

INVEST IN CÓRDOBA

QUATERLY SUMMARY
OF FINANCES AND INVESTMENTS

SEPTEMBER 2017

Ministerio de
FINANZAS



GOBIERNO DE LA PROVINCIA DE
CÓRDOBA

INDEX

- 02 **PUBLIC FINANCE POSITION**
 - Budget Execution
- 03
 - Incomes
 - Public Debt
- 04 **OTHER NEWS**
 - Great dynamism in economic recovery
- 05
 - New issuance in the capital market
- 06
 - Lear Corporation invests US\$ 16 million and creates 600 jobs
 - Adhesion to the Labor Risk Law reform
 - Easier procedures for the registration of companies
 - Strengthening of entrepreneurship and innovation
- 07
 - Cordoba is one of the provinces with the most investment projects
- 08
 - The Province's Retirement Fund presented its Annual Report

PUBLIC FINANCE POSITION

BUDGET EXECUTION

During the first semester of 2017, the government of Córdoba maintained as a priority the support of an ambitious infrastructure investment plan. This plan is financed by provincial funds, complemented with indebtedness and contributions from the National State. In this context, austere management of the public administration has strategic importance in order to generate the necessary savings to finance capital investments.

For a better understanding of the province's ability to finance the infrastructure plan, the Net Current Result's performance should be analyzed. This variable represents the difference between the net resources and those automatically distributed to municipal states less current expenditure.

During the first semester of 2017, the Net Current Result amounted to US\$ 746 million (AR\$11.717 million), representing 23% of Net Income. Compared with the same period of 2016, when the Net Current Result represented 16% of Net Income, there was a significant increase in Province's savings, 88% in nominal terms (47% after inflation). This increase in savings is the result of the province's net income growing at a faster rate (33% year-over-year or 3.5% after inflation) than current expenditure (22% nominal or a decrease of 4.7% in real terms).

1 This methodological change was implemented the first quarter of 2017 and consists of subtracting from the total resources - excluding the recovery of loans and other capital transfers - those resources that are distributed automatically to the municipal states in accordance with the legal provisions (*Régimen de Coparticipación Provincial -Law 8.663- and Fondo Federal Solidario*).

2 To transform nominal values to real values, the average inflation of the first half of 2017 is used based on the Consumer Price Index calculated by the Statistics and Census Bureau of the Province of Córdoba.

Córdoba's Central Administration Income and Expenses Summary (Millions of AR\$ y US\$) 2016 - 2017

Concept	2016		Budget 2017		1st Semester 2017	
	\$	US\$(8)	\$	US\$(8)	\$	US\$(8)
Net Income (1)	97.379	6.590	121.813	6.798	59.845	3.812
Automatically Distributed Resources to Municipalities and Communes (2)	11.839	801	17.005	949	7.943	506
Net Income (3)	85.539	5.789	104.808	5.849	51.902	3.306
Net Current Expenditures (4)	72.529	4.908	86.959	4.853	40.185	2.559
Net Current Result	13.010	880	17.848	996	11.717	746
Net Current Result / Net Income (%)	15%		17%		22.6%	
Available Capital Income (5)	470	32	3.975	222	184	12
Works Expenditures (6)	5.274	357	14.140	789	4.153	264
Other Capital Expenditures (7)	4.607	312	7.289	407	3.958	252
Financial Result	3.600	244	395	22	3.790	241

Source: Ministry of Finance of Córdoba Province. See: <http://www.cba.gov.ar/ejecuciones/>

(1) It includes automatic revenues of national origin (National Coparticipation regime, especial laws and Federal Solidarity Fund), Provincial tax resources, Non-tax income, goods and services sells and current transfers.

(2) Includes currents transfers (Provincial coparticipation regime - Law N° 8.663) and capital transfers (Federal Solidarity Fund) towards Municipalities and Communes.

(3) Province available resources once discounted automatically distributed resources to Municipalities and Communes.

(4) Net of current transfers to Municipalities and Communes in Coparticipation concept (Provincial Coparticipation Regime - Law N° 8.663)

(5) Does not include resources received in concept of Federal Solidarity Fund.

(6) It contemplates works carried out by the Central Administration and capital transfers destined to finance of works in charge of ACIF. Excludes resource transfers towards Municipalities and Communes in concept of the Federal Solidarity Fund.

(7) It includes financial assets items and others capital transfers destined to other organizations that make up the Non-Financial Administration. For 2017, it includes loans to the Caja de Jubilaciones destined to cover up the pension deficit.

(8) The exchange rate used corresponds to the average exchange rate of the first quarter of 2016 and the first quarter of 2017. For the 2017 Budget, the "Marco Macro Fiscal" exchange rate (AR\$/US\$ 17.92) was used.

INCOMES

During the first semester of 2017, total income –excluding loans and capital transfers– reached US\$3,393 million (AR\$59,845 million), 34% higher than the same period of 2016. In this positive trend of provincial incomes³, Province's tax collection performance stands out. Total tax collection reached US\$ 2,947 million (AR\$51,985 million), 31.6% higher than the same period of 2016. Taxes from provincial origin had a nominal year-over-year growth of 44% (12% in real terms), while the tax resources from national origin increased 26% in nominal terms (which represents a real decrease of 2%). The Tax Equity Program had a high incidence in improving Córdoba's tax administration, making possible to compensate the real terms decrease of national origin resources.

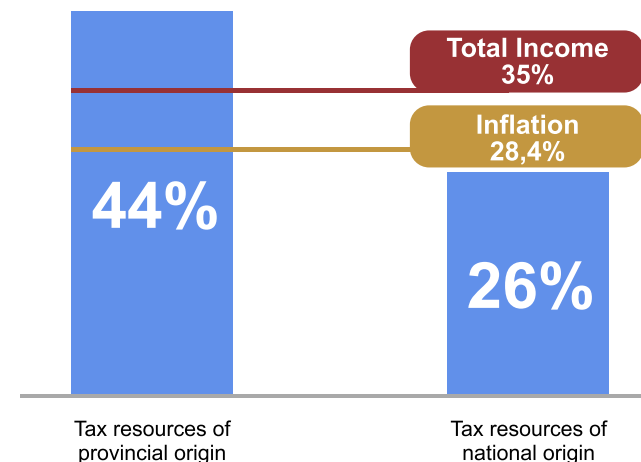
PUBLIC DEBT

By June 30st 2017, the debt stock⁴ was \$40.451 million (US\$ 2.432 million)⁵. This amount is equivalent to approximately 32% of total budget incomes for whole year. The level of indebtedness of the province of Córdoba, measured as percentage of its total income, maintain similar levels of recent years. In this sense, while 15 years ago indebtedness represented more than double of incomes, currently it is equivalent to less than a third of the province total income.

Most of the debt stock is denominated in dollars (94%), due to the long-term horizon sought to finance public works and lack of instruments in local currency⁶.

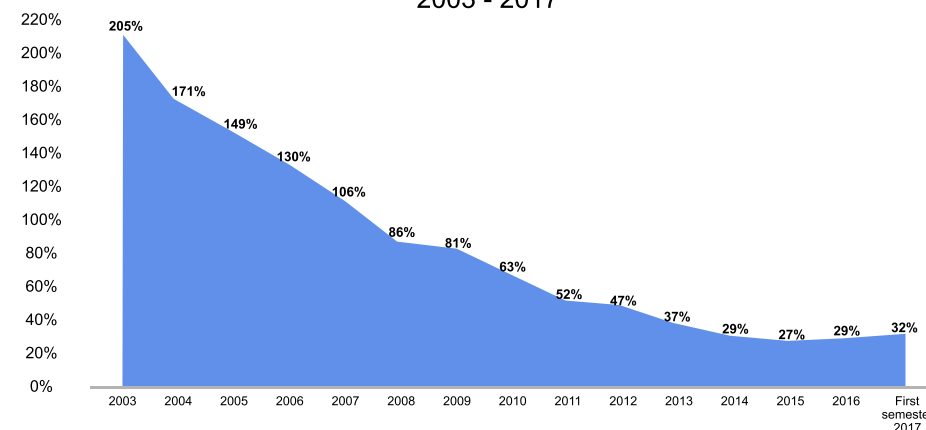
A more relevant way of assessing public indebtedness is by associating it to the payment capacity shown by public finances. From this view, the relationship between total debt and current available savings reach the lowest values of last years and, for 2017, it is forecast that with little more than two years savings entire debt could be paid.

Tax revenue and inflation Nominal year-on-year change in % June 2016 - June 2017



Source: Ministry of Finance of Córdoba Province.
<http://www.cba.gov.ar/ejecuciones/>

Provincial Public Debt Debt stock as % of total income 2003 - 2017



Source: Ministry of Finance of Córdoba Province. <http://www.cba.gov.ar/ejecuciones/>
<http://www.cba.gov.ar/deuda-publica-finanzas/>

3 The distribution of Provincial taxes are: 70.5% sales tax, 12.3% real state tax, 11.8% judicial acts and 5.4% automobile property tax

4 Includes debt stock of the Central Administration and the Córdoba Financing Investment Agency (ACIF, for its Spanish acronym), excluding the period's floating debt.

5 The exchange rate used to convert all monetary values from current pesos to dollars was Banco Nacion sellers exchange rate of the last business day 30/06/2017: \$16.63

6 If a devaluation of the local currency were to occur, the pass-through to prices would be significant resulting in a higher collection since the main taxes are linked to consumption and inflation. There is therefore a sort of natural hedge against this type of shock. In addition, with the Province's current low levels of indebtedness (debt services account for less than 1% of total expenditures), the negative effects of a possible devaluation are very small.

OTHER NEWS

GREAT DYNAMISM IN ECONOMIC RECOVERY

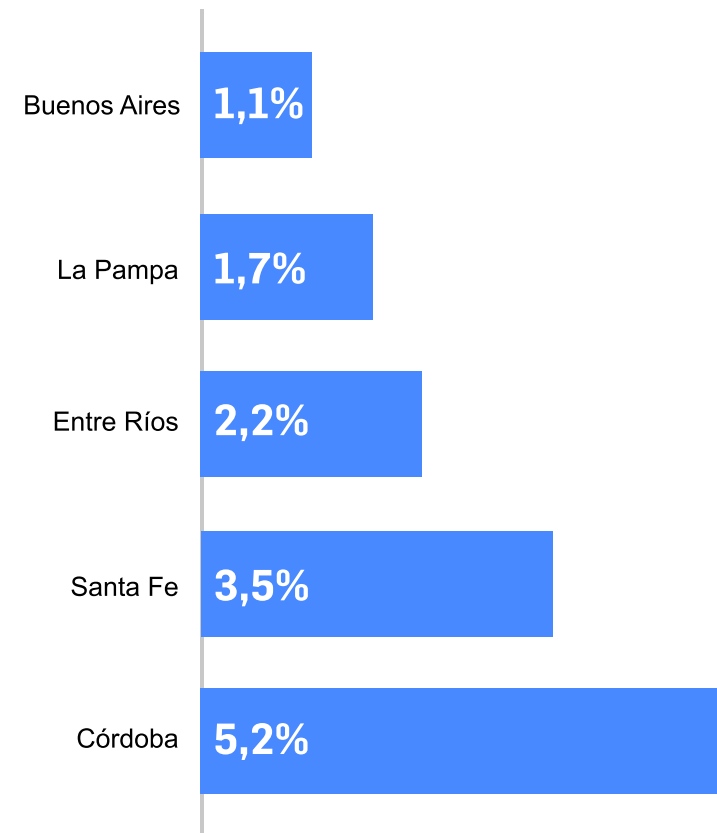
Argentina's economy started recovering at the end of last year, after being stagnant for five years. The recovery was led by the agro-exporter sector (due to the currency devaluation and the permission to export) and government's public-works.

The phenomenon did not occur homogeneously in all regions. According to a report by the Institute of Studies on Argentine and Latin American Reality (IERAL)⁷, Córdoba was the second province with the greatest dynamism between the last quarter of 2015 and the second quarter of 2017, only surpassed by Santiago del Estero. This center of studies elaborates an indicator of Province global economic activity that considers the levels of sales, productive factors and financial indicators, among others.

According to the report, one of the key factors explaining the differences in the productive dynamics of each region is their productive structure. In this sense, the best performance of the agricultural sector affects in a positive way the provinces that carry out this type of activities. In addition, fiscal results of provinces have influence, especially the ability to apply anti cyclical policies and allocate resources towards public investment.

Córdoba, like the other provinces of the Pampa Region, improved its performance during the last year due to the dynamics of the agricultural sector. Additionally, this situation was positively influenced by a greater fiscal solvency, which makes possible to finance public works and improve the social and productive infrastructure.

Economic Activity in the Pampa Region
Percentage change 3rd quarterly 2015 - 2nd quarterly 2017



⁷ Report N° 1062: http://www.ieral.org/images_db/noticias_archivos/3656-Informe%20de%20Coyuntura.pdf

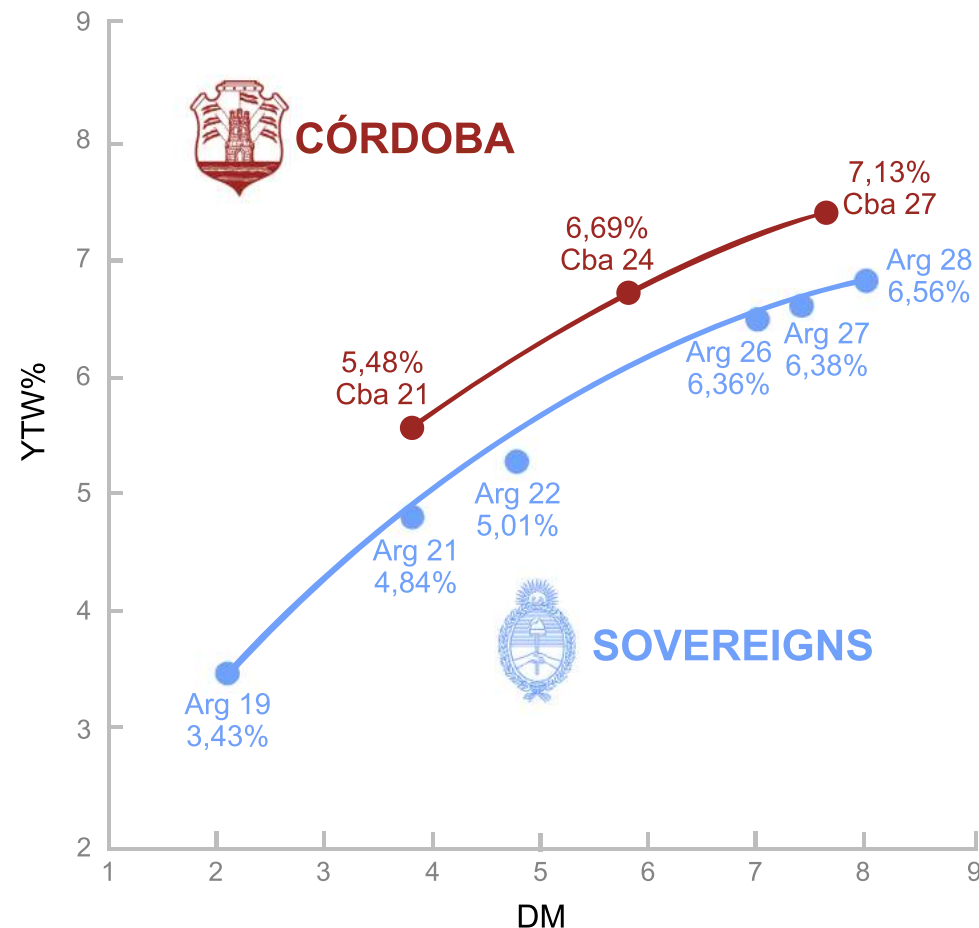
Source: Institute of Studies on Argentine and Latin American Reality (IERAL)

NEW ISSUANCE IN THE CAPITAL MARKET

On June 29, 2017, the Province of Córdoba successfully returned to international capital markets by issuing US\$ 450 million 2027 senior unsecured notes, with J.P. Morgan and HSBC acting as Bookrunners. The placement of the bond, at a yearly rate of 7,125% and a ten-year term, has the goal of completing the funding needed for gas pipeline works.

Since the first issue in international markets in June 2016, financing terms were doubled from 5 to 10 years and the same interest rate was maintained. This performance is below those obtained by Ciudad de Buenos Aires and Province of Buenos Aires in previous issues and in line with the Province of Santa Fe for the same theoretical period.

At the pricing date, Córdoba's new 10-year price was 65.5 basis points above the curve for the same period in Argentina, re-valuing the spread by more than 30 basis points, despite the increase in the US Treasury yields. This represents an important milestone in Córdoba's efforts to build and reposition its dollar curve.



Source:JP Morgan

LEAR CORPORATION INVESTS US\$ 16 MILLION AND CREATES 600 JOBS

Lear Corporation, a US-based company, will invest US\$16 million in San Francisco City (about 200 km from the provincial capital). It expects to employ 600 people to make wire harnesses for Fiat Automobiles. Production will begin in the last quarter of the year, when the new Fiat X6S starts to be produced, and is added to car seats making that Lear already has in Cordoba City.

The company is expanding under the industrial promotion program offered by the province's government for new business settlements. This new settlement maintains and deepens, beyond the negative impacts of the Brazilian crisis, the province's leadership position in the automotive industry. An additional positive impact is the effect on the harmonious geographical development, since after the installation of the new Lear plant; it will become the largest employer company in San Francisco City.

ADHESION TO THE LABOR RISK LAW REFORM

Córdoba's Legislature approved Law 10,456, adhering to National Law 27.348, which amended the coverage due of labor risks. It is the first jurisdiction in the country to make this progress on an issue with high impact on the labor market. By establishing a mandatory administrative procedure, the number of lawsuits related to labor accidents and illnesses seek to be reduced.

The new law foresees the Province's contribution to ensure the proper functioning of the administrative body and to give it greater legal solidity. These reforms are expected to provide workers with a better response when they suffer labor accidents, while simultaneously reducing the insurance premium caused by the high costs of exaggerated litigation. The latter is particularly beneficial for the smaller companies, since they are the most vulnerable to excessive labor lawsuit processes.

EASIER PROCEDURES FOR THE REGISTRATION OF COMPANIES

With the support of the Secretary of Innovation and Modernization, a profound reform on the Inspection of Legal Entities (IPJ) has been taking place. This body is responsible for registering legal entities within to province, from their creation until their dissolution. Through the reengineering of processes and the incorporation of technology a simpler and faster procedure to create and maintain commercial companies and NGOs will be offered.

Through these actions, Córdoba Province leads the way by taking actions in line with the goals of the Entrepreneurship Law recently sanctioned by the National Congress. One of the most important components of this law is to make easier to create a new company.

Although the modernization plan for IPJ will only be completed by the end of next year, progress has already been made with a high impact on productive dynamics of the Province. One of them is the simplification of the procedures for the constitution of a company. With new procedures, it will be possible to create a company in less than 15 days when traditionally this demanded 6 months on average.

STRENGTHENING OF ENTREPRENEURSHIP AND INNOVATION

Innovation has become a key component for productive development and social progress. Nevertheless, they usually entail risks that in many cases companies are not able to afford. This situation makes it desirable to have, therefore Government participation results crucial. To strengthen entrepreneurship and innovation, Córdoba launched the Córdoba innovation and entrepreneurship Agency, a mixed economic society that seeks to promote innovative culture, entrepreneurship and cooperation between the public and private sectors.

The first action was announced in April 2017 when the Agency launched "Córdoba Acelera", a program that will provide training, counseling and the funds needed to technology-based projects in the province. This initiative has a budget of US\$ 50 million

that are contributed in equal parts by the provincial government and the private sector. The evaluation of projects, the financing process and the channeling of funds will be carried out by company accelerators who will have in charge between 3 and 10 projects each.

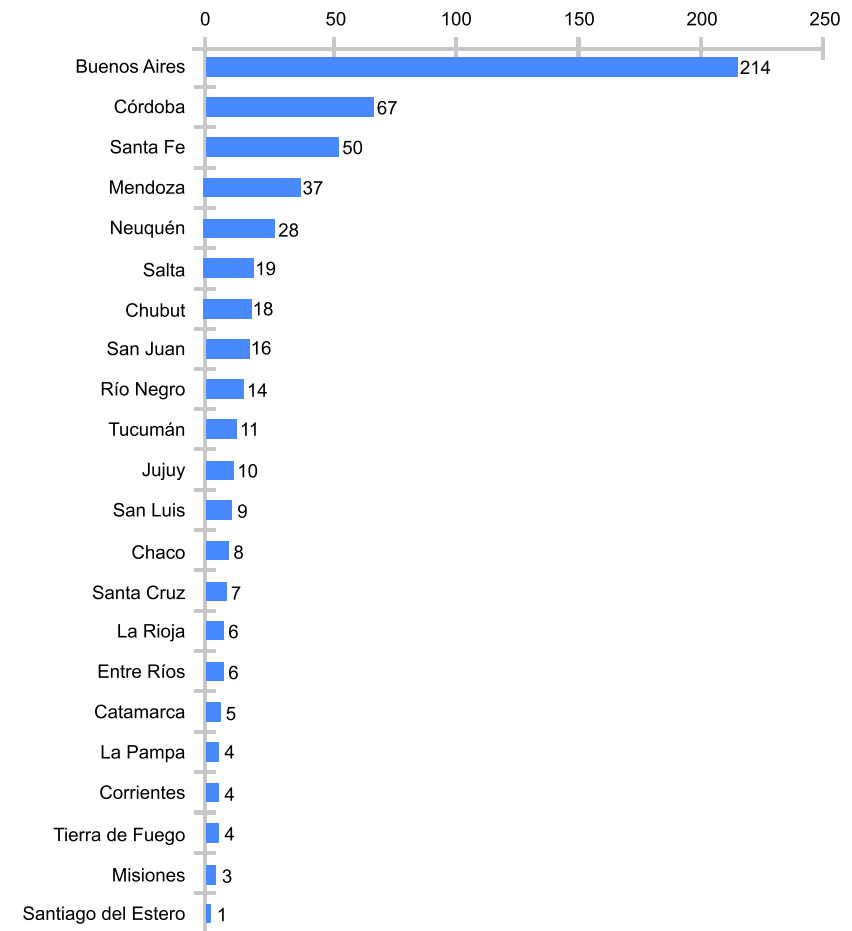
CÓRDOBA IS ONE OF THE PROVINCES WITH THE MOST INVESTMENT PROJECTS

According to the Argentinean Investment and Trade Promotion Agency, Córdoba is the second province with most announced investment projects in last 19 months.⁹ Data from this national body shows there are 67 projects to be implemented in the Province. This amount is only surpassed by the Province of Buenos Aires and Autonomous City of Buenos Aires (214 for both jurisdictions), and is higher the number of projects announced for Santa Fe (50) and Mendoza (37).

The projects to be executed in Córdoba add up to US \$ 3,169 million, with a share of 11.3% in the country's total. Considering the total money invested, real estate developments with US\$ 1.3 billion represent the area with the highest share. Of this total, 80% belongs to Corporación América, an Argentine holding company with several companies that includes airports, infrastructure works and agro-industrial companies. Corporación América is building the so-called "Las Artes District", the first eco-district in Argentina to be made up of homes, offices and a shopping center. Following real estate developments are industrial projects, with about US\$ 1.2 billion. The Renault-Nissan project (US\$ 600 million) and the Fiat project (US\$500 million) are the most remarkable in this last sector.

Related to the origin of the investment capitals, 60 percent are Argentine. The remaining 40% are foreign capitals coming from Japan with the Nissan project, Colombia with Avianca airlines, Brazil with Brazil Foods, Belgium with Makro supermarkets, Mexico with Bimbo, Italy with Fiat, the United States with IBM and France with Michelin

Announced Investment Projects December 15 – June 17



Source: Argentinean Investment and Trade Promotion Agency

⁹ Investment Projects are those public announcements confirmed by the Argentinean Investment and Trade Promotion Agency.

THE PROVINCE'S RETIREMENT FUND PRESENTED ITS ANNUAL REPORT

Within the framework of the transparency policies applied by the provincial government, Caja de Jubilaciones, the Province's Retirement Fund, published its Annual Report. This includes, as it has been doing since 2008, the dissemination of its balance sheets with the opinion of an external audit. This time, Deloitte was in charge of the external control on the pensions system's records. Córdoba stands out, at national level, because its strict control over the financial administration and the modernization of its social security agency management.

The balance reflects the impact of the financing agreement signed with the national government last year. This agreement allowed ending a legal dispute that was submitted to the Court of Justice. With the transfer of funds, that was part of the agreement, the Caja improved its budget situation and was able to fully cancel the debt it had accumulated with the provincial treasury.

The Annual Report also shows that the ambitious process of administrative modernization that is being applied in this Office continues to be active. This has made it possible to improve internal controls and provide higher service quality to the citizens. One of the most important milestones is the implementation of a non-face-to-face mechanism for the request of pension benefits. The so-called "Web Retirement" began operating mid-2016 and so far 3,000 pension benefits have been granted by this modern management mechanism. By replacing the traditional paper procedure with a digital one, the risks of errors and fraud are reduced, and a simpler and faster process is offered. In the past the process of requesting a pension benefit was cumbersome and slow (requiring a waiting time more than a year), now it can be done online and is usually granted in less than a month.

CONTACT

Ramiro Sosa Navarro (Director)
Ana Balestre (Chief Advisor)
Justo Erede (CFO)
inversores@bancor.com.ar