



**Liability Management Presentation**

*13/11/2020*



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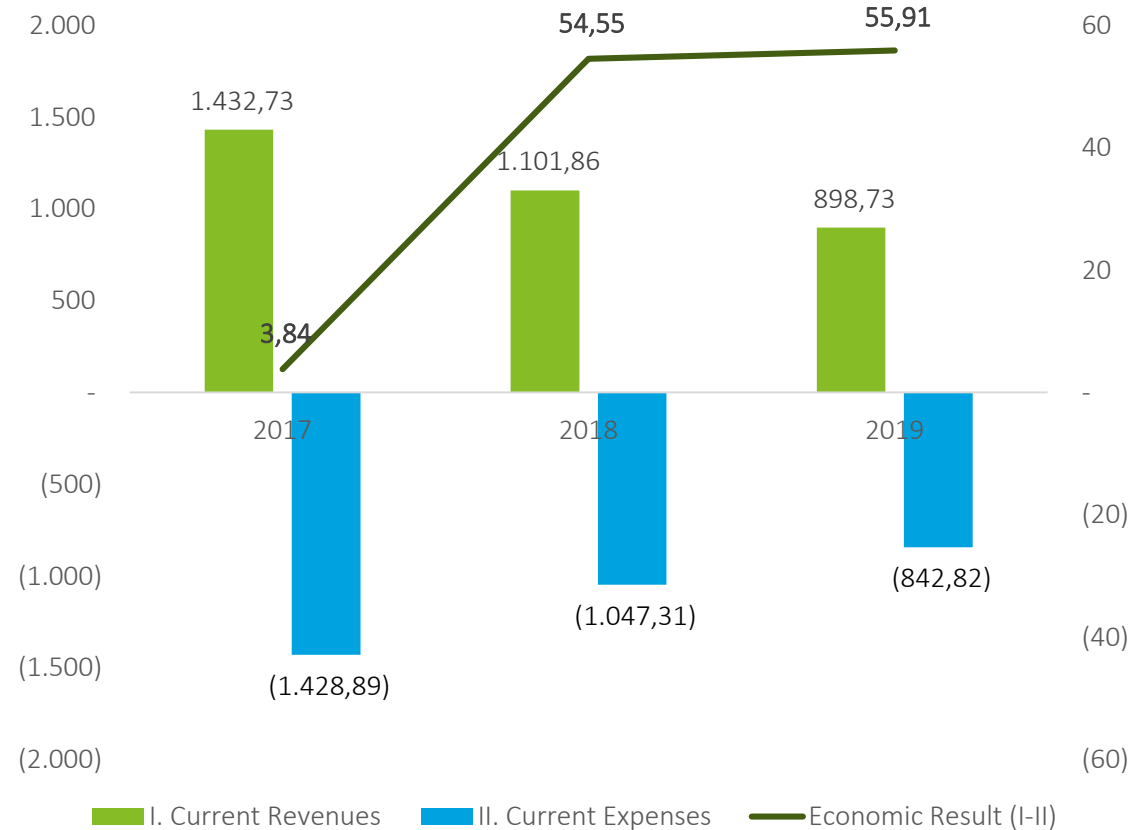
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# Economic Outlook : Tierra del Fuego | Historical Economic Analysis

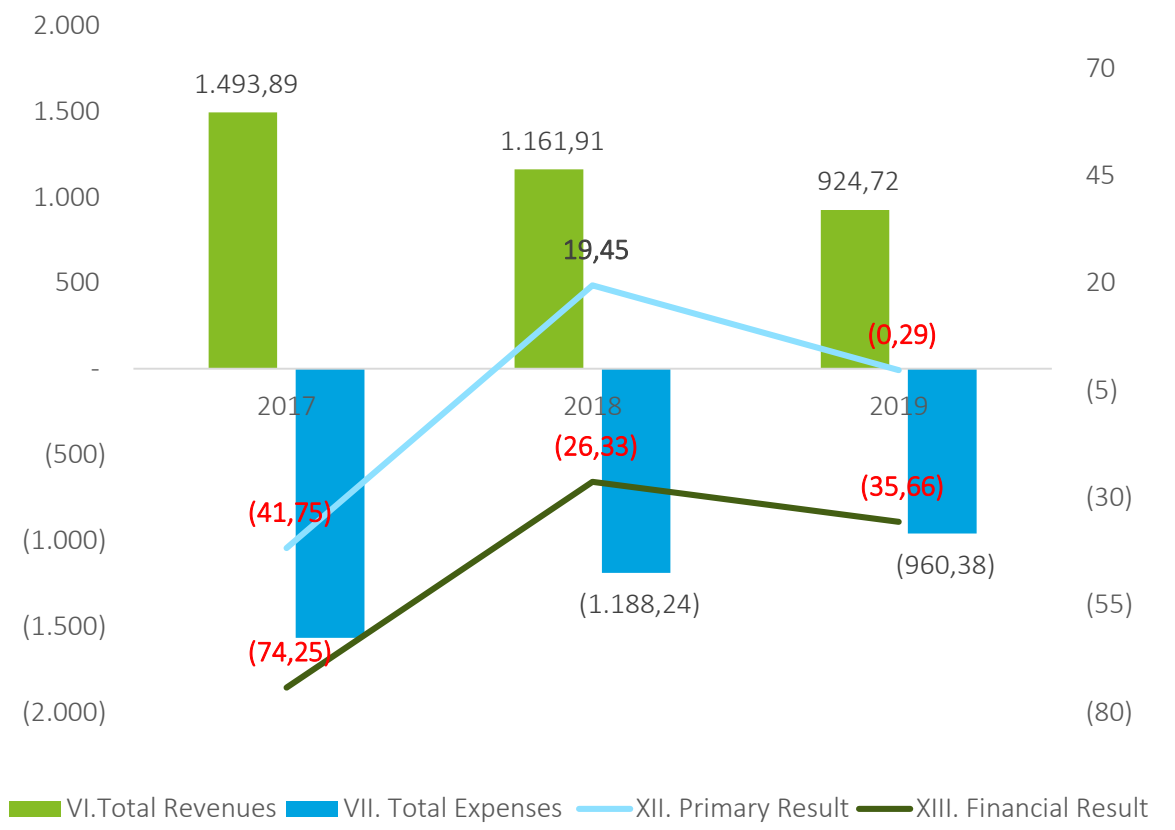
## Economic Result

(million USD)



## Economic + Financial Result

(million USD)



## Operating Balance

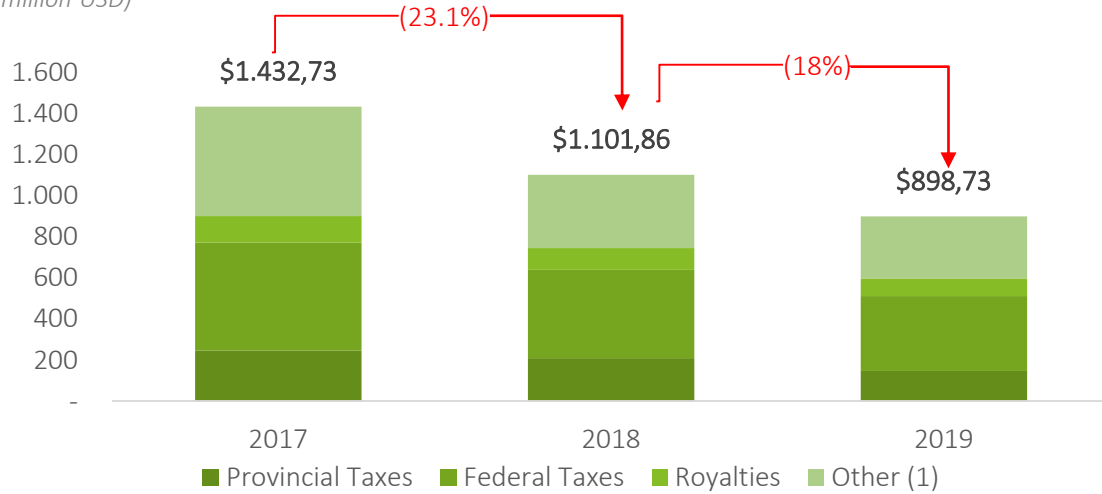
- Significant austerity efforts on the expenditure side since 2017 translated into an improvement of the Province's Operating Balance until 2019.
- However, in 2019 this situation partially reversed as the deepening recession strongly hit income with no much room left to further adjust expenditures. In addition, the Province has to make face to its obligations observed in the Financial Results, which leads the Province in an even more restricted context and with less room for maneuver.



# Economic Outlook : Tierra del Fuego | Economic Analysis

## Current Income Evolution

(million USD)



## Expenditures

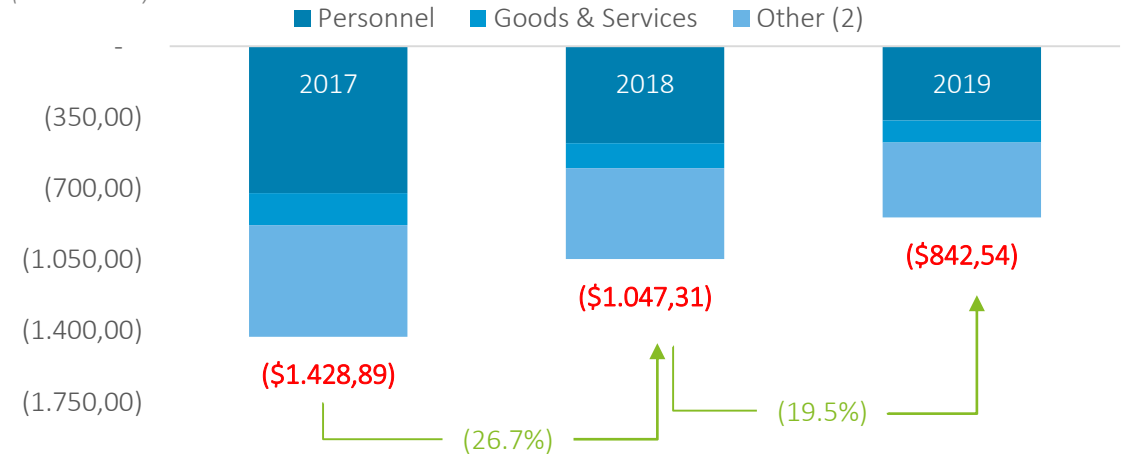
- Overall, expenditures have decreased in US dollar terms in 2018 due to austerity efforts since 2017.
- Costs of personnel (mainly wages and other benefits), accounted for ~46% of total expenditures as of 2017 to 2019, which significantly declines in US dollar terms in a 34% from 2017 to 2018 and 19,5% from 2018 to 2019 due to the implementation of austerity measures that translate in hiring freeze and reduction of political salaries.
- The implementation of strict control mechanisms for Goods & Services acquired led to a decline of these expenditures US dollar terms, despite their inelastic nature (mainly associated with education, health and security services).

## Income

- Provincial taxes and Federal transfers, accounted for an average of 56% of the income in the last 3 years and are directly tied to the Consumer Price Index and the National GDP tendency and therefore have declined significantly in US dollar terms (above Inflation) since 2017.
- Tierra del Fuego is under the law 19.640 that could be repealed in December 2023. In case it expires, it would have a negative impact on the economic activity by decreasing the collection.
- Royalties, which represents ~12% of the Current Income, are mostly driven by the crude oil and gas production and prices variation.

## Current Expenditures Evolution

(million USD)



(1) Other not-taxable, Contributions, Rents, Goods and Services and Current transfers

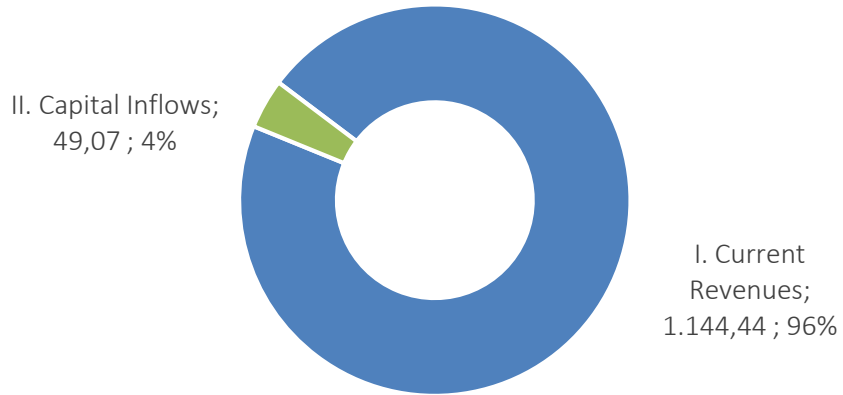
(2) Other Consumer Spending, Interest and Debt Costs, Property rents, Social Security Services and Current Transfers



# Economic Outlook : Tierra del Fuego | Income Structure

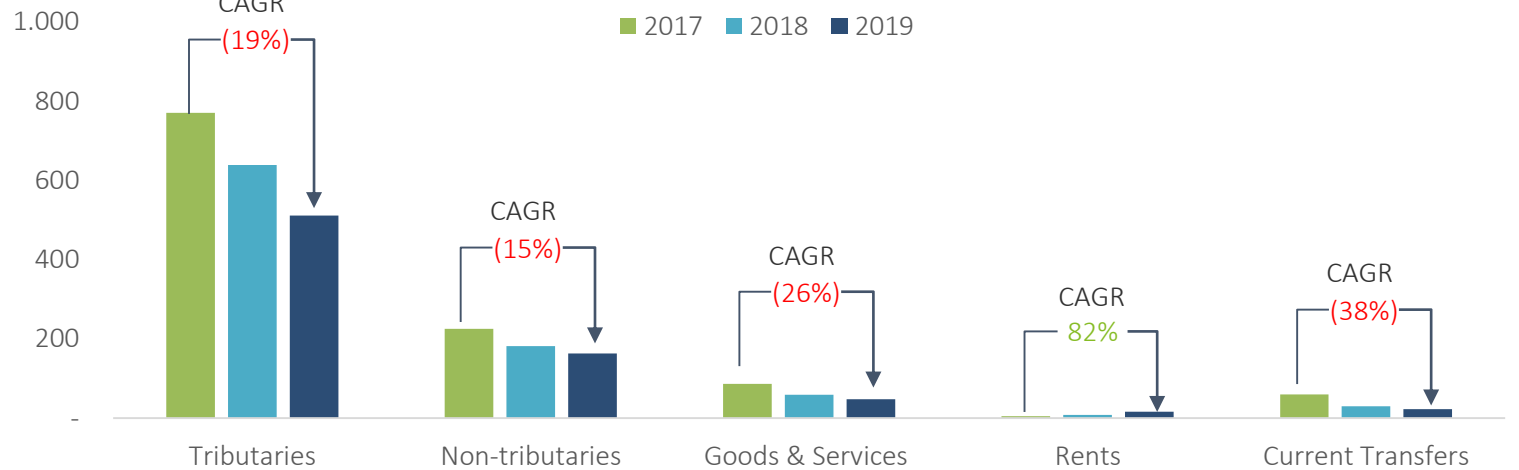
## Income Structure

(million USD)



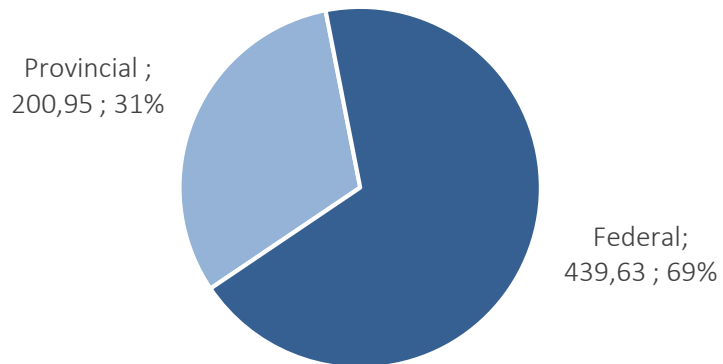
## Current Income

(million USD)



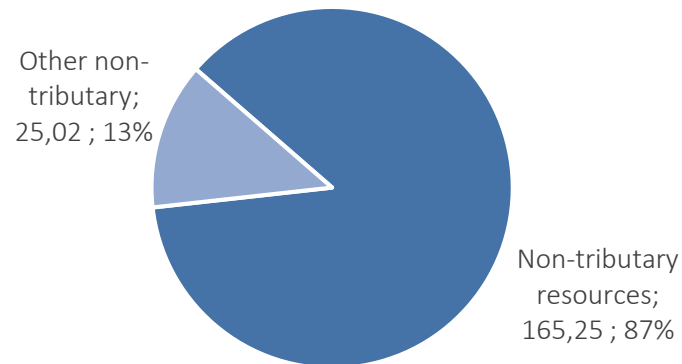
## Tributaries

(million USD)



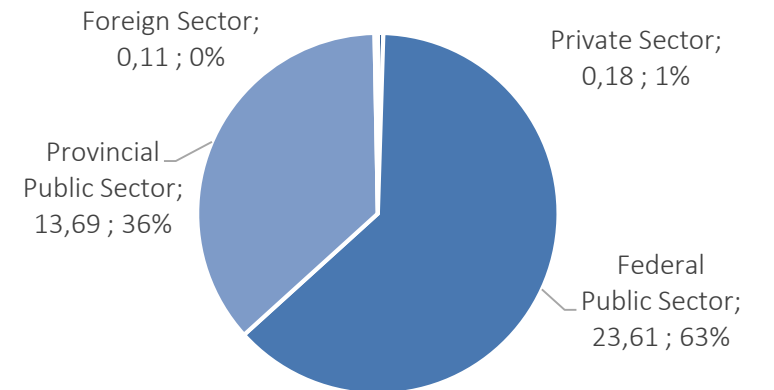
## Non-tributaries

(million USD)



## Current Transfers

(million USD)



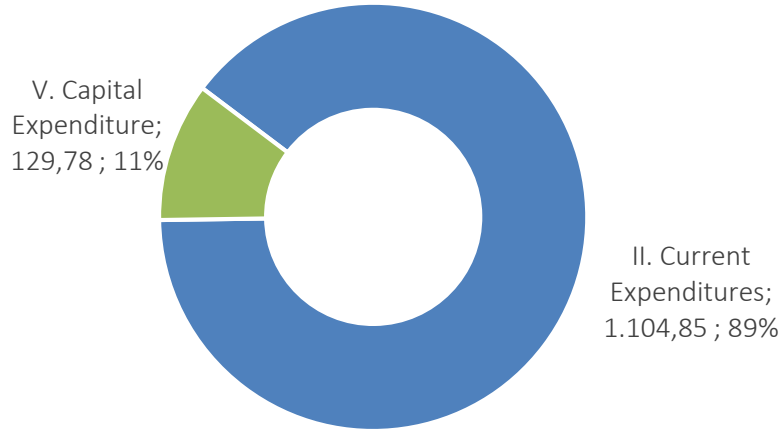
\*CAGR: Compound annual growth rate



# Economic Outlook : Tierra del Fuego | Expenditure Structure

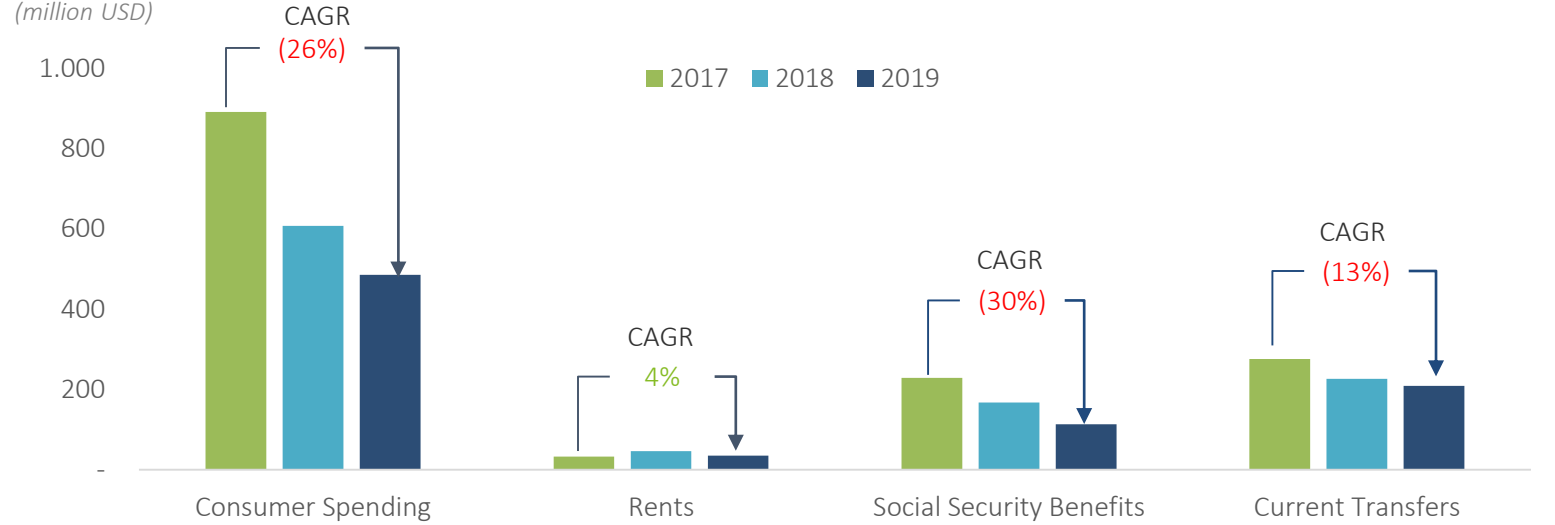
## Expenditure Structure

(million USD)



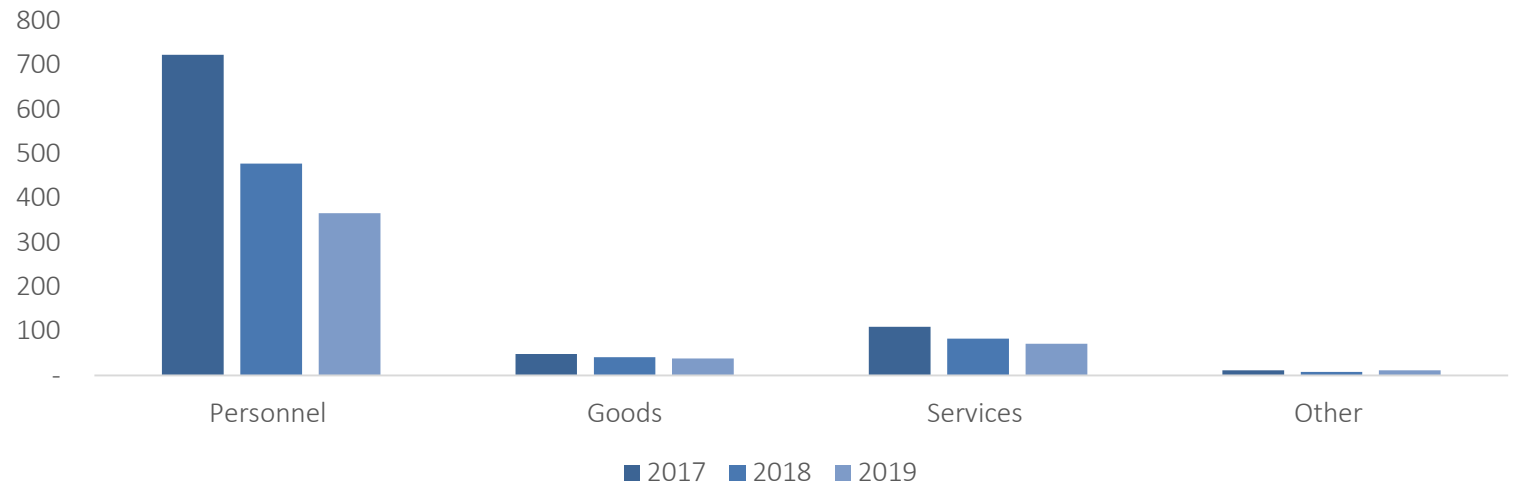
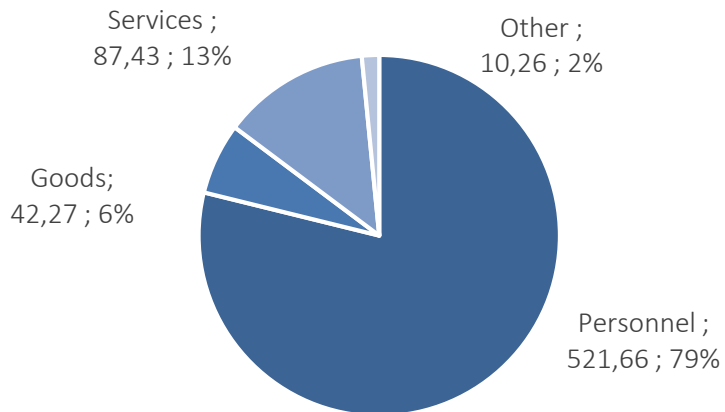
## Current Expenditure

(million USD)



## Consumer Spending

(million USD)





# Economic Outlook : Tierra del Fuego | Performance 2020

## Forecasted Economic Result

(million USD)



The preceding graph contains actual information up to July 2020 and projected information for the months August to December.



# Economic Outlook : Tierra del Fuego | Macroeconomic Forecasts

<b>GDP</b>	<ul style="list-style-type: none"><li>• 11.8% fall in 2020, partial recovery of 4.9% in 2021 followed by a 1% annual growth from 2022 onwards.</li></ul>
<b>Exchange Rate (\$/U\$D)</b>	<ul style="list-style-type: none"><li>• Average annual exchange rate at 72.26 \$ per US dollar, with an end of period for FY2020 of 84.73 \$ per US dollar.</li><li>• Nominal exchange rate grow annually following inflation rate's growth pace.</li></ul>
<b>Annual average inflation</b>	<ul style="list-style-type: none"><li>• Increase of 36.5% in 2020, 46.9% in 2021 and 38.4% in 2022 and then gradual deceleration, with rates of 30% in 2023 and 10% for 2024 and then stabilizes in 8% for 2025 onwards.</li></ul>
<b>Oil and Gas prices</b>	<ul style="list-style-type: none"><li>• <b>Oil prices:</b> remain constant at 35.36 U\$S/bbl for 2020, with a recovery of 18.1% for 2021, followed by an annual recovery of 4% from 2022 to 2025 and a constant increase of 1% for the following years.</li><li>• <b>Gas prices:</b> remain constant at 1.9 U\$S/MMBTU for 2020, with a recovery of 42.7% for 2021, 16.4% for 2022 and a constant increase of % for the following years.</li></ul>

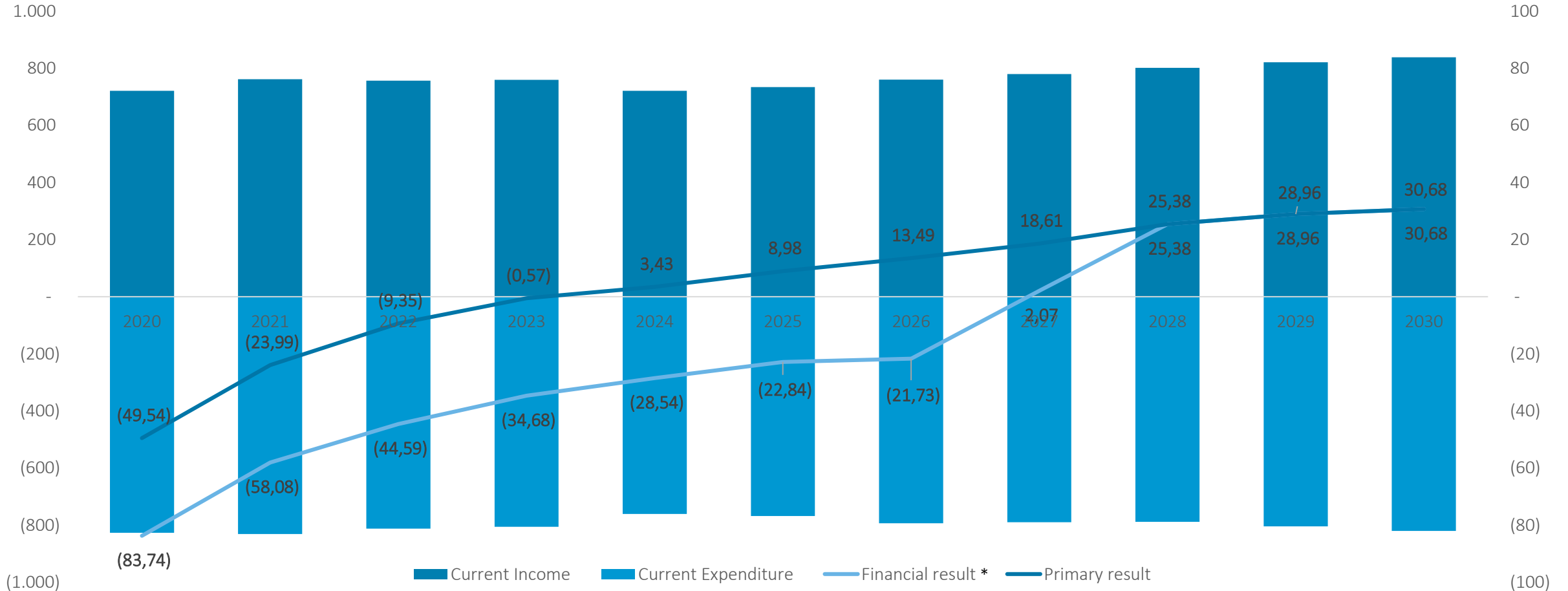




# Economic Outlook : Tierra del Fuego | Forecast 2030 (1/2)

## Forecasted Economic Result

(million USD)



\* Calculated considering the Original bond structure

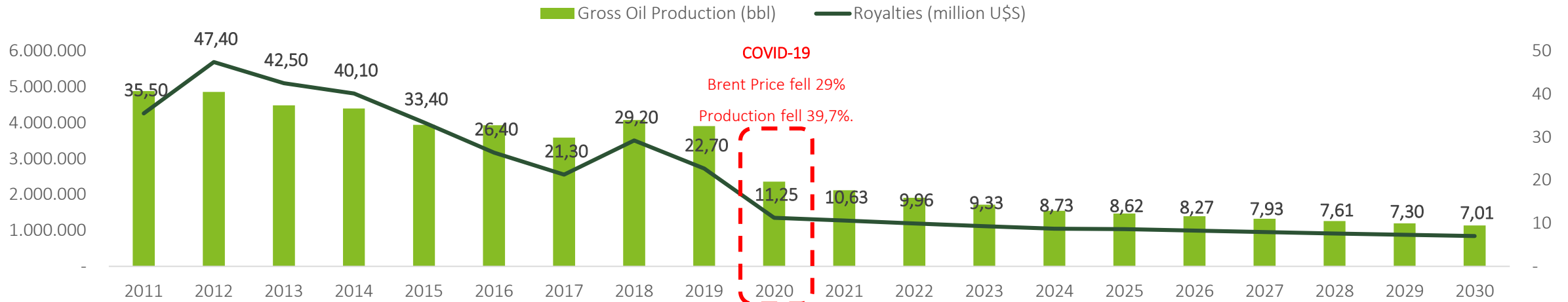


# Economic Outlook : Tierra del Fuego | Forecast 2030 (2/2)

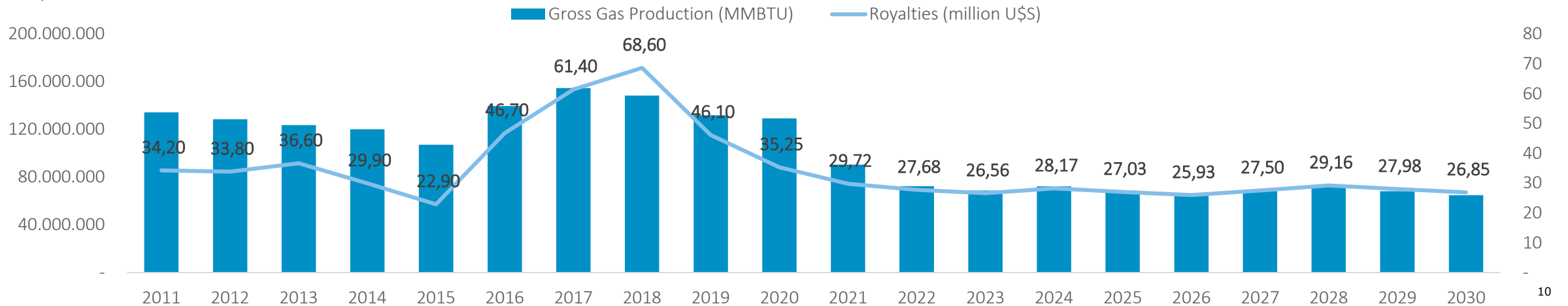
## Non-Tributary Income: Royalties (45% average of total Non-Tributary Income)

The assets of the Argentine Guarantee Trust, which will guarantee the Debt Securities, will consist of the Specified Royalties and any other amounts on deposit in certain bank accounts.

### Oil production



### Gas production





# Economic Outlook : Tierra del Fuego | Forecast 2030 (1/2) (Pessimist- 4 % Probability)

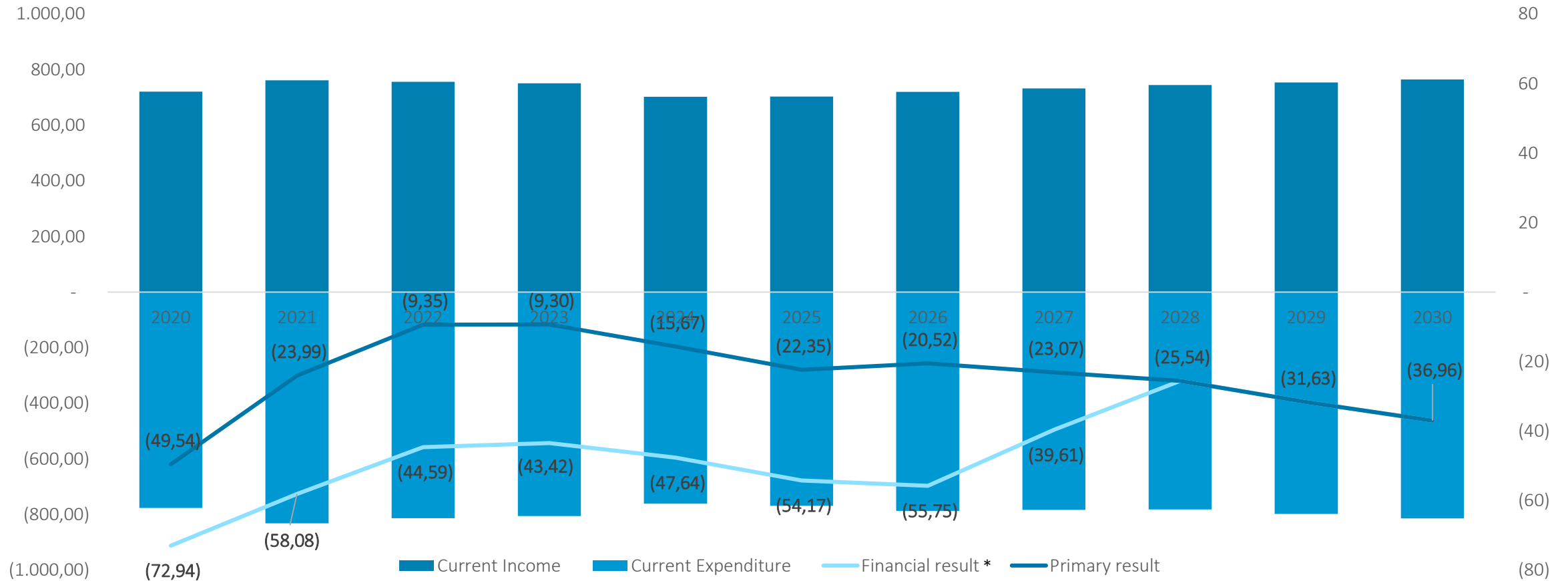
<b>General</b>	<ul style="list-style-type: none"><li>• <b>Law 19.640:</b> Expiration of promotional benefits received by factories that produce and sell to the national territory (electronics, plastics, textiles, clothing, etc.) under the law. This will affect primarily manufactory industries and commerce.</li></ul>
<b>GDP</b>	<ul style="list-style-type: none"><li>• 0.5% fall in 2024 related to the decrease in the manufactory sector as a consequence of the elimination of the benefit.</li><li>• A decrease of -0.5% by year from 2025 onwards, related to the impact in other industries as services, commerce, and therefore in the tax collection.</li></ul>
<b>Exchange Rate (\$/U\$D)</b>	<ul style="list-style-type: none"><li>• Average annual exchange rate at 72.26 \$ per US dollar, with an end of FY2020 of 84.73 \$ per US dollar.</li><li>• Nominal exchange rate grow annually following inflation rate's growth pace.</li></ul>
<b>Annual average inflation</b>	<ul style="list-style-type: none"><li>• Increase of 36.5% in 2020, 46.9% in 2021 and 38.4% in 2022 and then gradual deceleration, with rates of 30% in 2023 and 10% for 2024 and then stabilizes in 8% for 2025 onwards.</li></ul>



# Economic Outlook : Tierra del Fuego | Forecast 2030 (2/2) (Pessimist- 4% probability)

## Forecasted Economic Result

(million USD)



\* Calculated considering the Original bond structure



# TFU 27 Bond | Bond Structure

Issuer: Province of Tierra del Fuego, Antarctica and South Atlantic Islands

## Overview



Total nominal value	U\$S 200,000,000
Nominal unit value	U\$S 1,000
Price	98.61% of Net Worth plus accrued interest as of April 17th, 2017.

## Credit amount



Price of emission	U\$S 197,220,000
Cost of emission	(U\$S 2,780,000)
Bank of New York Mellon Deposit	(U\$S 4,706,409)
Credit net amount	U\$S 189,733,591

## Deadlines



Date of emission	April 17th, 2017
Expiration date	April 17th, 2027
Grace period of capital amortization	24 months
Loan term	120 months

**Organizer and issuer**

Puente Hnos. S.A. y UBS

**Qualifier**

Moody's

## Interest and Amortizations



The Debt Securities generate interest at a rate of 8.95% per year. Interest is paid quarterly on January 17th, April 17th, July 17th, and October 17th of each year, beginning July 17th, 2017.

The total principal amount of the Debt Securities is amortized in 33 quarterly periods, beginning on April 17th, 2019:

- The first 12 payments in equal installments of 2.5% of the total initial capital amount.
- The following 14 equal installments of 3% of the total initial capital amount.
- The last 7 payments in equal installments of 4% of the total initial amount of capital.



# TFU 27 Bond | Forecasted Deadline

For October 17<sup>th</sup> the expected amortized capital will represent 17.5% of its original nominal value

	Year	Amortization	Interests	TOTAL
Canceled	2017	-	8,950,000	8,950,000
	2018	-	17,900,000	17,900,000
	2019	15,000,000	17,564,375	32,564,375
	2020	15,000,000	12,082,500	27,082,500
	2020	5,000,000	3,803,750	8,803,750
	<b>Canceled</b>	<b>35,000,000</b>	<b>60,300,625</b>	<b>95,300,625</b>
Pending Cancellation	2021	20,000,000	14,096,250	34,096,250
	2022	23,000,000	12,239,125	35,239,125
	2023	24,000,000	10,113,500	34,113,500
	2024	24,000,000	7,965,500	31,965,500
	2025	26,000,000	5,817,500	31,817,500
	2026	32,000,000	3,222,000	35,222,000
	2027	16,000,000	537,000	16,537,000
		<b>Pending Cancellation</b>	<b>165,000,000</b>	<b>53,990,875</b>
	<b>TOTAL</b>	<b>200,000,000</b>	<b>114,291,500</b>	<b>314,291,500</b>

→ October 17th, 2020

Values in U\$D

