The Province of Mendoza

(A Province of Argentina)

US$500,000,000
8.375% Notes Due 2024

(the "Notes")

The Province of Mendoza (the "Province") will pay interest on the Notes on May 19 and November 19 of each year, beginning on November 19, 2016. The Notes will mature on May 19, 2024. The Province will pay the principal of the Notes in three installments US$166,650,000 on May 19, 2022, US$166,650,000 on May 19, 2023 and the remaining outstanding principal balance on May 19, 2024.

The Notes will be direct, general, unconditional and unsubordinated Public External Indebtedness (as defined below) of the Province, ranking without any preference among themselves and equally with all other unsubordinated Public External Indebtedness of the Province. It is understood that this provision shall not be construed so as to require the Province to make payments under the Notes ratably with payments being made under any other Public External Indebtedness of the Province.

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 the Argentine *Mercado Abierto Electrónico S.A.* ("MAE").

Investing in the Notes involves risks that are described in the "Risk Factors" section beginning on page 10 of this offering memorandum.

The Notes will contain provisions, commonly known as "collective action clauses." Under these provisions, we may amend the payment provisions of any series of debt securities issued under the indenture (including the Notes) and other reserved matters listed in the indenture with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount of the outstanding debt securities of such series; (2) with respect to two or more series of debt securities, if certain "uniformly applicable" requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, more than 66 2/3% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the proposed modification, taken individually. See "Description of the Notes—Meetings, Amendments and Waivers—Collective Action."

The Notes have not been, and will not be, registered under 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 and persons outside the United States in reliance on Regulation S of the Securities Act. For further details about eligible offerees and resale restrictions, see "Notice to Investors."

Price to investors: 98.710%, plus accrued interest, if any, from May 19, 2016

The Notes will be issued in registered form in denominations of US$150,000 and in integral multiples of US$1,000 in excess thereof. 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 and Clearstream Banking, *société anonyme*, on or about May 19, 2016.

Joint Bookrunners

Citigroup **Credit Suisse**

The date of this offering memorandum is May 12, 2016.

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You should rely only on the information contained in this offering memorandum. The Province has not, and the initial purchasers 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 purchasers 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 this information 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 inquires, 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.

The Province and the initial purchasers 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.

You should contact the initial purchasers with any questions about this offering or for additional information to verify the information contained in this offering memorandum.

None of the United States Securities and Exchange Commission, 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 purchasers (or persons acting on behalf of the initial purchasers) 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 purchasers (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 upon, 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 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. 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.S. Foreign Sovereign Immunities Act of 1976 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 Foreign Sovereign 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 the Republic of Argentina ("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*, or the "Code of Civil and Commercial Procedure of Argentina." See "Description of the Notes—Governing Law" and "—Submission to Jurisdiction."

A judgment obtained against the Province in a foreign court may be enforced in the Supreme Court of Argentina. Based on existing law, the Supreme Court 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 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 principles of international 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 simultaneously issued by an Argentine Court.

In a March 2014 decision, the Supreme Court of Argentina held that the enforcement of a foreign judgment 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 an enforcement as such 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, as the one sought by the plaintiff, could not be granted as it would be clearly contrary to such legislation.

Pursuant to Article 40 of the Constitution of the Province, it is possible to take legal actions against the Province directly, but any attachment or other form of execution on the property and revenues of the Province pursuant to a final judgement against the Province will need to be made subject to the conditions established by the Province's legislature (the "Provincial Legislature"); provided further that if the legislature did not determine such conditions within three months from the date of the request, the claimant will be entitled to attach the property of the Province and further subject to the provisions of the Argentine Civil and Commercial Code. 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 and 235 of the Argentine Civil and Commercial Code or directly provides an essential public service.

EXCHANGE RATES AND EXCHANGE CONTROLS

Unless otherwise specified, references in this offering memorandum to "dollars," "U.S. dollars" and "US$" are to the currency of the United States of America, references to "pesos" and "P$" are to Argentine pesos.

The Province publishes most of its economic indicators and other statistics in pesos. Since February 2002, the peso floats against other currencies, although the *Banco Central de la República Argentina* (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.

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 that exceeded 30% in 2013 and 2014, including a fall of approximately 24% in January 2014. In 2015, there was a devaluation of approximately 52% of the peso against the U.S. dollar, including a 10% devaluation 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 the Province."

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.

	Exchange rates(1)			
	High	**Low**	**Average(2)**	**Period end**
Year 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				
January 2016	13.941	13.069	13.655	13.904
February 2016	15.584	14.088	14.815	15.584
March 2016	15.919	14.246	14.961	14.582
April 2016	14.779	14.140	14.409	14.253

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.

As of May 11, 2016, the peso dollar reference exchange rate was P$14.222 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, some of them remain in force and additional foreign exchange regulations have been imposed.

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. 3210 issued by the *Administración Federal de Ingresos Públicos* (the "Argentine Tax Authority" or "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.

The primary changes related to the foreign exchange market that have been implemented as a result of the recent presidential elections are: (i) the elimination 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") (except that the evidence of the mandatory transfer and settlement of funds through the MULC will still be required for subsequent access to the MULC in order to repay principal and interest of such indebtedness); (ii) pursuant to Communication "A" 5850, as amended, the reduction of the mandatory minimum period that proceeds of any new financial indebtedness or renewal of existing indebtedness incurred by Argentine residents (excluding primary bond issuance), held by foreign creditors and transferred through the MULC must remain in Argentina, from 365 calendar days to 120 calendar days from the date of the transfer of the relevant amount; (iii) 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; (iv) the reestablishment of Argentine residents' rights to purchase foreign currency for up to US$2.0 million per month without a specific allocation; (v) 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; and (vi) 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. On May 3, 2016, the Central Bank issued Communication "A" 5961, which allows local governments, such as the Province, to access the MULC to repay new indebtedness even if proceeds from such new indebtedness have not been originally settled through the MULC, under certain scenarios (including in case the local government evidences that proceeds from the new indebtedness were applied to the repayment of other foreign indebtedness for which access to the MULC would have been available). See "Risk Factors—Risks Related to the Province—The recent presidential elections and the change in the governing political party in Argentina may create certain uncertainties that could impact the Argentine and provincial economies and the securities market."

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All annual information presented in this offering memorandum is based upon January 1 to December 31 periods, unless otherwise indicated. Totals in some tables in this offering memorandum may differ from the sum of the individual items in those tables due to rounding.

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

Presentation and 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 as set out in provincial Law No. 3,799, as amended, and other rules, regulations and practices consistent therewith ("Provincial Accounting Practices"). Provincial Accounting Practices are in line with those followed by other provinces in Argentina but differ in material respects from Argentine generally accepted accounting principles ("GAAP") and GAAP in other jurisdictions, including U.S. GAAP. The primary features of Provincial Accounting Practices are:

- revenues are not accounted for in the Province's budgets and statements of revenues and expenditures on an accrual basis but are recognized in the period in which they are received;
- expenditures are accounted for in the Province's budgets and statements of revenues and expenditures on an accrual basis and not when paid;
- capital investments are carried at cost, without reduction for depreciation or amortization and, accordingly, the Province does not record any charges for depreciation or amortization in its accounts;
- capital expenditures and investments in tangible assets are not capitalized and are expensed in the year incurred;
- construction contracts are expensed using the percentage of completion method; and
- the Province does not adjust its information on revenues, expenditures or public debt for inflation.

Figures for 2011 to 2014

The financial information relating to the Province presented in this offering memorandum for 2011 to 2014 is derived from the Province's statements of actual revenues and expenditures prepared by its general accounting office and each of its autonomous entities (as defined below) and submitted to the Province's Auditing Tribunal for approval. The Auditing Tribunal has not yet approved the statements of revenues and expenditures for 2014, which statements are, therefore, subject to change. The Province, however, believes that none of these changes, if any, will be material.

2015 figures

The financial information presented for the year ended December 31, 2015, marked as "preliminary," reflects an interim calculation or estimate and is subject to change. In the case of the financial information relating to the Province, the 2015 figures have been prepared by the Province's ministry of finance based on information provided by its general accounting office and each of its autonomous entities up to February 29, 2016. Due to its preliminary nature, it is highly likely that the 2015 financial information will change and there can be no assurance that any such changes will not be material.

Revenues and expenditures of municipalities, provincial enterprises and autonomous entities

Information on the revenues and expenditures of the Province presented in this offering memorandum does not consolidate the revenues and expenditures of its municipalities, provincial enterprises or certain other entities, which do not rely on the Province's budgetary resources for its operations ("autonomous entities"). In the case of the municipalities, which carry out certain functions delegated to them by the Province, the Province is required to transfer a portion of its revenues to them and these transfers are registered as expenditures of the Province. In the case of provincial enterprises or autonomous entities, capital contributions, loans, advances and transfers from the Province to these entities are included among the Province's expenditures and transfers from these entities to the Province are included among the Province's revenues.

Currency of Presentation

Financial information in this offering memorandum relating to Argentine national gross domestic product ("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 1993 constant pesos ("1993 constant pesos") for periods prior to 2013, and 2004 constant pesos ("2004 constant pesos") for periods since 2013.

Financial information relating to the Province's GDP is presented in 1993 constant pesos.

Financial information in this offering memorandum relating to historic revenues, expenditures and public debt is presented in nominal pesos, as the Province believes that such presentation is likely to result in less distortion to the period-on-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.

Methodology of calculation of Gross Domestic Product

The Province's GDP is calculated by the Province's *Dirección de Estadística e Investigaciones Económicas* (the "Statistics and Economic Research Department of the Province") pursuant to a methodology substantially similar to the methodology employed by the federal government for the calculation of Argentina's GDP; except that the Province uses 1993 constant pesos to calculate the provincial GDP and the federal government uses 2004 constant pesos to calculate Argentina's GDP since 2013.

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 "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 and salaries, high domestic interest rates, exchange rate volatility, lack of sufficient investment, limited access to credit and/or to 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 (including commodity prices) for goods produced within the Province, changes in international interest rates, recession or low economic growth in Argentina's trading partners, which could decrease the value or quantity of exports from the Province, cause a contraction of the Province's economy and, indirectly, reduce tax revenues and other public sector revenues and adversely affect the Province's fiscal accounts;
- the relationships with the federal government and other provinces, in particular, in the context of any possible modification of the tax arrangements between the federal government and the provinces of Argentina as established by the *Ley de Coparticipación Federal de Recursos Fiscales* (the "Federal Tax Co-Participation Law," pursuant to which the federal government agreed to collect certain taxes on an exclusive basis and to distribute a portion of those tax revenues among such provinces (the "Federal Co-Participation Regime"), currently the main source of revenue for the Province; and
- other adverse factors, such as climatic or political events, international or domestic hostilities and political uncertainty, including the effects of the results of the recent Argentine presidential and legislative elections held in October and November 2015 and the gubernatorial elections held in the Province in June 2015.

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 selected economic and financial information 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 the entire offering memorandum, including "Risk Factors," before purchasing the Notes.

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

	2011	2012	2013	2014	2015
PROVINCIAL ECONOMY					
Real GDP (in millions of 1993 constant pesos)...	P$13,510.8	P$13,553.9	P$13,962.6	P$13,447.4	n.a.
Rate of change from prior year	3.6%	0.3%	3.0%	(3.7)%	n.a.
Provincial GDP as a % of National GDP	2.9%	2.9%	n.a	n.a	n.a.
Unemployment rate[(1)]	4.1%	4.2%	4.2%	5.8%	3.1%
NATIONAL ECONOMY					
Real GDP (in millions of 1993 constant pesos)[(2)]	P$459,571.0	P$468,301.0	n.a.	n.a.	n.a.
Rate of change from prior year (1993 constant pesos)...	8.9%	1.9%	n.a.	n.a.	n.a.
Real GDP (in billions of 2004 constant pesos)[(2)].	837.8	844.5	868.9	872.8	n.a.
Rate of change in Real GDP from prior year (2004 constant pesos)	8.4%	0.8%	2.9%	0.5%	2.1%
Unemployment rate[(1)]	7.2%	7.6%	6.8%	7.5%	5.9%[(9)]
Inflation (as measured by CPI)[(1)]	9.5%	10.8%	10.9%	23.9%	n.a.%
PROVINCIAL PUBLIC SECTOR FINANCES					
Total revenues...	P$11,302.4	P$15,383.0	P$20,190.7	P$28,378.8	P$36,592.3
Total expenditures...	P$12,539.8	P$16,331.8	P$21,619.4	P$28,937.0	P$40,359.1
Primary fiscal balance[(3)]	P$59.9	P$ (21.3)	P$(202.3)	P$1,079.5	P$(1,337.7)
Operating balance[(4)]	P$(130.7)	P$(229.3)	P$(665.1)	P$373.2	P$(2,079.4)
Overall balance[(5)]	P$(1,237.4)	P$(948.8)	P$(1,428.7)	P$(558.2)	P$(3,766.8)
PROVINCIAL PUBLIC CONSOLIDATED SECTOR DEBT[(6)]					
Total debt[(7)]	P$5,178.7	P$5,819.1	P$7,585.3	P$9,252.2	P$14,479.5
Total debt (in millions of US$)[(7)(8)]	US$1,203.5	US$1,183.5	US$1,163.7	US$1,081.9	US$1,113.4
Debt as a % of nominal GDP[(7)(9)]	7.5%	6.7%	7.0%	6.6%	n.a.
Debt as a % of total revenues[(7)]	45.8%	38.0%	37.6%	32.6%	39.6%

Notes:

(1) Based on the *Encuesta Permanente de Hogares* (Permanent Household Survey or "EPH") as of October 31 of each year.

(2) Source: National Institute of Statistic and Censuses of Argentina ("INDEC").

(3) Operating balance minus interest payments.

(4) Represents current revenue, minus current expenditures.

(5) Represents total revenue, minus total expenditures.

(6) Does not include "floating debt" of the Province, which as of December 31, 2015, amounted to P$4,152.4 million. See "Public Debt—Description of Non-Consolidated Indebtedness."

(7) Includes debt denominated in CER adjusted pesos but excludes past due interest payments.

(8) P$ per US$1.00 for each year: 2011: 4.303; 2012: 4.917; 2013: 6.518; 2014: 8.552; 2015: 13.005.

(9) For purposes of this ratio, the Province's nominal GDP amounted to P$69,487.0 million in 2011, P$86,212.0 million in 2012, P$107,674.0 million in 2013 and P$140,434.0 million in 2014.

n.a. Not Available

Source: Department of Finance of the Province

The Province

General

The Province is the fourth largest of Argentina's 24 political districts (comprising 23 provinces and the autonomous City of Buenos Aires) in terms of GDP, and it occupies an area of 148,827 square kilometers (approximately 92,481 square miles). The Province is located in western Argentina, at the base of the Andean mountain range and it shares a border of approximately 550 kilometers with the Republic of Chile.

With an estimated population of 1,738,929 people according to the 2010 national census, the Province is the fifth most populous political district with approximately 4.3% of Argentina's total population. Approximately 62.4% of the Province's population is concentrated in the capital city of Mendoza and its surroundings.

National and provincial governments

On October 25, 2015, presidential and congressional elections took place in Argentina. Daniel Scioli (*Frente para la Victoria* or "FPV") obtained 37.1% of the votes, Mauricio Macri (*Alianza Cambiemos* or "Cambiemos") obtained 34.2% of the votes and Sergio Massa (*Frente Renovador* or "FR" as part of the coalition *Unidos por una Nueva Argentina* or "UNA") obtained 21.4% of the total vote. Based on these results, a presidential run-off between Daniel Scioli and Mauricio Macri was held on November 22, 2015, electing Macri, with 51.3% of the votes, a margin of 2.8%, as the successor to former president Cristina Fernández de Kirchner.

The executive branch of the Province consists of a governor and a vice-governor, who are elected together for a single four-year term and are not eligible for consecutive reelection, and a number of ministries and secretariats. The governor has the power to appoint and remove ministers. The governor also appoints, subject to confirmation by the provincial senate (the "Provincial Senate"), the provincial Attorney General and the president of the Audit Tribunal, among others. The governor also presents the statement of public accounts from the previous fiscal year and budget bills before the Provincial Legislature.

The Provincial Legislature is composed of two bodies: the Provincial Senate, composed of 38 members, and the House of Deputies, composed of 48 members. The vice-governor serves as president of the Provincial Senate. The members of both bodies are elected by popular vote to four-year terms. Half of the members of each of these bodies face election every two years.

On June 21, 2015, provincial elections were held to appoint the governor and the vice-governor and members of the Provincial Legislature. Alfredo Cornejo and Laura Montero both members of the political alliance Cambia Mendoza obtained 46.3% of the total vote and were appointed governor and vice governor, respectively. Cambia Mendoza is a provincial political alliance led by *Unión Cívica Radical* ("UCR") and Cambiemos. Cambia Mendoza also has a majority in both chambers of the Provincial Legislature.

The provincial economy

The provincial economy and its economic cycle is closely tied to that of Argentina.

The Province experienced a period of economic growth between 2010 and 2013, which is reflected in both provincial GDP growth in real terms and levels of economic activity. In 2014, the Province's GDP decreased by 3.7% in real terms, mainly as a result of the impact caused by the combination of adverse weather conditions that materially affected the Province's fruit and vegetable production, as well as a reduction in oil exploration and production activities, as Yacimientos Petrolíferos Fiscales S.A. ("YPF") focused its efforts in areas outside the Province. The provincial unemployment rate declined between 2011 and 2015 from 4.1% to 3.1%, respectively.

The economy of the Province is diversified among a number of economic sectors, the largest of which are: commerce, hotels and restaurants (26.1% of provincial GDP for the period 2011-2014); community, social and personal services (18.2% of provincial GDP for the period 2011-2014); manufacturing (15.3% of provincial GDP for the period 2011-2014); and financial services (14.7% of provincial GDP for the period 2011-2014). Historically, the Province's commerce, hotels and restaurants sector has been the single largest contributor to provincial GDP.

Public sector finances

The Province's total revenues for 2015 totaled P$36,592.3 million, an increase of 28.9% from P$28,378.8 million in 2014. This increase was mainly due to higher federal transfers in an amount of P$5,091.4 million and provincial tax revenues of P$2,633.2 million in 2015. In 2015, 86.5% of the Province's revenues were derived from the collection of taxes. Federal taxes accounted for 52.6% and provincial taxes accounted for 33.9% of the Province's total revenues in 2015. In 2015, 6.6% of the Province's revenues were derived from the collection of royalties. The balance of total revenues was comprised of: federal non-tax transfers and provincial non-tax revenues.

The following table sets out the Province's revenues and expenditures and overall balances from 2011 to 2014 and estimates for 2015.

Revenues and Expenditures

	2011	2012	2013	2014	2015(1)
			(in millions of P$)		
Current revenues	10,934.2	15,012.6	19,723.5	27,646.7	35,896.6
Current expenditures	11,064.9	15,241.9	20,388.6	27,273.5	37,976.0
Operating balance(2)	**(130.7)**	**(229.3)**	**(665.1)**	**373.2**	**(2,079.4)**
Capital revenues	368.3	370.4	467.2	732.1	695.7
Capital expenditures	1,475.0	1,089.9	1,230.8	1,663.5	2,383.1
Overall balance(3)	**(1,237.4)**	**(948.8)**	**(1,428.7)**	**(558.2)**	**(3,766.8)**

Notes:

(1) Figures are preliminary estimates.

(2) Represents current revenue, minus current expenditures.

(3) Represents total revenue, minus total expenditures.

Source: Department of Finance of the Province

Sources of revenues

The following table sets out the Province's sources of revenues and their percentage participation in each of the years 2011 to 2014 and estimates for 2015.

Provincial Revenues

	2011		2012		2013		2014		2015[1]	
	(in millions of P$ and %)									
Current revenues										
Federal source revenues										
Federal Tax Revenues										
Federal Co-Participation Regime payments	4,468.5	39.5%	4,878.4	31.7%	6,417.6	31.8%	8,831.9	31.1%	10,757.0	29.4%
Other federal tax transfers	1,096.6	9.7%	2,149.4	14.0%	2,749.7	13.6%	3,702.7	13.0%	6,438.3	17.6%
Federal non-tax revenues										
Federal nonrefundable contributions	590.0	5.2%	791.6	5.1%	895.8	4.4%	1,604.8	5.7%	2,035.5	5.6%
Subtotal federal source revenues	**6,155.2**	**54.5%**	**7,819.4**	**50.8%**	**10,063.0**	**49.8%**	**14,139.4**	**49.8%**	**19,230.8**	**52.6%**
Provincial Source Revenues										
Provincial tax revenues										
Gross revenues tax	2,079.3	18.4%	3,537.4	23.0%	5,535.0	27.4%	7,828.7	27.6%	9,771.9	26.7%
Stamp tax and court tax	379.5	3.4%	442.4	2.9%	701.0	3.5%	947.3	3.3%	1,282.1	3.5%
Automobile tax	256.4	2.3%	314.7	2.0%	415.5	2.1%	574.0	2.0%	815.8	2.2%
Real estate tax	180.2	1.6%	228.3	1.5%	282.3	1.4%	386.8	1.4%	499.2	1.4%
Other tax revenues	16.6	0.1%	25.9	0.2%	44.9	0.2%	26.8	0.1%	27.7	0.1%
Subtotal provincial tax revenues	**2,912.0**	**25.8%**	**4,548.8**	**29.6%**	**6,978.8**	**34.6%**	**9,763.5**	**34.4%**	**12,396.7**	**33.9%**
Provincial non-tax revenues										
Royalties	969.3	8.6%	1,194.3	7.8%	1,476.6	7.3%	2,177.3	7.7%	2,396.9	6.6%
Charges for Services rendered	230.1	2.0%	320.3	2.1%	399.1	2.0%	607.1	2.1%	872.4	2.4%
Gaming Commission transfers	72.2	0.6%	106.4	0.7%	100.0	0.5%	77.1	0.3%	90.7	0.2%
Other	595.4	5.3%	1,023.6	6.7%	706.1	3.5%	882.2	3.1%	909.1	2.5%
Subtotal provincial non-tax revenues	**1,867.0**	**16.5%**	**2,644.5**	**17.2%**	**2,681.7**	**13.3%**	**3,743.8**	**13.2%**	**4,269.0**	**11.7%**
Subtotal provincial source revenues	**4,779.0**	**42.3%**	**7,193.3**	**46.8%**	**9,660.5**	**47.8%**	**13,507.3**	**47.6%**	**16,665.7**	**45.5%**
Subtotal current revenues	**10,934.2**	**96.7%**	**15,012.6**	**97.6%**	**19,723.5**	**97.7%**	**27,646.7**	**97.4%**	**35,896.6**	**98.1%**
Capital revenues										
Federal transfers (Fondo Soja)	292.0	2.6%	295.1	1.9%	388.5	1.9%	592.3	2.1%	633.3	1.7%
Transfer for capital expenditures	76.3	0.7%	75.3	0.5%	78.7	0.4%	139.8	0.5%	62.4	0.2%
Subtotal Capital revenues	368.3	3.2%	370.4	2.4%	467.2	2.3%	732.1	2.5%	695.7	1.9%
Total revenues	**11,302.4**	**100.0 %**	**15,383.0**	**100.0 %**	**20,190.7**	**100.0 %**	**28,378.8**	**100.0 %**	**36,592.3**	**100.0 %**

Note:
(1) Figures are preliminary estimates.
Source: Department of Finance of the Province

Composition of expenditures

The Province provides a number of public services, primarily related to healthcare, education, security (including police and prisons), social programs, investments in public infrastructure and general provincial administration.

The Province's expenditures are classified as current and capital expenditures. Current expenditures consist of costs of personnel, goods and services and current transfers, which include net transfers to municipalities in accordance with the Federal Co-Participation Regime and to autonomous entities and enterprises. Personnel expenditures accounted for 57.9% of the Province's total expenditures in 2015. Capital expenditures include real direct investment, loans and capital contributions to provincial enterprises and loans and transfers to municipalities for public works.

The following table sets forth the Province's expenditures by category and their percentage participation of current and capital expenditure for the years 2011 to 2014 and estimates for 2015.

Provincial Expenditures

	2011		2012		2013		2014		2015(1)	
	(in millions of P$ and %)									
Current expenditures										
Personnel	6,314.1	50.4%	8,992.2	55.1%	12,047.5	55.7%	16,278.1	56.3%	23,368.5	57.9%
Transfers	3,116.0	24.8%	4,107.2	25.1%	5,279.1	24.4%	7,162.1	24.8%	9,509.3	23.6%
Goods and services	1,439.2	11.5%	1,929.2	11.8%	2,593.2	12.0%	3,120.9	10.8%	4,346.4	10.8%
Debt interest	190.6	1.5%	208.0	1.3%	462.8	2.1%	706.4	2.4%	745.8	0.1%
Interest	5.0	0.0%	5.4	0.0%	6.0	0.0%	6.0	0.0%	6.0	0.0%
Subtotal	**11,064.9**	**88.2%**	**15,241.9**	**93.3%**	**20,388.6**	**94.3%**	**27,273.5**	**94.3%**	**37,976.0**	**94.1%**
Capital expenditures										
Real direct investment	1,254.0	10.0%	868.3	5.3%	821.8	3.8%	1,083.1	3.7%	1,744.9	4.3%
Loans and capital contributions	48.3	0.4%	76.7	0.5%	147.1	0.7%	247.2	0.9%	216.9	0.5%
Other transfers	172.6	1.4%	144.9	0.9%	261.9	1.2%	333.3	1.2%	421.3	1.0%
Subtotal	**1,475.0**	**11.8%**	**1,089.9**	**6.7%**	**1,230.8**	**5.7%**	**1,663.5**	**5.7%**	**2,383.1**	**5.9%**
Total expenditures	**12,539.8**	**100.0%**	**16,331.8**	**100.0%**	**21,619.4**	**100.0%**	**28,937.0**	**100.0%**	**40,359.1**	**100.0%**

Note:

(1) Figures are preliminary estimates.

Source: Department of Finance of the Province

From 2011 through 2015, government payroll expenses increased by 38.8% on average per year, primarily due to wage increases negotiated with the teachers' organizations. Beginning in the last quarter of 2015, the current administration has taken significant steps to control public expenditures in several sectors, including civil servant wages.

The Province is implementing a retirement plan for employees that have either reached the age and met the service requirements necessary to retire, or who have reached retirement age but have not yet accumulated the required number of years of service. The Province is expected to incur additional expenditures related to the implementation of this retirement plan, especially as a result of supplemental payments related to prospective retirees that have not completed the service requirements for retirement. However, the Province expects these increased expenditures to be offset by reduced personnel expenditures in the medium term, as most of the employees who will retire are not expected to be replaced by new personnel.

In addition, since January 13, 2016, the provincial government has suspended the hiring of any new public employees except for certain limited exceptions, which are mainly in the fields of education and security. This policy covers, among others, both the Province's central administration and all autonomous entities. Savings related to this program are expected to be realized jointly with the retirement plan described above. As of the date of this offering memorandum, the Province has requested approximately 1,400 of its employees to start their retirement process.

The provincial government's expenditures on goods and services experienced increased growth of 32.0% on average per year from 2011 to 2014. The new administration has implemented an ex-ante strict control mechanism with respect to any goods acquired and services contracted by the provincial administration. This policy takes into consideration the quantity of goods, the necessity of the service to be contracted and price to be paid for those goods and services.

2016 budget

Pursuant to the constitution of the Province, each year the executive branch must submit a draft budget law for the following year. The budget represents an estimate of future revenues and also constitutes an authorization of, and a limit on, expenditures and indebtedness by the Province for the budgeted period. The Provincial Legislature has broad powers to amend or reject the draft budget law submitted by the executive branch.

Although the previous governor of the Province submitted a draft budget law for 2015 to the Provincial Legislature, the Provincial Legislature did not approve a budget for that year. In accordance with the Province's constitution, the 2014 budget was extended so that the Province had authorized for 2015 the same nominal amount of expenditures it had approved for 2014.

The 2016 budget bill was submitted to the Provincial Legislature on December 29, 2015, and on January 8, 2016, the Provincial Legislature approved this budget pursuant to Law No. 8,838 ("the 2016 Budget Law").

The 2016 budget provides for an estimated P$48,009.7 million of total revenues and P$53,467.6 million of total expenditures, resulting in an estimated P$5,457.9 million deficit in its overall balance, compared to an estimated P$3,766.8 million deficit in its overall balance in 2015. The 2016 budget includes P$1,923.2 million of interest payments and P$4,622.0 million of debt amortization. In addition, the 2016 budget allows the Province to borrow up to P$10,079.9 million during 2016 to fund social, infrastructure and other public investment projects currently under way or that are planned to be carried out during 2016, as well as to improve the debt maturity profile of the Province and make debt service payments.

Public sector debt

The Province satisfies its financing needs from a variety of sources. The Province's total indebtedness amounted to P$14,479.5 million (equivalent to US$1,113.4 million) as of December 31, 2015, representing 39.6% of the Province's estimated total revenues in 2015.

As of December 31, 2015, the federal government held 57.0% of the Province's total indebtedness, including 37.0% held by Banco Nacion, while 18.1% was held by local and international bondholders, 20.1% was held by multilateral credit organizations and the remaining 4.8% was held by commercial banks and other creditors. As of December 31, 2015, 55.8% of the Province's total indebtedness was denominated in pesos, with the remaining 40.7% and 3.5% denominated in U.S. dollars and in pesos adjusted by the construction cost index published by the INDEC ("ICC adjusted pesos"), respectively.

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 December 31, 2015.

Consolidated Indebtedness[1]

	2011	2012	2013	2014	2015[1]	
			(in millions of P$)			*(US$ million)[2]*
Federal government						
Federal debt reduction program .	2,378.6	2,378.6	2,487.8	2,636.3	2,352.2	180.9
Federal Trust Fund for Regional Infrastructure	182.5	234.0	246.0	325.7	502.8	38.7
Others	64.1	57.6	51.1	44.6	38.1	2.9
Subtotal	**2,625.2**	**2,670.2**	**2,785.0**	**3,006.6**	**2,893.1**	**222.5**
Banco Nacion						
Direct credits	138.5	243.2	176.3	527.5	4,869.2	374.4
As sole bondholder of Nacion Fideicomisos Trusts	472.0	385.0	250.0	595.5	489.1	37.6
Subtotal	**610.5**	**628.3**	**426.3**	**1,123.0**	**5,358.3**	**412.0**
Commercial banks and financial institutions						
Local banks	436.8	496.2	575.9	599.9	677.5	52.1
International banks	32.9	371.0	332.9	189.9	15.3	1.2
Subtotal	**469.8**	**867.1**	**908.8**	**789.9**	**692.9**	**53.3**
Multilaterals						
IADB	648.6	776.1	975.0	1,344.2	2,302.4	177.0
IBRD	205.0	254.8	351.1	429.7	608.0	46.8
Subtotal	**853.6**	**1,030.9**	**1,326.1**	**1,773.9**	**2,910.4**	**223.8**
Securities						
Bonds - International	-	-	1,433.4	1,798.5	1,736.9	133.6
Bonds - Local	619.7	622.6	705.8	760.3	887.9	68.3
Subtotal	**619.7**	**622.6**	**2,139.2**	**2,558.8**	**2,624.8**	**201.8**
Total	**5,178.8**	**5,819.1**	**7,585.4**	**9,252.2**	**14,479.5**	**1,113.4**

Notes:

(1) In addition to its consolidated indebtedness, the Province also has non-consolidated liabilities mainly comprising its "floating debt." This debt accounts for working capital and includes short-term liabilities incurred mostly with suppliers. As of December 31, 2015, the Province's estimated "floating debt" amounted to P$4,152.4 million. See "Public Debt—Description of Non-Consolidated Indebtedness."

(2) Figures are preliminary estimates.

(3) P$13.005 = US$1.00.

Source: Department of Finance of the Province

As part of the new administration's effort to reduce the Province's floating debt, on February 22, 2016 the Province issued a P$1,000.0 million bond ("Suppliers Bond") for the purpose of restructuring part of its floating debt with suppliers through the incurrence of consolidated debt.

The Offering

The following is a brief summary of some of the terms of this offering. For a more complete description of the terms of the Notes, see "Description of the Notes" in this offering memorandum.

Issuer	The Province of Mendoza.
Notes Offered	US$500,000,000 aggregate principal amount of 8.375% Notes due 2024.
Final Maturity	May 19, 2024.
Interest Payment Dates	May 19 and November 19, beginning November 19, 2016.
Amortization of Principal	The Province will pay the principal of the Notes in three installments: US$166,650,000 on May 19, 2022, US$166,650,000 on May 19, 2023 and the remaining outstanding principal balance on May 19, 2024. The Notes will represent a claim to their full principal due on each amortization date (plus accrued and unpaid interest) or upon earlier acceleration in accordance with their terms.
Status	The Notes are direct, general, unconditional and unsubordinated Public External Indebtedness of the Province. The Notes rank and will rank without any preference among themselves and equally with all other unsubordinated Public External Indebtedness of the Province. It is understood that this provision shall not be construed so as to require the Province to make payments under the Notes ratably with payments being made under any other Public External Indebtedness of the Province. See "Description of the Notes—Status."
Covenants	The indenture governing the Notes contains covenants that, among other things, limit the Province's ability to issue or assume any indebtedness secured by a lien, on any of its property or assets unless the Notes are secured equally and ratably with such indebtedness. These covenants are subject to important exceptions and qualifications, which are described under the heading "Description of the Notes" in this offering memorandum.
Use of Proceeds	We estimate that the gross proceeds from the offering, before commissions and other expenses payable by the Province, will be US$493,550,000. The Province intends to use the net proceeds to fund social, infrastructure and other public investment projects currently under way or that are planned to be carried out during 2016, as well as to improve the debt maturity profile of the Province and make debt service payments.
Further Issuances	The Province may from time to time, without the consent of the holders of the Notes, create and issue additional notes of the same series having terms and conditions which are the same as those of the Notes in all respects, except for the issue date, issue price and first payment of interest on the Notes; provided, however, that any

	additional Notes subsequently issued that are not fungible with the previously outstanding Notes for U.S. federal income tax purposes shall have a separate CUSIP, ISIN or other identifying number from the previously outstanding Notes. Additional Notes issued in a qualified reopening for U.S. federal income tax purposes will be consolidated with and will form a single series with the previously outstanding Notes.
Form and Settlement	The Province will issue the Notes in fully registered form, without interest coupons attached, only in denominations of US$150,000 and in integral multiples of US$1,000 in excess thereof. The Notes will be registered in global form in the name of a nominee of The Depository Trust Company ("DTC") 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, Luxembourg"). See "Description of the Notes—Registration and Book Entry System."
CUSIP, ISIN and Common Codes.........	The Notes offered hereby and sold pursuant to Rule 144A and Regulation S under the Securities Act will have the CUSIP, ISIN and Common Code numbers indicated herein below.

Notes Offered	CUSIP No.	ISIN No.	Common Code
Rule 144A	586805 AH6	US586805AH63	141672363
Regulation S......	P6480J AG2	USP6480JAG24	141674633

Risk Factors	See "Risk Factors" and the other information in this offering memorandum for a discussion of factors you should carefully consider before deciding to invest in the Notes.

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 the Province

Investing in a developing country such as Argentina, in which the Province is a political subdivision, entails certain inherent risks.

The Province is located in Argentina, which is a developing economy. Investing in developing economies generally involves risks. These risks are associated with political, social and economic events that may affect Argentina's economic results. In the past, instability in Argentina and in other Latin American and developing countries has been caused by many different factors, including, but not limited to, the following:

- fiscal deficits;
- adverse external economic shocks;
- dependence on external financing;
- inconsistent fiscal and monetary policies;
- high levels and changing levels of inflation;
- changes in currency values;
- high interest rates;
- wage increases and price controls;
- volatility of exchange rates and exchange controls;
- political and social tensions; and
- fluctuations in Central Bank reserves.

In 2001 and 2002, Argentina suffered a major political, economic and social crisis, which resulted in a severe economic contraction with significant increases in unemployment and poverty rates. Among other consequences, the crisis caused a large currency devaluation and the Argentine government to default on its external debt. The government imposed numerous emergency measures which affected public companies and other sectors of the economy.

The Argentine economy has recovered significantly after the 2001-2002 crisis, although it has been suffering from high inflation and has stagnated in the last few years. This was mainly due to monetary and fiscal policies, severe foreign exchange controls that disincetivized exports and investments, and the decline in commodities prices, among other factors.

Since assuming office on December 10, 2015, the Macri administration has introduced significant economic and policy reforms. See "—The recent presidential elections and the change in the governing political party in Argentina may create certain uncertainties that could impact the Argentine and provincial economies and the securities market" below. In addition, the new administration has restarted negotiations with holdout creditors from the last Argentine debt restructuring. See "—Holdout creditors from Argentina's sovereign debt restructurings filed numerous lawsuits against Argentina in several jurisdictions, including the United States, which in turn resulted and could result in further judgments and/or injunction against Argentina and its assets and, consequently, imposed limitations on the country's ability to access the international capital markets, which in turn could affect the federal government's ability to implement reforms and foster economic growth."

Argentina has experienced political, social and economic instability in the past and may experience further instability in the future. Any of these factors may adversely affect the liquidity, trading markets and value of Argentina's debt securities and Argentina's ability to service its debt. The Province's economic conditions depend, to a large extent, on the macroeconomic and political conditions prevailing in Argentina. Worsening economic conditions in the country could have an adverse effect on the Province's economy, current revenues and ability to service its debt obligations, 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.

The recent presidential elections and the change in the governing political party in Argentina may create certain 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 new administration faces challenges in respect of Argentina's economy, such as reducing the rate of inflation and a further devaluation of the peso, 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*. The Macri administration has appointed new leadership which is expected to implement certain methodological reforms and adjust certain macroeconomic statistics. See "—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" below.
- *Foreign exchange reforms.* The Macri administration has announced changes to the foreign exchange market that are expected to provide greater flexibility and easier access to the foreign exchange market for individuals and private sector entities. The principal measures adopted as of the date of this offering memorandum include: (i) the elimination 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 MULC (except that the evidence of the mandatory transfer and settlement of funds through the MULC will still be required for subsequent access to the MULC in order to repay principal and interest of such

indebtedness); (ii) the reduction of the mandatory minimum period in which the proceeds of any new financial indebtedness and renewal of existing indebtedness incurred by residents, held by foreign creditors and transferred through the MULC must be kept in Argentina, from 365 calendar days to 120 calendar days from the date of the transfer of the relevant amount; (iii) in the case of partial or total prepayment of principal corresponding to foreign financial indebtedness, access to the MULC is permitted subject to the mandatory minimum period mentioned above; (iv) the re-establishment of Argentine residents' rights to purchase foreign currency in an amount up to US$2.0 million per month without specific allocation; (v) the reduction from 30% to 0% of a mandatory, non-transferable and non-interest bearing deposit in the amount of certain transactions involving foreign currency inflows for a 365 calendar day period; and (vi) 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. In addition, on December 17, 2015, because certain restrictions were lifted, the peso devalued against the U.S. dollar. See "Exchange Controls."

- *Foreign trade reforms*. The Argentine government eliminated export duties on several agricultural and mining products, as well as on most industrial exports and reduced the duty on soybeans by 5%, from 35% to 30%. Further, the 5% export duty on most industrial exports was eliminated. With respect to payments for imports and services to be performed abroad, the Macri administration announced the gradual elimination of amount limitations for access to the MULC for any transactions originated before December 17, 2015 ("Stock Debt"). Regarding transactions executed after December 17, 2015, no amount limitation will be applicable. Pursuant to Central Bank Communication "A" 5850, as amended, the amount limitations for Stock Debt are scheduled to gradually decrease and be eliminated by June 2016.

- *Deficit Reduction*. The Argentine government announced its intention to reduce its primary budget deficit from approximately 5.8% of the GDP in 2015 to 4.8% of the GDP in 2016 and to 3.3% of the GDP in 2017, in part by eliminating public services subsidies currently in effect.

- *Infrastructure state of emergency and reforms*. The Argentine government issued Decree No. 134/2015, which declared a state of emergency with respect to the national electrical system, which will be effective until December 31, 2017. The state of emergency will allow the Argentine government to take actions designed to guarantee the supply of electricity to the country, such as by instructing the *Ministerio de Energía y Minería de la Nación* (National Ministry of Energy and Mining or "Ministry of Energy") to elaborate and implement, with the cooperation of all federal public entities, a coordinated program to guarantee the quality and security of the electricity system and rationalize public entities' consumption of energy. In addition, through Resolution No. 6/2016 of the Ministry of Energy and Resolution No. 1/2016 of the *Ente Nacional Regulador de la Electricidad* (National Electricity Regulatory Agency), the Macri administration announced the elimination of certain energy subsidies and a substantial increase in electricity rates.

- *Financial Policy*. Soon after taking office, the Macri administration sought to settle the outstanding claims with holdout creditors. In early February 2016, the Macri administration announced a preliminary agreement with a group of Italian holders of defaulted debt and put forward a proposal to all other holders of defaulted debt, including those with pending claims in U.S. courts. On March 31, 2016, the federal congress approved Law No. 27,249, (*Ley de Normalización de la Deuda Pública y Acceso al Crédito*) thereby repealing the legislative obstacles to settle with holdout creditors of defaulted debt in respect of securities that were eligible for, but not tendered in, the 2005 and 2010 debt exchange and authorizing the federal government to settle with certain holders. On April 19, 2016, Argentina issued the following bonds for a total amount of US$16.5 billion: (i) US$2.75 billion three-year bonds with a 6.25% interest rate; (ii) US$4.5 billion five-year bonds with a 6.875% interest rate; (iii) US$4.5 billion 10-year bonds with a 7.5% interest rate for an amount of US$4.5 billion; and (iv) US$2.75 billion 30-year bonds with an 8.0% interest. On April 22, 2016, Argentina paid US$6.2 billion to settle all agreements entered into with holdout bondholders as of February 29, 2016.

As of the date of this offering memorandum, the impact that these measures will have on the Argentine economy cannot be predicted. In addition, there is uncertainty as to which of the measures that were announced during the presidential election campaign of Mr. Macri will actually be implemented, and the timing of any such implementation. 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 of any measures related to these issues that may be 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 each Chamber of the Argentine Congress, which will require the Macri administration to seek political support from the opposition to implement its economic proposals. This creates further uncertainty as to the ability of the Macri administration to implement its agenda. Any inability of the Macri administration to properly implement its agenda 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 and its ability to service its debt, including the Notes.

Increases in personnel expenditures may have a significant adverse effect on the public finances of the Province and its ability to service its debt.

Total expenditures of the Province increased by 221.8% from P$12,539.8 million in the year ended December 31, 2011 to P$40,359.1 million in the year ended December 31, 2015. In connection with personnel expenditures, the Province adopted various measures in each year from 2011 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 increased public employment by approximately 8.9% between December 31, 2011 and December 31, 2015. As a result, personnel expenditures increased by 270.1% from P$6,314.1 million in the year ended December 31, 2011 to P$23,368.5 million in the year ended December 31, 2015. During 2015, personnel expenditures represented 57.9% of the Province's total expenditures. The Province has limited flexibility to reduce personnel expenditures in the future because its employees are covered by conditional 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 270.1% nominal increase in personnel expenditures.

In addition, labor unions have exercised, and may exercise in the future, pressure on the provincial government to increase salaries and other personnel expenditures. For example, as a result of failed negotiations in connection with salary increases for public teachers for the year 2016 between the provincial administration and the *Sindicato Unido de Trabajadores de la Educación* (the public teachers union or "SUTE"), SUTE called for several strikes during 2016.

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.

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 Provincial Statistics and Research Department 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.

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. 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).

The Province's sources of financing may become unavailable or limited and, as a result, this may have an adverse effect on its economy and ability to service its debt obligations, including the Notes.

In each of the past five fiscal years, the Province recorded overall fiscal deficits. Sources of financing for such deficits were limited and mainly comprised assistance from the federal government. In 2015, the Province recorded an estimated deficit of P$3,766.8 million in its overall balance. In addition, the Province had a P$2,200 million loan with Banco Nacion maturing in the first half of 2016 and an estimated P$4,512.4 million of "floating debt" short-term liabilities incurred mostly with its suppliers, as a result of the inability of the Province to make all payments to its suppliers coming due during the second half of 2015 because of the lack of a 2015 budget. The 2016 Budget provides for a P$5,457.9 million overall deficit, and no assurances can be given that the Province will not incur an even larger deficit in its overall budget in 2016 or a deficit in any subsequent year.

If the Province incurs any such deficit, there can be no assurance it will be able to secure adequate financing or, if such financing is available, as to the terms thereof. In spite of the fact that the federal government, through Decree No. 490/2016, made an advance of P$800 million on account of future Federal Co-Participation Regime transfers to the Province in order to comply with its financial obligations, no assurance can be given that in the future the federal government will not limit the availability of financing to the Province on that Banco Nacion will agree to extend the maturity of the P$2,200 million loan, any of which would have a material adverse effect on the Province's financial condition and its ability to comply with its obligations under the Notes.

An increase in inflation could have a material adverse effect on the Province's economic prospects.

In recent years, Argentina has experienced high inflation rates. According to INDEC, inflation was 9.5% in 2011, 10.8% in 2012, 10.9% in 2013 and 23.9% in 2014.

In 2014, the Argentine government established a new consumer price index ("CPI"), also known as the "IPCNU") that more broadly reflects consumer prices by considering price information from the 24 provinces of the country, divided into six regions. According to INDEC, the IPCNU increased 23.9% in 2014 and increased 10.7% from January 2015 to September 2015. The wholesale price index (known as the "IPIM") increased 28.3% in 2014 and increased 10.6% from January 2015 to October 2015. Before the Macri administration took office, certain private sector analysts believed that the inflation rate was significantly higher than the rate published by INDEC. On January 8, 2016, through Decree No. 55/2016, the new leadership of INDEC issued a report declaring a "national statistical emergency." INDEC stated that its administration since 2006 was irregular and it would reorganize. As a result, INDEC will not publish new information until at least June 2016. Furthermore, on March 30, 2016, INDEC announced that it will revise the 2004 GDP base year and the 2004-2015 series. It is expected that the effect of such revision will result in a reduction of previously announced figures.

According to the City of Buenos Aires CPI, inflation was 26.6% in 2013, 38.0% in 2014 and 26.9% in 2015. According to the Province of San Luis CPI, which measures inflation in the neighbor Province of San Luis, inflation was 23.3 % in 2011, 23.0% in 2012, 31.9% in 2013, 39.0% in 2014 and 31.6% in 2015.

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. The factors that contribute to inflation are mainly the result of federal government economic policies that are not under the control of the Province.

Exchange controls and restrictions on capital inflows and outflows imposed by the Central Bank may continue to limit the availability of international credit and the liquidity of the market for securities of the Provinces.

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 Argentine 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, some of such 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.

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 Argentine'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. The federal government received financial assistance from the Central Bank and the *Administración Nacional de la Seguridad Social* (the National Social Security Administration or "ANSeS") to meet its financing needs.

The new 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 measures affecting the provincial and federal economies may have a material adverse effect on the Province's economic and financial position.

During the last few years, the federal government 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 addition, in November 2008, the federal government enacted Law No. 26,425, which declared the nationalization of the *Administradoras de Fondos de Jubilaciones y Pensiones* (Pension and Retirement Fund Administrators).

In November 2012 and July 2013, the federal congress and the executive branch set forth new rules which increased the federal government's power of intervention in the local capital markets, such as by empowering the *Comisión Nacional de Valores* (National Securities Commission or "CNV") to appoint an official to oversee, and potentially reject, decisions adopted by the executive boards of registered companies and to suspend an executive board for 180 days until any deficiencies that may be found are resolved. In November 2015, a federal court of appeals ruled against these two CNV powers in the case of *Papel Prensa vs. National Government - CNV*. There can be no assurance that such CNV powers will not be reinstated in the future.

In April 2012, the federal government, pursuant to Decree No. 530/2012, ordered a temporary 30-day intervention of Argentine public oil company YPF and sent a bill to the federal congress, which was approved, 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. 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 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 JP Morgan 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.

Holdout creditors from Argentina's sovereign debt restructurings filed numerous lawsuits against Argentina in several jurisdictions, including the United States, which in turn resulted and could result in further judgments and/or injunctions against Argentina and its assets and, consequently, impose limitations on the country's ability to access the international capital markets, which in turn could affect the federal government's ability to implement reforms and foster economic growth.

In 2005, Argentina restructured a substantial portion of its bond indebtedness with approximately 76.0% of its bondholders, and in 2006, it settled all of its debt with the International Monetary Fund ("IMF"). In

June 2010, Argentina restructured additional defaulted bond indebtedness that was not swapped in 2005. As a result of the 2005 and 2010 debt swaps, over 92.0% of the bond indebtedness on which Argentina had defaulted in 2002 has been restructured ("Exchange Bonds").

Commencing in 2002, certain holders of bonds that were not swapped in the debt restructuring ("Holdout Bondholders") filed numerous lawsuits against Argentina in several jurisdictions, including the United States, Italy, Germany and Japan. These lawsuits generally assert that Argentina has failed to make timely payments of interest and/or principal on their bonds and seek judgments for the face value of and/or accrued interest on those bonds. Judgments have been issued in numerous proceedings in the United States and Germany, but, to date and with a few minor exceptions, judgment creditors have not succeeded in executing on those judgments.

In February 2012, plaintiffs in 13 actions in U.S. federal court, involving claims for US$428.0 million in principal, plus interest, obtained a U.S. district court order enjoining Argentina from making interest payments in full on the 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 ("FAA") governing those non-performing bonds. The U.S. district court order was stayed pending appeal. The U.S. Court of Appeals for the Second Circuit confirmed 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. The stay of the *pari passu* injunctions was vacated on June 18, 2014.

In 2015, the plaintiffs that had obtained *pari passu* injunctions amended their complaints to include claims that Argentina's servicing of more recently issued BONAR 2024 bonds, as well as all external indebtedness in general, would violate the *pari passu* clause. On October 30, 2015, the U.S. district court issued new *pari passu* injunctions, substantially identical to the ones already in effect, in 49 additional proceedings, involving claims for over US$2.1 billion under the 1994 FAA, plus billions more in pre- and post-judgment interest. Argentina appealed the decision on November 10, 2015.

On June 26, 2014, Argentina deposited amounts required to make an interest payment on certain Exchange Bonds governed by foreign law scheduled for June 30, 2014. Invoking the *pari passu* injunctions, the trustee for such Exchange Bonds declined to transfer the funds to the bondholders. Various judgment creditors sought release of the funds retained by the trustee through litigation before the U.S. district court and in other jurisdictions. On August 6, 2014, the U.S. district court ruled that the trustee should retain such funds pending further order from the court and thereafter denied an attempt by certain judgment creditors to force the turnover of these funds by the trustee. The U.S. Court of Appeals for the Second Circuit subsequently upheld the U.S. district court's ruling on October 5, 2015. As of the date of this offering memorandum, the trustee for the foreign law-governed Exchange Bonds continues to retain the funds it received on June 26, 2014 on the basis of the decision of the U.S. district court. Argentina has asserted that it complied with its obligations under the Exchange Bonds by making such deposits and that the trustee has an obligation to deliver such funds to the bondholders.

On September 11, 2014, the Argentine Congress enacted Law No. 26,984, which declared the debt restructuring process to be of public interest and set forth steps to address the effects of the *pari passu* injunctions and to exchange the remaining bonds eligible for the 2005 and 2010 exchange offers that had not been tendered. Those steps included, among other things, an authorization to the Argentine government to take the actions necessary to replace the trustee for some of the Exchange Bonds and to provide for a voluntary exchange of the outstanding bonds for new bonds that would have identical financial terms, but be governed by Argentine law and subject to Argentine jurisdiction. On September 29, 2014, the U.S. district court declared Argentina's actions in enacting the law to be in contempt of the U.S. district court's *pari passu* injunctions, but the U.S. district court did not impose sanctions at that time. Since the passing of Law No. 26,984, Argentina has deposited amounts corresponding to scheduled interest payments on foreign-law Exchange Bonds with Nación Fideicomisos, a trustee located in Argentina, for the benefit of the holders of such Exchange Bonds.

At Citibank's request, on three occasions in 2014, the U.S. district court authorized the payment of interest when due of Exchange Bonds governed by Argentine law and denominated in U.S. dollars

("Argentine Law Bonds"). However, on March 12, 2015, the U.S. district court entered an order setting forth that the Argentine Law Bonds constitute external indebtedness and rank equally (*pari passu*) with the bonds issued under the 1994 FAA, and, thus, are covered by the *pari passu* injunctions dated November 21, 2012. The Argentine government has appealed the U.S. district court's March 12, 2015 decision to the U.S. Court of Appeals for the Second Circuit. It is difficult to predict what the outcome of the appeal will be. If the U.S. Court of Appeals for the Second Circuit upholds the ruling, that may affect the ability of the Argentine government to service its Argentine Law Bonds.

On August 31, 2015, the U.S. Court of Appeals for the Second Circuit reaffirmed the status of the Central Bank as a separate entity, not liable for the debts of Argentina and reversed the U.S. district court's denial of the Central Bank's and Argentina's motions to dismiss plaintiffs' complaint seeking a declaration that the Central Bank is the alter ego of the Argentine government. The U.S. Court of Appeals for the Second Circuit remanded the case to the U.S. district court with instructions that it be dismissed with prejudice. On January 8, 2016, plaintiffs filed a petition for a writ of certiorari asking the U.S. Supreme Court to hear the case and overturn the U.S. Court of Appeals for the Second Circuit decision.

In early February 2016, the Macri administration announced a preliminary agreement with a group of Italian holders of defaulted debt and put forward a proposal to all other holders of defaulted debt, including those with pending claims in U.S. courts. Argentina has indicated that it estimates that the settlement payments for the Holdout Bondholders covered by the *pari passu* injunctions, if made, would total approximately US$6.5 billion in cash.

On February 19, 2016, the U.S. district court issued an indicative ruling stating that in light of Argentina's settlement proposal, and upon remand of Argentina's motion to vacate the *pari passu* injunctions in the Court of Appeals action, it would grant a motion to vacate the injunctions in all cases upon the occurrence of two conditions: (1) Argentina's repeal of the legislative obstacles to settlement and (2) Argentina's payment to all holders of defaulted debt that entered into agreements in principle with Argentina on or before February 29, 2016, in accordance with the terms of such agreements, and notification of such payment to the U.S. district court.

On February 24, 2016, the Court of Appeals remanded the *pari passu* cases on appeal to the U.S. district court, stating that the order formalizing the indicative ruling was subject to a motion from Argentina, with notice to all parties and an opportunity to be heard, and that any such order will be stayed for up to two weeks. Argentina submitted that motion, and the U.S. district court held a hearing of oral arguments on March 1, 2016. On March 2, 2016, the U.S. district court vacated the injunctions on all actions upon the occurrence of the conditions set forth in the indicative ruling. During the two week stay, plaintiffs filed appeals and consented to an extended stay. On March 11, the Second Circuit entered an order staying enforcement of the U.S. district court's March 2 order pending resolution of the appeals.

On March 31, 2016, Congress approved the Law No. 27,249, (the *Ley de Normalización de la Deuda Pública y Acceso al Crédito*) thereby repealing the legislative obstacles to settle with holdout creditors of defaulted debt in respect of securities that were eligible for, but not tendered in, the 2005 and 2010 debt exchange and authorizing the federal government to settle with certain holders. In addition, Law No. 27,249 authorized the federal government to continue negotiating with the remaining holders of its defaulted bonds.

On April 19, 2016, Argentina issued the following bonds for a total amount of US$16.5 billion: (i) US$2.75 billion three-year bonds with a 6.25% interest rate; (ii) US$4.5 billion five-year bonds with a 6.875% interest rate; (iii) US$4.5 billion 10-year bonds with a 7.5% interest rate for an amount of US$4.5 billion; and (iv) US$2.75 billion 30-year bonds with an 8.0% interest. On April 22, 2016, Argentina paid US$6.2 billion to settle all agreements entered into with holdout bondholders as of February 29, 2016. Finally, on the same date, the District Court lifted all the injunctions granted in all cases.

Nevertheless, negotiations and litigation with the remaining holdout bondholders and other creditors that have not reached settlement agreements with Argentina as of the date hereof are still underway in U.S. courts and other jurisdictions. The consequences of potentially inconsistent rulings from different courts are unclear.

Argentina's past default, its litigation with the remaining holdout bondholders, as well as the economic policy measures adopted in the past by the federal government, may have a material adverse effect on Argentina's or the Province's economy. There can be no assurance that the outcome of this or other potential future litigation, or the efforts of bondholders to obtain payment from Argentina through other means, such as alter ego theories, will not have a material adverse effect on Argentina's or the Province's economy and efforts to implement reforms and foster economic growth.

Foreign shareholders of companies operating in Argentina have filed claims against the country at the International Centre for Settlement of Investment Disputes ("ICSID") and the United Nations Commission on International Trade Law ("UNCITRAL"), which have resulted and could result in arbitral awards and/or injunctions against Argentina and its assets and, in turn, limit its financial sources.

Due to emergency measures adopted by the federal government during or after the 2001-2002 crisis, foreign shareholders of companies operating in Argentina have commenced arbitration proceedings against Argentina before ICSID and UNCITRAL. In April 2015, ICSID ruled that Argentina has to pay to Suez, Sociedad General de Aguas de Barcelona S.A., and Vivendi Universal S.A. approximately US$405.0 million as a result of terminating a concession agreement with Aguas Argentinas S.A. As of the date of this offering memorandum, 26 ICSID and UNICTRAL proceedings are pending against Argentina for an approximate total amount of US$9.5 billion (without including claims with undetermined amounts, interest or legal fees), five of which have been suspended pending settlement negotiations. Ongoing claims before the ICSID and UNICTRAL could lead to new judgments against Argentina, which could have a material adverse effect on Argentina's economy and financial resources, and, in turn, affect the Province's economy and 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.

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. It is expected that the INDEC will implement certain methodological reforms and adjust certain macroeconomic statistics. On January 8, 2016, Decree No. 55/2016 was issued by the Argentine government declaring a state of administrative emergency on the national statistical system and on the official agency in charge of the system, the INDEC, until December 31, 2016. Following the declaration, the INDEC will not continue publishing statistical data until a reorganization of its technical and administrative structure is performed in order to supply adequate and reliable statistical information. The period for such reorganization is estimated to last between six and eight months. However, during the implementation of these reforms, INDEC will use official CPI figures and other statistics published by the Province of San Luis and the City of Buenos Aires. Despite these expected 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.

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.

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, in line with the economy of Argentina, has experienced significant volatility in recent decades, including numerous periods of low or negative growth and high and variable levels of inflation and devaluation.

In 2012, the Argentine economy experienced a slowdown with GDP increasing at a rate of 1.9% on an annualized basis compared to the preceding year according to the methodology of calculation prevailing until

March 2014. On March 27, 2014, the Argentine government announced a new method of calculating GDP using 2004 as the base year as opposed to 1993, which was the base reference year under the prior method of calculating GDP. As a result of this new method, the estimated GDP growth rate for 2013 was revised from 4.9% to 2.9%. As of the date of this offering memorandum, the provisional figures of the Argentina's estimated GDP growth rate for 2014 and the first half of 2015 published by INDEC are 0.4% and 2.2%, respectively. In real terms, the Province's GDP registered a 3.6% increase in 2011, a 0.3% increase in 2012, a 3.0% increase in 2013 and a 3.7% decrease in 2014, 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 Argentine 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 Province's economy remains vulnerable to external shocks that could be caused by significant economic difficulties of Argentina'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 economy remains 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 major trading partners, such as Brazil, could adversely affect Argentina's and the Province's economy. Brazil is among the Province's largest export markets. The Brazilian economy contracted by 4.1% during 2015, mainly due to an 8.3% decrease in industrial production. In addition, as of December 31, 2015, the Brazilian currency ("Real") exchange rate was approximately 4.00 Reals per US$1.00, reflecting a 48.3% devaluation in 2015, as compared to a 13.0% devaluation in 2014. Furthermore, Brazilian inflation for 2015 reached 10.7%, despite the Brazilian government having established a 4.5% inflation target for that year.

During the nine-month period ended September 30, 2015, the Brazilian demand for provincial exports decreased 23.6%, or US$1,583.0 million, as compared to the same period in 2014. The Province cannot assure you that Brazilian demand for provincial exports will not continue to decrease. A further decline in Brazilian demand for imports could have a material adverse effect on the Province's economic growth.

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 Brazil, 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.

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 have 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.

A significant depreciation of the currencies of the Province's trading partners or trade competitors may adversely affect the competitiveness of provincial exports and cause an increase in provincial imports.

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 five 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 last quarter of 2015, which occurred mainly after December 16, 2015, as a consequence of significant economic reforms implemented by the new 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 decreased significantly from US$47.4 billion as of November 1, 2011 to US$29.8 billion as of March 30, 2016, resulting in a reduced capacity of the Argentine government to intervene in the foreign exchange market. The Macri administration recently launched a program intended to increase the level of international reserves deposited with the Central Bank through the execution of certain loan agreements with several Argentine and foreign entities. 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.

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, 80.6% 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 under the Federal Co-Participation Regime represented 29.4% and other federal government transfers represented approximately 23.2% 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 the ANSeS. As of the date of this offering memorandum, conversations in connection with the re-arrangement of the Federal Co-Participation Regime were taking place between the federal government and the governors of the provinces. The Province cannot assure you that the current Federal Co-Participation Regime will not be suspended or interrupted or that it will be modified in a way that is not 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.

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

In the past, the federal government has 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 may result in higher expenditures for the Province, therefore reducing its financial results.

Any adverse developments in the oil and gas industry, including decreasing prices of oil and gas, could have a material adverse effect on the Province's economic performance and public finances.

Part of the Province's revenues rely on the oil and gas industry and on the ability of different concessionaires to continue to develop their investments and successfully implement their business strategies in the Province. As a result, certain factors could have a material adverse effect on the Province's economic performance and public finances. Due to the fact that a relevant percentage of the Province's revenues are derived from hydrocarbon royalties, the Province is particularly vulnerable to adverse changes in economic, market and regulatory conditions both in Argentina and worldwide that (i) reduce the demand for oil and gas products; (ii) limit oil and gas exports; and (iii) give rise to declines in oil and gas prices.

The demand for, and price of, oil and gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments. International oil prices have fluctuated widely in recent years and are likely to continue to fluctuate significantly in the future. Volatility in oil and gas prices restrain longer term investment plans since the returns expected from such investments are unpredictable.

During recent months, the Brent value for a barrel of crude oil has declined below US$30 per barrel, which represents a 70% decrease from the average price of US$98.97 per barrel registered in 2014. Despite a recent increase to approximately US$40 per barrel, international oil prices may continue to decline or remain at current levels for a prolonged period in the future, which may result in a corresponding decrease in domestic oil prices. These factors could affect the economic viability of drilling projects or the development of proven reserves or cause the loss of proven reserves. Any such occurrences could negatively impact the Province's budget and estimates, which could, in turn, affect the value of, and rates of return on, certain assets.

Since approximately 7.0% of the Province's revenues are derived from hydrocarbon royalties, a decline in the price of oil or gas may reduce the amount of hydrocarbon royalties collected by the Province, and therefore have an adverse effect on the Province's economic performance and public finances. It may also have a material adverse effect on the financial condition and results of operations of the concessionaires and on the amount of total reserves. Furthermore, because in certain cases concessionaires use the revenues generated from the sale of crude oil and gas to fund the expansion of their operations, a substantial reduction in oil or gas prices would reduce or in some cases eliminate the ability of concessionaires to continue to fund such expansion activities or cause them to divert funding from oil operations to gas operations or vice-versa, and therefore may adversely affect the Province's economic performance, its public finances and the Province's ability to satisfy its repayment obligations under the Notes.

Federal government intervention and regulation may adversely affect oil concessionaires' operations and financial condition and therefore may adversely affect the Province's economic performance and public finances.

Historically, the oil and gas industry in Argentina has been significantly controlled by the federal government through the ownership of state-owned companies engaged in such activities. Between 1993 and 2001, 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. Following the December 2001 national crisis, it has become more involved in the regulation of the sector, including by levying a tax on oil, oil by-products and gas exports and by temporarily encouraging oil producers and refiners to agree on a mechanism to stabilize prices. As a result, the Province can give no assurances that any such or future actions by the federal government relating to oil prices, the imposition of restrictions or taxes on oil exploration and production activities or the export of oil could not have a significant effect on the future revenues of the concessionaires and their production level, thereby affecting the level of oil royalties.

Furthermore, in 2004 the federal government established Energía Argentina S.A. ("ENARSA"), a state-owned hydrocarbon and energy company. 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 actions taken by the federal government have affected the domestic price of crude oil. Crude oil prices were determined primarily by supply and demand in the domestic market from 1991 to 2001. However, since 2002, the federal government has imposed export duties on the export of crude oil, to induce reductions in the price at which crude oil is sold in the domestic market. Resolution 394/2007 of the Federal Ministry of Economy, published on November 16, 2007, amended the export duties on crude oil and other crude oil derivative products. The regime currently in effect provides that when the West Texas Intermediate ("WTI") international price exceeds the reference price, which is currently fixed at US$60.9 per barrel, producers shall be allowed to collect at US$42.0 per barrel, with the remainder being withheld by the federal government as an export duty. If the WTI international price is below the reference price but exceeds US$45.0 per barrel, a 45.0% withholding rate will apply. If such price is below US$45.0 per barrel, the applicable export duty is to be determined by the federal government within 90 business days. The export duty rates determined as indicated above also currently apply to diesel, gasoline and other crude derivative products.

Through Resolutions No. 1/2013 of the Federal Ministry of Economy, the abovementioned reference cutoff values and reference prices provided in Resolution No. 394/2007 were raised to US$70.0 per barrel and US$80.0 per barrel, respectively. According to the recitals of Resolution No. 1/2013, the aim of this measure is to achieve a similar level of return between oil for export and oil for the domestic market.

On December 29, 2014, due to the decrease in international prices of crude oil, the Federal Ministry of Economy issued Resolution No. 1077/2014 reducing the rate of export taxes on crude oil and certain derivatives as long as the international price of crude oil is below US$71.0 per barrel. The reduced rate ceases to apply once the international price equals or exceeds US$71.0 per barrel. In that case, Resolution No. 1077/2014 allows the federal government to capture by way of an export tax the difference between US$70.0 per barrel and the export price.

Increases in export duties reduce the concessionaires' net cash receipts. In addition, various federal government's measures have prohibited or limited the concessionaires' ability to pass through price increases to gas end-users. These changes and further changes in such regulations and/or thresholds and/or withholding rates and/or the level of federal government intervention, have discouraged investments and could also adversely affect the ability of the concessionaires to produce or market their oil and gas, thereby having an adverse effect on their operations and financial condition, which may adversely affect the Province's economic performance and public finances.

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

Since 2002, the federal government has not allowed gas transportation and distribution companies to pass-through increases in gas prices to end-users, causing the price of non-liquefied natural gas in Argentina (particularly to the residential sector) to remain substantially below regional market prices for non-liquefied natural gas.

In relation to oil prices, the Hydrocarbons Law authorizes the federal government to set domestic prices for oil products during periods in which the federal government determines domestic production to be insufficient to satisfy domestic demand. Pursuant to this regulation, the domestic price of oil must not be lower than the price of comparable imported oil unless the price of imported oil increases substantially due to exceptional circumstances.

These limitations have had and may continue to have a material adverse effect on the concessionaires' results of operations and financial condition and may therefore adversely affect the Province's economic performance and public finances.

(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.

Adverse climatic factors or natural disasters could adversely affect the economic activities of the Province.

Adverse climatic factors or natural disasters, including wildfires, floods, extreme cold, hail or volcanic eruptions, among others, could adversely affect the economic activities of the Province, particularly in sectors which depend upon the sustainable enjoyment of geographic and natural conditions of the Province, such as fruit and vegetable production, tourism and livestock.

For example, in 2013 the Province suffered unusually low temperatures that caused provincial fruit and vegetable production to decrease significantly during that year. Farmers in the General Alvear region lost up to 80.0% of their production for the 2013 harvest season. In addition, hail frequently affects part of the Province's fruit and vegetable production.

Despite the creation of programs that provide assistance to agricultural producers, such as the *Fondo Solidario Agrícola* ("Agriculture Solidarity Fund"), created by the Province, and the federal government agricultural emergency regime established in 2009, both of which provide insurance to agricultural producers against losses caused by extreme weather conditions, a reduction in economic activity of the Province caused by adverse climactic factors or natural disasters could have an adverse effect upon the public finances of the Province and its ability to fulfill its obligations under its debt instruments, including the Notes.

The Province maintains its books and records in pesos and prepares its budgets and statements of revenues and expenditures in accordance with reporting standards that differ from accounting principles in other jurisdictions.

The Province maintains its books and records in pesos and prepares its budgets and statements of revenues and expenditures in accordance with Provincial Accounting Practices. These accounting practices are followed by other provinces in Argentina, but differ in 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 in the Province's budgets and statements of revenues and expenditures on an accrual basis and are recognized in the period in which they are received; (ii) expenditures are accounted for in the Province's budgets and statements of revenues and expenditures on an accrual basis and not when paid; (iii) capital investments are carried at cost, without reduction for depreciation or amortization and accordingly, the Province does not record any charges for depreciation or amortization in its accounts; (iv) capital expenditures and investments in tangible assets are not capitalized and are expensed in the year incurred; and (v) construction contracts are expensed using the percentage of completion method. There can be no assurance that a reconciliation between Provincial Accounting Practices, Argentine GAAP and U.S. GAAP would not identify material quantitative differences between the Province's budgets and statements prepared in accordance with Provincial Accounting Practices, Argentine

GAAP and/or U.S. GAAP. In particular, the Province does not adjust its revenues, expenditures or public debt information for inflation as is required, under certain circumstances, by Argentine GAAP as Argentine GAAP are not legally applicable to Argentine provinces. Financial information in this offering memorandum relating to historic revenues and expenditures is presented in nominal pesos as the Province believes that such presentation is likely to result in less distortion to the period-on-period comparability of such information than those which would result from presenting such analysis in reference to constant peso figures. There can be no assurances, however, that such form of presentation will accurately reflect the trends underlying line-item variations.

The Province maintains material levels of secured indebtedness.

The Province has in the past incurred secured indebtedness, including indebtedness secured by assignments and pledges ("pledges") of future Federal tax transfers from the federal government and pledges of future oil royalty payments from oil producers operating in the Province. As of December 31, 2015, the Province had pledged approximately 12.5% of its rights to receive Federal tax transfers and 45.0% of its right to receive oil royalty payments to secure indebtedness it has incurred. Furthermore, certain provincial laws require the allocation of oil royalty payments received by the Province to the funding of specific departments, funds and projects of the Province. There can be no assurance that, in the event of economic developments materially and adversely affecting the Province's aggregate revenues, the application of the encumbered co-participation payments and other revenue sources to payments in respect of such secured indebtedness would not impair the Province's ability to pay interest on, and principal at maturity of, its unsecured indebtedness (including amounts due under the Notes).

Risks Relating to the Notes

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."

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 and 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.

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, pursuant to Article 40 of the Province's constitution, the Provincial Legislature must establish the conditions for the enforcement and payment of any court judgment (other than those related to certain types of secured obligations) against the Province; provided that, if the Provincial Legislature did not determine such conditions within three months from the date of the request, the final judgment will be fully enforceable and the claimant will be entitled to attach the property of the Province. A similar provision of the constitution of another Argentine province has been declared by the Argentine federal supreme court to be contrary to federal constitutional principles and therefore inapplicable. Although the Province's Supreme Court has not yet ruled on the validity of article 40 of the Province's constitution, it has stated, in principle, its obligation to follow Argentine federal supreme court precedents on grounds of legal certainty. No assurances can be given, however, that the court will not rule otherwise in a future case. Furthermore, Argentine courts and commentators have asserted the unconstitutionality of those local rules which prohibit attachment or foreclosure on provincial or municipal assets. However, if the Province has granted mortgages, pledges or certain other types of security to secure the payment of the relevant obligation, such determination of the Provincial Legislature is not required and the creditors may enforce the relevant court decisions against the collateral granted. If, however, the security proceeds are not sufficient to fully discharge the Province's secured obligations and the secured creditor needs to initiate legal actions against the Province for the balance, the Provincial Legislature's determination would be required. 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 and 235 of the Argentine Civil and Commercial Code or directly provides an essential public service. 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 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 Transaction Documents.

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 or the initial purchasers 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 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.

USE OF PROCEEDS

We estimate that the gross proceeds from our sale of the Notes will be US$493,550,000, before deducting commissions and estimated offering expenses payable by us. Pursuant to provincial laws No. 8,816 and No. 8,838, which authorized the issuance of the Notes, the Province will use the net proceeds obtained from the Notes after deducting commissions, fees and expenses payable by the Province to make payments of certain public indebtedness of the Province, to improve the debt maturity profile of the Province and make debt service payments, as well as to fund social, infrastructure and other public investment projects currently under way or that are planned to be carried out during 2016.

THE PROVINCE OF MENDOZA

General

The Province is the fourth largest of Argentina's 24 political districts (comprising 23 provinces and the autonomous City of Buenos Aires) in terms of GDP, and it occupies an area of 148,827 square kilometers (approximately 92,481 square miles). The Province is located in western Argentina, at the base of the Andean mountain range and it shares a border of approximately 550 kilometers with the Republic of Chile.

With an estimated population of 1,738,929 people according to the 2010 national census, the Province is the fifth most populous political district with approximately 4.3% of Argentina's total population. Approximately 62.4% of the Province's population is concentrated in the capital city of Mendoza and its surroundings.

Constitutional framework and relationship between federal and provincial governments

The Argentine federal constitution sets forth a division of powers between the federal and provincial governments. Each province has its own constitution, which establishes its governmental structure and provides for the election of a provincial governor and vice-governor and the Provincial Legislature. The provinces have general jurisdiction over matters of purely provincial or local concern, including, among others:

- healthcare and education,
- provincial police and courts, and
- the borrowing of money on its own credit, subject to a federal approval and control mechanism.

The jurisdiction of the federal government is limited to those matters that are expressly delegated to it by the federal constitution. These areas include, among others:

- the regulation of trade and transport,
- the issuance of currency,
- the regulation of banks and banking activities,
- national defense and foreign affairs, and
- customs and the regulation of shipping and ports.

The federal government does not guarantee, nor is it responsible for, the financial obligations of any province.

Under the Argentine federal system, each province retains significant responsibility for the rendering of public services and other functions within its territory that require public expenditure, while relying primarily on a centralized tax collection system run by the federal government as a source of public revenues. The Federal Co-Participation Regime, dates back to 1935, when the provinces agreed to delegate their constitutional power to collect several categories of taxes to the federal government in exchange for transfers of a portion of the related tax revenues. 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. See "Public Sector Finances—Taxation and other revenues—Federal Co-Participation Regime."

The federal constitution was amended in 1994. Although the main provisions of the federal constitution were maintained, some significant changes were implemented. Pursuant to the 1994 amendments, the federal and provincial governments were required to approve a new Federal Co-Participation Regime based on certain objective distribution criteria; however they have not yet done so and the timing of any such amendment remains uncertain.

Political parties

Historically, the main traditional political parties were the *Partido Justicialista* ("PJ") and UCR. During the most recent elections held in 2015, several new coalitions were created, including Cambiemos led by Mauricio Macri, the current president of Argentina. The Cambiemos coalition's main party is *Propuesta Republicana* ("PRO"), which was founded in 2005 as an alliance for the national legislative elections of that year, following an electoral agreement among several political parties including, among others, the UCR, the *Coalición Cívica* party and *Argentinos por una República de Iguales* ("ARI") party. Other nationally significant political parties include:

- *Frente para la Victoria* ("FPV"), founded in 2003 by former president Néstor Kirchner with the support of a group of governors and members of the PJ. FPV sought to attract voters from other political parties that had historically been disinclined to support the PJ. The FPV governed Argentina from May 25, 2003 until December 9, 2015.
- *Generación para un Encuentro Nacional* ("GEN"), founded in 2007 and currently led by Margarita Stolbizer.
- *Frente Amplio Progresista* ("FAP"), a coalition formed by a series of small political parties. Hermes Binner ran for president, whereas Margarita Stolbizer, leader of GEN, ran for governor of the Province of Buenos Aires in the elections of 2011.
- *Frente Renovador* ("FR"), founded in 2013 by Sergio Massa as a split-off from the PJ, in the Province of Buenos Aires, together with a number of other mayors, to participate in the mandatory, simultaneous and open primary elections held on August 2013 and in the mid-term elections held in October 2013. For the 2015 presidential elections, the FR and the former governor of the province of Córdoba, Juan Manuel de la Sota, formed the *Unidos por una Nueva Alternativa* ("UNA") coalition.

On October 25, 2015, presidential and congressional elections took place in Argentina. Daniel Scioli (FPV) obtained 37.1% of the votes, Mauricio Macri (Cambiemos) obtained 34.2% of the votes and Sergio Massa (FR) obtained 21.4% of the votes. Based on these results, a presidential run-off between Daniel Scioli and Mauricio Macri was held on November 22, 2015, electing Macri, with 51.3% of the votes, as the successor to former president Cristina Fernández de Kirchner.

Provincial government

The constitution of the Province was adopted in 1916 and has been amended five times, most recently in 2005. According to the provincial constitution, the government of the Province has general responsibility for the performance of public administration activities within the Province, other than those activities that have been delegated to the federal government or the municipalities within the Province.

Amendments to the constitution of the Province must be approved by two-thirds of each of the House of Deputies and the Provincial Senate, and must then be submitted to a public referendum by majority vote.

Executive branch

The executive branch consists of a governor and a vice-governor, who are elected together for a single four-year term and are not eligible for consecutive reelection, and a number of ministries and secretariats. The governor has the power to appoint and remove ministers. The governor also appoints, subject to confirmation by the Provincial Senate, the provincial Attorney General and the president of the Audit Tribunal, among others. The governor also presents the statement of public accounts from the previous fiscal year and budget bills before the Provincial Legislature.

On June 21, 2015, provincial elections were held to appoint the governor and the vice-governor and members of the Provincial Legislature. Alfredo Cornejo and Laura Montero both members of the political alliance Cambia Mendoza obtained 46.3% of the total vote and were appointed governor and vice governor, respectively. Cambia Mendoza is a provincial political alliance led by UCR and Cambiemos. Cambia Mendoza also has a majority in both chambers of the Provincial Legislature.

Legislative branch

The Provincial Legislature is composed of two bodies: the Provincial Senate, composed of 38 members, and the House of Deputies, composed of 48 members. The vice-governor serves as president of the Provincial Senate. The members of both bodies are elected by popular vote to four-year terms. Half of the members of each of these bodies face election every two years.

Each of the Provincial Senate and the House of Deputies take decisions by majority vote, except for certain specific matters for which a two-thirds vote is required. These matters include, among others:

- amendments to the jurisdiction of the Province over its territory;
- authorizations to issue provincial public debt;
- approvals of the resignation of the governor or vice-governor; and
- approvals of concessions related to the water management of provincial rivers.

The table below shows, by political force, the current composition of the Provincial Legislature after the most recent elections in 2015.

	Senate		House of Deputies	
	Number of Seats	*%*	*Number of Seats*	*%*
Cambia Mendoza	21	55.2%	25	52.1%
Frente para la Victoria – Partido Justicialista	15	39.5%	19	39.6%
Frente de Izquierda	2	5.3%	4	8.3%
Total	**38**	**100.0%**	**48**	**100.0%**

Source: Provincial Legislature

Judicial branch

The judicial branch of the Province consists of trial courts, courts of appeal and the provincial supreme court, all of which have jurisdiction over civil, commercial, administrative, labor, family and criminal matters within the Province. The provincial supreme court justices are appointed by the governor and confirmed by the Provincial Senate. The governor appoints other judges from a list of candidates proposed by the *Consejo de la Magistratura* (Magistrates' Council), with the Senate's approval. Judges serve for life and can be removed only by impeachment proceedings. Argentina also has a federal judiciary that has jurisdiction over federal matters within the territory of the Province.

Other agencies

The provincial constitution provides for two independent entities to be in charge of the financial and legal supervision and control of the Province's administration and municipalities. The Audit Tribunal carries out the external audit of the Province's accounts and controls the use of public funds by provincial officers, mainly through the review of the provincial annual statements of revenues and expenditures and of budgetary performance, while the provincial Attorney General controls the legality of administrative decisions of the Province's administration. The internal audit of the Province's accounts and review of the use of public funds by provincial officers is carried out by the Office of Internal Audit of the Accounting Office of the Province, which is under the jurisdiction of the Province's ministry of finance.

Municipalities

There are 18 municipalities located within the Province. Each has its own government, which is responsible for providing certain basic services such as sanitation, public lighting and road maintenance. Certain municipal governments also supplement provincial public health and social welfare services.

Municipalities finance their activities through taxes and fees charged for the provision of services, such as healthcare, hygiene inspections of businesses and waste collection, and with funds transferred by the Province. The Province is required by provincial law to transfer to the municipalities a percentage of the Federal Co-Participation Regime payments and oil concession royalties received, and of taxes collected. The percentage transferred to each municipality by the Province is based on different criteria, such as each municipality's population, economic development level, number of cars registered and oil production subject to a minimum transfer amount based on the population of each municipality. The overall percentage of funds transferred by the Province to the municipalities and the portion of such funds allocated by the Province to each municipality are determined by the Provincial Legislature and may be changed by the Provincial Legislature.

Representatives of the political force Cambia Mendoza were elected mayors in 12 of the municipalities of the Province, while representatives of PJ were elected in the remaining six municipalities.

Control entities

The constitution of the Province provides for two independent entities to be in charge of the financial and legal supervision and control of the Province's administration and municipalities. The Audit Tribunal carries out the external audit of the Province's accounts and control the use of public funds by provincial officers, mainly through the review of the provincial annual statements of revenues and expenditures, while the Attorney General controls the legality of administrative decisions of the Province's administration. The internal audit of the Province's accounts and review of the use of public funds by provincial officers is carried out by the Office of Internal Audit of the Accounting Office of the Province, which office is under the jurisdiction of the Province's ministry of finance.

THE PROVINCIAL ECONOMY

Introduction

The Province has experienced a period of economic growth between 2010 and 2013, which is reflected in both provincial GDP growth in real terms and levels of economic activity.

The provincial economy experienced GDP growth in real terms of 3.6% in 2011. This economic expansion was mainly driven by growth in the commerce, hotel and restaurant sector and in the Province's exports, fueled by increased demand from Brazil, one of the Province's main markets for its products.

In 2012, GDP of the Province increased slightly by 0.3% compared to 2011 in real terms, notwithstanding the backdrop of a deepening economic slowdown in the region and slower growth among the major economies of the world.

In 2013, GDP of the Province increased by 3.0% in real terms, with the Province registering growth across all economic sectors except for the mining, oil and gas and the commerce, hotels and restaurants sectors.

In 2014, the Province's GDP decreased by 3.7% in real terms, mainly as a result of the impact caused by the combination of adverse weather conditions that materially affected the Province's fruit and vegetable production, as well as a reduction in oil exploration and production activities, as YPF focused its efforts in areas outside the Province.

The provincial unemployment rate declined between 2011 and 2015 from 4.1% to 3.1%, respectively.

Gross domestic product

Background

The Province's GDP is calculated by the Province's *Dirección de Estadística e Investigaciones Económicas* ("Statistics and Economic Research Department of the Province") pursuant to a methodology substantially similar to the methodology employed by the federal government for the calculation of Argentina's GDP, except that the Province uses 1993 constant pesos to calculate the provincial GDP and the federal government uses 2004 constant pesos to calculate Argentina's GDP since 2013.

Gross domestic product 2011-2014

The following table sets out national and provincial GDP in real terms for the years 2011 to 2014 and the Province's GDP for the years 2011 to 2014, as a percentage of national GDP in real terms. Information for 2015 is not yet available.

Gross Domestic Product

	2011	2012	2013	2014
PROVINCIAL ECONOMY				
Real GDP (in millions of 1993 constant pesos)..........	P$13,510.8	P$13,553.9	P$13,962.5	P$13,447.4
Rate of change from prior year.................................	3.6%	0.3%	3.0%	(3.7)%
NATIONAL ECONOMY				
Real GDP (in millions of 1993 constant pesos)..........	P$459,571.0	P$468,301.0	n.a.	n.a.
Rate of change from prior year (1993 constant pesos)..	8.9%	1.9%	n.a.	n.a.
Real GDP (in billions of 2004 constant pesos)...........	837.8%	844.5%	868.9%	762.07
Rate of change from prior year (2004 constant pesos)..	8.4%	0.8%	2.9%	0.5%
Provincial Real GDP / National Real GDP............	2.5%	6.3%	n.a.	n.a.

Source: Statistics and Economic Research Department of the Province and INDEC

The Province's economy has traditionally been more exposed to fluctuations in commodity prices than the economy of Argentina as a whole. As a result, although trends in the provincial economy tend to follow those of Argentina, variations in the Province's GDP tend to be more severe than those experienced by national GDP figures.

Sectors of the provincial economy

The economy of the Province is diversified among a number of economic sectors, the largest of which are: commerce, hotels and restaurants (26.1% of provincial GDP for the period 2011-2014); community, social and personal services (18.2% of provincial GDP for the period 2011-2014); manufacturing (15.3% of provincial GDP for the period 2011-2014); and financial services (14.7% of provincial GDP for the period 2011-2014). Historically, the Province's commerce, hotels and restaurants sector has been the single largest contributor to provincial GDP.

The following table sets out a breakdown of the contribution to the Province's GDP of each principal sector in 1993 constant pesos and as a percentage of total provincial GDP for the years 2011 to 2014. Information for 2015 is not yet available.

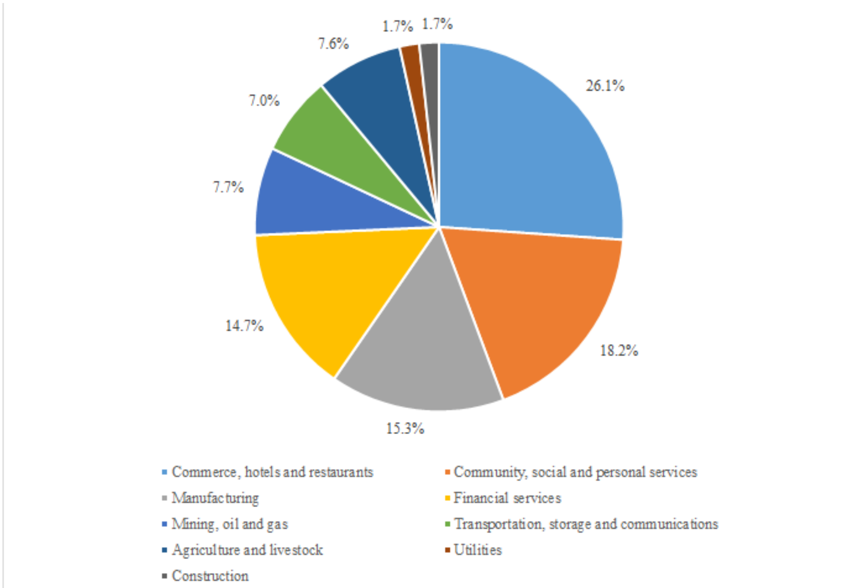
Real GDP by Sector

	2011		2012		2013		2014	
	(in millions of P$ and %)							
Commerce, hotels and restaurants	3,591.6	26.6%	3,661.5	27.0%	3,568.8	25.6%	3,395.2	25.2%
Community, social and personal services	2,300.1	17.0%	2,470.6	18.2%	2,567.0	18.4%	2,593.8	19.3%
Manufacturing	2,048.4	15.2%	2,061.6	15.2%	2,166.2	15.5%	2,063.6	15.3%
Financial services	1,937.2	14.3%	1,989.2	14.7%	2,050.1	14.7%	2,005.3	14.9%
Mining, oil and gas	1,094.0	8.1%	1,060.3	7.8%	1,037.6	7.4%	1,011.5	7.5%
Transportation, storage and communications	919.8	6.8%	931.6	6.9%	965.4	6.9%	962.2	7.2%
Agriculture and livestock	1,134.3	8.4%	934.2	6.9%	1,137.1	8.1%	944.5	7.0%
Utilities	230.5	1.7%	228.3	1.7%	238.5	1.7%	239.8	1.8%
Construction	254.8	1.9%	216.6	1.6%	231.8	1.7%	231.5	1.7%
Total	**13,510.8**	**100.0%**	**13,553.9**	**100.0%**	**13,962.6**	**100.0%**	**13,447.4**	**100.0%**

Source: Statistics and Economic Research Department of the Province

The following chart sets out a breakdown of the average contribution to the Province's GDP of each principal sector in 1993 constant pesos for the years 2011 to 2014.

Average Contribution by Principal Sector of the Provincial Economy (2011-2014)



Based on 2014 information, the commerce, hotels and restaurants sector and the community, social and personal services sector accounted for 25.2% and 19.3% of provincial GDP, respectively. The manufacturing sector ranks third, accounting for 15.3% of provincial GDP.

During the 2011-2014 period, the agriculture and livestock sector and the mining, oil and gas sector have become relatively less important contributors to provincial GDP, while the community, social and personal services sector has increased its percentage contribution to the overall provincial economy.

Commerce, hotels and restaurants

The following table sets out a breakdown of the contribution of each major category of the commerce, hotels and restaurants sector in 1993 constant pesos for the years 2011 to 2014. Information for 2015 is not yet available.

Commerce, hotels and restaurants

	2011		2012		2013		2014	
	(in millions of P$ and %)							
Vehicle and oil by-products sales	172.1	4.8%	176.6	4.8%	189.2	5.3%	172.5	5.1%
Wholesale	1,314.9	36.6%	1,331.6	36.4%	1,348.3	37.8%	1,305.9	38.5%
Retail	1,853.7	51.6%	1,888.2	51.6%	1,761.2	49.3%	1,636.5	48.2%
Restaurants and hotels	251.0	7.0%	265.0	7.2%	270.2	7.6%	280.3	8.3%
Total	**3,591.6**	**100.0%**	**3,661.5**	**100.0%**	**3,568.8**	**100.0%**	**3,395.2**	**100.0%**

Source: Statistics and Economic Research Department of the Province

The commerce, hotels and restaurants sector consists of vehicle and oil by-products sales, wholesale and retail trade as well as the restaurant, hotel and tourism related industries. The Province has a significant supermarket sector. Six major retail chains operate in the Province with over 122 retail outlets.

The Province has an important tourism industry which has benefitted from an increased number of foreign tourists attracted by the Province's growing reputation as a wine destination. Based on information gathered by *Observatorio para el Turismo Sostenible de Mendoza* (Sustainable Tourism Observatory of Mendoza), the Province estimates that in 2014 approximately 22.7% of the estimated 3.1 million tourists visiting the Province were non-Argentine residents.

In 2011, production from the commerce, hotels and restaurants sector amounted to P$3,591.6 million, mostly driven by retail and wholesale activities growing in line with improved macroeconomic conditions. In addition, 32,972 vehicles were sold in the Province during this year as Argentine consumers saw the purchase of vehicles as a hedging strategy against increasing inflation and currency devaluation.

In 2012, value created in this sector increased by 1.9%, mainly as a result of a 5.6% increase in GDP attributable to restaurants and hotels. In addition, the number of vehicles sold in the Province increased to 33,074 units.

Production from this sector decreased by 2.5% in 2013. This decrease was mainly a result of a 6.7%, decline in GDP attributable to retail activities, which was mainly due to the weakening of consumer purchase power as a consequence of the growing inflation rate not being matched in full by salary increases. This decrease was partially offset by the continuing increase in auto sales in 2013, with sales reaching 38,294 units.

Production from the commerce, hotels and restaurants sector decreased by 4.9% in 2014. This decrease was mainly a result of a 7.1% decrease in GDP attributable to retail activities, which was principally due to the weakening confidence in the economic performance of the country as a consequence of the increased level of inflation.

The percentage contribution of this sector to provincial GDP decreased from 26.6% in 2011 to 25.2% in 2014.

Community, social and personal services

The following table sets forth a breakdown of the contribution of each major category of the community, social and personal services sector in 1993 constant pesos for the years 2011 to 2014. Information for 2015 is not yet available.

Community, social and personal services

	2011		2012		2013		2014	
	(in millions of P$ and %)							
Public administration and defense								
Provincial government......	639.5	27.8 %	808.3	32.7 %	812.7	31.7 %	824.4	31.8 %
Municipal government......	267.4	11.6 %	278.0	11.3 %	311.2	12.1 %	317.2	12.2 %
National government	183.7	8.0 %	170.7	6.9 %	169.8	6.6 %	175.9	6.8 %
Subtotal	**1,090.6**	**47.4%**	**1,257.0**	**50.9%**	**1,293.8**	**50.4%**	**1,317.5**	**50.8%**
Social services and other community services								
Education								
Public sector	503.3	21.9 %	513.1	20.8 %	543.9	21.2 %	528.5	20.4 %
Private sector	79.8	3.5 %	82.6	3.3 %	88.5	3.4 %	87.8	3.4 %
Autonomous	10.5	0.5 %	5.0	0.2 %	5.2	0.2 %	4.4	0.2 %
Subtotal.........................	**593.6**	**25.8%**	**600.7**	**24.3%**	**637.7**	**24.8%**	**620.6**	**23.9%**
Social and health services								
Private medical services	334.5	14.5 %	337.1	13.6 %	349.5	13.6 %	362.5	14.0 %
Public medical services .	96.9	4.2 %	97.3	3.9 %	99.3	3.9 %	101.3	3.9 %
Autonomous	17.0	0.7 %	17.1	0.7 %	17.7	0.7 %	18.4	0.7 %
Other community, social and personal services.	24.2	1.1 %	25.9	1.0 %	27.7	1.1 %	28.6	p 1.1 %
Subtotal.........................	**448.3**	**19.5%**	**451.5**	**18.3%**	**466.6**	**18.2%**	**482.1**	**18.6%**
Subtotal	**1,066.1**	**46.3%**	**1,078.1**	**43.6%**	**1,131.9**	**44.1%**	**1,131.4**	**43.6%**
Recreational and sporting activities	50.4	2.2 %	42.2	1.7 %	48.5	1.9 %	47.5	1.8 %
Personal and household services............................	93.1	4.0 %	93.3	3.8 %	92.8	3.6 %	97.4	3.8 %
Total............................	**2,300.1**	**100.0%**	**2,470.6**	**100.0%**	**2,567.0**	**100.0%**	**2,593.8**	**100.0%**

Source: Statistics and Economic Research Department of the Province

The community, social and personal services sector includes expenditures on public employees, public and private schools, medical services and various other miscellaneous services, which include cinemas, theatres, domestic personnel and home repair services, such as plumbers, painters and electricians.

During the period from 2011 to 2014, GDP related to public administration and defense increased by 20.8%, including 28.9% and 18.6% increases, respectively, at the provincial and municipal level which offset a decrease at the national level of 4.3%. During the period from 2011 to 2014, GDP related to social services and other community services increased overall by 6.1%.

During the period from 2011 to 2014, GDP related to education increased by 4.6%, including a 5.0% increase in public education and a 10.0% increase in private education, mainly as a result of additional expenditures related to the implementation of a full-day schedule for all primary school students and a universal pre-kindergarten program for every four-year-old in the Province. Social and health services increased by 7.5%, mainly due to an 8.4% increase in private medical services and a 4.5% increase in public medical services as a result of increased health services costs.

This sector's contribution to provincial GDP increased from 17.0% in 2011 to 19.3% in 2014.

Manufacturing

The following table sets out a breakdown of the contribution of each major category of the manufacturing sector, in 1993 constant pesos for the years 2011 to 2014. Information for 2015 is not yet available.

Manufacturing

	2011		2012		2013		2014	
	(in millions of P$ and %)							
Oil and petrochemical refineries	871.5	42.5 %	856.4	41.5 %	915.9	42.3 %	894.5	43.3 %
Beverage production	668.3	32.6 %	680.9	33.0 %	690.6	31.9 %	659.6	32.0 %
Other industrial activities	210.6	10.3 %	208.7	10.1 %	234.7	10.8 %	192.7	9.3 %
Food production	78.3	3.8 %	79.2	3.8 %	78.2	3.6 %	80.4	3.9 %
Engine and turbines	57.5	2.8 %	59.1	2.9 %	53.9	2.5 %	46.0	2.2 %
Cement products	43.2	2.1 %	45.4	2.2 %	46.1	2.1 %	45.4	2.2 %
Glass and glass products	40.3	2.0 %	41.0	2.0 %	42.8	2.0 %	43.5	2.1 %
Metallic products	22.8	1.1 %	31.8	1.5 %	41.1	1.9 %	41.5	2.0 %
Wood and wooden products	35.1	1.7 %	38.6	1.9 %	42.7	2.0 %	41.1	2.0 %
Printing activities	11.1	0.5 %	11.2	0.5 %	10.8	0.5 %	10.6	0.5 %
Furniture	9.6	0.5 %	9.4	0.5 %	9.4	0.4 %	8.4	0.4 %
Total	**2,048.4**	**100.0%**	**2,061.6**	**100.0%**	**2,166.2**	**100.0%**	**2,063.6**	**100.0%**

Source: Statistics and Economic Research Department of the Province

The main activities in the manufacturing sector are oil and petrochemical refineries and beverage production. In addition, the Province's geographic and climatic conditions are well suited for wine production. This factor has contributed to the development of the grape growing industry and the establishment of a considerable number of wineries in the Province. Historically, the Province's wine production has represented approximately two-thirds of Argentina's total wine production.

Between 2011 and 2014, production in the manufacturing sector increased slightly by 0.7%, as the increase in oil and petrochemical refining was mostly offset by a reduction in beverage (mostly wine) production.

During the 2011-2014 period, beverage production contracted by 1.3%, principally due to lack of investment generated by the macroeconomic policies implemented by the federal government (*e.g.*, exchange rate regulation, duties on exports and restrictions on imports, restrictions on capital inflows and outflows, price controls) and the slowdown of national GDP.

Food and vegetable production and canning also contribute substantially to the manufacturing sector. Significant processed food products include olive oil, vegetable and fruit preserves and marmalade. Other manufacturing activities mainly include machinery and equipment, chemicals, paper, paper products and printed materials. Food production remained largely unchanged in this period.

Argentina's third largest oil refinery is located in Luján de Cuyo, approximately 20 kilometers from the city of Mendoza. This refinery is owned and operated by YPF and produces a significant portion of oil products used in western and central Argentina. This sub-sector grew by 2.6% between 2011 and 2014, and it currently accounts for the largest share of the total manufacturing sector (43.3% in 2014). Significantly, the local price of oil in Argentina has exhibited relatively limited fluctuations compared to other countries, due to price controls put in place by the federal government and a consistent growth in internal demand.

Other industrial activities and engine and turbine production decreased by 8.5% and 20.0%, respectively, between 2011 and 2014. Other industrial activities represented 9.3% of the manufacturing sector's total production during 2014, and engine and turbine production represented 2.2%.

This sector's contribution to provincial GDP slightly increased from 15.2% in 2011 to 15.3% in 2014.

Financial services

The following table sets forth a breakdown of the contribution of each major category of the financial services sector in 1993 constant pesos for the years 2011 to 2014. Information for 2015 is not yet available.

Financial services

	2011		2012		2013		2014	
	(in millions of P$ and %)							
Real Estate Activities								
Housing sales	1,034.9	53.4 %	1,044.1	52.5 %	1,061.4	51.8 %	1,069.8	53.4 %
Hosing lease	158.8	8.2 %	164.9	8.3 %	171.2	8.3 %	177.7	8.9 %
Brokerage	0.3	0.0 %	0.3	0.0 %	0.3	0.0 %	0.3	0.0 %
Subtotal	**1,194.0**	**61.6%**	**1,209.3**	**60.8%**	**1,232.9**	**60.1%**	**1,247.9**	**62.2%**
Financial Institutions	385.1	19.9 %	405.5	20.4 %	412.1	20.1 %	353.0	17.6 %
Services provided to companies	228.2	11.8 %	236.8	11.9 %	259.0	12.6 %	264.8	13.2 %
Insurance	129.8	6.7 %	137.7	6.9 %	146.1	7.1 %	139.6	7.0 %
Total	**1,937.2**	**100.0%**	**1,989.2**	**100.0%**	**2,050.1**	**100.0%**	**2,005.3**	**100.0%**

Source: Statistics and Economic Research Department of the Province

The largest contributor to provincial GDP in the financial services sector is real estate. In accordance with the methodology used for the measurement of the Province's GDP, "real estate" includes added value generated in real estate activities as well as an estimate of the potential rental value of residential real estate located in the Province. The "financial institutions" category comprises financial services provided by banks and other financial entities. Real estate activities accounted for 62.2% and financial institutions accounted for 17.6% of the financial services sector in 2014.

Production from the sector increased by 2.7% in 2012. This increase was mainly as a result of a 5.3%, increase in GDP attributable to financial institution activities and to a 1.3% increase in GDP attributable to real estate activities.

During 2013 this sector grew by 3.1%. The continuous growth of the real estate activities sub-sector and financial services in general is in large part due to the tendency of Argentine consumers to view the purchase of real estate and other activities included in this sector as a hedging strategy against inflation and currency devaluation.

In 2014, value derived from the financial services sector decreased by 2.2%. This slowdown was primarily related to a 14.3% decrease in GDP attributable to financial institutions, which was mainly due to the federal government's economic policies.

This sector's contribution to provincial GDP grew from 14.3% in 2011 to 14.9% in 2014.

Mining, oil and gas

The following table sets forth a breakdown of the contribution of each major category of oil, gas and mining in 1993 constant pesos for the years 2011 to 2014. Information for 2015 is not yet available.

Mining, oil and gas

	2011		2012		2013		2014	
	(in millions of P$ and %)							
Oil and natural gas	1,007.7	92.1 %	972.3	91.7 %	948.3	91.4 %	909.2	89.9 %
Oil and gas services	75.6	6.9 %	79.7	7.5 %	82.8	8.0 %	93.5	9.2 %
Non-metallic minerals	7.6	0.7 %	5.7	0.5 %	4.4	0.4 %	6.1	0.6 %
Rocks	3.1	0.3 %	2.6	0.2 %	2.1	0.2 %	2.7	0.3 %
Metallic minerals	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %
Total	**1,094.0**	**100.0%**	**1,060.3**	**100.0%**	**1,037.5**	**100.0%**	**1,011.5**	**100.0%**

Source: Statistics and Economic Research Department of the Province

The mining, oil and gas sector is principally comprised of oil and gas production. The sector also includes mining activities, which make up a small portion of the sector's total production and include the production of uranium, limestone, quartz and salt.

The Province is situated across two of Argentina's primary hydrocarbon extraction basins: the Cuyana and Neuquén basins. However, oil and gas exploration and production activities in the Province decreased substantially during the 2011-2014 period, principally due to lack of investment as a consequence of the federal government's energy and macroeconomic policies and the focus that YPF (Argentina's largest integrated oil company) placed on non-conventional oil exploration in areas outside the Province.

The production of crude oil systematically decreased during the 2011-2014 period, principally due to a sharp decline in international oil prices and an overall lack of investment in the energy sector during the last decade, principally as a consequence of the federal government's energy and macroeconomic policies. Natural gas production showed a slight increase during 2012 and 2013, which was not sufficient to offset the decline in total production of the sector. Because oil production is the most important activity in this sector, its systematic decline explains the overall decrease in the mining, oil and gas sector's total production during the 2011-2014 period. Preliminary data for 2015 has shown increased activity in this sector, mainly due to activities of YPF. This anticipated increase is mainly due to the expected realization of investment activities that YPF has been undertaking in the Province since 2012.

Oil and gas production in the Province is mainly the result of the activities of two companies that together represent 87.0% of total production. YPF represented approximately 63.0% of total oil and gas production in the Province during 2014 and Pluspetrol produced approximately 24.0%.

Oil and natural gas production represented 89.9% of the sector's total production in 2014. The Province's oil and gas production represented 14.6% and 5.7% of total Argentine production during 2015, respectively.

Mendoza is the province with the fourth largest production of crude oil and gas in Argentina. The Province shares the shale oil deposit "Vaca Muerta" with the province of Neuquén. The reserves of this shale oil deposit are estimated by the International Energy Agency ("IEA") to be the third largest shale oil deposit worldwide. This shale oil deposit covers an area of approximately 30,000 square kilometers in the Province and contains light oil, wet gas (liquefiable at room temperature) and dry gas. According to data gathered by the IEA this shale oil deposit has a potential of 20 trillion cubic meters of gas and 84,773.9 million barrels of oil.

With respect to renewable energy projects, on January 26, 2016, the municipality of General Alvear announced the construction of Latin America's largest solar energy project, consisting of a photovoltaic energy park producing 100 MW per day and a thermo-solar park also producing approximately 100 MW per day.

This sector's contribution to provincial GDP decreased from 8.1% in 2011 to 7.5% in 2014.

Transportation, storage and communications

The following table sets out a breakdown of the contribution of each major category of the transportation, storage and communications sector in 1993 constant pesos for the years 2011 to 2014. Information for 2015 is not yet available.

Transportation, storage and communications

	2011		2012		2013		2014	
	(in millions of P$ and %)							
Telecommunications	446.7	48.6%	450.3	48.3%	470.2	48.7%	479.8	49.9%
Radio, television and others	150.7	16.4%	160.0	17.2%	172.3	17.8%	169.1	17.6%
Air passenger transport	59.8	6.5%	64.4	6.9%	66.7	6.9%	70.6	7.3%
Cargo	56.4	6.1%	55.2	5.9%	53.1	5.5%	49.5	5.1%
Provincial passenger transport	46.1	5.0%	45.7	4.9%	45.3	4.7%	45.1	4.7%
Parking	24.9	2.7%	26.0	2.8%	29.5	3.1%	31.0	3.2%
Mail	27.2	3.0%	25.8	2.8%	26.8	2.8%	24.0	2.5%
Storage	33.9	3.7%	33.4	3.6%	30.2	3.1%	21.6	2.2%
Inter-provincial passenger transport	25.0	2.7%	22.8	2.4%	21.5	2.2%	21.4	2.2%
Taxis and private cars	18.9	2.1%	19.5	2.1%	20.2	2.1%	20.6	2.1%
Tourism and others	18.5	2.0%	18.3	2.0%	18.7	1.9%	19.8	2.1%
Railways	11.6	1.3%	10.3	1.1%	10.9	1.1%	9.6	1.0%
Total	**919.8**	**100.0%**	**931.6**	**100.0%**	**965.4**	**100.0%**	**962.2**	**100.0%**

Source: Statistics and Economic Research Department of the Province

This sector experienced a 4.6% increase between 2011 and 2014. This growth is principally explained by continued expansion in the telecommunications sub-sector driven by mobile phone usage, which represented almost one half of the sector's activity and grew by 7.4% on average during these years. The second largest sub-sector is radio, television and others which grew by 12.2% from 2011 to 2014.

The sub-sectors related to transport, including cargo and passenger transportation, reflected varied results within the different categories of this sub-sector. Air passenger transport was the category which increased the most, experiencing growth of 4.9% on average, followed by tourism and others which experienced 3.1% growth on average, during the 2011-2014 period. The growth in these categories was partially offset by a decline in inter-provincial passenger transport and cargo, which declined by 4.6% and 3.4% on average, respectively, during this period.

The percentage contribution of this sector to provincial GDP increased from 6.8% in 2011 to 7.2% in 2014.

Agriculture and livestock

The following table sets forth a breakdown of the contribution of each major category of agriculture and livestock in 1993 constant pesos for the years 2010 to 2014. Information for 2015 is not yet available.

Agriculture and livestock

	2011		2012		2013		2014	
	(in millions of P$ and %)							
Agriculture								
Cereals and other crops								
Fodder and cereals	11.7	1.0 %	11.3	1.2 %	11.5	1.0 %	11.4	1.2 %
Vegetables and other crops								
Vegetables	99.1	8.7 %	97.4	10.4 %	86.6	7.6 %	89.4	9.5 %
Fruit and plants								
Fruits	187.0	16.5 %	157.8	16.9 %	205.1	18.0 %	83.0	8.8 %
Olives	53.7	4.7 %	21.5	2.3 %	48.1	4.2 %	16.9	1.8 %
Grapes	546.4	48.2 %	421.8	45.2 %	564.0	49.6 %	512.5	54.3 %
Aromatics and other crops	43.9	3.9 %	35.0	3.7 %	26.1	2.3 %	32.5	3.4 %
Forestry								
Wood	7.2	0.6 %	7.2	0.8 %	7.2	0.6 %	7.2	0.8 %
New crops	2.4	0.2 %	2.5	0.3 %	2.6	0.2 %	2.6	0.3 %
Subtotal	**951.5**	**83.9%**	**754.5**	**80.8%**	**951.2**	**83.6%**	**755.5**	**80.0%**
Livestock								
Beef cattle breeding	94.9	8.4 %	89.9	9.6 %	99.7	8.8 %	103.8	11.0 %
Other animal breeding	48.2	4.2 %	52.8	5.7 %	50.1	4.4 %	55.5	5.9 %
Animal products	39.7	3.5 %	37.0	4.0 %	36.4	3.2 %	29.7	3.1 %
Subtotal	**182.8**	**16.1%**	**179.7**	**19.2%**	**186.1**	**16.4%**	**189.0**	**20.0%**
Total	**1,134.3**	**100.0%**	**934.2**	**100.0%**	**1,137.3**	**100.0%**	**944.5**	**100.0%**

Source: Statistics and Economic Research Department of the Province

The Province has extensive irrigation systems that enable the efficient management of water resources in the Province's five most important basins, which include the Mendoza River, Tunuyán River, Diamante River, Atuel River and Malargüe River. In particular, one of the largest provincial irrigation projects, which was built in the Mendoza River (the Potrerillos dam) and was inaugurated in 2003, has been instrumental to the increases in agricultural production in the region.

This sector is divided into two subsectors: agriculture and livestock, which in 2014 accounted for 80.0% and 20.0%, respectively, of the sector's total production. The Province produces various types of fruit, including grapes, peaches, apples, plums, pears and tomatoes, and vegetables, including garlic, onions, potatoes and olives. Grape production accounted for an estimated 54.3% of the Province's agriculture and livestock sector in 2014. In addition, the Province's grape production represented an estimated 70.0% of Argentina's total grape production in 2014.

The agriculture and livestock sector experienced the sharpest production decline among the different provincial economic sectors and the steepest decline in its share of participation in the provincial GDP between 2011 and 2014.

In 2012, production in the agriculture and livestock sector experienced a 17.6% decline in performance as compared to 2011, primarily as a consequence of a sharp decrease in the production of fruit, including grapes for wine production, due to adverse climactic factors. In 2013, this sector experienced a significant recovery of 21.7%, due mainly to increased production of grapes for wine production, other fruits and olives as climatic conditions normalized during this year, as compared to 2012. In 2014, this sector suffered a 16.9% decline in production partially due to the low temperatures recorded in September 2014, which negatively affected primary products within the Province. As a result of these adverse climactic conditions, fruit and grape production decreased by 59.5% and 9.1%, respectively, when compared to 2013.

Production attributable to livestock activities remained relatively stable during the 2011-2014 period, partially due to stable international and local prices.

This sector's contribution to the Province's GDP decreased from 8.4% in 2011 to 7.0% in 2014, mainly as a result of the adverse conditions in 2012 and 2014 described above.

Utilities

The following table sets forth a breakdown of the contribution of each major category of the utilities sector in 1993 constant pesos for the years 2011 to 2014. Information for 2015 is not yet available.

Utilities

	2011		2012		2013		2014	
				(in millions of P$ and %)				
Electricity	154.7	67.1 %	152.8	66.9 %	160.1	67.1 %	162.6	67.8 %
Gas	40.8	17.7 %	39.5	17.3 %	42.4	17.8 %	41.3	17.2 %
Water and sewage								
Water	19.7	8.6 %	20.3	8.9 %	20.3	8.5 %	19.8	8.3 %
Sewage	15.3	6.6 %	15.7	6.9 %	15.8	6.6 %	16.1	6.7 %
Subtotal	**35.0**	**15.2%**	**36.0**	**15.8%**	**36.1**	**15.1%**	**35.9**	**15.0%**
Total	**230.5**	**100.0%**	**228.3**	**100.0%**	**238.5**	**100.0%**	**239.8**	**100.0%**

Source: Statistics and Economic Research Department of the Province

The utilities sector is heavily regulated and is comprised of various public services, primarily electricity, gas, water and sewage. During the 2011-2014 period, the utilities sector remained relatively stable, experiencing a 4.0% growth despite the lack of public investment over the last few years.

The primary service within the utilities sector is electricity, which accounted for 67.8% of the sector's total output in 2014, including electricity generation and distribution. Among the services included in this sector, sewage registered the highest rate of growth during the 2011-2014 period, at 5.2%.

The percentage contribution of this sector to the Province's total GDP also remained stable at 1.7%-1.8% between 2011 and 2014.

Construction

The following table sets out a breakdown of the contribution of each significant category within the construction sector in 1993 constant pesos for the years 2011 to 2014. Information for 2015 is not yet available.

Construction

	2011		2012		2013		2014	
	(in millions of P$ and %)							
Private construction	195.5	76.7 %	181.9	84.0 %	198.1	85.5 %	194.2	83.9 %
Public construction								
Provincial	36.2	14.2 %	22.5	10.4 %	19.3	8.3 %	20.2	8.7 %
Municipal	4.5	1.8 %	3.3	1.5 %	5.2	2.2 %	6.2	2.7 %
National	18.6	7.3 %	9.0	4.1 %	9.2	4.0 %	10.9	4.7 %
Subtotal	**59.3**	**23.3%**	**34.7**	**16.0%**	**33.7**	**14.5%**	**37.3**	**16.1%**
Total	**254.8**	**100.0%**	**216.6**	**100.0%**	**231.8**	**100.0%**	**231.5**	**100.0%**

Source: Provincial Office of Economic Statistics and Investigation

Private sector construction represented 83.9% of the aggregate construction activities in 2014, a significant increase from 2011 when such activities represented 76.7%.

The level of activity in the construction sector decreased in 2012 by 15.0%, as a result of the federal government's expansion of restrictions to access to the foreign exchange market and to capital inflows and outflows. Because real estate transactions in Argentina tend to be denominated and settled in U.S. dollars, these restrictions had a negative impact on the results of this sector.

The public construction sub-sector was even more significantly affected, decreasing by 41.5%. This decrease was mainly due to the sharp decline in the economic activity and budgetary restrictions which resulted in a sizeable reduction in public investment in infrastructure.

The sector recovered slightly in 2013, increasing by 7.0%, partially as a result of the implementation of the *Programa de Crédito Argentino* (Argentine Credit Program or "PROCREAR"), a housing credit plan by the federal government.

In 2014, the performance of the construction sector remained stable, primarily as a result of the continuing access of qualified consumers to housing credit through the federal PROCREAR plan, which was partially offset by a lack of direct public investment in infrastructure.

The construction sector's participation in the provincial GDP decreased from 1.9% in 2011 to 1.7% in 2014.

Exports

In Argentina, information relating to exports is collected and released by INDEC, and is based mainly 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 require no such permits, such as energy. Provincial exports include exports of all goods produced within the territory of the Province, either by growth, extraction or collection, and all goods processed or built completely in the Province, including those made entirely from raw materials produced outside of the Province and transformed within the Province into a different product (as classified under the rules of the *Mercado Común del Sur*, which is a regional trade agreement among Argentina, Brazil, Paraguay, Uruguay and Venezuela).

Based on information prepared by the Province's Ministry of Economy, the aggregate value of exports of the Province's products decreased during the 2011-2015 period, primarily due to the restrictions and duties on exports and other macroeconomic restrictions implemented by the federal government, in particular since

2011. More than 50.0% of the Province's exports in 2015 comprised wine and other related alcoholic beverages. Other important exported products included fruits and vegetables (both fresh and canned), machinery and equipment and chemicals.

The United States was the Province's largest export market, accounting for an estimated 28.4% of total exports of the Province in 2015, and Mercado Común del Sur was the second largest export market, with Brazil and Chile accounting for an estimated 14.5% and 7.8% of the Province's total exports, respectively.

The Province's agricultural exports benefit from the prevailing weather patterns in the region that favor plague control and the implementation of natural fertilizers, which in turn result in high phytosanitary quality produce. Furthermore, given its location in the southern hemisphere, exporters in the Province are able to sell the majority of their production in a different export window than those of their main competitors.

In addition, a skilled labor force of technicians and professionals and the implementation of the latest technology and quality certifications have resulted in value added production and high quality industrial and agricultural exports.

Classification of main exported items

The following table sets forth a breakdown of the Province's exports by product category and each category's respective share of total provincial exports, from 2011 through 2015.

Products Exported (FOB) by Category

	2011		2012		2013		2014		2015	
	(in millions of US$ and %)									
Manufactured goods of agricultural origin										
Beverages, alcohol and vinegars	739.4	41.1%	818.4	45.3%	773.3	46.0%	733.7	53.2%	716.9	55.1%
Mill products	217.2	12.1%	232.2	12.8%	230.5	13.7%	145.2	10.5%	135.8	10.4%
Processed fruit and vegetables	63.2	3.5%	48.2	2.7%	82.6	4.9%	45.2	3.3%	66.1	5.1%
Oil and fats	19.0	1.1%	16.7	0.9%	28.7	1.7%	33.1	2.4%	51.4	4.0%
Hides and skins	1.2	0.1%	—	0.0%	—	0.0%	—	0.0%	—	0.0%
Other manufactured goods of agricultural origin	61.1	3.4%	74.4	4.1%	35.8	2.1%	4.2	0.3%	9.8	0.8%
Subtotal	**1,101.1**	**61.2%**	**1,189.9**	**65.8%**	**1,150.8**	**68.4%**	**961.5**	**69.8%**	**980.0**	**75.3%**
Manufactured goods of industrial origin										
Other manufactured goods of industrial origin	12.5	0.7%	12.7	0.7%	8.4	0.5%	8.3	0.6%	7.7	0.6%
Machinery and electric material	145.7	8.1%	189.5	10.5%	148.3	8.8%	82.9	6.0%	75.6	5.8%
Chemical products	25.9	1.4%	29.2	1.6%	27.9	1.7%	23.9	1.7%	22.5	1.7%
Stones	13.7	0.8%	17.3	1.0%	15.1	0.9%	17.0	1.2%	13.5	1.0%
Metals	64.4	3.6%	65.0	3.6%	52.7	3.1%	54.0	3.9%	41.9	3.2%
Plastics and rubbers	30.9	1.7%	20.5	1.1%	22.2	1.3%	27.9	2.0%	7.5	0.6%
Subtotal	**293.1**	**16.3%**	**334.2**	**18.5%**	**274.6**	**16.3%**	**214.0**	**15.5%**	**168.7**	**13.0%**
Primary products										
Unprocessed vegetables	169.1	9.4%	105.6	5.8%	118.9	7.1%	86.8	6.3%	67.6	5.2%
Unprocessed fruit	95.2	5.3%	75.4	4.2%	78.9	4.7%	71.0	5.2%	51.0	3.9%
Other primary products	14.0	0.8%	14.0	0.8%	14.5	0.9%	11.1	0.8%	8.0	0.6%
Subtotal	**278.3**	**15.5%**	**195.0**	**10.8%**	**212.4**	**12.6%**	**168.9**	**12.3%**	**126.6**	**9.7%**
Fuel and energy	128.1	7.1%	87.9	4.9%	43.7	2.6%	33.8	2.5%	25.9	2.0%
Total	**1,800.6**	**100.0%**	**1,807.0**	**100.0%**	**1,681.6**	**100.0%**	**1,378.2**	**100.0%**	**1,301.2**	**100.0%**

Source: Statistics and Economic Research Department of the Province

Primary products

Exports of primary products include animals and animal products (including unprocessed seafood and fish, but not meat), honey, fruits, vegetables, cereals and seeds and oilseeds. From 2011 through 2015, these products represented an annual average of 12.2% of total provincial exports.

Exports of unprocessed vegetables and fruit have traditionally accounted for the majority of provincial exports of primary products, accounting for 5.2% and 3.9%, respectively, of total exports of primary products in 2015. The provincial exports of primary goods for the year ended December 31, 2015, amounted to US$126.6 million and represented 9.7% of the total provincial exports.

Manufactured goods of agricultural origin

Exports of manufactured goods of agricultural origin include processed fruit and vegetables, mill products, oil and fats, beverages, alcohol and vinegars, food industry residue and waste, dyes and extracts, hides and skins, processed wood and other agricultural products that have undergone some sort of processing. The most representative products within this group are processed fruits and vegetables and beverages, alcohol and vinegars, which, on average, account for 10.4% and 55.1%, respectively, of total exports of manufactured goods of agricultural origin in 2015. Exports of manufactured goods of agricultural origin for the year ended December 31, 2015, amounted to US$980.0 million and represented 75.3% of the total provincial exports.

Manufactured goods of industrial origin

Manufactured goods of industrial origin include chemical products, plastics and rubbers, leather, paper, textiles, footwear, stone, precious stones, metals, machinery and electric material, navigation and other industrial goods. The products comprising the largest share of this segment are machinery and electric materials and metals, representing 5.8% and 3.2% of total exports, respectively, in 2015. Exports of manufactured goods of industrial origin for the year ended December 31, 2015, amounted to US$168.7 million and represented 13.0% of total provincial exports.

Fuel and energy

Fuel and energy exports consist of exports of fuel, grease and lubricants, petroleum gas, electrical energy and other fuel and energy products. Provincial exports of fuel and energy for the year ended December 31, 2015, totaled US$25.9 million and represented 2.0% of total provincial exports.

Destination of exports

The following table sets forth the breakdown of the Province's exports by geographic destination from 2011 through 2015.

Major Trading Partners (FOB)

	2011		2012		2013		2014		2015	
	(in millions of US$ and %)									
USA	391.6	21.7 %	453.7	25.1 %	420.5	25.0 %	383.7	27.8 %	369.9	28.4 %
Brazil	449.8	25.0 %	331.7	18.4 %	289.9	17.2 %	244.9	17.8 %	189.0	14.5 %
Chile	177.8	9.9 %	179.4	9.9 %	157.5	9.4 %	116.2	8.4 %	101.1	7.8 %
Canada	90.8	5.0 %	95.2	5.3 %	89.6	5.3 %	78.5	5.7 %	70.8	5.4 %
United Kingdom	43.5	2.4 %	43.1	2.4 %	51.3	3.1 %	57.3	4.2 %	68.8	5.3 %
Netherlands	57.5	3.2 %	51.5	2.8 %	50.4	3.0 %	39.8	2.9 %	39.2	3.0 %
Spain	24.6	1.4 %	24.2	1.3 %	27.8	1.7 %	10.0	0.7 %	37.2	2.9 %
Russia	46.6	2.6 %	40.5	2.2 %	52.7	3.1 %	30.0	2.2 %	31.0	2.4 %
Mexico	25.8	1.4 %	26.5	1.5 %	29.7	1.8 %	23.1	1.7 %	28.5	2.2 %
Japan	39.2	2.2 %	44.8	2.5 %	50.1	3.0 %	43.0	3.1 %	27.9	2.1 %
Colombia	24.3	1.3 %	20.0	1.1 %	17.5	1.0 %	16.6	1.2 %	21.9	1.7 %
Paraguay	43.0	2.4 %	36.5	2.0 %	31.7	1.9 %	24.7	1.8 %	21.7	1.7 %
Uruguay	26.6	1.5 %	28.2	1.6 %	26.7	1.6 %	20.7	1.5 %	20.2	1.6 %
China	18.0	1.0 %	27.1	1.5 %	18.9	1.1 %	19.9	1.4 %	20.2	1.6 %
Peru	20.7	1.2 %	29.0	1.6 %	18.1	1.1 %	17.1	1.2 %	19.7	1.5 %
Other	320.7	17.8 %	375.6	20.8 %	349.2	20.8 %	252.8	18.3 %	233.9	18.0 %
Total	**1,800.6**	**100.0** %	**1,807.0**	**100.0** %	**1,681.6**	**100.0** %	**1,378.2**	**100.0** %	**1,301.1**	**100.0** %

Source: Statistics and Economic Research Department of the Province

Historically, the main destinations for exports from the Province have been the United States, Brazil and Chile. Exports to these three destinations typically represent more than 50% of the total exports of the Province, as shown in the table above. Beginning in 2012, the United States overtook Brazil as the top destination for the Province's exports.

From 2011 through 2015, exports from the Province decreased by 27.8%, led by declines in exports to Brazil, by 58.0%, and Chile, by 43.1%. These declines were the result of several factors, including the imposition of restrictions and duties on exports implemented by the federal government, the loss of national and provincial competitiveness as a consequence of the federal government artificially keeping the peso overvalued, the decline in Brazil's growth rate during this period and export/import restrictions that have been mutually implemented by Argentina and Brazil since 2012 as retaliation for certain restrictive trade practices.

The Province's most important export product is bottled wine, representing 48.3% of total exports in 2015. While bottled wine exports declined in U.S. dollar terms, they increased in terms of their contribution to the Province' total exports, reflecting the relative stability in the volume of bottled wine exports. Other important exports of the Province are grape juice and bulk wine.

The following table sets forth a breakdown of the Province's exports by main products exported from 2011 through 2015.

Main Products Exported

	2011		2012		2013		2014		2015	
	(in millions of US$ and %)									
Bottled wine	627.6	34.9 %	653.7	36.2 %	652.0	38.8 %	636.6	46.2 %	628.7	48.3 %
Grape juice	98.3	5.5 %	127.2	7.0 %	124.4	7.4 %	81.9	5.9 %	67.9	5.2 %
Bulk wine	79.3	4.4 %	127.5	7.1 %	88.1	5.2 %	62.9	4.6 %	63.1	4.8 %
Garlic fresh	146.7	8.1 %	90.8	5.0 %	96.4	5.7 %	76.1	5.5 %	59.1	4.5 %
Centrifugal pumps	37.9	2.1 %	51.1	2.8 %	58.1	3.5 %	43.9	3.2 %	51.8	4.0 %
Dried plums pitted	42.8	2.4 %	31.9	1.8 %	59.0	3.5 %	28.4	2.1 %	43.2	3.3 %
Fresh pears	50.0	2.8 %	41.6	2.3 %	48.2	2.9 %	43.4	3.1 %	32.4	2.5 %
Virgin olive oil	10.4	0.6 %	5.5	0.3 %	5.7	0.3 %	2.9	0.2 %	31.7	2.4 %
Canned olive	50.3	2.8 %	44.8	2.5 %	40.3	2.4 %	26.4	1.9 %	21.1	1.6 %
Marmalades, fruit purees and pastes[(1)] obtained by cooking	26.8	1.5 %	20.9	1.2 %	20.5	1.2 %	17.0	1.2 %	19.8	1.5 %
Dried plums with stone fruit	15.8	0.9 %	11.6	0.6 %	19.3	1.1 %	14.2	1.0 %	19.6	1.5 %
Ferroalloys[(1)]	33.2	1.8 %	24.8	1.4 %	18.4	1.1 %	23.1	1.7 %	14.9	1.1 %
Sparkling wine excluding champagne type	3.9	0.2 %	22.2	1.2 %	10.8	0.6 %	17.3	1.3 %	13.6	1.0 %
Plates, panels, similar articles of plaster without ornaments or reinforced with coated paper or cardboard	13.3	0.7 %	16.7	0.9 %	14.8	0.9 %	16.6	1.2 %	12.9	1.0 %
Acid tartaric	13.1	0.7 %	12.3	0.7 %	13.9	0.8 %	13.3	1.0 %	12.0	0.9 %
Other	551.0	30.6 %	524.5	29.0 %	411.6	24.5 %	274.2	19.9 %	209.4	16.1 %
Total	**1,800.6**	**100.0 %**	**1,807.0**	**100.0 %**	**1,681.6**	**100.0 %**	**1,378.2**	**100.0 %**	**1,301.1**	**100.0 %**

Note:

(1) Not otherwise accounted for.

Source: Statistics and Economic Research Department of the Province

Labor force and employment

Between 2001 and 2010 (the years in which the most recent national censuses were undertaken), the Province's population increased from 1,579,651 to 1,738,929, an increase of 10.1%. This increase is in line with population growth on a national level, which experienced an increase of 10.6% during the same period.

INDEC prepares a series of indices that are used to measure the social, demographic and economic characteristics of the Argentine population based on data collected in the EPH. EPH is an ongoing survey used to track labor market trends, and its results are released periodically. The EPH is conducted in the greater Mendoza metropolitan area.

The region surveyed under the EPH takes into account 1,082,000 residents as of October 31, 2015 (the last date for which such data is available).

Labor force and employment

	As of October 31,				
	2011	**2012**	**2013**	**2014**	**2015**
Residents	910,000	917,000	924,000	1,067,000	1,082,000
Activity rate (PEA %)	45.6	45.2	42.9	44.6	46.0
Inactivity rate (PNEA %)	54.4	54.8	57.1	55.4	54.0
Employment rate (% employed)	43.7	43.3	41.0	42.1	44.6
Unemployment rate (% unemployed)	4.1	4.2	4.2	5.8	3.1
Underemployment rate (% subemployed)	7.9	8.3	9.0	10.0	8.4
Applying (% applying)	6.7	6.4	6.0	7.9	7.5
Not applying (% not applying)	1.2	1.8	3.0	2.1	0.9

Source: INDEC

The unemployment rate represents 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 and is actively seeking employment. The labor force refers to the sum of the population in the greater Mendoza metropolitan area that has 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 but actively seeking employment.

Based on information as of October 31 in each year, the activity rate increased from 45.6% in 2011 to 46.0% in 2015. The unemployment rate in 2015 was at its lowest point during the 2011-2015 period, at 3.1%, a significant decrease from 5.8% in 2014.

During this period, the underemployment rate for those actively seeking to be fully employed increased from 6.7% in 2011 to 7.5% in 2015 and the underemployment rate for those that do not seek to be fully employed decreased from 1.2% in 2011 to 0.9% in 2015, resulting in a general increase in the underemployment rate from 7.9% in 2011 to 8.4% in 2015. The underemployment rate represents the percentage of the Province's labor force that has worked fewer than 35 hours during the week preceding the date of measurement and seeks to work more than that number of hours.

Poverty

Traditionally, the Province has measured poverty of its population using an index of unsatisfied basic needs (*Necesidades Basicas Insatisfechas* or "NBI"), following the methodology established by INDEC, which is an index built on the measurement of certain living standards of residents in the Province. In addition, the Province has also measured poverty using "poverty lines," establishing the percentage of the population with incomes below certain minimum levels. The most recent NBI measurement was calculated for the six-month period ended December 31, 2012, and for poverty lines calculated for the six-month period ended June 30, 2013.

The Province joined other provinces (such as Jujuy, Salta, Misiones, Chaco, Entre Ríos and Río Negro) that stopped publishing poverty information in 2013 when provincial measurements of CPI, one of the elements used to establish poverty lines and the NBI, were significantly inconsistent with those published by INDEC. See "Risk Factors—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."

A person is considered poor if they live in a household having at least one of the following:

- more than three persons live in a room (crowding);
- living in a house made of irregular materials (housing);
- not having an indoor flush toilet (sanitation);
- having a child between six and twelve years of age that is not attending school (school attendance); and
- having four or more residents per person working and a household head with two or fewer years of primary school (subsistence capacity).

In 2012, 7.2% of the Province's households had at least one NBI, while 91.4% had no NBIs.

PROVINCIAL ENTITIES

Overview

During the second half of the 1990's, the Province undertook a comprehensive privatization program that involved the sale of several provincial entities, including two banks, four electricity companies and one water utility company. The Province used the proceeds from such sales to fund certain infrastructure projects, as well as its normal operations. As a result, the non-consolidated sector of the Province as of the date of this offering memorandum is relatively small. In addition, the Province put in place a regulatory framework, including the creation of a regulatory authority for each of the electricity and water industries.

Electricity

Pursuant to electricity privatization legislation, the generation, transmission and distribution of electricity in the Province is divided into three business units: generation, distribution in the western region of the Province and distribution in the eastern region of the Province. The assets of each of these business units (previously under the control of the Province's electricity utility company) were transferred to three new companies: Generación Eléctrica de Mendoza S.A. ("Gemsa"), Empresa Distribuidora de Electricidad de Mendoza S.A. ("Edemsa") and Empresa Distribuidora de Electricidad del Este S.A. ("Edestesa"). Edemsa and Edestesa, in the aggregate, provide electricity to 17 of the 18 departments of the Province, and, in certain departments, they share distribution rights with nine local electricity cooperatives. In addition, in 2012 the Province established Emesa as the holding company for its electricity companies.

Emesa

Empresa Mendocina de Energía Sociedad Anónima con Participación Estatal Mayoritaria ("Emesa") was established by Law No. 8,423, enacted on May 30, 2012. Emesa is responsible for the implementation of the energy policy of the Province. Among others, the main functions of Emesa are:

- researching, exploring, managing and exploiting energy resources;
- production, transportation, storage, distribution, commercialization and industrialization of all products, by-products and derivatives direct and indirect, from the exploitation referred to in the preceding paragraph;
- generating, transmitting, distributing and selling electricity;
- formulating and implementing the construction, renovation, reactivation and/or extension of projects required for the exploration and exploitation of all energy resources; and
- researching and developing projects related to renewable energy and environmentally sustainable alternatives.

Emesa's assets include, among others, 25.5% participation in Empresa de Transporte de Energía Eléctrica por Distribución Troncal de Cuyo (an electricity distribution company), 39.0% participation in Edestesa (an electricity distribution company), 39.0% participation in Hidroeléctrica Diamante S.A. (an electricity generation company) and 48.0% participation in Hidroeléctrica Los Nihuiles S.A. (an electricity generation company).

The Province owns 90.0% of the share capital of Emesa, represented by Class A shares (71.0%) and Class C shares (19.0%). According to Emesa's constitutive documents, Class C shares are to be sold in a public offering. As of the date of this offering memorandum, the Province has no specific timeline to execute such an offering.

By law, the remaining 10.0% of share capital of Emesa, represented by Class B shares, is to be transferred to the municipalities of the Province. As of the date of this offering memorandum, only Tupungato and Guaymallén have not yet entered into their respective share transfer agreement with the Province.

As of December 31, 2014, Emesa had total assets of P$454.4 million, total liabilities of P$4.4 million and a net worth of P$450.0 million. In addition, for the year ended December 31, 2014, Emesa recorded a profit of P$107.8 million.

Gemsa

The Province currently has no participation in Gemsa. Originally created as a provincially-owned entity, the Province's participation in Gemsa was transferred in December 1999 to the electricity workers' trade union and to the company's employees.

Edemsa

On July 31, 1998, 51.0% of the share capital of Edemsa was sold for US$237.8 million following an international public tender offer to an international consortium comprising French companies EDF International S.A. (45.0%), Saur International (15.0%) and a group of French companies led by Credit Lyonnais, which formed Mendivert S.A. (40.0%). In March 2004, those shares were subsequently sold to Sodemsa, a local business conglomerate with investments in media and energy. The Province maintained a 39.0% equity interest while the remaining 10.0% balance was included in an employee participation program that is yet to be implemented.

During the December 2001 national crisis, electricity tariff rates were "pesified" at the US$1.00 = P$1.00 exchange rate. Following failed negotiations between the controlling shareholders of Edemsa and the Province for an adjustment of tariffs, on August 12, 2003, EDF International S.A., Saur International, and Credit Lyonnais (on behalf of Mendivert S.A.) filed an arbitral complaint against the federal government before ICSID in Washington D.C. On February 6, 2016, an ICSID ad-hoc committee decided against the annulment petition presented by the federal government in respect of the original award by the ICSID arbitration panel against Argentina in this proceeding. The award grants claimants US$136.1 million with interest compounded annually at the rate for 10-year U.S. Treasury Bonds from December 31, 2001, until full payment of the award is satisfied. The Province may be asked by the federal government to reimburse amounts paid by it in respect of this award or the settlement thereof, on terms to be mutually agreed to by the Province and the federal government. See "Public Sector Debt—Contingencies— Litigation."

As of December 31, 2015, Edemsa had total assets of P$2,458.8 million, total liabilities of P$2,201.7 million and a net worth of P$257.2 million. In addition, for the year ended December 31, 2015, Edemsa recorded a loss of P$104.8 million.

Edestesa

On November 30, 1998, 51.0% of the share capital of Edestesa was sold to a consortium of local electricity co-operatives for P$2.1 million. The Province maintained a 39.0% equity interest and the balance was included in an employee participation program.

As of December 31, 2014, Edestesa had total assets for P$478.6 million, total liabilities for P$266.7 million and net worth of P$211.9 million. For the year ended December 31, 2014, Edestesa recorded a P$7.5 million gain.

Water and sewage services

In August 2010, the provincial administration created AySAM, a majority state-owned company responsible for providing water and sanitation in the Province. The Province owns 90.0% of the shares, and the remaining 10.0% is owned by AySAM's employees.

As of September 27, 2015, the date of its most recent financial statements, AySAM provided drinking water and urban wastewater services to approximately 79.0% and 68.0%, respectively, of the population in the Province, corresponding to approximately 385,000 customers. As of September 27, 2015, AySAM had total assets of P$420.3 million, total liabilities of P$209.8 million and a net worth of P$210.6 million. In addition, for the year ended September 27, 2015, AySAM had a net income of P$54.4 million.

Urban transportation

The *Empresa Provincial de Transporte de Mendoza* (Provincial Transportation Company of Mendoza or "EPTM") is an autonomous entity (*entidad autárquica*) created by the Province, responsible for providing public transportation in the city of Mendoza and its suburban areas.

For the year ended December 31, 2014, EPTM recorded a net loss of P$12.2 million and revenues of P$5.9 million (taking into account net financing). For the same period, EPTM had revenues of P$120.8 million and total liabilities of P$25.7 million. It is estimated that for the year ended December 31, 2015, EPTM's total income was P$154.9 million and total expenses were P$186.5 million.

EPTM operates trolley-buses, buses and the *Metrotranvía* (a tramway). As of December 31, 2014, EPTM had 67 trolley-buses (of which 35 were in active service and the remaining 32 were undergoing repairs and maintenance), 21 active buses and 12.5 kms of tramway lines. As of December 31, 2014, EPTM had 490 employees. EPTM transports approximately 11.9 million passengers per year. Approximately 42.0% of these passengers are senior citizens (over 70 years old) who are not required to pay a fare for using any transportation service provided by EPTM.

Public transportation services in the city of Mendoza and its suburban areas are also provided by nine privately-owned bus companies pursuant to concessions granted by the Province. These concessions have been automatically extended and are valid until such time as the Province awards new ones. The Province is currently considering implementing a comprehensive public transportation program, which would include the call of new tenders for such concessions, the acquisition by the Province of new vehicles and the creation of a new regulatory authority.

Growth and Transformation Fund

In 1993, the Province used US$617.0 million received from the settlement of a litigation against the federal government to create the *Fondo de Transformación y Crecimiento Socioeconómico de la Provincia de Mendoza* (Growth and Socioeconomic Transformation Fund or "FTC"). The FTC is an autonomous entity (*entidad autárquica*) within the jurisdiction of the Province's Ministry of Finance. It is managed by a board comprised of the Province's ministers of economy, finance, environment and public works, as well as the secretary of finance.

The purpose of the FTC is the funding of investment projects aimed at improving the Province's infrastructure and the productivity of its human resources in order to promote sustainable economic growth levels in the Province. The FTC grants loans to both the private and public sector at subsidized interest rates following a review of the project by the FTC's team of analysts and generally on a secured basis. The FTC is authorized to borrow or raise funds but can only sell its assets if authorized by the Province's legislature.

As of December 31, 2015, the assets of the FTC amounted to P$1,027.5 million, of which P$261.5 million were short-term deposits, P$122.3 million were long-term investments, P$172.3 were current loans, P$450.9 million were long-term loans, P$3.8 million were debts of the Province to the FTC, P$6.9 million were fixed assets and P$13.6 million were other assets. Total liabilities of the FTC as of December 31, 2015, were P$28.4 million.

As of December 31, 2015, 99.4% of the FTC's loan portfolio was represented by loans to the private sector (almost entirely devoted to agricultural activities). Loans from the FTC have been mainly directed to frost prevention and hail defense programs, temporary financial assistance in relation to the harvesting of the Province's fruit production and to fund certain social programs of the Province.

Gaming Commission

The *Instituto Provincial de Juegos y Casinos* (the Gaming and Casino Provincial Commission or "Gaming Commission") is an autonomous entity (*entidad autárquica*) responsible for managing the Province's lottery and other gambling activities. For the year ended December 31, 2015, the Gaming Commission had total revenues of P$3,867.3 million and total expenditures of P$3,813.1 million. These expenditures include transfers to the Province in an aggregate amount of P$90.7 million.

Employees' Mutual Insurance Entity

The *Caja de Seguro Mutual* (Employees' Mutual Insurance Entity or "EMIE") is an autonomous entity (*entidad autárquica*) responsible for managing life insurance for provincial government employees and retirees, their spouses and their children under 18 years of age or who are disabled. All employees and retirees of the provincial administration are required to pay a premium for this insurance, which is deducted directly from their monthly salary.

It is estimated that for the year ended December 31, 2015, EMIE's total income was P$154.9 million and total expenses were P$186.5 million the year ended December 31, 2015, EMIE's total income was P$137.0 million and total expenses were P$121.8 million.

Housing Institute

The *Instituto Provincial de la Vivienda* ("Housing Institute") is an autonomous entity (*entidad autárquica*) whose purpose is the financing and construction of housing projects, in particular, those oriented to the low income sectors of the Province's population. Its main source of funding consists of transfers from the federal government.

The federal government is required to transfer 42.0% of revenues from the federal tax on fuels to the Fondo Nacional de la Vivienda (National Housing Fund, or "FONAVI") for purposes of funding the construction of low income housing throughout the country. Under current federal law, the Province is entitled to 4.0% of the funds transferred to FONAVI. The Province received from the National Housing Fund P$105.9 million in 2011, P$147.7 million in 2012, P$196.8 million in 2013 and P$273.4 million in 2014. In 2015, the Province received an estimated P$342.3 million.

It is estimated that during the year ended December 31, 2015, the Housing Institute had revenues of P$1,373.0 million and expenditures of P$1,569.5 million. In addition, as of December 31, 2015, it had P$52.6 million of total liabilities.

Potential liability of the Province

Each of the EPTM, the FTC, the Gaming Commission, EMIE and the Housing Institute is an autonomous entity of the Province under Argentine law (*entidad autártica*). Autonomous entities are public law entities with the power and authority to manage their own affairs. The Province's responsibility for such autonomous entities' liabilities is secondary and indirect. Prior to requesting payment from the Province, creditors of any autonomous entity need to exhaust all legal remedies against such entity.

PUBLIC SECTOR FINANCES

Introduction

The following table sets out the Province's revenues and expenditures from 2011 to 2014 and estimates for 2015.

Revenues and Expenditures

	2011	2012	2013	2014	2015[(1)]
			(in millions of P$)		
Current revenues	10,934.2	15,012.6	19,723.5	27,646.7	35,896.6
Current expenditures	11,064.9	15,241.9	20,388.6	27,273.5	37,976.0
Operating balance[(2)]	**(130.7)**	**(229.3)**	**(665.1)**	**373.2**	**(2,079.4)**
Capital revenues	368.3	370.4	467.2	732.1	695.7
Capital expenditures	1,475.0	1,089.9	1,230.8	1,663.5	2,383.1
Overall balance[(3)]	**(1,237.4)**	**(948.8)**	**(1,428.7)**	**(558.2)**	**(3,766.8)**

Notes:

(1) Figures are preliminary estimates.

(2) Represents current revenue, minus current expenditures.

(3) Represents total revenue, minus total expenditures.

Source: Department of Finance of the Province

Under Provincial Accounting Practices, the Province records its revenues when received and its expenses when accrued. See "Presentation of Financial and Statistical Information." The revenues and expenditures of certain autonomous entities such as the FTC, the EPTM, the Gaming Commission, the EMIE and the Province's Housing Institute, are not consolidated on a line-by-line basis in the statements of revenues and expenditures of the Province (although transfers between the Province and these entities are included in the Province's statements of revenues and expenditures). During the year ended December 31, 2015, total revenues and expenditures of these non-consolidated entities represented an estimated P$7,653.7 million and P$7,905.8 million, respectively. Revenues and expenditures of the Province do not include revenues and expenditures of municipalities that carry out certain responsibilities delegated to them by the Province, except for transfers payments to such entities by the Province are included among the Province's expenditures as "Transfers."

Taxation and other revenues

The Province's total revenues for 2015 totaled P$36,592.3 million, an increase of 28.9% from P$28,378.8 million in 2014. This increase was mainly due to higher federal transfers in an amount of P$5,091.4 million and provincial tax revenues of P$2,633.2 million in 2015. In 2015, 86.5% of the Province's revenues were derived from the collection of taxes. Federal taxes accounted for 52.6% and provincial taxes accounted for 33.9% of the Province's total revenues in 2015. In 2015, 6.6% of the Province's revenues were derived from the collection of royalties. The balance of total revenues was comprised of: federal non-tax transfers and provincial non-tax revenues.

The following table sets out the Province's sources of revenues and their percentage participation in each of the years 2011 to 2014 and estimates for 2015.

Provincial Revenues

	2011		2012		2013		2014		2015[1]	
	(in millions of P$ and %)									
Current revenues										
Federal source revenues										
Federal Tax Revenues										
Federal Co-Participation Regime payments	4,468.5	39.5%	4,878.4	31.7%	6,417.6	31.8%	8,831.9	31.1%	10,757.0	29.4%
Other federal tax transfers	1,096.6	9.7%	2,149.4	14.0%	2,749.7	13.6%	3,702.7	13.0%	6,438.3	17.6%
Federal non-tax revenues										
Federal nonrefundable contributions	590.0	5.2%	791.6	5.1%	895.8	4.4%	1,604.8	5.7%	2,035.5	5.6%
Subtotal federal source revenues	**6,155.2**	**54.5%**	**7,819.4**	**50.8%**	**10,063.0**	**49.8%**	**14,139.4**	**49.8%**	**19,230.8**	**52.6%**
Provincial Source Revenues										
Provincial tax revenues										
Gross revenues tax	2,079.3	18.4%	3,537.4	23.0%	5,535.0	27.4%	7,828.7	27.6%	9,771.9	26.7%
Stamp tax and court tax	379.5	3.4%	442.4	2.9%	701.0	3.5%	947.3	3.3%	1,282.1	3.5%
Automobile tax	256.4	2.3%	314.7	2.0%	415.5	2.1%	574.0	2.0%	815.8	2.2%
Real estate tax	180.2	1.6%	228.3	1.5%	282.3	1.4%	386.8	1.4%	499.2	1.4%
Other tax revenues	16.6	0.1%	25.9	0.2%	44.9	0.2%	26.8	0.1%	27.7	0.1%
Subtotal provincial tax revenues	**2,912.0**	**25.8%**	**4,548.8**	**29.6%**	**6,978.8**	**34.6%**	**9,763.5**	**34.4%**	**12,396.7**	**33.9%**
Provincial non-tax revenues										
Royalties	969.3	8.6%	1,194.3	7.8%	1,476.6	7.3%	2,177.3	7.7%	2,396.9	6.6%
Charges for Services rendered	230.1	2.0%	320.3	2.1%	399.1	2.0%	607.1	2.1%	872.4	2.4%
Gaming Commission transfers	72.2	0.6%	106.4	0.7%	100.0	0.5%	77.1	0.3%	90.7	0.2%
Other	595.4	5.3%	1,023.6	6.7%	706.1	3.5%	882.2	3.1%	909.1	2.5%
Subtotal provincial non-tax revenues	**1,867.0**	**16.5%**	**2,644.5**	**17.2%**	**2,681.7**	**13.3%**	**3,743.8**	**13.2%**	**4,269.0**	**11.7%**
Subtotal provincial source revenues	**4,779.0**	**42.3%**	**7,193.3**	**46.8%**	**9,660.5**	**47.8%**	**13,507.3**	**47.6%**	**16,665.7**	**45.5%**
Subtotal current revenues	**10,934.2**	**96.7%**	**15,012.6**	**97.6%**	**19,723.5**	**97.7%**	**27,646.7**	**97.4%**	**35,896.6**	**98.1%**
Capital revenues										
Federal transfers (Fondo Soja)	292.0	2.6%	295.1	1.9%	388.5	1.9%	592.3	2.1%	633.3	1.7%
Transfer for capital expenditures	76.3	0.7%	75.3	0.5%	78.7	0.4%	139.8	0.5%	62.4	0.2%
Subtotal Capital revenues	**368.3**	**3.2%**	**370.4**	**2.4%**	**467.2**	**2.3%**	**732.1**	**2.5%**	**695.7**	**1.9%**
Total revenues	**11,302.4**	**100.0 %**	**15,383.0**	**100.0 %**	**20,190.7**	**100.0 %**	**28,378.8**	**100.0 %**	**36,592.3**	**100.0 %**

Note:
(1) Figures are preliminary estimates.
Source: Department of Finance of the Province

Current revenues

Current revenues of the Province were an estimated P$35,896.6 million in 2015 and represented 98.1% of the Province's total revenues. Current revenues included federal source revenues and provincial tax and non-tax revenues.

Federal source revenues

Federal source revenues contributed an estimated P$19,230.8 million and accounted for 52.6% of the Province's current revenues in 2015. The transfers were comprised mainly of Federal Co-Participation Regime payments made pursuant to the tax revenue-sharing scheme described below, with the balance being dedicated to funding of programs in the areas of education, housing and social welfare as well as highway and infrastructure construction and maintenance.

The following table sets out a breakdown of the federal source revenues in each of the years 2011 to 2014 and estimates for 2015.

Federal Source Revenues

	2011	2012	2013	2014	2015(1)
			(in millions of P$)		
Federal tax revenues					
Federal Co-Participation	4,468.5	4,878.4	6,417.6	8,831.9	10,757.0
Other federal tax transfers					
Federal Education financing law	—	785.0	963.1	1,235.0	2,975.3
Buenos Aires Metropolitan Fund	530.9	689.9	926.7	1,367.3	1,958.7
Federal Teachers' Incentive Fund	141.3	154.5	187.2	177.8	259.1
Highway Fund	53.5	68.3	92.1	137.2	164.7
Fund for Fiscal Imbalances	26.4	26.4	26.4	26.4	26.4
Other	344.6	425.3	554.2	759.1	1,054.1
Subtotal other federal tax transfers	**1,096.7**	**2,149.4**	**2,749.7**	**3,702.8**	**6,438.3**
Subtotal federal tax revenues	**5,565.2**	**7,027.8**	**9,167.3**	**12,534.7**	**17,195.3**
Federal non-tax revenues					
Federal nonrefundable contributions	590.0	791.6	895.8	1,604.8	2,035.5
Total federal source revenues	**6,155.2**	**7,819.4**	**10,063.0**	**14,139.4**	**19,230.8**

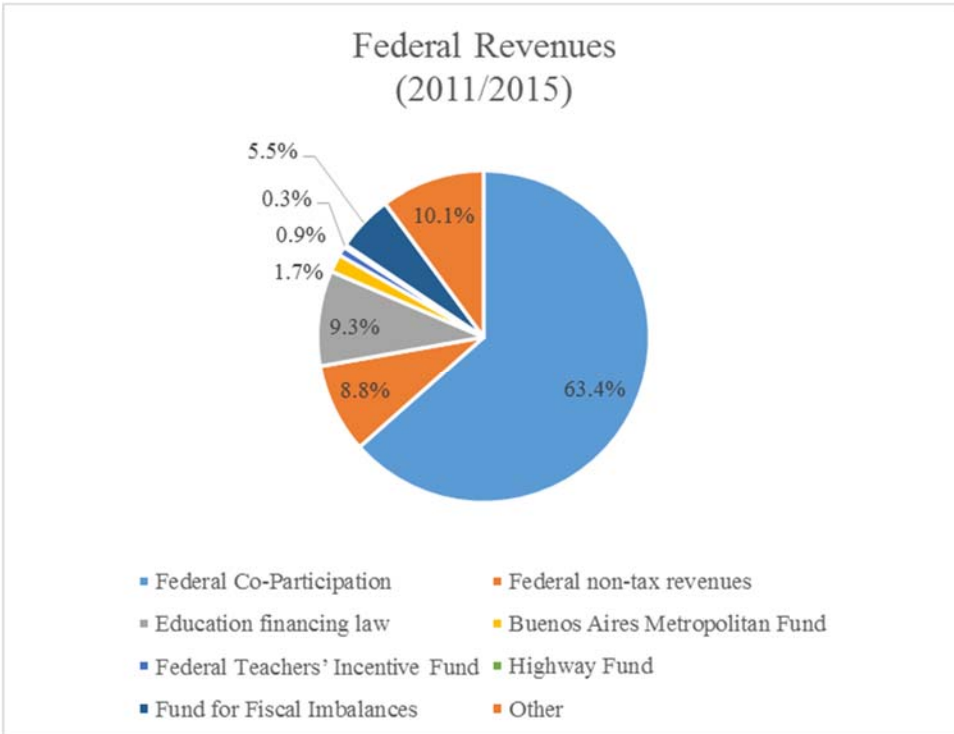
Note:

(1) Figures are preliminary estimates.

Source: Department of Finance of the Province

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

Average Federal Revenues by Sector (2011/2015)



Federal Co-Participation Regime

Under the federal constitution, both the federal and provincial governments are authorized to levy taxes. In 1935, the federal and provincial governments entered into a coordinated tax arrangement pursuant to which the federal government agreed to collect certain taxes on an exclusive basis and to distribute a portion of those tax revenues among the provinces. In exchange, the provincial governments agreed to limit the types of taxes they collected. This coordinated taxation regime has been extended and modified several times since its inception. Currently, the "shared" or "co-participated" taxes are income taxes, value-added taxes, several excise taxes levied on consumption and taxes on financial transactions.

The Federal Tax Co-Participation Law and two agreements entered into between the federal and provincial governments in 1992 and 1993, currently govern the Federal Co-Participation Regime. This scheme was reflected in the 1994 amendments to the federal constitution, which granted constitutional recognition to the Federal Co-Participation Regime. The current allocation of taxing powers between the federal government and the provinces is as follows:

- federal and provincial governments are both authorized to levy taxes on consumption and impose other indirect taxes;
- the federal government may also levy direct taxes (such as income taxes) in exceptional cases;
- taxes collected by the federal government (except those collected for specific purposes) are to be shared between the federal 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 taxing and other powers that are not expressly delegated to the federal government in the federal constitution.

Under the Federal Co-Participation Regime, the federal government is currently required to transfer to a federal co-participation fund 64.0% of income tax revenues, 89.0% of value-added tax revenues, 100.0% of revenues from the presumptive minimum income tax, 30.0% of banking debits and credits tax revenues and the revenues from excise tax and other minor taxes.

Of the annual tax revenue to be distributed to the provinces, 15.0% is transferred to the federal pension system, and 85.0% is distributed as follows: 42.3% of these funds is transferred to the federal government for its own needs and for transfers to the City of Buenos Aires (which until 1996 was under the administration of the federal government) and the Province of Tierra del Fuego; 1.0% is retained in a special reserve for emergency situations and financial difficulties of the provinces; and the remaining 56.7% of these funds is allocated to the provinces to be shared according to percentages set forth in the Federal Tax Co-Participation Law, which was established following negotiations among the federal government and the provinces. Under this law, the Province is entitled to 4.3% of the funds allocated to the provinces, subject to certain deductions or special allocations. The Province is required to transfer a portion of that amount to the municipalities. After transfers to the municipalities, the Province's use of the remaining Federal Co-Participation Regime payments is discretionary.

In 2009, the federal government created the *Fondo Federal Solidario* (Federal Solidarity Fund) using 30.0% of the amount collected by the federal government from soybean export duties. The amounts from this fund are distributed to the provinces under the percentages established in the Federal Co-Participation Regime for use on infrastructure projects. In turn, the provinces are required to transfer 30.0% of their share of these revenues to their respective municipal governments.

Certain taxes not governed by the main Federal Co-Participation Regime, such as the personal property tax, the *Monotributo* (simplified regime for small taxpayers), fuel tax and energy tax, are regulated by special regimes of co-participation.

In each year from 2011 through 2015, the Province received through the Federal Co-Participation Regime P$4,468.5 million, P$4,878.4 million, P$6,417.6 million, P$8,831.9 million and P$10,757.0 million, respectively.

On several occasions, the provinces have requested that the percentage of revenues allocated to the provinces under the Federal Co-Participation Regime be increased. In November 2015, the Supreme Court of Argentina ruled against the federal government in connection with cases brought by the Argentine provinces of Santa Fe and San Luis, whereby the 15.0% deduction from co-participation payments assessed on the provinces to fund the ANSeS was declared unconstitutional, which ruling was also applied to the province of Córdoba. The Court concluded that between 1992 and 2005, such deduction took place with the agreement of said provinces. However, since 2006, such deduction was made by the federal government without the consent of the provinces. The rulings include an order to return to those provinces the co-participation payments deducted since then. The Court's decision also urges the enactment of a new revenue sharing regime. An additional ruling issued by the Supreme Court of Argentina in November 2015, granted to the provinces of Córdoba, Santa Fe and San Luis an injunction suspending the 15.0% deduction of the shared taxes carried to fund the ANSeS from those provinces.

In addition, pursuant to Decree No. 194/16, the federal government increased the co-participation coefficient of the City of Buenos Aires as from January 1, 2016, from 1.40% to 3.75%, thereby reducing the federal government's share of co-participation payments. As of the date of this offering memorandum, discussions in connection with the change to the Federal Co-Participation Regime were taking place between the federal government and the governors of the provinces.

The Province has pledged a part of its revenues from federal tax transfers, including a part of the Federal Co-Participation Regime, to secure certain outstanding obligations, most of which are owed to the federal government (including Banco Nacion). Under these security arrangements, the federal government, acting through Banco Nacion, is entitled to withhold a portion of the Province's federal tax transfers to cover principal and interest payments on the secured obligations. See "Public Sector Debt—Banco Nacion."

Other Federal Tax Transfers

The federal government also distributes to the Province other tax revenues that are not included in the Federal Co-Participation Regime described above, pursuant to specific statues and programs. The principal tax transfers include the following:

- *Federal Education Financing Law*. On December 21, 2005 the federal congress approved Law No. 26,075 (*Ley de Financiamiento Educativo* or "Federal Education Financing Law") with the goal of increasing financing to education, science and technology to 6.0% of the federal GDP, taking into account the consolidated 2010 budget of the federal government, the provinces and the City of Buenos Aires. Funds received by the Province under the Federal Education Financing Law are deductible from the aggregate amount of co-participation tax transfers that the Province is entitled to under the Federal Co-Participation Regime. The Federal Education Financing Law expired in 2010 and was not renewed for 2011. However, since 2012, the national budget laws have reestablished this special allocation of funds. The Province received pursuant to the Federal Education Financing Law P$785.0 million in 2012, P$963.1 million in 2013 and P$1,235.0 million in 2014. In 2015, the Province received an estimated P$2,975.3 million.
- *Buenos Aires Metropolitan Fund.* The federal government must also transfer to the *Fondo del Conurbano Bonaerense* ("Buenos Aires Metropolitan Fund") an annual amount equal to 10% of all net revenues transferred to the provinces, up to a maximum amount of P$650 million. Once this amount is covered, the rest is distributed to the provinces, after 4% of the net transfers to the provinces is placed in the *Fondo de Infraestructura Básica* ("Basic Infrastructure Fund"). The Province received pursuant to this fund P$530.9 million in 2011, P$689.9 million in 2012, P$926.7 million in 2013 and P$1,367.3 million in 2014. In 2015, the Province received an estimated P$1,958.7 million.
- *Federal Teachers' Incentive Fund.* The *Fondo Nacional de Incentivo Docente* ("Federal Teachers' Incentive Fund") was created in 1999 and is intended to improve state and state-subsidized private school teachers' wages in the provinces and the City of Buenos Aires. The annual federal budget allocates general federal revenues to this fund. The allocation of this fund to the provinces is based on criteria corresponding to the number of teachers and class hours in every province. The Province received from the Federal Teacher's Incentive Fund P$141.3 million in 2011, P$154.5 million in 2012, P$187.2 million in 2013 and P$177.8 million in 2014. In 2015, the Province received an estimated P$259.1 million.
- *Highway Fund*. The federal government is required to transfer 17.4% of revenues from the federal tax on fuels to the *Fondo de Vialidad* ("Highway Fund"). The Highway Fund distributes these funds to the provinces on the basis of road construction and maintenance expenditures of each province, as well as other factors that include population size and fuel consumption. The Province received from the Highway Fund P$53.5 million in 2011, P$68.3 million in 2012, P$92.1 million in 2013 and P$137.2 million in 2014. In 2015, the Province received an estimated P$164.7 million.
- *Fund for Fiscal Imbalances*. The *Fondo de Desequilibrios Fiscales* ("Fund for Fiscal Imbalances") is comprised of an annual fixed amount of P$549.6 million at a federal level. The assets of the fund are drawn from the gross sharing revenues (*Masa Coparticipable Bruta*) in advance of the secondary distribution. These amounts are distributed within the provinces on a discretionary basis. Transfers from this fund to the Province amounted to P$26.4 million per year in each year between 2011 and 2015.
- *Other federal tax transfers.* The Province receives other additional tax transfers from the federal government. These include transfers made by the federal government to the Province pursuant to specific statutes and programs. In 2015, the Province received an estimated P$1,054.1 million as other federal tax transfers from the federal government.

Federal non-tax revenues

In addition to the tax transfers received by the Province under the Federal Co-Participation Regime, the Province records other payments or transfers from the federal government as federal contributions to finance certain current and capital expenditures of the Province.

Since 1988, the federal government provides discretionary transfers to the provinces, known as Aportes del Tesoro Nacional (National Treasury Transfers), to meet special or emergency needs or to finance certain expenditures of national interest. In 2015, the Province received a total of P$2,035.5 million of these transfers.

Provincial Source Revenues

Provincial source revenues contributed an estimated P$16,665.7 million and accounted for 45.5% of the Province's current revenues in 2015. Provincial source revenues were comprised mainly of gross revenues tax, stamp and court tax and hydrocarbon royalties, which accounted for 80.7% of the provincial sources of current revenues in 2015.

The following table sets out a breakdown of the provincial source revenues in each of the years 2011 to 2014 and estimates for 2015:

Provincial Source Revenues

	2011	2012	2013	2014	2015(1)
			(in millions of P$)		
Provincial tax revenues					
Gross revenues tax	2,079.3	3,537.4	5,535.0	7,828.7	9,771.9
Stamp tax and court tax	379.5	442.4	701.0	947.3	1,282.1
Automobile tax	256.4	314.7	415.5	574.0	815.8
Real estate tax	180.2	228.3	282.3	386.8	499.2
Other tax revenues	16.6	25.9	44.9	26.8	27.7
Subtotal	**2,912.0**	**4,548.8**	**6,978.8**	**9,763.5**	**12,396.7**
Provincial non-tax revenues					
Royalties	969.3	1,194.3	1,476.6	2,177.3	2,396.9
Charges for services rendered	230.1	320.3	399.1	607.1	872.4
Gaming Commission Transfers	72.2	106.4	100.0	77.1	90.7
Other non-tax revenues	595.4	1,023.6	706.1	882.2	909.1
Subtotal	**1,867.0**	**2,644.5**	**2,681.7**	**3,743.8**	**4,269.0**
Total	**4,779.0**	**7,193.3**	**9,660.5**	**13,507.3**	**16,665.7**

Note:

(1) Figures are preliminary estimates.

Source: Department of Finance of the Province

Provincial Tax Revenues

In 2015, an estimated 33.9% of the Province's total revenues were provincial tax revenues.

The following are the main provincial taxes:

- *Gross Revenue Tax*. The gross revenue tax is the single largest source of provincial tax revenue. Gross revenues of most commercial or business activities carried out within the jurisdiction of the Province are taxed at fixed rates according to the type of activity. The general tax rate is 3.0%, although sales of oil and its by-products are taxed at a rate of 6.0% and gaming activities are taxed at a rate of 26.0%. In 2015, gross revenue tax represented an estimated 26.7% of the Province's total revenues, or P$9,771.9 million. Gross revenue tax receipts increased by 370.0% from P$2,079.3 million in 2011, which is explained, in part, by a change in the provincial tax policies implemented since 2012, which focused in expanding the gross revenue tax in the Province. In addition, the provincial administration ceased to implement fiscal agreements with the federal government and the rest of the provinces pursuant to which the provinces had agreed to reduce the gross revenue and stamp tax impact in the provinces and, therefrom, gross revenue tax exemptions were eliminated from the provincial fiscal system. From 2012 onwards, the gross revenue tax applied to the primary sector, the industrial sector and the constructions sector. However, small primary sector producers continue to be exempt from the gross revenue tax.

- *Stamp Tax and Court Tax.* The Province levies a stamp tax on all acts, agreements and transactions, for good and valuable consideration, entered into within the territory of, or that have effects in, the Province, and that are documented in private or public instruments. The tax rate ranges from 0.5% to 4.5% of the value of the underlying agreement or transaction depending on the subject of the transaction. All parties to the activity subject to this tax are jointly and severally liable for its payment. The Province records stamp tax revenues and court tax revenues jointly. The court tax is a mandatory payment imposed to claimants based on the amount of their claims brought before the provincial court. In 2015, the stamp tax and court tax represented an estimated 3.5%, or P$1,282.1 million, of the Province's total revenues.
- *Automobile Tax*. The Province charges a tax on automobiles registered in the Province. The tax rate amounts to 3.0% of the value of the vehicle as resulting from the valuation used by the federal government's *Dirección Nacional de la Propiedad Automotor y Créditos Prendarios* ("DNRPA") for most motor vehicles, which is determined by taking into consideration the model, year, type, category and appraised value of the vehicle, and is fixed annually in a provincial tax law. The appraised value of each vehicle is calculated as a percentage of the valuation determined by the Federal Automobile Register and by recorded liens on the vehicle. Certain vehicles used for productive activities are classified as capital assets and are subject to a lower tax rate than vehicles deemed to be final consumer goods. In 2015, the automobile tax represented an estimated 2.2%, or P$815.8 million, of the Province's total revenues. Provincial revenues from the automobile tax increased by 218.2% from P$256.4 million in 2011. In 2015, the automobile tax revenues increased by 42.1% when compared to 2014. The increase was mainly due to the increase in the applicable tax value.
- *Real Estate Tax*. The real estate tax is determined by applying a tax assessment on the appraised fiscal value of urban and rural real estate located in the Province, which varies in a range from 0.1% to 1.5% on the appraised value (a percentage of the market value). Both the applicable tax rate and the applicable tax base depend on a variety of factors, including the location (urban or rural), the condition (vacant, built or improved) and whether the titleholder has other real estate property. In addition, all real estate owned by federal, provincial and municipal governments, religious temples, non-profit organizations, universities, public libraries, health care organizations and free social assistance and firefighting services, among others, or which are historical monuments, are exempt from the real estate tax. In 2015, the real estate tax represented an estimated 1.4%, or P$499.2 million, of the Province's total revenues. Provincial revenues from the real estate tax increased by 181.8% from P$180.2 million in 2011. The increase was mainly due to the increase of property values on which this tax is calculated. In 2015, real estate tax revenues increased by 29.1% when compared to 2014. In 2015, property valuations for taxation purposes increased, on average, 20.0% compared to the values in 2014, to reflect the increase in property value.

Provincial Tax Administration

The Province has historically experienced problems collecting taxes levied on its citizens. In order to improve tax collections, in 2013 the Province created the *Administración Tributaria Mendoza* (the Provincial Tax Administration or "ATM"), an autonomous entity, through Law No. 8,521. The Province estimates that, in 2015, more than 40.0% of gross revenue, stamp, court, automobile and real estate taxes which should have been collected were not. The Province has undertaken a series of reforms to improve its tax collections. Such reforms include the implementation of a new tax management system for improved billing and monitoring of compliance by taxpayers, information sharing arrangements with the federal government, other provinces and utilities intended to facilitate better tracking of taxes owed, the creation of a unit dedicated to monitoring tax compliance by its largest taxpayers, improved training of tax inspectors and internal communications and the creation of a mobile tax unit in charge of tax audits.

Provincial Non-Tax Revenues

Royalties

The Province collects royalties related to the production of oil and gas and to the generation of hydroelectric energy.

Hydrocarbon royalties are payable to the Province by the concessionaires under law No. 17,319 (as amended and supplemented, the "Hydrocarbons Law") and the terms of the concessions. The percentage of hydrocarbon production payable by each concessionaire to the Province on account of hydrocarbon royalties is set forth in each concession. The amount of hydrocarbon royalties payable under the concessions is fixed at the beginning of each concession between 12.0% and 18.0% of commercialized oil and gas production, valued at the wellhead price (currently, all concessions have a 12.0% royalty, which, according to Section 16 of the Hydrocarbons Law, considering the specific conditions of the concessions, can only be reduced by the Province upon evidence that effective production is not economically viable).

Concessionaires are required to pay on a monthly basis to the Province a royalty equal to 12.0% of the total value of production for solid and liquid hydrocarbons, gasoline, liquid gas and liquefied petroleum gas. For purposes of calculating the price of production, concessionaires must take the price of the corresponding natural resource at the well in the field as set by the federal government's secretary of energy ("SEN") in U.S. dollars, converted to pesos at the exchange rate published by Banco Nacion for the last business day of the corresponding month.

The following table sets out a breakdown of the royalties paid to the Province in each of the years 2011 to 2014 and estimates for 2015.

Royalties

	2011	2012	2013	2014	2015[1]
			(in millions of P$)		
Oil production royalties	881.6	1,111.0	1,343.7	1,976.2	2,232.8
Gas production royalties	77.6	82.0	122.3	200.1	163.0
Hydroelectric production royalties	10.1	1.3	10.6	1.1	1.1
Total	**969.3**	**1,194.2**	**1,476.6**	**2,177.3**	**2,396.9**

Source: Department of Finance of the Province, Provincial Tax Authority

- *Oil Royalties.*

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

Oil Production and Royalties

	2011	2012	2013	2014	2015
Oil Production (in million m^3)	5.0	4.7	4.5	4.4	4.6
Average Price (in pesos per m^3)..	178.1	236.2	296.8	545.0	481.7
Royalties (in millions of pesos) ..	881.6	1,111.0	1,343.7	1,976.2	2,232.8
Royalties (in millions of US$)(1) .	213.5	244.1	245.2	243.4	240.9

Note:

(1) Converted into US$ at the following average annual exchange rates published by the Central Bank: P$4.130 to US$1.00 in 2011, P$4.551 to US$1.00 in 2012, P$5.479 to US$1.00 in 2013, P$8.119 to US$1.00 in 2014 and P$9.269 to US$1.00 in 2015.

Source: Department of Finance of the Province, Provincial Tax Authority

Oil royalties are paid to the Province by the concessionaires in pesos and calculated as a percentage of wellhead prices, which are denominated in U.S. dollars. According to the SEN, from 2011 through 2015, annual oil royalties paid to the Province increased by 153.3% from P$881.6 million in 2011 to P$2,232.8 million in 2015, mainly as a consequence of the devaluation of the peso and increased oil price at the well. Of total royalties received by the Province, oil royalties represented 90.0% (P$881.6 million), 93.1% (P$1,111.0 million), 91.7% (P$1,343.7 million), 90.8% (P$1,976.2 million) and 93.2% (P$2,232.8 million), respectively, in 2011, 2012, 2013, 2014 and 2015.

- *Gas Royalties.*

The table below shows gas production, average price and royalties received by the Province in each of the years 2010 to 2014 and estimates for 2015.

Gas Production and Royalties

	2011	2012	2013	2014	2015
Gas Production (in million m^3)...	1.0	1.3	1.5	1.6	1.6
Average Price (in pesos per thousand m^3)	0.08	0.06	0.08	0.12	0.11
Royalties (in millions of pesos) ..	77.6	82.0	122.3	200.1	163.0
Royalties (in millions of US$)(1) .	18.8	18.0	22.3	24.6	17.6

Note:

(1) Converted into US$ at the following average annual exchange rates published by the Central Bank: P$4.130 to US$1.00 in 2011, P$4.551 to US$1.00 in 2012, P$5.479 to US$1.00 in 2013, P$8.119 to US$1.00 in 2014 and P$9.269 to US$1.00 in 2015.

Source: Department of Finance of the Province, Provincial Tax Authority

Gas royalties are paid to the Province by the concessionaires in pesos and calculated as a percentage of wellhead prices, which depending on the intended use of the gas sold, is denominated in pesos or U.S. dollars, as determined by the federal government. 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. According to the SEN, since 2011 and through 2015, annual gas royalties paid to the Province increased by 110.0% (from P$77.6 million in 2011 to P$163.0 million in 2015), principally due to increased production and the devaluation of the peso. Of total royalties received by the Province, gas royalties represented 9.1% (P$77.6 million), 6.9% (P$82 million), 8.3% (P$122.3 million), 9.2% (P$200.1 million) and 6.8% (P$163.0 million), respectively, in 2011, 2012, 2013, 2014 and 2015.

- *Hydroelectric Royalties.*

Pursuant to Law No. 15,336, as amended and supplemented, the Province is entitled to receive up to 12.0% of the total revenue corresponding to the commercialization of the hydroelectric energy produced in the Province. According to the SEN, since 2011 and through 2015, annual hydroelectric royalties paid to the Province decreased by 89.1%, from P$10.1 million in 2011 to P$1.1 million in 2015. Of the total royalties received by the Province from 2011 to 2015, hydroelectric royalties represented between 1.0% to less than 0.1% during such period.

Charges for Services Rendered

The Province collects the fees it charges in relation to the provision of health services in its hospitals, special security services provided by the Province's police force, the issuance of birth and death certificates, marriage licenses, identity cards and industrial permits and the administration of certain provincial programs such as those protecting agricultural production from hail.

Revenues from charges for services rendered by the Province increased by 43.7% from a recorded P$607.1 million in 2014 to an estimated P$872.4 million in 2015.

Gaming Commission

Pursuant to the treatment given to the autonomous entities of the Province, the revenues and expenditures of its Gaming Commission (which manages the provincial lottery and other related games of chance) are not consolidated on a line-by-line basis in the Province's statements of revenues and expenditures, but rather the surplus generated each year by the Gaming Commission is transferred to the Province and recorded under this item. Transfers from the Gaming Commission increased by 17.6% from P$77.1 million in 2015 to P$90.7 million in 2015 as a result of increasing inflation.

Other Non-Tax Revenues

In 2015, other non-tax revenues of the Province were estimated at P$909.1 million, representing a 30.5% increase as compared to P$882.2 million in 2011. The Province derives non-tax revenues from various sources, including, among others: non-recurring extraordinary down-payments by concessionaires payable once in connection with the extension of the relevant concession and extraordinary production fees totaling an additional 3.0%, which are calculated as a percentage of wellhead prices similar to the calculation of royalties.

Capital revenues

The Province derives capital revenues from transfers from residual funds, public works reimbursements and loan repayments. In 2015, the Province received an estimated P$695.7 million in capital revenue transfers. The majority of such capital revenues was derived from the Fondo Soja federal transfers. This fund, created in 2009, is funded by 30.0% of duties collected on exports of soybeans. Its proceeds are used for infrastructure expenditures in provinces and municipalities that participate in the program. The Province received P$633.3 million from this fund in 2015. Other capital revenue transfers are used for financing public works and real direct investments. Most of these federal transfers are managed by the *Ministerio de Planificación Federal* (Federal Planning Ministry) and the *Dirección Nacional de Vialidad* (National Highways Department). The primary programs of the Planning Ministry are related to urban development, neighborhood gentrification and educational improvement, with the goal of enhancing low-income housing, schools and roads.

Composition of Expenditures

The Province provides a number of public services, primarily related to healthcare, education, security (including police and prisons), social programs, investments in public infrastructure and general provincial administration. As of December 31, 2014, such services accounted for more than 11.0% of provincial expenditures (excluding debt service payments).

The Province's expenditures are classified as current and capital expenditures. Current expenditures consist of costs of personnel, goods and services and current transfers, which include net transfers to municipalities in accordance with the Federal Co-Participation Regime and to unconsolidated provincial agencies and enterprises. Capital expenditures include real direct investment, loans and capital contributions to provincial enterprises and loans and transfers to municipalities for public works.

The provincial government's expenditure on goods and services grew on average 32.0% per year from 2011 to 2014. The new administration has implemented certain policies and efforts to control expenditures, as described below. See "—Current Expenditures."

The following table sets forth the Province's expenditures by category and their percentage participation of current and capital expenditure for the years 2011 to 2014 and estimates for 2015.

Provincial Expenditures

	2011		2012		2013		2014		2015(1)	
	(in millions of P$ and %)									
Current expenditures										
Personnel	6,314.1	50.4%	8,992.2	55.1%	12,047.5	55.7%	16,278.1	56.3%	23,368.5	57.9%
Transfers	3,116.0	24.8%	4,107.2	25.1%	5,279.1	24.4%	7,162.1	24.8%	9,509.3	23.6%
Goods and services	1,439.2	11.5%	1,929.2	11.8%	2,593.2	12.0%	3,120.9	10.8%	4,346.4	10.8%
Debt interest	190.6	1.5%	208.0	1.3%	462.8	2.1%	706.4	2.4%	745.8	0.1%
Other	5.0	0.0%	5.4	0.0%	6.0	0.0%	6.0	0.0%	6.0	0.0%
Subtotal	**11,064.9**	**88.2%**	**15,241.9**	**93.3%**	**20,388.6**	**94.3%**	**27,273.5**	**94.3%**	**37,976.0**	**94.1%**
Capital expenditures										
Real direct investment	1,254.0	10.0%	868.3	5.3%	821.8	3.8%	1,083.1	3.7%	1,744.9	4.3%
Loans and capital contributions	48.3	0.4%	76.7	0.5%	147.1	0.7%	247.2	0.9%	216.9	0.5%
Other transfers	172.6	1.4%	144.9	0.9%	261.9	1.2%	333.3	1.2%	421.3	1.0%
Subtotal	**1,475.0**	**11.8%**	**1,089.9**	**6.7%**	**1,230.8**	**5.7%**	**1,663.5**	**5.7%**	**2,383.1**	**5.9%**
Total expenditures	**12,539.8**	**100.0%**	**16,331.8**	**100.0%**	**21,619.4**	**100.0%**	**28,937.0**	**100.0%**	**40,359.1**	**100.0%**

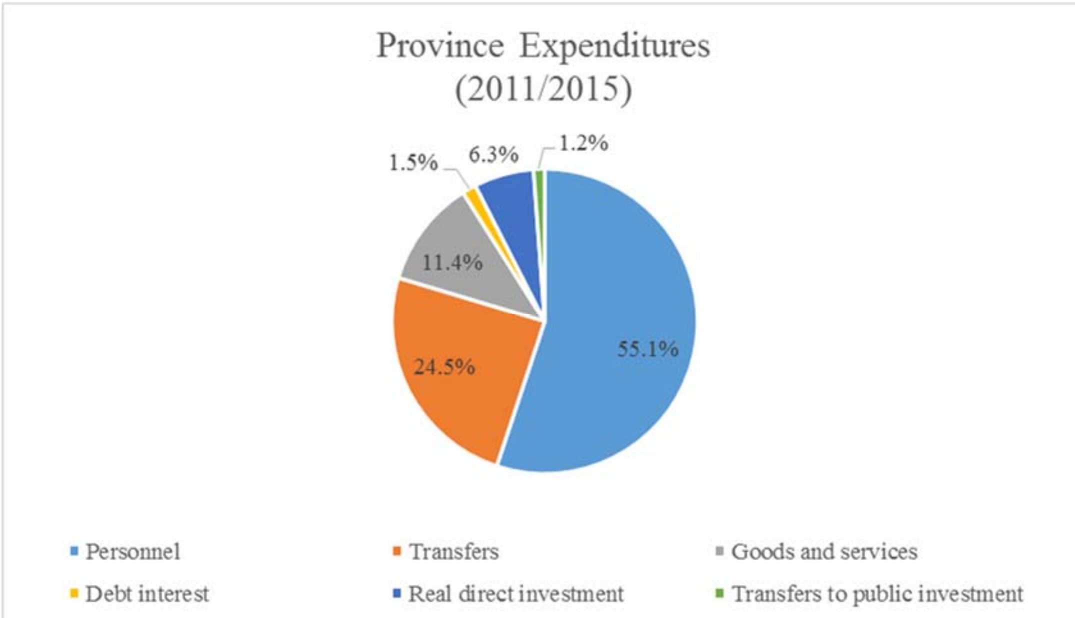
Note:

(1) Figures are preliminary estimates.

Source: Department of Finance of the Province

The following chart sets forth the Province's expenditures on average by category of current and capital expenditure for the years 2011 to 2014 and estimates for 2015.

Average Provincial Expenditures
by Sector (2011/2015)



Current Expenditures

Personnel. Personnel expenditures, which consist mainly of wages and other benefits paid to employees of the public provincial administration, are the largest component of the Province's total expenditures, representing approximately 57.9% of total expenditures as of December 31, 2015.

Personnel expenditures include the Province's direct payroll expenses as well as contributions made by the Province to the pension fund and health care systems for its employees. Personnel expenditure is incurred by reference to the number of paid positions, as opposed to the number of employees. One employee, for example a teacher or doctor, may hold more than one position so long as his or her schedule does not overlap and, therefore, may receive more than one salary.

Administration employees include employees in the government, finance, economy, environment and public works ministries together with the governor's administrative and secretarial staff. "Other" includes employees in EPTM, the public employees' healthcare provider, the EMIE, the pension system control unit, the Gaming Commission and the Housing Institute.

Personnel expenditures increased by 270.1%, from P$6,314.1 million in 2011 to P$23,368.5 million in 2015. This increase was primarily a result of additional positions and salary increases as a consequence of negotiations with unions.

From 2011 through 2015, government payroll expenses increased by 38.8% on average per year, primarily due to wage increases negotiated with the teachers' organizations. Beginning in the last quarter of 2015, the current administration has taken significant steps to control public expenditures in several sectors, including civil servant wages.

The Province is implementing a retirement plan for employees that have either reached the age and met the service requirements necessary to retire, or who have reached retirement age but have not yet accumulated the required number of years of service. The Province is expected to incur additional expenditures related to the implementation of this retirement plan, especially as a result of supplemental payments related to prospective retirees that have not completed the service requirements for retirement. However, the Province expects these increased expenditures to be offset by reduced personnel expenditures in the medium term, as most of the employees who will retire are not expected to be replaced by new personnel.

In addition, since January 13, 2016, the provincial government has suspended the hiring of any new public employees except for certain limited exceptions, which are mainly in the fields of education and security. This policy covers, among others, both the Province's central administration and all autonomous entities. Savings related to this program are expected to be realized jointly with the retirement plan described above. As of the date of this offering memorandum, the Province has requested approximately 1,400 of its employees to start their retirement process.

The following table sets out information on public employees authorized to be hired by the Province by sector from 2011 through 2015.

Provincial Personnel[1]

	2011		2012		2013		2014		2015[1]	
	Employment positions	Hours	Employment positions	Hours	Employment positions	Hours	Employment positions	Hours	Employment positions	Hours
Education[2]	35,817	344,069	38,460	381,579	38,410	385,686	39,557	412,635	39,736	421,173
Health and social aid	11,609	530	12,777	501	13,254	476	14,203	440	14,423	401
Security services	11,278	—	12,639	—	12,481	—	12,726	—	12,962	—
Administration	2,304	327	2,455	327	2,388	267	2,019	232	2,710	242
Legislative and judicial system	5,373	—	5,712	—	5,835	—	6,124	—	6,242	—
Other	4,384	—	4,971	—	5,046	—	5,708	—	7,462	—
Total	**70,765**	**344,925**	**77,015**	**382,407**	**77,414**	**386,429**	**80,336**	**413,307**	**83,536**	**421,816**

Notes:

(1) As of November 30. Figures reflect employees authorized to be hired for each fiscal year by the respective budget law (items "*Resumen del Número de Cargos*" and "*Resumen Horas Cátedra*"), regardless of effectiveness of personnel hiring.

(2) Teachers: one teaching position is equivalent to 15 hours of work per week.

Source: Department of Finance of the Province

Historically, education has represented approximately 50.0% of total provincial employment positions and substantially all hours. In 2015, education represented 47.6% of total provincial charges.

In 2012, provincial employment decreased by 0.5% in employment positions and increased by 1.1% in hours as compared to 2011, due to increases in a variety of sectors. In 2013, provincial employment increased by 3.4% in charges and 5.4% in hours as compared to 2012, due mainly to an increase in personnel in the education and health, social assistance and other sectors. In 2014, provincial employment increased a 0.4% in charges and 1.5% in hours as compared to 2013, due mainly to an increase in personnel in the security services and administration sectors. In 2015, provincial employment increased 4.0% in charges and 2.1% in hours as compared to 2014, due mainly to an increase in personnel in the administration and others sectors.

The public sector employees of the Province are represented mainly by SUTE, *Asociación de Trabajadores del Estado* ("ATE") and *Asociación Mendocina de Profesionales de la Salud* ("AMPROS").

Currently, salary negotiations with SUTE have been suspended due to disagreements related to a productivity incentive proposed by the provincial government which includes a salary increase for teachers who achieve higher levels of performance. Once negotiations failed the provincial government issued a new payment scale by decree, which is applicable for 2016. In accordance with Argentine law, this decree has been ratified by the Provincial Legislature. In addition, SUTE unionized employees have also obtained an increase in salary equal to the minimum wage increase, which is being paid for by the federal government.

Salary negotiations are expected to commence with ATE and AMPROS during the first six months of 2016.

In addition, on March 21, 2016, a salary increase of 25% was approved for the Province's police force. This increase will be paid in two non-cumulative, semi-annual installments. See "Risk Factors—Risks Relating to the Province—Increases in personnel expenditures may have a significant adverse effect on the public finances of the Province and its ability to service its debt."

Transfers. Each fiscal year, the Province transfers a portion of its revenues to its municipalities, to private schools and to other entities. Transfers accounted for an estimated P$9,509.3 million, or 23.6% of the Province's total current expenditures in 2015, representing a 205.2% increase as compared to P$3,116.0 million registered in 2011.

Provincial Law No. 6.396, issued on January 1, 2010, requires that 18.8% of the funds received by the Province under the Federal Tax Co-Participation Regime, 12.0% of the payments under royalties, 70.0% of the revenues derived from automobile taxes and 18.8% of the revenues received under each of the gross revenue, stamp and real estate taxes shall be transferred to the Province's municipalities based on different criteria including their population, economic development level, number of cars registered and oil production. The Province also makes discretionary transfers to its municipalities to cover temporary financing needs or to fund certain social programs. Transfers to municipalities amounted to an estimated P$5,792.9 million by the Province in 2015.

Remaining transfers accounted for an estimated P$3,716.4 million in 2015 and mainly include subsidies to private schools and general discretionary subsidies to several non-profit entities and individuals such as low-income retirees and persons with physical disabilities.

Goods and Services. The Province purchases a wide variety of goods 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. Goods and services accounted for an estimated P$4,346.4 million, or 11.4% of the Province's total current expenditures in 2015, corresponding to a 202.0% increase as compared to expenditures of P$1,439.2 million in 2011.

The provincial government's expenditures on goods and services experienced increased growth of 32.0% on average per year from 2011 to 2014. The new administration has implemented an ex-ante strict control mechanism with respect to any goods acquired and services contracted by the provincial administration. This policy takes into consideration the quantity of goods, the necessity of the service to be contracted and price to be paid for those goods and services.

Debt Interest. This category includes interest for the Province's commercial and financial indebtedness. Interest in 2015 accounted for an estimated P$745.8 million or 2.0% of the Province's total current expenditures that year.

Capital Expenditures

- *Real direct investment*

Physical Assets. Physical assets accounted for an estimated P$219.5 million, or 9.2% of the Province's capital expenditures, in 2015. Most physical assets reflect the funding of public works, such as hydraulic and waterworks, housing, roads and construction of public buildings, among other investments. Other physical assets include the purchase of new capital goods such as hospital equipment, automobiles and computers.

Public Works. Expenditures on public works accounted for an estimated P$1,525.4 million, or 64.0% of the Province's capital expenditures in 2015. The principal items in this category include school and hospital construction and refurbishment, road works and infrastructure projects. In recent years, the Province has obtained funding from the National Directorate of Roads (*Dirección Nacional de Vialidad*) and the Ministry of Federal Planning.

- *Transfers to public investment*

Loans and capital contributions. This item comprises loans made by the Province to private and public sector entities, including municipalities, generally with funds received from the federal government or multilateral entities. This item accounted for an estimated P$216.9 million, or 9.1% of the Province's capital expenditures in 2015. This capital expenditure item fluctuates in accordance with the economic conditions and budgetary constraints of the Province.

Other Transfers. Other transfers principally cover expenses related to certain capital acquisitions from public and private entities. These expenditures accounted for an estimated P$421.3 million, or 17.7% of the Province's capital expenditures in 2015.

2016 BUDGET

Overview of the provincial budget process

The Province operates on a calendar year basis for its fiscal year. Under the Province's constitution, the provincial budget for a calendar year must be submitted by the executive branch to the Provincial Legislature by August 31 of the previous year, although in practice such submission is generally made in September of each year. If a fiscal year has begun without a budget having been approved, the Provincial Legislature must prepare a budget based on the budget of the previous year. In addition, the budget of the previous year governs the expenditures of the Province until a new budget is approved.

The annual budget represents an estimate of revenues expected by the Province; it also constitutes an authorization of, and a limit on, expenditure by the Province. Any increase in expenditure may only be authorized by the executive branch, provided there is a matching increase in revenues. In addition, the executive branch is entitled to reallocate the amounts between different expense items, provided that no increase in overall expenditures takes place and is required to allocate any excess of actual revenues over budgeted revenues to the creation of a budget stabilization fund, which would consist of liquid assets with an aggregate value not to exceed 2.0% of the Province's GDP and which would be used to compensate for temporary declines in revenues. Provincial revenues are generally estimated on the basis of internal projections generated by the Province, while estimates of federal revenue transfers are based on the minimum monthly payment guaranteed by the federal government and collection estimates prepared by the federal government.

The Financial Administration Act, enacted on May 8, 2014, introduced rules in connection with provincial revenues and expenditures, setting the budgetary rules for the state, similar to those established by for the federal government.

In developing its annual budget, the Department of Finance allocates available revenues among the various provincial ministries in accordance with budgeting priorities established by the governor. After these allocations are agreed upon by the governor and his ministries, the actual spending authorizations for each government sector are developed by the appropriate ministry, subject to overall spending limits established by the administration. A single budget which consolidates the spending authorization of each ministry is then presented to the Provincial Legislature for approval.

On August 4, 2004 the federal congress approved the Federal Fiscal Responsibility Law which requires, starting with the budget for the year ended December 31, 2005, each of the Argentine provinces and the City of Buenos Aires not to increase the amount of its total expenditures (excluding interest expense, expenditure items funded with financing from multilaterals and certain expenses in social infrastructure programs) by a percentage exceeding the projected percentage growth in Argentina's GDP as estimated by the federal government, to achieve balanced budgets and to ensure that its annual debt service does not exceed 15.0% of its current revenues (net of any transfers to municipalities). Failure to comply with the provisions of the Federal Fiscal Responsibility Law could result in the federal government denying authorization for the incurrence of debt by, or limiting the amount of discretionary transfers to, the breaching province. On December 29, 2010, the federal government issued Decree No. 2054/10, which extended the application of Law No. 26,530 (thereby suspending certain provisions of the Federal Fiscal Responsibility Law) through 2011. National budget laws for 2012, 2013, 2014, 2015 and 2016 extended this suspension to each of such years.

On December 22, 2004 the Provincial Legislature approved provincial Law No. 7,314 ("Provincial Fiscal Responsibility Law") which ratifies and implements the provisions of the Federal Fiscal Responsibility Law and sets forth certain additional fiscal management requirements. Among other things, the Provincial Fiscal Responsibility Law requires the quarterly review of budgetary performance by the Province's Audit Tribunal. It also requires the governor of the Province to allocate at least 50.0% of any excess of actual current revenues not specifically earmarked for a specific purpose over the budgeted amount of such revenues to the creation of a budget stabilization, or "countercyclical" fund. Such a fund must consist of liquid assets with an aggregate value not to exceed 2.0% of the Province's GDP and must be used, after the creation of a provision in an amount equal to the monthly personnel expense of the Province, to repay the Province's public debt or to compensate for temporary declines in revenues resulting from the Province experiencing recessionary macroeconomic conditions. The Provincial Fiscal Responsibility Law also establishes that any excess of the aggregate value of the assets of such countercyclical fund over an amount equal to 2.0% of the Province's GDP must be used to repay the Province's public debt and to fund public works. The Province believes it has substantially complied with the provisions of both the Federal Fiscal Responsibility Law and the Provincial Fiscal Responsibility Law in 2015.

On December 21, 2005 the federal congress approved Law No. 26,075 (*Ley de Financiamiento Educativo* or "Federal Education Financing Law") pursuant to which the federal government, all Argentine provinces and the City of Buenos Aires agreed to progressively increase the level of expenses in the education, science and technology sectors so that by 2010, the aggregate expenses per year in such sectors of the federal government, the provinces and the City of Buenos Aires would represent 6.0% of Argentina's GDP. The Federal Education Financing Law provides that the federal government will be responsible for 40.0% of the additional expense required to meet such target while the provinces and the City of Buenos Aires will be responsible for the balance, and that the increase will be primarily used to increase the number and the salary level of teachers. In addition, the Federal Education Financing Law provides that 60.0% of any increase in the collection of taxes subject to co-participation arrangements by the federal government with respect to 2005 collections will be distributed among the provinces and the City of Buenos Aires pursuant to certain criteria (mainly number of registered students) to be used solely to fund the required increase in education expense. The federal government, through Law No 27,198, has extended the application of Article 7 of the Federal Education Financing Law. The Province believes the 2016 Budget is in substantial compliance with the provisions of the Federal Education Financing Law.

The Province's Department of Finance prepares monthly and cumulative statements of actual revenues and expenditures based on information gathered by the Province's general accounting office and information provided by the Province's decentralized entities. Once the fiscal year has ended, the general accounting office and each of the decentralized entities prepare annual statements with the actual revenues and accrued expenditures for each budget item. These statements are required to be submitted by April 30 of the following year to the Province's Auditing Tribunal for its approval. The Auditing Tribunal is composed of one lawyer and two accountants who are appointed by the governor with the Provincial Senate's approval. Members of the Auditing Tribunal are appointed for life-terms and may only be removed by impeachment proceedings. The Auditing Tribunal may comment on such reports within the following year.

In developing its annual budget, the Department of Finance allocates available revenues among the various provincial ministries in accordance with budgeting priorities established by the governor. After these allocations are agreed upon by the governor and his ministries, the actual spending authorizations for each government sector are developed by the appropriate ministry, subject to overall spending limits established by the administration. A single budget that consolidates the spending authorization of each ministry is then presented to the Provincial Legislature for approval.

The Provincial Legislature did not approve an expenditures budget for the Province for the year 2015. As a consequence, on February 3, 2015 the provincial government issued Decree 2,413 pursuant to which the budget for 2014 applied to the year 2015.

2016 budget law

The 2016 budget bill was submitted to the Provincial Legislature on December 29, 2015, and on January 8, 2016, the Provincial Legislature approved this budget pursuant to Law No. 8,838 ("the 2016 Budget Law").

The following table shows the 2016 budget, as compared to 2015 fiscal results.

2015 Fiscal Results vs. 2016 Budget

	2015(1)	2016(1)	Variation
	(in millions of P$)		
Current revenues			
Federal tax transfers			
Co-participation payments	10,757.0	13,760.0	27.9%
Other federal transfers	8,473.8	11,681.1	37.8%
Provincial tax revenues			
Gross revenue tax	9,771.9	12,634.7	29.3%
Stamp tax and court tax	1,282.1	1,644.8	28.3%
Automobile tax	815.8	1,055.7	29.4%
Real estate tax	499.2	665.7	33.4%
Other provincial tax revenues	27.7	40.9	47.7%
Provincial non-tax revenues			
Royalties	2,396.9	3,154.8	31.6%
Charges for services rendered	872.4	1,071.6	22.8%
Transfers from Gaming Commission	90.7	250.0	175.6%
Other provincial non-tax revenues	909.1	1,169.9	28.7%
Total current revenues	**35,896.6**	**47,129.2**	**31.3%**
Current expenditures			
Personnel	23,368.5	30,254.7	29.5%
Transfers	9,509.3	12,296.6	29.3%
Goods and services	4,346.4	5,742.0	32.1%
Debt interest	745.8	1,923.2	157.9%
Other current expenditures	6.0	8.5	41.7%
Total current expenditures	**37,976.0**	**50,225.1**	**32.3%**
Operating balance	**(2,079.4)**	**(3,095.9)**	**48.9%**
Capital revenues			
Transfers from residual funds entity	5.4	6.1	13.0%
Loan repayments	55.7	83.2	49.4%
Other capital revenues	634.5	764.1	20.4%
Total capital revenues	**695.7**	**853.5**	**22.7%**
Capital expenditures			
Public works	1,525.4	1,928.3	26.4%
Loans	49.5	66.3	33.9%
Physical assets	219.5	352.0	60.4%
Other capital expenditures	588.7	895.9	52.2%
Total capital expenditures	**2,383.1**	**3,242.5**	**36.1%**
Total revenues	**36,592.3**	**47,982.7**	**31.1%**
Total expenditures	**40,359.1**	**53,467.6**	**32.5%**
Overall Balance	**(3,766.8)**	**(5,484.9)**	**45.6%**

Note:

(1) Figures are preliminary estimates.

Source: Department of Finance of the Province

Assumptions

The Province assumed a real increase in the GDP of the Province of 2.2% in 2016, driven primarily by growth in the agriculture, oil and gas, commerce, hotels and restaurants sectors. The Province has assumed an increase in prices in 2016 of 22.3%, based on anticipated levels of consumption and certain inflationary pressures on prices. The Province forecasts that the new tax administration procedures recently implemented will not have an effect on tax collections for the 2016 budget. The Province has assumed relatively constant production levels, an international oil price (WTI) of US$69.7 per barrel and an exchange rate of US$1.00 = P$14.3 for the calculation of its oil royalty receipts. The 2016 Budget includes the impact of a planned salary increase for all of the Province's employees to come into effect in July 2016, the cost of which increase has been estimated at P$6,886.2 million, and the increase in the number of its employees resulting from the transfer of a large portion of its contracted personnel into permanent positions.

2016 compared to 2015

The following table shows the 2016 budget, as compared to 2015 fiscal results as a percentage of total revenues and expenditures.

2015 Fiscal Results vs. 2016 Budget
(as a % of total revenues and expenditures)

	2015[1] Actual Full Year	2016[1] Budget	Variation[2]
	(%)		
Current revenues			
Federal transfers			
Co-participation payments	29.4%	28.7%	(0.7%)
Other federal transfers	23.2%	24.3%	1.2%
Provincial tax revenues			
Gross revenues tax	26.7%	26.3%	(0.4%)
Stamp tax and court tax	3.5%	3.4%	(0.1%)
Automobile tax	2.2%	2.2%	0.0%
Real Estate tax	1.4%	1.4%	0.0%
Other provincial tax revenues	0.1%	0.1%	0.0%
Provincial non-tax revenues			
Royalties	6.6%	6.6%	0.0%
Charges for services rendered	2.4%	2.2%	(0.2%)
Transfers from Gaming Commission	0.2%	0.5%	0.3%
Other non-tax revenues	2.5%	2.4%	0.0%
Total current revenues	**98.2%**	**98.2%**	**0.1%**
Current expenditures			
Personnel	57.9%	56.6%	(1.3%)
Transfers	23.6%	23.0%	(0.6%)
Goods and services	10.7%	10.7%	(0.0%)
Debt interest	1.8%	3.6%	1.8%
Other current expenditures	0.0%	0.0%	0.0%
Total current expenditures	**94.1%**	**93.9%**	**0.2%**
Operating balance	**(5.7%)**	**(6.4%)**	**(0.7%)**
Capital revenues			
Transfers from residual funds entity	0.0%	0.0%	0.0%
Public works reimbursements	0.0%	0.0%	0.0%
Loan repayments	0.2%	0.2%	0.0%
Other capital revenues	1.7%	1.6%	(0.1%)
Total capital revenues	**1.9%**	**1.8%**	**(0.1%)**
Capital expenditures			
Public works	3.8%	3.6%	(0.2%)
Loans	0.1%	0.1%	0.0%
Physical assets	0.5%	0.7%	0.2%
Other capital expenditures	1.5%	1.6%	0.1%
Total capital expenditures	**5.9%**	**6.1%**	**0.2%**
Total revenues	**100.0%**	**100.0%**	**0.0%**
Total expenditures	**100.0%**	**100.0%**	**0.0%**
Overall Balance	**(10.3%)**	**(11.4%)**	**(1.1%)**

Notes:

(1) Revenues as a percentage of total revenues and expenditures as a percentage of total expenditures.

(2) 2015 actual full year minus 2016 budget, each as a % of total revenues and expenditures.

Source: Department of Finance of the Province

Current revenues

For 2016 the Province has budgeted Federal Co-Participation Regime payments, based on estimates of federal tax collections prepared by the federal government of P$13,760.0 million, which represents a 27.9% increase compared to P$10,757.0 million in 2015. Other federal transfers are budgeted to increase by 37.8%, from P$8,473.8 million in 2015 to P$11,681.1 million in 2016 as a result of inflation adjustments and anticipated GDP growth.

Revenue from gross revenue tax in 2016 is budgeted to increase to P$12,634.7 million, an increase of 29.3% compared to receipts of P$9,771.9 million in 2015, mainly as a result of inflation adjustments and anticipated GDP growth.

Stamp tax collections are budgeted to increase to P$1,644.8 million in 2016, an increase of 28.3% from 2015 tax collections of P$1,282.1 million, mainly as a result of the projected increase in both the number of, and average amount covered by, contracts subject to this tax, which is in line with the expected growth in levels of economic activity.

Automobile tax collections are budgeted to increase to P$1,055.7 million in 2016, an increase of 29.4% from 2015 collections of P$815.8 million, in line with the projected growth in vehicle registrations in the Province. In addition, the Province modified the methodology for valuation of vehicles used for tax purposes, increasing the tax base, and therefore generating additional revenues.

The 2016 Budget estimates real estate tax collections of P$665.7 million, a 33.4% increase from 2015 collections of P$499.2 million, mainly as a result of adjustments to property valuations.

Other provincial tax revenues are budgeted to increase by 47.7% to P$40.9 million in 2016 from P$27.7 million in 2015, mainly as a result of inflation adjustments and anticipated GDP growth.

Income from royalties (mainly from oil concessionaires operating in the Province) is budgeted to increase to P$3,154.8 million in 2016, a 31.6% increase from 2015 receipts of P$2,396.9 million. The 2016 Budget assumes relatively constant production levels, an international oil price (WTI) of US$69.67 per barrel and an exchange rate of US$1.00 = P$14.3 for the calculation of its oil royalty receipts.

Charges that the Province collects in relation to a number of services it provides, such as special security services provided by the police force, health services in its hospitals and the issuance of birth and death certificates, identity cards and marriage licenses, are budgeted for P$1,071.6 million during 2016, a 22.8% increase from 2015 collections of P$872.4 million, principally as a result of an expected increase in the demand for public health services.

Transfers from the Province's Gaming Commission are budgeted to increase by 175.6% to P$250.0 million in 2016, compared to 2015 receipts of P$90.7 million, mainly as a result of the planned opening of new casinos and other gaming halls in the Province and the expected improvement in the levels of disposable income of the Province's population available for gaming activities.

Other provincial non-tax revenues principally include dividends paid on shares held by the Province and other financial income received by it, payments made by holders of concessions granted by the Province for the use of the Province's property (such as hotels) and non-tax related fines. Other non-tax revenues are budgeted to increase by 28.7% to P$1,196.9 million in 2016 from P$909.1 million collected in 2015, mainly as a result of increased utilities costs, such as electricity rates and gas rates, which should result in increased income for the Province.

Current expenditures

Personnel expenditure is budgeted to increase by 29.5% to P$30,254.7 million in 2016 from P$23,368.5 million in 2015, which is the result of the implementation of salary increases effected through a decree of the Provincial Governor or agreements with provincial employees' unions, increasing salary levels, including outstanding payments corresponding to previous years.

A 29.3% increase in the amount of transfers from P$9,509.3 million in 2015 to P$12,296.6 million is budgeted for 2016, mainly as a result of an estimated increase in the amount of transfers to the Province's municipalities in line with the projected increase in the Province's revenues which are shared with its municipalities.

Purchase of goods and services is budgeted to increase by 32.1% to P$5,742.0 million in 2016 from P$4,346.4 million of expenditures in 2015, mainly as a result of inflation.

Interest expense is budgeted to increase by 157.9% to P$1,923.2 million in 2016 from P$745.8 million spent in 2015, mainly as a result of increased debt service payments in connection with two new loans with Banco Nacion and the impact of the substantial devaluation of the peso that took place in December 2015 in the U.S. dollar-denominated debt of the Province. See "Public Sector Debt—Banco Nacion."

Operating balance

The 2016 Budget provides for an operating deficit of P$3,095.9 million, compared with a P$2,079.4 million operating deficit in 2015.

Capital revenues

The 2016 Budget provides for an increase of 22.7% in capital revenues as compared to 2015, from P$695.7 million to P$853.5 million. This increase mainly reflects budgeted increases in all items corresponding to capital revenues, including an estimated increase of 13.0% in transfers from the residual funds, an estimated increase of 49.4% in transfers received by the Province as repayment of loans and an estimated increase of 20.4% in other transfers. The most relevant item under capital revenues is "Other" which is comprised of transfers from Fondo Soja and other federal transfers.

Capital expenditures

For 2016, a 36.1% increase to P$3,242.5 million over 2015 expenditures of P$2,383.1 million in capital expenditures has been budgeted. This increase is partially due to an increase in prices due to inflation and an increase in public works expected to be carried out in 2016. Public works expenditures are estimated to increase by 26.4%, representing the largest capital expenditure item and representing P$1,928.3 million in estimated expenditures for 2016.

Overall balance

The overall balance deficit for 2016 is estimated to grow by 45.6% as compared to 2015. This increase mainly reflects a 32.3% increase in current expenditures, which is partially driven by the increasing inflation in Argentina and the significant number of public employees that was inherited from the past administration, and a 36.1% increase in capital expenditures as a result of an increase in expenditures in physical assets (infrastructure). In addition, capital revenues are estimated to increase at a slower pace than capital expenditures. This estimate is partly explained by the new administration's plan to recommence infrastructure works that had been abandoned by the previous administration.

PUBLIC SECTOR DEBT

General

The Province satisfies its financing needs from a variety of sources. The Province's total indebtedness amounted to P$14,479.5 million (equivalent to US$1,113.4 million) as of December 31, 2015, representing 39.6% of the Province's estimated total revenues in 2015.

As of December 31, 2015, the federal government held 57.0% of the Province's total indebtedness, including 37.0% held by Banco Nacion, while 18.1% was held by local and international bondholders, 20.1% was held by multilateral credit organizations and the remaining 4.8% was held by commercial banks and other creditors. As of December 31, 2015, 55.8% of the Province's total indebtedness was denominated in pesos, with the remaining 40.7% and 3.5% denominated in U.S. dollars and in ICC-adjusted pesos, respectively.

Background and History

The Province may only incur indebtedness after being authorized by a special two-thirds majority of each of the Provincial Senate and House of Deputies. The Province's direct indebtedness is commonly secured by Federal tax transfers and, in some cases, by oil and gas royalties. Moreover, certain loans from multilateral banks are passed from the federal government to the Province and the federal government remains responsible for servicing those loans even in the event of a failure by the Province to service those loans.

Since 2010, the Province has financed its capital expenditures and debt service payments partially through the incurrence of indebtedness with the federal government (principally, through specific programs such as the Provincial Development Fiduciary Fund and the Federal Trust Fund for Regional Infrastructure) while current expenditures were financed by loans and the local issuance of notes (such as loans secured with hydrocarbon royalties and debt instruments issued by the federal government through the Provincial Development Fiduciary Fund).

After the 2001 national economic crisis and the currency devaluation thereafter, service payments for all U.S. dollar-denominated loans of the Province held by banks were mandatorily converted into pesos at differential exchange rates ("pesified") and responsibility for such payments was transferred to the federal government. In exchange, the federal government, through the Provincial Development Fiduciary Fund, entered into a credit facility in favor of the Province. In addition, as part of the financial assistance policies implemented by the federal government at the time, the Province received advanced Federal Co-Participation Regime payments.

On October 28, 2004, the Province undertook an exchange offer to exchange its 10% Bonds that were issued in September 1997 and due 2007 ("2007 Bonds") for new notes due 2018 ("2018 Bonds"). Of the original US$250.0 million principal amount of the 2007 Bonds, US$230.6 million of 2007 Bonds was exchanged into an equivalent principal amount of 2018 Bonds and US$8.8 million worth of 2007 Bonds was received and cancelled by the Province from taxpayers in settlement of their tax obligations. The balance (US$10.6 million) of 2007 Bonds was never the subject of a judicial claim and the Province considers any obligation thereunder to be terminated as a result of the lapse of the relevant statute of limitations.

In 2007, 2008 and 2009, the Province refinanced a portion of its debt service payments through the federal government PAF program and paid the remaining portion with provincial revenues. Furthermore, in 2009, the Province borrowed P$144.0 million from the federal government for capital expenditures and P$450.0 million from Banco Nacion to finance the 2009 deficit, which was a consequence of the 2008 sub-prime mortgage crisis. Both loans were due and fully paid in 2014.

In 2010, the Province refinanced its indebtedness related to the federal government PAF program and the Provincial Development Fiduciary Fund with a new loan in an aggregate principal amount of P$2,882.6 million granted under the Argentine Provincial Indebtedness Federal Debt Reduction Program (*Programa Federal de Desendeudamiento de las Provincias Argentinas* or "Federal Debt Reduction

Program"). The loan accrues interest at 6.0% per annum and is due in 2030. Under the current terms of the Federal Debt Reduction Program, as amended by the federal government, the loan capitalizes interest to be paid and the grace period will end in January 2017.

In 2016, the Province created a Treasury Bills Program (*Programa de Emisión de Letras del Tesoro*) pursuant to Law No. 8,706, which allows the Province to issue treasury bills (*letras del tesoro*). On February 16, 2016, the Province issued the first series of treasury bills in three different tranches for an aggregate amount of P$215.9 million. All of the treasury bills issued by the Province are outstanding.

From 2010 to 2014, the Province issued debt instruments and entered into several loan and financing agreements with different national and international creditors. On November 30, 2011, the Province entered into a loan agreement with Credit Suisse International for US$100.0 million, accruing interest at 8.4% per annum and secured by hydrocarbon royalties assigned as collateral by the Province and due in 67 monthly installments including a 17 month grace period. During 2012, the Province entered into a sinking loan agreement with Banco Nacion for P$160.0 million, payable in 2017, for the purpose of financing current expenditures. In 2013, the Province issued three series of U.S. dollar-linked bonds, secured by Federal Co-Participation Regime payments, for an aggregate principal amount of US$219.9 million, maturing in May 2016, October 2018 and December 2018, respectively. On December 27, 2013, the Province issued asset-backed securities in an aggregate principal amount of US$400.0 of through Nacion Fideicomisos, a trustee located in Argentina, and in 2014, the Province entered into a second loan with Banco Nacion for P$400.0 million payable in 2019. The proceeds of these facilities were used to finance a water treatment and distribution infrastructure project to be developed by AySAM. Both facilities are payable in 2019.

On December 3, 2014 and April 22, 2015, the Province issued P$250.8 million and P$149.2 million, respectively, of peso-denominated notes due 2016 ("2016 Notes"), secured by the Province's rights to Federal Co-Participation Regime transfers. The aggregate principal amount of the 2016 Notes was P$400.0 million. The notes issued on December 3, 2014 accrue interest at a rate equal to BADLAR plus 6.6% per annum and the notes issued on April 22, 2015 accrue interest at a rate of 28.5% for the first nine months and a rate equal to BADLAR plus 5.5% per annum for the remaining months, both payable quarterly.

As part of the new administration's effort to reduce the Province's floating debt, on February 22, 2016 the Province issued a P$1,000.0 million bond ("Suppliers Bond") for the purpose of restructuring part of its floating debt with suppliers through the incurrence of consolidated debt. The Suppliers Bond is payable in installments due every six months, starting one year from its issuance date and matures in 30 months. The Suppliers Bond accrues interest at a rate equal to BADLAR. The provincial administration expects to issue a similar with comparable conditions bond during the second quarter of 2016.

Description of Consolidated Indebtedness

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 December 31, 2015.

Consolidated Indebtedness(1)

	2011	2012	2013	2014	2015(1)	
		(in millions of P$)				*(US$ million)(2)*
Federal government						
Federal debt reduction program	2,378.6	2,378.6	2,487.8	2,636.3	2,352.2	180.9
Federal Trust Fund for Regional Infrastructure	182.5	234.0	246.0	325.7	502.8	38.7
Others	64.1	57.6	51.1	44.6	38.1	2.9
Subtotal	**2,625.2**	**2,670.2**	**2,785.0**	**3,006.6**	**2,893.1**	**222.5**
Banco Nacion						
Direct credits	138.5	243.2	176.3	527.5	4,869.2	374.4
As sole bondholder of Nacion Fideicomisos Trusts	472.0	385.0	250.0	595.5	489.1	37.6
Subtotal	**610.5**	**628.3**	**426.3**	**1,123.0**	**5,358.3**	**412.0**
Commercial banks and financial institutions						
Local banks	436.8	496.2	575.9	599.9	677.5	52.1
International banks	32.9	371.0	332.9	189.9	15.3	1.2
Subtotal	**469.8**	**867.1**	**908.8**	**789.9**	**692.9**	**53.3**
Multilaterals						
IADB	648.6	776.1	975.0	1,344.2	2,302.4	177.0
IBRD	205.0	254.8	351.1	429.7	608.0	46.8
Subtotal	**853.6**	**1,030.9**	**1,326.1**	**1,773.9**	**2,910.4**	**223.8**
Securities						
Bonds - Local	-	-	1,433.4	1,798.5	1,736.9	133.6
Bonds - International	619.7	622.6	705.8	760.3	887.9	68.3
Subtotal	**619.7**	**622.6**	**2,139.2**	**2,558.8**	**2,624.8**	**201.8**
Total	**5,178.8**	**5,819.1**	**7,585.4**	**9,252.2**	**14,479.5**	**1,113.4**

Notes:

(1) In addition to its consolidated indebtedness, the Province also has non-consolidated liabilities mainly comprising its "floating debt." This debt accounts for working capital and includes short-term liabilities incurred mostly with suppliers. As of December 31, 2015, the Province's estimated "floating debt" amounted to P$4,152.4 million. See "Public Debt—Description of Non-Consolidated Indebtedness."

(2) Figures are preliminary estimates.

(3) P$13.005 = US$1.00.

Source: Department of Finance of the Province

Federal government

Federal Debt Reduction Program

On May 10, 2010, the federal government issued Decree No. 660/10, creating the Federal Debt Reduction Program. Under the current terms and conditions, set forth by an agreement entered into with the federal government on November 25, 2015 and ratified by provincial Decree No. 2741/15, the Province shall pay the outstanding amounts in connection with this agreement in 168 equal monthly installments, including a grace period of one year, at a fixed interest rate of 6.0% per annum. The outstanding principal of the loan as of December 31, 2015, was P$2,352.2 million (equivalent to US$180.9 million).

Federal Trust Fund for Regional Infrastructure

In 1997, the federal government created the Federal Trust Fund for Regional Infrastructure (*Fondo Fiduciario Federal de Infraestructura Regional*) to finance provincial infrastructure projects and other public works in order to promote regional economic development and increase national economic productivity.

The Province entered into the following loan facilities with the Federal Trust Fund for Regional Infrastructure, all of which are secured by the Province's right to receive Federal Co-Participation Regime transfers from the federal government:

- Strategic Plan for Public Road Construction (*Plan Estratégico de Obras Públicas Viales*). This facility was entered into in October 2009 for an aggregate principal amount of P$80.0 million. Under the terms of the facility agreement, principal is adjusted by the construction cost index published by INDEC, its repayment is due in 120 monthly installments, including a 12-month grace period and it accrues interest at a rate equal to the greater of the interest rate on ten-year U.S. treasury bonds plus 370 basis points or LIBOR plus 370 basis points. The outstanding principal of the loan as of December 31, 2015, was P$117.8 million.
- School Buildings' Restoration, Expansion and Construction Plan (*Plan de Recuperación, Ampliación y Construcción de Edificios Escolares)*. This facility was entered into in November 2009 for an aggregate principal amount of P$27.5 million. Under the terms of the facility agreement, principal is adjusted by the construction cost index published by INDEC, its repayment is due in 120 monthly installments, including a 12-month grace period, and it accrues interest at a rate equal to the greater of the interest rate on ten-year U.S. treasury bonds plus 370 basis points or LIBOR plus 370 basis points. The outstanding principal of the loan as of December 31, 2015, was P$40.5 million.
- National Highway No. 40 Luján - Tunuyán (*Construcción Doble Vía Ruta Nacional No. 40 – Luján-Tunuyán*). This facility was entered into in two stages, in February 2010 and in March 2014, for an aggregate principal amount of P$278.8 million. Under the terms of the agreement, principal is adjusted by the construction cost index published by INDEC, its repayment (for each stage) is due in 120 monthly installments, including a 24-month grace period, and accrues interest at a rate equal to the greater of the interest rate on ten-year U.S. treasury bonds plus 370 basis points or LIBOR plus 370 basis points. The outstanding principal of the loan as of December 31, 2015, was P$344.4 million.

Banco Nacion

December 2012

In December 2012, the Province entered into a loan agreement with Banco Nacion for P$160.0 million, secured by the Province's rights to receive Federal Co-Participation Regime transfers from the federal government. The proceeds obtained from this loan were used for capital expenditures related to the construction of public infrastructure. The loan is repayable in 60 equal monthly installments, including a grace period of eight months. The loan accrues interest at a rate equal to BADLAR plus 400 basis points. BADLAR is the average interest rate paid by private banks in Argentina for deposits in Argentine pesos on amounts greater than P$1.0 million for periods of 30-35 days plus 400 basis points. The outstanding principal of this loan as of December 31, 2015, was P$94.9 million.

December 2014

In December 2014, the Province entered into a loan agreement with Banco Nacion for P$400.0 million, secured by the Province's rights to Federal Co-Participation Regime transfers. The proceeds obtained from this loan were used to cover current expenditures, including payments to employees of the Province. This loan is repayable in 60 equal monthly installments, including a grace period of six months, at an interest rate of adjusted BADLAR plus 400 basis points. The outstanding principal of this loan as of December 31, 2015, was P$374.3 million.

December 2015

On December 28, 2015, the Province entered into a loan agreement with Banco Nacion for P$2,200.0 million, secured by the Province's rights to Federal Co-Participation Regime transfers. The proceeds of this loan were used to cover current expenditures, including payments to employees of the Province. The loan is repayable in 60 equal monthly installments, including a grace period of twelve months, at an interest rate of adjusted BADLAR plus 400 basis points. The outstanding principal amount of this loan as of December 31, 2015, was P$2,200.0 million.

On December 30, 2015, the Province entered into a loan agreement with Banco Nacion for P$2,200.0 million, secured by the Province's rights to Federal Co-Participation Regime transfers. The proceeds of this loan were used to refinance six-month extensions for several short term credit facilities previously granted by Banco Nacion that matured on December 31, 2015. This loan was originally repayable in three equal monthly installments, including a grace period of three months, at an interest rate of adjusted BADLAR plus 400 basis points. The Province has agreed with Banco Nacion to repay the entire loan in one payment due on June 30, 2016. The outstanding principal amount of this loan as of December 31, 2015, was P$2,200.0 million.

The department of finance of the Province is currently in negotiations with Banco Nacion to extend the maturity date of this loan agreement. No assurances can be given, however, that any such extension will be obtained.

Nación Fideicomisos S.A.

The Province has created three trusts that are currently managed by Nación Fideicomisos, as trustee which trusts, two of which are secured with Federal Co-Participation Regime funds received by the Province and the third with other federal transfers received by the Province. Nación Fideicomisos, as trustee, has issued *valores representativos de deuda fiduciaria*, which are securities secured by the assets transferred to the trust. The sole holder of all the securities issued under these trusts is Banco Nacion.

The securities issued by Nación Fideicomisos under this program are the following:

- P$138.0 million aggregate principal amount, issued in March 2011, payable in 177 equal monthly installments at an interest rate equal to BADLAR plus 2.5 basis points. The outstanding principal of these securities as of December 31, 2015, was P$161.5 million.
- P$400.0 million aggregate principal amount, issued in December 2013, payable in 60 equal monthly installments, including a grace period of 12 months, at an interest rate equal to BADLAR plus 400 basis points. The outstanding principal of these securities as of December 31, 2015 was P$300.0 million.
- P$37.5 million aggregate principal amount, issued in September 2015, payable in 60 equal monthly installments at a fixed interest rate equal to 15.0%. The outstanding principal of these securities as of December 31, 2015, was P$27.6 million Commercial banks and financial institutions

Credit Suisse International

On November 30, 2011, the Province entered into a US$100.0 million loan agreement with Credit Suisse International, secured by the pledge of a certain percentage of royalties assigned by the Province in respect to 24 productive areas developed by YPF and located in the Neuquina and Cuyana basins, with these percentages decreasing as the loan is amortized. As of December 31, 2015, the percentage of such royalties pledged as collateral for this loan was 45.0%. The loan is payable in 67 equal monthly installments, including a grace period of 17 months, at a fixed interest rate of 8.4% per annum. The outstanding principal amount of the loan as of December 31, 2015, was US$52.1 million (P$677.5 million). The Province is currently negotiating the refinancing of this credit facility and the increase in its principal amount. No assurances can be given, however, that any such extension will be obtained.

Multilaterals

International Bank for Reconstruction and Development and Inter-American Development Bank

The Province has received one indirect loan from the International Bank for Reconstruction and Development ("IBRD") and four indirect loans from the Inter-American Development Bank ("IADB"). These loans are made to the federal government, which has in turn allocated a portion of them to the Province on identical financial terms. The federal government guarantees the payment of principal and interest on these loans and, if payment is made under its guarantee, it has the right to withhold from the Federal Co-Participation Regime payments made to the Province in an amount sufficient to reimburse the federal government for its guarantee payment. Rates of interest on these loans range from 1.6% to 4.7% per annum.

The IBRD loan has been used by the Province to finance several infrastructure projects mainly for water treatment and management. The loan matures in 2020. As of December 31, 2015, US$46.8 million (P$608.0 million) of the loan remained outstanding and approximately US$35.5 million was pending disbursement.

The IADB loans have been used by the Province to finance rural infrastructure and agricultural development projects and water management projects. These loans have maturities ranging from 2016 to 2033. As of December 31, 2015, US$177.0 million (P$2,302.4 million) of these loans remained outstanding and US$45.1 million was pending disbursement.

In addition, on August 24, 2005, the Province entered into a direct credit facility with the IADB for US$70.0 million to fund several programs focused on the productive development and competitiveness in the Province, principally in the tourism and agriculture sectors. The main project financed under this facility was the construction of a new road surrounding the lake formed by the Potrerillos dam and the integration of a tourist circuit around it. Pursuant to the terms of this facility, the loans were made directly to the Province and the Province pledged, for the benefit of IADB, the right to a certain portion of its Federal Co-Participation Regime payments received from the federal government. The obligations of the Province under this facility are fully guaranteed by the federal government. As of December 31, 2015, the entire facility was disbursed and remained outstanding.

In February 2015, the Province entered into a second direct credit agreement with IADB for P$50.0 million. The proceeds of this facility are being used to finance the construction of a tunnel in Route 82, which will connect Cacheuta and Potrerillos and for other infrastructure projects, including the construction of a biotechnology and renewable energies park on a four-hectare property owned by the University of Cuyo. As of December 31, 2015, US$14.8 million of this facility remained outstanding and approximately US$35.3 million remained to be disbursed.

Non-Disbursed Facilities

The Province is negotiating the terms of a US$7.3 million facility from BICE, a development bank wholly-owned by the federal government. The proceeds from such financing would be used to finance the purchase of one helicopter to be used by the Province's police force. Amounts due under this facility would accrue interest at LIBOR plus 3.5% per annum and would mature in 2021. The Province would secure its obligations under this facility with transfers to which it is entitled pursuant to the Federal Co-Participation Regime payments.

Securities

Bonds due 2018

In 2004, 2005, 2006 and 2008 the Province issued US$150.4 million, US$20.5 million, US$52.9 million and US$6.8 million of 2018 Bonds, respectively, in exchange for 2007 Bonds, which had been issued in 1997. The aggregate nominal value of the 2018 Bonds was US$230.6 million, payable at an interest rate of 5.5% due every six months.

The terms and conditions of the 2018 Bonds include a negative pledge provision that restricts the ability of the Province to create certain liens or encumbrances.

The outstanding principal amount of the 2018 Bonds as of December 31, 2015 was US$68.3 million (equivalent to P$887.9 million).

Dollar-linked note program

On May 28, October 30 and December 18, 2013, the Province issued US$94.6 million, US$55.4 million and US$69.9 million, respectively, in notes due in 2016 for the notes issued on May 28, 2013 ("Class I Notes") and 2018 for the notes issued on the latter two dates ("Class II Notes" and "Class III Notes" and together with the Class I Notes, the "Dollar-Linked Notes"), secured by the Province's rights in the Federal Co-Participation Regime transfers from the federal government. The aggregate principal amount of the Dollar-Linked Notes was US$219.9 million, payable quarterly at an interest rate of 3.0% for the Class I Notes and 2.8% for both the Class II Notes and the Class III Notes.

The outstanding principal amount of the Dollar-Linked Notes as of December 31, 2015 was US$109.2 million (equivalent to P$1,419.7 million).

Peso-denominated note program

On December 3, 2014 and April 22, 2015, the Province issued P$250.8 million and P$149.2 million, respectively, in peso-denominated notes due 2016 ("2016 Notes"), secured by the Province's rights to Federal Co-Participation Regime transfers from the federal government. The aggregate principal amount of the 2016 Notes was $400.0 million payable quarterly accruing interest at a rate of BADLAR plus 6.6% per annum for the notes issued on December 3, 2014 and at a rate of 28.5% per annum for the first nine months and a variable interest rate for their remaining months equal to BADLAR plus 5.5% per annum for the notes issued on April 22, 2015.

The outstanding principal amount of the 2016 Notes as of December 31, 2015, was P$317.2 million.

Debt service

Debt amortizations increased to P$407.4 million in 2012 from P$319.7 million in 2011 (a 27.4% increase), which reflected a 22.7% total increase, attributable to the issuance of a new facility with Nacion Fideicomisos. In 2013, the Province repaid P$575.5 million of consolidated debt, an increase of 41.3% compared to 2012, which can mainly be explained by a 33.0% depreciation of the peso together with the end of the grace period for the Credit Suisse International loan described above. Interest paid by the Province in 2013 totaled P$342.9 million, an increase of 57.2% over 2012, due mainly to the entering into of several commercial bank loans at the end of 2012. In 2014, debt amortization amounted to P$1,480.9 million, an increase of 157.3% from 2013. This was mainly due to the issuance of three dollar-linked bonds as well as the prepayment of P$382.7 million of the Federal Debt Reduction Program. In 2015, the Province's debt amortizations equaled P$2,080.2 million, a 40.5% increase compared to 2014, which reflects a 52.0% depreciation of the peso against the U.S. dollar.

Based on the 2014 nominal GDP of the Province of P$140,434.0 million, its consolidated debt-to-GDP ratio was approximately 6.6% as of December 31, 2014. The Province's consolidated debt-to-GDP ratio has remained relatively constant in the past five years, with a slight decrease beginning in 2012 as a result of the negative real interest rates accrued on Banco Nacion and the federal government loans. As all of the Province's revenues are denominated in pesos (although its oil royalties are set by reference to international oil prices, which are denominated in U.S. dollars), the Province is exposed to the risk of a further devaluation of the peso. In addition, the Province is exposed to an increase in inflation levels, as a part of its indebtedness is currently subject to inflation adjustment pursuant to the ICC and indirectly through the effect of inflation over the BADLAR interest rate. Revenues of the Province are not adjusted pursuant to inflation although gross revenue tax receipts and Federal Co-Participation Regime transfers tend to increase in line with increases in general price levels.

The following table sets forth the amortization schedule for principal and interest payments on the Province’s public sector debt outstanding as of December 31, 2015.

Debt Amortization Schedule(1)

	Debt outstanding as of December 31,											
	2015		**2016**		**2017**		**2018**		**2019**		**After**	
	(in millions)											
	US$	**P$**	**US$**	**P$**	**US$**	**P$**	**US$**	**P$**	**US$**	**P$**	**US$**	**P$**
Federal Government	—	2,893.1	—	50.1	—	158.7	—	153.1	0.0	147.7	0.0	2,383.5
Banco Nacion(2)	—	5,358.3	—	2,676.5	—	293.0	—	302.2	0.0	311.8	0.0	1,774.8
International and other National Banks	52.1	15.3	16.9	15.3	17.9		17.3	0.0	0.0	0.0	0.0	0.0
Multilateral	223.8		20.4		17.6		17.6	0.0	14.0	0.0	154.1	0.0
Bondholders	177.4	317.2	71.8	317.2	52.2		53.4	0.0	0.0	0.0	0.0	0.0
Total	**453.3**	**8,584.0**	**109.1**	**3,059.1**	**87.7**	**451.8**	**88.4**	**455.2**	**14.0**	**459.5**	**154.1**	**4,158.3**

Notes:

(1) Debt with original maturity of more than one year. Amortization figures in this table include both scheduled payments on outstanding debt and projected payments on debt not yet disbursed but for which commitments have been made and are planned to be disbursed.

(2) The department of finance of the Province is currently in negotiations with Banco Nacion to extend the maturity date of the P$2,200.0 million loan coming due in the first half of 2016. No assurances can be given, however, that any such extension will be obtained.

Source: Public Debt Monitoring Unit of the Province

The 2016 budget contains debt service expenditure of P$6,545.2 million, including debt amortization of P$4,622.0 million in relation to the Province’s consolidated debt.

Pledge of Federal Tax Transfers

The Province has pledged part of its Federal Co-Participation Regime transfers to secure its obligations under certain of its outstanding indebtedness. Pursuant to these security arrangements, the federal government, acting through Banco Nacion, 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.

The following table sets forth the amount of Federal Co-Participation Regime transfers withheld to cover provincial debt service payments for the years 2011 to 2015.

Federal Tax Transfers

	2011	2012	2013	2014	2015(1)
			(in millions of P$)		
Federal Tax Transfers	**6,155.2**	**7,819.4**	**10,062.6**	**14,138.9**	**19,230.0**
Withholdings					
Federal	59.9	47.9	558.1	598.7	570.0
Government					
Banco Nacion	165.4	271.2	266.9	294.9	435.3
Other Banks	87.3	87.7	204.9	291.3	289.4
Multilaterals	90.1	83.5	133.2	214.9	235.7
Bondholders	0.0	0.0	23.7	380.0	874.3
Total	**402.7**	**490.3**	**1,186.8**	**1,779.8**	**2,404.7**
Percentage Withheld	**6.5** %	**6.3** %	**11.8** %	**12.6** %	**12.5** %

Note:

(1) Figures are preliminary estimates.

Source: Department of Finance of the Province

Description of Non-Consolidated Indebtedness

In addition to its consolidated indebtedness, the Province also has certain non-consolidated liabilities.

The main item of non-consolidated liabilities is comprised by the "floating debt" of the Province, which accounts for working capital and includes short-term liabilities incurred with suppliers, employees, the federal government's pension funds administrator 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 at a certain point in time, such that it includes amounts corresponding to orders that would be paid during the ordinary payment period (30 days from receipt of an invoice meeting all legal requirements).

As of December 31, 2011, the Province's floating debt was P$810.5 million. In 2012, deteriorating fiscal and macroeconomic conditions prevailing in the Province resulted in increased floating debt, which as of December 31, 2012 totaled P$1,544.3 million. In 2013, increased provincial income resulted in a relatively small increase in provincial floating debt, which totaled P$1,797.2 million as of December 31, 2013, representing an increase of 16.4% when compared to December 31, 2012, a year-on-year increase lower than the inflation rate for 2013. Floating debt as of December 31, 2014 was P$2,189.0 million, again reflecting an increase of provincial floating debt at a rate lower than inflation for the same period. As of December 31, 2015, the Province's estimated floating debt was P$4,152.4 million, which represents an increase of 89.7% compared to 2014. This increase is the result of the inability of the Province to make all payments to its suppliers during the second half of 2015 as the amounts authorized by its budget (which was an extension of the 2014 budget) were exhausted earlier in the year as a result of the high level of inflation prevailing in Argentina in 2015. In addition, the provincial administration in office during 2015 used floating debt as a financing mechanism given the legal restrictions then in place to incur in new consolidated debt.

As part of the new administration's effort to reduce the Province's floating debt, on February 22, 2016 the Province issued the Suppliers Bond for an aggregate principal amount of P$1,000.0 million for the purpose of restructuring part of its floating debt with suppliers through the issuance of consolidated debt. The Suppliers Bond is payable every six months, starting one year from its issuance date, and matures on August 22, 2018. The Suppliers Bond accrues interest at a rate equal to BADLAR. As of the date of this offering memorandum, approximately P$900.0 million of such bonds had been delivered to the Province's suppliers. The Province is considering issuing a similar bond for up to P$1,000.0 million principal amount in the second quarter of 2016 in order to restructure part of its floating debt with suppliers.

Contingencies

Although the liability of the Province for the indebtedness of its municipalities has not been explicitly defined under the laws of Argentina or the Province, a ruling by the Province's supreme court has stated that the Province's municipalities are "*entidades autárquicas,*" which is generally understood to mean that the Province has an indirect and subsidiary liability for the municipalities' debt, although the Province has never been required to pay a debt of a municipality. Furthermore, the Province has allowed certain of its municipalities to grant a percentage of the Federal Co-Participation Regime payments to which each such municipality is entitled, pursuant to the provincial participation law as collateral for the obligations of each such municipality with commercial banks. The Province estimates the principal amount of indebtedness of municipalities secured by such a pledge was approximately P$141.1 million as of December 31, 2015. The federal government has also included the debt of Argentine municipalities with commercial banks in the renegotiation process handled by the Provincial Development Fiduciary Fund, and as a result, the terms of the debts of the Province's municipalities have been renegotiated on substantially the same terms as the Province's own debt with commercial banks.

The Province has also assumed the liabilities of its municipalities and autonomous entities in relation to pension contributions for their employees. The Province has authorized the federal government to withhold from the Federal Co-Participation Regime payments to the Province all amounts required to be paid under any of the commitments mentioned in this paragraph, as well as in relation to its own obligations in connection with pension contributions for the Province's employees.

In addition, the Province can be held liable for the obligations of certain other autonomous entities. This liability, however, is an indirect and subsidiary obligation of the Province that would require a party to exhaust all legal remedies against the relevant entity before requesting payment from the Province. See "Provincial Entities."

Litigation

The Province is involved in several proceedings arising in the ordinary course of its activities, including litigation with employees relating to labor claims. The aggregate amount claimed by plaintiffs in the seven largest of such proceedings is approximately US$18.0 million, with an average amount per claim of approximately US$2.5 million. The Province believes that none of any such proceedings are material.

ICSID arbitration

The federal government has been named as a defendant in several International Centre for Settlement of Investment Disputes ("ICSID") arbitrations for actions or decisions related to the Province, on the grounds that Argentina has violated its obligations under different international treaties for the protection of investments, most notably the 1991 Treaty Concerning the Reciprocal Encouragement and Protection of Investment between the Republic of Argentina and the United States of America.

In at least two of these arbitration proceedings, the Republic of Argentina has been found liable for damages in final non-appealable awards. The Province may be asked by the federal government to reimburse amounts paid by it with respect to any of these awards or the settlement thereof, on terms to be mutually agreed to by the Province and the federal government. As of the date of this offering memorandum, the federal government has not requested the reimbursement of any such awards.

Cash Management

Banco Nacion is the Province's financial agent, responsible for the payment of salaries and the collection of taxes (on a non-exclusive basis). The Province and its autonomous entities (including, for these purposes, virtually every school and hospital) have approximately 1,800 bank accounts, all of them with Banco Nacion. Banco Nacion does not provide any overdraft facility to the Province, although it does allow for certain bank accounts that are managed by the Province’s treasurer to hold negative balances as long as the overall balance of all of the Province’s accounts is positive.

DEBT RECORD

In connection with the restructuring of its 2007 Bonds, which concluded successfully with their exchange for 2018 Bonds on September 7, 2004, the Province stopped making payments of interest or principal on the 2007 Bonds, which were accelerated on December 14, 2004. Of the original US$250.0 million principal amount of the 2007 Bonds, US$232.2 million were exchanged into an equivalent principal amount of 2018 Bonds and US$8.8 million was received by the Province from taxpayers in settlement of their tax obligations and were cancelled. The balance (US$9.0 million) of 2007 Bonds was never the subject of a judicial claim, and the Province considers any obligation under them to have terminated as a result of the lapse of the relevant statute of limitations.

DESCRIPTION OF THE NOTES

This section of this offering memorandum is only an overview of the material provisions of the Notes and the Indenture. 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. Copies of the Indenture are available free of charge at the offices of the trustee and the Luxembourg listing agent.

The Notes will be issued pursuant to the trust indenture between the Province and The Bank of New York Mellon as trustee dated as of May 19, 2016 (the "Indenture").

General Terms of the Notes

Basic Terms

The Notes will:

- be direct, general, unconditional and unsubordinated obligations of the Province;
- be initially issued in an aggregate principal amount of US$500,000,000;
- pay principal in three installments: US$166,650,000 on May 19, 2022, US$166,650,000 on May 19, 2023 and the remaining outstanding principal balance on May 19, 2024, to persons in whose names the Notes are registered at the close of business on the calendar day preceding the corresponding payment date (whether or not a business day).
- mature on May 19, 2024;
- not be redeemable before maturity at the option of the Province or repayable at the option of the holder and not be entitled to the benefit of any sinking fund. The Province may at any time, however, purchase Notes and hold or resell them or surrender them to the trustee for cancellation;
- be represented by Regulation S global securities (as defined below) and Restricted global securities (as defined below) (each sometimes referred to herein as a "global security," and together referred to herein as the "global securities") (see "—Registration and Book-Entry System");
- be issued in denominations of US$150,000 and in integral multiples of US$1,000 in excess thereof; and
- represent a claim to the full principal due on each amortizing date (plus any accrued and unpaid interest due at such time) or upon earlier acceleration in accordance with their terms.

Interest on the Notes will:

- accrue at the rate of 8.375% per annum;
- accrue from May 19, 2016, or the most recent interest payment date;
- be payable semi-annually in arrears on May 19 and November 19 of each year, beginning on November 19, 2016, to persons in whose names the Notes are registered at the close of business on the calendar day preceding the corresponding payment date (whether or not a business day); and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Status

The Notes will be direct, general, unconditional and unsubordinated Public External Indebtedness of the Province. The Notes rank and will rank without any preference among themselves and equally with all other unsubordinated Public External Indebtedness of the Province. It is understood that this provision shall not be construed so as to require the Province to make payments under the Notes ratably with payments being made under any other Public External Indebtedness of the Province.

For purposes of the preceding paragraph, (A) "Public External Indebtedness" means any External Indebtedness of, or guaranteed by, the Province which (i) is publicly offered or privately placed in securities markets, (ii) is in the form of, or represented by, bonds, notes or other securities or any guarantees thereof and (iii) is, or was intended at the time of issue to be, quoted, listed or traded on any stock exchange, automated trading system or over-the-counter securities market (including securities eligible for sale pursuant to Rule 144A under the Securities Act, as amended (or any successor law or regulation of similar effect)), and (B) "External Indebtedness" means obligations for borrowed money or evidenced by securities, debentures, notes or other similar instruments denominated and payable or which at the option of the holder thereof may be payable in a currency other than the lawful currency of Argentina, regardless of whether that obligation is incurred or entered into within or outside Argentina.

Payment of Principal and Interest

The trustee will make payments to the registered holders of the Notes. Payments of the principal and interest and any Additional Amounts on individual Notes represented by a global security registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of the global security representing such Notes. None of the Province, the trustee, any paying agent, any registrar or any transfer 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 the global securities or for maintaining, supervising, or reviewing any records relating to such beneficial ownership interests. The Province expects that DTC or its nominee, upon receipt of any payment of principal, interest or Additional Amounts, if any, in respect of a global security representing any Notes held by it or its nominee, will credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global security as shown on the records of DTC or its nominee. The Province also expects that payments by DTC Participants to owners of beneficial interests in such global security held through such DTC 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 DTC Participants.

If any date for payments of interest, principal or other amounts contemplated herein is not a business day, the Province will make the payment on the next succeeding business day. Such payments will be deemed to have been made on the due date, and no interest on the Notes will accrue as a result of the delay in payment. 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 required or authorized by law, regulation or executive order to close in New York City or in the City of Buenos Aires (or in the city where the relevant paying or transfer agent is located).

If any money that the Province deposits with the trustee or any paying agent for the payment of the principal of, premium, if any, or interest (including Additional Amounts) on any Notes is not claimed at the end of two years after the applicable payment was due and payable, then the money will be repaid to the Province on the Province's written request. The Province will hold such unclaimed money in trust for the relevant holders of those Notes. After any such repayment, neither the trustee nor any paying agent will be liable for the payment. However, the Province's obligations to make payments on the Notes as they become due will not be affected until the expiration of the prescription period specified in the Notes. To the extent permitted by law, claims against the Province for the payment of principal of premium, if any, or interest or other amounts due on the Notes (including Additional Amounts) will become void unless made within four years of the date on which that payment first became due.

Registration and Book-Entry System

Notes sold outside the United States in reliance on Regulation S will be represented by one or more global securities in definitive, fully registered form without interest coupons (collectively, "Regulation S global securities") and will be deposited with the trustee, as custodian for The Depository Trust Company ("DTC"), and registered in the name of DTC or its nominee for the accounts of its direct and indirect participants (including Euroclear and Clearstream, Luxembourg).

Notes sold in reliance on Rule 144A under the Securities Act initially will be represented by one or more global securities in definitive, fully registered form without interest coupons (collectively, "Restricted global securities") and will be deposited with the trustee, as custodian for DTC and registered in the name of DTC or its nominee. Restricted global securities will be subject to certain restrictions on transfer and will bear a legend to that effect as described under "Notice to Investors."

Upon the issuance of Regulation S global securities and Restricted global securities, DTC or its custodian will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global security to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global security will be limited to persons who have accounts with DTC ("DTC Participants") or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global securities will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC or its nominee is the registered owner or holder of a global security, DTC, or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such global security for all purposes under the Indenture. No beneficial owner of an interest in a global security will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture.

Investors may hold their interests in Regulation S global securities directly through Euroclear or Clearstream, Luxembourg, if they are participants in such systems, or indirectly through organizations that are participants in such systems as indirect DTC Participants. Euroclear and Clearstream, Luxembourg will hold interests in the Regulation S global securities on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which in turn will hold such interests in Regulation S global securities in customers' securities accounts in the depositaries' names on the books of DTC. Investors that are qualified institutional buyers may hold their interests in Restricted global securities directly through DTC if they are DTC Participants, or indirectly through organizations that are DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC rules and procedures and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in accordance with their respective rules and procedures. The laws of some states require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a global security to such persons may be limited because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks. Accordingly, the ability of a person having a beneficial interest in a global security to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of each interest, may be affected by the lack of a physical certificate for such interest.

Certificated Securities

The Province will issue certificated Notes, which shall bear the legend referred to under "Notice to Investors," in exchange for the global securities if: (i) DTC notifies the Province (a copy of such notice to be provided to the trustee by the Province) that it is at any time unwilling or unable to continue as a depositary for the global securities or if at any time DTC ceases to be a "clearing agency" registered under the Exchange Act or if at any time DTC is no longer eligible to act as Depositary under the Indenture and, in each case, a successor depositary is not appointed by the Province within 90 days; (ii) the Province decides it no longer wishes to have all or part of the Notes represented by global securities; or (iii) the trustee has instituted or been directed to institute any judicial proceeding to enforce the rights of the holder of a Note and the trustee has been advised by its legal counsel that it should obtain possession of the Notes for the proceeding. Holders of an interest in a global security may receive certificated Notes, which may bear the legend referred to under "Notice to Investors," in accordance with DTC's rules and procedures in addition to those provided for under the Indenture.

The holder of a certificated Note may transfer such Note by surrendering it at the office or agency maintained by the Province for such purpose in the Borough of Manhattan, The City of New York, which initially will be the Corporate Trust Office of the trustee. Upon the transfer, exchange or replacement of certificated Notes bearing a restrictive legend, or upon specific request for removal of the legend on a certificated Note, the Province will deliver only certificated Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Province and the trustee such evidence as shall be satisfactory to the Province, which may include an opinion of counsel, as may reasonably be required by the Province and the trustee, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

In connection with the exchange of interests in a global security for Notes in certificated form under any of the conditions described above, such interest in a global security will be deemed to be surrendered to the trustee for cancellation, and the Province will execute, and will instruct the trustee to authenticate and deliver, to each beneficial owner identified by DTC, in exchange for its beneficial interest in such global security, an equal aggregate principal amount of certificated Notes.

If the Province issues certificated Notes, they will have the same terms and authorized denominations as the Notes. You will receive payment of principal, interest and premiums, if any, in respect of certificated Notes at the offices of the trustee in New York City and, if applicable, at the offices of any paying agent. You may present certificated Notes for transfer or exchange according to the procedures in the Indenture at the corporate trust office of the trustee in New York City and, if applicable, at the offices of any other transfer agent appointed by the Province.

The Luxembourg Stock Exchange will be informed before the Province issues certificated Notes in exchange for the global security held by the trustee as custodian for DTC. If the Province issues such certificated Notes, it will publish notices in a newspaper with general circulation in Luxembourg (which the Province expects to be *Luxemburger Wort*), and on the website of the Luxembourg Stock Exchange at http://www.bourse.lu, announcing procedures for payments of principal, interest and premiums, if any, in respect of or transfer of certificated Notes in Luxembourg. If publication in a leading newspaper in Luxembourg is not practicable, the Province will publish such notices in a leading English language daily newspaper with general circulation in Europe. The Province will consider any published notice to be given on the date of its first publication.

You may be charged for any stamp duty, tax or other governmental charge that must be paid in connection with the transfer, exchange or registration of transfer of Notes and any other expenses (including the fees and expenses of the trustee) connected with the preparation and issuance of the substitute Note. The Province, the trustee and any agent appointed by 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, you 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 you to provide an indemnity satisfactory to the Province and the trustee under which you agree to pay the Province, the trustee or any agent appointed by the Province 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 you to present other documents or proof. After you deliver these documents, if neither the Province nor the trustee has notice that a protected purchaser has acquired the Note that you are exchanging, the Province will execute, and the trustee will authenticate and deliver to you, a substitute note with the same terms as the Note you are exchanging. You will be required to pay all expenses and reasonable charges associated with the replacement of this certificated Note.

Further Issuances

Under the terms of the Indenture, the Province may from time to time, without the consent of the holders of the Notes, create and issue additional notes of the same series having terms and conditions which are the same as those of the Notes in all respects, except for the issue date, issue price and first payment date of interest on the Notes; provided, however, that any additional Notes subsequently issued that are not fungible with the previously outstanding Notes for U.S. federal income tax purposes shall have a separate CUSIP, ISIN or other identifying number from the previously outstanding Notes. Additional Notes issued in a qualified reopening for U.S. federal income tax purposes will be consolidated with, and will form a single series with the previously outstanding Notes.

Additional Amounts

All payments by the Province in respect of the Notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Argentina or the Province or any political subdivision or taxing authority or agency therein or thereof having the power to tax (for purposes of this paragraph, a "Relevant Tax"), unless the withholding or deduction of such Relevant Tax is required by law. In that event, the Province will pay such additional amounts ("Additional Amounts") as may be necessary to ensure that the amounts received by the holders after such withholding or deduction will equal the respective amounts of principal and interest that would have been receivable in respect of the Notes in the absence of such withholding or deduction; except that no such Additional Amounts will be payable with respect to any Note:

(1) to a holder (or to a third party on behalf of a holder) where such holder is liable for such Relevant Taxes in respect of a Note by reason of his having some connection with the Province or Argentina other than the mere holding of such Note, the receipt of principal, premium or interest in respect thereof, or the enforcement of rights thereunder; or

(2) presented for payment by or on behalf of a holder who would have been able to avoid the withholding or deduction by presenting the relevant Note to another paying agent in a member state of the European Union; or

(3) presented for payment more than 30 days after the Relevant Date, as defined herein, 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; or

(4) to a holder of the Note (or a third party on behalf of a holder) where such holder of the Note would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other claim for exemption or reduction to the relevant tax authorities if such holder of the Note is eligible to make such declaration or other claim and, after having been requested to make such a declaration or claim, such holder of the Note fails to timely do so, provided that (x) the Province has provided the holder with at least 60 days' prior written notice (in accordance with the terms of the Notes) of an opportunity to satisfy such a requirement or make such a declaration or claim, and (y) in no event shall such holder's obligation to satisfy such a requirement or to make such a declaration or claim require such holder to provide any materially more onerous information, documents or other evidence than would be required to be provided had such holder been required to file IRS Forms W-8BEN, W-8BEN-E, W-8ECI, W-8EXP and/or W-8IMY.

As used in the preceding paragraph, "Relevant Date" in respect of a Note means the date on which payment in respect thereof becomes due or (if the full amount of the money payable on such date has not been received by the trustee on or prior to such due date) the date on which notice is duly given to the holders that such moneys have been so received and are available for payment.

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.

Negative Pledge Covenant

The Province has agreed that it will not and it will not permit any of the Provincial Agencies to, for so long as any Note remains outstanding, create or permit to subsist any Lien, other than a Permitted Lien, upon the whole or any part of its or any of the Provincial Agencies' property or assets to secure any Indebtedness of the Province or any of the Provincial Agencies unless the Notes are secured equally and ratably with such Indebtedness.

As used herein, the term "Indebtedness" means, with respect to any person, whether outstanding on the original issuance date of a series of debt securities or at any time thereafter: (i) all indebtedness of such person for borrowed money; (ii) all reimbursement obligations of such person (to the extent no longer contingent) under or in respect of letters of credit or bankers' acceptances; (iii) all obligations of such person to repay deposits with or advances to such person; (iv) all obligations of such person (other than those specified in clauses (i) and (ii) above) evidenced by securities, debentures, notes or similar instruments; and (v) to the extent fixed and liquidated and no longer contingent, all direct guarantees, endorsements, *avales* or similar obligations of such person in respect of, and all direct obligations of such person to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of any other persons specified in clauses (i), (ii) (iii) or (iv) above, provided that indebtedness of the Province or a Provincial Agency shall not mean indebtedness relating to the provision of property or services to the Province or such Provincial Agency.

As used herein, the term "Lien" means any mortgage, pledge, security interest, hypothecation, condition sale or other title retention agreement or other similar encumbrance.

As used herein, the term "Permitted Lien" means:

(a) any Lien in existence on the date of the Indenture, provided that the total amount of Indebtedness so secured does not exceed the amount so secured on such date;

(b) any Lien upon any property to secure Indebtedness of the Province or any Provincial Agency incurred specifically for the purpose of financing the acquisition of the property subject to such Lien;

(c) 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;

(d) any replacement, renewal or extension of any Lien permitted by clauses (a) through (c) above upon the same property theretofore subject to such Lien, including any replacement, renewal or extension of such Lien resulting from the refinancing of the Indebtedness secured by such Lien; *provided*, *however*, that the principal amount of any Indebtedness or refinanced Indebtedness, as the case may be, that is secured by such replaced, renewed or extended Lien may not be increased from its original principal amount in connection with such replacement renewal or extension;

(e) any Lien securing Indebtedness of the Province encumbering the right of the Province to receive Co-Participation Payments; *provided* that the aggregate principal amount of such Indebtedness so secured and outstanding at any one time may not exceed an amount which would cause the Quarterly Co-Participation Secured Indebtedness Ratio to exceed 50%;

(f) any Lien securing any Indebtedness of the Province with Banco de la Nación Argentina for as long as Banco de la Nación Argentina is the financial agent of the Province;

(g) any Liens that arise by operation of law, including any Lien in the form of a tax or other statutory Lien; *provided* that any such Lien shall be discharged within thirty (30) days after the date it is created or arises (unless contested in good faith by the Province, in which case it shall be discharged within thirty (30) days after final adjudication); and

(h) any Lien, other than Liens encumbering the Province's right to receive Co-Participation Payments, securing Indebtedness of the Province in an outstanding aggregate principal amount not to exceed at any time 10% of the Province's annual Revenues for the period that includes the most recent four consecutive fiscal quarters ending prior to the incurrence of such Lien.

As used herein, the term "Co-Participation Payments" means any transfers made by the federal government to the Province pursuant to the Federal Tax Co-Participation Law, 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.

As used herein, the term "Provincial Agency" means each agency, department, authority, statutory corporation or other statutory body or judicial entity of the Province or any fiduciary, trust or other fund created by provincial law or regulation, the Indebtedness of which is generally guaranteed in full (as to payment) by the Province.

As used herein, the term "Quarterly Co-Participation Secured Indebtedness Ratio" is the percentage which, at any March 31, June 30, September 30 or December 31, is equal to the sum of (i) (A) the aggregate amount of payments of principal and interest that will become due in the twelve calendar months immediately following such March 31, June 30, September 30 or December 31, as the case may be, in respect of Indebtedness which is secured by a Lien on all of the Province's right to receive Co-Participation Payments, divided by (B) the aggregate amount of Co-Participation Payments actually received by the Province in the three calendar months immediately preceding such March 31, June 30, September 30 or December 31, as the case may be, multiplied by 4, with the quotient of (A) and (B) further multiplied by (C) 100; and (ii) the percentage of Co-Participation Payments actually encumbered and securing any other Indebtedness at such March 31, June 30, September 30 or December 31, as the case may be.

As used herein, the term "Revenues" means the cash receipts by the Province and any of the Provincial Agencies from Co-Participation Payments, from taxes levied by the Province and from royalties, fees, charges, concessions, licenses and all other tax and non-tax sources of income.

Interest Coverage Covenant

The Province has agreed that it will not incur, assume or guarantee ("incur") and will not permit any Provincial Agency to incur any Indebtedness unless, at the proposed date of incurrence, the amount of Interest Expense accrued during the preceding twelve months ending on March 31, June 30, September 30 or December 31, as the case may be, immediately preceding such proposed date of incurrence does not exceed 13% of Revenues collected during such twelve-month period, in each case determined on a pro forma basis giving effect to the incurrence of such Indebtedness and the use of proceeds therefrom and the incurrence, repayment or retirement of any other Indebtedness during such twelve-month period.

As used herein, the term "Interest Expense" means the aggregate of the interest expense, discount and commissions, fees and expenses incurred by the Province and the Provincial Agencies on their Indebtedness.

Events of Default and Acceleration of Maturity

Each of the following is an event of default with respect to the Notes:

(a) The Province fails to pay any principal due on the Notes when due and payable for three (3) days after the applicable payment date; or

(b) The Province fails to pay any interest or Additional Amounts due on the Notes when due and payable for thirty (30) days after the applicable payment date; or

(c) The Province fails to duly perform or observe any term or obligation contained in the Notes or the Indenture, which failure continues unremedied for sixty (60) days after written notice thereof has been given to the Province by the trustee; or

(d) The Province or any Provincial Agency fails to make any payment when due, after any applicable grace periods, on any of its Indebtedness (other than Excluded Indebtedness) having an aggregate principal amount greater than or equal to US$15,000,000 (or its equivalent in other currencies); or

(e) The Province fails to perform or observe any other condition or covenant, or any other event shall occur or condition exist, under any agreement or instrument relating to any Indebtedness of the Province or any Provincial Agency (other than Excluded Indebtedness) having an aggregate principal amount greater than or equal to US$15,000,000 (or its equivalent in other currencies), and such failure continues after the applicable grace or notice period, if any, specified in the relevant document of the date of such failure if the effect of such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness (other than Excluded Indebtedness) or beneficiary or beneficiaries of such Indebtedness (other than Excluded Indebtedness) (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause such Indebtedness (other than Excluded Indebtedness) to be declared to be due and payable prior to its stated maturity, or in the case of Indebtedness consisting of Contingent Obligations, to become due and payable; or

(f) Any representation, warranty or certification made by the Province (or any of its duly authorized officers or officials) in any Note, the Indenture or in any document, instrument or certificate delivered by the Province pursuant to any Note, or the Indenture shall prove to have been incorrect, incomplete or misleading in any material respect when made; *provided* that the same is reasonably likely to have a material adverse effect on the ability of the Province to perform its material obligations thereunder or the legality, validity or enforceability of any Note, the Indenture or any such document or instrument; or

(g) The validity or enforceability of any of the Notes or the Indenture shall be contested by the Province, or any final decision by any court or agency from which no appeal may be or is taken shall purport to render any provision of the Notes or any material provision of the Indenture invalid or unenforceable or purport to prevent or delay the performance or observance by the Province of any of its obligations under the Notes or any of its material obligations under the Indenture; or

(h) The Province shall fail generally to pay its Indebtedness (other than Excluded Indebtedness) as it becomes due, or a moratorium on the payment of the Province's Indebtedness (other than Excluded Indebtedness) shall be declared by Argentina or the Province (including, without limitation, any moratorium that is limited to the Province's obligations denominated in any particular currency or currencies or to foreign creditors of the Province), or Argentina or the Province shall declare a general suspension of payment or a moratorium on the payment of debt of the Province (which does not expressly exclude the Notes); or

(i) There has been entered against the Province or a 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$15,000,000 (or the equivalent thereof in another currency or currencies) (other than a final judgment, decree or order in respect of any Excluded Indebtedness) and 60 days shall have passed since the entry of such final judgment, decree or order without it having been satisfied or stayed; or

(j) (A) Any constitutional provision, law, regulation, ordinance or decree necessary to enable the Province to perform its obligations under the Notes or the Indenture, 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 which materially adversely affects, or may reasonably be expected to materially adversely affect, any rights or claims of any of the holders of the Notes, or (B) any final decision by any court in Argentina having jurisdiction from which no appeal may be or is taken shall purport to render any material provision of the Notes or any material provision of the Indenture invalid or unenforceable, or purport to prevent or delay the performance or observance by the Province of its obligations under the Notes or under the Indenture, and, in each case, such expiration, withholding, revocation, termination, cessation, invalidity, unenforceability or delay shall continue in effect for a period of 60 days.

If any of the events of default described above occurs and is continuing (whatever the reason for such event of default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgement, decree or order of any court or any order, rule or regulation of any administrative or governmental body), holders of at least 25% of the aggregate principal amount of the Notes then outstanding may declare the principal amount of all the Notes then outstanding to be immediately due and payable by giving written notice to the Province, with a copy to the trustee, unless prior to such date all events of default in respect of the Notes have been cured.

If, at any time after the Notes shall have been declared due and payable, the Province shall pay or shall deposit (or cause to be paid or deposited) with the trustee a sum sufficient to pay all installments of interest and principal due upon all the Notes (with interest on overdue amounts of interest, to the extent permitted by law, and on such principal of each Note at the rate of interest specified in the Note, to the date of such payment) and such amount as shall be sufficient to cover the reasonable fees and expenses of the trustee, including, without limitation, the fees and expenses of its counsel, and if any and all events of default under the Notes, other than the non-payment of principal on the Notes which shall have become due solely by declaration of acceleration, shall have been cured, waived or otherwise remedied, then, and in every such case, the holders of more than 50% in aggregate 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.

As used herein, “Excluded Indebtedness” means the Province’s 10% Bonds due 2007 issued on September 4, 1997.

As used herein, “Contingent Obligations” means as to any person, any obligation of such person guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (a “primary obligation”) of any other person in any manner, whether directly or indirectly, including, without limitation, avales and any obligation of such person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefore, (ii) to advance or supply funds (a) for the purchase or payment of any such primary obligation or (b) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities and services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against laws in respect thereof. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is incurred or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the contingent obligor in good faith.

Suits for Enforcement and Limitations on Suits by Holders

If an event of default for the Notes has occurred and is continuing, the trustee may, in its discretion, institute judicial action to enforce the rights of the holders. With the exception of a suit brought by a holder on or after the stated maturity date to enforce its absolute right to receive payment of the principal of and interest on the Notes on the stated maturity date therefor (as that date may be amended or modified pursuant to the terms of the Notes, but without giving effect to any acceleration), a holder has no right to bring a suit, action or proceeding with respect to the Notes unless: (1) such holder has given written notice to the trustee that a default with respect to the Notes has occurred and is continuing; (2) holders of at least 25% of the aggregate principal amount outstanding of the Notes have instructed the trustee by specific written request to institute an action, suit or proceeding and provided an indemnity or other security as against the costs, expenses and liabilities to be incurred that is satisfactory to the trustee; and (3) 60 days have passed since the trustee received the instruction and the indemnity, the trustee has failed to institute an action, suit or proceeding as directed and no direction inconsistent with such written request shall have been given to the trustee by a majority of holders of the outstanding Notes. Moreover, any such action commenced by a holder must be for the equal, ratable and common benefit of all holders of the Notes.

Meetings, Amendments and Waivers – Collective Action

The Province, in its discretion, may call a meeting of the holders of debt securities (including the Notes) at any time and from time to time regarding the debt securities or the Indenture. The Province will determine the time and place of the meeting and will notify the holders of the time, place and purpose of the meeting not fewer than 30 days and not more than 60 days prior to the date fixed for the meeting.

In addition, the Province or the trustee will call a meeting of the holders of a series of debt securities if the holders of not less than 10% of the aggregate principal amount of such series have delivered a written request to the Province or the trustee setting out the purpose of the meeting. The Province shall notify the trustee, and the trustee shall notify the holders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 30 and not more than 60 days after the date on which such notification is given.

Only holders of debt securities and their proxies are entitled to vote at a meeting of holders. The Province will set out the procedures governing the conduct of the meeting and if additional procedures are required, the Province will consult with the trustee to establish such procedures as are customary in the market.

Modifications may also be approved by holders of the Notes pursuant to a written action consented to by holders of the requisite percentage of the Notes. If a proposed modification is to be approved by a written action, the Province shall solicit the consent of the relevant holders of the Notes to the proposed modification not less than 10, nor more than 30, days prior to the expiration date for the receipt of such consents specified by the Province.

The holders of the outstanding Notes may generally approve any proposal by the Province to modify or take action with respect to the Indenture or the terms of the Notes with the affirmative vote (if approved at a meeting of the holders) or consent (if approved by written action) of holders of more than 50% of the outstanding aggregate principal amount of the Notes.

However, holders of any series of debt securities (including the Notes) may approve, by vote or consent through one of three modification methods, any modification, amendment, supplement or waiver proposed by the Province that would do any of the following (such subjects referred to as “reserve matters”):

- change the date on which any amount is payable on the debt securities;
- reduce the principal amount of the debt securities (other than in accordance with the express terms of the debt securities and the Indenture);
- reduce the interest rate on the debt securities;
- change the method used to calculate any amount payable on the debt securities (other than in accordance with the express terms of the debt securities and the Indenture);
- change the currency of any amount payable on the debt securities;
- modify the Province’s obligation to make any payments on the debt securities (including any redemption price therefor);
- change the identity of the obligor under the Notes;
- change the definition of “outstanding” debt securities or the percentage of affirmative votes or written consents, as the case may be, required to make a “reserve matter modification”;
- change the definition of “uniformly applicable” or “reserve matter modification”;
- authorize the trustee, on behalf of all holders of the debt securities, to exchange or substitute all the debt securities for, or convert all the debt securities into, other obligations or securities of the Province or any other person;
- change the legal ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms of the debt securities; or
- change the place of payment to the bondholders.

A change to a reserve matter, including the payment terms of any series of debt securities (including the Notes), can be made without your consent, as long as the change is approved, pursuant to one of the three following modification methods, by vote or consent by:

- the holders of more than 75% of the aggregate principal amount of the outstanding Notes insofar as the change affects the Notes (but does not modify the terms of any other debt securities issued under the Indenture);
- where such proposed modification would affect the outstanding Notes and at least one other series of debt securities issued under the Indenture, the holders of more than 75% of the aggregate principal amount of the then outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, if certain "uniformly applicable" requirements are met (defined in the Indenture as "cross-series modification with single aggregated voting"); or
- where such proposed modification would affect the outstanding Notes and at least one other series of debt securities issued under the Indenture, whether or not the "uniformly applicable" requirements are met, the holders of more than 66 ⅔% of the aggregate principal amount of the then outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, and the holders of more than 50% of the aggregate principal amount of the then outstanding debt securities of each series affected by the modification, taken individually.

"Uniformly applicable," as used herein, means a modification by which holders of debt securities of all series affected by that modification are invited to exchange, convert or substitute their debt securities on the same terms for (x) the same new instruments or other consideration or (y) new instruments or other consideration from an identical menu of instruments or other consideration. It is understood that a modification will not be considered to be uniformly applicable if each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification (or, where a menu of instruments or other consideration is offered, each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification electing the same option under such menu of instruments).

Any modification consented to or approved by the holders of debt securities pursuant to the above provisions will be conclusive and binding on all holders of the relevant series of debt securities or all holders of all series of debt securities affected by a cross-series modification, as the case may be, whether or not they have given such consent, and on all future holders of those debt securities whether or not notation of such modification is made upon the debt securities. Any instrument given by or on behalf of any holder of a debt security in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent holders of that debt security.

The Province may select, in its discretion, any modification method for a reserve matter modification in accordance with the Indenture and to designate which series of debt securities will be included for approval in the aggregate of modifications affecting two or more series of debt securities. Any selection of a modification method or designation of series to be included will be final for the purpose of that vote or consent solicitation.

For so long as any series of debt securities issued under the indenture dated as of October 28, 2004 between the Province of Mendoza and The Bank of New York Mellon (as successor to JPMorgan Chase Bank), as trustee (the "2004 indenture") ("2004 debt securities") are outstanding, if the Province certifies to the trustee and to the trustee under the 2004 indenture that a cross-series modification is being sought simultaneously with a "2004 indenture reserve matter modification," the 2004 debt securities affected by such 2004 indenture reserve matter modification shall be treated as "series affected by that proposed modification" as that phrase is used in the Indenture; provided, that if the Province seeks a cross-series modification with single aggregated voting, in determining whether such modification will be considered uniformly applicable, the holders of any series of 2004 debt securities affected by the 2004 indenture reserve matter modification shall be deemed "holders of debt securities of all series affected by that modification" for the purpose of the uniformly applicable definition. It is the intention that in such circumstances, the votes of the holders of the affected 2004 debt securities be counted for purposes of the voting thresholds specified in the Indenture for the applicable cross-series modification as though those 2006 debt securities had been affected by that cross-series modification, although the effectiveness of any modification, as it relates to the 2004 debt securities, shall be governed exclusively by the terms and conditions of those 2004 debt securities and by the 2004 indenture; provided, however, that no such modification as to the Notes will be effective unless such modification shall have also been adopted by the holders of the 2004 debt securities pursuant to the amendment and modification provisions of such 2004 debt securities, in accordance with the 2004 indenture.

"2004 indenture reserve matter modification" means any modification to a reserve matter affecting the terms and conditions of one or more series of the 2004 debt securities, pursuant to the 2004 indenture.

Before soliciting any consent or vote of any holder of the debt securities (including the Notes) for any change to a reserve matter, the Province will provide the following information to the trustee for distribution to the holders of debt securities of any series that would be affected by the proposed modification:

- a description of the Province's economic and financial circumstances that are, in the Province's opinion, relevant to the request for the proposed modification, a description of the Province's existing debts and description of its broad policy reform program and provisional macroeconomic outlook;
- if the Province shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, (x) a description of any such arrangement or agreement and (y) where permitted under the information disclosure policies of the multilateral or other creditors, as applicable, a copy of the arrangement or agreement;
- a description of the Province's proposed treatment of external debt instruments that are not affected by the proposed modification and its intentions with respect to any other major creditor groups; and
- if the Province is then seeking any reserved matter modification affecting any other series of debt securities, a description of that proposed modification.

For purposes of determining whether the required percentage of holders of the Notes or any series of debt securities has approved any amendment, modification or change to, or waiver of, the Notes, such other series of debt securities or the Indenture, or whether the required percentage of holders has delivered a notice of acceleration of the debt securities of that series, debt securities will be disregarded and deemed not to be outstanding and may not be counted in a vote or consent solicitation for or against a proposed modification if on the record date for the proposed modification or other action or instruction hereunder, the debt security is held by the Province or by a public sector instrumentality, or by a corporation, trust or other legal entity that is controlled by the Province or a public sector instrumentality, except that (x) debt securities held by the Province or any public sector instrumentality of the Province or by a corporation, trust or other legal entity that is controlled by the Province or a public sector instrumentality 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 debt securities and that the pledgee is not the Province, or a public sector instrumentality, or a corporation, trust or other legal entity that is controlled by the Province or a public sector instrumentality, and in case of a dispute concerning such right, the advice of counsel shall be full protection in respect of any decision made by the trustee in accordance with such advice and any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters or information which is in the possession of the trustee, upon the certificate, statement or opinion of or representations by the trustee; and (y) in determining whether the trustee will be protected in relying upon any such action or instructions hereunder, or any notice from holders, only debt securities that a responsible officer of the trustee knows to be so owned or controlled will be so disregarded.

As used in the preceding paragraph, "public sector instrumentality" means any department, secretary, ministry or agency of the Province, and "control" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests, by contract 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 that legal entity.

Other Amendments

The Province and the trustee may, without the vote or consent of any holder of debt securities (including the Notes) of a series, amend the Indenture or the debt securities of that series for the purpose of:

- adding to the Province's covenants for the benefit of the holders with respect to such series of debt securities;
- surrendering any of the Province's rights or powers with respect to the debt securities of that series;
- securing the debt securities of that series;
- curing any ambiguity or curing, correcting or supplementing any defective provision in the debt securities of that series or the Indenture;
- amending the debt securities of that series or the Indenture in any manner that the Province and the trustee may determine and that does not materially adversely affect the interests of any holders of the debt securities of that series; or
- correcting a manifest error of a formal, minor or technical nature.

Notices

The Province will mail notices to holders of certificated Notes at their registered addresses as reflected in the register maintained by the registrar. The Province will consider any mailed notice to have been given five business days after it has been sent. The Province will give notices to the holders of a global security in accordance with the procedures and practices of the depositary and such notices shall be deemed given upon actual receipt thereof by the depositary.

The Province will also publish notices to the holders (a) in a leading newspaper having general circulation in Buenos Aires, New York City and London (which is expected to be *La Nación* or *Ambito Financiero*, *The Wall Street Journal* and the *Financial Times*, respectively) and (b) if and so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the exchange so require, in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) and on the website of the Luxembourg Stock Exchange at http://www.bourse.lu. If publication in a leading newspaper in Luxembourg is not practicable, the Province will publish such notices in a leading English language daily newspaper with general circulation in Europe. The Province will consider any published notice to be given on the date of its first publication.

Payment Procedure in the Event of Foreign Exchange Restrictions in Argentina

The Province has agreed that, if it is unable to obtain the full amount of the specified currency or to transfer such amounts outside of Argentina in order to make a scheduled payment of principal or interest on the Notes due to a restriction or prohibition on access to the foreign exchange market in Argentina, to the extent permitted by such restriction or prohibition, the Province will pay all such amounts then due by means of (i) purchasing U.S. dollar-denominated Argentine government bonds traded outside of Argentina or any other securities or public or private bonds issued in Argentina, with Argentine Pesos, and transferring and selling such instruments outside Argentina for the specified currency, or (ii) any other legal mechanism for the acquisition of the specified currency in any foreign exchange market. All costs, including any taxes, relative to such operations to obtain the specified currency will be borne by the Province.

Governing Law

Subject to certain exceptions the Indenture is, 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 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 and 235 of the Argentine Civil and Commercial Code, or directly provides an essential public service. Furthermore, it may be difficult for the trustee or holders to enforce, in the United States or elsewhere, the judgments of U.S. or foreign courts against the Province.

In connection with any legal action or proceeding arising out of or relating to the Notes (subject to the exceptions described below), the Province has agreed:

- to submit to the jurisdiction of any New York state and/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 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, any objection to venue or the defense of an inconvenient forum to the maintenance of such action or proceeding; and
- to appoint Corporation Service Company as its authorized agent, which is presently located at 1180 Avenue of the Americas, Suite 210, New York, NY 10036-8401, United States of America.

The process agent will receive, on behalf of the Province and its property, service of any summons and complaint and any other process that may be served in any such 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 in the care of the authorized agent at the address specified above for such authorized 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 manner provided by applicable law.

In addition to the foregoing, the trustee and the 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 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 has or hereafter may acquire any immunity (sovereign or otherwise) in respect of its obligations under the Notes and/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 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 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.

Holders 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.

A judgment obtained against the Province in a foreign court may be enforced in the Supreme Court of the Republic of Argentina. Based on current 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 principles of international 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 simultaneously issued by an Argentine Court.

Currency Indemnity

The obligation of the Province to the trustee or any holder under the Notes that has obtained a court judgment affecting the Indenture or those Notes will be discharged only to the extent that the recipient may purchase U.S. dollars, referred to as the "agreement currency," with any other currency paid to that recipient in accordance with the judgment currency. If the holder cannot purchase the agreement currency in the amount originally to be paid, the Province agrees to pay the difference. The recipient, however, agrees that, if the amount of the agreement currency purchased exceeds the amount originally to be paid to such recipient, the recipient will reimburse the excess to the Province. The recipient, however, will not be obligated to make this reimbursement if the Province is in default of its obligations under the Indenture or the Notes.

Concerning the Trustee

The Indenture contains provisions relating to the obligations, rights, duties and protections of the trustee, to the indemnification of the trustee and the liability and responsibility, including limitations, for actions that the trustee 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.

Paying Agents; Transfer Agents; Registrar

The Province will maintain a paying agent, a transfer agent and a registrar in New York City and a paying agent and a transfer agent in a member state of the European Union (which, so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Exchange so require, will be in Luxembourg). The Province will give prompt notice to the trustee and all holders of Notes of any future appointment or any resignation or removal of any paying agent, transfer agent or registrar or of any change by any paying agent, transfer agent or registrar in any of its specified offices.

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 purchasers 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 purchasers:

(1) You acknowledge that:

- the Notes have not been 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
- 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:

- you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and are acquiring the Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the initial purchasers are selling the Notes to you in reliance on Rule 144A under the Securities Act; or
- 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:

- to the Province;
- inside the United States to a qualified institutional buyer (as defined in Rule 144A) in compliance with Rule 144A under the Securities Act;
- outside the United States in compliance with Rule 903 or 904 under the Securities Act;
- pursuant to a registration statement that has been declared effective under the Securities Act; or
- 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:

"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 RESALES 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 purchasers 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 purchasers. 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.

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:

(k) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(l) 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

(m) 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 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 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,

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

Notice to Prospective Investors in the United Kingdom

Each initial purchaser has represented, warranted and agreed that:

(n) 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

(o) 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.

Notice to Prospective Investors in Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

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.

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 Tax Consequences

General

The following is a general summary of certain Argentine tax consequences resulting from the beneficial ownership of the Notes by certain holders. While this description is considered to be a correct interpretation of Argentine laws and regulations in force as of the date of this offering memorandum, no assurance can be given that the courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes to such laws will not occur, which may also have retroactive effects.

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.

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.

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 (VAT)

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"), individuals and undivided estates (regardless of their domicile) are subject to personal assets tax on their holdings at December 31 of each year.

However, individuals and undivided estates (regardless of their domicile) are exempt from PAT on their holdings of any bond or security issued either by the Argentine federal government, an Argentine Province or a Municipality, such as the Notes.

In certain cases, assets held by companies or other entities domiciled or settled abroad (offshore entities) are presumed to be owned by individuals or undivided estates domiciled or settled in Argentina and, consequently, are subject to the PAT. However, this presumption is not applicable when the assets are Notes or securities issued either by the Argentine federal government, an Argentine Province or a Municipality.

Presumed Minimum Income Tax

The tax on presumed minimum income ("PMIT") is levied on the potential income from the ownership of certain income-generating assets. 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) 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.

Tax on Debits and Credits on 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. To the extent that holders of the Notes receive payments by utilizing local bank checking accounts, such tax may apply.

Transfer Taxes

No Argentine transfer taxes are applicable to the sale and transfer of the Notes.

Court Tax

In the event that it becomes necessary to institute enforcement proceedings in relation with the Notes, (i) in the 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

The Notes, as well as the income derived therefrom, are exempt from all taxes imposed by the Province, including stamp tax and gross income tax.

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. See "Description of the Notes—Additional Amounts."

Prospective investors in Argentina should consider the tax consequences of the Argentine province in which they are located.

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 an individual who is a citizen or resident of the United States, 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, an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust if (i) a U.S. court is able to exercise primary supervision over the trust's administration and (ii) 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 initial offering price 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, person subject to the U.S. federal alternative minimum tax, tax-exempt organization or a United States person (as defined above) 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.

Payments of Interest

If you are a United States person, 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, increased by any amounts that you are required to include in income under the rules governing OID, and 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 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 U.S. 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. U.S. 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 the initial purchasers Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC.

Subject to the terms and conditions contained in a purchase agreement between the Province and the initial purchasers, the Province has agreed to sell to the initial purchasers, and the initial purchasers have agreed to purchase from the Province, the entire principal amount of the Notes in the proportions set out below:

Initial Purchaser	Principal Amount of Notes
Citigroup Global Markets Inc.	US$250,000,000
Credit Suisse Securities (USA) LLC	US$250,000,000
Total	**US$500,000,000**

The initial purchasers have agreed to purchase all of the Notes being sold pursuant to the purchase agreement if any of these Notes are purchased. The initial purchasers have 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 purchasers and their affiliates against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Province expects that delivery of the Notes will be made against payment for the Notes on May 19, 2016, which will be the fifth 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.

Notes Are Not Being Registered

The initial purchasers propose 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 purchasers will not offer or sell the Notes except:

- to persons they reasonably believes to be qualified institutional buyers; 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 purchasers will represent, warrant and undertake in the purchase agreement that:

- they have 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
- they have 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. The initial purchasers have advised the Province that they or their affiliates presently may make a market in the Notes after completion of this offering. However, they are 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.

Price Stabilization and Short Positions

In connection with the offering, the initial purchasers 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 purchasers create 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 purchasers 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 purchasers 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 purchasers makes any representation that the initial purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The initial purchasers and their 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 purchasers and their 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 and will receive customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the initial purchasers and their 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 certain of the initial purchasers or their 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 purchasers and their 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 purchasers and their 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 Department of Finance, the Statistics and Economic Research Department of the Province, other official financial information agencies or other publications of 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 Cabanellas Etchebarne Kelly, Argentine counsel to the Province, and by Holland & Knight LLP, United States counsel to the Province; and for the initial purchasers by Linklaters LLP, United States counsel to the initial purchasers, and Salaverri, Dellatorre, Burgio & Wetzler Malbran, Argentine counsel to the initial purchasers.

As to all matters of Argentine and provincial law, Holland & Knight LLP may rely on the opinion of the Cabanellas Etchebarne Kelly, and Linklaters LLP may rely upon the opinion of Salaverri, Dellatorre, Burgio & Wetzler Malbran. As to all matters of United States law, Cabanellas Etchebarne Kelly may rely on the opinion of Holland & Knight LLP, and Salaverri, Dellatorre, Burgio & Wetzler Malbran may rely on the opinion of Linklaters LLP.

GENERAL INFORMATION

The Province

The Province has authorized the creation and issue of the Notes pursuant to Laws No. 8,816 and 8,838, Decree No. 334/2016, dated April 13, 2016, Resolution of the Ministry of Finance of the Province No. 124-HyF, dated May 3, 2016 and Resolution of the Ministry of Finance of the Province No. 130-HyF, dated May 12, 2016.

Except as disclosed in this offering memorandum, since December 31, 2015 there has been no material adverse change in the revenues or expenditures, or financial position, of the Province.

Listing and Listing Agent

Application will be 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 will be made to list the Notes on the MERVAL and on the MAE. The Luxembourg listing agent is The Bank of New York Mellon (Luxembourg) S.A.

Documents Relating to the Notes

Copies of the Trust Indenture, 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. The relevant trading information is set forth in the following table:

Notes Offered	CUSIP Number	ISIN Number	Common Code
Rule 144A	586805 AH6	US586805AH63	141672363
Regulation S	P6480J AG2	USP6480JAG24	141674633

ISSUER

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