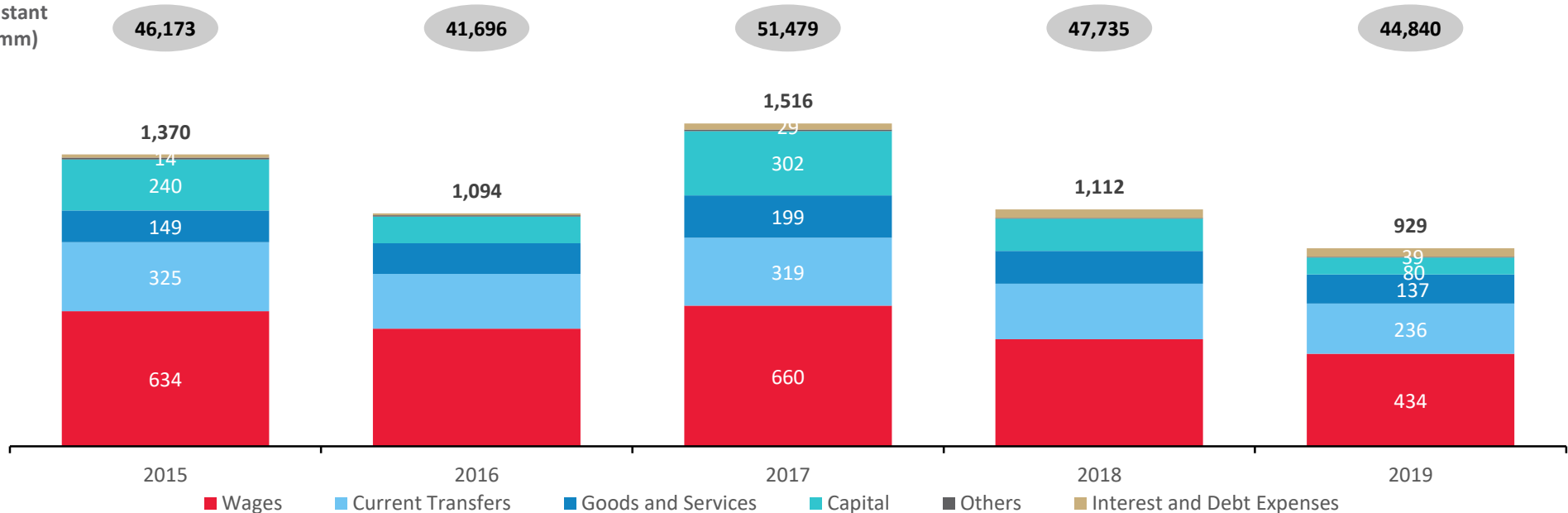
Source: Ministry of Economy and Public Finance of the Province of La Rioja.

Note: Constant AR\$ as of 2019 (considers the average inflation to calculate the results in constant AR\$). Figures converted to US\$ using average exchange rates published by the Central Bank of Argentina (Com. A3500).

The Province has carried out an important fiscal effort to control its expenses

Total Expenses Evolution

(US\$mm)
(Constant AR\$mm)



- Since 2017, the Province has conducted a significant adjustment to its expenses
 - **Current Expenses:** ~3% reduction in real terms in the period, excluding interests and debt expenses
 - **Capital Expenses:** +60% decrease in real terms, with investment in infrastructure at historic lows
 - As a result, the Provincial infrastructure very deteriorated, but also there have been delays in the start-up of the Parque Eólico Arauco
 - In 2018-2019 capital expenditures represented, on average, 12% of total income, compared to a historical average of ~21% between 2009 and 2017
- Debt-related expenses represent a growing burden on resources, as a result of the devaluation of the Peso

Source: Ministry of Economy and Public Finance of the Province of La Rioja.

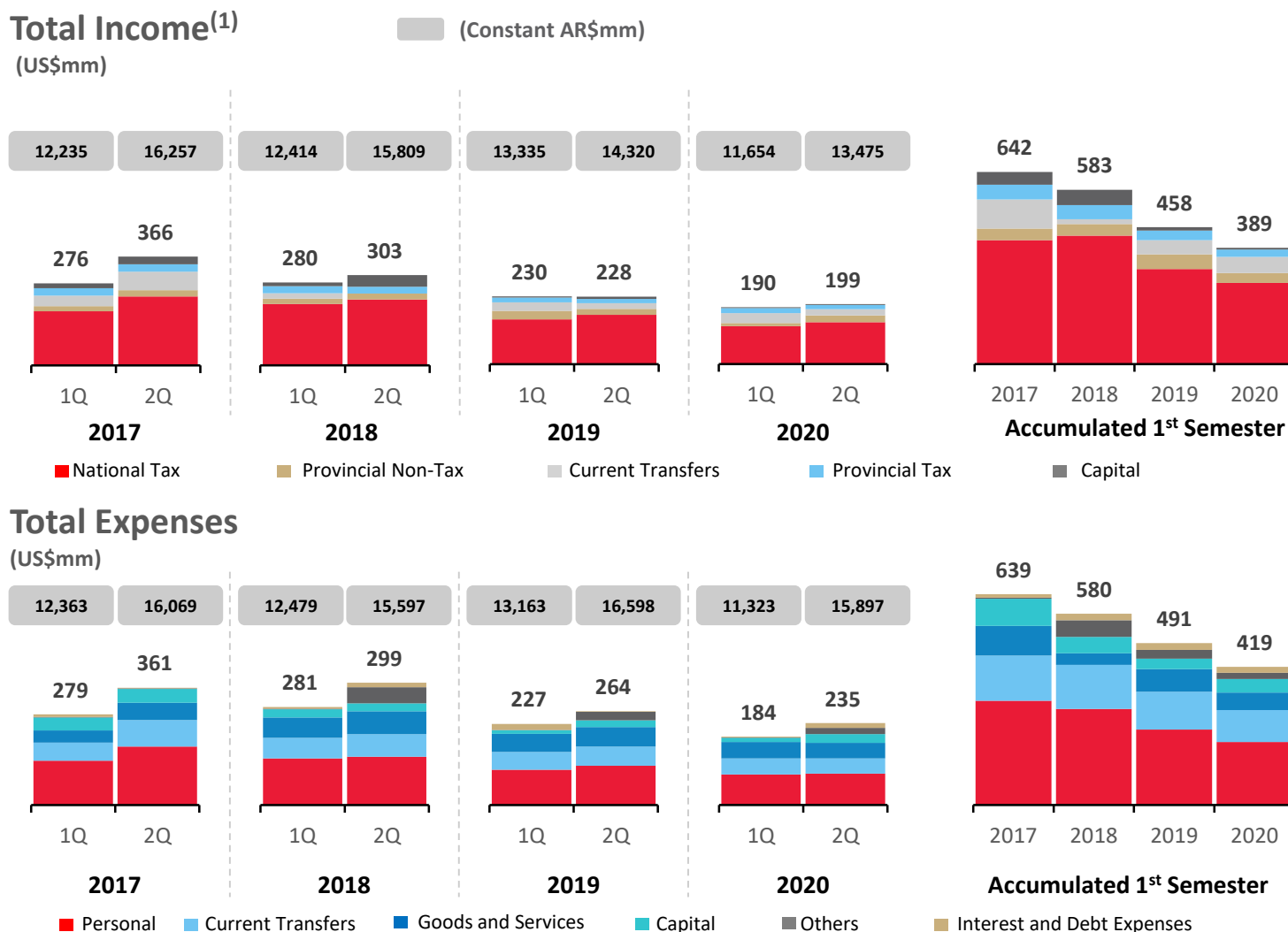
Note: Constant AR\$ as of 2019 (considers the average inflation to calculate the results in constant AR\$). Figures converted to US\$ using average exchange rates published by the Central Bank of Argentina (Com. A3500).

Current situation of the Province in the context of COVID-19

- The COVID-19 pandemic has deepened the recession both at the National and Provincial level and represents a threat to the socio-economic development of the Province

- In this context, the Province's income has continued to significantly decrease and does not reflect favorable short-term perspectives

- The Province has continued with its effort to contain its expenses as far as possible



Source: Ministry of Economy and Public Finance of the Province of La Rioja.

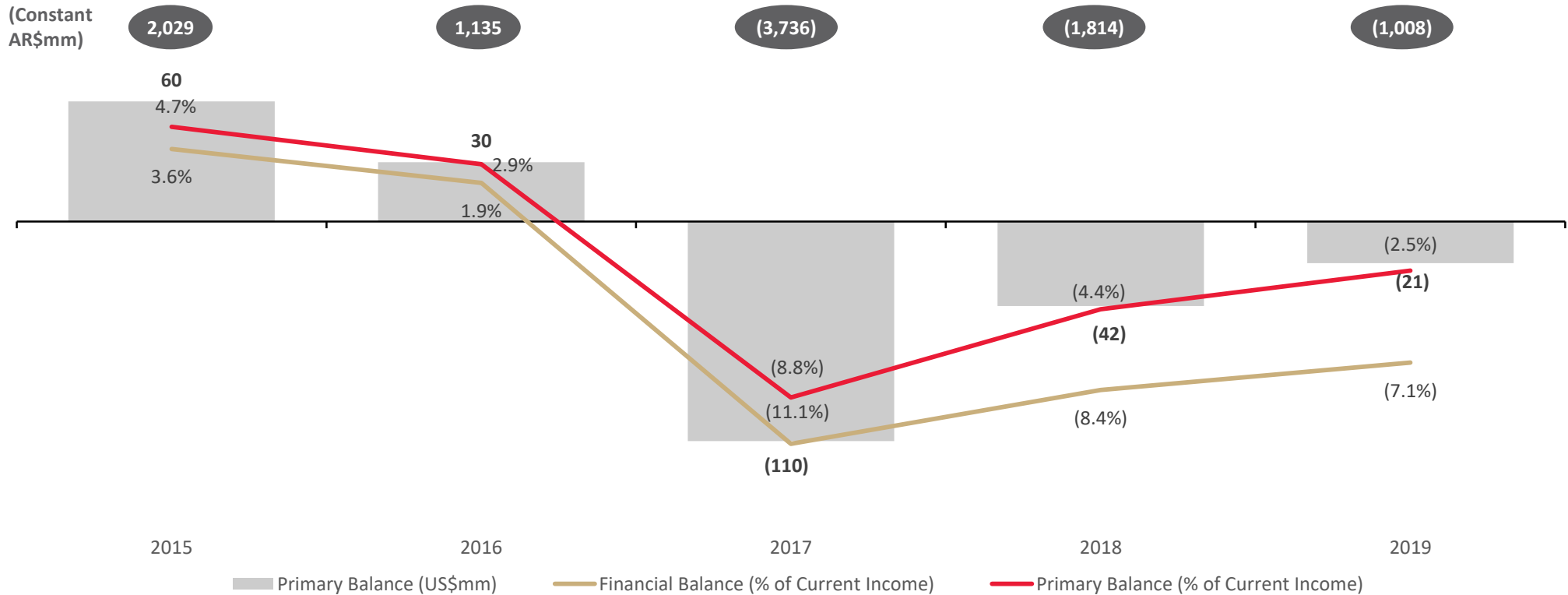
Note: Constant AR\$ as of 2020 (considers the average inflation to calculate the results in constant AR\$. Figures converted to US\$ using average exchange rates published by the Central Bank of Argentina (Com. A3500).

(1) Excludes extraordinary transfers due to COVID-19.

The Province currently generates an unsustainable deficit in the long-term

The Province has registered a ~1% fiscal deficit, on average, between 2009 and 2019, with high volatility

Primary and Financial Balance (US\$mm)



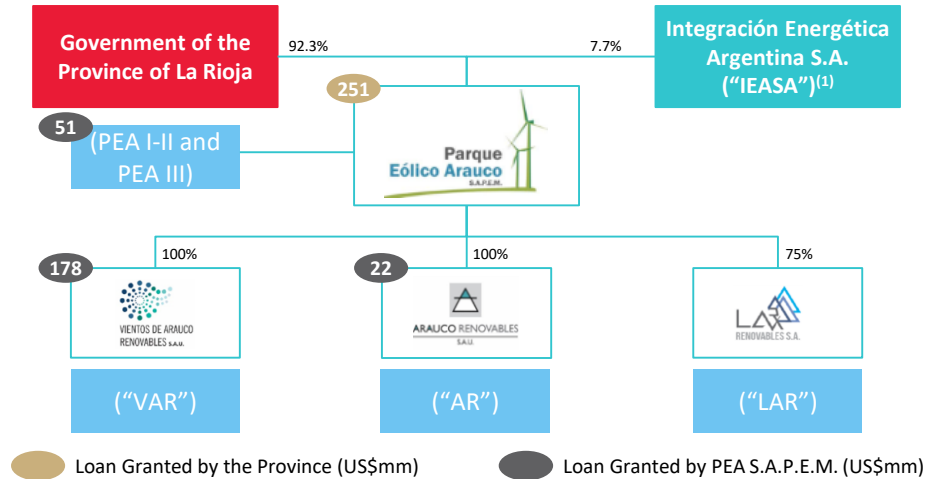
Source: Ministry of Economy and Public Finance of the Province of La Rioja.

Note: Constant AR\$ as of 2019 (considers the average inflation to calculate the results in constant AR\$). Figures converted to US\$ using average exchange rates published by the Central Bank of Argentina (Com. A3500).

Current Status of Parque Arauco

- Parque Eólico Arauco (“PEA”) has 3 operating projects with an installed capacity of ~150MW (PEA I-II and VAR) and another 3 projects under development
- Its location and stable wind conditions are among its key advantages
- Parque Arauco has long-term contracts already signed or in execution process with CAMMESA, the National Electricity Market Administration Company
- As of today, PEA has conducted investments for US\$391mm, including US\$251mm financed with the proceeds of the Green Bond, structured as a loan from the Province
- In addition to the financial debt with the Province, PEA currently has the following contractual and contingent liabilities:
 - **Banco Nación:** ~US\$6mm
 - **Commercial:** ~US\$23mm
 - **Potential penalties**
- PEA potentially requires significant additional investments for projects currently under evaluation in a context of limited access to financing for the Province in coming years
- Additionally, the Province plans to allocate a relevant part of the flows generated by PEA during 2021-2022 to public investment in infrastructure, which is highly necessary for the socio-economic development of La Rioja

Ownership and Organizational Structure







Financing Structure

1	2	3	4
Green Bond	La Rioja Province	Parque Eólico Arauco S.A.P.E.M.	Subsidiaries
<ul style="list-style-type: none"> • Total issuance of US\$300mm by the Province 	<ul style="list-style-type: none"> • Used US\$251mm as a loan to PEA for the development of projects and most of the remaining part for coupon payments for the Green Bond 	<ul style="list-style-type: none"> • Received the funds from the Province in the form of a loan, which replicates the structure of the Green Bond • Allocated the funds to PEA I-II and also granted loans to the Subsidiaries 	<ul style="list-style-type: none"> • Received the funds for the construction of the wind farms

(1) The National Government is the owner of IEASA, who has the option to recapitalize PEA to increase its stake to 25%.

Parque Arauco Situation Update (Cont'd)

Key Project Highlights

	Parque Eólico Arauco I		Parque Eólico Arauco II	
	PEA I-II	PEA III	VAR	AR
Subsidiary	 Parque Eólico Arauco S.A.P.E.M.	 Parque Eólico Arauco S.A.P.E.M.	 Vientos de Arauco Renovables S.A.U. ("VAR")	 Arauco Renovables S.A.U.
Nominal Capacity (MW)	50	52	100	97
Current Status	Operational	Under assessment	Operational	Under assessment
PPA (remaining)	CAMMESA - Ongoing SE 108/2011 (10 yrs)	No PPA	CAMMESA - Ongoing RenovAr 1.0 (20 yrs)	CAMMESA - Pending Execution RenovAr 1.5 (20 yrs)
Capacity Factor	35.4% ⁽¹⁾	38.0% P(90)	41.5% P(90)	38.4% P(90)
COD	2012 / 2013 (Phase I / Phase II)	--	February 2020	--
Price (US\$/MWh)	126	--	67	57
Total Investment + Commercial Debt [pending] (US\$mm)	124 [3]	164 [56]	173 [26]	94 [80]
Sources of Funds	National and Provincial Governments	National and Provincial Governments, and Green Bond for realized investments	Green Bond	Green Bond for realized investments
Technology	IMPSA	IMPSA	Siemens Gamesa	Siemens Gamesa

(1) Based on historical figures.

Provincial Debt Overview and Restructuring Guidelines

3



The Province is experiencing a critical financial situation and does not have sufficient resources to face its debt

1

Principal Payments are concentrated in 2022-2025, generating a debt service that does not comply with the premises of the Fiscal Responsibility Law and leaves the Province exposed to a high refinancing risk in a context of no market access

2

Virtually all of the debt (~90%) is denominated in foreign currency, highly exposing the Province to the devaluation effects

3

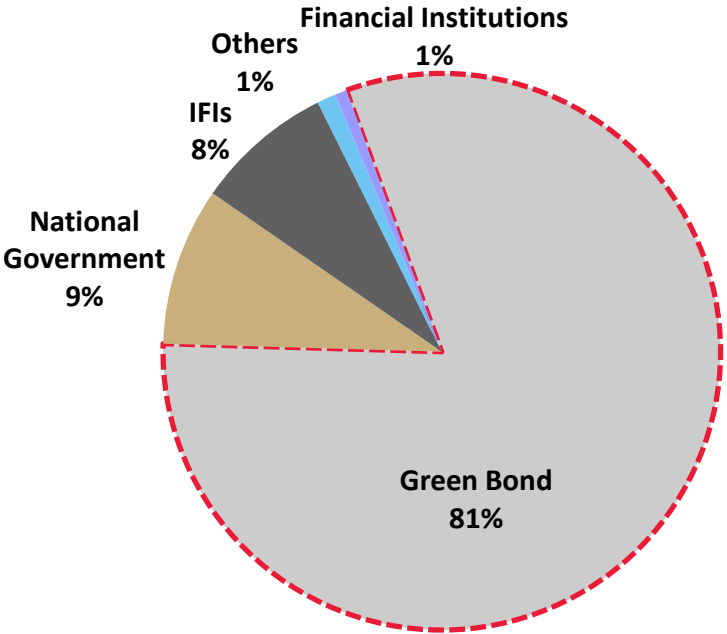
High coupons combined with successive devaluations have led to an interest burden that represents an increasing percentage of revenues

4

PEA cash flows will not be available for the repayment of the debt in the short term

Total Public Debt (as of June 2020)

US\$370mm



**Subject to debt
restructuring process**

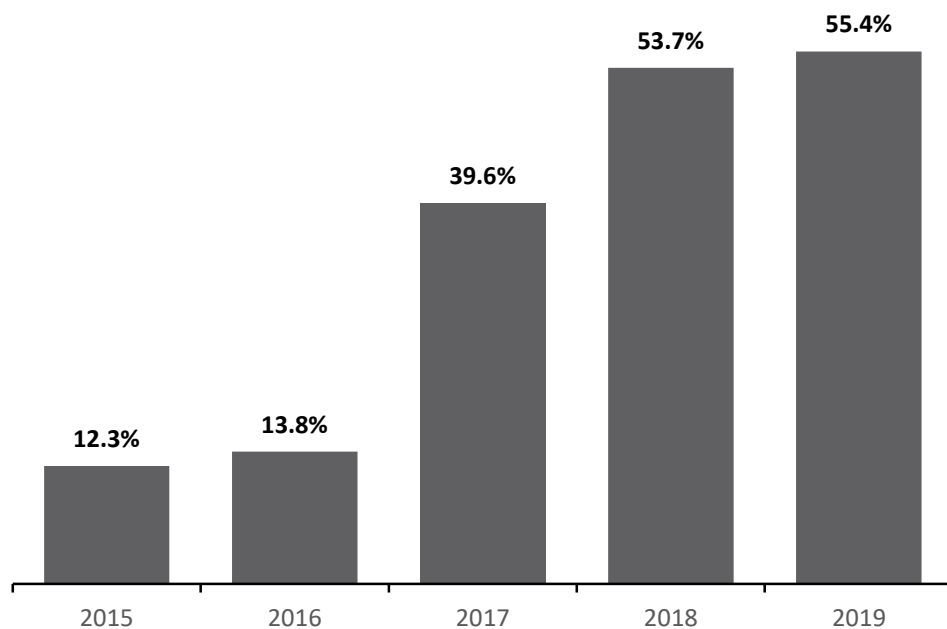
US\$300mm

Source: Ministerio de Hacienda y Finanzas Públicas, Provincia de La Rioja.

The debt burden has constantly increased, while provincial resources have deteriorated

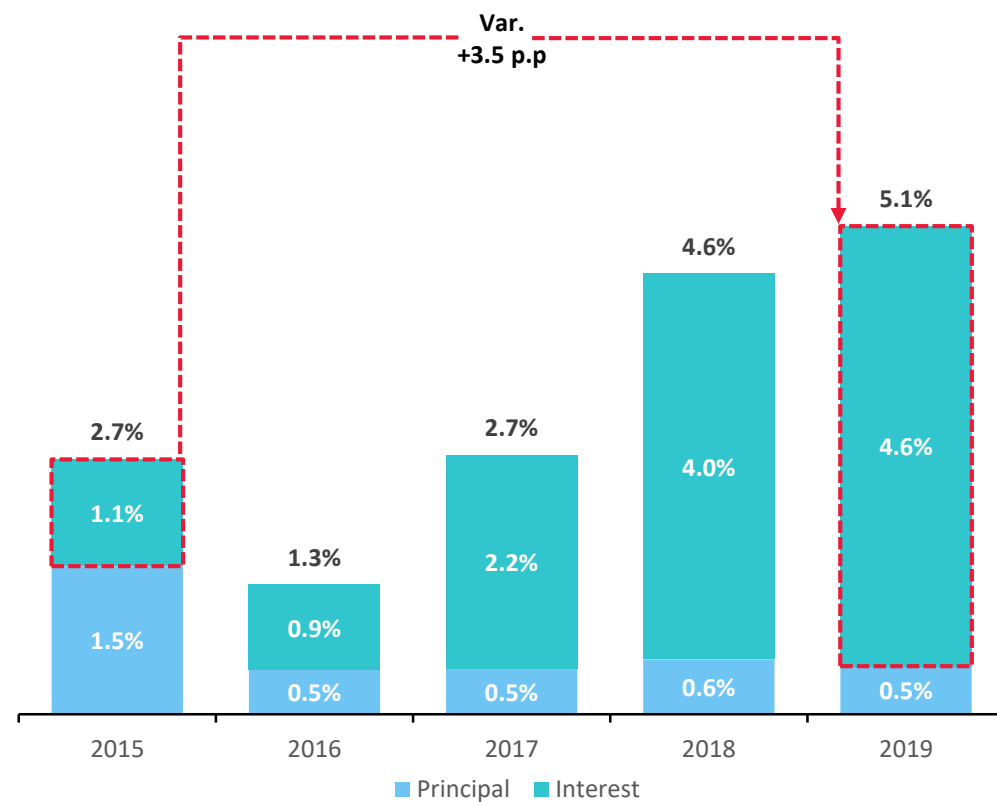
Debt Stock Evolution

(% de Current Income)



Debt Service Evolution

(% de Current Income)

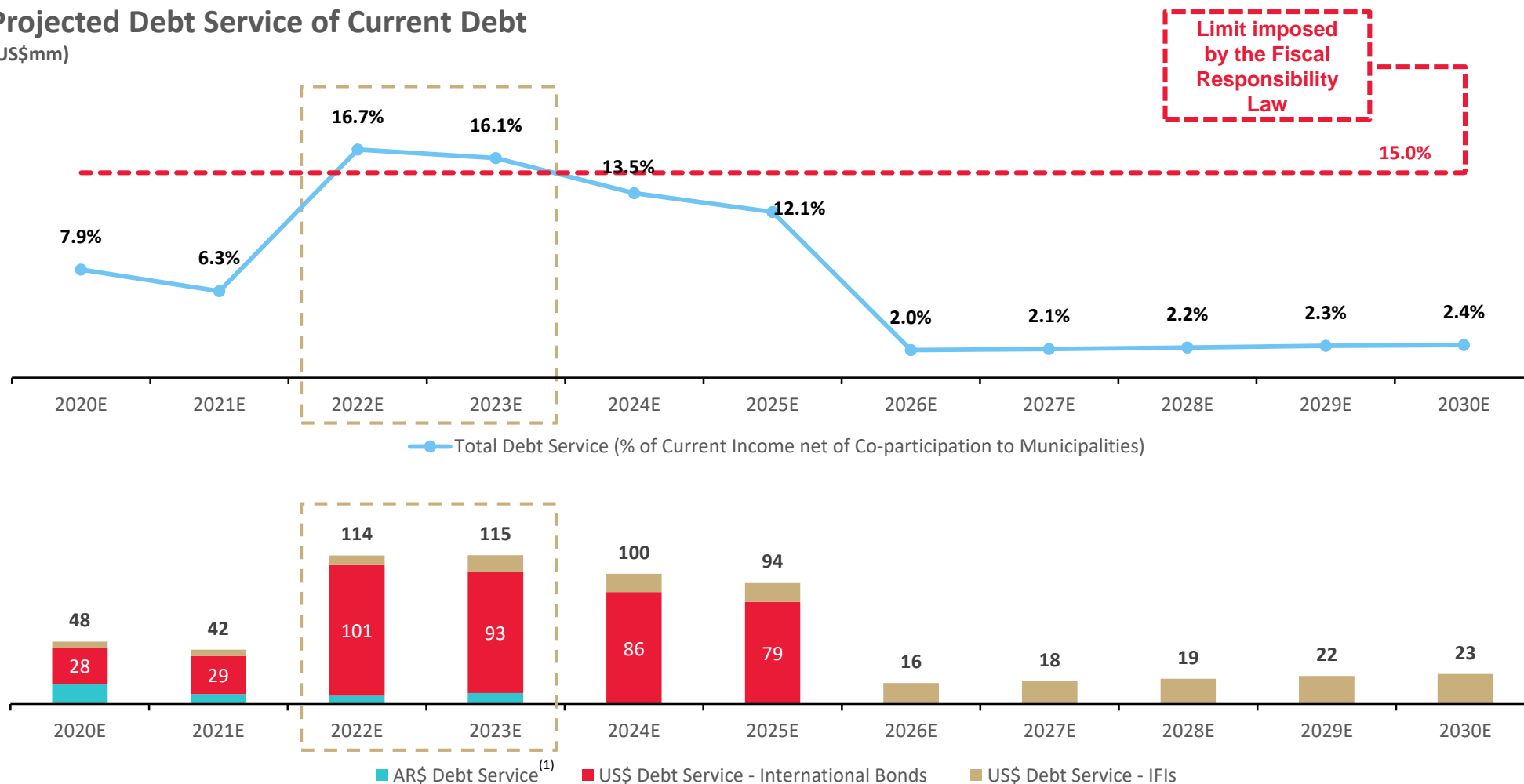


Source: Ministry of Economy and Public Finance of the Province of La Rioja.

The current debt service is not sustainable

Projected Debt Service of Current Debt

(US\$mm)

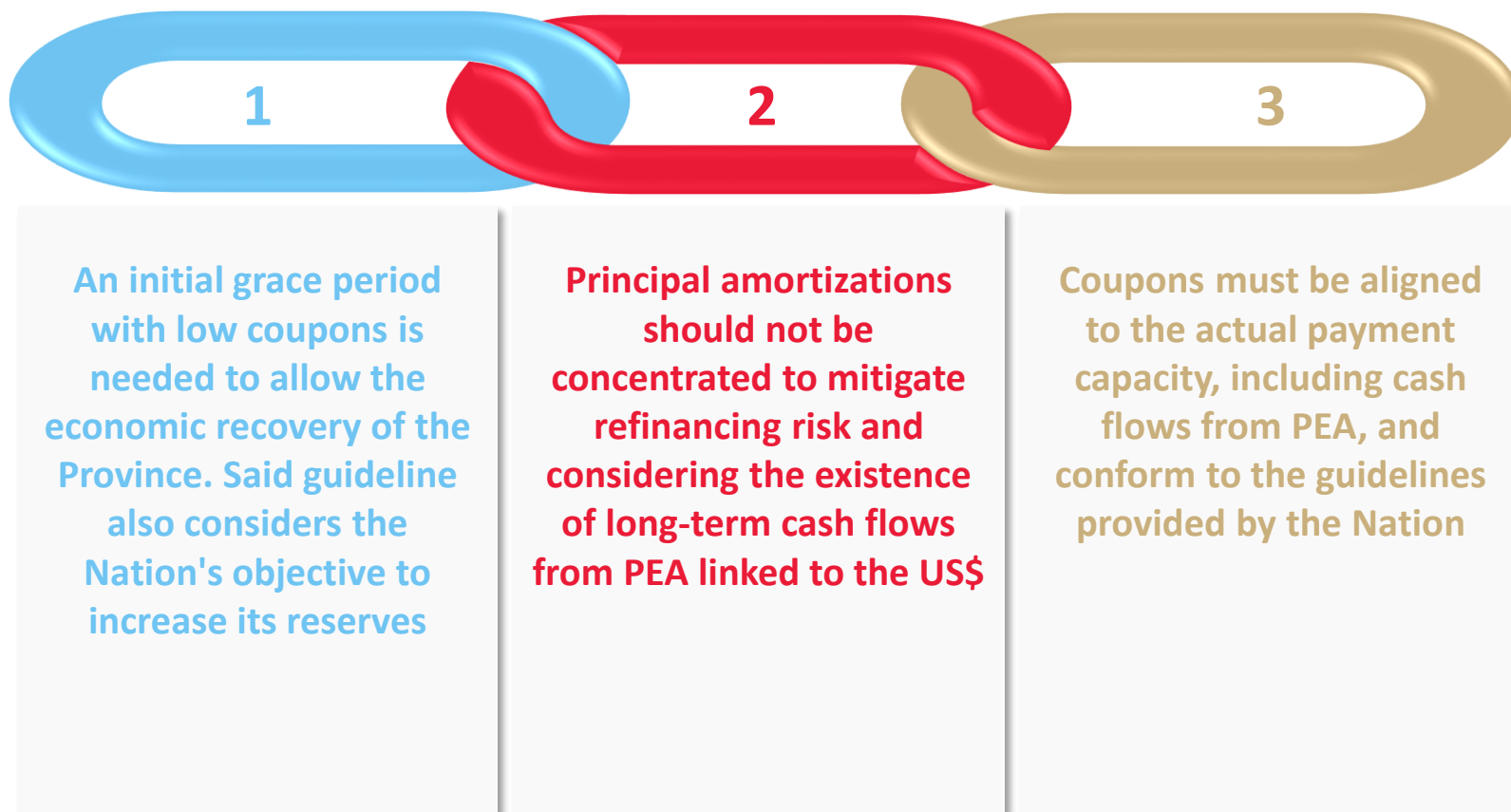


Source: Ministry of Economy and Public Finance of the Province of La Rioja.

Note: The estimates and projections above reflect the current opinion of the Province based on available information and assumptions about the future that are currently considered reasonable, but that are subject to risks and uncertainties beyond the control of the Province. Actual results may differ materially from the estimates and projections included above. Debt service includes interest and principal amortizations.

(1) Includes debt with the National Government, Financial Institutions, Local Bonds and Others.

Debt service must be aligned with the reality of the Province and its resources, including future cash flows from PEA, and to the guidelines provided by the Nation, due to the high dependence on national revenues



1 Projections Framework

- Projections incorporate assumptions presented by the Republic in its 2021 National Budget regarding national GDP growth and inflation, which include the projected ongoing impact from COVID-19
 - A real decline of 12.1% in national GDP is forecasted for 2020, followed by a recovery in 2021 and 2022 and a long-term real growth of 1.7%
 - Inflation is assumed to be 33.0% in 2020 and 29.0% in 2021 and gradually decrease to a long-term value of 7.0% by 2026
- Projections do not include any revenues from PEA and do not contemplate any further loan or capital injections to the Company

2 Income

- Income is assumed to plummet in 2020 mainly due to lower co-participation. A recovery is projected in 2021 and 2022
- Projections take into account the high relevance of income from the National Government, both recurrent and discretionary
- Little room to improve Provincial income

3 Expenses

- Projections consider the Province's rigid expense structure due to the high percentage of Wages
 - There are no budgeted public sector workforce increases
- Projected capital expenses are scheduled to improve the existing energy, water, sanitary and road infrastructure of the Province. Capital expenses are estimated to represent an average of ~13% of total income, compared to a 2009-2019 historical average of ~ 19%. Key projects for the productive development of the Province were taken into account, such as:
 - High voltage line from the city of La Rioja to the Chilecito
 - Gas pipeline Casa de Piedra – Chilecito to provide natural gas to the Province

4 Fiscal Balance

- The Province assumes a gradual fiscal consolidation, reaching a long-term primary surplus of 0.8% average, compared to an average primary deficit of ~1% between 2009 and 2019

Source: Ministry of Economy and Public Finance of the Province of La Rioja.

Note: The projections consider only the Non-Financial Public Administration. The estimates and projections above reflect the current opinion of the Province based on available information and assumptions about the future that are currently considered reasonable, but that are subject to risks and uncertainties beyond the control of the Province. Actual results may differ materially from the estimates and projections included above.

AR\$mm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Income												
Provincial	4,237	6,027	7,550	8,869	10,273	11,797	13,202	14,126	15,854	17,802	20,000	22,481
Tax	2,934	4,298	5,545	6,875	8,250	9,488	10,626	11,370	12,905	14,647	16,625	18,869
Non-Tax ⁽¹⁾	1,303	1,729	2,005	1,994	2,022	2,309	2,575	2,756	2,948	3,155	3,376	3,612
National	34,469	48,392	67,023	86,351	106,742	124,509	141,450	153,527	166,642	180,884	196,350	213,146
Co-participation and Other Automatic Transfers	29,696	39,521	55,638	72,234	89,801	105,027	119,630	130,180	141,660	154,153	167,748	182,542
Current and Capital Transfers	4,773	8,871	11,385	14,118	16,941	19,482	21,820	23,348	24,982	26,731	28,602	30,604
Total Income	38,706	54,418	74,573	95,221	117,015	136,306	154,651	167,653	182,496	198,686	216,350	235,627
Expenses												
Current	36,868	49,943	66,273	83,892	102,107	118,608	133,427	143,136	154,715	167,722	181,519	197,196
Capital	3,719	5,437	8,649	11,195	14,736	17,113	19,562	23,020	27,411	29,173	32,904	36,214
Primary Expenses	40,586	55,380	74,921	95,088	116,844	135,721	152,989	166,156	182,127	196,895	214,423	233,410
Primary Balance	(1,880)	(962)	(348)	133	171	585	1,662	1,497	369	1,791	1,927	2,217
% of Total Income	(4.86%)	(1.77%)	(0.47%)	0.14%	0.15%	0.43%	1.07%	0.89%	0.20%	0.90%	0.89%	0.94%
US\$mm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Income												
Provincial	88	86	85	82	81	83	84	86	92	98	105	113
Tax	61	61	63	64	65	66	68	69	75	81	88	95
Non-Tax ⁽¹⁾	27	25	23	19	16	16	16	17	17	17	18	18
National	714	691	757	802	843	872	902	934	966	1,000	1,034	1,070
Co-participation and Other Automatic Transfers	616	565	628	671	709	736	763	792	821	852	884	917
Current and Capital Transfers	99	127	129	131	134	136	139	142	145	148	151	154
Total Income	802	777	842	885	924	955	987	1,020	1,058	1,098	1,140	1,183
Expenses												
Current	764	713	749	779	806	831	851	870	897	927	956	990
Capital	77	78	98	104	116	120	125	140	159	161	173	182
Primary Expenses	841	791	846	884	923	951	976	1,010	1,056	1,088	1,130	1,172
Primary Balance	(39)	(14)	(4)	1	1	4	11	9	2	10	10	11
% of Total Income	(4.86%)	(1.77%)	(0.47%)	0.14%	0.15%	0.43%	1.07%	0.89%	0.20%	0.90%	0.89%	0.94%

Source: Ministry of Economy and Public Finance of the Province of La Rioja.

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(1) Excludes income from PEA.