

Investment Opportunities in Argentina

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STRONG COUNTRY FUNDAMENTALS TO BECOME A REGIONAL ECONOMIC ENGINE



Large and diversified ECONOMY

- 3rd largest economy in LatAm (after BR and MEX); GDP of US\$500Bn+
- 2nd highest GDP per capita in PPP terms in the region (after Chile)
- +40 MM population, ~60% under 35 yrs old

Availability of NATURAL RESOURCES

- 8th largest country in the world (3MM km²), with 53% of arable land
- Abundant food, water and renewable energy resources (esp wind and solar)
- Large oil & gas and mineral reserves (conventional and unconventional)

National INFRASTRUCTURE improvement underway

- Nationwide road & railroad systems (+35,000 km), 43 ports & 54 airports
- High connectivity, with 75% broadband and 141% mobile penetration
- Extensive energy coverage with natural gas pipelines and electricity grids

High quality HUMAN CAPITAL

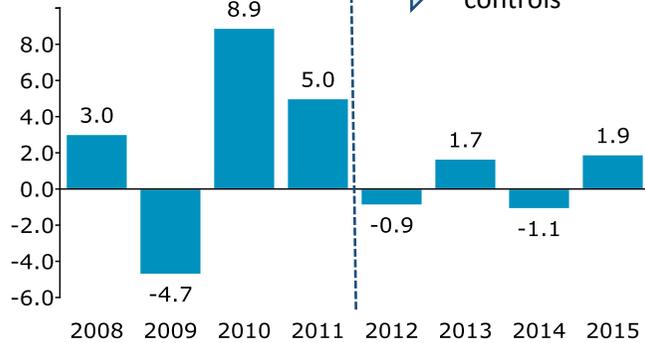
- Qualified labor force, renowned for its technical skills, creativity & versatility
- #1 in Latin America's Indexes of Human Development and Education
- 98% literacy rate, ~110,000 higher education graduates per year

INSTITUTIONAL recovery in progress

- 30+ years of democratic governments
- Strategic relationships and bilateral treaties; G20, Mercosur, UNASUR
- Member of World Bank's Int. Centre for Settlement of Investment Disputes

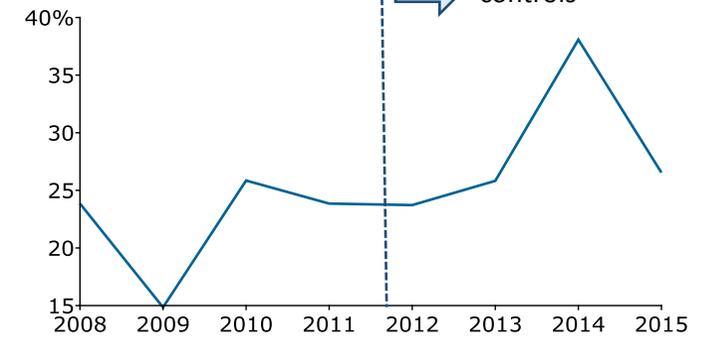
STAGFLATION CONTEXT SINCE THE BEGINNING OF CAPITAL CONTROLS

GDP Growth
(% rate, in constant prices)



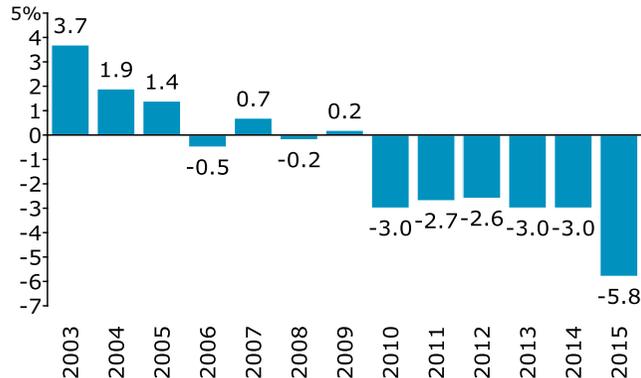
- Near 0% GDP growth in the last 4 years
- Consumption and inflation fueled by government expenditures
- Annual inflation levels of 25-35% due to strong monetary expansion

Consumer Prices Inflation Rate
(% annual growth)



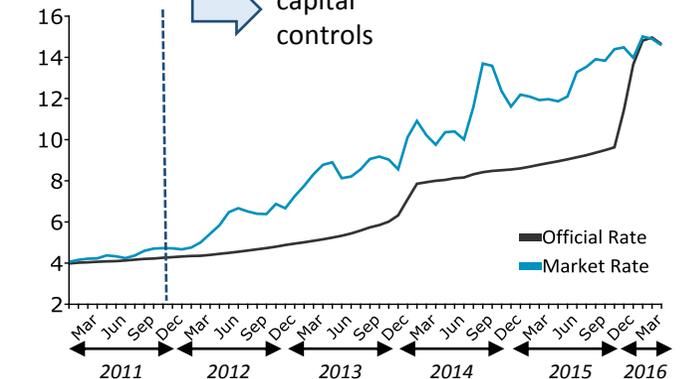
STEADY WEAKENING OF FISCAL ACCOUNTS AND EXCHANGE RATE

Govt. Primary Balance
(as % of GDP)



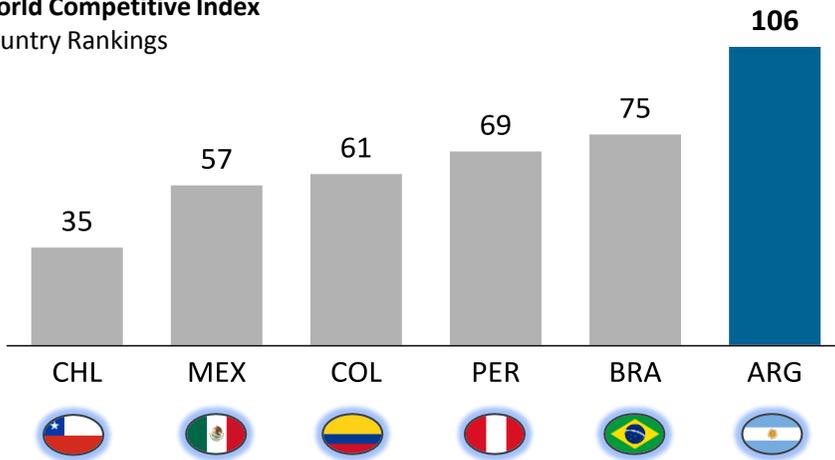
- In 2015 the primary deficit reached 5.8% of GDP, ~50% were energy subsidies
- Dual exchange rate as a consequence of restricted access to FX market
- Reserves fell from U\$ 50 Bn in 2011 to U\$ 25 Bn in 2015

Peso Exchange Rate
(AR\$ per US\$)

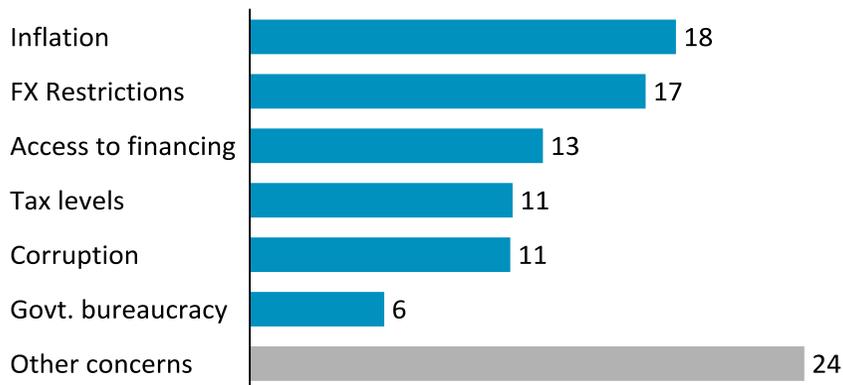


SEVERAL FACTORS CURRENTLY AFFECT THE COUNTRY'S COMPETITIVENESS...

World Competitive Index
Country Rankings



WEF Survey: Main Concerns for Argentina
(% of total responses)



...BUT THE NEW ADMINISTRATION IS ALREADY ADDRESSING THEM TO GET BACK ON TRACK

- ✓ Removal of capital controls/repatriation restrictions
- ✓ Free floating rate with recovery of int'l. reserves
- ✓ Closed negotiation of defaulted debt and regained access to global financial markets
- ✓ Inflation targeting to reach single-digit CPI in 4 years
- ✓ Removed of export taxes and import restrictions
- ✓ Created Investment & Trade Promotion Agency
- New regulatory framework to promote investment via Public-Private Partnership (PPP)
- 4-year plan to eliminate primary fiscal deficit (reduction of government subsidies and spend)
- Re-launching of national bureau of statistics (Indec)



Country risk declined >100bp since Mid 2015*

A BILATERAL AGENDA WITH JAPAN IS UNDERWAY TO ACHIEVE A STRONG BUSINESS RELATIONSHIP

✓ **MINISTERIAL LEVEL MOU (May 2016)**

Signing of Memorandum of Understanding between Argentina and Japan for the Creation of the Argentina – Japan High Level Government Commission for the Development and Strengthening of the Business Environment between the two countries

✓ **OPERATIONAL MOU (May 2016)**

Signing of Memorandum of Understanding between Vice Ministry of Trade of Argentina and Japanese Embassy for the Creation of a Bilateral Committee to provide resolution to specific issues related to the Business Environment

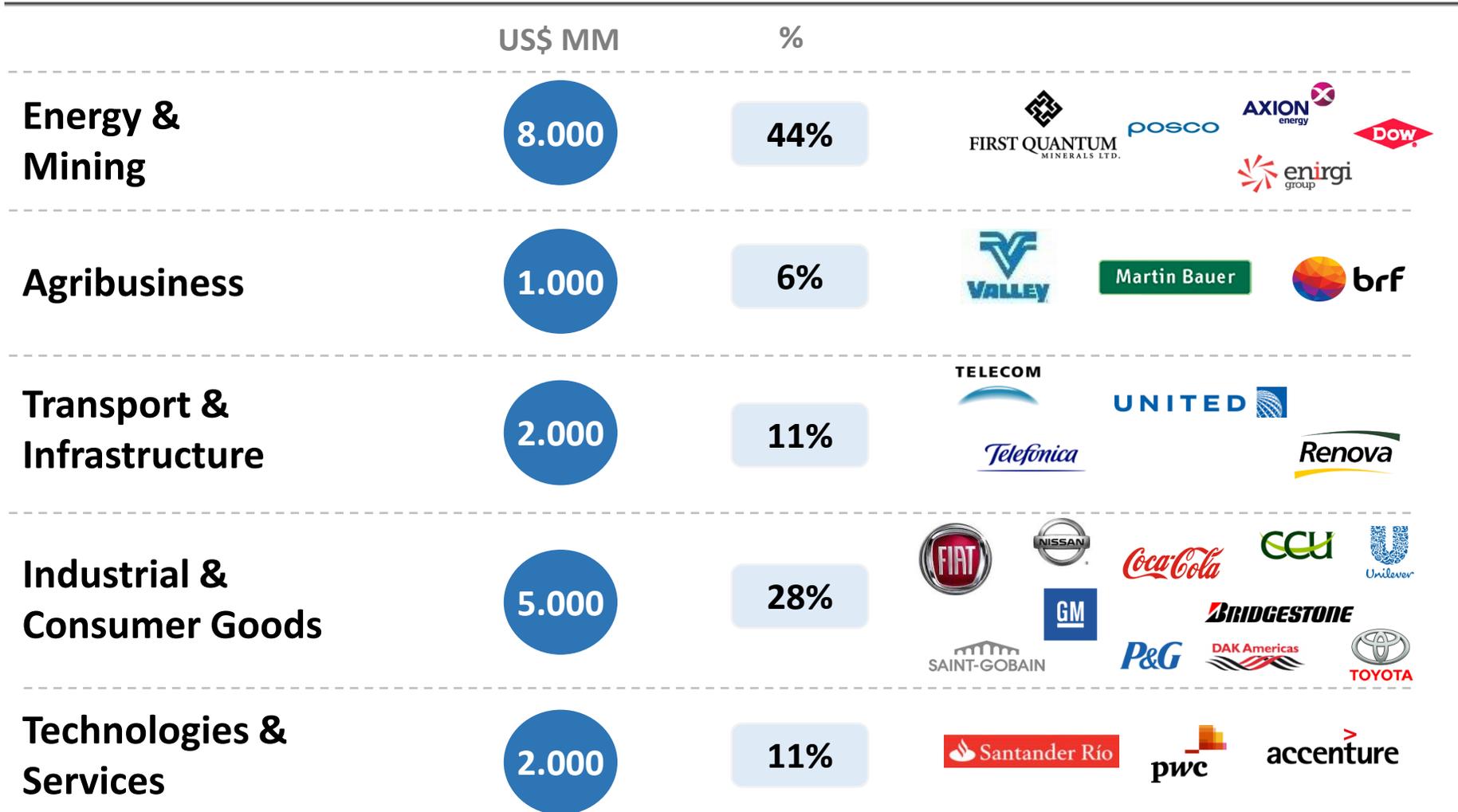
✓ **BILATERAL INVESTMENT TREATY (BIT)**

Governments on both sides publicly express intentions to sign a BIT in the near future

✓ **MOU BETWEEN JETRO & AAICI**

Agencies expressed intentions to sign an MOU in near future to strengthen cooperation between the two agencies

PIPELINE OF OVER USD18 BILLION NEW INVESTMENTS BY +100 STRATEGIC INVESTORS TO GENERATE MORE THAN 9000 NEW JOBS



OVER US\$ 170 BILLION OF INVESTMENTS HAVE BEEN IDENTIFIED ACROSS MULTIPLE SECTORS

 ENERGY & MINING	 INFRASTRUCTURE	 AGRIBUSINESS	 INDUSTRIAL GOODS	 TECH & SERVICES
<p>~US\$ 75 Bn</p>	<p>~US\$ 75 Bn</p>	<p>~US\$ 15 Bn</p>	<p>~US\$ 5 Bn</p>	<p>~US\$ 7 Bn</p>
<ul style="list-style-type: none"> • Unconventional O&G (Shale & Tight) Fields and Infrastructure > US\$ 20Bn • 11GW of Hydro/Thermal Power plants, > US\$ 20Bn • 10GW of Renewable Energy > US\$ 15Bn • Mining lithium, gold, copper, potash > US\$ 15Bn • Petrochemical > US\$ 6Bn 	<ul style="list-style-type: none"> • ~25.000 Km of roads & highways > US\$ 25Bn • Water and Sewage infrastructure > US\$ 20Bn • ~10.000 km of railway freight lines > US\$ 15Bn • Real Estate & Housing developments > US\$ 10Bn • Cellular networks > US\$ 5Bn • Airports and ports > US\$ 2Bn 	<ul style="list-style-type: none"> • Land development with irrigation (4M Ha) > US\$ 8Bn • Animal protein (beef, pork, poultry) > US\$ 5Bn • Forestry and pulp industry > US\$ 2.5Bn • Food industrialization > US\$ 0.5Bn 	<ul style="list-style-type: none"> • Automotive industry • Food & Beverage • Consumer products • Electronics and technology products • Machinery & Equipment • Basic materials • Textiles and fashion 	<ul style="list-style-type: none"> • Professional services (BPO, call centers) • Biotechnology • Pharma • Software development • Tourism • Health services • Education services

“BRIDGING THE GAP” BETWEEN PRIVATE AND PUBLIC SECTORS IS A KEY TO SUCCESS

STRATEGIC ISSUES

Sector-specific information, programs, regulatory framework



ADMINISTRATIVE ISSUES

Tax/legal paperwork, permits, approvals, registrations



We act as a **single-point-of-contact** for every investment project, independently of its sector and origin



ARGENTINA
BUSINESS & INVESTMENT
FORUM

“ARGENTINA TO THE WORLD”

BUENOS AIRES 12-15 SEPTEMBER @ CCK CENTER

OBJECTIVES

- Present Argentina’s new investment & institutional climate
- Showcase specific investment opportunities

WHY ATTEND

- Privileged access to government officials, sectorial experts and local players (1-on-1)
- First hand, early discovery of investment opportunities (infrastructure, transportation)

AUDIENCE

- 1,500 global leaders, including top CEOs, local and international government officials and selected investors



RODOLFO G. VILLALBA

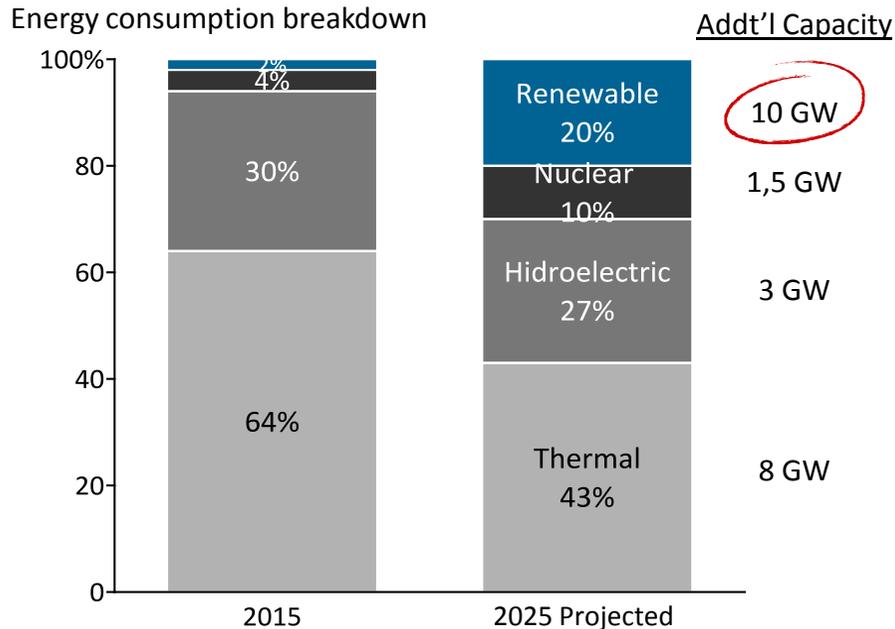
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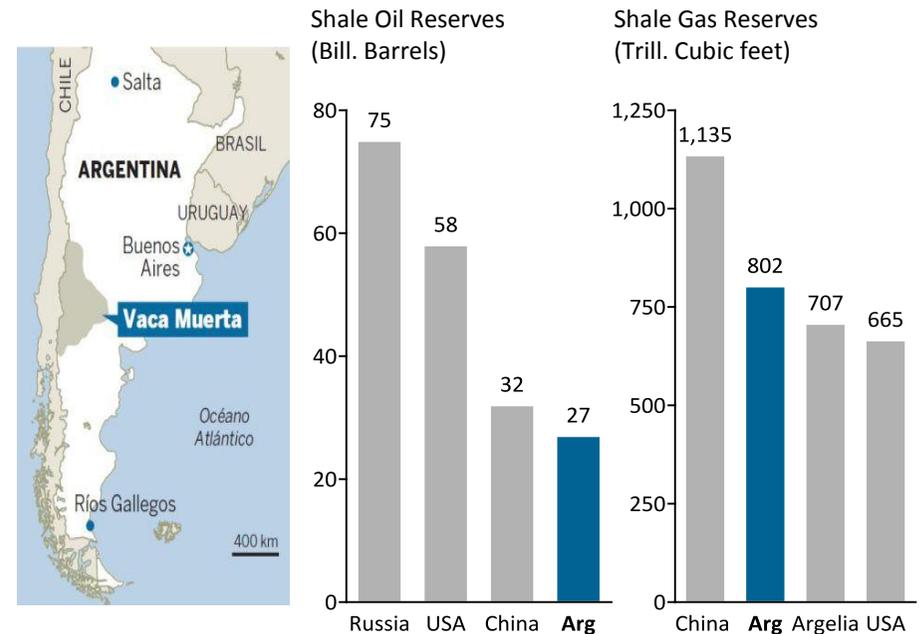
Appendix A: Selected Investment Opportunities

POWER GENERATION: RENEWABLES TARGET OF 20% OF CONSUMPTION SHALL BE MET BY 2025



- Investments of **US\$15B** needed to meet renewables target
- Great conditions for **wind, solar, biomass** and **small hydro**
- **Government Commitment and Support:**
 - Competitive prices under guaranteed long term PPAs
 - Tax incentives (accelerated depreciation, levied import duties, etc)
 - Financing to renewable energy projects
- **>10GW of large baseload plants** (thermal/hydro) needed

UNCONVENTIONAL O&G: "VACA MUERTA" PLAY HAS WORLD-SCALE POTENTIAL



- Argentina holds the **world's 2nd largest shale gas** and **4th largest shale oil** reserves
- *Vaca Muerta* is the **largest shale oil & gas play** outside the US, with 4+ years of cumulative development
 - Area of 30,000 km² with ~300m of shale layer at ~3,500m of depth (with 3-5% of Total O&G Content)
 - JVs between YPF and Chevron, Dow, Pampa, Petronas

Infrastructure: Ambitious development plans for roads & highways, railways and airports

ROADS: IMPROVEMENT AND CONSTRUCTION OF HIGHWAYS

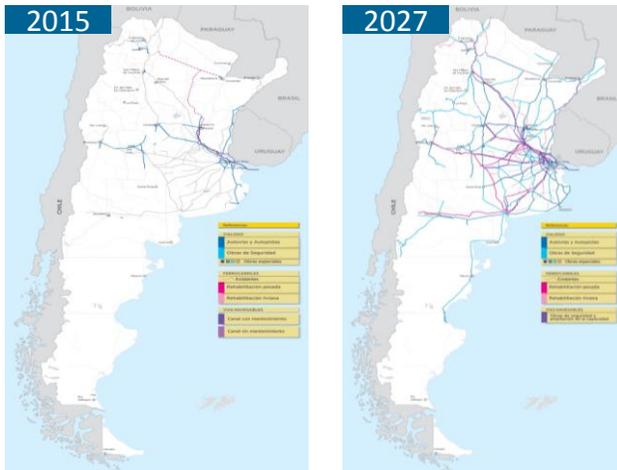
- ~40% of roads currently are in **poor conditions**
- Only 2.800km of highways in place
- **Plan 2027:**
 - 11.400 km. of total **highways**
 - 13.000 km. of roads
 - Investment of **U\$28.000M** needed

RAIL FREIGHT: REHABILITATION OF THE ENTIRE NETWORK

- Only **5% of freight** is transported by **railway** (18M tones)
- **Average speed of ~12-15km/h**
- **Plan 2027:**
 - **10.000 km** of refurbished rails
 - **80-100M tones** transported
 - Investment **U\$15,000M** needed

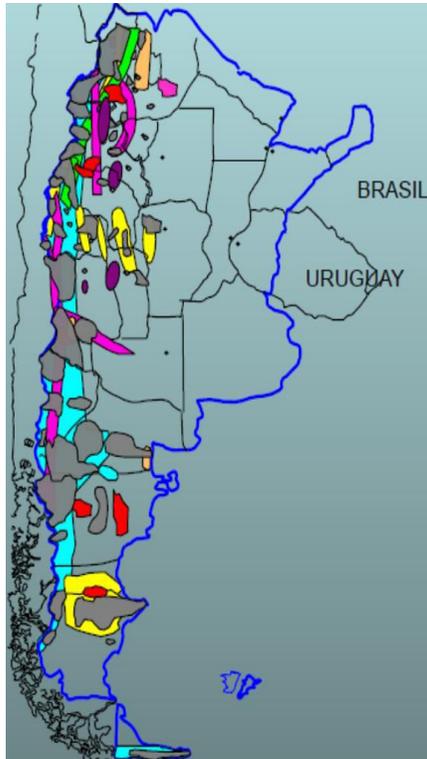
AIRPORTS: MODERNIZATION & INCREASE OF FLIGHT USAGE

- **Growth by 2x of air traffic** expected by 2020 (10M to 20M passengers)
- **Greater international connections**
- **Plan 2019:**
 - **14 airports modernized** of by 2019
 - Investments of **U\$ 900M** needed



Goal: To develop infrastructure that benefits productive corridors, strengthens logistics networks, and creates strategic connectivity to promote investment and trade

SIGNIFICANT MINING POTENTIAL WITH ~75% UNEXPLORED SURFACE



- 750,000 Km² of high potential mining areas
- 183,000 Km² of granted mining rights
 - 25 advanced prospects
 - 14 production mines

Legend:

- Gold
- Copper
- Uranium
- Polymetallic
- Lithium
- Lead-Zinc
- Iron
- Prospective areas

- ~75% of the mining surface remains unexplored
- As of 2016, no export taxes for mining products

IMPORTANT OPPORTUNITIES IN GOLD, SILVER, COPPER AND LITHIUM



Gold



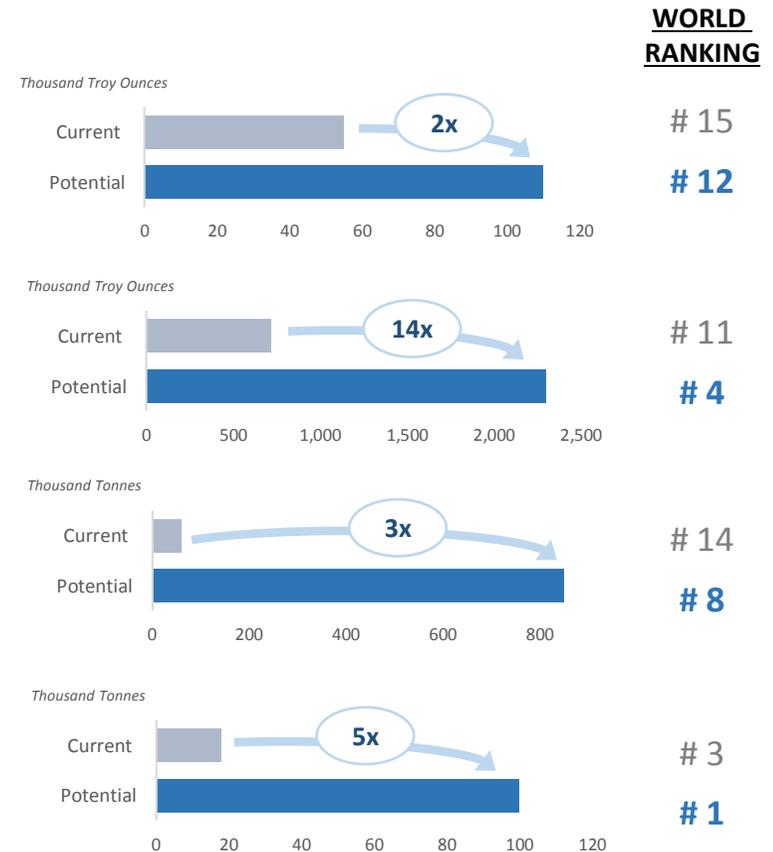
Silver



Copper



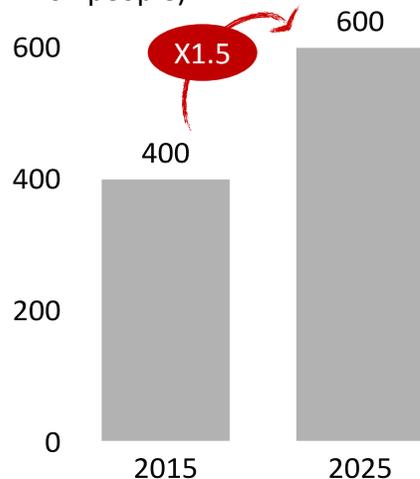
Lithium



- Over US\$20Bn needed to develop existing Copper, Silver, Gold, Lithium and Potassium projects

ARGENTINA HAS EXCELLENT AGRICULTURE CONDITIONS AND FULL GOVERNMENT SUPPORT...

Argentina's food production
(Million people)



2015 Argentine production



59M tons production
1st soyoil exporter (6Mt)
2nd soymeal exporter (32Mt)
3rd soybean exporter (12Mt)



27M tons production
3rd world exporter (17Mt)



2.8M Tons produced
11th meat exporter (265MT)

- **Farming conditions:**
 - **Mild Climate** with abundant rainfall
 - **Rich soils** with low fertilizer needs
 - **Exceptional human resources**, long farming tradition
 - **High technology adoption** in crop genetics (>65% GMO)
 - **Unparalleled logistics** with 100% storage capacity
- **Government support:** one of the first measures adopted by President Macri's administration was the elimination of export taxes to wheat, corn, meat and regional products

...BUT THERE ARE STILL MANY OPPORTUNITIES FOR FURTHER DEVELOPMENT



Development of more than 4M Ha with **artificial irrigation**

Investment: **8.000M USD**



Cattle raising expansion– 10M heads, 200K swine and 1,5B poultry

Investment: **+10.000M USD**



Expansion of the **forestry and cellulose/paper industry**, biomass energy and housing. Raw material: 4-5M m3/year

Investment: **2.500M USD**



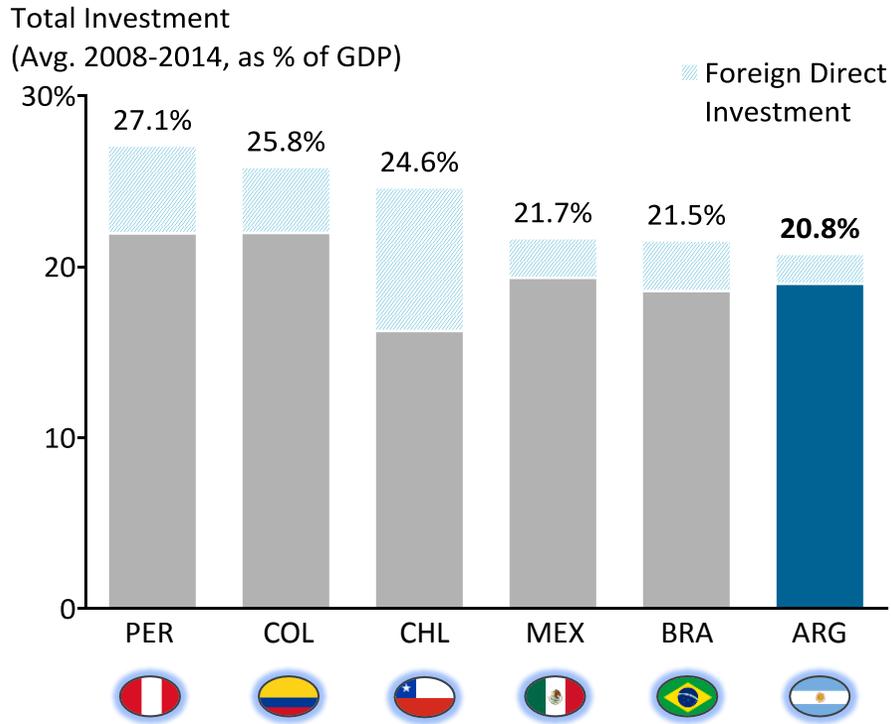
Increased **food industrialization** (milling, wine, canned and frozen food)

Investment: **+500M USD**

Appendix B: General Information

GENERAL INVESTMENT LEVELS

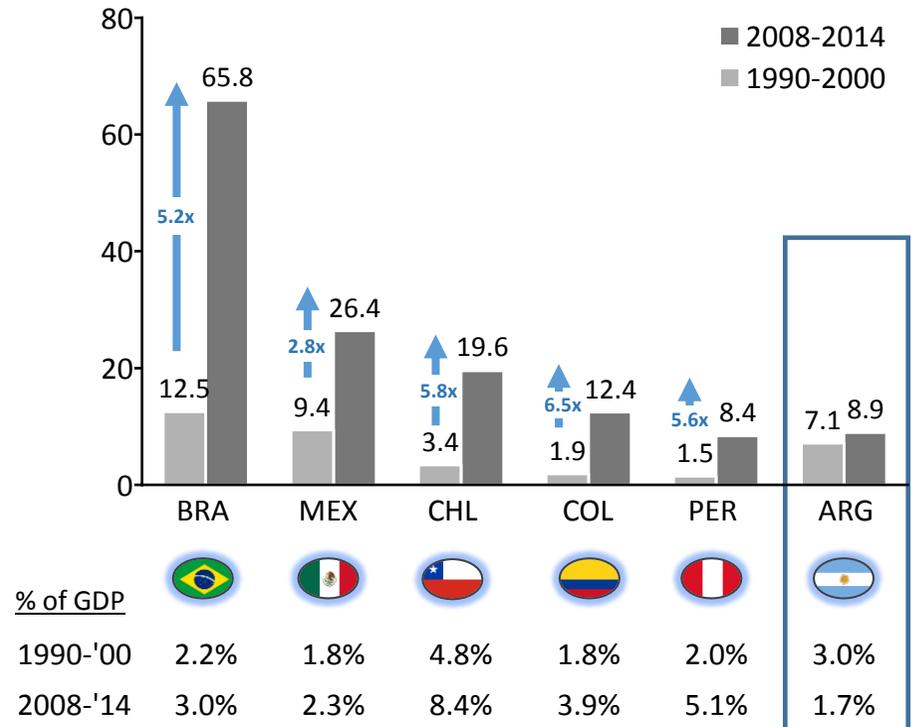
- Investment in Argentina is ~4-5 percentage points of GDP below other LatAm countries
- An additional US\$ 25 Bn/yr. is estimated to be required



FOREIGN DIRECT INVESTMENT

- FDI in LatAm grew from ~US\$28 Bn/year in the 90's to ~US\$126 Bn/year in the last five years (4.5x times)
- Argentina's share fell from 16% to 5%

Foreign Direct Investment
(Avg. US\$ Bn/Year)



REGULATORY INITIATIVES UNDERWAY TO STRENGTHEN THE INVESTMENT ENVIRONMENT

Already Implemented

- ✓ **Rural Land Law:** Decree 820/2016, implementation of a more flexible system for productive exploitation of rural land by foreigners
- ✓ **Tax Amnesty Law:** Pension Liabilities settlements thorough tax whitewash program (Implementation decree pending)

Congress Preliminary Approval:

- ✓ Small and Medium Companies Promotion Bill (*Ley de Fomento Pyme*)
- ✓ Automotive Spare Parts Production Bill (*Ley de Fomento a la Industria Autopartista*)

Under Review at Committee Level in Congress:

- ✓ Public-Private Partnership Bill (PPP)
- ✓ “First Job” Bill (*Ley de Primer Empleo*)

Upcoming Initiatives:

- ✓ “Simplified” Stock Company Bill (*Ley de Sociedades por Acciones Simplificadas*)
- ✓ Venture Capital Bill (*Ley de Fomento al Capital Emprendedor*)

ARGENTINA'S CREDIT RATING UPGRADED RAPIDLY

Rating Agency	Short Term Rating	Long Term Rating	Outlook
S&P	B (May 2016)	B- (May 2016)	Stable (May 2016)
Moody's	NP (Jan 1997)	B3 (Apr 2016)	Stable (April 2016)
Fitch	B (May 2016)	B (May 2016)	Stable (May 2016)

- ✓ Credit Rating Agencies rapidly upgraded Argentina Sovereign credit risk, following early signs of credit improvement and opening the doors of international financial markets to argentine issuers

Early Results in Financial Markets as a consequence of early measures taken by Government

INTERNATIOANL FINANCIAL MARKETS REOPENING TO ARGENTINE RISK

Bond Issuer	Date of Issue	USD MM	Maturity	AV. Cost
SOVEREIGN				
Argentine Republic	April 17, 2016	16.500	3,5,10,30 yrs	7.2%
SUB-SOVEREIGN				
Buenos Aires Province	March 9, 2016	1.250	6,7,8 yrs	9.375%
Neuquén Province	May 5, 2016	235	12 yrs	8.62%
Mendoza Province	May 12, 2016	500	8 yrs	8,375%
City of Buenos Aires	May 25 2016	890	11 yrs	7.625%
Córdoba Province	June 30, 2016	725	5 yrs	7.125%
Salta Province	June 30, 2016	300	8 yrs	9.125%
CORPORATE				
IRSA	March 17, 2016	300	1 – 4 yrs	8.75%
YPF	March 23, 2016	1000	5 yrs	8.5%
Clavevisión	June 8, 2016	300	5 yrs	6.5%
Arcor S.A.	June 22, 2016	300	4 yrs	9.125%
YPF	June 30, 2016	750	4 yrs	9.125%
Arcor S.A.	March 23, 2016	1000	5 yrs	8.5%

- ✓ Market sentiment indicates strong appetite for Argentina risk
- ✓ With over USD 23bn placements in 1st Half 2016, Argentina became the largest country of origin for emerging markets debt issuers this year with 20% share approximately
- ✓ Issuers include sovereign, sub-sovereign and prime corporations
- ✓ Republic of Argentina received offers for USD 69bn, over-subscribed by a factor of 4.2x
- ✓ Buenos Aires Province was oversubscribed by 3x, Neuquén by 6.3x, Mendoza by 4.6x, Cablevisión by 7.0x among others

STRATEGIC INVESTORS IN ENERGY AND INFRASTRUCTURE ALREADY SHOW STRONG INTEREST IN UPCOMING PUBLIC AUCTIONS

- ✓ **Peak Energy Auction results of June 2016 indicate strong appetite for Argentine Risk in the Sector:**
 - Total of 1.9 GW awarded
 - 6.6x oversubscribed
 - 20% offers coming from new players
 - Pricing 32% cheaper than previous auction

- ✓ Upcoming **20% renewable energy mandate** (10 GW by 2025) awakens significant interest

- ✓ **Transportation auctions** follow to implement the most ambitious infrastructure plan in Argentina's history, fostering growth and development (US\$ 33 Bn 2019)