

PPP Road Concessions

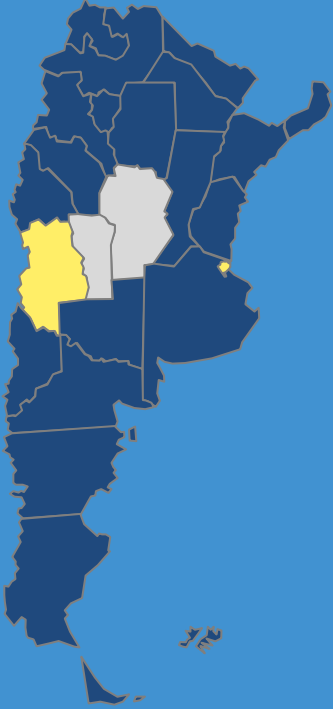
November 29th, 2017



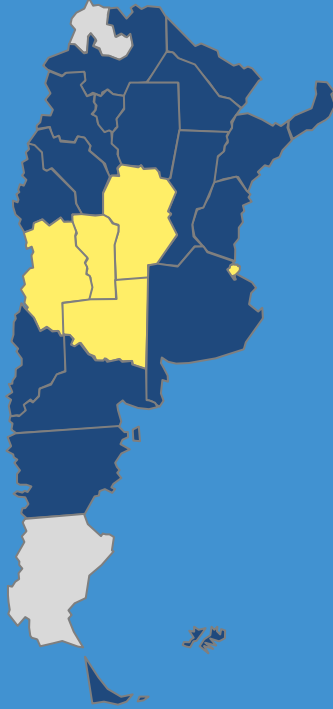
Ministerio de Finanzas
Presidencia de la Nación

Growing popular support

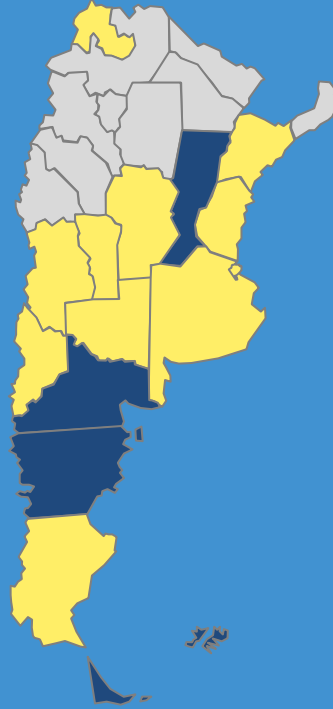
2015 legislative primaries



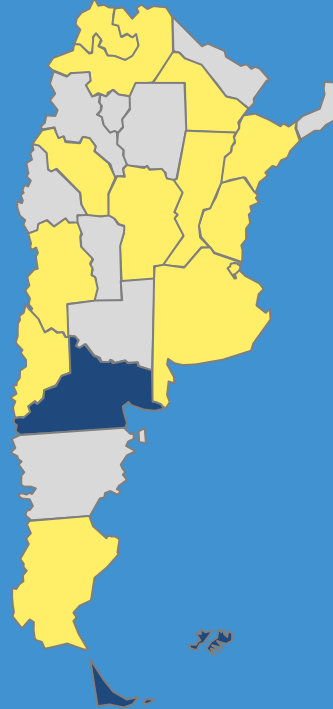
2015 legislative elections



2017 legislative primaries



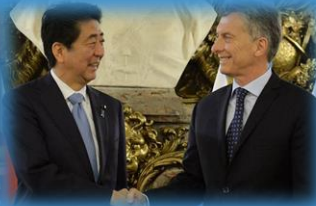
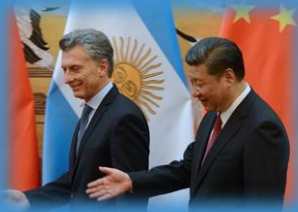
2017 legislative elections



Cambiemos has shown strong and sustained growth in the electoral base in most recent elections

 Cambiemos  FPV (Kirchnerist)

A higher profile in the global community for 2018



President Macri's new administration has a clear plan to unveil full potential

Key reforms and initiatives

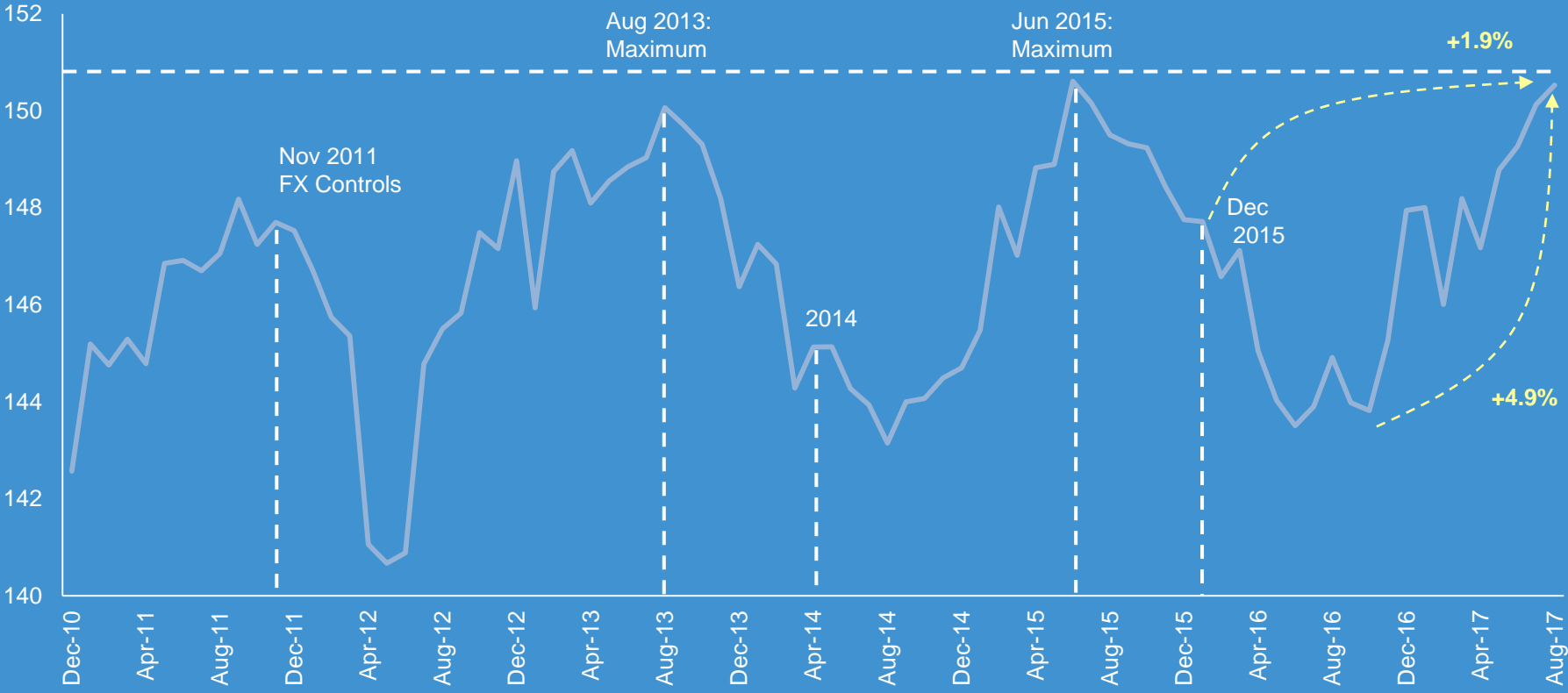
- ✓ Removed capital control and repatriation restrictions
- ✓ Floated exchange rate and recovered monetary reserves
- ✓ Resolved defaulted debt and regained access to financial markets
- ✓ Introduced Central Bank independence
- ✓ Re-launched the National Statistics Bureau
- ✓ Instituted inflation targeting policy to reduce inflation
- ✓ Established plan to eliminate the primary fiscal deficit
- ✓ New Public-Private Partnerships (PPP) regulatory framework
- ✓ Implemented an unprecedented tax amnesty scheme

Consensus and support on key regulations

- ✓ Antitrust Law
- ✓ Capital Markets Law
- ✓ Labor Reform Law
- ✓ Tax Reform Law
- ✓ Pension Reform Law
- ✓ Fiscal Responsibility Law

Economic recovery – breaking historic patterns

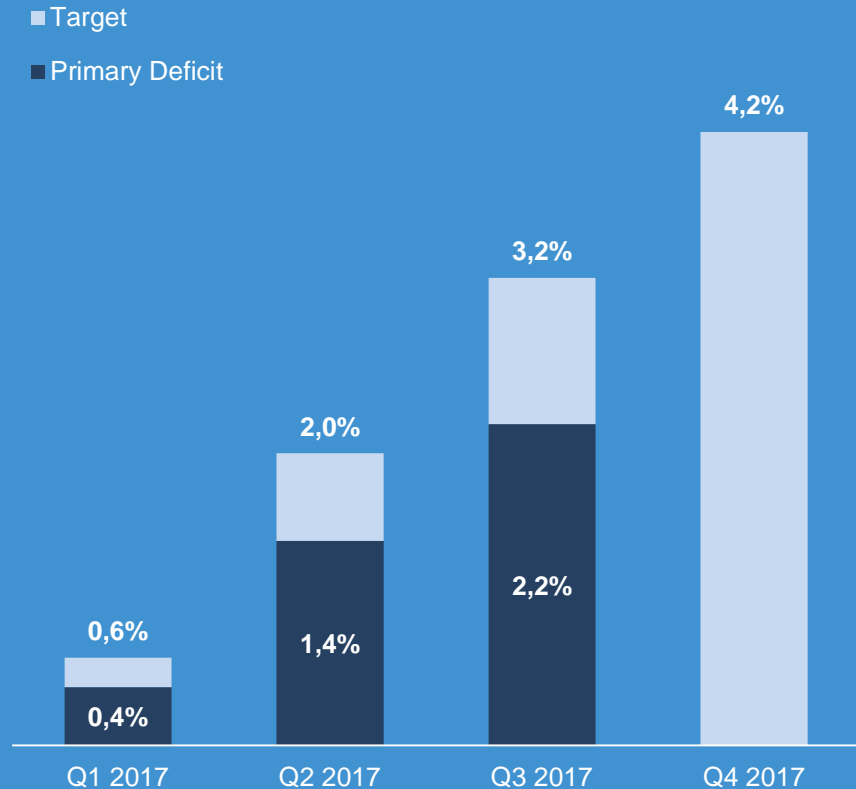
Monthly Estimator of Economic Activity (EMAE) Index (2004 = 100)



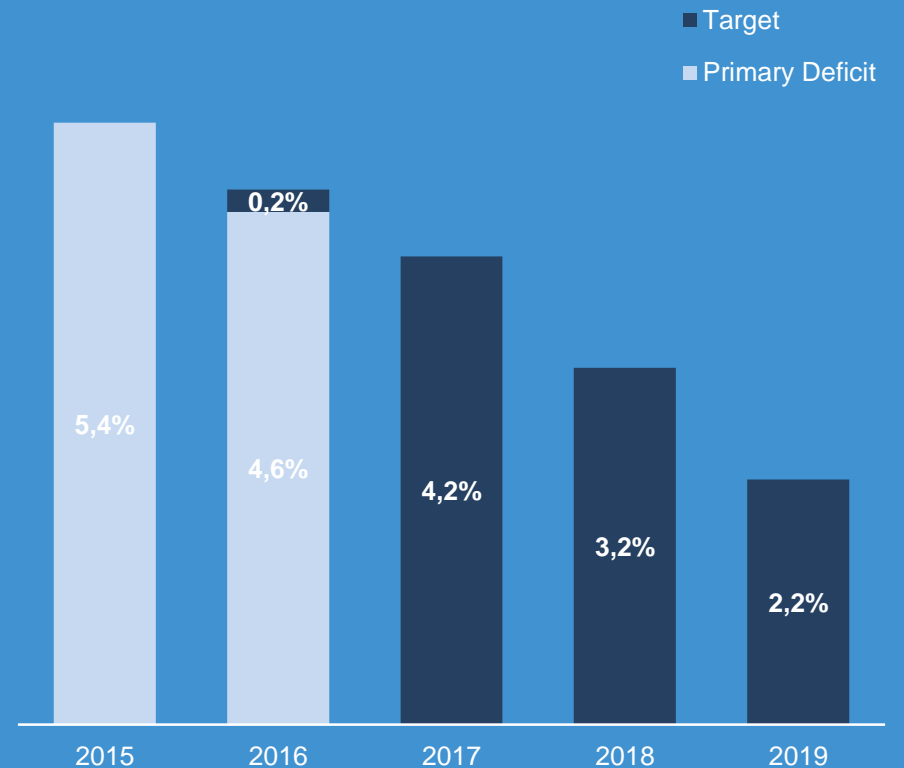
Source: INDEC, Ministry of Finance

Convergence to fiscal balance

Quarterly accumulated primary deficit and targets (% of GDP)



Primary deficit and targets (% of GDP)



2017 in perspective: we have not seen this type of reform

First time in 100 years that these results have occurred simultaneously...

- ✓ Primary fiscal deficit/GDP decreases
- ✓ Real public expenditure decreases
- ✓ Tax pressure decreases
- ✓ Inflation decreases
- ✓ GDP grows

How to mitigate construction and operational risks

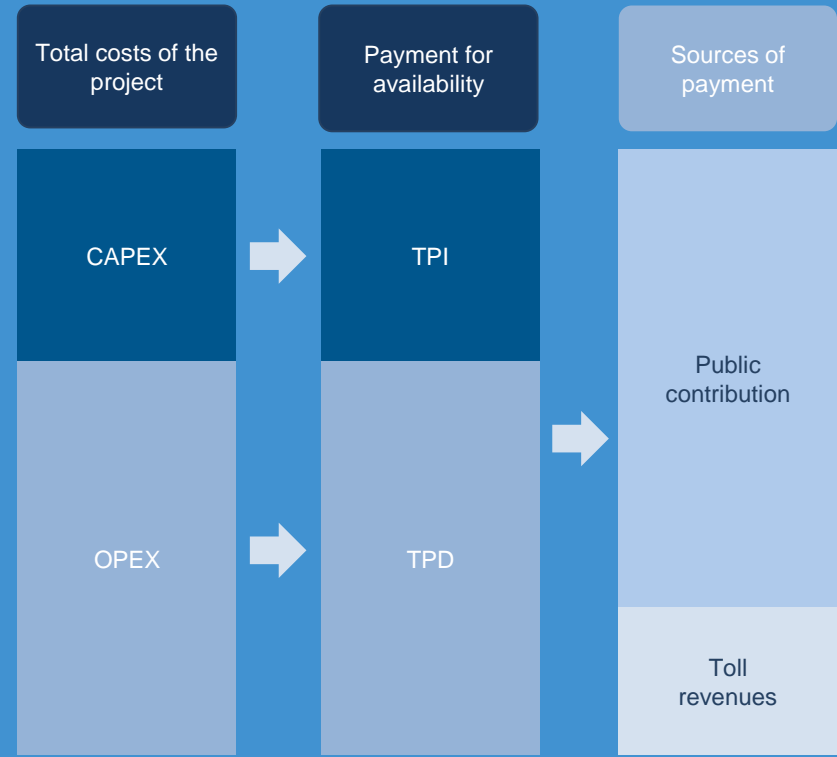
- Repayment of investments incurred both during construction and operation of the project
- Establishment of service and infrastructure availability payments, applying penalties and fines in case of breaches
- Separate repayment, with distinction between TPI and TPD:



- ✓ Linked to investment obligations, recoverable in the long term
- ✓ Linked to the construction phase risks only



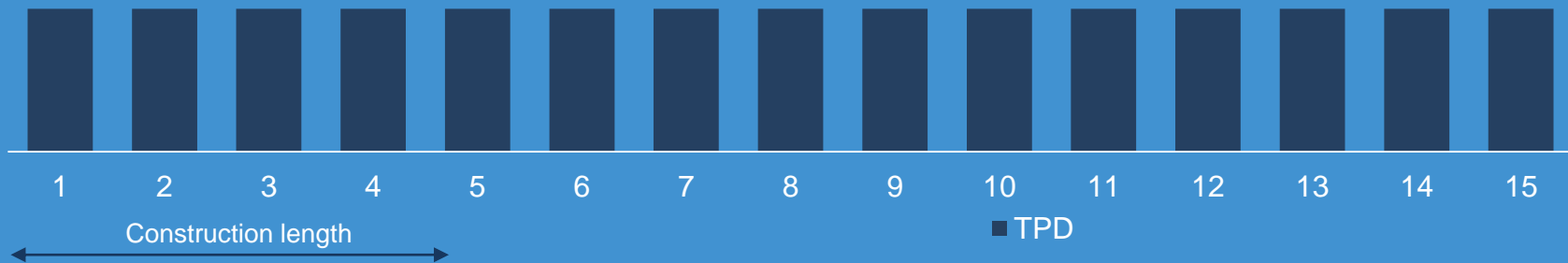
- ✓ Linked to obligations to provide the service of operation and maintenance
- ✓ Linked to the operational phase risks only



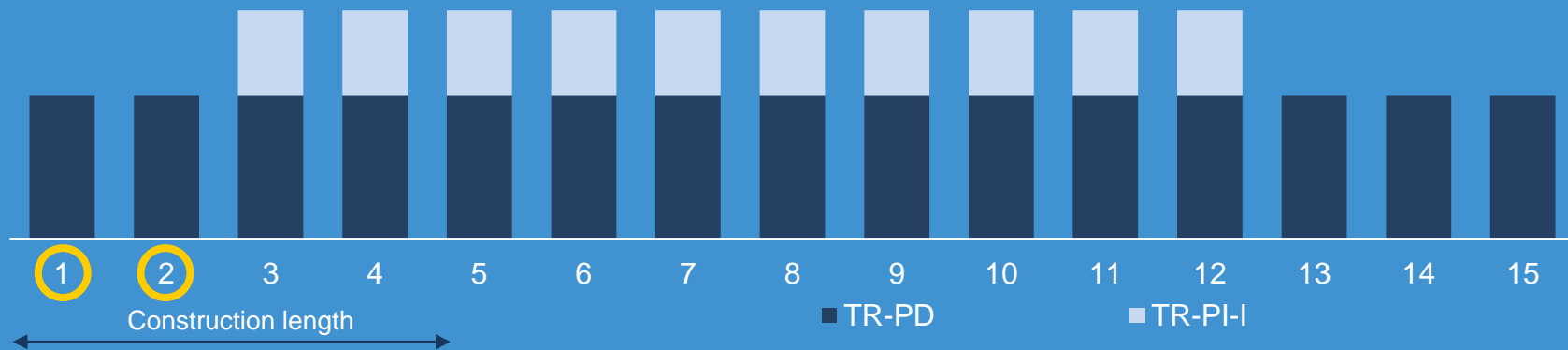
Argentina — Application to road infrastructure PPPs



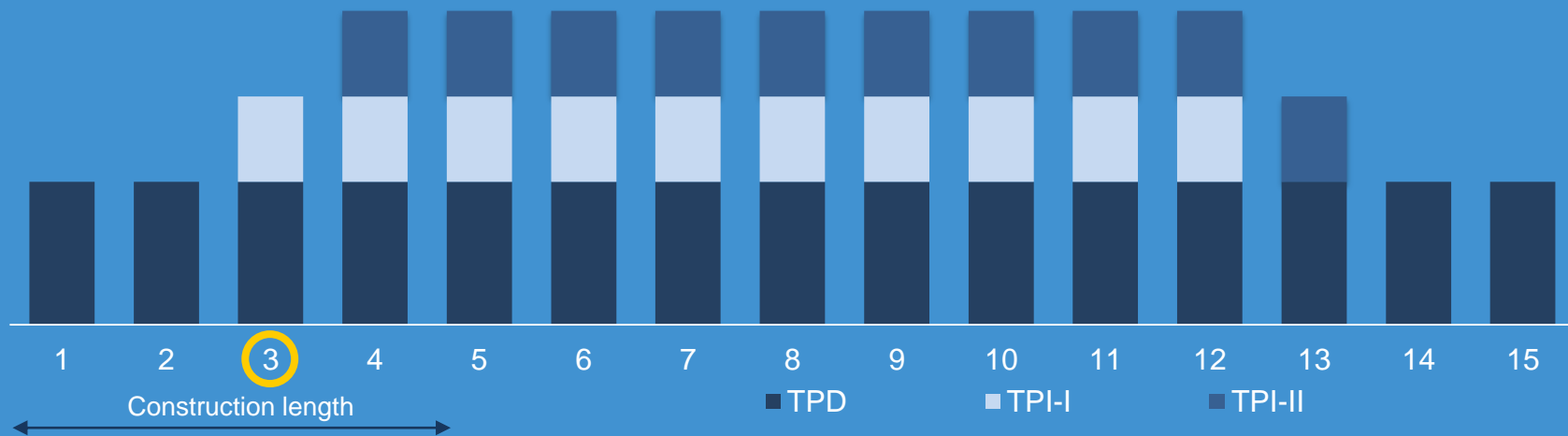
Argentina — Application to road infrastructure PPPs



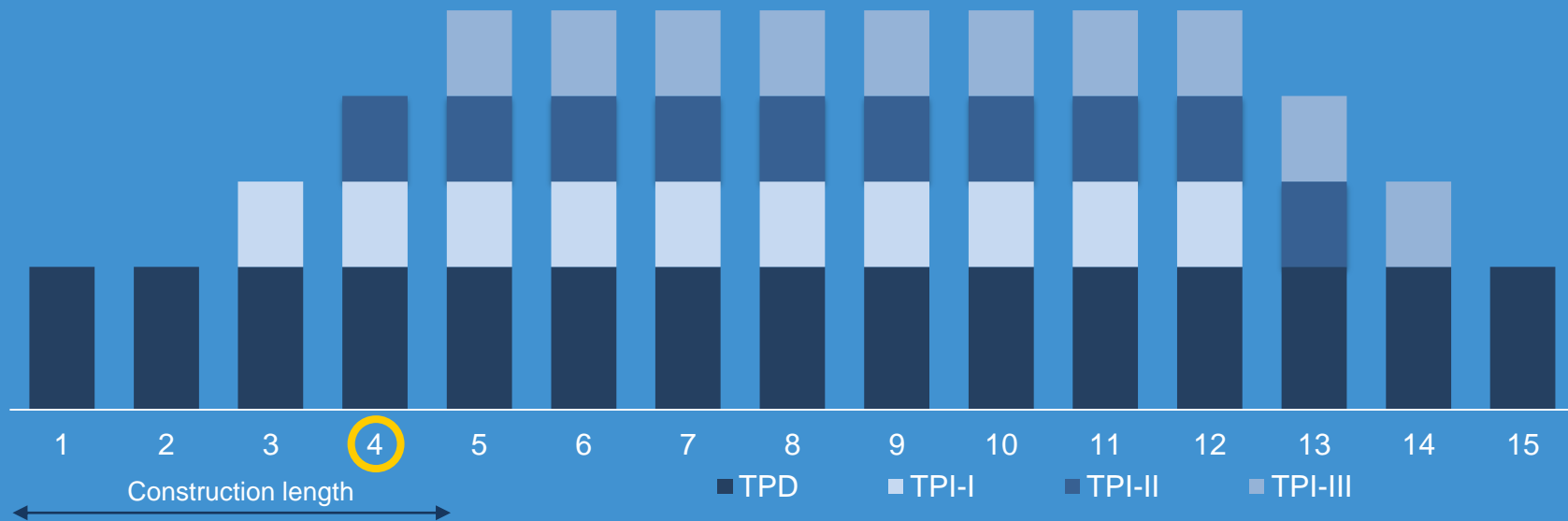
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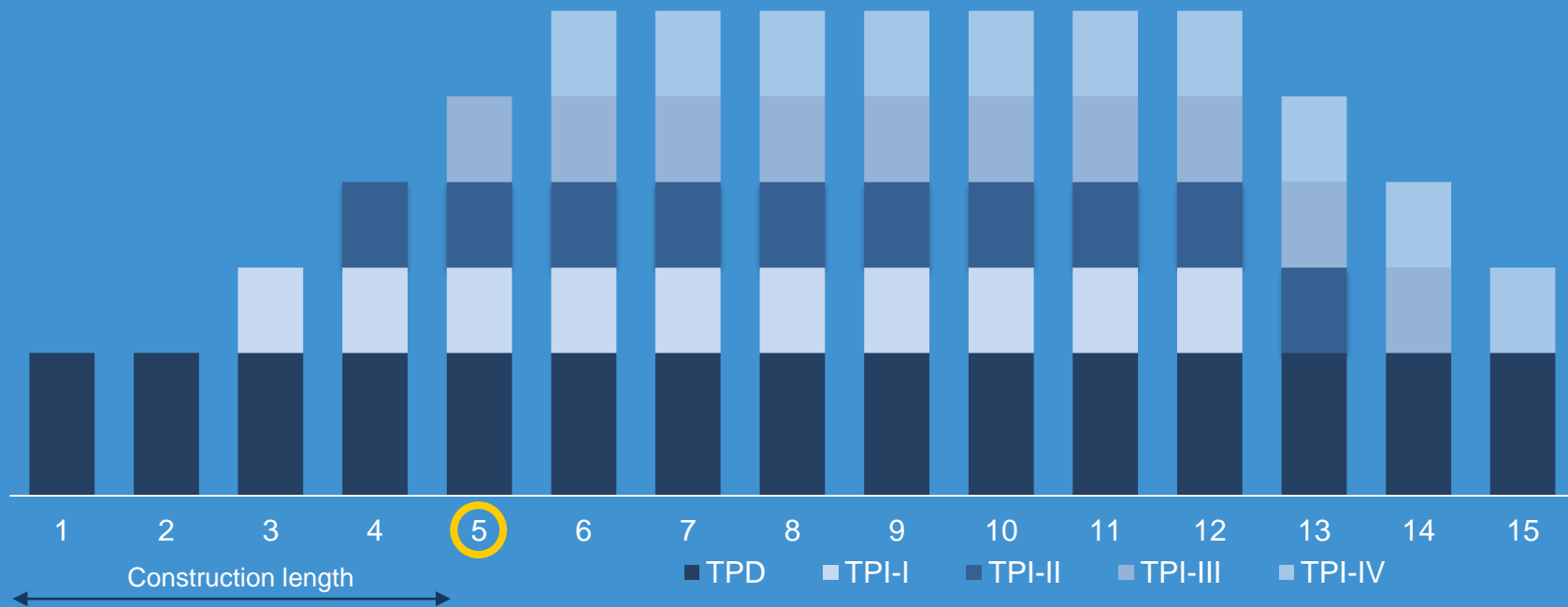
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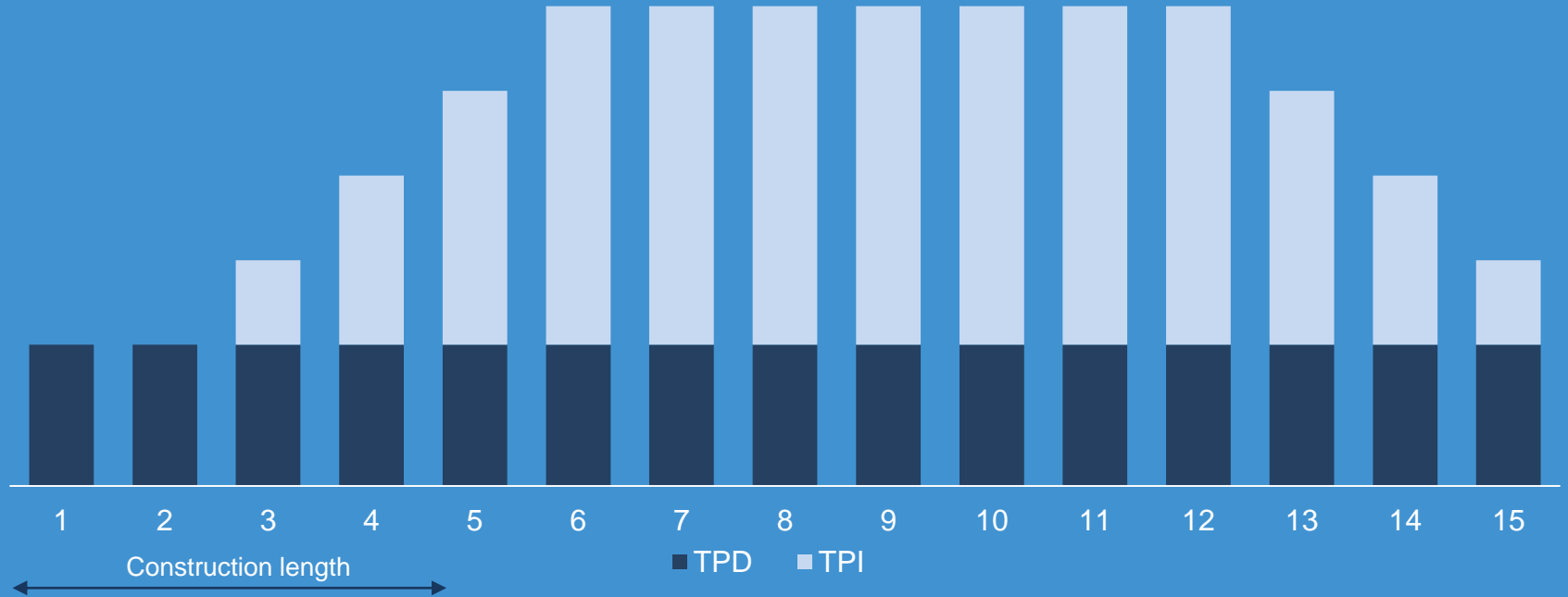
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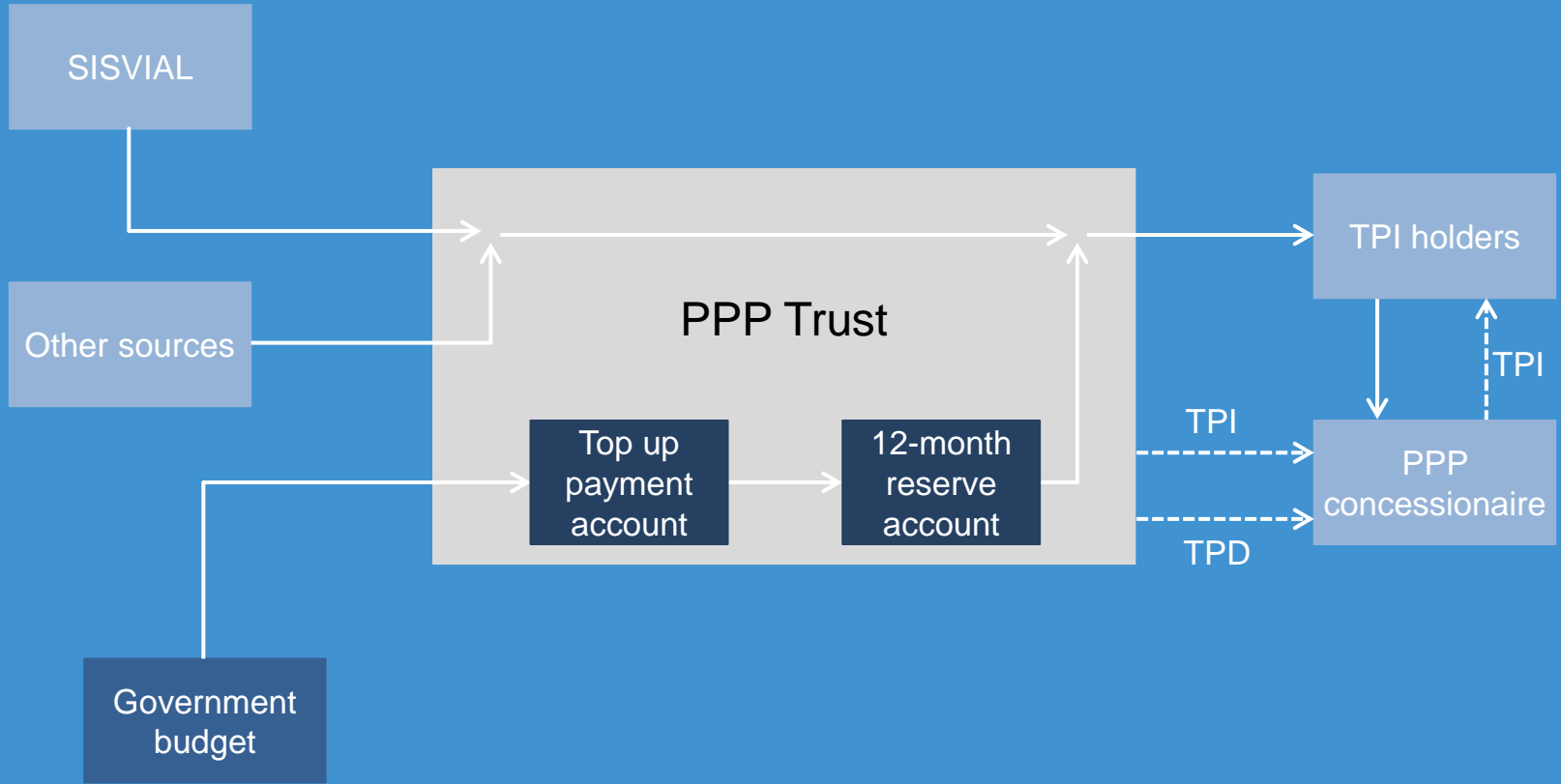
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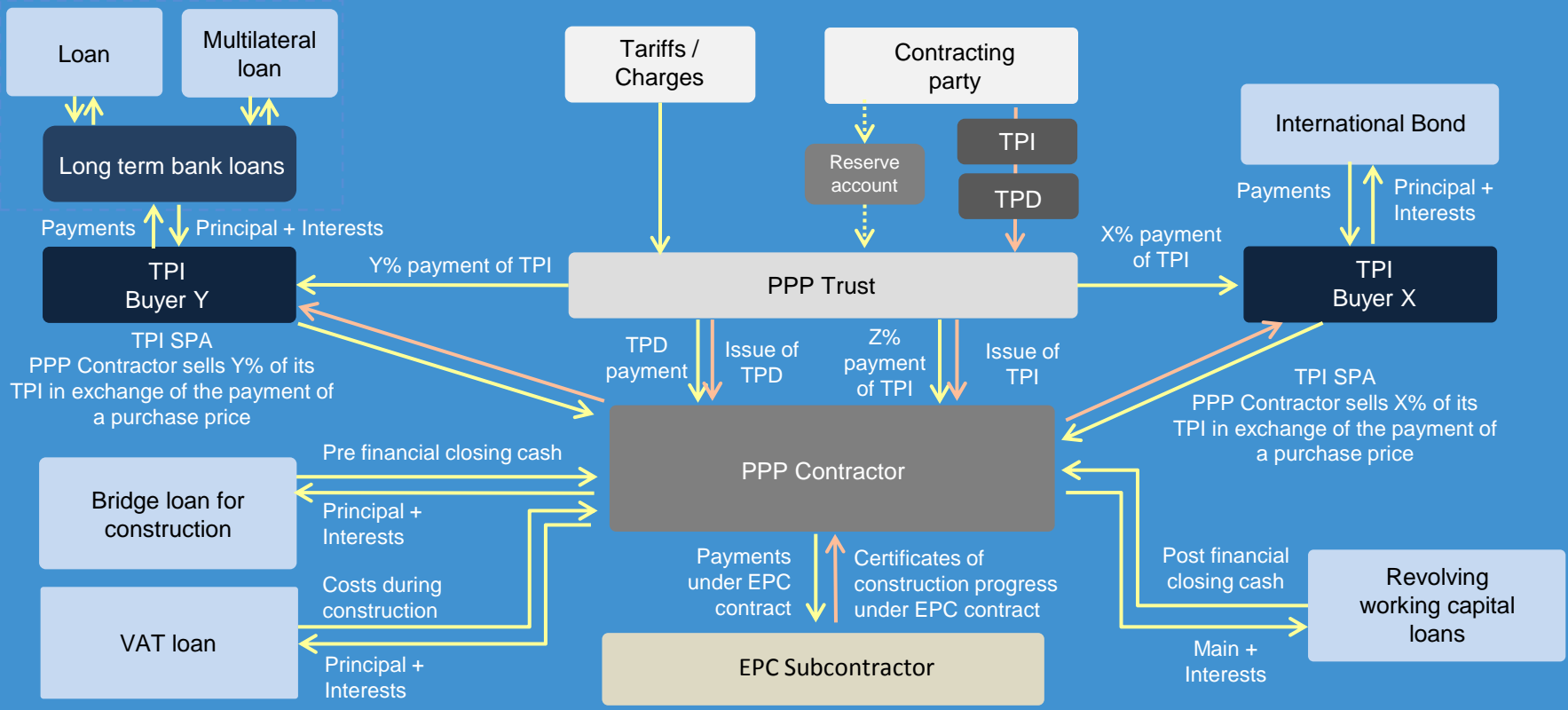
Argentina — Application to road infrastructure PPPs



PPP Trust to manage issuance and payment of TPI's and TPD's



A structure to enable the optimization of multiple financing sources



Structural Considerations



Structural Considerations

Bidding and award criteria

- No limits on quantity of projects bid
- Lowest annual repayment bid wins
- No more than 2 projects awarded to a single bidder
- Bid with highest spread to runner-up's bid will be awarded in case of 3 or more projects won by single bidder

Performance Bonds

- Bid bond until contract signing
- Financial closing bond up to 12 months
- Main works performance bond
- Main services performance bond

Financial closing and equity

- 6-month initial deadline
- 2 consecutive 3-month extension at the option of PPP contractor
- Rising financial close bond with every extension
- Evidence of availability of funds needs to be presented

Penalties and fines

- 100% irrevocable and unconditional TPI's if penalties and fines backed by on-demand bonds
- 85% irrevocable and unconditional TPI's, and 15% irrevocable but conditional TPI's, if penalties and fines not backed by on-demand bonds

Currency risk

- TPI's paid in US dollars
- Optional FX collar offered to mitigate deviations above and below 10% real FX fluctuation
- TPD's paid in local currency, adjusted by official indices

Termination payment

- Monthly investment advancement acts (ARAI's) issued by DNV
- ARAI's included automatically in the calculation of the termination payment
- Dispute resolution mechanisms through Technical Board, then Arbitration Court

Argentina — Risk assessment of the Road infrastructure PPP program



Argentina — Risk assessment of the Road infrastructure PPP program

Traffic

- Known traffic history
- More than 20 years of records available
- +3% growth historical trend
- Low competition of other forms of transport

SISVIAL

- High correlation with gas oil price
- High correlation with asphalt price
- High correlation of the amount collected to exchange rate
- Collection security and funds application through the Integrated Transport System Trust (SIT)

Environmental impact

- Low environmental risk because they are known ways
- Original approvals issued
- Broad experience of the National Road Directory (DNV) in mitigating environmental impact
- Early intervention of the Ministry of Environment approved

Right of way

- Low expropriation risk as it is an existing plan
- Legal framework allows to go forward first and face controversies later

Toll collection

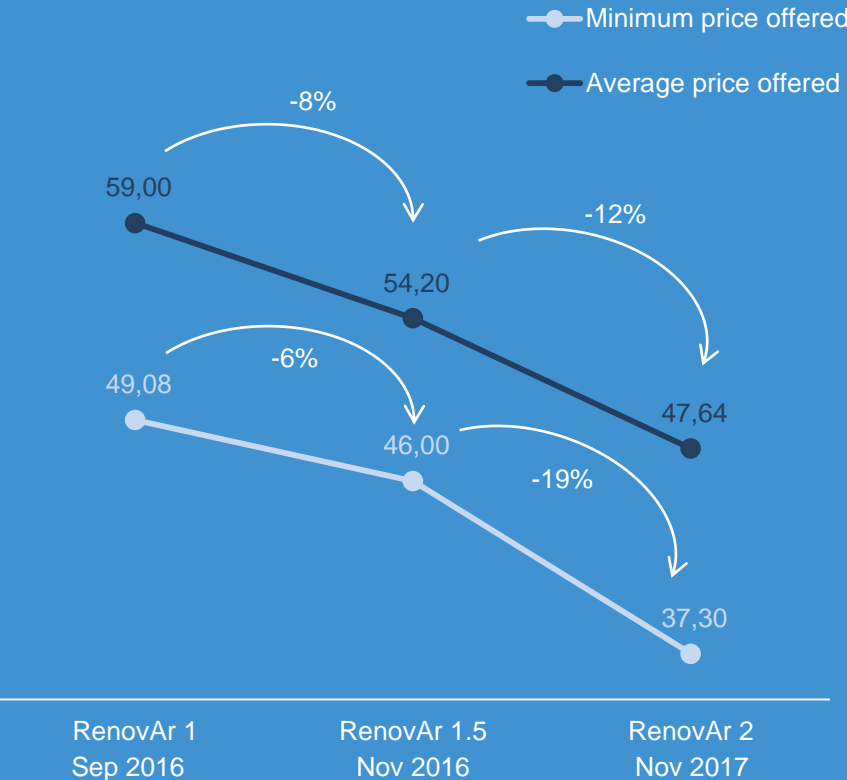
- Long experience in local toll collection
- More than 20 years of records available
- Toll complemented by the government
- User acceptance of toll updates

HLRM transparency framework

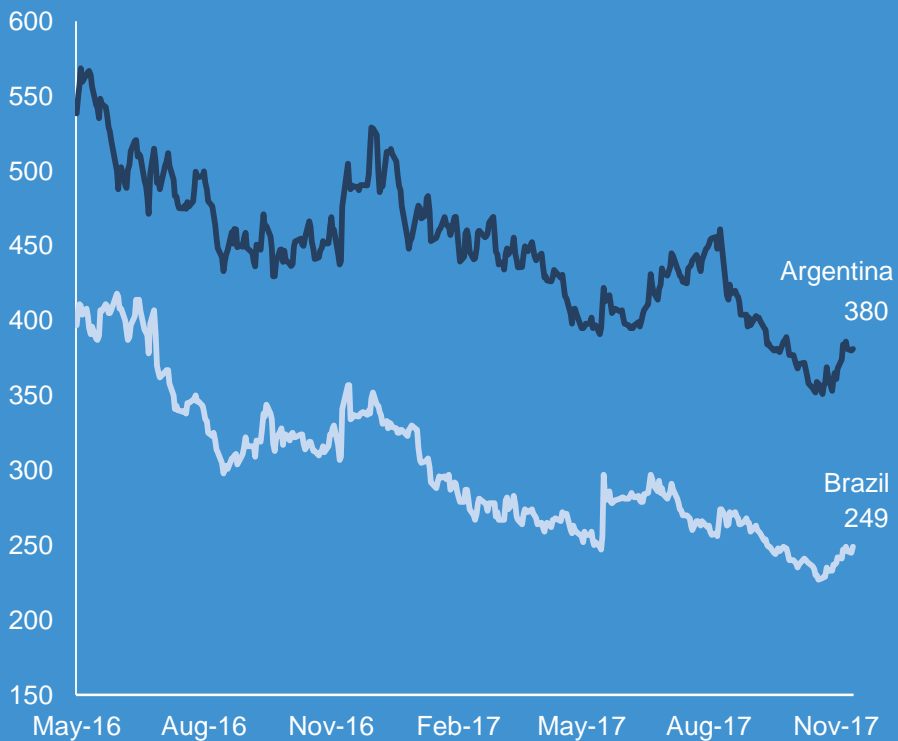
- PPP Road infrastructure pilot program
- High level report mechanism implemented jointly with OECD
- Possibility to raise early alarms in anonymity

RenovAr as a witness case

Renewable energy auctions



Argentina sovereign bond spread



Source: Bloomberg as of November 14th, 2017 and CAMMESA; Note: Auctions correspond to wind energy

Thank you



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