



The Province of Buenos Aires

(A Province of Argentina)

USD 750,000,000
10.875% Notes Due 2021

The Province will pay interest on the Notes on January 26 and July 26 of each year, beginning July 26, 2011. The Notes will mature on January 26, 2021. The Province will pay the principal of the Notes in three installments: 33.33% on January 26, 2019, 33.33% on January 26, 2020 and 33.34% on January 26, 2021.

The Notes will be direct, unconditional, unsecured and unsubordinated obligations of the Province, ranking *pari passu*, without any preference, among themselves and with all other present and future unsecured and unsubordinated indebtedness from time to time outstanding of the Province, except as otherwise provided by law.

Application will be 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 will apply to list the Notes on the Buenos Aires Stock Exchange and the Argentine *Mercado Abierto Electrónico*.

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

Price to investors: 97.916%, plus accrued interest, if any, from January 26, 2011.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, 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 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.”

Joint Lead Managers and Joint Bookrunners

BofA Merrill Lynch

Deutsche Bank Securities

Local Co-Manager

Banco de la Provincia de Buenos Aires

The date of this offering memorandum is January 19, 2011.

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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 heading “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.

The 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 inquiries, 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 (the "SEC"), 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 stabilization action. Such stabilizing, if commenced, may be discontinued at any time and, if begun, must be brought to an end after a limited period. Any stabilization action will be undertaken in accordance with applicable laws and regulations.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

NOTICE TO NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a license has been filed under RSA 421-B with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New Hampshire constitutes a finding by the secretary of state that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or transaction means that the secretary of state has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security, or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client, any representation inconsistent with the provisions of this paragraph.

ENFORCEMENT OF CIVIL LIABILITIES

The Province is a political subdivision of a sovereign state. Consequently, it may be difficult for investors 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 non-exclusive 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 sovereign or other immunity from jurisdiction of such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise), the Province will, to the fullest extent permitted under applicable law, including the U.S. Foreign Sovereign Immunities Act of 1976, irrevocably waive such immunity in respect of any such suit, action or proceeding. However, under the U.S. Foreign Sovereign Immunities Act of 1976, it may not be possible to enforce in the Province a judgment based on such a U.S. judgment, and under the laws of Argentina 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."

In addition, according to the Code of Civil and Commercial Procedure of Argentina, a foreign judgment that disregards Argentine principles of public policy, cannot be recognized or enforced in Argentine courts. In a recent decision, a lower Federal court refused to recognize and enforce a judgment that contravened Argentine principles of public policy, since it disregarded Argentina's right to sovereign immunity. According to the court, the federal government's decision to declare a moratorium on payments on its bonds as a consequence of an economic and social emergency constitutes an exercise of its sovereign powers. The decision has been appealed and the appeal is still pending. See "Risks Relating to the Notes – It may be difficult for you to obtain or enforce judgments against the Province".

DEFINED TERMS AND CONVENTIONS

Certain Defined Terms

All references in this offering memorandum to:

- the "Province" are to the Province of Buenos Aires, the Issuer;
- "Banco Provincia" are to *Banco de la Provincia de Buenos Aires*, the Bank of the Province of Buenos Aires;
- the "Central Bank" are to the *Banco Central de la República Argentina*, the Central Bank of the Republic of Argentina;
- "INDEC" are to the *Instituto Nacional de Estadística y Censos*, the National Institute of Statistics and Censuses;
- "ANSES" are to the *Administración Nacional de la Seguridad Social*, the National Social Security Administration;
- "City of Buenos Aires" are to the Ciudad Autónoma de Buenos Aires, the Autonomous City of Buenos Aires;

- “Argentina” are to the Republic of Argentina; and
- the “federal government” are to the non-financial sector of the central government of Argentina, excluding the Central Bank.
- The terms set forth below have the following meanings for purposes of this offering memorandum:
- “BADLAR” is the average interest rate paid by private banks in Argentina for deposits in Argentine Pesos on amounts greater than ARS 1.0 million for periods of 30-35 days.
- “*Boconba*” are bonds that the Province began to issue in 1991 to claimants who have prevailed in legal actions brought against the Province or its municipalities in satisfaction of their legal claims. The terms of these bonds vary depending on the dates on which the events giving rise to a claimant’s legal action occur. These bonds were originally denominated in pesos or U.S. dollars at the option of the claimant. The U.S. dollar-denominated *Boconba* were converted to CER-adjusted pesos at a rate of ARS 1.40 per USD 1.00 as part of the pesification process in 2002. *Boconba* issued after the pesification process are denominated in pesos. The laws pursuant to which the *Boconba* were issued established payment priority classes according to the nature of the right giving rise to the credit, determining also that claims within the same class would be cancelled according to the dates on which they were definitively recognized by court or administrative procedure.
- “*Bocanoba*” are bonds issued by the Province pursuant to Law 12,727 and were used by the Province to refinance unpaid obligations of the Province to providers of goods and services. These bonds were originally denominated in U.S. dollars and were converted to CER-adjusted pesos at a rate of ARS 1.40 per USD 1.00 as part of the pesification process in 2002.
- “*Boden*” are bonds that the federal government began to issue in 2002 originally to compensate individuals and financial institutions affected by some of the emergency measures adopted by the federal government during the 2001 economic crisis.
- “*Bogar*” are bonds issued by the federally administered *Fondo Fiduciario para el Desarrollo Provincial* (Trust Fund for Provincial Development) in order to restructure debt obligations of Argentina’s provinces, including the Province. The Province indirectly guarantees payments on these bonds, up to an amount equal to 15.0% of the federal tax co-participation revenues to which it is entitled, through an assignment to the Trust Fund for Provincial Development of such portion of those revenues. Although the federal government instructs the trustee of the Trust Fund for Provincial Development to make any remaining payments due on these bonds, the Province has an obligation to reimburse the Trust Fund for Provincial Development for all amounts paid on these bonds.
- “CER,” or *Coficiente de Estabilización de Referencia*, is a unit of account adopted on February 3, 2002, the value in pesos of which is indexed to consumer price inflation. The nominal amount of a CER-based financial instrument is converted to a CER-adjusted amount, and interest on the financial instrument is calculated on the CER-adjusted balance.
- The “*Conurbano Bonaerense*” is an industrialized and heavily populated urban area surrounding the City of Buenos Aires. The scope and coverage of this area are defined by federal government agencies to represent a diverse demographic sample of Argentina’s urban population based upon various socio-economic variables, which are used in the development and implementation of national public policies. The area consists of several municipalities of the Province that surround the City of Buenos Aires and does not include the City of Buenos Aires. Approximately 62.5% of the Province’s population resides within the *Conurbano Bonaerense*.
- “Greater Buenos Aires” is a regional area within the Province, which includes the *Conurbano Bonaerense* and seven municipalities that surround the *Conurbano Bonaerense*. This definition is used for statistical purposes to refer to the largest urban area of the Province.

- “Exchange Bonds” are the three series of bonds—Step-Up Long Term Par Bonds due 2035, Step-Up Medium Term Par Bonds due 2020, and Discount Bonds due 2017—issued by the Province pursuant to the restructuring exchange offer launched in November 2005 to holders of its then outstanding Eurobonds (as defined below). Approximately 94.7% of the principal amount of the then outstanding Eurobonds were tendered and cancelled pursuant to the exchange offer, which expired in December 2005.
- “Exports” are calculated based upon statistics reported to Argentina’s customs agency upon departure of goods originated in the Province on a free-on-board (FOB) basis.
- “Eurobonds” are bonds issued by the Province in the international capital markets since 1995, including securities issued under the Province’s USD 3.2 billion Euro Medium-Term Note program (EMTN Program) established in 1998.
- “Gross domestic product,” or GDP, is a measure of the total value of final products and services produced in Argentina or the Province, as the case may be, in a specific year.
- The “rate of inflation”, or “inflation rate”, provides an aggregate measure of the rate of change in the prices of goods and services in the economy. The inflation rate is generally measured by the rate of change in the consumer price index, or “CPI”, between two periods unless otherwise specified. The annual percentage rate of change in the CPI as of a particular date is calculated by comparing the index as of that date against the index as of the date 12 months prior. The CPI is calculated on a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households using a monthly averaging method. The federal government also compiles statistics on the wholesale price index, or WPI. The annual percentage rate of change in the WPI as of a particular date is calculated by comparing the index as of that date against the index as of the date 12 months prior. The WPI is based on a basket of goods and services that reflects the pattern of consumption of Argentine retailers. The CPI measures changes in the price level of goods and services to the final consumer and therefore tends to reflect changes in the cost of living in Argentina. While the WPI also provides a measure of inflation, it is more limited in scope since it measures changes in the price of goods and services paid by retailers and not consumers. All references in this offering memorandum to CPI are to the national CPI.
- “Mercosur” refers to the Mercado Común del Sur, which is a regional trade agreement among Argentina, Brazil, Paraguay and Uruguay.
- “*Patacones*” are quasi-currency treasury bonds issued by the Province in 2001 and 2002 to finance its fiscal deficits during Argentina’s economic crisis.
- The “primary balance” refers to the difference between the Province’s current and capital expenditures and current and capital revenues. The primary balance excludes interest expenses and borrowings and repayments of the Province’s debt.
- 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 amount.
- 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. The “labor force” refers to the sum of the population of the five main urban areas of the Province (Greater Buenos Aires, Bahía Blanca-Cerri, Greater La Plata, Mar del Plata-Batán and San Nicolás-Villa Constitución) 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.

Currency of Presentation and Exchange Rates

Unless otherwise specified, references in this offering memorandum to “dollars,” “U.S. dollars,” “USD” and “\$” are to the currency of the United States of America, references to “euros” and “EUR ” are to the currency of the European Union and references to “pesos” and “ARS ” 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 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.

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.

| Year ended December 31, | Exchange rates ⁽¹⁾ | | | Period end |
|-------------------------|-------------------------------|-------|------------------------|------------|
| | High | Low | Average ⁽²⁾ | |
| 2005 | 3.052 | 2.859 | 2.923 | 3.032 |
| 2006 | 3.107 | 3.031 | 3.074 | 3.070 |
| 2007 | 3.180 | 3.055 | 3.116 | 3.151 |
| 2008 | 3.454 | 3.013 | 3.161 | 3.454 |
| 2009 | 3.855 | 3.450 | 3.730 | 3.797 |
| 2010 | 3.986 | 3.794 | 3.913 | 3.976 |

(1) Central Bank reference exchange (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 January 18, 2011 the peso-dollar reference exchange rate was ARS 3.9803 to USD 1.00.

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.

Certain statistical information included in this offering memorandum is preliminary in nature and reflects the most recent reliable data readily available to the Province as of the date of this offering memorandum.

FORWARD-LOOKING STATEMENTS

This offering memorandum and any related supplement (including any documents incorporated by reference) may contain forward-looking statements. 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, high domestic interest rates and exchange rate volatility, 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, induce 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; and
- other adverse factors, such as climatic or political events, international or domestic hostilities and political uncertainty.

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 billions of pesos unless otherwise indicated)

| | At and for the year ended December 31, | | | | | At and for the nine months ended September 30, |
|--|--|------------|------------|------------|------------|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| PROVINCIAL ECONOMY | | | | | | |
| Real GDP (in billions of 1993 pesos)..... | ARS 108.08 | ARS 117.29 | | | | |
| Rate of change in Real GDP from prior year..... | 10.0% | 8.5% | | | | |
| Provincial GDP as a % of National GDP | 35.5% | 35.5% | | | | |
| Unemployment rate ⁽¹⁾ | 12.7% | 10.5% | 8.4% | 8.5% | 9.8% | 8.8% |
| PROVINCIAL EXTRAPOLATED GDP⁽²⁾ | | | | | | |
| Real GDP (in billions of 1993 pesos)..... | | | ARS 127.71 | ARS 136.52 | ARS 137.72 | ARS 150.51 ⁽¹⁰⁾ |
| Rate of change from prior year | | | 8.9% | 6.9% | 0.9% | n/a |
| NATIONAL ECONOMY | | | | | | |
| Real GDP (in billions of 1993 pesos)..... | ARS 304.76 | ARS 330.57 | ARS 359.17 | ARS 383.44 | ARS 386.70 | ARS 425.32 ⁽¹¹⁾ |
| Rate of change from prior year | 9.2% | 8.5% | 8.7% | 6.8% | 0.9% | 8.6% |
| Unemployment rate ⁽³⁾ | 10.1% | 8.7% | 7.5% | 7.3% | 8.4% | 7.5% |
| Inflation (as measured by CPI) | 12.3% | 9.8% | 8.5% | 7.2% | 7.7% | 8.3% |
| PROVINCIAL PUBLIC SECTOR FINANCES | | | | | | |
| Total Revenues | ARS 22.77 | ARS 26.92 | ARS 34.18 | ARS 43.47 | ARS 53.13 | ARS 46.37 |
| Total Expenditures (excluding interest expenses) | (21.61) | (26.74) | (33.58) | (45.44) | (57.47) | (49.17) |
| Primary Fiscal Balance ⁽⁴⁾ | 1.16 | 0.18 | 0.60 | (1.97) | (4.34) | (2.80) |
| Total Surplus/(Deficit) ⁽⁵⁾ | 0.66 | (0.60) | (0.29) | (2.99) | (5.67) | (3.99) |
| Overall Financial Result ⁽⁶⁾ | 0.55 | 0.38 | 0.88 | (1.88) | (3.16) | 0.62 |
| PROVINCIAL PUBLIC SECTOR DEBT⁽⁷⁾ | | | | | | |
| Peso-denominated debt ⁽⁸⁾ | ARS 19.24 | ARS 20.9 | ARS 22.46 | ARS 25.02 | ARS 29.18 | ARS 25.38 |
| Foreign-currency-denominated debt ⁽⁹⁾ | 10.50 | 12.5 | 14.57 | 15.57 | 17.27 | 17.78 |
| Total debt ⁽⁹⁾ | ARS 29.74 | ARS 33.38 | ARS 37.04 | ARS 40.59 | ARS 46.35 | ARS 43.46 |
| Total debt (in billions of USD) ⁽⁹⁾ | 9.81 | 10.90 | 11.76 | 11.76 | 12.20 | 10.97 |
| Debt as a % of nominal GDP ⁽⁹⁾ | 15.4% | 14.3% | 12.8% | 11.0% | 11.3% | n/a |
| Debt as a % of total revenues ⁽⁹⁾ | 130.3% | 124.2% | 108.2% | 93.3% | 87.2% | n/a |

- (1) For the second half of 2005, the fourth quarter of each of 2006, 2007, 2008 and 2009 and the third quarter of 2010 (weighted average data).
- (2) Extrapolated GDP is calculated by multiplying the 2006 provincial GDP for each of the principal sectors of the provincial economy by the national rate of real GDP growth for that sector for 2007, and repeating the process for each of 2008, 2009, and the twelve months ended September 30, 2010. Extrapolated GDP for 2007, 2008 and 2009 and the twelve months ended September 30, 2010 is not directly comparable with GDP figures for 2005 and 2006.
- (3) Based on the *Encuesta Permanente de Hogares* (Permanent Household Survey, or "EPH") conducted in 28 major cities. According to INDEC, the current methodology to conduct the EPH is applied to every major city except Rawson - Trelew, San Nicolás - Villa Constitución and Viedma - Carmen de Patagones, where the EPH is still being conducted pursuant to the old methodology because of resource constraints in cities in the interior of Argentina.
- (4) Excluding interest payments.
- (5) Represents the primary fiscal balance minus interest payments.
- (6) Represents total surplus/(deficit) plus borrowings, minus debt repayments.
- (7) In November 2005, the Province launched an offer to eligible holders of its foreign-currency-denominated bonds (on which the Province had ceased making payments) to cancel these bonds in exchange for the Exchange Bonds. As of December 16, 2005, the expiration date of the exchange offer, holders of approximately 94.7% of the aggregate principal amount of the Province's outstanding bonds had consented to cancel these bonds in exchange for the Exchange Bonds, which is reflected in the table above.
- (8) Includes debt denominated in CER-adjusted pesos.
- (9) Excluding past due interest payments.
- (10) Annualized extrapolated GDP figure for the twelve months ended September 30, 2010.
- (11) Annualized GDP figure for the twelve months ended September 30, 2010.

Source: Provincial Office of Statistics; Ministry of Economy of the Province; Federal Ministry of Economy and Production; Macroeconomic Research Unit, Financial Department of Fiscal Studies and Financial Programming.

The Province

General

The Province is the largest of the 23 provinces of Argentina, with a population of approximately 15.6 million inhabitants. It is located in the central-eastern part of the country, in a region known as the “Pampas.” The capital of the Province is the city of La Plata.

The provincial government consists of an executive branch, a legislative branch and a judicial branch. The executive branch consists of a Governor and a Vice Governor, both of whom are elected by popular vote, and a number of ministries, secretariats and other provincial governmental agencies. The legislative branch consists of the Senate and the House of Deputies. The judicial branch consists of trial courts, courts of appeals and the Supreme Court, which have jurisdiction over civil, commercial, administrative, labor, family and criminal matters within the Province. In addition, the provincial constitution provides for the existence of certain provincial agencies that do not fall under any of the three branches of government.

Each of the Province’s 134 municipalities has its own government, responsible for providing basic local services. Pursuant to provincial law, the Province’s municipalities are entitled to receive a percentage of the taxes collected by the Province and the federal government. In addition, several municipalities are entitled to collect certain provincial taxes.

Historically, the two largest and most traditional political parties in Argentina have been the *Partido Justicialista* (the “PJ”) and the *Unión Cívica Radical* (the “UCR”), which have broad-based support across the country. In 2005, however, a faction within the PJ led by the former President of Argentina, Néstor Kirchner, and the former Governor of the Province, Felipe Solá formed a separate political party known as *Frente para la Victoria* (the “FPV”). See “The Province of Buenos Aires—Recent Political History.” The PJ, the UCR and the FPV are followed by the *Afirmación para una República Igualitaria*, or the “ARI”, *Coalición Cívica*, or the Civic Coalition, *Acuerdo Cívico y Social*, or the Social and Civic Agreement or “ACyS”, *Recrear para el Crecimiento*, or Rebuild for Growth, *Propuesta Republicana*, or the Republican Proposal (in the Province of Buenos Aires, the Republican Proposal formed a political center-right wing alliance named *Unión-PRO*) and *Unidad Peronista* or “Peronist Unity”. Currently, the FPV and PJ hold jointly 40.2% of the seats of the provincial House of Deputies, while the ACyS holds 38.0%, and Unión-PRO holds 21.8%. In the provincial Senate, the FPV and PJ hold jointly 45.7% of the seats, ACyS holds 39.1%, the Unión-PRO holds 13.0% and Peronist Unity holds 2.2%.

The current President of Argentina, Cristina Fernández de Kirchner, and the Governor of the Province, Daniel Scioli, were elected in October 2007 and took office in December 2007. The next elections for the President of Argentina and for the Governor of the Province are scheduled for October 2011.

The Provincial Economy

Official provincial GDP figures, which are based on preliminary data, are available for 2005 and 2006. Official provincial GDP figures are not available for 2007, 2008, 2009 and 2010. The Province extrapolated provincial GDP figures for 2007, 2008, 2009 and for the twelve months ended September 30, 2010 based on rates of growth in national GDP, by multiplying the provincial GDP figure for 2006 for each of the principal sectors of the provincial economy by the national rate of real GDP growth for that sector for 2007 according to INDEC. The Province applied the same method for 2008 and 2009 and for the twelve months ended September 30, 2010 to extrapolate provincial GDP figures in those periods. Extrapolated provincial GDP figures are based on changes in national GDP by principal sector to account for structural differences between the provincial and national economies. The principal structural difference between the provincial and national economies is the greater relative weight of the manufacturing and export sectors in the provincial economy as compared to the national economy. This method of extrapolating provincial GDP figures assumes that real GDP by principal sector grew at the same rate on the provincial and national levels, and therefore that the allocation of real GDP by principal sector within the Province changed in tandem with national GDP by principal sector. Between 1994 and 2006, the correlation coefficient between provincial and national real GDP was 0.97, indicating a high degree of correlation. Extrapolated provincial GDP figures for 2007, 2008 and 2009 and the twelve months ended September 2010 do not account for

any differences that may exist between the national and provincial sectoral real GDPs, including potential differences in growth rates, or other particular phenomena disproportionately affecting the Province's economy. Extrapolated provincial real GDP figures for 2007, 2008 and 2009 and the twelve months ended September 30, 2010 are not comparable to provincial real GDP figures for 2005 and 2006, and the Province cannot assure you that the assumptions underlying the extrapolations are correct, and therefore that the Province's extrapolations for provincial real GDP in 2007, 2008 or 2009 or the twelve months ended September 30, 2010 reflect actual real GDP for those periods. See "Risk Factors—Risks Relating to the Province—The statistics prepared by the Province as real GDP values for 2007, 2008, 2009 and 2010 are extrapolations of national real GDP, and may not accurately reflect actual provincial real GDP".

The economy of the Province represents a significant part of the overall Argentine economy and has tracked growth and recessionary cycles in the larger Argentine economy. From 2005 to 2006, Argentina was recovering economically from the effects of the 2001 economic crisis, and the Province experienced growth in its GDP. The Province's real GDP registered a 10.0% increase in 2005 and an 8.5% increase in 2006. In addition, this economic recovery alleviated the social tensions that arose during the 2001 economic crisis, as increased production gave rise to higher employment rates, with unemployment falling from 12.7% in 2005 to 10.5% in 2006.

Extrapolated provincial real GDP increased by 6.9% from 2007 to 2008, as Argentina's economic recovery continued. However, the global economic crisis, the A/H1N1 influenza pandemic and a provincial drought led to a growth in extrapolated real GDP of just 0.9% between 2008 and 2009, and unchanged GDP per capita in those years. In addition, as economic activity slowed, unemployment grew to 8.5% in 2008 and 9.8% in 2009. In the twelve months ended September 30, 2010, extrapolated provincial real GDP was ARS 150.51 billion. In addition, unemployment fell to 8.8% in the third quarter of 2010.

The Province has a diversified economy. The Province's most significant economic production sectors are (i) manufacturing, (ii) real estate and business activities, (iii) retail and wholesale commerce, (iv) transport, storage and communications, (v) education, social and health services, (vi) construction, and (vii) agriculture, livestock, hunting and forestry. Historically, the Province's manufacturing sector is the single largest contributor to provincial GDP. The manufacturing sector is highly diversified and, historically, food and beverage production and chemicals have been the most significant contributors to production within this sector. Although all areas of manufacturing were severely affected by the economic crisis in 2001, the Province's manufacturing sector has recovered significantly since 2003. The manufacturing sector represented approximately 25.3% of the Province's total real GDP in 2006, the last year for which official data was available. The Province's 2006 manufacturing output of ARS 26.93 billion represents 49.0% of Argentina's total manufacturing output in the same period.

Public Sector Finances

The Province's fiscal policy since the 2001 national economic crisis has focused on preserving the financial liquidity of the Province. The Province evaluates its fiscal policy based on its primary balance. The Province recorded primary balance deficits in 2001 and 2002, as Argentina's economic recession, which began in 1998, deepened and Argentina entered a state of severe economic crisis in 2001. The Province's primary balance deficit declined in 2002 and the Province recorded increasing primary balance surpluses in each of 2003 and 2004 as Argentina's economic recovery, which began in the second half of 2002, broadened and accelerated, despite an increase in the Province's expenditures during this period. In 2005, however, the Province recorded a small decline in its primary balance surplus, as compared to 2004, despite a significant increase in revenues during 2005. The Province experienced a significant decline in its primary balance surplus in 2006 as compared to 2005, as its expenditures grew at a faster rate than its revenues during these periods. Personnel expenditures, in particular, increased significantly in 2005 and 2006 compared to prior years due to the cumulative effect of the implementation of measures in 2005, and to a lesser extent, the implementation of measures adopted in each of 2003 and 2004, each of which was intended to alleviate the situation of the Province's employees following the salary freeze and subsequent devaluation and inflation that resulted from the economic crisis. These measures, taken together with similar measures adopted in March 2006, have succeeded in realigning the compensation of provincial employees with pre-crisis levels, measured in terms of purchasing power. In 2007, the primary balance surplus temporarily recovered due to a substantial increase in tax revenues related to increased economic activity in the Province, which more than offset a substantial increase in public employment during this period. However, in 2008, the primary

balance moved from a surplus to a deficit due to continued increases in expenditures related primarily to salary increases for public employees. This trend continued in 2009, with the cumulative effect of salary increases resulting in expenditures increasing faster than the increase in revenues, resulting in a primary deficit of ARS 4.34 billion.

The initial 2010 Budget Law, as amended, forecasted a smaller primary balance deficit of ARS 4.11 billion for 2010, due mainly to increased revenues resulting from tax law reforms and an expected general increase in economic activity, which were budgeted to more than offset increases in public expenditures primarily relating to salary increases for public employees. As of September 30, 2010, a primary deficit of ARS 2.80 billion had accrued. In October 2010 the 2010 budget was amended to increase total expenditures by ARS 5.31 billion, of which ARS 3.71 billion would be financed with additional self-generated revenues (such as taxes) and ARS 1.60 billion would be financed with additional borrowing incurred by the Province, increasing the primary balance deficit to ARS 5.71 billion. Although the Province has not yet determined the final fiscal results for 2010, it projects a primary fiscal balance deficit of ARS 693 million as a result of higher-than-expected revenues. The 2011 Budget Law forecasted a greater primary deficit of ARS 2.85 billion when compared to the projected primary balance deficit of ARS 693 million for 2010.

Main Sources of Revenues

From 2005 through 2009, approximately 73.0% of the Province's revenues were derived from taxes, either federal or provincial. On average, during this period, provincial tax collections represented 39.2% of total revenues, while federal tax transfers represented 33.3% of total revenues.

Federal transfers. The federal government is required by law to transfer to a federal co-participation fund 64.0% of income tax revenues, 89.0% of value added tax revenues and 100% of presumptive minimum income tax and excise tax revenues and revenues from certain other minor taxes and 30.0% of financial transaction tax revenues. Under the federal tax co-participation system, ARS 549.6 million is allocated to the *Fondo de Desequilibrios Fiscales Provinciales* (Provincial Tax Imbalance Fund). After this allocation, 15.0% of all remaining funds are allocated to the federal social security system. The balance of these funds is distributed among the federal government, the City of Buenos Aires and the provinces, with approximately 42.3% of the balance being allocated to the federal government for its other needs, for the Province of Tierra del Fuego and for transfers to the City of Buenos Aires, 1.0% being allocated to an emergency fund, and approximately 56.7% being allocated to the provinces to be shared among them according to percentages set forth in the federal tax co-participation law. The Province is currently entitled to 21.7% of funds allocated to the provinces under the co-participation regime.

The Province is also entitled to receive specified additional amounts of federal tax transfers pursuant to special laws intended to address the greater needs of the Province, which are funded with designated sources of federal tax revenues. These transfers, however, are capped or subject to limits that have been reached over time, and the remainder of these tax revenues is distributed among all the provinces in accordance with the co-participation law, leading to a further dilution in the Province's share of total federal tax transfers (including tax co-participation transfers). Accordingly, although the Province receives 21.7% of distributable co-participation tax revenues, the Province receives a relatively smaller percentage of the total federal tax transfers to the provinces. The Province has repeatedly requested an increase in the funds allocated to the provinces under the tax co-participation regime to ensure that each province is able to offer essential public services to its population, but its efforts to increase its allocation of tax co-participation funds have been unsuccessful.

In addition, the Province records other, non-refundable payments or transfers from the federal government as federal contributions. These contributions consist primarily of discretionary transfers to the provinces, known as *Aportes del Tesoro Nacional* (Contributions from the National Treasury), to meet special or emergency needs or to finance certain expenditures of national interest. Moreover, the Province is entitled to receive transfers from the federal government from time to time to finance deficits in the provincial pension system, in exchange for a commitment on the part of the Province to harmonize its social security system with the federal social security system. The Province has also relied on these contributions from the federal government to fill its budget gaps, in particular, funds from the federal government, to bolster the provincial pension system.

Provincial Revenues. Historically, the main source of provincial tax revenues has been the collection of the following five main taxes:

- gross revenues tax, which is the single largest source of provincial tax revenue,
- real estate tax,
- tax on automobiles registered in the Province,
- stamp tax levied on several categories of agreements and transactions entered into within the territory of the Province, and
- energy tax.

In 2010, the Province also approved a tax on gratuitous transfers of property, such as inheritances, legacies and gifts.

The Province also derives non-tax revenues from various provincial sources, including transfers of net profits or surpluses from provincial entities such as the Institute of Lotteries and Casinos and the Loan Recovery Committee, fees collected by the provincial judicial system, interest accrued on the Province's deposits with Banco Provincia and on loans granted to municipalities or other unconsolidated provincial agencies and enterprises, and proceeds from the lease of provincial land.

Composition of Expenditures

The Province's expenditures are allocated to education, health programs, social programs, municipalities, investments in public infrastructure and services, police, courts, prisons and general provincial administration. Combined spending on education, health programs, social programs, investments in public infrastructure and services, police, courts and prisons and general provincial administration accounted for approximately 70.0% of the Province's total expenditures in 2009.

Current expenditures consist of costs of personnel, goods and services and current transfers. Personnel expenditures comprise the largest component of the Province's total expenditures, representing approximately one half of total expenditures in each year since 2005. Personnel expenditures have increased significantly in recent periods due to salary increases and a substantial increase in public employment from 2005 to 2007 related to new government initiatives. In 2005, personnel expenditures amounted to ARS 9.63 billion, compared to ARS 28.41 billion in 2009. Personnel expenditures in the nine months ended September 30, 2010 amounted to ARS 24.66 billion.

Capital expenditures include real direct investment, loans and capital contributions to provincial enterprises and loans and transfers to municipalities for public works.

The 2011 Budget

Pursuant to the constitution of the Province, the executive branch must submit a draft budget law for each upcoming year during the prior year. The budget represents an estimation 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.

The executive branch of the Province submitted its proposed budget for 2011 to the legislature on October 25, 2010. On December 2, 2010, the provincial legislature passed the 2011 budget into law (Law No. 14,199) as proposed by the executive branch.

The 2011 budget forecasts a primary balance deficit of ARS 2.85 billion, as compared to a primary balance deficit of ARS 5.71 billion from the amended 2010 budget, and a total deficit of ARS 5.05 billion in 2011 as

compared to a total deficit of ARS 6.99 billion in the amended 2010 budget. The Province expects to finance the projected total deficit, plus ARS 3.60 billion in scheduled debt repayments and other indebtedness reduction in 2011 with borrowings of ARS 8.60 billion, primarily from the local and international capital markets, the federal government, and to a lesser extent from multilateral lenders and other sources. The Province intends to cover the remaining amount of its financing needs in 2011, if any, with any cash resources then available, including any allocated but unspent funds recorded in prior years, and by seeking new borrowings.

Public Sector Debt

The Province satisfies its financing needs with a wide variety of sources depending on the provincial and federal economies and the domestic and international financing markets. Prior to 2001, the Province obtained a significant portion of its financing from international and domestic capital markets. In addition, the Province used loans from multilateral, bilateral and commercial lenders, including Banco Provincia. Following the devaluation of the peso in 2001, the Province was unable to access its traditional financing sources. Therefore, since 2002, the federal government has become the Province's main source of financing and, consequently, the Province's largest creditor.

As of December 31, 2009, the Province's total indebtedness amounted to USD 12.20 billion and decreased to USD 10.97 billion as of September 30, 2010. The federal government holds 56.9% of the Province's debt, local and international bondholders hold 34.3%, multilateral credit agencies hold 7.4% and the remaining 1.4% of the Province's debt is held by other creditors.

Evolution of Debt: 2005 to the Present

Between 2005 and 2009, the federal government's share of the Province's public debt has been between 60.0% and 62.4%. The federal government's assistance has been provided under agreements, which between 2002 and 2004 were called the Orderly Financing Programs, and which since 2005 have been called the Financial Assistance Program. These programs help fund the Province's debt amortization expenses. In addition, the Province has entered into debt offsetting, refinancing and interest suspension agreements with the federal government. The Province has also entered into agreements with the Trust Fund for Provincial Development to invest in capital assets.

Another important milestone in the history of the Province's indebtedness was the provincial restructuring process of Eurobonds, which have been in default since December 2001, and which was completed in January 2006. This debt restructuring helped the Province to return to the international capital markets in October 2006 and April 2007.

The favorable conditions of the loan agreements with the federal governments as well as the provincial debt restructuring process have helped the Province improve its debt maturity profile and debt sustainability indicators.

Between December 31, 2007 and December 31, 2008, the consolidated provincial debt stock increased by approximately ARS 3.55 billion, or 9.6%, to ARS 40.59 billion. Between December 31, 2008 and December 31, 2009, the provincial debt stock increased by approximately ARS 5.76 billion, or 14.2%, to ARS 46.35 billion.

During the first nine months of 2010, the consolidated debt stock of the Province fell by 6.2%, or ARS 2.89 billion, to ARS 43.46 billion. The decrease in the provincial debt stock during the nine months ended September 30, 2010 was mainly due to:

- refinancing or reduction of ARS 27.48 billion of the debt with the federal government; and
- debt amortization with the federal government for ARS 1.67 billion and other amortizations for ARS 1.06 billion.

These effects were partly offset by:

- new debt with the federal government for ARS 23.86 billion due to the refinancing referred to above; and
- the impact of inflation on the debt denominated in Pesos and adjusted by CER, which increased the debt stock by ARS 762 million; and new disbursements for ARS 2.29 billion.

Argentine Provincial Indebtedness Federal Refinancing Program

On May 10, 2010, the federal government issued decree 660/10, creating the *Programa Federal del Desendeudamiento de las Provincias Argentinas* (Argentine Provincial Indebtedness Federal Refinancing Program, or the “Federal Debt Refinancing Program”). The Federal Debt Refinancing Program:

- reduces indebtedness owed by provinces to the federal government by applying funds held in the *Fondo de Aportes del Tesoro Nacional* (the National Treasury Support Fund) as of December 31, 2009 to reduce, on a pro rata basis, the indebtedness of provinces that agreed to participate in the Federal Debt Refinancing Program prior to May 31, 2010; and
- allows provinces to refinance indebtedness held with the federal government as of May 31, 2010 under the *Ley de Responsabilidad Fiscal* (Fiscal Responsibility Law), the Trust Fund for Provincial Development, PUM, Financial Assistance Program (PAF), Interest Suspension Agreements, *Bogar*, and *Boden*.

On May 12, 2010, the Province indicated to the federal government that it would participate in this program. The Province and the federal government signed a bilateral agreement memorializing the Province’s participation in the Federal Debt Refinancing Program on June 23, 2010, which was approved by Decree 903/10. The Federal Debt Refinancing Program eliminated all provincial CER-adjusted debt owed to the federal government. For more information on the Federal Debt Refinancing Program, see “Public Sector Debt—Debt Denominated in Pesos—Argentine Provincial Indebtedness Federal Refinancing Program”.

October 2010 Issuance of Eurobonds

On October 5, 2010, the Province issued bonds due in 2015 for USD 550 million. This issuance was reopened on October 20, 2010, and an additional USD 250 million of bonds due in 2015 were issued. These bonds have a coupon of 11.75% and amortize in a single payment upon maturity. Interest on the bonds is paid semiannually in April and October of each year.

2010 Financial Assistance Program

On December 21, 2010, the federal government and the Province entered into a financial assistance program whereby the federal government granted the Province a ARS 5.06 billion loan for the purpose of meeting fiscal imbalances and making debt service payments. For more information on this loan, see “Public Sector Debt—Debt Denominated in Pesos—Financial Assistance Program (PAF)”.

Banco Provincia

Banco Provincia is the oldest bank in Latin America and is the second largest bank in Argentina in terms of total deposits and assets. As of September 30, 2010, Banco Provincia had deposits of ARS 30.54 billion (representing 8.9% of the total deposit base of Argentina) and total assets of ARS 36.27 billion. The Province is the sole owner of Banco Provincia.

Banco Provincia is an *entidad autárquica* (self-administered public institution) governed by a board of directors appointed by the Governor of the Province with the approval of the provincial Senate. Banco Provincia acts as the financial agent of the Province and collects provincial taxes and duties on the Province’s behalf. The Province guarantees all deposits and other liabilities of Banco Provincia. However, creditors of Banco Provincia

that seek to enforce the guarantee must exhaust all legal remedies against Banco Provincia before requesting payment from the Province under the guarantee.

Although Banco Provincia is exempt from compliance with Argentine financial and banking regulations, it voluntarily adheres to the regulatory framework of the Argentine financial sector and therefore complies with the banking regulations and rules adopted by the Central Bank, including minimum capital, solvency and liquidity requirements and the supervisory powers of the Central Bank. Because of its special status as a provincial self-administered public institution, Banco Provincia is not subject to any federal income or other tax liability.

At September 30, 2010, Banco Provincia's exposure to the public sector totaled approximately ARS 12.67 billion, accounting for approximately 34.9% of its total assets at that date.

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 Buenos Aires |
| Notes Offered | USD 750 million aggregate principal amount of 10.875% Notes due 2021. |
| Final Maturity | January 26, 2021 |
| Interest Payment Dates | January 26 and July 26, beginning July 26, 2011 |
| Amortization of Principal | The Province will pay the principal of the Notes in three installments: 33.33% on January 26, 2019, 33.33% on January 26, 2020 and 33.34% on January 26, 2021. |
| Ranking | The Notes are direct, unconditional, unsecured and unsubordinated obligations of the Province, ranking, except as otherwise provided by law, <i>pari passu</i> , without any preference, with all other present and future unsecured and unsubordinated indebtedness from time to time outstanding of the Province. See “Description of the Notes–Negative Pledge Covenant”. |
| Covenants | <p>The indenture governing the Notes will contain covenants that, among other things, will limit the Province’s ability to assume any indebtedness secured by a lien on any of its property or assets without making effective provision to secure the Notes equally and ratably (or prior to) such indebtedness:</p> <p>These covenants are subject to important exceptions and qualifications, which are described under the heading “Description of the Notes” in this offering memorandum.</p> |
| Use of Proceeds | The net proceeds from the offering, before commissions and other expenses payable by the Province, will be approximately USD 734.4 million. The Province intends to use these proceeds for the general purposes of the government of the Province. |
| 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. |
| Further Issues..... | The Province may from time to time, create and issue additional notes ranking <i>pari passu</i> with the Notes and having the same terms and conditions as any series of such notes, or the same except for the amount of the first payment of interest on such additional notes. The Province may also consolidate the additional notes to form a single series with any outstanding series of notes. |
| Form and Settlement..... | The Province will issue the Notes in fully registered form, without interest coupons attached, only in denominations of USD 100,000 and in integral multiples of USD 1,000 in excess thereof. The Notes will be registered in the name of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”). See “Description of the Notes— Registration and Book-Entry System.” |

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.

Risks Relating to the Province

Investing in an emerging market such as Argentina, in which the Province is a political subdivision, entails certain inherent risks.

The Province is located in Argentina, which is an emerging market economy, and investing in emerging markets generally carries risks. These risks include political, social and economic instability that may affect Argentina's economic results. Instability in Argentina and in other Latin American and emerging market countries has been caused by many different factors, including the following:

- fiscal deficits;
- dependence on external financing;
- changes in governmental economic or tax policies;
- high levels of inflation;
- changes in currency values;
- high interest rates;
- exchange controls;
- wage and price controls; and
- political and social tensions.

Argentina has experienced political, social and economic instability in the past. Although Argentina is currently in a period of political, social and economic stability relative to prior years, Argentina may experience further instability in the future. Any of these factors, as well as volatility in the capital markets, may adversely affect the liquidity, trading markets and value of Argentina's debt securities and Argentina's ability to service its debt. These effects may in turn have a negative effect on the Province's economy and financial condition.

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 national economic crisis and resulting political and social instability, 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, in respect of which the Province makes no representation regarding its accuracy or completeness.

Moreover, because a significant part of the national population resides in the Province's territory and the Province's economy represents a significant part of the national economy, the Province and the federal government

have established close political and economic ties (including significant financing provided by the federal government to the Province), which have led the Province to adopt economic decisions and measures that are in line with those adopted by the federal government. The interests of the Province, however, 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 and its ability to service its outstanding debt.

Increases in personnel expenditures could have a material adverse effect on the Province's public finances and its ability to service its debt.

The Province adopted various measures in each year from 2005 to 2010, partially in response to pressure from labor unions, to realign, in real terms, the compensation and benefits of public employees to pre-crisis levels and to increase public employees' salaries and other benefits. In addition, from 2005 to 2007, the Province significantly increased public employment (see "Public Sector Finances—Composition of Expenditures—Current Expenditures"). The cumulative effect of these measures between 2005 and 2009 have led to a substantial increase in the Province's expenditures during this period, including a 194.9% nominal increase in personnel expenditures, and have caused the Province's primary balance to decline significantly since 2005, and to be in deficit since 2008. In February 2010, the Province and the provincial public employee unions signed an agreement setting (i) a 10.5% salary increase from March 2010 (including an increase in the teachers' minimum wage from ARS 1,450 to ARS 1,800) and (ii) an additional 8.5% increase in July 2010 (including an increase in the teachers' minimum wage from ARS 1,800 to ARS 1,900). The February 2010 agreement is expected to have increased personnel costs by approximately 15.0% in 2010. In addition, the Province expects to pay one-time bonuses to provincial employees of ARS 250 per employee in January 2011 and ARS 250 per employee in February 2011. These bonuses are not included in the Province's 2011 budget. Although the salary increases from 2005 to 2010 have succeeded in realigning the compensation of the Province's public employees with pre-crisis levels, measured in terms of purchasing power, the Province cannot assure you that public employees will not request further compensation increases, or that further increases will not be granted.

In addition, the Province has limited flexibility to reduce personnel expenditures in the future because the Province's employees are covered by constitutional guarantees of job security. If the growth of the Province's expenditures, including personnel expenditures, were to outpace growth in the Province's revenues, the Province's primary balance would continue to deteriorate, which may have an adverse effect on the Province's public finances and its ability to service its debt.

If the Federal Council of Fiscal Responsibility were to determine that the Province's budget did not comply with the Fiscal Responsibility Law, the Province could be subject to sanctions.

In August 2004, the federal congress adopted Law No. 25,917, the Fiscal Responsibility Law, which became effective on January 1, 2005. This law establishes a fiscal regime for the federal government, the provinces, and the City of Buenos Aires 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 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). On December 29, 2010, the federal government issued Decree No. 2054/10, which extended the application of Law No. 26,530 (and therefore, the suspension of certain provisions of the Fiscal Responsibility Law referred to above) through 2011. The Fiscal Responsibility Law also created the *Consejo Federal de Responsabilidad Fiscal* (the 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 Fiscal Responsibility Law. As of the date of this offering memorandum, the Federal Council of Fiscal Responsibility has never imposed sanctions on any province for non-compliance with the Fiscal Responsibility Law. However, if the Federal Council of Fiscal Responsibility determines that the Province's budget does not comply with the currently applicable sections of the Fiscal Responsibility Law, the Province could be subject to sanctions, including restrictions on federal tax benefits for the provincial private sector, limitations on guarantees from the

federal government, denial of authorizations for further borrowings and limitations on federal transfers (other than federal tax transfers mandated by law, including co-participation transfers).

The Province has received assistance from the federal government to finance its fiscal deficit in recent periods and if the federal government does not continue to renew its financing or if the Province is unable to secure financing elsewhere, the Province may not be able to meet its debt service obligations.

The Province's primary fiscal balance (which excludes interest payments) has in recent periods been, and is expected to continue to be, insufficient to meet the Province's debt service obligations. During the 2001 economic crisis, the Province defaulted on a significant part of its debt obligations and, as a result, was unable to obtain financing from private domestic and international lenders, including capital markets. Since then, the Province has received assistance and continues to receive assistance from the federal government for financing and other financial support to cover all or a part of its funding shortfalls. In addition, since 2005, the federal government has financed, on a yearly basis, all of the Province's amortization payments. The Province expects to continue to receive assistance from the federal government to finance a portion of its primary balance deficits, including in 2011, and expects to continue to refinance the Province's outstanding debt to the government. If the federal government were to cease providing financing to the Province, the Province may not be able to meet its debt service obligations, including on the Notes, unless it is able to obtain alternative sources of financing.

The Province's limited sources of financing and investment may have an adverse effect on its economy and ability to service its debt obligations, including the Notes.

The Province's primary balance may be insufficient to meet the Province's debt service obligations, including the Notes. Although the Province obtained international capital markets financing to cover part of the Province's deficit in 2006, 2007 and 2010, the Province cannot assure you that foreign investors and lenders will be willing to lend money to the Province in the future, or that the Province may also not be able or willing to access international capital markets. The Province also cannot assure you that local sources of financings will remain available. The loss or limitation of these sources of financing or the Province's inability to attract or retain foreign investment in the future could adversely affect the Province's economic growth and public finances and ability to service its debt obligations, including the Notes.

The statistics prepared by the Province as real GDP values for 2007, 2008, 2009 and 2010 are extrapolations of national real GDP, and may not accurately reflect actual provincial real GDP.

The Province has extrapolated provincial GDP figures for each of 2007, 2008 and 2009 and the twelve months ended September 30, 2010 based on national GDP as recorded by INDEC because actual provincial GDP figures are unavailable for those years. The Province based its extrapolations on the assumption that the provincial GDP moves in tandem with national GDP, including changes on a sector-by-sector basis. Between 1994 and 2006, the correlation coefficient between provincial and national GDP was 0.97, indicating a high degree of correlation. However, the extrapolated provincial real GDP figures for 2007, 2008 and 2009 and the twelve months ended September 30, 2010 do not account for any differences that may exist between the national and provincial sectoral real GDPs, including potential differences in growth rates or changes to the Province's economy. Extrapolated provincial real GDP figures for 2007, 2008 and 2009 and the twelve months ended September 30, 2010 are not comparable to provincial real GDP figures for 2005 and 2006, and the Province cannot assure you that extrapolated provincial real GDP figures for 2007, 2008 or 2009 or the twelve months ended September 30, 2010 reflect actual real GDP for those periods.

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

In recent years, the Province has confronted inflationary pressure, driven by significantly higher fuel, energy and food prices, among other factors. According to INDEC, the CPI increased 12.3% in 2005, 9.8% in 2006, 8.5% in 2007, 7.2% in 2008 and 7.7% in 2009. Growth in inflation contributes to significant uncertainty regarding future economic growth. The Province cannot assure you that inflation rates will 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. In addition, any potential growth in inflation would increase the principal amount of, and therefore the

interest paid on, the Province's inflation-adjusted debt, which accounted for 32.0% of the Province's total debt stock as of December 31, 2009 and 0.7% as of September 30, 2010. Significant inflation could have a material adverse effect on the Province's economic growth and its ability to service its debt obligations, 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, the General Accounting Office of the Province 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 Office of Statistics, the General Accounting Office or any other provincial entities that review the Province's official financial and economic data and statistics. These revisions could reveal that the Province's economic and financial condition as of any particular date are significantly different from those described in this offering memorandum. These differences could affect your evaluation of the market value of the Notes.

There are concerns among certain national and international economists about the accuracy of the CPI and other economic data published by INDEC.

At the end of January 2007, the INDEC, the federal government's statistical agency and the only organization with operative ability to cover large territories and broad volumes of data in Argentina, experienced a process of institutional reform. Private analysts objected to the inflation figures (and to other economic data affected by inflation data, such as poverty and GDP estimates) published by INDEC, which, in turn, were used to calculate provincial GDP for 2005 and 2006, and extrapolated provincial GDP for 2007, 2008 and 2009 and the twelve months ended September 30, 2010. Only statistics from official sources, such as INDEC and provincial statistical bodies, are included in this document unless otherwise noted. The International Monetary Fund is currently providing technical assistance to the federal government to improve the collection and calculation of inflation data. If the CPI and national GDP figures are subsequently found to be incorrect or are restated, the GDP figures presented in this offering memorandum for 2005 and 2006, and extrapolated GDP figures for 2007, 2008 and 2009 and the twelve months ended September 30, 2010 could be incorrect. In addition, a restatement of national CPI and GDP figures could decrease investor confidence in the Argentine economy, which could, in turn, have adverse consequences to the Province's economy and financial condition.

The Province's economy may not recover to its rate of growth prior to the 2008 global economic crisis and may contract in the future, which could have a material adverse effect on the Province's public finances and its ability to service its debt.

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. The Province's economy recovered from the most recent economic crisis (which reached its peak in 2001 and 2002) and experienced steady real GDP growth from 2005 to 2006. The Province's real GDP registered a 10.0% increase in 2005, and an 8.5% increase in 2006, in each case compared to the prior year. Extrapolated provincial GDP registered an 8.9% increase in 2007 and a 6.9% increase in 2008, but subsided significantly in 2009, registering a 0.9% increase. The Province can offer no assurance that its economy will return to the GDP growth rates it experienced in 2005 and 2006 or the extrapolated growth rates in 2007, 2008 and 2009, or that it will recover at all, in the future.

Economic growth is dependent on a variety of factors, including (but not limited to) international demand for provincial exports, the stability and competitiveness of the peso against foreign currencies, confidence among provincial consumers and foreign and domestic investors and their rates of investment in the Province, the willingness and ability of businesses to engage in new capital spending and a stable and relatively low rate of inflation. For example, in 2006 and 2007 Argentina experienced energy shortages, which constrained its economic growth. 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 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.

A significant decline in the economic growth of any of Argentina's major trading partners, such as Brazil, could adversely affect Argentina's balance of trade and, consequently, the Province's economic growth. Brazil is the Province's largest export market. A decline in Brazilian demand for imports could have a material adverse effect on the Province's economic growth. In addition, because international investors' reactions to the events occurring in one emerging market country sometimes appear to follow a "contagion" phenomenon, 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 following the 1994 Mexican financial crisis, the 1997 Asian financial crisis, the 1998 Russian financial crisis, the 1999 devaluation of the Brazilian real and the 2001 collapse of Turkey's fixed exchange rate regime.

Beginning in 2008, economic conditions in developed, and to a lesser extent, emerging economies were affected by a global economic and financial crisis. The Province cannot predict the length or extent of the crisis on the Province's major trading partners. The Province cannot assure you that the 2008 crisis or similar events in the future will not have an adverse effect on its economic growth and its ability to service its public debt.

The Province may also be affected by conditions in countries with 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's 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. Decreased growth on the part of Argentina's trading partners could have a material adverse effect on the markets for the Province's exports and, in turn, adversely affect the Province's economic growth.

The global economic and financial crisis and unfavorable general economic and market conditions that commenced in 2007 have affected, and could continue to negatively affect the Province's economy.

The global economic and financial crisis and economic downturn that commenced in 2007 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 most dire 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-participable tax revenues and an inability to access international capital markets, which may materially and adversely affect the Province's economy.

A decline in international prices for the Province's principal commodity exports could have a material adverse effect on the Province's economy and public finances.

The prices of most of the Province's commodity exports declined significantly between the third quarter of 2008 and the first quarter of 2009, and subsequently began to increase. If international commodity prices decline again or do not increase further in the future, the provincial economy could be adversely affected. In addition, revenues that the federal government receives from taxes on its exports could decrease, thus producing a decrease in export tax revenues shared with the Province.

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, thus adversely affecting the Province's economy.

The depreciation of the currencies of one or more of the Province's other 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, its financial condition and the ability of the Province to service its debt obligations, including the Notes.

Fluctuations in the value of the peso could have a material adverse effect on the Province's economy and its ability to service its debt obligations.

Following the collapse of the dollar-peso parity under the Convertibility regime and the implementation of a floating exchange rate system in early 2002, the peso depreciated significantly and continues to fluctuate, despite regular Central Bank intervention in the foreign exchange market. Additional depreciation of the peso would increase the cost of servicing the Province's public debt, while an appreciation in the value 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. Because the Province's exports represent a material portion of the Province's GDP, decreased export earnings could have a material adverse effect on the Province's economic growth and its ability to service its debt obligations, including the Notes.

The intervention of the Central Bank in the foreign exchange market, aimed at counteracting sharp shifts in the value of the peso, may have a negative impact on its international reserves and a significant depreciation or appreciation 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.

The Central Bank intervenes in the foreign exchange market from time to time in order to manage the currency and prevent sharp shifts in the value of the peso. Starting in the third quarter of 2008, the peso depreciated against the dollar. The Central Bank purchased pesos in the market to avoid a sharper depreciation. This purchase of pesos caused a decrease in the international reserves of the Central Bank. If the peso depreciates against the dollar in the future, the Central Bank might resume purchasing pesos to avoid a further depreciation, which may cause a decrease in the Central Bank's international reserves. A significant decrease in the Central Bank's international reserves may have a material adverse impact on Argentina's and the Province's ability to withstand external shocks to the economy.

Since Argentina adopted a managed floating exchange rate regime in 2002, the peso's value has varied over time. The Province cannot assure you that the peso will not devalue or appreciate significantly in the future. A significant depreciation of the peso would, among other effects, increase the cost of servicing the Province's foreign-currency denominated public debt. A significant appreciation in the value of the peso could, among other effects, make provincial exports less competitive with goods from other sources. Either a significant depreciation or appreciation could have a material adverse effect on the Argentine and the provincial economy and the Province's ability to service its debt obligations, including the Notes.

In the event of another economic crisis, the federal government could strengthen exchange controls and transfer restrictions, which could have a material adverse effect on provincial private sector economic activity.

From 1985 to 1991 and again following the 2001 economic crisis, the Central Bank imposed exchange controls and transfer restrictions. Certain of such controls and restrictions remain at present. There can be no assurance that the federal government will not strengthen exchange controls and/or transfer restrictions in the future, which could have a material adverse effect on the Province's private sector activity.

Liquidity or other problems faced by Banco Provincia may have an adverse effect on the Province's economic growth and cause the Province to incur extraordinary, unbudgeted expenditures.

Banco Provincia has historically been one of the largest financial institutions in Argentina and a major source of financing for consumers and businesses in the Province. During Argentina's 2001 economic crisis, Banco Provincia's liquidity was significantly reduced as a result of the run on deposits and its inability to attract new deposits following the federally mandated freeze on deposits, as well as the increase in its portfolio of non-performing loans. In addition, following the crisis, Banco Provincia's asset portfolio reflects a substantial exposure to debt instruments of the federal and provincial government. These assets are recorded at their technical value, which is calculated according to regulations of the Central Bank, as opposed to their market value, which may further reduce the liquidity and solvency of Banco Provincia. If these assets were carried at their market value, Banco Provincia would have recorded negative total net equity at December 31, 2009 and at September 30, 2010. Although Banco Provincia's liquidity has continued to improve since 2005 due to Argentina's economic recovery, if Banco Provincia were to experience further liquidity or other problems, the amount of financing available to the private sector might be reduced, which could adversely affect the Province's economic growth.

In addition, pursuant to provincial decree-law, the Province is the guarantor of all liabilities of Banco Provincia, including deposits and indebtedness. While Banco Provincia's deposits are also guaranteed by the federal deposit insurance system, Banco Provincia's indebtedness does not benefit from any other guarantee, and, as result, the Province could be required to make payments to Banco Provincia's creditors if Banco Provincia fails to meet its payment obligations to these creditors. In the past, the Province has made contributions and provided support to, and entered into transactions with Banco Provincia to ensure the solvency of, Banco Provincia. The Province cannot assure you that it will not be required to provide further financial or other support to Banco Provincia, which could lead to substantial unbudgeted expenditures and liabilities, undermine the Province's public finances and adversely affect its ability to service its debt obligations, including the Notes.

The Province is a defendant in various lawsuits relating to its default on its public external indebtedness.

There are currently 13 lawsuits pending against the Province relating to the Province's 2002 default on its bonds. In the United States of America, there are currently seven lawsuits against the Province regarding due and unpaid interest and principal, amounting to USD 509,000 and EUR 201,000 (excluding interest). As of the date of this offering memorandum, there have been final and non-appealable judgments against the Province in six of these lawsuits and one case remains pending. In Germany, there are four lawsuits against the Province, of which judgments against the Province in three of these cases are final and non-appealable and one is still pending resolution of an appeal filed by the Province. The principal amount of these lawsuits (excluding interest) totals EUR 2,517,000. In Switzerland, there are two lawsuits against the Province, for a principal amount of CHF 570,000 excluding interest. In both lawsuits there has been a final and non-appealable judgment entered against the Province. The total amount of unpaid interest and principal due pursuant to these judgments is less than 0.1% of the Province's total revenues included in its budget for 2011. The Province can give no assurance that further litigation will not result in even more substantial judgments against the Province. Present or future litigation could result in the attachment or injunction of assets of the Province that it intends for other uses, including payments due under the Notes, and could have a material adverse effect on the Province's public finances.

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; (b) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act; (c) pursuant to an exemption from registration under the Securities Act; or (d) pursuant to an effective registration statement 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 admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF, the Notes issued under this program 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 Issuer 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 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 recent decision of a lower federal court in *Claren Corporation vs. Estado Nacional*. In that case, the lower federal court refused to recognize a U.S. judgment in favor of a holder of defaulted bonds issued by the federal government. The lower federal court, relying on a judgment issued by the federal Supreme Court in *Brunicardi, Adriano Caredio vs. Estado Nacional (B.C.R.A)*, held that the federal government’s decision to declare a moratorium on payments on the bonds as a consequence of an economic and social emergency constituted an exercise of its sovereign powers and should have been given deference by the U.S. court. As a result, the lower federal court ruled that the foreign judgment contravened Argentine principles of public policy since it disregarded Argentina’s right to sovereign immunity, and therefore could not be recognized or enforced in Argentine courts. The decision of the lower federal court has been appealed and the appeal is still pending. The Province cannot assure what the outcome of this appeal will be or whether future courts will refuse to enforce judgments in favor of holders of sovereign debt, including the Notes, in a similar fashion.

USE OF PROCEEDS

We estimate that the net proceeds from our sale of the Notes will be approximately USD 734.4 million, before deducting commissions (0.1% of the principal amount of the Notes offered) and offering expenses payable by us. The Province will use the net proceeds from the Notes for the general purposes of the government of the Province.

THE PROVINCE OF BUENOS AIRES

General

The Province is the largest of the 23 provinces of Argentina with an area of 307,571 square kilometers (approximately 118,000 square miles). It is located in the central-eastern part of the country, a region known as the “Pampas”. The geographic area of the Province is slightly larger than that of Italy and over two and a half times larger than that of the State of New York. It has a coastline of approximately 1,800 kilometers (approximately 1,125 miles), including its shoreline on the *Río de la Plata*, and encompasses mild-climate, fertile agricultural areas suitable for raising cattle and a wide variety of agricultural activities. The Province also contains the most industrialized area of Argentina. The capital of the Province is the city of La Plata.

With approximately 15.6 million inhabitants according to the preliminary results from the National Census conducted in October 2010, the Province’s population represents approximately 38.9% of the total population of Argentina. Approximately 62.5% of the Province’s population is concentrated in the *Conurbano Bonaerense*. The City of Buenos Aires is the capital of Argentina and has an estimated population of 2.9 million people. It is not part of the Province and constitutes a different political jurisdiction.

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 a provincial legislative branch. 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. This centralized system, which is called the federal tax 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—Main Sources of Revenues—Federal Tax Co-Participation Regime.”

Provincial Government

Executive Branch

The executive branch consists of a Governor and a Vice Governor, who are elected together for a maximum of two consecutive four-year terms, and a number of ministries and secretaries.

Ministers are appointed, and may be removed, by the Governor. The Governor also oversees a number of provincial governmental agencies, including the *Asesoría General de Gobierno* (General Legal Adviser’s Office), which provides legal advice to the executive branch, including the interpretation of laws, decrees and regulations. The *Asesor General del Gobierno* (General Legal Adviser) is appointed, and may be removed, by the Governor.

Legislative Branch

The legislative branch of the Province is composed of two bodies: the Senate and the House of Deputies. The Vice Governor serves as President of the Senate. The members of both bodies are elected to four-year terms by popular vote. Half of the members of each of these bodies face election every two years. The most recent elections took place in June 2009, in which half of the members of the legislature were elected. See “—Political Parties.” Elections for the legislature are scheduled for the second half of 2011.

Judicial Branch

The judicial branch of the Province consists of trial courts, courts of appeals and the Supreme Court, which have jurisdiction over civil, commercial, administrative, labor, family and criminal matters within the Province. The Governor appoints Supreme Court justices with the Senate’s approval. The Governor appoints other judges from a list of candidates proposed by the *Consejo de la Magistratura* (the Counsel of Magistrates), with the approval of the Senate. 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 the existence of four provincial agencies that are not part of any of the three branches of government: the *Contaduría General de la Provincia* (the General Accounting Office), the *Tribunal de Cuentas* (the Audit Tribunal), the *Tesorería General de la Provincia* (the General Treasury) and the *Fiscalía de Estado* (Attorney General’s office). All of the agencies except for the General Treasury are part of the control system of the provincial administration set forth in Law No. 13,767 (the “Financial Administration Law”). See “—Recent Legislative Developments—Financial Administration Law”.

The Province’s General Accounting Office prepares and keeps the books and records of the Province and prepares the Province’s annual financial statements, which are subject to the approval of the Audit Tribunal. The General Accounting Office also advises the executive branch on matters relating to the Province’s finances, revenue control and collection, and expenditure authorization.

The Audit Tribunal examines, and subsequently approves or rejects, the books and records of the Province and its public enterprises, and municipalities.

The Attorney General represents the Province in any lawsuits that could affect the Province’s assets and reviews and oversees the legal aspects of the activities of the executive branch. The Attorney General also has the authority to challenge in court any provincial laws or decrees that he or she considers unconstitutional. The Attorney General is appointed for life by the Governor, with the approval of the Senate, and may be removed from office only through an impeachment proceeding. Dr. Ricardo Szelagowski is the current Attorney General.

The Province's General Treasury makes payments that have been approved previously by the General Accounting Office and manages the Province's bank accounts, all of which are held at Banco Provincia in accordance with the Financial Administration Law.

Municipalities

The Province is divided into 134 jurisdictions called municipalities, several of which are more populous than some Argentine provinces. Each municipality has its own government, which is responsible for providing basic local services, such as sanitation, public lighting and primary health services. These services are financed with funds from municipal tax collection, whereas public health, social welfare, educational and security services are provided by the Province.

Pursuant to provincial law, the Province's municipalities are entitled to receive, in the aggregate, approximately 16.1% of provincial taxes collected by the Province such as non-decentralized gross income tax, urban real estate tax, non-decentralized automobile tax, stamp tax, and federal co-participation transfers. The overall percentage of funds transferred by the Province to its municipalities and the portion of such funds to be allocated to each municipality are determined and may be modified by the provincial legislature. See "Public Sector Finances—Composition of Expenditures—Current Expenditures—Current Transfers."

In 1998, the Province established a decentralized municipal tax collection program in order to improve municipal administration. This program, which was modified in 2003, entrusts participating municipal governments with the collection of a number of taxes within their corresponding municipalities, such as rural real estate taxes, certain gross revenues taxes and certain automobile taxes. A portion of the revenues from these taxes is allocated to the Province based on criteria that vary for each tax. Another portion of such revenues is allocated to the municipalities as compensation for tax collection administration. The remaining revenues are used to provide public services such as the maintenance of rural roads and schools.

Political Parties

Traditionally, the two largest political parties in Argentina have been the *Partido Justicialista* and the *Unión Cívica Radical*, both of which have broad-based support across the country. In 2005, however, a faction within the *Partido Justicialista* led by the former President of Argentina, Néstor Kirchner, and the former Governor of the Province, Felipe Solá, formed a separate political party known as the *Frente para la Victoria*.

The following are Argentina's principal political parties:

- *Partido Justicialista*, founded in 1947 by former President Juan Domingo Perón, and which includes the FPV.
- *Unión Cívica Radical*, founded in 1891.
- *Frente para la Victoria*, an electoral alliance formed in 2003 by former members of the PJ under the leadership of the former President of Argentina, Néstor Kirchner. The FPV became an independent political party in 2005. The FPV is a political alliance within the PJ and also functions as an independent political party that presents its own slate of candidates in certain elections, and at times has attracted support from dissident members of the UCR.
- *Afirmación para una República Igualitaria*, founded in 2001 by former UCR leaders.
- *Coalición Cívica* ("CC"), founded by Elisa Carrió in 2007, is not an official political party and is not subject to the laws governing political parties. The CC joined the ACyS in 2009.
- *Generación para un Encuentro Nacional* ("GEN"), founded in 2007 and currently led by Margarita Stolbizer. The GEN joined the ACyS in 2009.

- *Acuerdo Cívico y Social*, founded in 2009 by the UCR, the former CC and other similar political parties that opposed the FPV. The ACyS was formed as an alliance for the 2009 legislative elections.
- *Recrear para el Crecimiento* (“RECREAR”), founded in 2002 by Ricardo López Murphy, a former Minister of Defense and former Minister of Economy and Infrastructure during the De la Rúa administration.
- *Propuesta Republicana* (“PRO”), formed in 2005 for that year’s elections, is an alliance among several political parties including *Compromiso para el Cambio*, led by Mauricio Macri, RECREAR and *Partido Federal*. During the 2007 presidential elections, the PRO did not officially support any candidate at the federal level and only participated in the City of Buenos Aires elections. Mauricio Macri subsequently formed a new electoral alliance in the Province with Francisco De Narváez called *Unión-PRO*.
- *Unión-PRO*, formed in 2007, is a center-right wing alliance among the *Movimiento de Integración y Desarrollo*, *Partido Federal*, *Unión del Centro Democrático*, RECREAR, *Propuesta Republicana*, the former *Compromiso para el Cambio*, *Unión Celeste y Blanco*, *Partido Popular Cristiano Bonaerense* and *Partido Nuevo Buenos Aires*.

In the 2007 elections, Cristina Fernández de Kirchner, wife of former President Néstor Kirchner, was elected President of Argentina with 45.3% of the votes, 22.3 percentage points above the next candidate, Elisa Carrió, from the CC. Cristina Fernández de Kirchner is a member of the PJ and a leader of the FPV.

In the Province of Buenos Aires, the former Vice President of Argentina, Daniel Scioli, was elected Governor with 48.2% of the votes, 31.6 percentage points above the next candidate, Margarita Stolbizer of the CC. Scioli is a member of the PJ and is aligned with the FPV.

President Fernández de Kirchner and Governor Scioli took office on December 10, 2007. Alejandro Arlía, the current Minister of Economy, was appointed by the Governor in April 2009. Presidential and gubernatorial elections are scheduled for the second half of 2011.

The tables below show, by political party, the composition of the provincial legislature following the 2009 legislative elections.

Composition of the House of Deputies⁽¹⁾

| Parties | Number of Seats | % |
|--------------------|------------------------|---------------|
| FPV-PJ..... | 37 | 40.2% |
| ACyS | 35 | 38.0% |
| Unión-PRO | 20 | 21.8% |
| Total | 92 | 100.0% |

(1) Information regarding number of seats corresponding to each political party reflects the current composition of the House of Deputies after giving effect to political alliances in effect as of the date of this offering memorandum. Alliances may change at any time due to political changes. We cannot assure you that the alliances listed above will be the same in the future.

Source: Legislature of the Province.

Composition of the Senate⁽¹⁾

| Parties | Number of Seats | % |
|---------------------|------------------------|---------------|
| FPV-PJ | 21 | 45.7% |
| ACyS..... | 18 | 39.1% |
| Unión-PRO..... | 6 | 13.0% |
| Peronist Unity..... | 1 | 2.2% |
| Total | 46 | 100.0% |

(1) Information regarding number of seats corresponding to each political party reflects the current composition of the Senate after giving effect to political alliances in effect as of the date of this offering memorandum. Alliances may change at any time due to political changes. We cannot assure you that the alliances listed above will be the same in the future.

Source: Legislature of the Province.

Although the PJ lost the majority in both chambers and currently no political party has control of either branch of the provincial legislature, both chambers of the legislature have continued functioning, and the Governor of the Province has continued to obtain the consensus necessary to pass legislation.

Recent Political History

In April 2003, Néstor Kirchner was elected President of the Republic of Argentina and was sworn in as president in May of that year. Former president Kirchner is member of the PJ and his term in office ended in December 2007.

In September 2003, Felipe Solá was reelected as Governor of the Province of Buenos Aires, together with María Graciela Gianettasio as Vice Governor. Both the Governor and the Vice Governor took office in December 2003 and their terms ended in December 2007. Solá and Gianettasio were members of the PJ.

In December 2004, Governor Solá formed an opposition faction within the provincial PJ, leading to increasingly divisive disputes within the provincial PJ between supporters of former President Eduardo Duhalde, who at the time was the leader of the provincial PJ, and supporters of Governor Solá. As a result of these disputes, in January 2005, Governor Solá vetoed the Province's 2005 Budget Law after the provincial legislature, which was at the time controlled by supporters of Mr. Duhalde, amended the proposed budget law so as to eliminate the Governor's power to make a pre-established number of modifications to the provincial budget during the course of the year, as had been the case in prior annual provincial budgets in the past two decades.

Disagreements within the ranks of the PJ grew deeper during 2005 at both the national and provincial levels. Following a dispute involving the list of candidates for the provincial legislature and the provincial representatives in the national congress that the PJ intended to present in the 2005 national and provincial legislative elections, President Kirchner and Governor Solá founded the FPV as a political party separate from the PJ. The lists of candidates presented by the FPV in the December 2005 elections obtained more votes than any other political party at both national and provincial levels. The new legislators took office in December 2005 and their terms expired in December 2009.

Presidential and legislative elections were held in October 2007. Cristina Fernández de Kirchner was elected president of the Republic of Argentina and Julio Cobos as Vice President. Fernández de Kirchner and Cobos, both members of the FPV, won with 45.3% of the votes. Elisa Carrió from the CC and her running mate Rubén Giustiniani, came in second place with 23.1% of the votes. The new President and Vice President assumed office on December 10, 2007. At the provincial level, Governor Daniel Scioli, from the FPV, was elected Governor and Alberto Balestrini was elected Vice Governor with 48.2% of the votes, defeating Margarita Stolbizer and her running mate Jaime Linares from the CC, who came in second place with 16.6% of the votes.

On June 28, 2009, national and provincial legislative elections were held. On both levels, a third of the members of the Senate and half of the members of the House of Deputies were up for election. Newly elected legislators were sworn in on December 10, 2009 and will serve for six years in the case of national senators (2009-

2015), and four years in the case of provincial senators, national deputies and provincial deputies (2009-2013). The legislative elections were originally scheduled to be held on October 25, 2009, but were moved to June 28 of that year.

Legislative Developments

New Ministry Law

In December 2007, Law No. 13,757 (the “New Ministry Law”) was approved by the provincial legislature, and has been amended several times since then. Under the New Ministry Law, the Ministry of Agricultural Affairs was separated from the Ministry of Production. The New Ministry Law also dissolved the Secretariat for Investment, Exports and International Cooperation, transferring its duties and responsibilities to the Ministry of Production. The Ministry of Agricultural Affairs was made responsible for, among other duties, managing the Province’s relationship with and its participation in the Central Market of Buenos Aires and other organizations involved in the wholesale sale of agricultural products, as well as developing any policies that organize, promote and develop agricultural and fishing activities. The Ministry of Production’s responsibilities under the New Ministry Law include designing, promoting and carrying out the Province’s investment, financing and export policies. Furthermore, the Ministry of Production represents the Province in any meeting relating to economic and international relationships or economic development, as well as negotiating, entering into, carrying out and advising on international cooperation agreements.

In addition, the New Ministry Law divided the *Jefatura de Gabinete* (Cabinet Office) from the *Ministerio de Gobierno* (Ministry of Internal Affairs). The Cabinet Office is, among other things, in charge of drafting and monitoring the application of the Budget Law, as well as controlling public revenues and expenditures (without taking away the responsibility of each Minister for expenditures within his or her Ministry) and will exercise the functions of administration, planning and control that belong to the General Secretariat. The Ministry of Internal Affairs will be responsible for setting, carrying out and coordinating the policies related to the municipalities.

On May 19, 2010, pursuant to a bill proposed by Governor Scioli, the provincial legislature amended the New Ministry Law by merging the provincial Ministry of Security with the provincial Ministry of Justice to improve efficiency in the application of security policies. The resulting ministry is called the Ministry of Justice and Security.

Financial Administration Law

In December 2007, the Financial Administration Law was approved by the provincial legislature. The Financial Administration Law establishes an integrated system of financial administration and control systems for the general administration of the Province. The Financial Administration Law has the following objectives:

- Ensure financial regularity, legality, economy, efficiency and efficacy in the use of public resources;
- Systematize the Province’s planning, management and evaluation of revenues;
- Develop systems to provide timely and reliable information about the Province’s financial performance in order to assess its administration;
- Require the implementation and management of an accounting system for the recording and dissemination of financial information and the implementation of an efficient pre- and post-control system over the legal, financial, economic and management aspects; and
- Ensure an efficient management of the institutional activities and program, project and operation evaluation.

The Financial Administration Law requires that the Financial Administration be composed of four interrelated subsystems: the budget, public credit, treasury and accounting offices. As established by regulatory

decreed No. 3260/08, each office will have a governing body and will be managed and controlled by the Ministry of Economy.

In accordance with the suspension by the national congress of certain requirements of the Fiscal Responsibility Law, the 2010 provincial Budget Law suspended for 2010 the prohibition of financing current expenditures with the proceeds of new borrowings or from the sale of provincial assets. See “Public Sector Finances—Overview of Provincial Accounts—Fiscal Responsibility Law”.

Creation of the Tax Collection Agency of the Province of Buenos Aires (ARBA)

In December 2007, the provincial legislature approved Law No. 13,766, which created the *Agencia de Recaudación de la Provincia de Buenos Aires* (the Tax Collection Agency of the Province of Buenos Aires, or “ARBA”). ARBA is an autonomous public institution that assumed the functions and duties of the Public Revenues Secretariat of the Ministry of Economy. ARBA is responsible for assessing and collecting taxes. ARBA has its own budget, funded in part by a percentage of the provincial tax revenue collection and determined by the Budget Law on an annual basis. This percentage was initially set at 3.5% in 2008; however, it was later reduced by 0.25% annually to a floor of 2.75%. ARBA is entitled to determine the use of the revenues allocated to it. This agency has an incentive account, to which up to 0.75% of the revenues generated by the collection of provincial taxes is credited. This incentive account is distributed among its personnel depending on the performance and the efficiency of each level and each agent based on objective standards approved by the Ministry of Economy on an annual basis. For a discussion of the evolution of tax revenues since the creation of ARBA, see “—Fiscal Result of 2008 Compared to Fiscal Result of 2007” and “—Fiscal Result of 2009 Compared to Fiscal Result of 2008” in “Public Sector Finances—Evolution of Fiscal Results: 2005-2010”.

Law Regulating State Contracts

On April 27, 2009, the provincial legislature enacted Law No. 13,981, regulating the Province’s contract subsystem and incorporating a Goods Management Subsystem into the Financial Management System of the Province. This law will become effective upon the executive branch’s issuance of the corresponding regulation, and will replace the existing regulation of provincial public sector contracts.

Law No. 13,981’s provisions will apply to all provincial public sector entities unless they are regulated by a special regime. The following activities will be exempted from the new law:

- Hiring of public employees;
- Contracts entered into with foreign governments, international public law entities, multilateral credit organizations and those financed, in whole or in part, with revenues resulting from such organizations;
- Public credit operations; and
- Public works, public work concessions and public services concessions.

THE PROVINCIAL ECONOMY

Introduction

Historically, the economy of the Province has represented a significant part of the overall Argentine economy tracking growth and recessionary cycles.

Argentina was in a period of economic recovery from 2005 through 2008 and experienced sustained growth resulting from an increase in exports and import substitution. The increase in exports during this period was largely the product of the depreciation of the peso, which made Argentine goods more competitive in export markets. Likewise, the depreciation of the peso resulted in higher costs of imported goods for Argentine consumers, which led to increased demand for Argentine-manufactured goods.

The Province recorded economic growth in real terms in 2005 and 2006, and based on extrapolations of national GDP, recorded growth in 2007 and 2008. The recovery in production from 2005 to 2008 brought about higher employment rates and increased wages. The average weighted unemployment rate and the poverty rate in the five main urban areas in the Province fell during 2005 through 2008.

Growth in extrapolated provincial GDP stagnated in 2009, with nearly flat growth in production. As a result, the unemployment rate in the five main urban areas of the Province increased in 2009, although the poverty rate continued to fall. Growth in extrapolated provincial GDP increased in the first nine months of 2010, as compared to the first nine months of 2009, as a result of the overall economic recovery in Argentina, and a decrease in the unemployment rate in the five main urban areas of the Province.

Gross Domestic Product 2005-2006

The Province recorded economic growth in real terms in 2005 and 2006. The Province's real GDP grew by 10.0% and 8.5% in 2005 and 2006 respectively, in each case as compared with the previous year.

The table below shows the evolution of the Province's real GDP in 2005 and 2006.

Gross Domestic Product 2005 and 2006

| | At and for the year ended December 31, | |
|---|---|---------------------|
| | 2005 ⁽¹⁾ | 2006 ⁽¹⁾ |
| GDP (in millions of constant 1993 pesos) ⁽²⁾ | 108,078 | 117,290 |
| Real GDP growth | 10.0% | 8.5% |
| National real GDP growth | 9.2% | 8.5% |
| Provincial real GDP/National real GDP | 35.5% | 35.5% |
| Population (inhabitants) ⁽³⁾ | 14,654,379 | 14,784,007 |
| Real GDP per capita (constant 1993 pesos) | 7,375 | 7,934 |

(1) Preliminary data.

(2) Market prices, including value added tax and specific taxes.

(3) Based on the report "Provincial Population Projections by sex and age group: 2001-2015" as published by INDEC.

Source: Provincial Office of Statistics; Ministry of Economy of the Province; INDEC.

Principal Sectors of the Economy

The Province has a diversified economy. The most significant of the Province's economic production sectors in 2006 were the following:

- Manufacturing, which accounted for 25.3% of the Province's total real GDP in 2006;

- Real estate and business activities, which accounted for 15.4% of the Province's total real GDP in 2006;
- Transport, storage and communications, which accounted for 13.4% of the Province's total real GDP in 2006;
- Retail and wholesale commerce, which accounted for 12.1% of the Province's total real GDP in 2006;
- Education, social and health services, comprising the Education sector and the Social Services and Health sector, which collectively accounted for 6.2% of the Province's total real GDP in 2006;
- Construction, which accounted for 6.9% of the Province's total real GDP in 2006; and
- Agriculture, livestock, hunting and forestry, which accounted for 4.9% of the Province's total real GDP in 2006.

The table below shows the evolution of the Province's real GDP by sector in 2005 and 2006.

Gross Domestic Product by Sector 2005-2006⁽¹⁾
(in millions of pesos, at constant 1993 prices)

| | For the year ended December 31, | | | |
|--|--|---------------|---------------------------|---------------|
| | 2005⁽²⁾ | | 2006⁽²⁾ | |
| Primary Production: | | | | |
| Agriculture, livestock, hunting and forestry..... | ARS 5,486 | 5.6% | ARS 5,195 | 4.9% |
| Fisheries and other related services..... | 132 | 0.1% | 141 | 0.1% |
| Mining, oil and gas | 78 | 0.1% | 86 | 0.1% |
| Total Primary Production | 5,696 | 5.8% | 5,422 | 5.1% |
| Secondary Production: | | | | |
| Manufacturing industry..... | 24,381 | 24.8% | 26,931 | 25.3% |
| Construction..... | 6,245 | 6.4% | 7,368 | 6.9% |
| Electricity, gas and water | 2,844 | 2.9% | 2,963 | 2.8% |
| Total Secondary Production..... | 33,470 | 34.0% | 37,262 | 35.0% |
| Services: | | | | |
| Real estate and business activities..... | 15,825 | 16.1% | 16,365 | 15.4% |
| Transport, storage and communications | 12,675 | 12.9% | 14,275 | 13.4% |
| Retail and wholesale commerce..... | 11,841 | 12.0% | 12,833 | 12.1% |
| Education, social and health services ... | 6,412 | 6.5% | 6,576 | 6.2% |
| Public Administration, defense and social security | 3,506 | 3.6% | 3,580 | 3.4% |
| Financial Intermediation | 1,889 | 1.9% | 2,287 | 2.2% |
| Hotel and restaurant services | 2,039 | 2.1% | 2,234 | 2.1% |
| Other services | 4,993 | 5.1% | 5,507 | 5.2% |
| Total Services | 59,180 | 60.2% | 63,657 | 59.9% |
| Total GDP | ARS 98,344 | 100.0% | ARS 106,339 | 100.0% |

(1) Considered in terms of producer's prices, excluding value added taxes and import taxes.

(2) Preliminary data.

Source: Provincial Office of Statistics; Ministry of Economy of the Province.

The following table shows the evolution of the share of the Province's GDP in the national GDP by economic sector in 2005 and 2006, in constant 1993 pesos:

Share of Provincial GDP in National GDP by Sector 2005-2006⁽¹⁾
(in millions of pesos, at constant 1993 prices)

| | For the year ended December 31, | | | | | |
|---|---------------------------------|--------------------|--------------------------------------|---------------------|--------------------|--------------------------------------|
| | 2005 ⁽²⁾ | | | 2006 ⁽²⁾ | | |
| | Provincial GDP | Federal GDP | Provincial GDP/ Federal GDP | Provincial GDP | Federal GDP | Provincial GDP/ Federal GDP |
| Primary Production: | | | | | | |
| Agriculture, livestock, hunting and forestry | ARS 5,486 | ARS 17,005 | 32.3% | ARS 5,195 | ARS 17,265 | 30.1% |
| Fisheries and other related services.... | 132 | 304 | 43.5% | 141 | 497 | 28.4% |
| Mining, oil and gas | 78 | 5,068 | 1.5% | 86 | 5,219 | 1.6% |
| Total Primary Production | 5,696 | 22,377 | 25.5% | 5,422 | 22,980 | 23.6% |
| Secondary Production: | | | | | | |
| Manufacturing industry | 24,381 | 50,480 | 48.3% | 26,931 | 54,975 | 49.0% |
| Construction | 6,245 | 17,605 | 35.5% | 7,368 | 20,751 | 35.5% |
| Electricity, gas and water..... | 2,844 | 8,595 | 33.1% | 2,963 | 9,023 | 32.8% |
| Total Secondary Production | 33,470 | 76,680 | 43.6% | 37,262 | 84,749 | 44.0% |
| Services: | | | | | | |
| Real estate and business activities | 15,825 | 42,187 | 37.5% | 16,365 | 43,959 | 37.2% |
| Transport, storage and communications | 12,675 | 29,131 | 43.5% | 14,275 | 33,049 | 43.2% |
| Retail and wholesale commerce..... | 11,841 | 38,489 | 30.8% | 12,833 | 41,587 | 30.9% |
| Education, social and health services. | 6,412 | 24,683 | 26.0% | 6,576 | 25,749 | 25.5% |
| Public Administration, defense and social security..... | 3,506 | 14,896 | 23.5% | 3,580 | 15,561 | 23.0% |
| Financial Intermediation..... | 1,889 | 9,293 | 20.3% | 2,287 | 11,340 | 20.2% |
| Hotel and restaurant services | 2,039 | 7,530 | 27.1% | 2,234 | 8,079 | 27.7% |
| Other services | 4,993 | 17,508 | 28.5% | 5,507 | 18,854 | 29.2% |
| Total Services..... | 59,180 | 183,717 | 32.2% | 63,657 | 198,178 | 32.1% |
| Total GDP | ARS 98,344 | ARS 282,774 | 34.8% | ARS 106,339 | ARS 305,906 | 34.8% |

(1) Considered in terms of producer's prices, excluding value added taxes and import taxes.

(2) Preliminary data.

Source: Provincial Office of Statistics; Ministry of Economy of the Province.

Manufacturing

The Province's manufacturing sector, which is highly diversified, has historically been the single largest contributor to provincial GDP. Manufactured products include refined petroleum products, cereals and food products, steel, chemicals, electrical machinery, aluminum, piping, automobiles and automobile spare parts, oil drilling tools and equipment, computer printers, cement, pharmaceuticals and textiles. Traditionally, within this sector, food and beverage production and chemicals have been the most significant contributors to production.

In 2005, manufacturing activity within the Province registered an output of ARS 24,381 million. The manufacturing sector represented approximately 24.8% of the Province's total real GDP in 2005. The Province's 2005 manufacturing output represented 48.3% of Argentina's total manufacturing output in the same period.

Total provincial manufacturing output in 2006 reached ARS 26,931 million, representing a 10.5% increase as compared with 2005, accounting for 49.0% of the total national manufacturing output for the same period. The manufacturing output represented approximately 25.3% of the total real Province's GDP in 2006.

Real Estate and Business Activities

The real estate and business activities sector has historically been the second-most important sector to provincial GDP. This sector encompasses a wide range of services rendered to businesses and individuals, including real estate transactions, leases of machinery and equipment without operating personnel, computer services, research and development and other business and professional services. Real estate transactions, which include both sales and rentals, account for the vast majority of the Province's total production in this sector, which represented approximately one sixth of provincial GDP in 2005 and 2006. Total production in this sector in 2006 amounted to ARS 16,365 million and represented 37.2% of Argentina's total output in this sector in the same period.

Measured in real terms, the Province's total production in this sector grew between 2005 and 2006, despite its weaker impact on provincial and national GDP. The Province's total production in this sector increased from ARS 15,825 million in 2005 to ARS 16,365 million in 2006, as the Province's improved general economic performance during this period led to increased availability of credit, which in turn stimulated demand in the real estate market.

Transport, Storage and Communications

This sector includes land, air and water transportation of passengers and cargo, and postal and telecommunications services. It also includes other services rendered in connection with transportation, such as terminal and parking services, handling and storage of cargo, operation of toll road concessions and other infrastructure, and other related services.

Telecommunications and freight land transportation together typically account for a vast majority of the Province's production within this sector, which increased between 2005 and 2006 because of growth in industrial production associated with the Province's economic recovery, as well as increases in the rates charged by providers of communications (including mobile phone service carriers expansion) and freight transportation services as a result of increased demand for these services. The Province's total production in this sector increased from ARS 12,675 million in 2005 to ARS 14,275 million in 2006. In 2006, total production in this sector represented 43.2% of Argentina's total output in this sector in the same period.

Retail and Wholesale Commerce

Half of this sector's total production is typically derived from retail sales of food, beverages and tobacco. The wholesale and retail commerce sector has traditionally represented more than one-tenth of provincial GDP. In 2006, total production in this sector amounted to ARS 12,833 million and represented 30.9% of Argentina's total output in this sector in the same period.

Measured in real terms, the Province's total production in this sector grew between 2005 and 2006. The Province's total production in this sector increased from ARS 11,841 in 2005 to ARS 12,833 million in 2006, as the Province's improved general economic performance led to higher levels of employment and increased salaries, which in turn generated higher disposable income levels.

Education, Social and Health Services

The Province records together two activities: the provision of educational services, which typically represents slightly more than one half of total production of this sector, and healthcare and social services. Despite the swings in the economic cycle, the contribution of education, health and social services to provincial GDP remained stable and increased slightly, in absolute terms, between 2005 and 2006, from ARS 6,412 million in 2005 to ARS 6,576 million in 2006; however, its contribution has slightly declined in relative terms, accounting for approximately 6.5% of total provincial real GDP in 2005 compared to approximately 6.2% of total provincial real GDP in 2006. In 2005 total provincial real GDP in this sector represented 26.0% of total Argentine GDP in this sector, compared to 25.5% in 2006. The Province's share of total Argentine GDP in this sector is relatively lower than the Province's share of total Argentine population due to different cost levels among the provinces and between the provinces and the federal government. The disparity between health and social services costs is primarily

attributable to greater economies of scale available to the Province for the provision of these services, leading to a lower cost per inhabitant.

Public education typically accounts for a majority of the Province's total GDP derived from education services. Education services contributed ARS 3,614 million, or 3.7%, of total provincial GDP in 2006. Private health services typically account for a majority of total provincial GDP derived from social and health services. Social services and health services contributed ARS 2,962 million, or 2.8%, of total provincial GDP in 2006.

Construction

Housing construction typically accounts for approximately 50.0% of the Province's total production in this sector. The construction sector has traditionally represented around 5.0% of the Province's real GDP. However, this sector has been increasing its share in the Province's GDP, from 6.4% in 2005 to 6.9% in 2006. The Province's total production in this sector grew significantly between 2005 and 2006, from ARS 6,245 million in 2005 to ARS 7,368 million in 2006, as the Province's general economic performance has improved after the 2001 economic crisis. The growth in this sector was primarily due to an increase in the construction of small buildings. Total production in this sector increased between 2005 and 2006 by 18.0% to approximately ARS 7,368 million, representing 35.5% of Argentina's total output in this sector in 2006.

Agriculture, Livestock, Hunting and Forestry

Agriculture and livestock typically account for the vast majority of the Province's total production within this sector. The Province's main agricultural products include oil-producing crops, vegetables, soybeans and fodder. Livestock includes meat, dairy, wool and hide production.

The main activities that compose this sector are cereals and oil-producing crops, which, together with livestock and dairy products, typically account for most of the Province's production within this sector. Corn, soybeans, wheat and sunflower are the most widely produced crops. Argentina is the worldwide leader in the production of crop-derived oils and the Province is Argentina's main producer of crop-derived oils. In addition, the Province is Argentina's most important producer of wheat and one of Argentina's main producers of corn. Following the devaluation of the local currency in 2002, this sector became more competitive internationally and was further buoyed by favorable global economic conditions, including increased international commodities prices.

In 2006, agriculture, livestock, hunting and forestry together accounted for 4.9% of the Province's GDP and represented 30.1% of total Argentine production. Production in this sector fell 5.3% in 2006 as compared to 2005, to ARS 5,195 million.

Extrapolated Gross Domestic Product 2007-2010

Official provincial GDP figures, which are based on preliminary data, are available for 2005 and 2006. Official provincial GDP figures are not available for 2007, 2008, 2009 and 2010. The Province extrapolated provincial GDP figures for 2007, 2008, 2009 and for the twelve months ended September 30, 2010 based on rates of growth in national GDP, by multiplying the provincial GDP figure for 2006 for each of the principal sectors of the provincial economy by the national rate of real GDP growth for that sector for 2007 according to INDEC. The Province applied the same method for 2008 and 2009 and for the twelve months ended September 30, 2010 to extrapolate provincial GDP figures in those periods. Extrapolated provincial GDP figures are based on changes in national GDP by principal sector to account for structural differences between the provincial and national economies. The principal structural difference between the provincial and national economies is the greater relative weight of the manufacturing and export sectors in the provincial economy as compared to the national economy. This method of extrapolating provincial GDP figures assumes that real GDP by principal sector grew at the same rate on the provincial and national levels, and therefore that the allocation of real GDP by principal sector within the Province changed in tandem with national GDP by principal sector. Between 1994 and 2006, the correlation coefficient between provincial and national real GDP was 0.97, indicating a high degree of correlation. Extrapolated provincial GDP figures for 2007, 2008 and 2009 and the twelve months ended September 2010 do not account for any differences that may exist between the national and provincial sectoral real GDPs, including potential

differences in growth rates, or other particular phenomena disproportionately affecting the Province's economy. Extrapolated provincial real GDP figures for 2007, 2008 and 2009 and the twelve months ended September 30, 2010 are not comparable to provincial real GDP figures for 2005 and 2006, and the Province cannot assure you that the assumptions underlying the extrapolations are correct, and therefore that the Province's extrapolations for provincial real GDP in 2007, 2008 or 2009 or the twelve months ended September 30, 2010 reflect actual real GDP for those periods. See "Risk Factors—Risks Relating to the Province—The statistics prepared by the Province as real GDP values for 2007, 2008, 2009 and 2010 are extrapolations of national real GDP, and may not accurately reflect actual provincial real GDP".

The table below shows the evolution of the Province's extrapolated real GDP from 2007 through September 30, 2010.

Extrapolated Gross Domestic Product 2007-2010

| | At and for the year December 31, | | | At and for the |
|---|----------------------------------|------------|------------|---|
| | 2007 | 2008 | 2009 | twelve months ended September 30, 2010 |
| GDP (in millions of constant 1993 pesos) ⁽¹⁾ | 127,714 | 136,521 | 137,716 | 150,505 |
| Real GDP growth..... | 8.9% | 6.9% | 0.9% | n/a |
| National real GDP growth..... | 8.7% | 6.8% | 0.9% | 8.6% |
| Provincial real GDP/National real GDP..... | 35.6% | 35.6% | 35.6% | 36.2% |
| Population (inhabitants) ⁽²⁾ | 14,917,940 | 15,052,177 | 15,185,336 | 15,593,428 |
| Real GDP per capita (constant 1993 pesos)..... | 8,561 | 9,070 | 9,069 | 9,651 |

(1) Market prices, including value added tax and specific taxes.

(2) Based on the report "Provincial Population Projections by sex and age group: 2001-2015" as published by INDEC.

Source: Macroeconomic Research Unit-Provincial Department of Fiscal Studies and Financial Programming-Ministry of Economy of the Province; INDEC.

Based on the growth rates of each of the principal sectors of the economy on a national level and the allocation of GDP by principal sector in 2006, the most significant of the Province's economic production sectors in the twelve months ended September 30, 2010 were the following:

- Manufacturing, which accounted for 24.5% of the Province's extrapolated total real GDP in the twelve months ended September 30, 2010;
- Transport, storage and communications, which accounted for 15.9% of the Province's extrapolated total real GDP in the twelve months ended September 30, 2010;
- Real estate and business activities, which accounted for 14.6% of the Province's extrapolated total real GDP in the twelve months ended September 30, 2010;
- Retail and wholesale commerce, which accounted for 12.7% of the Province's extrapolated total real GDP in the twelve months ended September 30, 2010;
- Construction, which accounted for 6.2% of the Province's extrapolated total real GDP in the twelve months ended September 30, 2010;

- Education, social and health services, which includes the Education sector and the Social Services and Health sector, which accounted for 5.9% of the Province's extrapolated total real GDP in the twelve months ended September 30, 2010; and
- Other services, which includes community, social, personal and domestic services, which accounted for 5.0% of the Province's extrapolated total real GDP in the twelve months ended September 30, 2010.

The tables below show the evolution of the Province's extrapolated real GDP by sector from 2007 through September 30, 2010

Extrapolated Gross Domestic Product by Sector 2007-2010⁽¹⁾⁽²⁾
(in millions of pesos, at constant 1993 prices)

| | 2007 ⁽²⁾ | | For the year ended December 31, 2008 ⁽²⁾ | | 2009 ⁽²⁾ | | For the twelve months ended September 30, 2010 | |
|--|---------------------|---------------|--|---------------|---------------------|---------------|--|---------------|
| | ARS | % | ARS | % | ARS | % | ARS | % |
| Primary Production: | | | | | | | | |
| Agriculture, livestock, hunting and forestry | 5,728 | 5.0% | 5,574 | 4.5% | 4,694 | 3.8% | 6,235 | 4.6% |
| Fisheries and other related services | 132 | 0.1% | 137 | 0.1% | 121 | 0.1% | 135 | 0.1% |
| Mining, oil and gas | 86 | 0.1% | 87 | 0.1% | 86 | 0.1% | 85 | 0.1% |
| Total Primary Production | 5,946 | 5.2% | 5,798 | 4.7% | 4,901 | 4.0% | 6,456 | 4.8% |
| Secondary Production: | | | | | | | | |
| Manufacturing industry | 28,978 | 25.1% | 30,295 | 24.7% | 30,129 | 24.3% | 33,031 | 24.5% |
| Construction | 8,098 | 7.0% | 8,394 | 6.8% | 8,076 | 6.5% | 8,341 | 6.2% |
| Electricity, gas and water | 3,133 | 2.7% | 3,239 | 2.6% | 3,269 | 2.6% | 3,452 | 2.6% |
| Total Secondary Production | 40,209 | 34.9% | 41,928 | 34.2% | 41,473 | 33.5% | 44,824 | 33.2% |
| Services: | | | | | | | | |
| Real estate and business activities | 17,131 | 14.8% | 18,205 | 14.8% | 18,941 | 15.3% | 19,677 | 14.6% |
| Transport, storage and communications | 16,227 | 14.1% | 18,197 | 14.8% | 19,376 | 15.6% | 21,443 | 15.9% |
| Retail and wholesale commerce | 14,262 | 12.4% | 15,389 | 12.6% | 15,352 | 12.4% | 17,199 | 12.7% |
| Education, social and health services | 6,895 | 6.0% | 7,208 | 5.9% | 7,515 | 6.1% | 7,904 | 5.9% |
| Public Administration, defense and social security | 3,712 | 3.2% | 3,856 | 3.1% | 4,051 | 3.3% | 4,292 | 3.2% |
| Financial Intermediation | 2,709 | 2.3% | 3,215 | 2.6% | 3,260 | 2.6% | 3,592 | 2.7% |
| Hotel and restaurant services | 2,418 | 2.1% | 2,604 | 2.1% | 2,623 | 2.1% | 2,818 | 2.1% |
| Other services | 5,857 | 5.1% | 6,220 | 5.1% | 6,459 | 5.2% | 6,702 | 5.0% |
| Total Services | 69,212 | 60.0% | 74,894 | 61.1% | 77,578 | 62.6% | 83,627 | 62.0% |
| Total GDP | ARS 115,366 | 100.0% | ARS 122,619 | 100.0% | ARS 123,952 | 100.0% | ARS 134,907 | 100.0% |

(1) Considered in terms of producer's prices, excluding value added taxes and import taxes.

(2) Extrapolations based on national GDP.

Source: Macroeconomic Research Unit-Provincial Department of Fiscal Studies and Financial Programming-Ministry of Economy of the Province; INDEC.

Manufacturing

In 2007, manufacturing activity within the Province registered an output of ARS 28,978 million. In 2008, manufacturing activity within the Province registered an output of ARS 30,295 million, representing a 4.5% increase as compared to 2007 levels. The manufacturing sector represented approximately 25.1% of the Province's extrapolated total real GDP in 2007 compared to 24.7% of the Province's extrapolated total real GDP in 2008.

Provincial manufacturing output in 2009 decreased to ARS 30,129 million, representing a 0.5% decrease as compared with 2008. Manufacturing output represented approximately 24.3% of the Province's extrapolated total real GDP in 2009.

Provincial manufacturing output in the twelve months ended September 30, 2010 was ARS 33,031 million, representing approximately 24.5% of the Province's extrapolated total real GDP in that period.

Real Estate and Business Activities

In 2007, production in the real estate and business activities sector was ARS 17,131 million. In 2008, production in this sector grew to ARS 18,205 million, an increase of 6.3% from 2007. The real estate and business activities sector represented 14.8% of the Province's extrapolated total real GDP in both 2007 and 2008.

In 2009, the real estate and business activities sector grew 4.0% to ARS 18,941 million. This sector represented 15.3% of the Province's extrapolated total real GDP in 2009.

Production in the real estate and business activities sector was ARS 19,677 million in the twelve months ended September 30, 2010, representing approximately 14.6% of the Province's extrapolated total real GDP in that period.

Transport, Storage and Communications

In 2007, the transport, storage and communications sector's output was ARS 16,227 million. In 2008, this sector grew 12.1% to ARS 18,197 million. The transport, storage and communications sector represented 14.8% of the Province's extrapolated total real GDP in 2008 as compared to 14.1% in 2007.

In 2009, production in the transport, storage and communications sector grew 6.5% to ARS 19,376 million. This sector represented 15.6% of the Province's extrapolated total real GDP in 2009, outperforming real estate and business activities, which was previously the second-most important sector in the Province's economy.

In the twelve months ended September 30, 2010, production in the transport, storage and communications sector was ARS 21,443 million, representing approximately 15.9% of the Province's extrapolated total real GDP in that period.

Retail and Wholesale Commerce

In 2007, the retail and wholesale commerce sector's output was ARS 14,262 million. In 2008, this sector grew 7.9% to ARS 15,389 million. The retail and wholesale commerce sector represented 12.6% of the Province's extrapolated total real GDP in 2008 as compared to 12.4% in 2007.

In 2009, production in the retail and wholesale commerce sector decreased by 0.2% to ARS 15,352 million. This sector represented 12.4% of the Province's extrapolated total real GDP in 2009.

In the twelve months ended September 30, 2010, the retail and wholesale commerce sector's output was ARS 17,199 million, representing approximately 12.7% of the Province's extrapolated total real GDP in that period.

Education, Social and Health Services

In 2007, the education, social and health services sector's output was ARS 6,895 million. In 2008, this sector grew 4.5% to ARS 7,208 million. The education, social and health services sector represented 5.9% of the Province's extrapolated total real GDP in 2008 as compared to 6.0% in 2007.

In 2009, the education, social and health services sector grew 4.3% to ARS 7,515 million. This sector represented 6.1% of the Province's extrapolated total real GDP in 2009.

The output of the education, social and health services sector was ARS 7,904 million in the twelve months ended September 30, 2010, representing approximately 5.9% of the Province's extrapolated total real GDP in that period.

Construction

In 2007, the construction sector's output was ARS 8,098 million. In 2008, this sector grew 3.7% to ARS 8,394 million. The construction sector represented 6.8% of the Province's extrapolated total real GDP in 2008 as compared to 7.0% in 2007.

In 2009, production in the construction sector decreased slightly to ARS 8,076 million. This sector represented 6.5% of the Province's extrapolated total real GDP in 2009.

In the twelve months ended September 30, 2010, the construction sector's output was ARS 8,341 million, representing approximately 6.2% of the Province's extrapolated total real GDP in that period.

Agriculture, Livestock, Hunting and Forestry

In 2007, agricultural, livestock, hunting and forestry production was ARS 5,728 million. In 2008, production in this sector decreased 2.7% to ARS 5,574 million. The agriculture, livestock, hunting and forestry sector represented 4.5% of the Province's extrapolated total real GDP in 2008 as compared to 5.0% in 2007.

In 2009, the agricultural, livestock, hunting and forestry sector is estimated to have decreased 15.8% to ARS 4,694 million. This sector represented 3.8% of the Province's extrapolated total real GDP in 2009.

Agriculture, livestock, hunting and forestry production was ARS 6,235 million in the twelve months ended September 30, 2010, representing 4.6% of the Province's extrapolated total real GDP in that period.

Exports Originating in the Province

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 Mercosur rules).

In the period from 2005 through 2008, the value of provincial exports increased by 59.7%, from USD 15.63 billion in 2005 to USD 24.96 billion in 2008, averaging 16.9% annual growth. However, the Province experienced a 27.2% decrease in exports to USD 18.17 billion in 2009. This was largely due to the global economic crisis, which strongly affected countries such as the United States, China, the Netherlands, Mexico, Spain, Italy and Germany, which together reduced imports from the Province by 46.7% in 2009.

In 2005, the Province's exports accounted for 38.7% of Argentina's total exports, compared to 32.6% of Argentina's total exports in 2009. This decrease is largely because the sharp decrease in exports to the United States and Europe in 2009, as a result of the global economic crisis, impacted the Province more than Argentina as a whole due to the Province's higher percentage of exports destined to those regions.

Classification of Main Exported Items

The following table sets forth the breakdown of the Province's exports by product category from 2005 through September 30, 2010.

Exports by Product Category 2005-2010
(in millions of U.S. dollars and percentages)

| | For the year ended December 31, | | | | | | | | | | For the nine months ended September 30, | | | | | | | |
|--|---------------------------------|---------------|---------------|------------|---------------|---------------|---------------------|---------------|---------------------|------------|---|---------------|------------|---------------|---------------|------------|---------------|---------------|
| | 2005 | | 2006 | | 2007 | | 2008 ⁽¹⁾ | | 2009 ⁽¹⁾ | | 2010 ⁽¹⁾ | | | | | | | |
| Primary Products: | | | | | | | | | | | | | | | | | | |
| Live animals..... | USD | 12 | 0.1% | USD | 16 | 0.1% | USD | 25 | 0.1% | USD | 33 | 0.1% | USD | 29 | 0.2% | USD | 17 | 0.1% |
| Fish and seafood..... | | 88 | 0.6% | | 142 | 0.8% | | 139 | 0.7% | | 151 | 0.6% | | 158 | 0.9% | | 127 | 0.8% |
| Honey..... | | 62 | 0.4% | | 74 | 0.4% | | 65 | 0.3% | | 87 | 0.3% | | 77 | 0.4% | | 68 | 0.4% |
| Vegetables..... | | 26 | 0.2% | | 33 | 0.2% | | 40 | 0.2% | | 56 | 0.2% | | 39 | 0.2% | | 79 | 0.4% |
| Fruit..... | | 20 | 0.1% | | 15 | 0.1% | | 21 | 0.1% | | 20 | 0.1% | | 15 | 0.1% | | 6 | 0.0% |
| Cereals..... | | 1,263 | 8.1% | | 1,306 | 7.3% | | 1,985 | 9.6% | | 2,595 | 10.4% | | 1,309 | 7.2% | | 1,270 | 7.8% |
| Seeds and oilseeds..... | | 639 | 4.1% | | 490 | 2.7% | | 878 | 4.2% | | 1,264 | 5.1% | | 433 | 2.4% | | 1,083 | 6.7% |
| Others..... | | 6 | 0.0% | | 11 | 0.1% | | 10 | 0.0% | | 13 | 0.1% | | 16 | 0.1% | | 12 | 0.1% |
| Total Primary Products | | 2,116 | 13.5% | | 2,088 | 11.7% | | 3,163 | 15.2% | | 4,218 | 16.9% | | 2,075 | 11.4% | | 2,654 | 16.3% |
| Manufactured Goods of Agricultural Origin: | | | | | | | | | | | | | | | | | | |
| Meat..... | | 871 | 5.6% | | 865 | 4.9% | | 930 | 4.5% | | 1,129 | 4.5% | | 1,123 | 6.2% | | 717 | 4.4% |
| Processed fish and seafood..... | | 210 | 1.3% | | 248 | 1.4% | | 266 | 1.3% | | 278 | 1.1% | | 277 | 1.5% | | 220 | 1.4% |
| Eggs and dairy products..... | | 81 | 0.5% | | 128 | 0.7% | | 99 | 0.5% | | 103 | 0.4% | | 109 | 0.6% | | 68 | 0.4% |
| Other products of animal origin..... | | 26 | 0.2% | | 28 | 0.2% | | 35 | 0.2% | | 43 | 0.2% | | 35 | 0.2% | | 24 | 0.1% |
| Dried and frozen fruit..... | | 4 | 0.0% | | 10 | 0.1% | | 9 | 0.0% | | 9 | 0.0% | | 6 | 0.0% | | 2 | 0.0% |
| Coffee, tea, herbs and spices..... | | 2 | 0.0% | | 4 | 0.0% | | 5 | 0.0% | | 6 | 0.0% | | 5 | 0.0% | | 4 | 0.0% |
| Mill products..... | | 89 | 0.6% | | 117 | 0.7% | | 308 | 1.5% | | 486 | 1.9% | | 393 | 2.2% | | 291 | 1.8% |
| Oils and fats..... | | 787 | 5.0% | | 798 | 4.5% | | 899 | 4.3% | | 1,537 | 6.2% | | 902 | 5.0% | | 627 | 3.9% |
| Sugar and candy products..... | | 22 | 0.1% | | 23 | 0.1% | | 22 | 0.1% | | 26 | 0.1% | | 26 | 0.1% | | 24 | 0.1% |
| Prepared vegetables..... | | 63 | 0.4% | | 87 | 0.5% | | 101 | 0.5% | | 128 | 0.5% | | 118 | 0.6% | | 112 | 0.7% |
| Beverages, alcohol and vinegars..... | | 27 | 0.2% | | 24 | 0.1% | | 33 | 0.2% | | 43 | 0.2% | | 45 | 0.2% | | 44 | 0.3% |
| Food industry residue and waste..... | | 258 | 1.7% | | 254 | 1.4% | | 383 | 1.8% | | 446 | 1.8% | | 470 | 2.6% | | 436 | 2.7% |
| Dyes and extracts..... | | 0 | 0.0% | | 0 | 0.0% | | 0 | 0.0% | | 0 | 0.0% | | 0 | 0.0% | | 1 | 0.0% |
| Hides and skins..... | | 442 | 2.8% | | 490 | 2.7% | | 522 | 2.5% | | 501 | 2.0% | | 352 | 1.9% | | 388 | 2.4% |
| Processed wood..... | | 20 | 0.1% | | 27 | 0.2% | | 33 | 0.2% | | 33 | 0.1% | | 26 | 0.1% | | 26 | 0.2% |
| Others..... | | 342 | 2.2% | | 415 | 2.3% | | 406 | 2.0% | | 501 | 2.0% | | 493 | 2.7% | | 375 | 2.3% |
| Total Manufactured Goods of Agricultural Origin | | 3,245 | 20.8% | | 3,518 | 19.7% | | 4,054 | 19.5% | | 5,268 | 21.1% | | 4,378 | 24.1% | | 3,358 | 20.6% |
| Manufactured Goods of Industrial Origin: | | | | | | | | | | | | | | | | | | |
| Chemical products..... | | 1,646 | 10.5% | | 1,845 | 10.3% | | 2,023 | 9.7% | | 2,461 | 9.9% | | 1,943 | 10.7% | | 1,683 | 10.4% |
| Plastics..... | | 966 | 6.2% | | 1,010 | 5.7% | | 978 | 4.7% | | 1,199 | 4.8% | | 995 | 5.5% | | 780 | 4.8% |
| Rubber..... | | 191 | 1.2% | | 246 | 1.4% | | 257 | 1.2% | | 275 | 1.1% | | 254 | 1.4% | | 204 | 1.3% |
| Leather goods..... | | 102 | 0.7% | | 103 | 0.6% | | 121 | 0.6% | | 60 | 0.2% | | 28 | 0.2% | | 23 | 0.1% |
| Paper, cardboard, printing and publications..... | | 193 | 1.2% | | 212 | 1.2% | | 212 | 1.0% | | 228 | 0.9% | | 180 | 1.0% | | 155 | 1.0% |
| Textile..... | | 211 | 1.4% | | 224 | 1.3% | | 230 | 1.1% | | 271 | 1.1% | | 218 | 1.2% | | 198 | 1.2% |
| Footwear and related materials..... | | 19 | 0.1% | | 22 | 0.1% | | 23 | 0.1% | | 22 | 0.1% | | 15 | 0.1% | | 15 | 0.1% |
| Stone and plaster products..... | | 103 | 0.7% | | 115 | 0.6% | | 121 | 0.6% | | 131 | 0.5% | | 104 | 0.6% | | 103 | 0.6% |
| Precious stones and metals..... | | 3 | 0.0% | | 4 | 0.0% | | 6 | 0.0% | | 6 | 0.0% | | 7 | 0.0% | | 3 | 0.0% |
| Metals..... | | 1,601 | 10.2% | | 1,708 | 9.6% | | 1,925 | 9.3% | | 2,243 | 9.0% | | 1,686 | 9.3% | | 1,150 | 7.1% |
| Machinery and electric materials..... | | 550 | 3.5% | | 697 | 3.9% | | 871 | 4.2% | | 1,027 | 4.1% | | 794 | 4.4% | | 666 | 4.1% |
| Transportation materials..... | | 1,970 | 12.6% | | 2,915 | 16.3% | | 3,553 | 17.1% | | 4,171 | 16.7% | | 3,587 | 19.7% | | 3,802 | 23.4% |
| Navigation..... | | 28 | 0.2% | | 29 | 0.2% | | 26 | 0.1% | | 26 | 0.1% | | 11 | 0.1% | | 6 | 0.0% |
| Others..... | | 204 | 1.3% | | 241 | 1.3% | | 248 | 1.2% | | 313 | 1.3% | | 226 | 1.2% | | 175 | 1.1% |
| Total Manufactured Goods of Industrial Origin | | 7,787 | 49.8% | | 9,369 | 52.5% | | 10,593 | 51.0% | | 12,435 | 49.8% | | 10,048 | 55.3% | | 8,962 | 55.1% |
| Fuel and Energy: | | | | | | | | | | | | | | | | | | |
| Fuel..... | | 1,664 | 10.6% | | 1,939 | 10.9% | | 2,122 | 10.2% | | 2,012 | 8.1% | | 1,074 | 5.9% | | 809 | 5.0% |
| Grease and oil lubricants..... | | 134 | 0.9% | | 165 | 0.9% | | 151 | 0.7% | | 151 | 0.6% | | 99 | 0.5% | | 68 | 0.4% |
| Petroleum gas and others..... | | 533 | 3.4% | | 613 | 3.4% | | 564 | 2.7% | | 715 | 2.9% | | 385 | 2.1% | | 340 | 2.1% |
| Electrical energy..... | | 33 | 0.2% | | 43 | 0.2% | | 9 | 0.0% | | 40 | 0.2% | | 33 | 0.2% | | 8 | 0.0% |
| Other..... | | 114 | 0.7% | | 94 | 0.5% | | 111 | 0.5% | | 117 | 0.5% | | 79 | 0.4% | | 63 | 0.4% |
| Total Fuel and Energy | | 2,478 | 15.9% | | 2,854 | 16.0% | | 2,958 | 14.2% | | 3,035 | 12.2% | | 1,671 | 9.2% | | 1,287 | 7.9% |
| Total | USD | 15,627 | 100.0% | USD | 17,829 | 100.0% | USD | 20,767 | 100.0% | USD | 24,956 | 100.0% | USD | 18,172 | 100.0% | USD | 16,260 | 100.0% |

(1) Preliminary data.

Source: Provincial Office of Statistics; Ministry of Economy of the Province on the basis of information provided by INDEC.

In 2009, manufactured goods of industrial origin and of agricultural origin accounted for approximately 55.3% and 24.1% of total provincial exports, respectively. The balance consists of exports of primary products, which consist mainly of agricultural products and fuel and electrical energy. Manufactured goods of industrial origin and of agricultural origin exported by the Province in 2009 accounted for approximately 53.0% and 20.3%, respectively, of Argentina's total exports of these goods. The Province's exports of primary products equaled approximately 22.7% of national exports of such products in 2009, and the Province's exports of electrical energy and fuel represented approximately 27.4% of such products' national exports. For the nine months ended September 30, 2010, manufactured goods of industrial origin and agricultural origin accounted for approximately 55.1% and 20.6% of total provincial exports, respectively.

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. Exports of cereals and seeds and oilseeds traditionally have accounted for the majority of provincial exports of primary products, accounting on average for 59.6% and 28.8%, respectively, of total exports of primary products from 2005 through September 30, 2010. Exports of primary products decreased from 2005 to 2006 by 1.3%, from USD 2,116 million to USD 2,088 million, accounting for just 13.5% of provincial exports in 2005 and 11.7% in 2006. However, because of substantial increases in exports of cereals and oilseeds in 2007 and 2008, exports of primary products increased 51.5% in 2007 to USD 3,163 million, growing to 15.2% of total provincial exports, and an increasing additional 33.4% in 2008 to USD 4,218 in 2008, growing to 16.9% of provincial exports. In 2009, as a result of the global economic crisis and increased domestic demand, exports of primary products fell 50.8% to USD 2,075 million, driven largely by decreases in cereal and seed and oilseed exports. As a result, primary products accounted for just 11.4% of total provincial exports in 2009. For the nine months ended September 30, 2010, exports of primary products accounted for 16.3% of total provincial exports.

Manufactured Goods of Agricultural Origin. Exports of manufactured goods of agricultural origin include meat, processed fish and seafood and other products of animal origin, processed food and vegetables, mill and 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. On average, exports of meat and oils and fats have accounted for nearly half (46.7%) of the Province's exports of manufactured goods of agricultural origin from 2005 through September 30, 2010, with hides and skins, food industry residue and waste, processed fish and seafood and mill products accounting for an additional 34.2%. Exports of manufactured goods of agricultural origin experienced growth from 2005 through 2008. Exports of manufactured goods of agricultural origin increased 8.4% from 2005 to 2006, from USD 3,245 million to USD 3,518 million, largely due to increases in processed fish and seafood (18.1%), mill products (31.5%), hides and skins (10.9%) and other products. These increases more than offset stagnant growth in exports of oils and fats, a 0.7% decrease in exports of meat in 2006 and a 1.6% decrease of food industry residue and waste. Exports from this sector increased an additional 15.2% in 2007 to USD 4,054 million, largely due to a 163.2% increase in mill products and a 50.8% increase in exports of food industry residue and waste, as well as more modest increases in other sub-sectors. Exports of manufactured goods of agricultural origin increased an additional 29.9% in 2008 to USD 5,268 million, largely due to a 71.0% increase in oils and fats, a 57.8% increase in mill products and a 21.4% increase in exports of meat, as well as more modest increases in exports of food industry residue and waste and processed fish and seafood, more than offsetting modest decreases in exports of hides and skins. In 2009, provincial exports of manufactured products of agricultural origin decreased by 16.9% to USD 4,378 million. This decrease was largely due to a 41.3% decrease in exports of oils and fats and a 29.7% decrease in exports of hides and skins. Notably, exports of meat and processed fish and seafood were stable in 2009, decreasing just 0.5% from 2008. Notwithstanding the increases in provincial exports of manufactured goods of agricultural origin, as other sectors of the provincial economy grew, the importance of provincial exports from this sector have decreased, from 20.8% of all provincial exports in 2005 to 19.5% in 2007. However, because of the substantial increase in exports of manufactured goods of agricultural origin in 2008, this sector grew to represent 21.1% of all provincial exports that year. Owing to the relatively small decrease experienced by this sector in 2009 as compared to other sectors, exports of manufactured goods of agricultural origin represented 24.1% of all provincial exports in that year. For the nine months ended September 30, 2010, exports of manufactured goods of agricultural origin accounted for 20.6% of total provincial exports.

Manufactured Goods of Industrial Origin. Manufactured goods of industrial origin include chemicals, plastics, rubbers, leather, paper, textiles, footwear, stone, precious stone, metals, machinery and transportation materials, navigation, and other industrial goods. On average, transportation materials, chemical products and metals have accounted for most of the exports from this sector, representing 33.6%, 19.6% and 17.4%, respectively, of annual provincial exports of manufactured goods of industrial origin from 2005 to September 30, 2010, with plastics and machinery and electric materials accounting for 10.1% and 7.7%, of provincial exports from this sector, respectively. Exports of transportation materials have represented an increasingly important percentage of provincial exports of manufactured goods of industrial origin, increasing from 25.3% in 2005 to 35.7% in 2009, or USD 3,587 million, and again to 42.4%, or USD 3,802 million, in the nine months ended September 30, 2010, largely due to the recovery of the Province's automotive industry. Exports of manufactured goods have experienced steady growth from 2005 through 2008. In 2006, provincial exports of manufactured goods of industrial origin grew 20.3%, from USD 7,787 million to USD 9,369 million, largely due to a 48.0% increase in exports of transportation materials, as well as smaller increases in other sub-sectors. In 2007, provincial exports from the industrial manufacturing sector

rose 13.1% to USD 10,593 million. This increase was again due principally to exports of transportation materials, which registered a 21.9% increase in 2007, as well as more modest increases in other sub-sectors, which more than offset a 2.6% decrease in provincial exports of plastic. In 2008, the Province's exports of manufactured goods of industrial origin rose 17.4% to USD 12,435 million, largely due to a recovery of the plastics sub-sector, which recorded a 22.6% increase in exports, and continued strength of the transportation materials sub-sector, which increased 17.4% in 2008, as well as smaller increases in other sub-sectors. In 2009, because of the global economic slowdown, exports of manufactured goods of industrial origin decreased 19.2% to USD 10,048 million. Nearly all of the industrial sub-sectors experienced similar decreases, although exports of metals (which decreased 24.8%) and machinery (which decreased 22.7%) appear to have been affected more than transportation materials (which decreased only 14.0%) and plastics (which decreased only 17.0%). Although the share of total provincial exports represented by manufactured goods of industrial origin increased from 49.8% in 2005 to 52.5% in 2006, largely due to the spike in the transportation materials sub-sector, this sector's importance has declined to 49.8% in 2008, although it subsequently increased to 55.3% of total exports in 2009. For the nine months ended September 30, 2010, exports of manufactured goods of industrial origin accounted for 55.1% 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. Exports of fuel and of petroleum gas and other forms of energy (such as natural gas) are the major components of this sector, representing 66.7% and 22.5% of annual average exports from this sector from 2005 through September 30, 2010. Exports of energy and fuel have been stagnant since 2005 because of federal regulations restricting the export of electricity and gas in response to electricity shortages experienced in 2005 and 2006. Exports from this sector increased 15.2% from USD 2,478 million in 2005 to USD 2,854 million in 2006, an additional 3.6% in 2007 to USD 2,958 million, 2.6% in 2008 to USD 3,035 million. Exports in the fuel and energy sector decreased 44.9% in 2009 to USD 1,671 million. The percentage of total exports represented by the fuel and energy exports has decreased from 15.9% in 2005 to 9.2% in 2009 because of the aforementioned regulations. For the nine months ended September 30, 2010, fuel and energy exports accounted for 7.9% of total provincial exports.

Destination of Exports

The following table sets forth the breakdown of the Province's exports by geographic destination from 2005 through September 30, 2010.

Geographic Distribution of Exports 2005-2010 (in millions of U.S. dollars and percentages)

| | For the year ended December 31, | | | | | | | | For the nine months ended September 30, | | | |
|---------------------|---------------------------------|---------------|------------------|---------------|------------------|---------------|---------------------|---------------|---|---------------|---------------------|---------------|
| | 2005 | | 2006 | | 2007 | | 2008 ⁽¹⁾ | | 2009 ⁽¹⁾ | | 2010 ⁽¹⁾ | |
| Brazil | USD3,839 | 24.6% | USD5,033 | 28.2% | USD6,106 | 29.4% | USD7,422 | 29.7% | USD6,906 | 38.0% | USD6,557 | 40.3% |
| United States | 1,984 | 12.7% | 1,791 | 10.0% | 1,644 | 7.9% | 1,900 | 7.6% | 852 | 4.7% | 643 | 4.0% |
| Chile | 1,416 | 9.1% | 1,560 | 8.7% | 1,709 | 8.2% | 1,894 | 7.6% | 1,188 | 6.5% | 1,048 | 6.4% |
| Mexico | 770 | 4.9% | 974 | 5.5% | 917 | 4.4% | 869 | 3.5% | 584 | 3.2% | 477 | 2.9% |
| China | 712 | 4.6% | 613 | 3.4% | 900 | 4.3% | 1,194 | 4.8% | 639 | 3.5% | 1,027 | 6.3% |
| Uruguay | 501 | 3.2% | 630 | 3.5% | 666 | 3.2% | 901 | 3.6% | 753 | 4.1% | 602 | 3.7% |
| Netherlands | 443 | 2.8% | 417 | 2.3% | 481 | 2.3% | 778 | 3.1% | 256 | 1.4% | 202 | 1.2% |
| Spain | 314 | 2.0% | 243 | 1.4% | 367 | 1.8% | 462 | 1.9% | 183 | 1.0% | 126 | 0.8% |
| Paraguay | 311 | 2.0% | 383 | 2.1% | 481 | 2.3% | 655 | 2.6% | 490 | 2.7% | 452 | 2.8% |
| Italy | 304 | 1.9% | 272 | 1.5% | 400 | 1.9% | 449 | 1.8% | 297 | 1.6% | 178 | 1.1% |
| Russia | 271 | 1.7% | 351 | 2.0% | 244 | 1.2% | 273 | 1.1% | 241 | 1.3% | 105 | 0.6% |
| Peru | 269 | 1.7% | 339 | 1.9% | 428 | 2.1% | 494 | 2.0% | 313 | 1.7% | 215 | 1.3% |
| Venezuela | 243 | 1.6% | 338 | 1.9% | 633 | 3.0% | 635 | 2.5% | 532 | 2.9% | 435 | 2.7% |
| Germany | 239 | 1.5% | 287 | 1.6% | 341 | 1.6% | 502 | 2.0% | 344 | 1.9% | 433 | 2.7% |
| Egypt | 229 | 1.5% | 111 | 0.6% | 200 | 1.0% | 338 | 1.4% | 189 | 1.0% | 205 | 1.3% |
| Colombia | 202 | 1.3% | 302 | 1.7% | 285 | 1.4% | 368 | 1.5% | 333 | 1.8% | 352 | 2.2% |
| South Africa | 166 | 1.1% | 263 | 1.5% | 338 | 1.6% | 276 | 1.1% | 167 | 0.9% | 126 | 0.8% |
| Bolivia | 165 | 1.1% | 192 | 1.1% | 255 | 1.2% | 341 | 1.4% | 334 | 1.8% | 255 | 1.6% |
| Ecuador | 152 | 1.0% | 135 | 0.8% | 135 | 0.7% | 167 | 0.7% | 219 | 1.2% | 157 | 1.0% |
| Others | 3,095 | 19.8% | 3,596 | 20.2% | 4,236 | 20.4% | 5,039 | 20.2% | 3,351 | 18.4% | 2,664 | 16.4% |
| Total | USD15,627 | 100.0% | USD17,829 | 100.0% | USD20,767 | 100.0% | USD24,956 | 100.0% | USD18,172 | 100.0% | USD16,260 | 100.0% |

(1) Preliminary data for 2008, 2009 and the nine months ended September 30, 2010.

Source: Provincial Office of Statistics; Ministry of Economy of the Province on the basis of information provided by INDEC.

Historically, the main destinations for exports from the Province have been Mercosur, the United States and Chile. Exports to Brazil constitute the vast majority of exports to Mercosur, accounting for more than 80.0% of these exports in each of the last five years. From 2005 through 2009, Mercosur's share of total provincial exports has gradually increased, from 29.8% of total provincial exports in 2005 to 44.8% of total provincial exports in 2009. Exports to Brazil, in particular, have increased from 24.6% of total exports originated within the Province in 2005 to 38.0% in 2009, largely due to an increase in exports of vehicles. For the nine months ended September 30, 2010, Mercosur's share of total provincial exports increased to 45.4%, and Brazil's share of provincial exports increased to 40.3%.

Exports to Chile and the United States, however, fell during this period. Chile's share of provincial exports decreased from 9.1% in 2005 to 6.5% in 2009 and the United States of America's share of provincial exports fell from 12.7% in 2005 to 4.7% in 2009, in part due to the global economic crisis. Other countries that have significantly increased their share in the Province's total export market during this period include Uruguay, whose share increased from 3.2% in 2005 to 4.1% in 2009 and Venezuela, whose participation increased from 1.6% in 2005 to 2.9% in 2009.

Economically Active Population and Employment

INDEC prepares a series of indexes used to measure the social, demographic and economic characteristics of the Argentine population based on data collected in the *Encuesta Permanente de Hogares* (Permanent Household Survey) or "EPH". Prior to 2003, the EPH was conducted in May and October of each year. In 2003, however, the EPH was reformulated into a continuous survey in order to better track labor market trends and its results are presented periodically.

The EPH is conducted in the five main urban areas within the territory of the Province, the largest of which is the Greater Buenos Aires area, including the *Conurbano Bonaerense*.

The five main urban areas located within the territory of the Province are:

- Greater Buenos Aires, which contains approximately 67.0% of the Province's population;
- Greater La Plata, which contains approximately 5.0% of the Province's population;
- Mar del Plata – Batán, which contains approximately 4.0% of the Province's population;
- Bahía Blanca – Cerri, which contains approximately 2.0% of the Province's population; and
- San Nicolás – Villa Constitución, which contains approximately 1.0% of the Province's population. Villa Constitución, which is included in this urban area, is located in the Province of Santa Fe.

The following tables set forth employment figures from 2005 through 2010 for the main urban areas of the Province for the periods specified.

Labor Share Rate of the Main Urban Areas of the Province 2005-2010 ^{(1) (2)}
(as a percentage of total population)

| | 2H2005 | 4Q2006 | 4Q2007 | 4Q2008 | 4Q2009 | 3Q2010 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Greater Buenos Aires | 46.7% | 46.8% | 45.2% | 46.4% | 47.5% | 47.1% |
| Bahía Blanca – Cerri | 44.7% | 46.5% | – | 45.7% | 46.2% | 46.5% |
| Greater La Plata | 48.9% | 49.4% | 47.2% | 48.3% | 47.5% | 45.7% |
| Mar del Plata - Batán | 49.5% | 46.5% | 49.0% | 47.9% | 47.0% | 46.4% |
| San Nicolás - Villa Constitución... | – | 41.4% | 42.1% | 43.0% | 41.1% | 41.3% |
| Weighted average..... | 46.9% | 46.9% | 45.5% | 46.5% | 47.4% | 46.9% |

(1) Calculated by dividing the portion of the population employed or actively seeking employment (“economically active population”) by the total population.

(2) In 2005, the EPH was conducted bi-annually. In each of 2006, 2007, 2008, 2009 and 2010, the EPH was conducted on a quarterly basis.

Source: INDEC.

Unemployment Rate of the Main Urban Areas of the Province 2005-2010 ^{(1) (2)}
(as a percentage of economically active population)⁽³⁾

| | 2H2005 | 4Q2006 | 4Q2007 | 4Q2008 | 4Q2009 | 3Q2010 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Greater Buenos Aires | 12.9% | 10.9% | 8.3% | 8.5% | 10.1% | 9.2% |
| Bahía Blanca - Cerri | 9.8% | 10.3% | – | 9.8% | 9.5% | 7.4% |
| Greater La Plata..... | 11.3% | 9.6% | 7.4% | 7.4% | 7.6% | 4.7% |
| Mar del Plata - Batán..... | 12.7% | 6.5% | 10.9% | 10.1% | 9.2% | 8.0% |
| San Nicolás - Villa Constitución | – | 6.8% | 6.7% | 8.4% | 5.8% | 7.2% |
| Weighted average | 12.7% | 10.5% | 8.4% | 8.5% | 9.8% | 8.8% |

(1) Calculated by dividing the unemployed population seeking employment by the economically active population.

(2) In 2005, the EPH was conducted bi-annually. In each of 2006, 2007, 2008, 2009 and 2010, the EPH was conducted on a quarterly basis.

(3) Population employed or actively seeking employment.

Source: INDEC.

Underemployment Rates of the Main Urban Areas of the Province 2005-2010^{(1) (2)}
(as a percentage of economically active population)⁽³⁾

| | 2H2005 | 4Q2006 | 4Q2007 | 4Q2008 | 4Q2009 | 3Q2010 |
|---------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Greater Buenos Aires..... | 10.4% | 9.3% | 6.8% | 6.7% | 7.9% | 6.9% |
| Bahía Blanca – Cerri..... | 8.6% | 4.1% | – | 3.0% | 3.4% | 4.1% |
| Greater La Plata..... | 8.9% | 5.1% | 6.0% | 4.7% | 7.0% | 4.5% |
| Mar del Plata – Batán..... | 7.1% | 7.5% | 5.9% | 8.0% | 8.5% | 7.3% |
| San Nicolás - Villa Constitución..... | – | 3.7% | 2.9% | 3.4% | 4.5% | 4.5% |
| Weighted average..... | 10.1% | 8.7% | 6.6% | 6.5% | 7.7% | 6.7% |

(1) Calculated by dividing the portion of the population working 35 hours or less per week and with the intent to work more by the economically active population.

(2) In 2005, the EPH was conducted bi-annually. In each of 2006, 2007, 2008, 2009 and 2010, the EPH was conducted on a quarterly basis.

(3) Population employed or actively seeking employment.

Source: INDEC.

High rates of unemployment persisted in the Province throughout the 1990s. During the early 1990s, several factors contributed to high unemployment rates, including a shift from labor-intensive to capital-intensive production and slower growth in labor-intensive sectors relative to other sectors.

In 2000, the Province implemented three social programs to address unemployment:

- *Barrios Bonaerenses* (Buenos Aires Neighborhood Program) was developed with the goal of improving the income of poor households by providing public service employment to heads of households over 18 years of age.
- *Programa Bonus* (Bonus Program) provided one-year scholarships to unemployed or inexperienced 18- to 25-year-old individuals for trainee programs with small- and medium-sized businesses.
- *Plan Segunda Oportunidad* (Second Opportunity Program) provided unemployed heads of households aged 45 to 55 who have lost their jobs within the prior year with a subsidy to enable them to reenter the workforce and update their job skills by working with small- and medium-sized firms.

Although these programs provide additional employment opportunities, the positions they offered were often part-time with low wages and without health insurance or other benefits.

In order to address these problems, in 2008, the Province replaced the Bonus and Second Opportunity Programs with the “*Plan de Promoción, Preservación y Regularización del Empleo*” (Employment Promotion, Preservation and Regularization Program), which includes four sub-programs:

- *Inclusión Laboral* (Employment Opportunity), which is focused on unemployed persons without prior work experience or education;
- *Regularización del Empleo no Registrado* (Unregistered Employee Regularization), which is focused on registering informal workers;
- *Asistencia a la Promoción Industrial* (Industrial Promotion), which focuses on employees at industrial companies; and
- *Preservación de Puestos de Trabajo en Situación de Crisis* (Preservation of Labor Force in Distressed Companies), which focuses on retaining jobs at risk of layoffs.

Under each of these programs, companies that hire or retain qualifying employees receive a fixed sum of up to ARS 600 per employee, per month for 6 to 24 months. In addition, the Buenos Aires Neighborhood Program remains available for the unemployed.

In 2009, the Province spent approximately ARS 2,443 million on these and other social programs described below in “—Poverty”.

The average unemployment rate fell from 12.7% in 2005 to 8.5% in 2008 as the Province’s economic recovery during this period led to increased demand for labor in the industrial, commercial (including hotels and restaurants) and construction sectors. The economic slowdown experienced by the Province in 2009 led to an increase in the average unemployment rate to 9.8%, which fell to 8.8% as of September 30, 2010.

Poverty

Because the Province’s only source of data relating to poverty consists of statistics compiled by INDEC as part of the EPH, the following discussion relates primarily to poverty within the main urban areas of the Province. See “—Economically Active Population and Employment”.

Poverty assessments are based on the value of a basket of goods and services (consisting principally of food, clothing, transportation, health care, housing and education), which is considered the minimum necessary to sustain a household. The basket is valued at market prices and the resulting threshold is called the “poverty line.”

Poverty in the Province is much more significant within Greater Buenos Aires. However, since 2005, the percentage of people and households living below the poverty line within Greater Buenos Aires has declined from 35.1% of households and 45.5% of persons to 9.6% of households and 14.0% of persons during the first six months of 2009. This decline resulted primarily from rising employment rates and higher income during this period attributable to the economic recovery. However, the global economic slowdown, combined with a drought that strongly affected the Province, resulted in slightly higher poverty rates in the second half of 2009, notwithstanding that poverty rates tend to be higher in the first six months of each year. The trend of higher poverty rates in the first half of each year is attributable to seasonality in hiring trends.

The following table sets forth the percentage of households and population living in the principal urban areas of the Province of Buenos Aires with annual incomes below the poverty line from 2005 through 2010 for the periods specified.

Poverty in the Main Urban Areas of the Province, 2005-2010
(in percentages)

| Period | Greater Buenos Aires | | Bahía Blanca-Cerri | | Greater La Plata | | Mar del Plata-Batán | | San Nicolás-Villa Constitución | |
|---|----------------------|---------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|--------------------------------|---------|
| | Households | Persons | Households | Persons | Households | Persons | Households | Persons | Households | Persons |
| First half 2005..... | 35.1% | 45.5% | 25.8% ⁽¹⁾ | 35.5% ⁽¹⁾ | 17.3% ⁽¹⁾ | 24.2% ⁽¹⁾ | 18.3% | 23.6% ⁽¹⁾ | — | — |
| Second half 2005 .. | 28.7% | 36.9% | 19.8% ⁽¹⁾ | 27.9% ⁽¹⁾ | 17.3 % ⁽¹⁾ | 24.3% ⁽¹⁾ | 18.3% ⁽¹⁾ | 26.4% ⁽¹⁾ | — | — |
| First half 2006..... | 27.3% | 34.5% | 17.2% ⁽¹⁾ | 24.4% ⁽¹⁾ | 15.1% | 21.4% | 15.6% ⁽¹⁾ | 19.5% ⁽¹⁾ | — | — |
| Second half 2006 .. | 22.9% | 30.2% | 12.8% | 19.3% | 12.7% | 17.1% | 11.5% | 16.3% | 14.6% | 20.3% |
| First half 2007 ⁽²⁾ | 18.8% | 25.0% | — | — | 9.9% | 16.2% | 10.2% | 15.1% | 11.7% | 16.5% |
| Fourth quarter 2007 / first quarter 2008 ⁽²⁾ | 17.1% | 24.3% | — | — | 9.9% | 16.8% | 8.6% | 12.5% | 12.7% | 16.7% |
| First half 2008..... | 13.9% | 19.9% | 9.4% | 16.3% | 9.9% | 14.4% | 8.6% | 12.1% | 10.0% | 12.9% |
| Second half 2008 .. | 12.0% | 17.8% | 9.0% | 15.0% | 8.2% | 14.4% | 6.8% | 9.3% | 8.2% | 11.2% |
| First half 2009..... | 9.6% | 14.0% | 7.6% | 12.7% | 7.7% | 12.2% | 8.4% | 12.0% | 10.2% | 13.5% |
| Second half 2009 .. | 10.4% | 14.5% | 5.6% | 7.9% | 6.0% | 9.6% | 8.2% | 10.2% | 10.4% | 13.3% |
| First half 2010..... | 9.2% | 13.5% | 4.3% | 7.2% | 7.4% | 13.0% | 5.7% | 6.9% | 8.5% | 12.3% |

(1) Estimates subject to variation coefficients greater than 10.0%.

(2) No survey was conducted for Bahía Blanca-Cerri.

Note: During the third quarter of 2007, no survey was conducted in the principal urban areas of the Province. As a result, it is not possible to estimate poverty levels in the second semester of 2007.

Source: INDEC.

In recent years, the federal government has developed a number of poverty reduction programs throughout Argentina, including the following social welfare programs:

- *Plan Manos a la Obra* (Hands to Work Program), which provides economic and technical support to the municipalities and various non-governmental organizations that provide training and other assistance to unemployed individuals seeking employment;
- *Plan Mayores* (Seniors' Plan), which provides stipends for individuals over 70 years of age without a pension;
- *Plan Jefes y Jefas de Hogar* (Heads of Households Program), which provides ARS 150 per month and training to eligible unemployed heads of households with disabled or minor dependents as compensation for community service work performed; and
- *Asignación Universal por Hijo* (Allowance for Children), which provides unemployed people with dependants under 18 years old a monthly stipend (per child, up to a maximum of five children) to cover healthcare costs. As of the date of this offering memorandum, the stipend was ARS 220 per child per month, or, in the case of dependents that are disabled, ARS 880 per dependent per month regardless of age. To receive this stipend, recipients must comply with certain requirements, including compliance with certain sanitary controls until each dependent has reached five years of age, and school attendance until each dependent is at least 18 years old. Eighty percent of the stipend is paid through the ANSES payment system, and 20.0% is distributed to a bank account in the recipient's name at *Banco de la Nación Argentina*, and may be withdrawn with a magnetic card given to the recipient. As of November 2009, beneficiaries of the Allowance for Children program cannot be beneficiaries of any other social plans or programs.

Based on the percentage of individuals recorded by INDEC to be living below the poverty line in the six months ended June 30, 2010, the Province estimates that approximately 41.97% of the total population of Argentina living below the poverty line during that period resided within the Province. Therefore, because the highest proportion of Argentina's population living in poverty resides within the Province, federal poverty reduction measures and programs have a more significant impact on the Province than on any other Argentine province.

In addition to federally funded poverty reduction programs, the Province has established a series of social welfare programs intended to assist those members of its population who are most vulnerable to poverty and other socioeconomic hardship. The Province spent ARS 1,038.7 million in 2005, ARS 1,082.0 million in 2006, ARS 1,104.9 million in 2007, ARS 1,541.9 million in 2008 and ARS 2,069.6 million in 2009 on these programs, and is budgeted to spend ARS 2,435.8 million in 2010 on social programs. The increase in social program spending between 2007 and 2008 is largely due to the addition of the *Plan Vida Tarjeta Magnética Recargable (TMR)* program and a 59.2% increase in spending on the *Servicio Alimentario Escolar* program, as described below. The increase in social program spending between 2008 and 2009 is largely due to a 110.4% increase in spending on the *Plan Vida Tarjeta Magnética Recargable (TMR)* program, a 32.1% increase in spending on the *Servicio Alimentario Escolar* program, and a 23.1% increase in spending on the *Plan Más Vida* program.

The Province's social programs include the following:

- *Plan Más Vida* (More Life Plan). This program provides staple foods (oil, rice, sugar, noodles, polenta, semolina flour, wheat flour, legumes, flan powder and milk) to poor families that have pregnant mothers or children from birth until the children enter school at five or six years of age. Beneficiaries of this program are primarily families who, for various reasons, but mainly a lack of identification documents, cannot participate in the Rechargeable Magnetic Card program described below. Under the More Life Plan, food is distributed to families through volunteers and town halls. The More Life Plan is in force in 51 districts of the Province.
- *Plan Vida Tarjeta Magnética Recargable (TMR)* (Life Plan – Rechargeable Magnetic Card). This program provides families with a rechargeable magnetic card that can be used to purchase staple foods. Each

municipality determines the level of benefits, which are transferred to a bank account in the beneficiary's name, and which can be withdrawn using the rechargeable magnetic card. The cards generally have a value of ARS 80 to ARS 100. Approximately 520,000 people participate in this program.

- *Servicio Alimentario Familiar* (Family Nutrition Service). This program provides a selection of fresh and dried foods to poor families with children from six months of age until they enter school at five or six years of age. Each municipality conducts a census to determine the number of eligible beneficiaries, and funds are distributed from the Province to the municipalities on this basis. Municipalities are in charge of buying and distributing the food under this program.
- *Servicio Alimentario Escolar* (School Nutrition Service). This program provides school lunches and snacks to children throughout the Province ages 3 to 14 who lack adequate housing or who come from families with unemployed heads-of-household. The program provides a daily breakfast, lunch and snack to children. The objective of this program is to ensure that children have a minimum level of nutrition to improve their education and health. Funds for this program are transferred from the Province to school boards, which use the funds for food for the program.
- *Plan Barrios Bonaerenses* (Buenos Aires Neighborhood Plan). This program provides cash transfers to vulnerable households, primarily to unemployed people in families without any income that do not have other sources of support such as loans or unemployment assistance, and that do not participate in any employment programs. Larger families are given priority under this program. Benefits under this program are deposited into bank accounts established in the names of the beneficiaries.
- *Plan Envión* (Assistance Plan for Vulnerable Youth). This program is designed to assist children, adolescents and youth between 12 and 21 years old to finish their formal education, learn a trade and develop their capacity and abilities to strengthen their links with society. The program involves collaboration between the Province, the business sector and municipalities. The Province has trained teachers and provincial employees to open youth centers in municipalities with populations over 100,000 inhabitants and develop cultural, recreational and sports activities for youth. This program also provides monthly grants of ARS 350 to be used for vulnerable youth. The plan also includes activities to combat drug and alcohol abuse by youth, including *Centros de Protección de las Adicciones* (Centers for Protection against Addiction).
- *Unidades de Desarrollo Infantil* (Child Development Centers). This program provides basic nutrition and educational services to children from birth to 14 years of age living in poverty or in areas of environmental risk. The program includes various components, including:
 - Pre-schools for children between birth and five years of age, daycare centers for children between two and five years of age and *casas del niño* (kid's houses) for children between six and 13 years of age. These institutions receive bi-monthly transfers from the Province and provide services to children from 8:00 am to 5:00 pm, including three daily meals and educational programs run by "caring mothers" (in the case of younger children or infants) or other educational personnel.
 - Childrens' cafeterias and integrated service centers, for children between two and five years of age. These cafeterias receive monthly transfers from the Province and provide daily lunch (in the case of the children's' cafeterias) or daily breakfast and lunch (in the case of the integrated service centers), as well as nutritional and personal hygiene education.
 - Small grants, which provide bimonthly transfers to Group Homes, Newborn Centers, Special Centers, and Daytime Service Centers to provide essential services to children and adolescents, including nutritional, medical, educational and recreational services.
- *Soluciones Ya* (Solutions Now). This program is designed to provide rapid implementation of small-scale public works through a simplified administrative process in neighborhoods that lack basic services.

- *Vale Vida* (Worthwhile Life). This program provides nutritional assistance to people over 60 years old who do not have other forms of assistance. The program consists of bimonthly transfers of ARS 200, through Banco Provincia, to senior citizens for the purchase of food. Municipalities and non-governmental organizations (NGOs) are responsible for administering the program. In 2009, the Province spent ARS 19.9 million on the Worthwhile Life program.
- *Tercera Edad* (Program for Senior Citizens). This program provides funding to municipal or non-profit retirement homes or day centers with the goal of improving the quality of life for people more than 60 years old that are in at-risk situations and without other forms of assistance. The Province provides direct cash transfers to these institutions. In 2009, the Province spent ARS 4.6 million on the Program for Senior Citizens.
- *Integración de Personas con Capacidades Diferentes* (Integration of Persons with Disabilities). This program provides funding and technical assistance to municipalities and non-governmental organizations that provide services for severely disabled individuals of all ages, such as day treatment centers, occupational workshops and group homes, as well as direct benefits and services for those individuals, including assistance payments, dietary support, rehabilitation and individual and family psychological services.
- *Subsecretaria de Atención a las Adicciones* (Subsecretary for Attention to Addiction). This program consists of a provincial network of 178 *Centros de Protección de las Adicciones* (Centers for Protection against Addiction), as well as subsidies to therapeutic communities and patients in rehabilitation.

Crime

Since late 2007, the Province has implemented a number of programs to combat crime, including:

- *Plan de Seguridad* (Security Plan). Under this program, police presence has been increased. It also seeks to combat drug trafficking and promote transparency, greater internal control and professionalism among police.
- *Lucha contra el narcotráfico* (Fight against drug trafficking). Since December 2007, the police have changed focus and have increased efforts to combat drug trafficking.
- *Ley de nocturnidad* (Curfew Law). Law No. 14,050 was passed in response to violence and accidents that occur when people leave dancehalls early in the morning.
- *Operativo Sol* (Operation Sunshine). This program is designed to combat crime in seaside resorts during summer vacations.
- *Programa de Seguridad Ciudadana e Inclusión* (Citizen Security and Inclusion Program). In 2009, the Interamerican Development Bank (“IADB”) approved a loan of USD 25,000,000 to improve police information systems and logistics, as well as to support community crime-fighting initiatives such as “neighborhood security forums,” which involve both police and community members in determining security strategies. The Governor of the Province approved this loan on June 14, 2010.

Environment

The environment is an important issue for the Province and Argentina. In 1973, Argentina was one of the first Latin American countries to create an environmental protection agency, and in 1995, the Province created the *Organismo Provincial para el Desarrollo Sostenible* (the Provincial Organization for Sustainable Development, or “OPDS”), which is in charge of overseeing environmental issues in the Province. The OPDS conducts environmental inspections, maintains a database of licensed environmental service providers, accepts citizen complaints about pollution, and is involved in a wide range of environmental projects, from bio-fuel promotion to energy efficiency.

Although the Province confronts many environmental issues, including soil and air quality, the major environmental challenge facing the Province is water quality. Three water basins with significant pollution are located within the Province: the Matanza-Riachuelo River Basin, the Reconquista River Basin, and the Lujan River Basin.

Matanza-Riachuelo River Basin

In June 2006, the national Supreme Court ruled on a claim brought by a group of citizens living nearby the Matanza river that the Province, together with the federal government, the City of Buenos Aires and the *Consejo Federal de Medio Ambiente* (Federal Environmental Council, or “COFEMA”) is required to develop an environmental plan for the clean-up of the Matanza-Riachuelo River Basin. The Province, the federal government, the City of Buenos Aires and the COFEMA have presented a 15-year clean-up plan providing for the clean-up with a total cost of approximately ARS 6.0 billion.

In December 2006, the national Congress created a new administrative authority to monitor the environmental aspects related to the Matanza-Riachuelo River Basin. The *Autoridad de la Cuenca Riachuelo-Matanza* (Authority of the Matanza-Riachuelo Basin, or “ACUMAR”) is empowered to inspect, sanction and close down the companies polluting the area. The ACUMAR replaced several governmental authorities and has the power and the necessary means to coordinate the large scale environmental clean-up required by the national Supreme Court ruling.

In December 2006, the plaintiffs who had filed the original claim in the June 2006 lawsuit presented 15 new claims, including claims against 14 provincial municipalities located on the river basin and the *Coordinación Ecológica Área Metropolitana Sociedad del Estado* (Ecological Coordination Metropolitan Area State Society, or “CEAMSE”) asserting that these entities should also be liable for the clean-up because the municipalities have the power to regulate the commercial, industrial and adversely affected areas and monitor the compliance with environmental standards and that CEAMSE has the authority to control waste disposal affecting the Matanza-Riachuelo River Basin.

On February 20, 2007, the parties attended a public hearing before the national Supreme Court to discuss the status of a clean-up plan, as well as the results of the environmental investigation of the 44 companies accused of polluting the Matanza-Riachuelo River Basin. During the hearing, the Province informed the Supreme Court of its clean-up plan and announced the following measures:

- Creation of credit facilities with a low interest rate for small and medium size businesses (“PyMEs”), to finance the clean-up of polluted areas; development of new technologies to avoid further pollution and the relocation of some industries that are an environmental threat to the Matanza-Riachuelo River Basin;
- Study of public waters in order to find the ways to improve the drainage system within the Matanza-Riachuelo River Basin; and
- Ongoing inspections of the Matanza-Riachuelo River Basin to make sure the clean-up plan is being complied with and to help prevent further pollution.

Following the hearing, the national Supreme Court appointed independent expert witnesses proposed by the Universidad de Buenos Aires (UBA) to prepare a report about the technical feasibility of the clean-up plan for the Matanza-Riachuelo River Basin presented by the federal government, together with the Province and the City of Buenos Aires.

On July 4, 2007, the national Supreme Court conducted a third public hearing where:

- The UBA expert witnesses objected to the official clean-up plan;

- The federal Ombudsman approved the inspection and sanction of companies polluting the Matanza-Riachuelo River Basin as well as the implementation of an environmental insurance scheme, and criticized the lack of timetables and a work schedule for the official clean-up plan;
- Various non-governmental organizations and the plaintiffs objected to the official clean-up plan, criticizing the lack of community participation; and
- The Secretary of the Environment described the launch of the official clean-up plan, indicating that 1,500 inspections of companies in the Matanza-Riachuelo Basin were carried out. The Secretary of the Environment indicated that when any irregularity is observed, the offending company is required to present a remediation plan that is reviewed by the Secretary's technical experts prior to approval.

The ACUMAR held its first hearing on July 17, 2007.

On August 22, 2007, the national Supreme Court ordered the ACUMAR, the federal government, the Province of Buenos Aires and the City of Buenos Aires to present, within 30 days, a report on the progress and projects to clean-up the Matanza-Riachuelo River Basin.

In addition, the national Supreme Court required the parties to create sustainable development and environmental education programs in connection with the clean-up plan. The national Supreme Court gave the 44 companies mentioned in the claim 30 days to present a technical report about the waste that, according to the plaintiffs, they dump in the river, whether they apply any treatment to avoid pollution and whether they have any insurance in respect of environmental liabilities.

On November 28, 29 and 30, 2007, many of the defendants, the federal government, the Province, the City of Buenos Aires, the 14 municipalities involved and the 44 companies expressed their positions in the public hearings held by the national Supreme Court. The federal, provincial and municipal governments presented a revised clean-up plan that was prepared by the ACUMAR, which included certain proposals made by Aguas Argentinas, the water utility company for the City of Buenos Aires. The revised plan consisted of recollecting raw sewage and industrial waste previously treated and discharging the waste in the Río de la Plata.

On July 8, 2008, the national Supreme Court ruled in the case “Mendoza Beatriz Silvia y Otros v. Estado Nacional y Otros”, requiring the ACUMAR to comply with the revised clean-up program and making the federal government, the Province and the City of Buenos Aires jointly responsible for its execution. The Supreme Court also ruled that the governments are also responsible for preventing further damage and repairing the existing damage to the Basin. Accordingly, the Supreme Court set a 90-day period for the governments to implement an active health plan for the areas affected by the Basin pollution, and established fines for public officials who did not comply with the law.

Reconquista River Basin

The Reconquista River Basin is the second most contaminated river basin in Argentina, following the Matanza-Riachuelo River Basin. In 2001, the Province created the *Comité de la Cuenca del Río Reconquista* (Reconquista River Basin Committee, or “COMIREC”) to oversee the work of the *Unidad de Coordinación de Obras Saneamiento Ambiental y Control de las Inundaciones* (Coordinating Unit for Environmental Cleanup and Flood Control Works, or “UNIREC”), which was created in 1994. This committee has not yet been granted the power by municipalities bordering the river to impose environmental restrictions, as a result of which the Reconquista River Basin is not being effectively controlled or managed.

Lujan River Basin

The Lujan River Basin is the least contaminated of the three major river basins in the Province. Although the *Comité de la Cuenca Hídrica del Río Lujan* (Lujan River Basin Committee) has been formed to oversee environmental issues affecting the river, it has not yet been granted powers by municipalities bordering the river and as a result is not being effectively controlled or managed.

Litigation

Concession Dispute

In May 1999, the Province awarded a concession to Azurix Buenos Aires (“Azurix”), an indirect subsidiary of Enron, for the provision of water and wastewater services in 48 of the Province’s 134 municipalities. In January 2001, Azurix alleged that the Province had failed to comply with certain provisions of the concession. Following several months of unsuccessful negotiations, in October 2001 Azurix gave notice of termination of the concession to the Province.

The parent company of Azurix, Azurix Corp., filed a request for arbitration against the federal government with the International Centre of Settlement of Investment Disputes (“ICSID”) on the grounds that Argentina had violated the 1991 Treaty Concerning the Reciprocal Encouragement and Protection of Investment between the Republic of Argentina and the United States of America (the “BIT”), seeking approximately USD 555 million in compensation for its alleged damages and requesting the adoption by Argentina of all necessary measures to avoid further damages to its investment. In July 2006, the ICSID rendered a decision in the arbitration proceedings in favor of Azurix Corp. and ordered the federal government to pay USD 165 million in damages. Argentina filed an appeal of the decision and requested that the court suspend execution of the award pending resolution of the appeal. The ICSID sustained the request to suspend execution of the award on December 28, 2007, thereby temporarily relieving Argentina from complying with the decision. On September 1, 2009, the ICSID rejected Argentina’s appeal, affirmed its prior decision, and lifted the stay of execution. The federal government informed Azurix in December 2009 that to execute the award they would have to start a local judicial execution procedure. As of the date of this offering memorandum, the federal government has not paid the ICSID award. The Province will have to reimburse the federal government for any such payment.

At the time that Azurix gave notice of termination of the concession to the Province, the Province, by executive decree, rejected the notice of termination of the concession delivered by Azurix in October 2001 and informed Azurix that it remained subject to its obligations under the concession. In December 2001, Azurix challenged the validity of the Province’s executive decree before the provincial Supreme Court, arguing that it had validly terminated the concession as from October 2001. In March 2002, the Province, by executive decree, revoked Azurix’s concession and declared a public sanitary and social emergency in the 48 municipalities that were subject to the concession, pursuant to which the Province assumed the provision of water and wastewater services in these municipalities through the newly created *Agua Bonaerenses S.A.*, which is jointly owned by the Province (90.0%) and its employees (10.0%). This executive decree was ratified by the provincial legislature in February 2003. Following the revocation of the concession, Azurix amended its pending proceedings before the provincial Supreme Court to include a challenge of the validity of the revocation of its concession. In addition, Azurix has challenged before the provincial Supreme Court certain monetary penalties imposed by the Province on Azurix related to the services provided pursuant to the concession prior to its revocation. These challenges have not been resolved; however, the Province believes matters included in the claim before the ICSID include indemnification for this claim as well.

Bondholder Claims

There are currently 13 lawsuits pending against the Province relating to the Province’s 2002 default on its bonds. These lawsuits are pending under three different jurisdictions: the United States of America, Germany and Switzerland.

In the United States of America, there are currently seven lawsuits against the Province regarding due and unpaid principal, amounting to USD 509,000 and EUR 201,000 (excluding interest). As of the date of this offering memorandum, there have been final and non-appealable judgments against the Province in six lawsuits. The remaining case is pending.

In Germany, there are four lawsuits against the Province. The principal amount of these lawsuits totals EUR 2.5 million (excluding interest). There are final and non-appealable judgments against the Province in three of these cases and one case is still pending resolution of an appeal filed by the Province.

In Switzerland, there are two lawsuits against the Province, for a principal amount of CHF 570,000 (excluding interest). In both lawsuits there has been a final and non-appealable judgment entered against the Province.

As of the date of this offering memorandum, no creditors who have brought any legal action against the Province have succeeded in collecting on their bonds despite having a favorable judgment.

Provincial Enterprises

The Province owns part or all of a number of different enterprises. Some of these enterprises provide traditional public services to people who live in the Province, such as Aguas Bonaerenses S.A., which provides water service, Buenos Aires Gas S.A., which provides gas service, and CEAMSE, which provides garbage collection and disposal services. In addition, the Province owns 100% of Banco Provincia, which is a self-administered public bank that provides general, commercial and retail banking services in Argentina. See “Banco Provincia”. The Province also owns enterprises that compete in markets for other goods and services. The following is a description of some of the most socially and economically important enterprises owned by the Province.

Instituto Provincial de Lotería y Casinos

In November 2006, the *Instituto Provincial de Lotería y Casinos* (the Provincial Institute of Lotteries and Casinos) implemented a new program to renew the licenses granted to bingo and slot machine operators due in 2006 and 2007. As consideration for renewing their license, the operators were required to pay a fixed sum in 2007 and a fixed monthly payment between 2007 and 2011. The Province collected ARS 247.4 million in 2007, ARS 129.0 million in 2008 and ARS 147.5 million in 2009 in respect of these amounts.

The New Ministry Law provided that the Cabinet Office and the Department of the Interior are in charge of the relationship with the Provincial Institute of Lotteries and Casinos. In March 2009, Law No. 13,975 separated the Cabinet Office from the Department of the Interior, and left responsibility for the Provincial Institute of Lotteries and Casinos solely with the Cabinet Office.

Fideicomiso de Recuperación Crediticia

In 2001, pursuant to a provincial law enacted to improve Banco Provincia’s balance sheet, Banco Provincia transferred to the Province approximately ARS 1,900 million in non-performing loans in exchange for a bond issued by the Province to Banco Provincia in a principal amount equal to the face value of the loans, less approximately ARS 600 million in allowances for loan losses. Banco Provincia subsequently exchanged the ARS 1,300 million bond for *Bogar* in the provincial debt exchange. See “Public Sector Debt—Debt Denominated in CER-adjusted Pesos—Provincial Debt Exchange (*Bogar*).”

In order to recover the transferred loans, the Province created, by provincial statute, the *Fideicomiso de Recuperación Crediticia* (the Loan Recovery Committee), a provincial *entidad autárquica* (self-administered public entity) whose members are appointed by the Governor. The Loan Recovery Committee is required to transfer all of its profits (calculated as amounts recovered on the transferred loans less the entity’s expenses) to the Province for purposes of funding a portion of the payments due by the Province to the federal government in respect of *Bogar*.

Pursuant to Law No. 13,929 the Loan Recovery Committee was enabled to act as trustee in trust agreements with financial and other private or public institutions providing credit recovery services. In furtherance of its duty as trustee, the Committee was authorized by Law No. 14,062 to purchase loan portfolios. This law also abolished the duty to apply all profits to fund payments due under *Bogar* bond.

As of September 30, 2010, the Province had received ARS 1.45 billion from the Loan Recovery Committee.

Astillero Río Santiago

In June 1994, the federal government transferred the *Astillero Río Santiago* (Río Santiago shipyard, or the “shipyard”) to the Province in anticipation of its privatization. Despite the loss-generating nature of the shipyard, the Province accepted the transfer and has been subsidizing the operations of the shipyard in order to preserve an important source of employment for the city of Ensenada. This subsidy amounted to approximately ARS 72.4 million in 2005, ARS 109.3 million in 2006, ARS 141.0 million in 2007, ARS 260.0 million in 2008 and ARS 303.1 million in 2009. In 2010, the Province projects to have granted a subsidy of ARS 506.9 million in 2010, and has budgeted ARS 385.4 million in 2011, to be transferred to the shipyard. The Province does not have any current plans to privatize this enterprise.

In 2005, the shipyard entered into an agreement with the Government of Venezuela to build vessels. In addition, in 2009 it entered into agreements with the company Dubai Whitesea Shipping & Supply to build six vessels. In connection with these agreements, Article 49 of Law No. 14,062 authorizes the governing body of the shipyard to hire Banco Provincia to provide the necessary bank guarantees to build the vessels for up to a maximum of three years. In addition, Article 49 provides that the Province will guarantee the payment of such obligations incurred by Banco Provincia, to be funded by revenues from the federal tax co-participation scheme.

In December 2007, the New Ministry Law transferred responsibility for the shipyard from the Cabinet Office to the Ministry of Agricultural Affairs and Production. In October 2008, Law No. 13,881 split the Ministry of Agricultural Affairs and Production into the Ministry of Agricultural Affairs and Ministry of Production and transferred responsibility for the shipyard to the Ministry of Production.

Centrales de la Costa Atlántica S.A.

In September 2006, the Province and the federal government entered into an Agreement to modernize the electricity generation capacity of the generating stations owned by Centrales de la Costa Atlántica S.A. The project consists of installing combined cycle gas and steam turbines with recovery boilers at the *Central 9 de Julio* (July 9 Power Plant) located in Mar del Plata, and a gas turbine at the *Central Villa Gesell* (Villa Gesell Power Plant), located in Villa Gesell. In total, the project expects to increase the power capacity of the generation stations owned by Centrales de la Costa Atlántica S.A by 227 MW.

Centrales de la Costa Atlántica S.A. initiated the bidding process for the upgrade project, however, only one company participated. As a result, the bidding process was declared void and a second bidding process was started, in which four companies participated: China Metallurgical Group Corporation, Alstom Argentina S.A. (Alstom Switzerland Ltd.), Capime Ingeniería S.A. and Eytec S.A. Capime Ingeniería S.A. and Eytec S.A. were rejected on the grounds that they were not technically viable and that they did not meet the technical specifications. The Province held negotiations with the China Metallurgical Group Corporation. However, following a series of meetings with the representatives of the firm, the tender was rejected on the grounds that the firm did not comply with the regulations established and it was not in the interests of the federal and provincial governments within the framework of the upgrade project. In addition, the tender from Alstom S.A. was also rejected for not meeting the required technical specifications, and consequently the bidding process was declared void again.

In October 2007, Centrales de la Costa Atlántica S.A. initiated a new bidding process, which required bidders to include the financing of the upgrade projects in their bids. As part of the process, the Province agreed to provide a repayment guarantee to the company chosen in the bidding process. At the beginning of 2008, Centrales de la Costa Atlántica S.A. started analyzing the technical and economic proposals received during the bidding process.

However, because tight deadlines prevented the upgrades from being carried out according to the established schedule, the bidding terms were revised. The federal government, the Province, Centrales de la Costa Atlántica S.A., and Banco Provincia entered into an agreement on July 1, 2008 approving the revision of the bidding terms, which was approved by decree-law No 1,422/08 and ratified by Article 98 of Law No. 13,929. Pursuant to the new terms of the agreement, the project was divided into two different projects, *Central Villa Gesell* and *Central 9 de Julio*, with the completion of *Central Villa Gesell* project a priority.

On July 21, 2008, the *Central Villa Gesell* project was awarded to Roza S.A. and Faisner S.A. UTE. The total cost of *Central Villa Gesell* project is estimated to be ARS 277 million and its construction will require approximately 27 months. On August 19, 2010, the federal government, the Province, Centrales de la Costa Atlantica S.A. and Banco Provincia amended the July 1, 2008 agreement to include the conversion of the open-cycle gas turbine at *Central Villa Gesell* to a closed-cycle gas turbine, which will increase its capacity from 77 MW to 117 MW and increase its efficiency from 36% to 53%. On December 15, 2010, the open-cycle gas turbine at *Central Villa Gesell* became operational; the conversion to a closed-cycle gas turbine remains in progress.

In August 2009, the *Central 9 de Julio* project was pre-awarded to Electroingeniería S.A. The final awarding is subject to the fulfillment by Electroingeniería of certain technical requirements, which continue to be analyzed by all parties.

In order to achieve the upgrades to *Central Villa Gesell* and *Central 9 de Julio*, the federal government and the Province are required to provide funds that will be transferred to a Trust Fund for the Provincial Infrastructure Development Plan created by Law No. 12,511. These funds are non-refundable and will irrevocably be earmarked to performing public works and be allocated to future investments in power generation projects. The Trust Fund will be used to make the payments required by Centrales de la Costa Atlántica S.A. In addition, the law approving the budget for 2010 authorized the Province to borrow up to ARS 100 million to finance the upgrades of *Central Villa Gesell*, and the 2011 Budget Law authorized the incurrence of up to ARS 340 million of debt for *Central Villa Gesell* and ARS 100 million of debt for *Central 9 de Julio*.

PUBLIC SECTOR FINANCES

Scope and Methodology

The public sector of the Province consists of the central administration of the Province, decentralized provincial institutions, provincial enterprises, trust funds formed, in whole or in part, with provincial funds, and the social security system.

The central administration of the Province comprises the executive, legislative and judicial branches of the government of the Province, including ministries and other agencies. Decentralized institutions, such as the Provincial Housing Authority and the General Office of Culture and Education, perform duties that are specifically delegated to them by Provincial law.

Provincial enterprises are defined as those corporations that are controlled or majority-owned by the Province, including but not limited to Banco Provincia, and the Provincial Institute of Lotteries and Casinos (see “The Provincial Economy—Provincial Enterprises”).

The principal trust funds are the Loan Recovery Committee (see “The Provincial Economy—Provincial Enterprises—Loan Recovery Committee”) and the *Fondo Fiduciario para el Desarrollo del Plan de Infraestructura Provincial* (Provincial Infrastructure Fund). The Provincial Infrastructure Fund was created to finance provincial public works and is funded mainly by the energy tax, multilateral organizations loans, and FONAVI contributions.

The social security system comprises the Social Security Board, which administers four subsystems (Municipalities, Teachers, Penitentiary Officers and the rest of the Public Administration), the Provincial Police Pension and Retirement Funds and the Banco de la Provincia de Buenos Aires Pension Fund. The social security system operates on a pay-as-you-go basis, meaning that the system does not maintain funds to meet future pension obligations. Instead, the system receives stipulated contributions from employees and the Province on behalf of its employees and uses those funds as needed to meet current payment obligations to beneficiaries. If required payments exceed the funds contributed to the pension system by employees and by the Province on behalf of the employees, the Province is required by provincial law to cover the deficit.

The provincial budget and public accounts reflect the consolidated results of the institutions and agencies that comprise the central administration of the Province, decentralized institutions and social security system (except the Banco de la Provincia de Buenos Aires Pension Fund).

The Province does not consolidate the results of its municipalities, provincial enterprises and other agencies. Under provincial law, however, the Province is required to transfer a portion of its tax revenues to its municipalities, and certain provincial enterprises and agencies are required to transfer their profits or surpluses to the Province. The Province records transfers to these unconsolidated entities (including contributions, loans and advances to provincial enterprises) as expenditures, and transfers from these entities as revenues.

The Province maintains its books and records in pesos and prepares its budget and financial statements in accordance with accounting principles set forth in the Financial Administration Law. These principles differ materially from generally accepted accounting principles, or GAAP, in Argentina and in other jurisdictions, including the United States, but are generally in line with the accounting principles followed by other Argentine provinces. The principal features of the Province’s accounting principles are:

- revenues are not accounted for on an accrual basis, but are recognized in the period in which they are received;
- expenditures are accounted for when they are accrued, regardless of whether there has been a cash outflow from the provincial treasury, except for interest expense, which is accounted for 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 financial statements;

- capital expenditures and investments in tangible assets are not capitalized, but are expensed during the period in which they are incurred;
- construction contracts are expensed using the percentage of completion method; and
- revenues, expenditures and public debt are not adjusted for inflation in the Province's accounts.

The financial records and statements of the Province are prepared and examined by the *Contaduría General de la Provincia* (General Accounting Office of the Province) and approved by the provincial *Tribunal de Cuentas* (Audit Tribunal). Each year, the General Accounting Office has until April 15 to publish the financial statements of the previous fiscal year.

Overview of Provincial Accounts

In the context of economic growth on a national basis, the Province experienced a significant increase in revenues and expenses from 2005 through 2007, principally due to substantial increases in self-generated tax revenues and revenues transferred by the federal government, which allowed the Province to sustain increased public spending. As a result, the current account from 2005 through 2007 produced positive results, demonstrating the Province's capacity to afford its operating expenses. In 2007, the current account balance was a surplus of ARS 2.17 billion, 82.0% higher than the previous year.

The increase in expenditures from 2005 through 2007 resulted from a substantial increase in public employment and public-sector wage policies aimed at improving the provincial employees' economic situation, causing (in terms of index numbers) the real wage of public-sector employees to increase by 41.0% between 2001 and 2007.

The total surplus (deficit) decreased from a ARS 658 million surplus in 2005 to a ARS 294 million deficit in 2007 due to a deterioration in the capital account, which declined by 97.7%, from a deficit of ARS 794 million in 2005 to a deficit of ARS 1,570 million in 2007 and growth in interest payments on public debt, which rose by 79.0% from ARS 500 million in 2005 to ARS 895 million in 2007.

Between 2005 and 2007, the Province produced positive overall financial results due to its access to several sources of internally generated financing, which allowed it to cover its deficits and fully satisfy public debt amortizations.

Fiscal year 2008 proved to be a turning point for the Province's public sector finances, with a current account deficit of ARS 679 million. Current revenues rose by 27.9% in 2008 as compared to 2007. In particular, the Province's self-generated tax revenues increased by 35.7% in 2008 as compared to 2007, mainly due to the implementation of a tax reform, the full impact of which was felt in the second half of 2008. However, the increase in revenues was more than offset by significant expenditure growth due to a considerable salary increase for provincial public employees, social program extensions and efforts of the Province to increase the availability of healthcare, education, security and environmental services.

The total deficit increased to ARS 2.99 billion in 2008 due to the aforementioned current account deficit, a capital account deficit of ARS 1.29 billion in 2008 (a 17.6% decrease from 2007 principally because of decreased capital investments) and interest payments on public sector debt of ARS 1.02 billion (a 14.0% increase from 2007). Because the Province was unable to access the international capital markets in 2008, the Province was only able to reduce its deficit to ARS 1.87 billion.

In 2009, the current account deficit increased to ARS 2.58 billion. Although current revenues increased by 21.6%, from ARS 42.61 billion in 2008 to ARS 51.82 billion in 2009, this increase was not enough to cover the 25.6% growth in current expenditures, from ARS 43.29 billion in 2008 to ARS 54.40 billion in 2009. In 2009, the Province increased expenditures to help mitigate the impact of the external financial situation on the provincial economy. In addition, the 2009 influenza A/H1N1 pandemic required increased public spending to treat and prevent the flu. Furthermore, a drought adversely affected agricultural activities, resulting in lower tax revenues from a

reduced tax base (because of lower agricultural production) combined with increased tax exemptions granted to individuals affected by the drought.

In addition, the capital account deficit increased by 36.5% from ARS 1.29 billion in 2008 to ARS 1.76 billion in 2009 due to increased capital investments, loans and capital contributions. Interest paid on public debt increased by 30.1% in 2009 due to increased borrowings, resulting in a total deficit of ARS 5.67 billion. Increased borrowing has allowed the Province to cover a portion of that deficit, but the overall financial result from the province decreased by 68.6% to a deficit of ARS 3.16 billion in 2009.

For the nine months ended September 30, 2010, the current account deficit decreased 6.1% when compared to the same period in 2009, to ARS 1.87 billion from ARS 2.00 billion. Current revenues increased 22.2% to ARS 44.49 billion for the nine months ended September 30, 2010 from ARS 36.42 billion during the same period in 2009, while current expenditures in this period increased only 20.7%, to ARS 46.37 billion from ARS 38.41 billion. Likewise, the capital account deficit decreased 23.5% in the nine months ended September 30, 2010 as compared to the same period in 2009, from ARS 1.22 billion to ARS 930 million, primarily due to the 115.2% increase in capital revenues. Interest paid on public debt borrowing in the nine months ended September 30, 2010 was ARS 1.18 billion, a 14.6% increase from ARS 1.03 billion during the same period in 2009. As a result of the decrease in the current and capital account deficits, as well as ARS 6.39 billion in borrowings in the first nine months of 2010, the total financial result of the Province was a surplus of ARS 626 million during this period.

Fiscal Responsibility Law

In August 2004, the federal congress adopted the Fiscal Responsibility Law, which became effective on January 1, 2005. The Fiscal Responsibility Law sets forth general rules of fiscal behavior and transparency for Argentina's national, provincial and municipal public sectors. On January 13, 2005, the Province adopted into provincial law the operative provisions of the Fiscal Responsibility Law. As a result of this law:

- the Province is required to prepare annual fiscal programs for each upcoming year that set forth specific fiscal policies, targets and projections;
- the growth rate of the Province's public expenditures (excluding interest payments, expenditures financed by certain multilateral institutions, certain infrastructure investments and other designated expenditures) may not exceed the federal government's projections for the national nominal GDP growth rate;
- proceeds from new borrowings or from the sale of provincial assets will not be available to finance current expenditures, except for any refinancing on more favorable terms;
- the Province will have to maintain a balanced budget; and
- if the Province's debt service obligations exceed 15.0% of its current revenues (net of transfers to its municipalities), it must implement a transition plan to reduce debt service levels to permitted levels, which must include a freeze on new borrowings (except for refinancings on more favorable terms and financing granted by multilateral agencies or national programs).

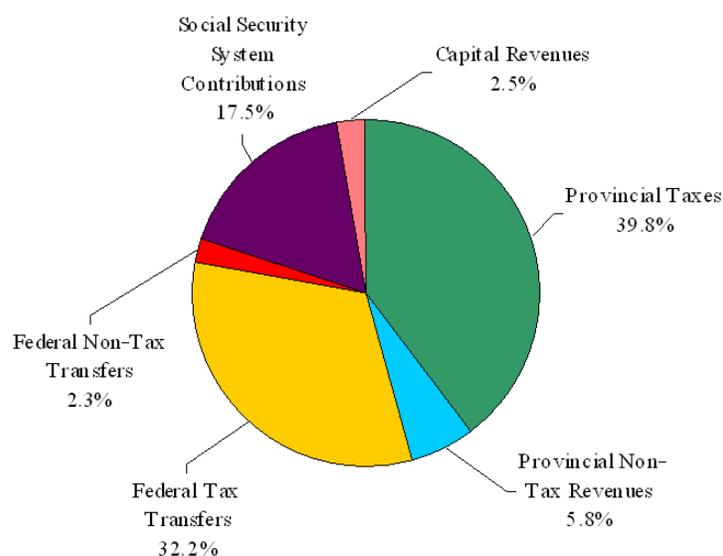
Nevertheless, to help several jurisdictions reorganize their finances due to the impact of the international financial crisis on their economies, some of the general rules of the Fiscal Responsibility Law were suspended during 2009 and 2010 and continue to be suspended in 2011. Consequently, the proceeds of new indebtedness, as well as the sale of any fixed assets, may be allocated to current expenditures and the freeze on new borrowings will not be implemented if debt service obligations exceed 15.0% of current revenues (net of transfers to municipalities).

Main Sources of Revenues

From 2005 through 2009, approximately 73.0% of the Province's revenues were derived from taxes, either federal or provincial. On average, during the period from 2005 through 2009, provincial taxes represented 39.2% of total revenues, while federal tax transfers represented 33.3% of such revenues.

The following chart shows the sources of the Province's revenues for the year ended December 31, 2009.

Total Revenues by Source for the Year Ended December 31, 2009
(Total = ARS 53.13 billion)



Source: Ministry of Economy of the Province.

Federal Tax 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 (also called “tax co-participation”) 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 enacted in 1988 and two agreements entered into between the federal and provincial governments in 1992 and 1993 (the “Fiscal Pacts”) currently govern the tax co-participation system. This scheme was enshrined in the 1994 amendments to the federal constitution, which granted constitutional recognition to the tax co-participation scheme. These amendments also established an allocation of taxing powers between the federal government and the provinces 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 tax 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.

In addition, the 1994 amendments to the federal constitution provided that the federal tax co-participation system would be revised to provide for the distribution of funds among the federal government and the provinces on the basis of objective distribution criteria. The 1994 amendments originally provided that the revised tax co-participation system would have to be approved by the end of 1996. However, the amendments did not specify the criteria on which the new distribution system should be based. Although the federal government, the provinces and the City of Buenos Aires have entered into various agreements with the goal of approving a new tax co-participation scheme, the 2001 economic crisis and differences between the federal government and the provinces and among the provinces on the appropriate criteria for a new distribution system have prevented an agreement to date.

Under the tax co-participation system, 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 and 100% of revenues from the presumptive minimum income tax, the excise tax and other minor taxes. In addition, pursuant to a 2002 agreement between the federal and provincial governments and the City of Buenos Aires, the federal government also agreed to share 30.0% of financial transaction tax revenues.

Of the total co-participable revenues, ARS 549.6 million are transferred to the *Fondo de Desequilibrios Fiscales Provinciales* (Provincial Tax Imbalance Fund). Of the remaining revenues, 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, and 1.0% is retained in a special reserve for emergency situations and financial difficulties of the provinces. The remaining 56.7% of these funds is allocated to the provinces to be shared according to percentages set forth in the 1988 law, which were established following negotiations among the federal government and the provinces. Under this law, the Province is entitled to 21.7% of the funds allocated to the provinces, subject to certain deductions or special allocations. The Province is required to transfer a proportion of that amount to the municipalities. After transfers to the municipalities, the Province's use of the remaining federal tax co-participation payments is discretionary.

In addition, the federal government is required to transfer an annual fixed sum to the provinces, including the Province, as partial compensation for provincial expenditures incurred in the administration of the public schools within the provincial territory following the delegation of these administrative responsibilities to the provinces in 1994. Additionally, the national government has promised to finance, with resources from its education budget, post-secondary education in the public schools that were transferred to the Province. This amount is deducted from the co-participable revenues to be distributed to all provinces. The Province's share of this fixed sum is ARS 412 million. The federal government, however, has failed to pay the full amount in some years since 1995. The Province estimates that the total amount of non-payments was approximately ARS 334.6 million as of December 31, 2009. The Province has not been successful in obtaining the payment of this amount from the federal government.

In 2006, the *Ley de Financiamiento Educativo* (Education Financing Law) was enacted by the federal congress, 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 Education Financing Law are deductible from the aggregate amount of co-participable tax transfers that the Province is entitled to under the tax co-participation system. In 2009, the Province received ARS 2,113 million in financing under the Education Financing Law. The Education Financing Law expired in 2010 and was not renewed for 2011.

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 tax co-participation system 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 tax co-participation system, 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.

On several occasions, the Province has requested that the percentage of revenues allocated to the provinces under the federal tax co-participation regime be increased to ensure that the Province is able to continue providing basic public services. In addition, the Province has requested that, as required by the 1994 amendments to the federal constitution, the distribution of revenues among provinces be carried out following objective criteria, such as the number of inhabitants in, and the amount of federal taxes collected by each province. According to data published by the INDEC, approximately 38.0% of the total Argentine population resides in the Province, and according to the Ministry of Economy of the Province, approximately 37.0% of the federal taxes are collected within the Province. Notwithstanding the foregoing, under the federal tax co-participation system, only 21.7% of the total revenues from the tax co-participation system, after allocating all specially allocated tax co-participation revenues, is distributed to the Province. The Province has not made any significant progress in obtaining a higher co-participation percentage, since the federal government and the other provinces have not shown any interest in modifying the regime.

Moreover, although the Province is entitled to receive specified amounts of federal transfers pursuant to special laws intended to address the greater needs of the Province, these transfers are funded with designated sources of revenues and are capped or subject to limits. These caps or limits have been reached over time and the remainder of these designated revenues is distributed among all the provinces in accordance with the 1988 law, leading to a further dilution in the Province's share of total federal tax transfers (including tax co-participation transfers). For example, the federal government is required to transfer up to 10.0% of the revenues from the federal income tax to the *Fondo Para Obras de Carácter Social* (Fund for Socially-Oriented Public Works), commonly known as the *Fondo del Conurbano* (Conurbano Fund), subject to an annual cap of ARS 650 million, under a 1996 special law (Law No. 24,621). The Province uses these funds to finance hospitals, schools, roads and other infrastructure projects and various social welfare programs in the Conurbano Bonaerense. However, the amount that is equal to 10.0% of federal income taxes has consistently exceeded the established annual cap and, as a result, the Province has received only ARS 650 million annually, while the remaining revenues have been transferred to the other provinces pursuant to the 1988 law. In 2009, the amount transferred to the *Fondo del Conurbano* (ARS 650 million) represented approximately 1.2% of the federal income tax collection from that year, which is significantly lower than the 10.0% originally established in the special 1996 law. This cap, as well as other caps and limits have decreased the Province's share of the total federal tax transfers.

The Province has pledged a part of its revenues from federal tax transfers, including a part of the federal tax co-participation, to secure certain outstanding obligations, most of which are owed to the federal government. Under these security arrangements, the federal government is entitled to withhold a portion of the Province's federal tax transfers to cover principal and interest payments on the secured obligations. In 2009, the federal government retained approximately 17.0% of the federal tax transfers to the Province pursuant to these arrangements. See "Public Sector Debt—Evolution of Debt: 2005-2010."

The following table sets forth the Province's share of total federal automatic transfers to the Argentine provinces (other than pursuant to the Federal Solidarity Fund) compared to that of other provinces with a similar level of per capita GDP from 2005 through 2009.

Provincial Share of Total Federal Automatic Tax Transfers
(in percentages)

| | For the year ended December 31, | | | | |
|-------------------------------|---------------------------------|-------|-------|-------|-------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Province of Buenos Aires..... | 21.0% | 20.6% | 20.3% | 20.0% | 20.0% |
| Santa Fe..... | 8.8% | 8.8% | 8.8% | 8.9% | 8.8% |
| Cordoba..... | 8.5% | 8.6% | 8.7% | 8.7% | 8.7% |
| Mendoza..... | 4.1% | 4.1% | 4.1% | 4.1% | 4.1% |

Source: Ministry of Economy of the Province.

The following table sets forth the Province's federal tax co-participation revenues per capita (based on the 2001 national census) compared to that of other provinces with a similar level of relative development from 2005 through 2009.

Provincial Per Capita Tax Co-Participation Revenues
(in ARS)

| | For the year ended December 31, | | | | |
|--------------------------------|---------------------------------|-----------|-----------|-----------|-----------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Province of Buenos Aires..... | ARS 490.3 | ARS 584.0 | ARS 743.8 | ARS 915.1 | ARS 991.8 |
| Santa Fe..... | 945.0 | 1,153.9 | 1,503.8 | 1,882.1 | 2,036.6 |
| Cordoba..... | 897.8 | 1,097.6 | 1,432.4 | 1,791.4 | 1,937.3 |
| Mendoza..... | 835.3 | 1,014.0 | 1,315.0 | 1,637.7 | 1,768.2 |
| Average of all Provinces | 887.0 | 1,074.9 | 1,391.6 | 1,731.4 | 1,872.6 |

Source: Ministry of Economy of the Province.

Other Federal Tax Transfers

The federal government also distributes to the Province other tax revenues that are not included in the tax co-participation regime described above. The principal tax transfers include the following:

- *Housing Fund.* The federal government is required to transfer 33.2% 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 around the country. Under current federal law, the Province is entitled to 14.5% of the funds transferred to FONAVI.
- *Highway Fund.* The federal government is required to transfer 13.7% 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. In 2009, the Province received ARS 150 million from the Highway Fund, and according to the 2010 budget, expects to receive ARS 153 million in 2010.
- *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 teacher's 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. In 2009, the Province received ARS 651 million from the Federal Teacher's Incentive Fund, and according to the 2010 budget, expects to receive ARS 549 million in 2010.

Federal Contributions

The Province records other non-refundable payments or transfers from the federal government as federal contributions. These contributions consist primarily of discretionary transfers to the provinces, known as *Aportes del Tesoro Nacional*, to meet special or emergency needs or to finance certain expenditures of national interest.

In addition, pursuant to a 1999 agreement among the federal government and the provinces, the federal government offered to assume responsibility for provincial pension obligations within the national pension system and agreed to fund deficits in any provincial pension systems that were not transferred to it. Because the Province elected not to transfer its pension system to the federal government, it is entitled to receive transfers from the federal government from time to time to finance projected deficits in the provincial pension system. In exchange, the Province committed to harmonize its social security system with the federal social security system. The federal government did not make any transfers from 2001 through 2003, but transferred ARS 300 million in 2004 as compensation for deficits recorded by the provincial pension system during those years. The federal government transferred ARS 550 million to the Province in 2005, ARS 350 million in 2006, ARS 365 million in 2007, ARS 390

million in 2008 and ARS 860 million in 2009 as compensation for deficits recorded by the provincial pension system. Because the Province provisionally funded these deficits using general provincial revenues, there are no restrictions on the Province's use of such transferred amounts.

Further, under the Education Financing Law, the federal government created the Teacher's Salary Compensation Federal Program to compensate for any inequalities in teachers' salaries among the provinces. In 2009, the federal government transferred ARS 216 million to the Province pursuant to this program.

Provincial Tax Revenues

Historically, the largest source of the Province's revenues has been the collection of provincial taxes. In 2009, 55.3% of total tax revenues (total federal and provincial tax revenues, but excluding other federal and provincial sources of income) were provincial tax revenues.

The Province currently collects the following six main taxes:

- *Gross Revenues Tax.* The gross revenues 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, which were modified in 2008 under the Tax Reform Law (See “—Main Sources of Revenue—Tax Reform”). Exempted activities include work in an employer-employee relationship, holding public office and export activities. In addition, all of the activities performed by the federal, provincial and the City of Buenos Aires governments, stock exchanges and other capital markets, privately owned schools and religious institutions are also exempt from this tax. In 1998, the Province decentralized to municipalities the collection of the gross revenues tax for certain classes of taxpayers in order to improve municipal administration. Presently, 43.25% of the gross revenue tax collected by municipalities is transferred to the Province to fund social plans and expenses related to municipalities; 25.0% is transferred to a special purpose fund which compensates municipalities for the maintenance of schools; 4.25% to ARBA to fund its expenditures; and 5.0% is distributed among municipalities, based on population, to fund waste disposal. The remaining 22.5% is kept by the municipality that collected the tax as compensation for administering the collection.
- *Real Estate Tax.* The real estate tax is determined by applying a tax assessment on the appraised value of urban and rural real estate located in the Province. All real estate owned by federal, provincial and municipal governments, religious temples, non-profit organizations, universities, historical monuments, public libraries, health care organizations and free social assistance and fire fighting services, among others, are exempt from the real estate tax. The Province has decentralized to the municipalities the right to collect real estate taxes in rural areas to increase efficiency in the administration and collection of this tax. Proceeds from such taxes are transferred to the Province, except for 12.0% of such proceeds, which are allocated to road construction and maintenance, 3.0% of such proceeds, which are allocated to a welfare fund and 20.0% of such proceeds, which are withheld by the municipalities as compensation for the tax administration. See “The Province of Buenos Aires—Municipalities.”
- *Automobile Tax.* The Province charges a tax on automobiles registered in the Province. The rate of this tax is determined by taking into consideration the model, year, type, category and appraised value of the vehicle, and is set forth 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. The collection of the automobile tax for certain older vehicles has been decentralized to municipalities, and taxes collected by each municipality are kept by that municipality.
- *Stamp Tax.* The Province levies a stamp tax on several categories of agreements and transactions entered into within its territory or that have effects in the Province and that are documented in private or public instruments. The rate of this tax ranges from 0.2% to 10.0% (or, in the case of lottery tickets, 20.0%) of the value of the underlying agreement or transaction, depending on the subject of the transaction.

- *Energy Tax.* The Province levies a tax on the companies that distribute electricity within its territory, either by means of a concession of the federal or the provincial government. The rate of this tax is 0.6% on the gross revenues attributable to the sale of electricity to final consumers. Companies that are subject to the energy tax are exempt from the gross revenues tax, the stamp tax, the automobile tax and the real estate tax. In addition, the Province levies a tax on electricity consumption by all electricity users at a rate of 10% for households and 20% for businesses. This tax is levied on the total amount billed by the service provider, who acts as withholding agent. Historically revenues generated by this tax were allocated to a special fund for electrical works. However, pursuant to Law No. 13,863, beginning on January 1, 2008, any remaining amount in the special fund and all future revenues from the energy tax will be allocated to fund current expenditures.
- *Tax on Gratuitous Transfers of Property.* This tax was created under the 2010 Tax Law and has been in effect since January 1, 2010. The tax is levied on any increase in assets that results from a gratuitous title transfer, including inheritances, legacies and gifts. The amount to be taxed, which includes a fixed component and a variable component that is based on differential rates (which ranged from 4.0% to 21.9% as of the date of this offering memorandum), varies according to the property value to be transferred and the degree of kinship of the parties involved. Prior to 2011, transfers of property valued at or less than ARS 3 million were exempt from the tax; this exemption was eliminated by the 2011 Tax Law. Under the tax on gratuitous transfers of property, 80.0% of revenues collected are allocated to the *Fondo Provincial de Educación* (Provincial Educational Fund), 10.0% are allocated to the *Fondo para el Fortalecimiento de Recursos Municipales* (Municipal Resources Strengthening Fund), and 10.0% to the *Fondo de Inclusión Social* (Social Inclusion Fund).

Tax Amnesty and Incentive Plans. The Province has established several tax amnesty and incentive plans for the collection of overdue taxes, which, along with other efforts of the Province to strengthen tax enforcement, have provided significant additional funds to the Province in recent periods. Incentive plans allow tax payers, among other benefits, to pay overdue taxes in several installments (60 installments in 2009; 48 installments in 2010). The Province charges interest on the overdue obligations (1.0% in 2009; 2.0% in 2010). Implementation of these plans and other programs designed to increase the efficiency of the collection of taxes, has led to a decrease in unpaid taxes. The Province expects the decrease in unpaid taxes to result in diminishing tax collection under these plans.

In 2008, the ARBA assumed the responsibility of carrying out tax policies, which in the past had been carried out by the provincial Ministry of Economy. ARBA's responsibility is to carry out tax policies by determining, supervising and collecting taxes. For further information, see "The Province of Buenos Aires—Recent Legislative Developments—Creation of the Tax Collection Agency of the Province of Buenos Aires (ARBA)."

Tax Reform

In July 2008, the provincial congress enacted the Tax Reform Law, which provided for the application of the gross revenues tax to primary sector and industrial activities that were previously exempt. The law established a 1.0% tax rate on industrial companies generating over ARS 60 million in invoiced amounts per year. In addition, the gross revenues tax was applied at a rate of 4.5% to corporations generating more than ARS 30 million in invoiced amounts per year. Retail stores engaged in the sale of goods continue to pay a 3.0% tax on gross revenues. The Province estimates that this reform generated a revenue increase of ARS 900 million in 2008.

The Tax Reform Law also enabled the government to provide discounts up to 100% of real estate taxes for properties valued less than ARS 100,000. Using the power granted to it by the Tax Reform Law, the government granted a 100% discount for properties valued at less than ARS 20,000.

Furthermore, the Tax Reform Law created the *Fondo de Fortalecimiento de Recursos Municipales* (the "Municipal Revenue Strengthening Fund"), to which 2.0% of the non-decentralized gross revenues tax collection is allocated. The amounts collected by the Municipal Revenue Strengthening Fund are distributed to the municipalities. To be able to receive transfers from this fund, municipalities must abolish certain municipal taxes such as inspection, advertisement, and abattoir taxes. In September 2008, the Province formed the *Fondo Municipal de Inclusión Social* (Municipal Fund for Social Inclusion) to which 1.5% of revenues from gross revenues tax

collected by the Province are transferred. This fund is distributed among municipalities that had abolished the municipal taxes described above.

2010 Tax Changes

In 2010, the provincial legislature approved a new tax law that made the following changes:

- *Gross Revenues Tax.* An increase in the gross revenues tax rate to 4.5% for service businesses that invoiced more than ARS 30 million in 2009. Smaller service businesses retained a rate of 3.5%. Although the provincial legislature approved such increase in 2010, the increase became effective as of the 2009 fiscal year.
- *Real Estate Tax.* Extension of the 100% annual discount of real estate taxes for properties owned by individuals and undivided estates valued less than ARS 25,000, which accounted for 22.4% of taxable properties, and an increase in the real estate tax rate for properties valued at more than ARS 100,000.
- *Automobile Tax.* Decentralization to municipalities of the collection of this tax for vehicles manufactured before 1998, and exclusion from the tax for vehicles manufactured before 1989.
- *Stamp Tax.* Maintenance of the stamp tax exemption for the purchase of new cars, and increase of the tax for purchases of cars through individuals and other entities that are not agencies or dealerships that pay gross revenue taxes. This change became effective in 2009.
- *Gratuitous Transfer of Property Tax.* This tax began to be collected in the latter half of 2010.

2011 Tax Changes

In 2010, the provincial legislature approved the 2011 Tax Law. Among other changes, the 2011 Tax Law raised the urban real estate tax base from 80% to 90% of the value of the real estate. In addition, the 2011 Tax Law eliminated tax increase caps to make this tax more progressive, thus applying higher taxes to higher-valued properties. Additionally, the 2011 Tax Law maintained the 100% annual discount of real estate taxes for properties owned by individuals and undivided estates, whose fiscal value is lower than ARS 25,000, which are located in areas with unsatisfied basic needs and which are owned by retirees or pensioners. Finally, the 2011 Tax Law increased rural real estate taxes, to an average of 15%.

Provincial Non-Tax Revenues

The Province derives non-tax revenues from various sources, including:

- transfers of net profits or surpluses from unconsolidated provincial agencies and enterprises, including the Provincial Institute of Lotteries and Casinos (see “The Provincial Economy—Provincial Enterprises”);
- proceeds from the sale of assets and loan recovery;
- revenues from collecting fees (for services provided to third parties), premiums (on debt issuance above par value), royalties (from natural resources exploitation) and fines;
- interest accrued on the Province’s deposits with Banco Provincia and loans by the Province granted to municipalities or other unconsolidated provincial agencies and enterprises; and
- proceeds from the lease of provincial land.

The Province also records revenues from recoveries on loans transferred as a result of the efforts of the Loan Recovery Committee. See “The Provincial Economy—Provincial Enterprises—Loan Recovery Committee.”

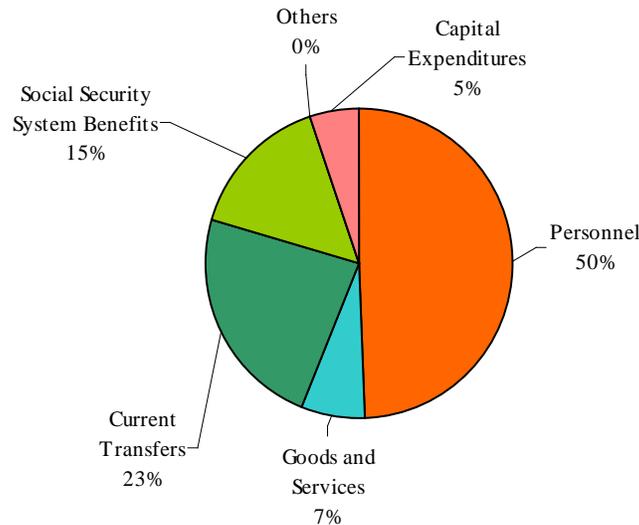
Composition of Expenditures

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. Such services account for more than 70.0% of the 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 provincial tax 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 following chart shows the Province's expenditures for the year ended December 31, 2009.

Total Expenditures (Excluding Interest Expenses) for the Year Ended December 31, 2009
(Total = ARS 57,474 million ⁽¹⁾)



(1) Excluding debt service. Interest expenses amounted to ARS 1.33 billion in 2009.

Source: Ministry of Economy of the Province.

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 50% of total expenditures (excluding interest expenses).

The following table shows public employment in the Province by sector from 2005 through 2010.

Provincial Employees 2005-2010⁽¹⁾
(number of employees)

| | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | |
|----------------------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| | | | | | | | | | | | | |
| Education..... | 205,256 | 58.0% | 205,256 | 58.0% | 276,042 | 61.6% | 275,915 | 60.3% | 285,106 | 60.6% | 287,294 | 59.5% |
| Health and Social Aid..... | 40,944 | 11.6% | 40,944 | 11.6% | 42,381 | 9.5% | 42,654 | 9.3% | 42,843 | 9.1% | 45,460 | 9.4% |
| Security Services..... | 62,613 | 17.7% | 62,613 | 17.7% | 72,853 | 16.3% | 77,734 | 17.0% | 82,953 | 17.6% | 85,847 | 17.8% |
| Judicial System..... | 16,608 | 4.7% | 16,608 | 4.7% | 20,025 | 4.5% | 22,237 | 4.9% | 22,286 | 4.7% | 25,243 | 5.2% |
| Others..... | 28,474 | 8.0% | 28,474 | 8.0% | 36,810 | 8.2% | 38,681 | 8.5% | 37,612 | 8.0% | 38,813 | 8.0% |
| Total..... | 353,895 | 100.0% | 353,895 | 100.0% | 448,111 | 100.0% | 457,221 | 100.0% | 470,800 | 100.0% | 482,656 | 100.0% |

(1) 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.

Source: Ministry of Economy of the Province.

The number of provincial employees increased by 1.8% in 2005 as compared to 2004. This increase was due mainly to new appointments in the provincial judicial system, reflecting the creation of new criminal and family courts, new prosecutor and public defender positions and the expansion of existing criminal courts, as well as new appointments in the security services to reinforce provincial, communal and district police forces. In 2006, the number of provincial employees was the same as in 2005; however, in 2007 it increased 26.6% as compared to the previous year. This increase was due mainly to the delay in the approval of 2005 Budget Law, which caused employees authorized to be hired in 2005 and 2006 to be recorded as new hire authorizations for 2007. In 2008, provincial employment increased by only 2.0% as compared to 2007. The increase in provincial employment in 2008 was largely due to an increase in the hiring of personnel in the security sector and judicial system. In 2009, provincial employment increased by approximately 3.0% as compared to 2008, mainly due to an increase in personnel in the education and health sectors. In 2010, provincial employment increased approximately 2.5% as compared to 2009.

Public sector employees of the Province are represented by 35 separate unions, including five teachers unions and one union for judicial employees. The Province's public sector salary policy has focused on returning public sector salaries to their levels (in real terms) prior to the 2001 economic crisis and increasing the purchasing power of public employees. In addition, the Province has focused on regularizing the employment of certain public employees, including 7,000 education service workers and 6,000 medical residents, who were previously governed by separate personnel systems. The Province has also reorganized the salary scale for the provincial police, resulting in reclassification of 67% of police personnel, and has reclassified the salary status of various judicial personnel, cultural workers and drivers. Finally, the Province agreed to provide a ARS 600 bonus to each hospital and health worker affected by the A/H1N1 influenza outbreak.

In 2009, the Province issued an administrative resolution that would prohibit a public employee from collecting their salary on days where that public employee was on strike when the absence is unjustified according to administrative regulations. One of the principal teachers' unions challenged the resolution in a proceeding before the judicial court for contentious and administrative proceedings, which issued an order enjoining the Province from not paying salaries to members of the teacher's union on strike days. This order was appealed by the Province, and on March 23, 2010, the reviewing court rejected the teacher's union's challenge. As a result, the Province is currently enforcing its 2009 administrative resolution. The Supreme Court of the Province has also issued administrative resolutions that prevent judicial employees from collecting salaries on strike days.

Goods and Services. The Province purchases a wide variety of goods and services 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.

Current Transfers. Pursuant to provincial law, the Province is required to transfer to its municipalities 16.1% of the funds received by the Province under the federal tax co-participation regime and of provincial tax revenues collected by the Province (excluding certain taxes such as the energy tax). In addition, the Province has delegated to some municipalities the collection of certain tranches of the gross revenue tax, rural real estate tax and automobile tax on older vehicles, in exchange for which the municipality retains a portion of the tax collected. Furthermore, pursuant to provincial law, the Province is entitled to allocate a portion of amounts to be transferred to the municipalities to capitalize a special fund for social programs and for provincial public works. Transfers to municipalities account, on average, for slightly more than 44.0% of the total current transfers. The balance of

current transfers include those allocated to finance several social programs, grant subsidies to private schools and pay medical residents' salaries, among others.

Capital Expenditures

Capital Investment. Capital investments have historically constituted an important component of total capital expenditures. Most capital investments reflect the funding of public works, such as hydraulic and waterworks, housing, roads and construction of public buildings. Other capital investments include the purchase of new capital goods such as hospital equipment, automobiles and computers.

Loans and Capital Contributions. This category comprises loans to municipalities, principally for municipal public works and low-cost housing, as well as capital contributions to provincial enterprises. Loans and capital contributions fluctuate in accordance with the economic conditions and budgetary constraints of the Province.

Transfers for Public Works. Under the *Programa para el Fortalecimiento de los Municipios* (Program for the Strengthening of Municipalities, or "PFM"), the Province allocates loan proceeds received through the federal government from multilateral organizations, such as the World Bank, to municipalities for purposes of public works. Recipient municipalities must reimburse the PFM for the amount of such transfers and the PFM, in turn, repays borrowed amounts to the multilateral lenders through the federal government.

Evolution of Fiscal Results: 2005-2010

The following table shows the Province's fiscal results in nominal pesos from 2005 through September 30, 2010.

Fiscal Results (in millions of nominal pesos, except as otherwise indicated)

| | For the year ended December 31, | | | | | For the nine months ended September 30, | | | |
|---|---------------------------------|-----------------|-----------------|--------------------|--------------------|---|------------------|-----------------|------------------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2009 (USD) ⁽¹⁾ | 2009 | 2010 | 2010 (USD) ⁽¹⁾ |
| Current Account | | | | | | | | | |
| Current Revenues | | | | | | | | | |
| Federal Tax Co-Participation | ARS 5,398 | ARS 6,780 | ARS 9,092 | ARS 11,551 | ARS 12,532 | USD 3,359 | ARS 9,157 | ARS 12,325 | USD 3,164 |
| Other Federal Tax Transfers..... | 2,185 | 2,310 | 2,606 | 2,825 | 4,582 | 1,228 | 2,616 | 3,123 | 802 |
| Federal Contributions..... | 685 | 422 | 964 | 858 | 1,206 | 323 | 1,046 | 825 | 212 |
| Total Federal Transfers | 8,267 | 9,512 | 12,662 | 15,235 | 18,320 | 4,911 | 12,819 | 16,273 | 4,178 |
| Provincial Taxes | 8,595 | 10,602 | 13,082 | 17,750 | 21,136 | 5,666 | 15,580 | 19,226 | 4,936 |
| Provincial Non Tax Revenues | 2,302 | 1,947 | 2,557 | 3,079 | 3,076 | 825 | 1,882 | 2,373 | 609 |
| Social Security System Contributions | 3,031 | 4,038 | 5,004 | 6,552 | 9,293 | 2,491 | 6,133 | 6,622 | 1,700 |
| Total Provincial Revenues | 13,928 | 16,587 | 20,643 | 27,381 | 33,504 | 8,981 | 23,596 | 28,220 | 7,245 |
| Total Current Revenues | 22,195 | 26,099 | 33,305 | 42,616 | 51,824 | 13,892 | 36,415 | 44,493 | 11,423 |
| Current Expenditures | | | | | | | | | |
| Personnel | (9,632) | (12,332) | (15,856) | (22,783) | (28,405) | (7,614) | (20,453) | (24,661) | (6,331) |
| Goods and Services..... | (2,016) | (2,122) | (2,524) | (2,724) | (3,892) | (1,043) | (2,334) | (2,997) | (769) |
| Current Transfers | (5,394) | (6,447) | (7,721) | (10,524) | (13,288) | (3,562) | (9,237) | (11,139) | (2,860) |
| Social Security System Benefits..... | (3,170) | (3,966) | (5,032) | (7,262) | (8,812) | (2,362) | (6,385) | (7,571) | (1,944) |
| Miscellaneous..... | (31) | (41) | (2) | (1) | (5) | (1) | (2) | (0) | (0) |
| Total Current Expenditures | (20,243) | (24,907) | (31,135) | (43,295) | (54,403) | (14,583) | (38,410) | (46,367) | (11,905) |
| Current Account Balance..... | 1,952 | 1,192 | 2,170 | (679) | (2,579) | (691) | (1,995) | (1,874) | (481) |
| Capital Account | | | | | | | | | |
| Capital Revenues | 577 | 823 | 873 | 853 | 1,306 | 350 | 870 | 1,875 | 481 |
| Capital Expenditures | | | | | | | | | |
| Capital Investments..... | (720) | (1,031) | (1,303) | (1,116) | (1,595) | (428) | (1,136) | (1,370) | (352) |
| Loans and Capital Contributions | (222) | (405) | (549) | (488) | (743) | (199) | (511) | (533) | (137) |
| Transfers for Public Works..... | (429) | (401) | (591) | (543) | (734) | (197) | (438) | (902) | (232) |
| Total Capital Expenditures..... | (1,371) | (1,837) | (2,443) | (2,147) | (3,072) | (823) | (2,085) | (2,805) | (720) |
| Total Capital Account..... | (794) | (1,013) | (1,570) | (1,294) | (1,766) | (473) | (1,215) | (930) | (239) |
| Total Revenues | 22,771 | 26,922 | 34,178 | 43,469 | 53,130 | 14,242 | 37,285 | 46,368 | 11,905 |
| Total Expenditures | (21,613) | (26,743) | (33,578) | (45,442) | (57,474) | (15,406) | (40,494) | (49,172) | 12,625 |
| Primary Balance | 1,158 | 179 | 600 | (1,973) | (4,344) | (1,165) | (3,209) | (2,803) | (720) |
| Interest Expenses | (500) | (777) | (895) | (1,020) | (1,327) | (356) | (1,031) | (1,182) | (303) |
| Total Surplus (Deficit)..... | 658 | (598) | (294) | (2,993) | (5,671) | (1,520) | (4,240) | (3,985) | (1,023) |
| Overall Financial Results | | | | | | | | | |
| Total Surplus (Deficit)..... | 658 | (598) | (294) | (2,993) | (5,671) | (1,520) | (4,240) | (3,985) | (1,023) |
| Borrowings | 1,749 | 3,926 | 4,250 | 3,649 | 5,250 | 1,407 | 4,198 | 6,392 | 1,641 |
| Repayments and other indebtedness decrease..... | (1,940) | (3,062) | (3,161) | (3,712) | (4,079) | (1,093) | (1,932) | (2,643) | (679) |
| Net Borrowings..... | (192) | 865 | 1,089 | (64) | 1,171 | 314 | 2,265 | 3,749 | 963 |
| Previous Years Surplus ⁽²⁾ | 83 | 111 | 83 | 1,182 | 1,338 | 359 | 1,267 | 862 | 221 |
| Overall Financial Results | ARS 550 | ARS 377 | ARS 878 | ARS (1,875) | ARS (3,162) | USD (848) | ARS (708) | USD 626 | USD 161 |

- (1) Peso amounts for the year ended December 31, 2009 have been converted into USD solely for the convenience of the reader at a rate of ARS 3.7305 per USD, which was the average rate published by the Central Bank in 2009. Peso amounts for the nine months ended September 30, 2010 have been converted into USD solely for the convenience of the reader at a rate of ARS 3.8949 per USD, which was the average rate published by the Central Bank for that period. The USD equivalent information should not be construed to imply that the peso amounts represent or could have been or could be converted into USD at such rates or any other rate.
- (2) Reflects revenues allocated for a specific purpose in the prior years' budget but unused during such year.

Source: Ministry of Economy of the Province.

The following table shows the Province's fiscal results in constant pesos from 2005 through September 30, 2010.

Fiscal Results
(in millions of constant pesos, except as otherwise indicated)⁽¹⁾

| | For the year ended December 31, | | | | For the nine months ended September 30, | | |
|---|---------------------------------|-----------------|------------------|--------------------|--|------------------|-----------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2009 | 2010 |
| Current Account | | | | | | | |
| Current Revenues | | | | | | | |
| Federal Tax Co-Participation..... | ARS 7,517 | ARS 8,514 | ARS 10,492 | ARS 12,275 | ARS 12,532 | ARS 10,090 | ARS 12,325 |
| Other Federal Tax Transfers..... | 3,043 | 2,901 | 3,007 | 3,003 | 4,582 | 2,883 | 3,123 |
| Federal Contributions..... | 953 | 530 | 1,112 | 912 | 1,206 | 1,152 | 825 |
| Total Federal Transfers..... | 11,513 | 11,945 | 14,611 | 16,190 | 18,320 | 14,125 | 16,273 |
| Provincial Taxes..... | 11,970 | 13,314 | 15,095 | 18,863 | 21,136 | 17,167 | 19,226 |
| Provincial Non Tax Revenues..... | 3,206 | 2,445 | 2,951 | 3,272 | 3,076 | 2,074 | 2,373 |
| Social Security System Contributions..... | 4,221 | 5,072 | 5,774 | 6,963 | 9,293 | 6,758 | 6,622 |
| Total Provincial Revenues..... | 19,397 | 20,831 | 23,820 | 29,098 | 33,504 | 25,999 | 28,220 |
| Total Current Revenues..... | 30,910 | 32,776 | 38,431 | 45,288 | 51,824 | 40,125 | 44,493 |
| Current Expenditures | | | | | | | |
| Personnel..... | (13,414) | (15,487) | (18,296) | (24,212) | (28,405) | (22,537) | 24,661 |
| Goods and Services..... | (2,808) | (2,665) | (2,913) | (2,895) | (3,892) | (2,571) | 2,997 |
| Current Transfers..... | (7,512) | (8,096) | (8,909) | (11,184) | (13,288) | (10,178) | 11,139 |
| Social Security System Benefits..... | (4,415) | (4,980) | (5,807) | (7,717) | (8,812) | (7,035) | 7,571 |
| Miscellaneous..... | (44) | (51) | (2) | (1) | (5) | (2) | (0) |
| Total Current Expenditures..... | (28,192) | (31,279) | (35,927) | (46,009) | (54,403) | (42,323) | 46,367 |
| Current Account Balance..... | 2,718 | 1,497 | 2,504 | (721) | (2,579) | (2,198) | (1,874) |
| Capital Account | | | | | | | |
| Capital Revenues..... | 803 | 1,034 | 1,007 | 907 | 1,306 | 959 | 1,875 |
| Capital Expenditures | | | | | | | |
| Capital Investments..... | (1,003) | (1,295) | (1,503) | (1,186) | (1,595) | (1,252) | (1,370) |
| Loans and Capital Contributions..... | (309) | (508) | (634) | (519) | (743) | (563) | (533) |
| Transfers for Public Works..... | (597) | (504) | (682) | (577) | (734) | (482) | (902) |
| Total Capital Expenditures..... | (1,909) | (2,306) | (2,819) | (2,282) | (3,072) | (2,297) | (2,805) |
| Total Capital Account..... | (1,105) | (1,273) | (1,812) | (1,375) | (1,766) | (1,338) | (930) |
| Total Revenues..... | 31,714 | 33,810 | 39,438 | 46,195 | 53,130 | 41,083 | 46,368 |
| Total Expenditures..... | (30,101) | (33,585) | (38,746) | (48,291) | (57,474) | 44,620 | (49,172) |
| Primary Balance..... | 1,613 | 225 | 693 | (2,096) | (4,344) | (3,536) | (2,803) |
| Interest Expenses..... | (696) | (976) | (1,032) | (1,084) | (1,327) | (1,136) | (1,182) |
| Total Surplus (Deficit)..... | 917 | (751) | (340) | (3,180) | (5,671) | (4,672) | (3,985) |
| Overall Financial Results | | | | | | | |
| Total Surplus (Deficit)..... | 917 | (751) | (340) | (3,180) | (5,671) | (4,672) | (3,985) |
| Borrowings..... | 2,435 | 4,931 | 4,904 | 3,877 | 5,250 | 4,625 | 6,392 |
| Repayments and other indebtedness decrease..... | (2,702) | (3,845) | (3,648) | (3,945) | (4,079) | (2,129) | (2,643) |
| Net Borrowings..... | (267) | 1,086 | 1,257 | (68) | 1,171 | 2,496 | 3,749 |
| Previous Years Surplus ⁽²⁾ | 116 | 139 | 96 | 1,256 | 1,338 | 1,396 | 862 |
| Overall Financial Results..... | ARS 766 | ARS 474 | ARS 1,013 | ARS (1,992) | ARS (3,162) | ARS (780) | ARS 626 |

(1) Constant peso values for all annual periods are calculated on the basis of the annual average CPI for the applicable year, while constant peso values for the nine months ended September 30, 2010 are calculated on the basis of the average CPI for that period.

(2) Reflects revenues allocated for a specific purpose in the prior years' budget but unused during such year.

Source: Ministry of Economy of the Province.

The following tables set forth the composition of the Province's tax revenues (including federal transfers) from 2005 through September 30, 2010.

Composition of Tax Revenues
(in millions of nominal pesos)

| | For the year ended December 31, | | | | | For the nine months ended September 30, | |
|---------------------------------------|---------------------------------|-------------------|-------------------|-------------------|-------------------|--|-------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2009 | 2010 |
| Federal Tax Transfers | | | | | | | |
| Federal Tax Co-Participation | ARS 5,398 | ARS 6,780 | ARS 9,092 | ARS 11,551 | ARS 12,532 | ARS 9,157 | ARS 12,325 |
| Special Regimes | 975 | 1,071 | 1,314 | 1,427 | 3,093 | 1,346 | 1,741 |
| School Transfers | 368 | 368 | 368 | 368 | 368 | 276 | 276 |
| Conurbano Fund | 650 | 650 | 650 | 650 | 650 | 650 | 650 |
| FONAVI | 85 | 97 | 113 | 179 | 220 | 153 | 216 |
| Highway Fund | 58 | 67 | 92 | 113 | 150 | 118 | 144 |
| Monotributo | 49 | 57 | 69 | 88 | 101 | 74 | 97 |
| Total Federal Transfers | ARS 7,582 | ARS 9,090 | ARS 11,698 | ARS 14,376 | ARS 17,114 | ARS 11,773 | ARS 15,448 |
| Provincial Taxes | | | | | | | |
| Gross Revenues Tax | ARS 5,174 | ARS 6,542 | ARS 8,456 | ARS 12,741 | ARS 15,544 | ARS 11,547 | ARS 14,329 |
| Real State Tax | 1,165 | 1,167 | 1,339 | 1,351 | 1,419 | 1,045 | 1,293 |
| Automobile Tax | 552 | 687 | 808 | 1,055 | 1,399 | 1,057 | 1,191 |
| Stamp Tax | 685 | 909 | 1,144 | 1,391 | 1,337 | 946 | 1,367 |
| Energy Tax | 235 | 272 | 318 | 313 | 376 | 256 | 283 |
| Tax Amnesty and Incentive Plans | 737 | 977 | 966 | 846 | 992 | 679 | 691 |
| Others | 47 | 47 | 51 | 52 | 68 | 50 | 72 |
| Total Provincial Taxes | ARS 8,595 | ARS 10,602 | ARS 13,082 | ARS 17,750 | ARS 21,136 | ARS 15,580 | ARS 19,226 |

Source: Ministry of Economy of the Province.

Composition of Tax Revenues
(in millions of constant pesos)⁽¹⁾

| | For the year ended December 31, | | | | | For the nine months ended September 30, | |
|---------------------------------------|---------------------------------|-------------------|-------------------|-------------------|-------------------|--|-------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2009 | 2010 |
| Federal Tax Transfers | | | | | | | |
| Federal Tax Co-Participation | ARS 7,517 | ARS 8,514 | ARS 10,492 | ARS 12,275 | ARS 12,532 | ARS 10,090 | ARS 12,325 |
| Special Regimes | 1,358 | 1,346 | 1,516 | 1,517 | 3,093 | 1,483 | 1,741 |
| School Transfers | 512 | 462 | 424 | 391 | 368 | 304 | 276 |
| Conurbano Fund | 905 | 816 | 750 | 691 | 650 | 716 | 650 |
| FONAVI | 118 | 122 | 130 | 191 | 220 | 168 | 216 |
| Highway Fund | 81 | 84 | 107 | 120 | 150 | 130 | 144 |
| Monotributo | 69 | 71 | 80 | 94 | 101 | 82 | 97 |
| Total Federal Transfers | ARS 10,560 | ARS 11,416 | ARS 13,499 | ARS 15,278 | ARS 17,114 | ARS 12,973 | ARS 15,448 |
| Provincial Taxes | | | | | | | |
| Gross Revenues Tax | ARS 7,206 | ARS 8,215 | ARS 9,758 | ARS 13,540 | ARS 15,544 | ARS 12,723 | ARS 14,329 |
| Real State Tax | 1,622 | 1,466 | 1,545 | 1,436 | 1,419 | 1,151 | 1,293 |
| Automobile Tax | 769 | 863 | 933 | 1,121 | 1,399 | 1,165 | 1,191 |
| Stamp Tax | 954 | 1,142 | 1,320 | 1,479 | 1,337 | 1,042 | 1,367 |
| Energy Tax | 327 | 342 | 367 | 332 | 376 | 282 | 283 |
| Tax Amnesty and Incentive Plans | 1,027 | 1,226 | 1,114 | 899 | 992 | 748 | 691 |
| Others | 65 | 59 | 58 | 56 | 68 | 55 | 72 |
| Total Provincial Taxes | ARS 11,970 | ARS 13,314 | ARS 15,095 | ARS 18,863 | ARS 21,136 | ARS 17,167 | ARS 19,226 |

(1) Constant peso values for all annual periods are calculated on the basis of the annual average CPI for the applicable year, while constant peso values for the nine months ended September 30, 2010 are calculated on the basis of the average CPI for that period.

Source: Ministry of Economy of the Province.

Fiscal Result of 2006 Compared to Fiscal Result of 2005

Total Revenues. In 2006, total revenues increased by 18.2%, to ARS 26.92 billion from ARS 22.77 billion in 2005. This increase was attributable in large part to:

- a 15.1% increase in federal government transfers to the Province, to ARS 9.51 billion in 2006 from ARS 8.27 billion in 2005, as a consequence of a 25.6% increase in federal tax co-participable revenues (to ARS 6.78 billion in 2006 from ARS 5.40 billion in 2005) attributable to improvements in the Argentine economy.

- a 23.4% increase in provincial tax revenues, to ARS 10.60 billion in 2006 from ARS 8.59 billion in 2005, as follows:
 - a 26.4% increase in gross revenue tax collections, to ARS 6.54 billion in 2006 from ARS 5.17 billion in 2005, driven by an increase in taxable economic activity and collection of tax debts, enforcement, and follow-up with taxpayers;
 - a 24.5% increase in automobile tax collections, to ARS 687 million in 2006 from ARS 552 million in 2005, due to a revaluation of used cars and a growth in the number of automobiles driven in the Province; and
 - a 32.7% increase in stamp tax collections, to ARS 909 million in 2006 from ARS 685 million in 2005, due to an increase in transactions in the real estate market and an increase in general economic activity levels.

Total Expenditures. In 2006, the Province's total expenditures (excluding interest expenses) increased by 23.7%, to ARS 26.74 billion from ARS 21.61 billion in 2005. This increase is mainly attributable to:

- a 28.0% increase in personnel expenditures, to ARS 12.33 billion from ARS 9.63 billion in 2005, primarily resulting from an increase in compensation paid to provincial public employees, attributable to a new salary policy implemented in March 2006 for the provincial public administration and an increase in the teachers' minimum wage in line with the increase by the federal government;
- a 19.5% increase in current transfers, to ARS 6.45 billion from ARS 5.39 billion in 2005, attributable mainly to an increase in subsidies for private teacher salaries and transfers to municipalities;
- a 5.3% increase in goods and services expenditures, to ARS 2.12 billion from ARS 2.02 billion in 2005, due to an increase in the cost of goods and expansion of provincial public services; and
- a 25.1% increase in social security benefits, to ARS 3.97 billion from ARS 3.17 billion in 2005, attributable to the salary increase adjustment mechanism.

Primary Balance. In 2006, the Province's primary surplus decreased by 84.5%, to ARS 179 million from ARS 1.16 billion in 2005. This significant decrease in the primary balance is due to a decrease in the current account balance resulting from an increase in expenditures of 23.7% which more than offset an increase of 18.2% in revenues, and an increase in the capital account deficit to ARS 1.01 billion in 2006 from ARS 794 million in 2005.

Total Surplus (Deficit). In 2006, the Province recorded a total deficit of ARS 598 million compared to a surplus of ARS 658 million in 2005. The decrease in the primary surplus, combined with a 55.4% increase in interest payments on public debt to ARS 777 million, was the main cause of this deficit.

Overall Financial Result. The overall financial result was a ARS 377 million surplus, 31.4% lower than the ARS 550 million surplus recorded in 2005, which resulted from a change from a total surplus to a total deficit, which more than offset net borrowings of ARS 1.06 billion.

Fiscal Result 2007 Compared to Fiscal Result of 2006

Total Revenues. In 2007, total revenues increased by 26.9%, to ARS 34.18 billion from ARS 26.92 billion in 2006. This increase was primarily the result of growth in tax collection, which was explained by a generalized increase in economic activity and price levels, including:

- a 33.1% increase in federal government transfers to the Province, to ARS 12.66 billion from ARS 9.51 billion in 2006, resulting from a 34.1% increase in federal tax co-participable revenues (to ARS 9.09 billion in 2007 from ARS 6.78 billion in 2006) and a 128.4% increase in other federal contributions,

including transfers of ARS 540 million to the Province from the federal government to compensate for the increase in teachers' salaries.

- a 23.4% increase in provincial tax revenues, to ARS 13.08 billion in 2007 from ARS 10.60 billion in 2006, due to:
 - a 29.3% increase in gross revenue tax collections, to ARS 8.46 billion in 2007 from ARS 6.54 billion in 2006, reflecting an increase in the Province's level of economic activity;
 - a 14.7% increase in revenues from real estate tax collections, reflecting appreciation of property values and an increase in the payment capacity of taxpayers resulting from the improvement of economic conditions; and
 - a 25.8% increase in stamp tax collection due mainly to an increase in real estate transactions.

Total Expenditures. In 2007, the Province's total expenditures (excluding interest expenses) increased by 25.6%, to ARS 33.58 billion from ARS 26.74 billion in 2006. This increase is attributable to:

- a 28.6% increase in personnel expenditures, to ARS 15.86 billion from ARS 12.33 billion in 2006, due to:
 - a salary increase of more than 20.0% for all statutory regime employees in March 2007;
 - an increase in the minimum wage;
 - an increase in bonuses paid to public employees in October 2007;
 - an increase in family benefits in January and July 2007; and
 - a re-categorization of public employees in December 2007 to improve incentives for pursuing a career in public administration;
- a 19.8% increase in current transfers, to ARS 7.72 billion from ARS 6.45 billion in 2006, attributable mainly to an increase in subsidies for private teacher salaries and transfers to municipalities;
- an 18.9% increase in goods and services expenditures, to ARS 2.52 billion from ARS 2.12 billion in 2006, due to the increase in costs of goods and the expansion of educational, justice, health and security services; and
- a 33.0% increase in capital expenditures, to ARS 2.44 billion from ARS 1.84 billion in 2006, due to an increase in public investment in housing and road repaving as well as investment in water drainage and sewer infrastructure.

Primary Balance. In 2007, the Province's primary surplus increased by 235.4%, to ARS 600 million from ARS 179 million in 2006, primarily due to the 26.9% increase in revenues, which more than offset the 25.6% increase in expenditures.

Total Surplus (Deficit). In 2007, the Province's total deficit decreased to ARS 294 million compared to ARS 598 million in 2006, due to the above-mentioned increase in the primary balance, which more than offset an increase of 15.2% in interest payments on public debt, to ARS 895 million from ARS 777 million in 2006.

Overall Financial Result. The overall financial result increased to a surplus of ARS 878 million in 2007 compared to a ARS 377 million surplus in 2006. This increase reflects the decreased deficit and a ARS 224 million increase in net borrowings.

Fiscal Result of 2008 Compared to Fiscal Result of 2007

Total Revenues. In 2008, total revenues increased by 27.2%, to ARS 43.47 billion from ARS 34.18 billion in 2007. This increase reflects the following:

- a 20.3% increase in federal government transfers to the Province, to ARS 15.23 billion from ARS 12.66 billion in 2007, resulting from a 27.0% increase in federal tax co-participable revenues to ARS 11.55 billion in 2008, from ARS 9.09 billion in 2007, which more than offset a 10.9% decrease in other federal contributions, principally due to a ARS 100 million reduction in transfers to compensate for the increase in teachers' salaries.
- a 35.7% increase in provincial tax revenues, to ARS 17.75 billion from ARS 13.08 billion in 2007, principally due to a tax reform implemented in the second half of 2008 that increased taxable activities, resulting in:
 - a 50.7% increase in gross revenue tax collections (which account for the most significant impact of the tax reform) due to the tax reform, changes to tax collection system, and economic growth;
 - a 21.6% increase in stamp tax revenues attributable to an expansion in activities subject to this tax; and
 - a 30.5% increase in automobile tax revenues explained by a re-appraisal of car values, a growth in the number of automobiles driven in the Province, and better economic condition of taxpayers.

Total Expenditures. In 2008, the Province's total expenditures (excluding interest expenses) increased by 35.3%, to ARS 45.44 billion from ARS 33.58 billion in 2007. This increase reflects primarily the following:

- a 43.7% increase in personnel expenditures, to ARS 22.78 billion from ARS 15.86 billion in 2007, principally reflecting an increase in public employees compensation, including:
 - a 23.3% salary increase granted to all public employees in March 2008, consisting of a 19.0% increase in teachers' salaries (including an increase of the minimum wage from ARS 1,040 to ARS 1,290) and a 22.5% increase in the salaries for other public employees;
 - a 13.5% salary increase granted to all public employees in August 2008, consisting of a 12.6% increase in teachers' salaries (including an increase of the minimum wage from ARS 1,290 to ARS 1,450) and an increase in other non-salary benefits, and a 13.8% increase in the salaries for other public employees;
- a 36.3% increase in current transfers, to ARS 10.52 billion from ARS 7.72 billion in 2007, attributable to a 40.5% increase in subsidies to private teachers salaries and 34.6% increase in transfers to municipalities;
- a 44.3% increase in social security benefits, to ARS 7.26 billion from ARS 5.03 billion in 2007, attributable to the salary increase adjustment mechanism;
- a 7.9% increase in goods and services expenditures, to ARS 2.72 billion from ARS 2.52 billion in 2007, due to the increase in costs of goods and to the growth of educational, health and security services; and
- a 12.1% reduction in capital expenditures, to ARS 2.15 billion from ARS 2.44 billion in 2007, due to a reduction in public works.

Primary Balance. In 2008, the Province's primary balance declined by 428.6% in 2008, to an ARS 1.97 billion deficit from a ARS 600 million surplus in 2007. This significant decline is explained by a substantial increase in total expenditures, which were only partially offset by an increase in total revenues. The Province's fiscal situation was affected by the international financial crisis, which produced a slowdown in the Province's overall economic activity. In addition, a significant increase in expenditures was recorded due to a considerable improvement in the salaries of provincial public employees and an increase in social welfare programs.

Total Surplus (Deficit). In 2008, the Province recorded a total deficit of ARS 2.99 billion, compared to a total deficit of ARS 294 million in 2007. This increase is attributable to the decline in the primary balance and a 14.0% increase in the Province's interest expenses to ARS 1.02 billion, from ARS 895 million in 2007.

Overall Financial Result. The overall financial result declined by 313.6% to a ARS 1.87 billion deficit in 2008 compared to an ARS 878 million surplus in 2007, principally due to the substantial increase in the deficit and a ARS 1.15 billion decrease in net borrowings.

Fiscal Result of 2009 Compared to Fiscal Result of 2008

Total Revenues. In 2009, total revenues increased by 22.2%, to ARS 53.13 billion from ARS 43.47 billion in 2008. This increase reflects the following:

- a 20.2% increase in federal government transfers to the Province, to ARS 18.32 billion in 2009 from ARS 15.23 billion in 2008, resulting from an 8.5% increase in federal tax co-participable revenues (to ARS 12.53 billion in 2009 from ARS 11.55 billion in 2008), a 62.4% increase in other federal tax transfers (to ARS 4.58 billion in 2009 from ARS 2.82 billion in 2008), and a 40.6% increase in federal contributions (to ARS 1.21 billion in 2009 from ARS 858 million in 2008), mainly due to an increase in federal transfers to compensate the Province for the teachers' salary increase described below.
- a 19.1% increase in provincial tax revenues, to ARS 21.14 billion in 2009 from ARS 17.75 billion in 2008, principally due to a tax reform implemented in the second half of 2008 and changes to the tax regime introduced by the 2010 Tax Law, which became effective at the end of 2009, resulting in:
 - a 22.0% increase in gross revenue tax collections, to ARS 15.54 billion in 2009 from ARS 12.74 billion in 2008, reflecting an increase in economic activity;
 - a 5.0% increase in real estate tax collections, to ARS 1.42 billion in 2009 from ARS 1.35 billion in 2008, reflecting increased economic activity and appreciation of property values; and
 - a 32.6% increase in automobile tax collections, to ARS 1.40 billion in 2009 from ARS 1.05 billion in 2008, reflecting increased valuations of automobiles.

These increases more than offset a 3.9% decrease in stamp tax revenues, to ARS 1.34 billion in 2009 from ARS 1.39 billion in 2008.

Total Expenditures. In 2009, the Province's total expenditures (excluding interest expenses) increased by 26.5%, to ARS 57.47 billion from ARS 45.44 billion in 2008. This increase reflects primarily the following:

- a 24.7% increase in personnel expenditures, to ARS 28.40 billion in 2009 from ARS 22.78 billion in 2008, principally reflecting the cumulative effect of salary increases implemented in 2008 and an additional 8.9% salary increase granted to all public employees in March 2009;
- a 26.3% increase in current transfers, to ARS 13.29 billion in 2009 from ARS 10.52 billion in 2008, reflecting increased transfers to municipalities due to an increase in overall tax collection and co-participation transfers, and an increase in current transfers to the Ministry for Social Development related to an increase in request for social assistance;

- a 21.4% increase in social security benefits, to ARS 8.81 billion from ARS 7.26 billion in 2008, attributable to the salary increase adjustment mechanism;
- a 42.9% increase in goods and services expenditures, to ARS 3.89 billion from ARS 2.72 billion in 2008, due to an increase in transfers to the Ministry of Health related to the increase in health expenses associated with the A/H1N1 influenza and dengue pandemics and increased purchases of police equipment; and
- a 43.1% increase in capital expenditures, to ARS 3.07 billion from ARS 2.15 billion in 2008, due to increased spending on public works.

Primary Balance. In 2009, the Province's primary balance declined by 120.2%, to a deficit of ARS 4.34 billion from a deficit of ARS 1.97 billion in 2008. This significant decline is explained by a 26.5% increase in total expenditures, which were partially offset by a 22.2% increase in total revenues. The impact of the external financial situation on the provincial economy, combined with the A/H1N1 flu pandemic and the drought, produced a slowdown in the Province's overall economic activity and required increased public expenditures. In addition, a significant increase in expenditures was recorded due to a considerable increase in the salaries of provincial public employees and an expansion of social welfare programs.

Total Surplus (Deficit). In 2009, the Province recorded a total deficit of ARS 5.67 billion, compared to a total deficit of ARS 2.99 billion in 2008 (an 89.5% increase). This increase is attributable to the decline in the primary balance and a 30.1% increase in the Province's interest expenses to ARS 1.33 billion, from ARS 1.02 billion in 2008.

Overall Financial Result. The overall financial result declined by 69.0% to a ARS 3.16 billion deficit in 2009 compared to a ARS 1.87 billion deficit in 2008, principally due to the substantial increase in the deficit which was not covered by new financing.

Fiscal Result for the Nine Months Ended September 30, 2010 Compared to Fiscal Result for the Nine Months Ended September 30, 2009

Total Revenues. Total revenues for the nine months ended September 30, 2010 increased by 24.4%, to ARS 46.37 billion from ARS 37.29 billion in the same period in 2009. This increase reflects the following:

- a 26.9% increase in federal government transfers, to ARS 16.27 billion for the nine months ended September 30, 2010 from ARS 12.82 billion during the same period in 2009, mainly due to a 34.6% increase in federal tax co-participation transfers, to ARS 12.33 billion for the nine months ended September 30, 2010 from ARS 9.16 billion during the same period in 2009 and a 19.4% increase in other transfers from the federal government, to ARS 3.12 billion for the nine months ended September 30, 2010 from ARS 2.62 billion during the same period in 2009;
- a 23.4% increase in provincial tax revenues, to ARS 19.23 billion for the nine months ended September 30, 2010 from ARS 15.58 billion during the same period in 2009 mainly due to:
 - a 24.1% increase in gross revenue tax collections;
 - a 23.8% increase in real estate tax collections;
 - a 44.5% increase in stamp tax revenues; and
 - a 12.7% increase in automobile tax collections.

Total Expenditures. The Province's total expenditures for the nine months ended September 30, 2010 (excluding interest expense) increased by 21.4%, to ARS 49.17 billion from ARS 40.49 billion during the same period in 2009. This increase in the total expenditures is due to:

- a 20.6% increase in personnel expenditures, to ARS 24.66 billion for the nine months ended September 30, 2010 from ARS 20.45 billion during the same period in 2009, reflecting the cumulative impact of the salary increase granted in March 2009, as well as the effect of the April 2010 and August 2010 salary increases;
- a 20.6% increase in current transfers, to ARS 11.14 billion for the nine months ended September 30, 2010 from ARS 9.24 billion during the same period in 2009, mainly due to increased transfers to municipalities resulting from the increased federal tax co-participation and provincial tax revenues;
- a 28.4% increase in goods and services expenditures, to ARS 3.00 billion for the nine months ended September 30, 2010 from ARS 2.33 billion during the same period of 2009, primarily due to an increase in the cost of goods;
- an 18.6% increase in social security benefits, to ARS 7.57 billion for the nine months ended September 30, 2010 from ARS 6.38 billion during the same period in 2009, attributable to the salary adjustment mechanism; and
- a 34.5% increase in capital expenditures, to ARS 2.81 billion for the nine months ended September 30, 2010 from ARS 2.09 billion during the same period in 2009, due to an increased provincial public works plan in 2010.

Primary Balance. The Province's primary balance deficit in the nine months ended September 30, 2010 fell 12.6%, to ARS 2.8 billion from ARS 3.21 billion in the same period in 2009 mainly due to the 24.3% increase in total revenues, which more than offset the 21.4% increase in total expenditures.

Total Surplus (Deficit). In the nine months ended September 30, 2010, the Province's total deficit decreased to ARS 3.99 billion from ARS 4.24 billion in the same period in 2009, mainly due to a reduction in the primary deficit.

Overall Financial Result. The overall financial result was a surplus of ARS 626 million for the nine months ended September 30, 2010 as compared to a deficit of ARS 708 million during the same period in 2009, mainly due to a reduction of the total deficit and an ARS 1.48 billion increase in net borrowings (as compared to the same period in 2009), which more than offset a ARS 405 million reduction in the previous year's surplus.

2010 Budget Amendment

The 2010 provincial Budget Bill was submitted by the Legislature on October 15, 2009. On November 18, 2009, the provincial legislature enacted the 2010 Budget Law (Law No. 14,062). In October 2010, the provincial legislature authorized an increase to the 2010 budget's expenditures by ARS 5.31 billion, of which ARS 3.71 billion would be funded by additional internally-generated funds (such as taxes and fees), and ARS 1.60 billion would be funded by additional indebtedness incurred by the Province. This expenditure increase includes salary increases previously agreed with public employees unions but not included in the initial 2010 budget, the execution of additional public works projects and increased expenditures on social programs. See "Risk Factors—Increases in personnel expenditures could have a material adverse effect on the Province's public finances and its ability to service its debt."

Additionally, the amended budget created a ARS 515 million fund called *Fondo para el Fortalecimiento de los Servicios Municipales* (Municipal Services Fund). This fund will be created using internally-generated funds as well as indebtedness incurred by the Province (which is not included in the calculation of the ARS 1.60 billion of additional indebtedness authorized by the budget amendment). The fund will be distributed among municipalities in the Province based on the following criteria:

- 20% will be allocated to the municipalities in the Rio Matanza-Riachuelo basin based on the population in each of these municipalities with unsatisfied basic needs; and

- the remaining 80% will be allocated among all municipalities as follows:
 - 80% based on the population in each municipality with unsatisfied basic needs; and
 - 20% based on the land surface of each municipality

As of December 31, 2010, ARS 340 million had been transferred to the municipalities. On January 17, 2011, the Province transferred the remaining ARS 175 million from the Municipal Services Fund to the municipalities.

The following table shows the 2010 budget, as amended.

| | For the year ended December 31, 2010 |
|---|---|
| | Amended Budget |
| Current Account | |
| Current Revenues | |
| Federal Tax Co-Participation..... | ARS 16,300 |
| Other Federal Tax Transfers..... | 3,367 |
| Federal Contributions..... | 3,010 |
| Total Federal Transfers..... | <u>22,678</u> |
| Provincial Taxes..... | 25,842 |
| Provincial Non Tax Revenues..... | 3,960 |
| Social Security System Contributions..... | 9,179 |
| Total Provincial Revenues..... | <u>39,980</u> |
| Total Current Revenues..... | 61,658 |
| Current Expenditures | |
| Personnel..... | (32,936) |
| Goods and Services..... | (4,454) |
| Current Transfers..... | (17,639) |
| Social Security System Benefits..... | (9,506) |
| Miscellaneous..... | (2) |
| Total Current Expenditures..... | <u>(64,537)</u> |
| Current Account Balance..... | (2,879) |
| Capital Account | |
| Capital Revenues..... | 2,526 |
| Capital Expenditures | |
| Capital Investments..... | (3,169) |
| Loans and Capital Contributions..... | (1,320) |
| Transfers for Public Works..... | (867) |
| Total Capital Expenditures..... | <u>(5,356)</u> |
| Total Capital Account..... | (2,829) |
| Total Revenues..... | 64,184 |
| Total Expenditures..... | <u>(69,893)</u> |
| Primary Balance..... | (5,708) |
| Interest Expenses..... | (1,279) |
| Total Surplus (Deficit)..... | <u>(6,987)</u> |
| Overall Financial Results | |
| Total Surplus (Deficit)..... | (6,987) |
| Borrowings..... | 12,294 |
| Repayments and other indebtedness decrease..... | <u>(5,329)</u> |
| Net Borrowing..... | 6,965 |
| Previous Years Surplus ⁽¹⁾ | 23 |
| Overall Financial Results | -- |

(1) Reflects revenues allocated for a specific purpose in the prior year's budget but unused during such year.

Source: Ministry of Economy of the Province.

2011 Budget

Overview of the Provincial Budget Process

Under the Provincial Constitution, the Governor is required to submit a budget bill to the legislature before August 31 for the following year; however, in practice, it is usually submitted at the end of the year. The annual budget represents an estimation of the Province's revenues for the budgeted year on the basis of forecasts of the economic activity of Argentina and the Province, and of the necessary expenditures to render public services and to comply with the Province's obligations. In addition, the budget, when approved, represents the amount that the Province is authorized to spend and the level up to which the Province may borrow. The provincial legislature has full power to amend or reject the budget bill submitted by the Governor.

2011 Budget – Law No. 14,199

The 2011 budget bill was submitted to the provincial legislature on October 25, 2010. On December 2, 2010, the provincial legislature approved the budget in Law No. 14,199.

2011 Budget Compared to Projected 2010 Results

The following table shows the 2011 budget, as compared to projected fiscal results in 2010. Projections of the 2010 fiscal results are based on actual results through September 30, 2010 and estimates of income and expenditures for the remaining months; however, the Province can offer no assurances that projected results will accurately reflect actual results.

Projected 2010 Fiscal Results vs. 2011 Budget
(in millions of nominal pesos)

| | For the year ended December 31, | | Variation |
|--|---------------------------------|----------------------|-----------|
| | 2010 Projected | 2011 Budget | |
| Current Account | | | |
| Current Revenues | | | |
| Federal Tax Co-Participation | ARS 16,638 | ARS 20,284 | 21.9% |
| Other Federal Tax Transfers | 3,857 | 4,134 | 7.2% |
| Federal Contributions | 7,005 ⁽¹⁾ | 2,168 ⁽²⁾ | (69.0%) |
| Total Federal Transfers | 27,499 | 26,586 | (3.3%) |
| Provincial Taxes | 26,311 | 33,210 | 26.2% |
| Provincial Non Tax Revenues | 4,265 | 4,549 | 6.6% |
| Social Security System Contributions | 10,464 | 11,039 | 5.5% |
| Total Provincial Revenues | 41,040 | 48,798 | 18.9% |
| Total Current Revenues | 68,539 | 75,384 | 10.0% |
| Current Expenditures | | | |
| Personnel | (34,062) | (36,087) | 5.9% |
| Goods and Services | (5,133) | (6,089) | 18.6% |
| Current Transfers | (17,260) | (20,447) | 18.5% |
| Social Security System Benefits | (10,735) | (11,805) | 10.0% |
| Miscellaneous | (16) | (6) | (63.4%) |
| Total Current Expenditures | (67,206) | (74,424) | 10.8% |
| Current Account Balance | 1,333 | 949 | (28.8%) |
| Capital Account | | | |
| Capital Revenues | 2,681 | 2,888 | 7.7% |
| Capital Expenditures | | | |
| Capital Investments | (2,592) | (3,620) | 39.7% |
| Loans and Capital Contributions | (1,274) | (1,972) | 54.8% |
| Transfers for Public Works | (842) | (1,100) | 30.6% |
| Total Capital Expenditures | (4,708) | (6,691) | 42.1% |
| Total Capital Account | (2,026) | (3,803) | 87.7% |
| Total Revenues | 71,221 | 78,271 | 9.9% |
| Total Expenditures | (71,914) | (81,125) | 12.8% |
| Primary Balance | (693) | (2,854) | 311.8% |

| | | | |
|--|------------------------|------------------------|---------|
| Interest Expenses | (2,029) | (2,194) | 8.1% |
| Total Surplus (Deficit) | (2,722) | (5,047) | 85.5% |
| Overall Financial Results | | | |
| Total Surplus (Deficit) | (2,722) | (5,047) | 85.5% |
| Borrowings | 10,642 | 8,603 | (19.2%) |
| Repayments and other indebtedness decrease | (8,727) ⁽¹⁾ | (3,597) ⁽²⁾ | (58.8%) |
| Net Borrowing | 1,915 | 5,006 | 161.4% |
| Previous Years Surplus ⁽³⁾ | 807 | 41 | (94.9%) |
| Overall Financial Results | — | — | — |

- (1) As part of the Federal Debt Refinancing Program (defined below) for 2010, the federal government distributed ARS 4,093 million to the Province to reduce the Province's debt pursuant to the Federal Debt Refinancing Program. For more information, see "Public Sector Debt—Debt Denominated in Pesos—Financial Assistance Program (PAF)".
- (2) Subsequent to the approval of the 2011 budget, the Province entered into the 2010 Financial Assistance Program with the federal government. The federal government will distribute an additional ARS 1.71 billion to the Province in January 2011, which contribution is required to be applied to cancel amounts previously disbursed to the Province under the 2010 Financial Assistance Program. This additional distribution is not reflected in the budget presented above. For more information on the 2010 Financial Assistance Program, see "Public Sector Debt—Debt Denominated in Pesos—Financial Assistance Program (PAF)".
- (3) Reflects revenues allocated for a specific purpose in the prior year's budget but unused during such year.

Source: Ministry of Economy of the Province.

Total Revenues. In 2011 the Province estimates an increase in total provincial revenues of 9.9% to ARS 78.27 billion, as compared with the 2010 projected revenues. This increase is mainly due to a 26.2% increase in provincial tax revenues to ARS 33.21 billion in 2011, from ARS 26.31 billion in the projected 2010 fiscal results. The increase in provincial tax revenues include:

- a 24.7% increase in gross revenue tax collections due to the cumulative effect of the 2010 and 2011 tax laws, which are expected to increase the efficiency and fairness of the tax system;
- an 11.8% increase in automobile tax collections, due to increased automobile sales;
- a 30.7% increase in real estate tax collections, due to re-valuations of rural and urban real estate;
- a 47.2% increase in stamp tax collections due to projected improved economic activity, mainly in the real estate and automobile market, and an increase in the tax base subject to the tax; and
- a 7.7% increase in capital revenues, to ARS 2.89 billion from projected capital revenues of ARS 2.68 billion in 2010.

This increase in provincial tax revenues is expected to offset a 3.3% decrease in revenues from the federal government, largely due to a 69.0% decrease in federal contributions.

Total Expenditures. In 2011, total provincial expenditures are estimated to increase by 12.8%, to ARS 81.12 billion from projected 2010 expenditures of ARS 71.91 billion, mainly due to:

- a 5.9% increase in personnel expenditures, to ARS 36.09 billion in 2011, from projected personnel expenditures of ARS 34.06 billion in 2010, principally as a result of the cumulative impact of the 2010 salary increases and increased hiring of personnel by the Province for security programs. In each of January 2011 and February 2011, the Province expects to pay a one-time bonus of ARS 250 per employee to provincial employees; these bonuses are not included in the 2011 budget;
- an 18.6% increase in goods and services expenditures to ARS 6.09 billion in 2011 from projected goods and services expenditures of ARS 5.13 billion in 2010, mainly due to increased expenditures for security, justice, health and education programs;
- an 18.5% increase in current transfers to ARS 20.45 billion in the 2011 budget, from projected current transfers of ARS 17.26 billion in 2010, mainly due to increased federal co-participable tax revenues, which will result in an increase in transfers to municipalities;

- a 10.0% increase in social security contributions to ARS 11.81 billion in 2011, from projected social security contributions of ARS 10.74 billion in 2010, mainly due to the 2010 salary increases; and
- a 42.1% increase in capital expenditures, to ARS 6.70 billion in 2011, from projected capital expenditures of ARS 4.71 billion in 2010, mainly due to a budgeted increase in public works by the Province and an increase in loans and capital contributions to public sector enterprises.

Primary Balance. In 2011, the Province expects the primary deficit to increase by 311.8%, to ARS 2.85 billion, from a projected 2010 deficit of ARS 693 million, due to increased expenditures, which are expected to more than offset increased revenues.

Total Surplus (Deficit). In 2011, the Province expects the total deficit to increase 85.5%, to ARS 5.05 billion, from a projected total deficit of ARS 2.72 billion in 2010, mainly due to the expected increase in the primary deficit and, to a lesser extent, an 8.1% increase in debt service payments, to ARS 2.19 billion in 2011 from projected interest payments of ARS 2.03 billion in 2010.

Overall Financial Result. In 2011, the Province expects to cover 100% of its financial deficit by issuing debt, primarily consisting of bonds (including the Notes) in the domestic and international capital markets and new indebtedness with the federal government and, to a lesser extent, multilateral lenders and other sources, for ARS 8.60 billion.

Public Works

For 2011, the Province's budgeted public works plan includes the following projects:

- The Roads Department has budgeted capital expenditures of ARS 630.8 million for construction, paving and improving roads. The Roads Department's principal projects include:
 - Paving of Provincial Route 6 and complementary works on Provincial Routes 8 and 9, for ARS 60.0 million;
 - Re-paving, widening and construction of double-lanes on Provincial Route 8, for ARS 50.0 million; and
 - Repairs and maintenance on the highway system, for ARS 47.2 million.
- The Ministry of Infrastructure has budgeted capital expenditures of ARS 681.3 million, including:
 - Hydraulic Clean-up of Arroyo Finochieto Basin – La Matanza, for ARS 81.2 million;
 - Construction of Ciudad Evita Hospital – La Matanza, for ARS 47.3 million; and
 - Energy infrastructure works, for ARS 30.7 million.
- The *Instituto de la Vivienda* (Housing Institute) has budgeted capital expenditures of ARS 503.1 million, including ARS 314.1 million which has been allocated to the *Programa Federal de Construcción y Mejoramiento de Viviendas* (Federal Housing Improvement and Construction Program).

PUBLIC SECTOR DEBT

General

The Province satisfies its financing needs with a wide variety of sources depending on the provincial and federal economies and the federal and international financing markets.

Prior to 2001, the Province obtained a significant portion of its financing from international and domestic capital markets. In addition, the Province used loans from multilateral, bilateral and commercial lenders, including Banco Provincia. Following the devaluation of the peso in 2001, the Province was unable to access its traditional financing sources. Therefore, since 2002, the federal government has become the Province's main source of financing and, consequently, the Province's largest creditor.

The Province's total indebtedness amounted to USD 11.75 billion, USD 12.20 billion and USD 10.97 billion as of December 31, 2008, December 31, 2009 and September 30, 2010, respectively. As of September 30, 2010, the federal government holds 56.9% of the Province's debt, whereas 34.3% is held by local and international bondholders, approximately 7.4% corresponds to multilateral credit organizations, and the remaining 1.4% is held by other creditors.

Evolution of Debt: 2005 to the present

The following tables describe the evolution of the Province's total outstanding indebtedness from 2005 through September 30, 2010 by creditor, currency, interest rate and term.

Total Gross Debt by Creditor⁽¹⁾
(in millions of U.S. dollars)

| | 2005 | | 2006 | | As of December 31, 2007 | | 2008 | | 2009 | | As of September 30, 2010 | |
|---|------------------|---------------|-------------------|---------------|----------------------------|---------------|-------------------|---------------|-------------------|---------------|-----------------------------|---------------|
| Federal Government..... | USD 6,116 | 62.4% | USD 6,603 | 60.6% | USD 7,059 | 60.0% | USD 7,144 | 60.8% | USD 7,559 | 62.0% | USD 6,245 | 56.9% |
| Bondholders..... | 2,593 | 26.4% | 3,235 | 29.7% | 3,790 | 32.2% | 3,674 | 31.3% | 3,711 | 30.4% | 3,760 | 34.3% |
| Multilateral Credit Agencies ... | 822 | 8.4% | 781 | 7.2% | 767 | 6.5% | 782 | 6.7% | 776 | 6.4% | 814 | 7.4% |
| Bilateral Credit Agencies..... | 135 | 1.4% | 136 | 1.2% | 140 | 1.2% | 149 | 1.3% | 148 | 1.2% | 153 | 1.4% |
| Others..... | 142 | 1.4% | 149 | 1.4% | 7 | 0.1% | 6 | 0.0% | 2 | 0.0% | 2 | 0.0% |
| Total..... | USD 9,808 | 100.0% | USD 10,903 | 100.0% | USD 11,763 | 100.0% | USD 11,755 | 100.0% | USD 12,197 | 100.0% | USD 10,974 | 100.0% |
| Exchange Rate ARS/USD ⁽²⁾ | 3.032 | | 3.062 | | 3.149 | | 3.453 | | 3.800 | | 3.960 | |
| CER ⁽³⁾ | 1.717 | | 1.890 | | 2.051 | | 2.214 | | 2.368 | | 2.570 | |

- (1) Excluding past and undue interest.
(2) Last exchange rate recorded for each period.
(3) CER accumulated from February 4, 2002 until the end of each period.

Source: Ministry of Economy of the Province.

Total Gross Debt by Currency⁽¹⁾
(in millions of U.S. dollars)

| | 2005 | | 2006 | | As of December 31, 2007 | | 2008 | | 2009 | | As of September 30, 2010 | |
|---|------------------|---------------|-------------------|---------------|----------------------------|---------------|-------------------|---------------|-------------------|---------------|-----------------------------|---------------|
| CER-adjusted ARS..... | USD 6,143 | 62.6% | USD 5,513 | 50.6% | USD 4,872 | 41.4% | USD 4,427 | 37.6% | USD 3,908 | 32.0% | USD 73 | 0.7% |
| USD..... | 1,853 | 18.9% | 2,293 | 21.0% | 2,604 | 22.1% | 2,581 | 21.9% | 2,571 | 21.1% | 2,616 | 23.8% |
| Euros ⁽²⁾ | 1,555 | 15.9% | 1,731 | 15.9% | 1,968 | 16.7% | 1,862 | 15.8% | 1,908 | 15.6% | 1,790 | 16.3% |
| Others ⁽³⁾ | 56 | 0.6% | 54 | 0.5% | 56 | 0.5% | 66 | 0.6% | 66 | 0.5% | 85 | 0.8% |
| ARS..... | 202 | 2.1% | 1,311 | 12.0% | 2,263 | 19.2% | 2,818 | 24.0% | 3,744 | 30.7% | 6,410 | 58.4% |
| Total..... | USD 9,808 | 100.0% | USD 10,903 | 100.0% | USD 11,763 | 100.0% | USD 11,755 | 100.0% | USD 12,197 | 100.0% | USD 10,974 | 100.0% |
| Exchange Rate ARS/USD ⁽⁴⁾ | 3.032 | | 3.062 | | 3.149 | | 3.453 | | 3.800 | | 3.960 | |
| CER ⁽⁵⁾ | 1.717 | | 1.890 | | 2.051 | | 2.214 | | 2.368 | | 2.570 | |

- (1) Excluding past and undue interest.
(2) Following the introduction of the euro in 1999, debts owed in a variety of European currencies were converted into euros.
(3) Figures include Swiss franc, peso and provincial quasi-currency (*Patacones*).
(4) Last exchange rate recorded for each period.
(5) CER accumulated from February 4, 2002 until the end of each period.

Source: Ministry of Economy of the Province.

Total Gross Debt by Type of Interest Rate⁽¹⁾
(in millions of U.S. dollars)

| | 2005 | | 2006 | | As of December 31, 2007 | | 2008 | | 2009 | | As of September 30, 2010 | |
|--|------------------|---------------|-------------------|---------------|----------------------------|---------------|-------------------|---------------|-------------------|---------------|-----------------------------|---------------|
| | USD | % | USD | % | USD | % | USD | % | USD | % | USD | % |
| Fixed rate ⁽²⁾ | 2,009 | 20.5% | 3,045 | 27.9% | 3,893 | 33.1% | 4,440 | 37.8% | 5,309 | 43.5% | 7,721 | 70.4% |
| Fixed rate + CER adjustment ⁽³⁾ | 4,968 | 50.7% | 5,028 | 46.1% | 4,872 | 41.4% | 4,427 | 37.7% | 3,908 | 32.0% | 73 | 0.7% |
| Fixed Step-up rate | 1,796 | 18.3% | 1,973 | 18.1% | 2,155 | 18.3% | 2,029 | 17.3% | 2,037 | 16.7% | 1,955 | 17.8% |
| Variable rate | 1,035 | 10.6% | 857 | 7.9% | 842 | 7.2% | 859 | 7.3% | 942 | 7.7% | 1,225 | 11.2% |
| IADB/WB ⁽⁴⁾ | 756 | 7.7% | 703 | 6.5% | 562 | 4.8% | 569 | 4.8% | 494 | 4.1% | 423 | 3.9% |
| Libor | 93 | 1.0% | 107 | 1.0% | 235 | 2.0% | 246 | 2.1% | 315 | 2.6% | 434 | 4.0% |
| Tasa Encuesta ⁽⁵⁾ | 160 | 1.6% | 19 | 0.2% | 14 | 0.1% | 15 | 0.1% | 16 | 0.1% | 265 | 2.4% |
| Others | 26 | 0.3% | 28 | 0.3% | 30 | 0.3% | 29 | 0.2% | 116 | 1.0% | 103 | 0.9% |
| Total | USD 9,808 | 100.0% | USD 10,903 | 100.0% | USD 11,763 | 100.0% | USD 11,755 | 100.0% | USD 12,197 | 100.0% | USD 10,974 | 100.0% |
| Exchange Rate ARS/USD ⁽⁶⁾ | 3.032 | | 3.062 | | 3.149 | | 3.453 | | 3.800 | | 3.960 | |
| CER ⁽⁷⁾ | 1.717 | | 1.890 | | 2.051 | | 2.214 | | 2.368 | | 2.570 | |

- (1) Excluding past and undue interest.
(2) Consists primarily of Eurobonds and the Federal Debt Refinancing Program.
(3) Consists primarily of domestic notes
(4) Includes multilateral debt
(5) Rate determined by the Central Bank based on a survey of the rate paid on savings accounts and time deposits in pesos and in dollars by banks in the City of Buenos Aires and in Greater Buenos Aires.
(6) Last exchange rate recorded for each period.
(7) CER accumulated from February 4, 2002 until the end of each period.

Source: Ministry of Economy of the Province.

Total Gross Debt by Term⁽¹⁾
(in millions of U.S. dollars)

| | 2005 | | 2006 | | As of December 31, 2007 | | 2008 | | 2009 | | As of September 30, 2010 | |
|--|------------------|---------------|-------------------|---------------|----------------------------|---------------|-------------------|---------------|-------------------|---------------|-----------------------------|---------------|
| | USD | % | USD | % | USD | % | USD | % | USD | % | USD | % |
| Short-term ⁽²⁾ | 122 | 1.2% | 139 | 1.3% | - | - | - | - | - | - | 7 | 0.1% |
| Medium-term and long-term ⁽³⁾ | 9,686 | 98.8% | 10,763 | 98.7% | 11,763 | 100.0% | 11,755 | 100.0% | 12,197 | 100.0% | 10,966 | 100.0% |
| Total | USD 9,808 | 100.0% | USD 10,903 | 100.0% | USD 11,763 | 100.0% | USD 11,755 | 100.0% | USD 12,197 | 100.0% | USD 10,974 | 100.0% |
| Exchange Rate ARS/USD ⁽⁴⁾ | 3.032 | | 3.062 | | 3.149 | | 3.453 | | 3.800 | | 3.960 | |
| CER ⁽⁵⁾ | 1.717 | | 1.890 | | 2.051 | | 2.214 | | 2.368 | | 2.570 | |

- (1) Excluding past and undue interest.
(2) Debt with original maturity of one year or less.
(3) Debt with original maturity of more than one year.
(4) Last exchange rate recorded for each period.
(5) CER accumulated from February 4, 2002 until the end of each period.

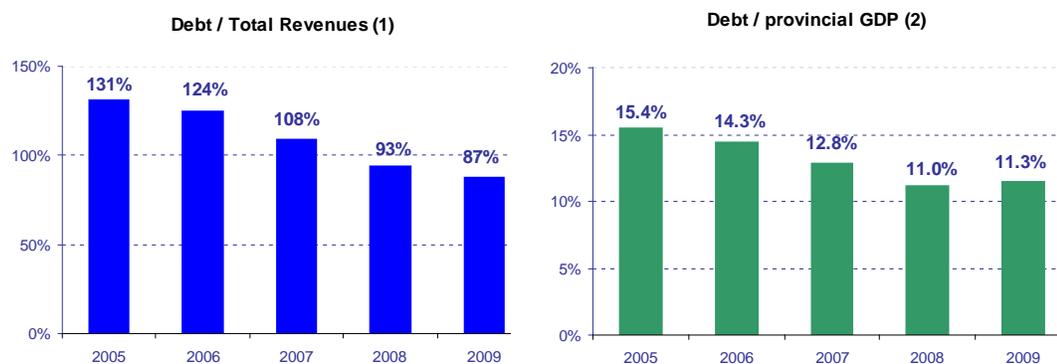
Source: Ministry of Economy of the Province.

From 2005 to September 30, 2010, the federal government's share of the Province's public debt has declined from 62.4% to 56.9%. The federal government's assistance has been provided under agreements, which between 2002 and 2004 were called the *Programa de Financiamiento Ordenado* (Orderly Financing Program, or "PFO") and which since 2005 have been called the *Programa de Asistencia Financiera* (Financial Assistance Program, or "PAF"). These programs helped fund the Province's debt amortization expenses. In addition, the Province entered into debt offsetting, refinancing and interest suspension agreements with the federal government. Additionally, the Province has also entered into agreements with the Trust Fund for Provincial Development to invest in capital assets. On May 31, 2010, all outstanding indebtedness owed to the federal government under the PFO, PAF, debt offsetting, refinancing, interest suspension and Trust Fund for Provincial Development was refinanced under the Federal Debt Refinancing Program. See "—Debt Denominated in Pesos—Argentine Provincial Indebtedness Federal Refinancing Program". As of September 2010, the share of the federal government in the total provincial debt amounted to 56.9%.

Another important milestone in the history of provincial indebtedness was the 2006 provincial restructuring of Eurobonds, which have been in default since December 2001. See "—Debt Denominated in Foreign Currencies—Exchange Bonds". This debt restructuring helped the Province to return to the international capital markets in October 2006 and April 2007.

Since 2005, the favorable conditions of the loan agreements with the federal governments as well as the provincial debt restructuring process have helped the Province improve its debt maturity profile and debt sustainability indicators.

The following charts show debt divided by current revenues and debt divided by provincial GDP from 2005 through 2009.



- (1) Total Revenues includes revenues from central administration of the Province and the provincial social security system.
(2) Nominal GDP.

Source: Ministry of Economy of the Province.

Between December 31, 2008 and December 31, 2009, the consolidated provincial debt stock increased by ARS 5.76 billion, or 14.2%, to ARS 46.35 billion. Between December 31, 2009 and September 30, 2010, the debt stock decreased by ARS 2.89 billion to ARS 43.46 billion.

The following table sets forth the Province's total outstanding indebtedness from 2007 through September 30, 2010.

Total Outstanding Indebtedness

| | 2007 | | At December 31, | | | | At September 30, | | Variation Dec. 31, 2009 | |
|--|--------------|---------------|-----------------|---------------|--------------|---------------|---------------------|------------|-------------------------|----------------|
| | | | 2008 | | 2009 | | 2010 ⁽¹⁾ | | vs. Sep. 30, 2010 | |
| | USD | ARS | USD | ARS | USD | ARS | USD | ARS | (in millions of ARS) | % |
| Debt In Pesos adjusted by CER | | | | | | | | | | |
| Provincial Debt Exchange (BOGAR) | 4,249 | 13,381 | 3,955 | 13,657 | 3,617 | 13,743 | - | - | (13,743) | (100.0%) |
| Monetary Unification Program (BODEN 2011) | 568 | 1,789 | 392 | 1,352 | 218 | 827 | - | - | (827) | (100.0%) |
| Malvinas Bond | 0 | 0 | 27 | 93 | 22 | 85 | 19 | 76 | (8) | (9.9%) |
| PYMES Bond (Law No. 12,421) | 55 | 173 | 53 | 184 | 52 | 197 | 54 | 213 | 17 | 8.5% |
| Total Debt in Pesos adjusted by CER | 4,872 | 15,343 | 4,427 | 15,286 | 3,908 | 14,851 | 73 | 290 | (14,562) | (98.0%) |
| Debt In Pesos | | | | | | | | | | |
| Orderly Financing Program (PFO) 2004 | 101 | 319 | - | - | - | - | - | - | - | - |
| Refinancing Program (PFO) 2004 | 110 | 348 | - | - | - | - | - | - | - | - |
| Financial Assistance (PAF) 2005 | 371 | 1,169 | 282 | 974 | 205 | 780 | - | - | (780) | (100.0%) |
| Financial Assistance (PAF) 2006 | 652 | 2,054 | 510 | 1,761 | 386 | 1,468 | - | - | (1,468) | (100.0%) |
| Financial Assistance (PAF) 2007 | 897 | 2,826 | 819 | 2,826 | 638 | 2,423 | - | - | (2,423) | (100.0%) |
| Financial Assistance (PAF) 2008 | - | - | 836 | 2,885 | 759 | 2,885 | - | - | (2,885) | (100.0%) |
| Financial Assistance (PAF) 2009 | - | - | - | - | 797 | 3,028 | - | - | (3,028) | (100.0%) |
| Interest Suspension Agreement 2007 | 81 | 254 | 74 | 254 | 57 | 218 | - | - | (218) | (100.0%) |
| Interest Suspension Agreement 2008 | - | - | 116 | 400 | 105 | 400 | - | - | (400) | (100.0%) |
| Interest Suspension Agreement 2009 | - | - | - | - | 133 | 505 | - | - | (505) | (100.0%) |
| FFDP Loan 2008 | - | - | 134 | 462 | 122 | 462 | - | - | (462) | (100.0%) |
| FFDP Loan 2009 | - | - | - | - | 164 | 625 | - | - | (625) | (100.0%) |

| | 2007 | | At December 31, 2008 | | | | 2009 | | At September 30, 2010 ⁽¹⁾ | | Variation Dec. 31, 2009 vs. Sep. 30, 2010 | |
|--|---------------|---------------|--|---------------|---------------|---------------|---------------|---------------|---|---------------|--|---|
| | | | Outstanding principal (in millions) | | | | | | | | (in millions of ARS) | |
| | USD | ARS | USD | ARS | USD | ARS | USD | ARS | | | | % |
| FFDP Loan 2009 | – | – | – | – | 273 | 1,036 | – | – | (1,036) | (100.0%) | | |
| FFDP Loan 2010 | – | – | – | – | – | – | 78 | 307 | 307 | – | | |
| Federal Indebtedness Refinancing Program..... | – | – | – | – | – | – | 6,024 | 23,855 | 23,855 | – | | |
| BOCONBA | 6 | 18 | 7 | 25 | 9 | 34 | 8 | 31 | (3) | (9.2%) | | |
| Debt Cancellation Bond | – | – | – | – | – | – | 126 | 500 | 500 | – | | |
| Anses Housing Loan | – | – | – | – | 46 | 175 | 88 | 350 | 175 | 100% | | |
| Patacones..... | 5 | 16 | 4 | 16 | – | – | – | – | – | – | | |
| Others | 38 | 121 | 37 | 127 | 49 | 186 | 86 | 342 | 156 | 83.9% | | |
| Total Debt In Pesos..... | 2,263 | 7,125 | 2,818 | 9,731 | 3,744 | 14,225 | 6,410 | 25,385 | 11,160 | 78.5% | | |
| Debt In Foreign Currencies | | | | | | | | | | | | |
| Eurobonds | 3,678 | 11,582 | 3,535 | 12,207 | 3,549 | 13,487 | 3,451 | 13,664 | 178 | 1.3% | | |
| Dollar - denominated Long Term Par Bond..... | 430 | 1,355 | 393 | 1,356 | 360 | 1,368 | 366 | 1,448 | 80 | 5.9% | | |
| Euro - denominated Long Term Par Bond Bond..... | 820 | 2,582 | 776 | 2,679 | 792 | 3,011 | 746 | 2,953 | (58) | (1.9%) | | |
| Dollar - denominated Medium Term Par Bond..... | 64 | 201 | 64 | 220 | 64 | 242 | 64 | 252 | 10 | 4.2% | | |
| Euro - denominated Medium Term Par Bond..... | 842 | 2,650 | 796 | 2,750 | 821 | 3,121 | 780 | 3,087 | (34) | (1.1%) | | |
| Dollar- denominated Discount Bond | 334 | 1,051 | 334 | 1,153 | 334 | 1,269 | 334 | 1,322 | 53 | 4.2% | | |
| Euro - denominated Discount Bond..... | 204 | 642 | 193 | 666 | 199 | 755 | 189 | 747 | (8) | (1.1%) | | |
| Eurobonds (Holdouts) ⁽²⁾ | 110 | 346 | 105 | 363 | 104 | 395 | 98 | 389 | (6) | (1.5%) | | |
| USD 475 M Bond..... | 475 | 1,496 | 475 | 1,640 | 475 | 1,805 | 475 | 1,881 | 76 | 4.2% | | |
| USD 400 M Bond..... | 400 | 1,260 | 400 | 1,381 | 400 | 1,520 | 400 | 1,584 | 64 | 4.2% | | |
| Multilateral Loans (IADB-World Bank) | 767 | 2,414 | 782 | 2,700 | 776 | 2,948 | 814 | 3,222 | 274 | 9.3% | | |
| Bilateral Loans ⁽²⁾ | 140 | 440 | 149 | 514 | 148 | 562 | 153 | 606 | 44 | 7.9% | | |
| USD | 84 | 265 | 84 | 290 | 84 | 319 | 84 | 333 | 13 | 4.2% | | |
| Yen..... | 42 | 133 | 52 | 180 | 51 | 193 | 57 | 224 | 31 | 16.3% | | |
| Liras..... | 13 | 42 | 13 | 44 | 13 | 50 | 12 | 49 | (0) | (1.0%) | | |
| Law No. 12,973 Bond | 43 | 136 | 43 | 149 | 43 | 164 | 43 | 171 | 7 | 4.2% | | |
| Provincial Bond due 2016 | – | – | – | – | 29 | 110 | 29 | 117 | 7 | 6.1% | | |
| Total Debt In Foreign Currencies | 4,627 | 14,571 | 4,509 | 15,571 | 4,545 | 17,271 | 4,490 | 17,780 | 510 | 3.0% | | |
| Total Indebtedness | 11,762 | 37,040 | 11,755 | 40,588 | 12,197 | 46,347 | 10,974 | 43,455 | (2,892) | (6.2%) | | |

| | | 2007 | 2008 | 2009 | September 30, 2010 |
|-----------------------|-----------------------------|-------|-------|-------|-----------------------|
| Exchange rates | ARS/USD | 3.149 | 3.453 | 3.800 | 3.960 |
| | ARS/JPY | 0.028 | 0.038 | 0.041 | 0.047 |
| | ARS/CHF | 2.795 | 3.236 | 3.674 | 4.032 |
| | ARS/EUR | 4.632 | 4.806 | 5.453 | 5.394 |
| | ARS/ITL..... | 0.002 | 0.002 | 0.003 | 0.003 |
| | USD/ITL | 0.001 | 0.001 | 0.001 | 0.001 |
| | USD/JPY | 0.009 | 0.011 | 0.011 | 0.011 |
| | Accumulated CER..... | | 2.051 | 2.214 | 2.368 |

(1) Table does not include debt incurred subsequent to September 30, 2010. For information on debt incurred subsequent to September 30, 2010, see “—Debt Denominated in Pesos—Financial Assistance Program (PAF),” “—Debt Denominated in Pesos—Treasury Bills,” “—Debt Denominated in Foreign Currencies—Exchange Bonds,” and “—Debt Denominated in Foreign Currencies—Post-restructuring issued Eurobonds.”

(2) Excluding past and undue interest as of December 2001.

Source: Ministry of Economy of the Province.

Causes of debt stock variation between September 30, 2010 and December 31, 2009

During the nine months ended September 30, 2010, the Province’s indebtedness decreased by ARS 2.89 billion, or 6.2%, as compared to December 31, 2009.

The following table describes the increases and decreases in the Province’s outstanding indebtedness that led to the net decrease in the provincial debt stock from December 31, 2009 to September 30, 2010.

Causes of Debt Stock variation, September 30, 2010 vs. December 31, 2009
(in millions of current pesos)

| | Variation |
|--|------------------|
| Indebtedness with federal government | (4,012.0) |
| Inflation Effect (CER) | 719.3 |
| Amortization | (1,667.3) |
| Disbursements | 549.7 |
| Interest Capitalization, FFDP 2010 Loan and Federal Debt Refinancing Program | 7.0 |
| Debt Incurred Pursuant to Federal Debt Refinancing Program | 23,855.5 |
| Debt Refinanced or Cancelled by Federal Debt Refinancing Program | (27,476.1) |
| Other Indebtedness | 1,120.1 |
| Inflation Effect | 42.4 |
| Exchange Rate ⁽¹⁾ | 385.5 |
| Amortization and other decrease in indebtedness | (1,052.7) |
| Disbursements | 1,744.9 |
| Debt Stock Variation | (2,891.9) |

(1) Includes the peso devaluation against the U.S. dollar, euro, Japanese yen and Swiss franc.

Source: Ministry of Economy of the Province.

Between December 31, 2009 and September 30, 2010, the provincial debt stock fell mainly due to:

- refinancing or reduction of ARS 27.48 billion of debt with the federal government; and
- debt amortization with the federal government for ARS 1.67 billion and other amortizations for ARS 1.05 billion.

These effects were partly offset by:

- new debt with the federal government for ARS 23.86 billion due to refinancing a large part of the debt of the Province with the federal government;
- the impact of inflation on debt denominated in pesos and adjusted by CER, which increased the debt stock to ARS 762 million; and
- new disbursements for ARS 2.29 billion.

Estimated Debt Services

The following table shows projected debt services by creditor and year from October 1, 2010 to December 31, 2035, based on the provincial debt stock as of September 30, 2010.

Pledge of Tax Co-Participation Revenues

The Province has pledged a part of its federal tax transfers to secure its obligations under certain of its outstanding indebtedness, most of which is owed to the federal government. Pursuant to these security arrangements, the federal government is entitled to withhold a portion of the Province's federal tax transfers to cover principal and interest payments on the secured debt.

The following table sets forth the amount of federal tax transfers withheld to cover provincial debt service payments from 2005 through September 30, 2010.

Withheld Federal Tax Transfers 2005-2010
(in millions of pesos)

| | For the year ended December 31, | | | | | For the nine months ended September 30, 2010 |
|---|---------------------------------|--------------------|---------------------|---------------------|---------------------|--|
| | 2005 | 2006 | 2007 | 2008 | 2009 | |
| Federal Tax Co-Participation | ARS 6,991.3 | ARS 8,442.2 | ARS 10,859.5 | ARS 13,562.4 | ARS 16,112.5 | ARS 14,514.0 |
| Withholdings: | | | | | | |
| Federal Government ⁽¹⁾ | 1,610.2 | 2,503.1 | 2,554.3 | 2,723.4 | 2,699.6 | 2,197.8 |
| Other Debt ⁽²⁾ | 34.5 | 5.7 | 1.9 | 1.5 | 3.2 | 230.2 |
| Total Withholdings | ARS 1,644.7 | ARS 2,508.7 | ARS 2,556.2 | ARS 2,724.9 | ARS 2,702.8 | ARS 2,428.0 |
| Percentage Withheld | 23.5% | 29.7% | 23.5% | 20.1% | 16.8% | 16.7% |

- (1) These secured debts consist primarily of financing provided pursuant to the Provincial Debt Exchange (*Bogar*), the Monetary Unification Program (PUM), the Orderly Financing Program (PFO), the Financial Assistance Program (PAF), and the Interest Suspension Agreements through June 23, 2010.
- (2) Consists mainly of withholdings to make debt service payments to multilateral creditors.

Source: Ministry of Economy of the Province and Banco Nación.

Debt Denominated in CER-adjusted Pesos

Provincial Debt Exchange (Bogar)

In 2002, the Province restructured certain debt obligations, in cooperation with the federal government, through the issuance of *Bogar*. In August 2002, the federal government issued a decree setting forth procedures for these restructurings, and the terms and conditions of *Bogar* to be issued by the Trust Fund for Provincial Development to provincial creditors. By exchanging existing debt for *Bogar*, the Province was able to benefit from the more favorable terms of the *Bogar* compared to its then outstanding debt obligations, including longer maturities (2018), denomination in pesos adjusted by CER, lower interest rates (2.0%) and a grace period of 36 months. The federal government guarantees payment on *Bogar*, and the Province indirectly guarantees payments on *Bogar* by pledging to the federal government 15.0% of the federal tax co-participation revenues to which it is entitled.

In 2003 and 2004, the Province and the federal government entered into three agreements for the exchange of debt of the Province, amounting to approximately ARS 7.51 billion, for an equivalent amount of *Bogar*. The first of these three agreements, which was signed for ARS 7.02 billion in April 2003, related to debt of the Province held by financial and banking entities, as well as a portion of outstanding provincial bonds held by Banco Provincia. The second agreement, signed for ARS 457 million in July 2003, related to all remaining provincial bonds. In April 2004, the Province entered into an additional agreement with the federal government, pursuant to which the Province, acting on behalf of several of its municipalities, exchanged municipal debt amounting to approximately ARS 34 million for an equivalent amount of *Bogar*. In the context of these exchanges, Banco Provincia tendered ARS 1.32 billion in provincial bonds it had received in July 2001 in connection with the transfer of a portion of its loan portfolio to the Province pursuant to Law No. 12,726 and 12,790. See "The Provincial Economy—Provincial Enterprises—Loan Recovery Committee."

The federal government is entitled to withhold up to 15.0% of "extended" federal tax co-participation transfers to the Province, which include transfers of both revenues from co-participation under the federal tax co-participation law of 1988 and from special co-participation regimes, to cover payments made under the *Bogar*.

As of December 31, 2009, the aggregate amount of outstanding *Bogar* was approximately ARS 13.74 billion, which includes accumulated CER as of that date. On May 31, 2010, the entire outstanding amount of *Bogar* was refinanced in the Federal Debt Refinancing Program. See “—Debt Denominated in Pesos—Argentine Provincial Indebtedness Federal Refinancing Program”.

Monetary Unification Program (Boden 2011)

In 2001, lacking sufficient resources to fund its current expenditures due to the dramatic reduction in the monetary base resulting from the economic crisis, the Province issued the first series of a new quasi-currency treasury bond, *Patacones*, in an amount totaling approximately ARS 614.7 million. These quasi-currency instruments were widely accepted as a substitute for legal currency, including for the payment of federal and provincial taxes. Beginning in November 2001, the Province issued a new series of *Patacones* in an amount totaling approximately ARS 2.7 billion, in order to fund the redemption of the original series of *Patacones* as well as certain additional payment obligations.

In March 2003, the federal government implemented the Monetary Unification Program (PUM) for the redemption of various federal and provincial quasi-currency instruments, including *Patacones* issued by the Province. The redemption of *Patacones* took place in 2003, either by acceptance of *Patacones* by provincial tax authorities in satisfaction of provincial tax obligations or by redemption by the federal government, which compensated holders with pesos by issuing a bond known as *Boden 2011* to the Central Bank, as compensation for the pesos issued.

As of December 31, 2003, which was the deadline established by the federal government for the quasi-currency redemption process, 98.2% of the aggregate outstanding principal amount of ARS 2.7 billion of *Patacones* had been redeemed in exchange for *Boden 2011*. The Province is required to reimburse the federal government for any payments made by the federal government in respect of *Boden 2011* issued in exchange for *Patacones*. The federal government is entitled to withhold the amount of any reimbursement payments due from the Province from federal tax co-participation transfers to be made to the Province.

As of December 31, 2009, the aggregate outstanding principal amount of *Boden 2011* was approximately ARS 827.0 million. On May 31, 2010, the entire outstanding amount of *Boden 2011* was refinanced in the Federal Debt Refinancing Program. See “—Debt Denominated in Pesos—Argentine Provincial Indebtedness Federal Refinancing Program”.

Orderly Financing Program (PFO)

In 2002, the federal government, the provinces, including the Province, and the City of Buenos Aires signed a national agreement on financial relations and foundations of the federal tax co-participation system, pursuant to which the provinces committed to reduce their respective fiscal imbalances and to achieve orderly finances. Under this agreement, the federal government committed to providing financial assistance to the provinces under the Orderly Financing Program, pursuant to which the federal government signed bilateral fiscal agreements with a number of provinces, including the Province. Under these bilateral agreements, the federal government provided loans from the Trust Fund for Provincial Development to provinces that agree to adopt spending controls and other administrative reforms. These loans could be used, among other things, to reduce provincial fiscal deficits. The provinces agreed to comply with all financial conditions to which the federal government is subject under its financing arrangements with multilateral lending institutions. In addition, the provinces committed to not incur any new public indebtedness except in connection with debt restructuring processes approved by the federal government, not issue any new quasi-currency debt instruments, reduce their non-financial indebtedness, establish monthly or quarterly fiscal targets and guarantee certain loan repayments by assigning to the federal government their rights to receive federal tax co-participation payments.

The Province signed three bilateral *PFO* agreements with the federal government for 2002, 2003 and 2004. Pursuant to these agreements, the Province borrowed ARS 295.0 million from the Trust Fund for Provincial Development in 2002, ARS 510.5 million in 2003 and ARS 707.1 million in 2004. The principal amount of these loans was denominated in pesos adjusted by CER and amortized in 36 consecutive monthly installments following a

twelve-month grace period. Interest accrued at fixed annual interest rates determined on the basis of annual levels of fiscal deficit reduction ranging from 2.0% to 4.0% and was payable monthly. Interest was capitalized until December 31 of the year of disbursement.

The *PFO* agreements also provided for the refinancing of provincial debt obligations to multilateral lenders. Under such arrangements, the federal government repaid multilateral lenders on behalf of the Province. As of December 31, 2009, the Province had repaid all of its debts under *PFO* 2002, 2003 and 2004. See “—Debt Offsetting Agreement and Refinancing Agreement”.

Debt Offsetting Agreement and Refinancing Agreement

In June 2004, the Province signed a debt offsetting agreement with the federal government setting forth their mutual debt obligations as of December 31, 2002, except for the Province’s obligations to the federal government in respect of debt payments to multilateral lenders, which were set forth as of August 31, 2002. According to this agreement, the federal government owed the Province approximately ARS 192.6 million, consisting primarily of past-due federal tax co-participation transfers relating to taxes collected by the federal government, and the Province owed the federal government approximately ARS 157.6 million, consisting of advance federal tax co-participation payments and debt repayments to multilateral lenders made by the federal government on behalf of the Province. This resulted in a net amount owed by the federal government to the Province of approximately ARS 35.0 million as of June 2004.

In November 2005, the federal government and the Province entered into a supplemental agreement to the *PFO*. Pursuant to this supplemental agreement, the parties set off their mutual debt obligations for 2002 and 2003 that were not included in the June 2004 debt offsetting agreement, taking into account the net ARS 35.0 million owed by the federal government to the Province pursuant to the June 2004 debt offsetting agreement. Under this supplemental agreement, the amount owed by the federal government to the Province was increased to ARS 37.0 million. The November 2005 set-off resulted in a net debt of ARS 334 million owed by the Province to the federal government, the repayment of which is subject to the terms and conditions set forth in the 2004 *PFO*.

In April 2006, the Province and the federal government entered into a refinancing agreement in respect of debt service payments on multilateral loans made by the federal government on behalf of the Province in 2004, which amounted to ARS 410 million; and the ARS 334 million net debt owed to the federal government pursuant to the November 2005 supplemental agreement. As a result, the total amount refinanced was ARS 744 million, the repayment of which is subject to the terms and conditions of the 2004 *PFO*.

Pursuant to the April 2006 refinancing agreement, the federal government is entitled to periodically deduct the amount of debt service due under the refinancing agreement from federal tax co-participation payments that it is required to make to the Province. As of December 31, 2009, the Province had paid all of its debt under the 2006 refinancing agreement.

PyMEs Bond

In May 2000, the Province implemented a financial support program for small and medium size businesses (“*PyMEs*”) in financial distress with outstanding bank loans from Banco Provincia. Through this program, an eligible *PyMEs* could refinance debt by extending the term of its loans to 15, 20 or 25 years and purchasing zero-coupon dollar-denominated provincial bonds issued by the Province (“*PyMEs* Bonds”) and depositing these bonds at Banco Provincia as collateral for its loans. At maturity, the Province would redeem *PyMEs* Bonds collateralizing the principal amount of the loans, which would be cancelled. Participating *PyMEs* may be excluded from this program if they default on their loans, in which case, the *PyMEs* Bonds that serve as collateral for the defaulted loans will be redeemed by the Province at their then-current value.

At September 30, 2010, the aggregate nominal amount of outstanding *PyMEs* Bonds was ARS 213.31 million, which, if all participating *PyMEs* had been excluded and all *PyMEs* Bonds had been redeemed, the Province would have been required to pay approximately ARS 35.89 million to Banco Provincia.

Debt Consolidation Regime (Boconba 11,192)

In 1991, pursuant to Law No. 11,192, the Province issued *Bonos de Consolidación de Deuda de Buenos Aires* (Debt Consolidation Bonds of Buenos Aires, or “*Boconba 11,192*”) to a number of claimants who had prevailed in legal actions brought against the Province or its municipalities prior to April 1, 1991. All of the *Boconba 11,192* were redeemed in April 2007.

Under the 2007 Budget Law, the Province is authorized to pay the debt either through a single payment or through a 5-year-payment facility whereby the claimants will receive monthly payments at the same rate as they had received under the *Boconba 11,192*. The calculation of the debt under both options will be made pursuant to the terms and conditions of provincial Law No 11,192. In addition, the 2007 Budget Law bars any payment of consolidated debt with new *Boconba 11,192* after January 1, 2007.

Malvinas Islands Veterans’ Debt Cancellation Bond Law No. 13,763

In January 2008, the Province enacted Law No. 13,763, pursuant to which the Province acknowledged an outstanding debt with the Malvinas Islands war veterans as a result of failing to calculate certain items in the pension provided by the Province. Law No. 13,763 established how those pension items would be calculated and provided for the mechanism to repay this debt. Law No. 13,763 also established that 10.0% of the debt would be paid in cash and the remaining 90.0% in securities (the “Malvinas Bonds”). The Malvinas Bonds were issued on September 15, 2007 and will mature on March 15, 2014. The Malvinas Bonds are denominated in CER-adjusted pesos and are amortized in 72 consecutive monthly installments, consisting of 70 installments of 1.3% and two installments of 2.7%, of the principal amount plus capitalized interest through March 15, 2008. The first installment was due on April 15, 2008. Interest on the Malvinas Bonds accrues at 2.0% per annum and was capitalized on a monthly basis until March 15, 2008. As of September 30, 2010, the Malvinas Bond debt stock amounted to ARS 76.40 million.

Debt Denominated in Pesos

Argentine Provincial Indebtedness Federal Refinancing Program

On May 10, 2010, the federal government issued decree 660/10, creating the *Programa Federal del Desendeudamiento de las Provincias Argentinas* (Argentine Provincial Indebtedness Federal Refinancing Program, or the “Federal Debt Refinancing Program”). The Federal Debt Refinancing Program:

- reduces indebtedness owed by provinces to the federal government by applying funds held in the *Fondo de Aportes del Tesoro Nacional* (the “National Treasury Support Fund”) as of December 31, 2009 to reduce, on a pro rata basis, the indebtedness of provinces that agreed to participate in the Federal Debt Refinancing Program prior to May 31, 2010; and
- allows provinces to refinance indebtedness held with the federal government as of May 31, 2010 under the *Ley de Responsabilidad Fiscal* (Fiscal Responsibility Law), the Trust Fund for Provincial Development, PUM, Financial Assistance Program (PAF), Interest Suspension Agreements, *Bogar*, and *Boden*.

On May 12, 2010, the Province indicated to the federal government that it would participate in this program. The Province and the federal government signed a bilateral agreement memorializing the Province’s participation in the Federal Debt Refinancing Program on June 23, 2010, which was approved by Decree 903/10. The refinanced indebtedness will be denominated in pesos and will have a grace period until December 31, 2011, after which the principal will be repaid in 227 consecutive monthly installments of 0.439% of the principal and a final installment of 0.347% of the principal. Outstanding amounts will bear interest at an annual fixed rate of 6%, and interest will be capitalized until December 31, 2011. The Provincial Debt Refinancing Program eliminated all provincial CER-adjusted debt owed to the federal government. See “—Debt Denominated in CER-Adjusted Pesos.” The Province will be required to secure amounts owed under the Federal Debt Refinancing Program by pledging federal co-participable tax revenues owed to it.

The following table shows the amounts owed by the Province to the federal government under these programs as of May 31, 2010, the amount of this debt that was reduced through application of funds held in the National Treasury Support Fund, and the amount of debt that was refinanced through the Federal Debt Refinancing Program.

Provincial Debt included in the Federal Debt Refinancing Program as of May 31, 2010

| | At May 31, 2010 | |
|---|------------------------------|------------------|
| | Outstanding principal | |
| | (in millions) | |
| | ARS | USD |
| Provincial Debt Exchange (BOGAR)..... | 13,928.7 | 3,545.1 |
| Monetary Unification Program (BODEN 2011)..... | 599.4 | 152.6 |
| Financial Assistance 2005 | 702.0 | 178.7 |
| Financial Assistance 2006 | 1,352.3 | 344.2 |
| Financial Assistance 2007 ⁽¹⁾ | 2,469.8 | 628.6 |
| Financial Assistance 2008 ⁽¹⁾ | 3,105.2 | 790.3 |
| Financial Assistance 2009 ⁽¹⁾ | 3,551.7 | 904.0 |
| FFDP Loan 2008 | 426.3 | 108.5 |
| FFDP Loan 2009 | 1,671.3 | 425.4 |
| Outstanding principal | 27,806.9 | 7,077.3 |
| National Treasury Funds to be applied | (4,093.4) | (1,041.8) |
| Outstanding principal net of National Treasury Funds | 23,713.5 | 6,035.5 |

Exchange rate ARS/USD **3.929**

(1) Includes debt from the Interest Suspension Agreements in 2007, 2008 and 2009.

Source: Ministry of Economy of the Province.

In June 2010, the federal government withheld ARS 330.8 million of federal co-participable tax revenues to cover interest and capital payments owed on refinanced debt prior to June 23, 2010. These amounts were used to reduce amounts owed to the federal government under the Federal Debt Refinancing Program. As a result of the capitalization of interest, the amount owed under the Federal Debt Refinancing Program as of June 30, 2010 was ARS 23.50 billion. As of September 30, 2010 the outstanding principal amount under the Federal Debt Refinancing Program was ARS 23.85 billion.

Financial Assistance Program (PAF)

In August 2004, the federal government created the *Régimen Federal de Responsabilidad Fiscal* (Federal Fiscal Responsibility Regime), which went into effect as of January 1, 2005. The new regime establishes general rules of fiscal behavior and transparency for Argentina’s national, provincial and municipal public sectors. In addition, the federal government established, pursuant to various bilateral agreements, financing programs for those provinces that do not have other sources of funds and are in compliance with the fiscal responsibility rules established under the new regime.

In June 2005, the federal government and the Province entered into the 2005 Financial Assistance Program (“PAF 2005”), pursuant to which the federal government granted the Province a ARS 1.26 billion loan for purposes of making debt amortization payments in 2005. The PAF 2005 financed approximately 70.1% of the 2005 budgeted provincial debt amortizations. The loan will be repaid in 84 consecutive monthly installments, on CER adjusted balances, with a one-year grace period, and interest will accrue at a rate of 2.0% per annum. Interest was capitalized until December 31, 2005, after which it began to be payable on a monthly basis. All payments were secured by federal tax co-participable funds that the Province would be entitled to receive. As of December 31, 2009, the aggregate principal amount outstanding under the PAF 2005 was ARS 780 million.

In April 2006, the federal government and the Province entered into the 2006 Financial Assistance Program (“PAF 2006”), pursuant to which the federal government granted the Province an additional ARS 2.00 billion loan for purposes of making debt amortization payments in 2006. The PAF 2006 financed approximately 75.5% of the 2006 budgeted provincial debt amortizations. The terms of the PAF 2006, including the amortization schedule, are

identical to those of the *PAF* 2005, except that principal under the *PAF* 2006 will not be adjusted by CER and interest will accrue at a rate of 6.0% per annum and was capitalized until December 31, 2006. As of December 31, 2009, the aggregate principal amount outstanding under the *PAF* 2006 was ARS 1.47 billion.

In March 2007, the federal government and the Province entered into the 2007 Financial Assistance Program (“*PAF* 2007”) for ARS 2.74 billion. Like the previous agreements, the *PAF* 2007 was entered into for purposes of making debt amortization payments due in 2007. The *PAF* 2007 financed approximately 96.0% of the 2007 budgeted provincial debt amortizations. The *PAF* 2007 is payable over 8 years through equal monthly installments that commenced in January 2008 at an annual nominal interest rate of 6.0% and was capitalized until December 31, 2007. The first interest payment was due in January 2008. As of December 31, 2009, the aggregate principal amount outstanding under the *PAF* 2007 was ARS 2.42 billion.

In March 2008, the federal government and the Province entered into the 2008 Financial Assistance Program (“*PAF* 2008”) for ARS 2.82 billion. Like the previous agreements, the *PAF* 2008 was entered into for purposes of making debt amortization payments due in 2008. The *PAF* 2008 financed approximately 96.5% of the 2008 budgeted provincial debt amortizations. The *PAF* 2008 will be repaid in 84 consecutive monthly installments, which commenced in January 2010. Interest accrues at 6.0% per annum and was capitalized until December 31, 2008. The first interest and principal payment was in January 2009. As of December 31, 2009, the aggregate principal amount outstanding under the *PAF* 2008 was ARS 2.89 billion.

In February 2009, the federal government and the Province entered into the 2009 Financial Assistance Program (“*PAF* 2009”) for ARS 2.93 billion. Like the previous *PAFs*, the *PAF* 2009 was entered into for the purpose of making debt amortization payments due in 2009, which were estimated to be ARS 2.95 billion. In this manner, the *PAF* 2009 financed approximately 99.3% of the 2009 budgeted provincial debt amortizations. The *PAF* 2009 was to be repaid over 8 years in 84 equal consecutive monthly installments, commencing in January 2011, at an annual nominal rate of 6.0%. Interest was capitalized until December 31, 2009 and the first payment was in January 2010.

As of December 31, 2009, the aggregate principal amount outstanding under the *PAF* 2009 was ARS 3.03 billion. On May 31, 2010, the entire outstanding amount due under the *PAF* 2005, *PAF* 2006, *PAF* 2007, *PAF* 2008 and *PAF* 2009 was refinanced in the Federal Debt Refinancing Program. See —Argentine Provincial Indebtedness Federal Refinancing Program”.

On December 21, 2010, the federal government and the Province entered into the 2010 Financial Assistance Program (“*PAF* 2010”), pursuant to which the federal government granted the Province a ARS 5.06 billion loan for purposes of meeting fiscal imbalances and making debt service payments. The loan will be repaid in 228 consecutive monthly installments with a one-year grace period, and interest will accrue at a fixed rate of 6.0% per annum. Interest will be capitalized until December 31, 2011, after which it will begin to be payable on a monthly basis. All payments will be secured by federal tax co-participable funds that the Province would be entitled to receive. In addition, the *PAF* 2010 establishes that the federal government will make a payment of ARS 1.71 billion in January 2011, with funds from the National Treasury Support Fund to partially cancel the debt originated by the *PAF* 2010.

Interest Suspension Agreements 2007, 2008 and 2009

In 2007, 2008 and 2009, the federal government and the Province entered into consecutive interest suspension agreements (the “Interest Suspension Agreements”), suspending for 2007, 2008 and 2009, the interest payments due on PFO and *PAF* (for each respective fiscal year) and PUM. Under the Interest Suspension Agreements, interest due under these credits in 2007 was capitalized until December 31, 2007; interest due in 2008 was capitalized until December 31, 2008; and interest due in 2009 was capitalized until December 31, 2009, in each case at the annual nominal rates applicable to each agreement (6.0% for PFOs and *PAFs* and 2.0% for PUM). The capitalized amounts are repaid over a term of 8 years, including a one-year grace period, in 84 consecutive monthly installments. The refinancing of these interests improved the financial balance in 2007, 2008 and 2009, with the Province rolling over approximately ARS 254 million, ARS 400 million, and ARS 505 million, respectively, in interest payments during those years.

As of December 31, 2009, the aggregate principal amount outstanding under the 2007, 2008 and 2009 Interest Suspension Agreements was ARS 1.12 billion. On May 31, 2010, the entire outstanding amount due under the 2007, 2008 and 2009 Interest Suspension Agreements was refinanced in the Federal Debt Refinancing Program. See “—Federal Debt Refinancing Program”.

Trust Fund Loan for Provincial Development

In October 2008, the federal government and the Province entered into a loan agreement for ARS 460 million through the Trust Fund for Provincial Development, with the purpose of allocating funds to infrastructure works in the Province. This loan will be repaid in 60 consecutive monthly installments, including a one-year grace period for principal, and the first repayment was made in January 2010. The loan accrues interest at an annual fixed nominal interest rate of 7.0% from January 2009. All payments were secured by federal tax co-participable funds that the Province was entitled to receive. The disbursement was made in December 2008 and the amount outstanding under this facility as of December 31, 2009 was approximately ARS 462 million.

In May 2009, a new loan agreement was signed for up to ARS 600 million, with purposes of funding public works. This loan will be repaid over 6 years in 72 consecutive and equal monthly principal installments commencing in January 2011, with interest accruing at a nominal annual rate of 7.0%. The interest was capitalized until December 31, 2009, and the first amortization and interest payment was made in 2010. All payments were secured by federal tax co-participable funds that the Province was entitled to receive. This loan was disbursed on May 29, 2009. As of December 31, 2009, the debt outstanding under this facility amounted to ARS 625 million.

In June 2009 a new loan agreement under this program was entered into for up to ARS 1.00 billion. It will be repaid over 3 years, in 36 equal monthly installments commencing in July 2010, with interest accruing at an annual nominal rate of 7.0%. All payments were secured by federal tax co-participable funds that the Province is entitled to receive. The interest was capitalized until December 31, 2009, and the first interest payment was made in January 2010. The loan disbursements were made between June and July 2009. As of December 31, 2009 the debt outstanding under this facility amounted to ARS 1.04 billion.

On May 31, 2010, the entire outstanding amount due under 2008 and 2009 Trust Fund for Provincial Development Facilities was refinanced in the Federal Debt Refinancing Program. See “—Argentine Provincial Indebtedness Federal Refinancing Program”.

In May 2010, the Province and the federal government entered into a new loan agreement under the Trust Fund for Provincial Development for ARS 300 million to be allocated to social services and basic social infrastructure works. This loan will be repaid over five years in 60 consecutive and equal monthly installments beginning January 2012, and will accrue interest at an annual nominal fixed rate of 7.0%. The interest due on this loan will be capitalized through and including December 31, 2010, and the first interest payment will be on January 2011. All of the payments under this loan are secured by federal tax co-participable funds that the Province is entitled to receive. This loan was disbursed in June 2010 and as of September 30, 2010, its outstanding amount was ARS 307 million.

Social Security Treasury Notes

The Province has used surplus amounts from the Social Security Institute (“IPS”) to finance its deficit and, in exchange, has issued notes (“Social Security Treasury Notes”) to the IPS. Until December 31, 2006, the Province recorded these notes as short-term indebtedness. On January 1, 2007, the Social Security Treasury Notes were deducted from the debt stock because under the Fiscal Responsibility Law the Province consolidates the results of the IPS in its financial statements and in the provincial budget.

Debt Consolidation (Law No. 12,836, as amended by Law No. 13,436)

In 2001, the Province established procedures for the consolidation of the Province’s obligations to claimants who have prevailed in legal actions brought against the Province or its municipalities arising from events that occurred from April 1, 1991 through November 30, 2001. These procedures permit the issuance by the Province

of a bond (“*Boconba 12,836*”) to the claimants to extinguish their debt. *Boconba 12,836* was issued in November 2001 with a 16-year maturity. The bonds are denominated in pesos and accrue interest at the rate *Tasa Encuesta* as published by the Central Bank. The *Tasa Encuesta* is the average annual interest rate paid on savings accounts. Accrued interest was capitalized during the 72-month period immediately following the issuance date and payable monthly thereafter. Principal amounts (including capitalized interest) are payable in 120 consecutive monthly installments that began on December 30, 2007.

On October 26, 2004, however, the Supreme Court of Argentina declared this debt consolidation process invalid because (i) it differed from the national debt consolidation regime in that it provided no cash payment option, (ii) the provincial bonds have a longer maturity than the national debt consolidation bond; and (iii) the aggregate amount of the provincial bonds is capped.

In response to the Supreme Court ruling, the provincial legislature amended the provincial debt consolidation process by establishing a cash payment option, prioritizing the payments by source, reducing the maturity on the provincial bonds to 170 months and the amortization schedule to 98 monthly installments and eliminating the bond issuance cap, which originally amounted to 15.0% of the budgeted revenues for the central administration, effective upon the issue date. In addition, the provincial legislature established a voluntary early redemption option at technical value for the original holders of the *Boconba 12,836* who received their bonds when no cash payment option was available. As a result of the modifications by the provincial legislature, the provincial executive was able to proceed with the issuance of *Boconba 12,836*.

The early redemption option for the *Boconba 12,836* was exercisable only once, from April 3 through May 31, 2006. All redemption requests were satisfied for a total amount of ARS 7.7 million.

Requests for cash payments are organized according to the established criteria in the applicable regulations. Amounts are cancelled in the quarter in which payment is made until the quarterly budget for cash payments is exhausted. Any payments that are not made during a particular quarter are added to those requests for cash payments submitted in the following quarter.

For the cash payment option, the 2006 budgetary provisions were for ARS 4.1 million plus the necessary amounts to pay the accrued interest, whereas in 2007 the amount was increased to ARS 11 million because the requests submitted in 2006 greatly exceeded the available budgeted amount. For 2008 and 2009, the budgeted amount remained consistent with 2007 at ARS 11 million and in 2010 and 2011, the budgeted amount increased to ARS 20 million.

As of September 30, 2010, cash payment requests totalled ARS 48.9 million, all of which has been satisfied.

As of September 30, 2010, the outstanding debt under *Boconba 12,836* was approximately ARS 30.6 million.

Federal Trust Fund for Regional Infrastructure

In 1997, the federal government created the *Fondo Fiduciario Federal de Infraestructura Regional* (the Federal Trust Fund for Regional Infrastructure, or “FFFIR”) to finance provincial infrastructure projects and other public works in order to promote regional economic development and increase national economic productivity. The Province has entered into seventeen loan agreements with the FFFIR, of which nine are allocated to improve public roadways, two are intended to renew and expand a port within the Province, four are allocated to build city halls, one aimed at improving the water and sanitary system and the other loan provides financing to a land reclamation project.

As of September 30, 2010, the Province had received approximately ARS 238.2 million under these agreements and the aggregate outstanding amount was equal to approximately ARS 216.5 million, of which approximately 95.1% was denominated in pesos adjusted by the Construction Price Index, 3.7% was denominated in

normal pesos and 1.2% in pesos adjusted by CER. All payments under these loans are secured by federal tax co-participable funds that the Province is entitled to receive.

Fund for the Transformation of the Provincial Public Sectors

In 1993, the federal government created the *Fondo para la Transformación del Sector Público Provincial* (Fund for the Transformation of the Provincial Public Sectors, or “FTSP”) for the purpose of extending loans to finance tax reforms, personnel restructuring and the improvement of the public sector. In 2003, the FTSP extended the Province a ARS 6 million 10-year loan, which is secured by federal co-participation tax revenues owed to the Province, for purposes of investments in public health, security and education services. As of September 30, 2010, the FTSP had disbursed 100% of this loan and the aggregate outstanding principal amount owed to the FTSP was equal to ARS 2.8 million.

Banco Municipal de La Plata Bond Law No. 13,137

Pursuant to provincial Law No. 13,137, in December 2004, the Province issued a ARS 50 million 8-year provincial bond to Banco Provincia to compensate Banco Provincia for its acquisition of the liabilities of Banco Municipal de la Plata. Under this arrangement, the Province will make payments on these bonds using provincial tax co-participation payments to which the municipality of La Plata is entitled. If payments on these bonds exceed such co-participation payments, the municipality of La Plata will be required to reimburse the Province for the excess paid by the Province from its own resources. In February 2008, the municipality of La Plata requested to amend the repayment terms and conditions of this bond by extending the debt’s final maturity by 18 months. The municipality of La Plata made interest payments of ARS 4.6 million in 2008 and ARS 4.5 million in 2009. In 2009, the municipality of La Plata requested a new modification to the repayment terms of the bond that would permit repayment of principal and interest to be completed by February 2013, with a 37-month partial amortization beginning on February 14, 2010. The approval by the Province of the requested amendments is pending. Since February 14, 2010, the Province has withheld principal and interest installments from the provincial tax co-participation payments to which the municipality of La Plata is entitled. In June 2010, the Governor of the Province signed a decree approving the modification requested by the municipality of La Plata, and as a result, the bond will be repaid in 37 monthly payments, from February 2010 to February 2013. As of September 30, 2010 outstanding principal and interest on the bond due to Banco Provincia was ARS 21.9 million.

ANSES Housing Plan

In 2009, ANSES provided the Province with a ARS 350 million line of credit to build homes pursuant to a federal housing program for a two-year term as from the date of the principal disbursement of the loan, accruing interest on a quarterly basis at a rate of BADLAR plus 3.5% from the date of disbursement. As of September 30, 2010 the outstanding principal amount due under this loan was ARS 350 million. Pursuant to Law 14,062 (the 2010 Budget Law), the executive branch is authorized to create a trust to issue bonds for up to ARS 950 million. According to Decree 1.507/09, ARS 350 million were authorized in order to refinance the loan with ANSES. No bonds have been issued pursuant to this authorization as of the date of this offering memorandum.

Debt Cancellation Bond of the Province of Buenos Aires

In late 2009, the Province issued *Bonos de Cancelación de Deudas de la Provincia de Buenos Aires* (Provincial Debt Cancellation Bonds) in the aggregate principal amount of ARS 850 million to refinance its non-financial obligations held with public works contractors and goods and services suppliers, among other creditors. These bonds accrue interest at BADLAR plus a fixed margin. The margin is established according to the series under which the bond was structured:

Series A: 200 basis points.

Series B: 300 basis points.

Series C: 450 basis points.

The bonds mature 15 months from their issuance and are redeemable in 12 monthly installments beginning three months after their issuance. The first payment of principal and interest under the bonds was on April 15, 2010.

The Province offered three options to the provincial creditors in order to cancel its non-financial obligations:

Option 1: 50.0% in cash and 50.0% in Series A bonds. The total amount issued was ARS 100 million.

Option 2: 30.0% in cash and 70.0% in Series B bonds. The total amount issued was ARS 200 million.

Option 3: 5.0% in cash and 95.0% in Series C bonds. The total amount issued was ARS 550 million.

The Province issued new Provincial Debt Cancellation Bonds on May 15, 2010 in the aggregate principal amount of ARS 600 million for the purpose of refinancing its non-financial obligations held with public works contractors and goods and services suppliers that had accrued prior to December 31, 2009. The new Provincial Debt Cancellation Bonds will mature on May 15, 2011 and will be redeemed in 12 monthly installments. The new issuance added a fourth option (the D Series) which pays interest at the BADLAR rate without any margin. Because of lower-than-expected subscription rates, in September 2010, the authorized amount under this bond was reduced from ARS 600 million to ARS 200 million, of which approximately 92% had been subscribed as of September 30, 2010.

As of September 30, 2010, the outstanding principal amount under Provincial Debt Cancellation Bonds totaled ARS 499.7 million.

Bonds for the Cancellation of Obligations with Agents and Ex-Agents of the Accounting Tribunal, General Legal Advisor to the Executive Branch of the Province, General Accounting Office of the Province and General Treasury (BOTACOTE)

In September, 2010, in accordance with Decree 820/10, *BOTACOTE* with a face value of ARS 78.1 million were delivered to current and former employees in the Accounting Tribunal, the General Legal Advisor to the Executive Branch of the Province, the General Accounting Office of the Province and the General Treasury in order to retroactively pay bonuses owed to those employees, pursuant to the provincial law which restores and realigns the agents' hierarchy and compensation in these five offices. The *BOTACOTE* had an issue date of January 10, 2010, and all amortizations and interest accrual were made retroactive to that date. Accordingly, *BOTACOTE* will be repaid in 48 consecutive and equal monthly installments. The bonds will mature on January 10, 2014. The first nine installments were paid in October 2010. *BOTACOTE* will bear interest at an annual rate of 5.0%. As of September 30, 2010, the outstanding principal amount of *BOTACOTE* was ARS 65.1 million.

Syndicated Loan

At the end of January 2010, the Province received a loan for ARS 215 million from a bank syndicate. Interest on this loan was payable on a monthly basis at the adjusted BADLAR rate plus 4.5%. The loan was fully repaid at maturity in May 2010.

Treasury Bills

In 2010, the Province began to use treasury bills as a new short-term financing instrument (hereinafter referred as "Treasury Bills"). The 2010 provincial budget establishes a cap of ARS 2.50 billion nominal amount outstanding under these instruments in 2010.

The Treasury Bills must be fully amortized within a year of their issuance and their repayment is guaranteed with federal tax co-participation revenues to which the Province is entitled. If Treasury Bills are not fully amortized within the fiscal year of their issuance, they are automatically converted into outstanding indebtedness for the previous fiscal year. The Treasury Bills can be issued with a discount or with an interest coupon, in local or foreign currency, with a single amortization at maturity. The Treasury Bills are listed on the Buenos Aires Stock Exchange and the *Mercado Abierto Electrónico* (MAE), and were rated "B3" by Moody's Latin America on the

Global Local Currency Instruments scale, and A3.ar on the Argentine Instruments scale. The General Treasury authorized the issuance of up to 16 tranches of Treasury Bills in 2010. All 16 tranches had been issued as of December 31, 2010.

First Tranche (issued January 28, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|----------------|-------------------|-----------------|
| Discount | 12.67% | ARS 46.49 million | March 4, 2010 |
| Discount | 13.29% | ARS 14.28 million | April 29, 2010 |
| BADLAR-adjusted.. | BADLAR + 1.00% | ARS 22.80 million | July 15, 2010 |

Second Tranche (issued February 18, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|----------------|--------------------|-----------------|
| Discount | 12.30% | ARS 107.23 million | March 30, 2010 |
| Discount | 13.00% | ARS 52.70 million | May 20, 2010 |
| BADLAR-adjusted.. | BADLAR + 1.00% | ARS 20.00 million | August 12, 2010 |

Third Tranche (issued March 4, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|----------------|--------------------|-------------------|
| Discount | 12.22% | ARS 112.60 million | April 29, 2010 |
| Discount | 12.96% | ARS 7.90 million | June 3, 2010 |
| BADLAR-adjusted.. | BADLAR + 1.00% | ARS 9.50 million | September 2, 2010 |

Fourth Tranche (issued March 30, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|----------------|--------------------|--------------------|
| Discount | 12.15% | ARS 157.17 million | May 20, 2010 |
| Discount | 12.90% | ARS 35.67 million | June 24, 2010 |
| BADLAR-adjusted.. | BADLAR + 1.00% | ARS 1.50 million | September 23, 2010 |

Fifth Tranche (issued April 29, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|----------------|--------------------|------------------|
| Discount | 11.98% | ARS 157.55 million | June 3, 2010 |
| Discount | 12.50% | ARS 61.90 million | July 15, 2010 |
| BADLAR-adjusted.. | BADLAR + 1.00% | ARS 1.24 million | October 14, 2010 |

Sixth Tranche (issued May 20, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|----------------|--------------------|------------------|
| Discount | 11.70% | ARS 207.95 million | June 24, 2010 |
| Discount | 12.40% | ARS 102.10 million | August 12, 2010 |
| BADLAR-adjusted.. | BADLAR + 1.00% | ARS 1.00 million | November 4, 2010 |

Seventh Tranche (issued June 3, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|-------------|--------------------|-------------------|
| Discount | 11.60% | ARS 153.09 million | July 15, 2010 |
| Discount | 12.30% | ARS 91.09 million | September 2, 2010 |
| BADLAR-adjusted.. | — | — ⁽¹⁾ | — |

(1) BADLAR-adjusted Treasury Bills were not subscribed during the issuance of the Seventh Tranche.

Eighth Tranche (issued June 24, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|-------------|--------------------|--------------------|
| Discount | 11.59% | ARS 147.03 million | August 12, 2010 |
| Discount | 12.28% | ARS 98.86 million | September 23, 2010 |
| BADLAR-adjusted.. | — | — ⁽¹⁾ | — |

(1) BADLAR-adjusted Treasury Bills were not subscribed during the issuance of the Eighth Tranche.

Ninth Tranche (issued July 15, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|----------------|--------------------|-------------------|
| Discount | 11.59% | ARS 222.46 million | September 2, 2010 |
| Discount | 12.25% | ARS 62.90 million | October 14, 2010 |
| BADLAR-adjusted.. | BADLAR + 1.00% | ARS 4.80 million | January 6, 2011 |

Tenth Tranche (issued August 12, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|-------------|--------------------|--------------------|
| Discount | 11.55% | ARS 163.76 million | September 23, 2010 |
| Discount | 12.30% | ARS 96.13 million | November 4, 2010 |
| BADLAR-adjusted.. | — | — ⁽¹⁾ | — |

(1) BADLAR-adjusted Treasury Bills were not subscribed during the issuance of the Seventh Tranche.

Eleventh Tranche (issued September 2, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|----------------|--------------------|-------------------|
| Discount | 11.55% | ARS 197.84 million | October 14, 2010 |
| Discount | 12.30% | ARS 190.95 million | November 18, 2010 |
| BADLAR-adjusted.. | BADLAR + 1.90% | ARS 2.00 million | February 17, 2011 |

Twelfth Tranche (issued September 23, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|----------------|--------------------|-------------------|
| Discount | 11.50% | ARS 85.72 million | November 4, 2010 |
| Discount | 12.30% | ARS 199.36 million | December 10, 2010 |
| BADLAR-adjusted.. | BADLAR + 2.00% | ARS 22.58 million | March 10, 2011 |

Thirteenth Tranche (issued October 14, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|----------------|--------------------|-------------------|
| Discount | 11.50% | ARS 136.63 million | November 18, 2010 |
| Discount | 12.30% | ARS 92.93 million | January 6, 2011 |
| BADLAR-adjusted.. | BADLAR + 2.65% | ARS 125.13 million | March 31, 2011 |

Fourteenth Tranche (issued November 4, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|----------------|--------------------|-------------------|
| Discount | 11.50% | ARS 65.07 million | December 10, 2010 |
| Discount | 12.30% | ARS 152.43 million | January 27, 2011 |
| BADLAR-adjusted.. | BADLAR + 2.75% | ARS 58.07 million | April 28, 2011 |

Fifteenth Tranche (issued November 18, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|----------------|--------------------|-------------------|
| Discount | 11.40% | ARS 143.46 million | January 6, 2011 |
| Discount | 12.30% | ARS 113.96 million | February 17, 2011 |
| BADLAR-adjusted.. | BADLAR + 2.75% | ARS 42.10 million | May 19, 2011 |

Sixteenth Tranche (issued December 10, 2010):

| Type | Rate | Amount | Maturity |
|-------------------|----------------|--------------------|------------------|
| Discount | 11.40% | ARS 87.69 million | January 27, 2011 |
| Discount | 12.30% | ARS 155.18 million | March 10, 2011 |
| BADLAR-adjusted.. | BADLAR + 2.85% | ARS 113.53 million | June 9, 2011 |

As of December 31, 2010, the aggregate outstanding principal amount of Treasury Bills was ARS 1.11 billion.

The 2011 Budget Law authorizes the Province to issue up to ARS 3 billion of Treasury Bills in 2011; however, Resolution 185/10 of the General Provincial Treasury Office authorized the issuance of only ARS 2 billion of Treasury Bills.

The scheduled bidding dates for Treasury Bills for 2011 are as follows:

| Bidding Date |
|---------------------|
| January 5, 2011* |
| January 26, 2011 |
| February 16, 2011 |
| March 9, 2011 |
| March 30, 2011 |
| April 27, 2011 |
| May 18, 2011 |
| June 8, 2011 |
| June 29, 2011 |
| July 20, 2011 |
| August 10, 2011 |
| August 31, 2011 |
| September 1, 2011 |
| September 21, 2011 |
| October 12, 2011 |
| November 2, 2011 |
| November 23, 2011 |
| December 14, 2011 |

* Issued prior to the date of this offering memorandum.

On January 6, 2011, the Province issued the first tranche of Treasury Bills for 2011:

First Tranche (issued January 6, 2011):

| <u>Type</u> | <u>Rate</u> | <u>Amount</u> | <u>Maturity</u> |
|-------------------|----------------|--------------------|-------------------|
| Discount | 11.40% | ARS 148.34 million | February 17, 2011 |
| Discount | 12.30% | ARS 62.06 million | March 31, 2011 |
| BADLAR-adjusted.. | BADLAR + 2.85% | ARS 48.82 million | June 30, 2011 |

Law No. 14,062 Bonds

In December 2010, in accordance with Section 45 of Law No. 14,062, the Province issued bonds with a face value of ARS 133.5 million to the Pension Fund for Banco Provincia personnel. These bonds were issued to repay funds advanced by Banco Provincia to the pension fund from 2000 to 2008 to cover financial imbalances in the fund. The Law No. 14,062 Bonds had an issue date of September 20, 2010, and all amortizations and interest accrual were made retroactive to that date. Interest on Law No. 14,062 Bonds is paid quarterly at an annual interest rate of 6.0%. These bonds are repaid in 40 consecutive and equal quarterly installments and mature on September 20, 2020. The first installment on these bonds was paid on December 20, 2010.

Debt Denominated in Foreign Currencies

Exchange Bonds

In November 2005, the Province launched an offer to the holders of its outstanding Eurobonds, which had been in default since December 2001, to exchange these bonds for three series of newly issued bonds at a specified exchange ratio that recognized a portion of the accrued and unpaid interest on the Eurobonds. The aggregate principal amount of Eurobonds outstanding at the time of the offer was approximately USD 2.70 billion, denominated in dollars, euros, yen and Swiss francs.

Holders of approximately 94.7% of the aggregate outstanding principal amount of Eurobonds tendered their bonds in the offer, which expired in December 2005. As a result, in January 2006, the tendered Eurobonds were cancelled and, in exchange, the Province issued to the tendering holders the following “Exchange Bonds”:

- USD 500 million aggregate principal amount of Discount Bonds due April 15, 2017 (“Discount Bonds”), denominated in both dollars and euros, with semi-annual payments of principal, commencing on October 15, 2012 and bearing interest on the outstanding principal amount from December 1, 2005 at an annual rate of 9.2% for the series in dollars and 8.5% for the series in euros, payable every six months on April 15 and October 15, calculated on the basis of a 360 day year;
- USD 750 million aggregate principal amount of Medium Term Par Bonds due May 1, 2020 (“Medium Term Par Bonds”), denominated in both dollars and euros, with semi-annual payments of principal, commencing on November 1, 2017, and bearing interest on the outstanding principal amount at an annual rate of 1.0% on the outstanding principal amount from December 1, 2005 until November 1, 2009, 2.0% from November 2, 2009 to November 1, 2013, 3.0% from November 2, 2013 to November 1, 2017, and thereafter 4.0% until maturity, payable every six months on May 1 and November 1, calculated on the basis of a 360 day year; and
- USD 1.06 billion aggregate principal amount of Long Term Par Bonds due May 15, 2035 (“Long Term Par Bonds”), denominated in dollars and euros, with semi-annual payments of principal, commencing on November 15, 2020, and bearing interest on the outstanding principal amount at an annual rate of 2.0% from December 1, 2005 until November 15, 2007, 3.0% from November 16, 2007 to November 15, 2009, and 4.0% thereafter, payable every six months on May 15 and November 15, calculated on the basis of a 360 day year.

In April 2006, the Province issued an additional USD 29.7 million aggregate principal amount of Long Term Par Bonds, denominated in dollars and euros, to holders of an additional USD 26.2 million aggregate principal amount of Eurobonds, under the same conditions of the original offer. After the closing of the exchange offer, the Province continued receiving requests from creditors who, for various reasons, had not been able to tender their

holdings into the exchange. Accordingly, in October 2007 the Province exchanged an additional USD 52.7 million of existing bonds for USD 59.6 million of additional Long Term Par Bonds.

As of September 30, 2010, the aggregate principal amount of outstanding Exchange Bonds was ARS 9.81 billion, whereas the aggregate principal amount of existing bonds that have not been tendered in the exchange was ARS 389.4 million.

In December 2010, the Province issued an additional USD 31.5 million of Long Term Par Bonds, denominated in dollars and euros for USD 24.2 million of existing Eurobonds. Following the December 2010 exchange, 97.5% of the existing Eurobonds had been exchanged for Exchange Bonds.

Post-restructuring issued Eurobonds

In 2006, the Province accessed the international credit markets by issuing a new bond under the borrowing authorization provided by Laws No. 13,403 (the 2006 Budget Law) and No. 13,526, which amended the 2006 Budget Law, and Decree No. 2,546/06. This bond was issued in October 2006 in an aggregate principal amount of USD 475 million and is due in 2018. The bond has an annual coupon of 9.375% and a single amortization at maturity. Interest on these bonds is paid semiannually in March and September of each year.

On April 18, 2007, the Province decided to again access the international capital markets. Pursuant to Law No 13,612 (the 2007 Budget Law) and Decree No. 63/07, the Province issued USD 400 million of bonds due in 2028. These bonds have a 9.625% coupon and amortize in equal amounts during the final three years of the bonds before maturity. Interest on these bonds is paid semiannually in April and October of each year.

As of September 30, 2010, the aggregate outstanding principal amount of these bonds was ARS 3.46 billion.

On October 5, 2010 the Province issued bonds due in 2015 for USD 550 million. This issuance was reopened on October 20, 2010, and an additional USD 250 million of bonds due in 2015 were issued. These bonds were issued under the borrowing authorization provided by Laws No. 14,062 (the 2010 Budget Law) and Decree No. 449/10. These bonds have a coupon of 11.75% and amortize in a single payment upon maturity. Interest on the bonds is paid semiannually in April and October of each year.

Law No. 12,973 Bond

In 2002, within the framework of the pesification of dollar-denominated provincial and municipal debt obligations governed by Argentine law, the Province provided holders of such debt instruments with the option to exchange these obligations for a new dollar-denominated bond with a 10-year maturity, known as the Law No. 12,973 Bond. Pursuant to this option, all of the outstanding *Caja de Profesionales* bonds that the Province issued in 2000, 29.6% of the outstanding *Boconba* 12,836 and less than 1.0% of outstanding *Bocanoba* were exchanged for Law No. 12,973 Bonds. As of September 30, 2010, the aggregate outstanding principal amount of the Law No. 12,973 Bond was ARS 171.0 million.

Multilateral Loans

The World Bank and the IADB have extended several credit facilities to finance various projects in the Province, such as road construction, water and wastewater infrastructure, public administration strengthening, education and health reforms. The latest maturity under these credit facilities occurs in 2031. In most cases, these facilities are extended to the federal government, which makes the proceeds available to the relevant provincial agencies or entities.

In March 2005, the World Bank extended the Province a direct loan for USD 200 million to finance the first phase of a program aimed at improving the provision of water, wastewater system and provincial roads. The second phase of the program was financed with a new loan from the World Bank for USD 270 million. As of September 30, 2010, USD 322.3 million had been disbursed under these loans.

In addition, in November 2006 a new direct loan for USD 230 million was extended to the Province by the IADB to finance education, health and social assistance services. As of September 30, 2010, approximately USD 35.8 million had been disbursed under this loan.

In addition, two loan agreements were signed in 2009, one with the IADB (Municipal Management Improvement) and the other with the World Bank (Municipal Basic Services Program). These two lending programs together total USD 40 million. As of September 30, 2010, USD 7,826 had been disbursed under the IADB Loan for operational costs and the World Bank loan remained undisbursed. In addition, a USD 25 million loan (Citizen Security and Inclusion) was approved by the Governor of the Province on June 14, 2010.

As of September 30, 2010, the Province had obtained 21 multilateral credit facilities, of which six are direct loans to the Province with the federal government acting as guarantor, and the remaining 15 are subsidiary lending arrangements through credit facilities extended to the federal government. Under the subsidiary lending arrangements, the federal government is the direct obligor rather than the guarantor, and the Province has a subsidiary obligation to reimburse the federal government for any repayments made under the facilities. Under either arrangement, the Province's obligation to reimburse the federal government is secured by a portion of the federal tax co-participation transfers to which the Province is entitled. In addition, the proceeds of three credit facilities extended by the IADB and the World Bank have been made available to the municipalities through further subsidiary lending arrangements.

As of September 30, 2010, the outstanding principal amount owed to the World Bank and the IADB totaled USD 813.7 million.

Bilateral Lending and Credit Facilities

Member states of the Organization for Economic Co-operation and Development (the "OECD") have extended loans or credit facilities to the Province for various purposes. These loans or facilities include:

- bilateral loans from the governments of Italy and Spain;
- credit facilities provided by Credit Lyonnais and guaranteed by COFACE, the French export-import insurance agency; and
- financing extended by the Export-Import Bank of Japan and the Japan Bank for International Cooperation, both of which are agencies of the government of Japan.

Each of these loans and credit facilities has been extended to the Province to finance equipment imports necessary for essential public services.

The federal government guarantees the Province's payment obligations under these loans and credit facilities. Any payments made by the federal government pursuant to this guarantee are secured by federal tax co-participation revenues owed to the Province.

The Province is in default on these loans and credit facilities and has authorized the federal government to conduct negotiations on its behalf to restructure these loans and credit facilities. As of September 30, 2010, the outstanding principal amount owed under these loans or credit facilities totaled USD 606.2 million.

Bond of the Province of Buenos Aires due 2016

In May 2009, the Province issued U.S. dollar-denominated bonds in the aggregate amount of USD 35 million. USD 28.9 million of these bonds were subscribed by the Social Security Funds of the Province. The unsubscribed bonds are currently held by the Province. In December 2009, the original issue amount was increased by USD 165 million and such amount remains unsubscribed. The bonds were issued on May 1, 2009, mature on May 1, 2016 and amortize in nine semi-annual installments beginning on May 1, 2012. The bonds bear interest at U.S. dollar BADLAR plus 1.5%, with an interest rate cap of 7.0%. Interest was capitalized until November 1, 2009

and the first interest payment was due on May 1, 2010. All payments are secured by federal tax co-participable funds that the Province is entitled to receive.

Authorizations under the Fiscal Responsibility Law

Under the Fiscal Responsibility Law established in 2004, and adopted by the Province in 2005, all of the provincial governments, as well as the City of Buenos Aires, are required to obtain the authorization from the federal government before incurring any indebtedness. See “Public Sector Finances—Overview of Provincial Accounts—Fiscal Responsibility Law.”

Since the regime has come into effect, the Province has obtained the federal government’s authorization for incurring new indebtedness, including the Notes, or modifying the financial terms of indebtedness. As of the date of this offering memorandum, the Province has submitted 40 authorization requests to the federal government (including a request for the authorization to issue the Notes offered hereby), having obtained a favorable response to 39 of these requests.

BANCO PROVINCIA

Overview

Banco Provincia was founded in 1822 and is the oldest bank in Latin America. It is also the second largest bank in Argentina in terms of total deposits and assets, with deposits of ARS 30.5 billion, representing 8.9% of the total deposit base of Argentina, and total assets of ARS 36.2 billion at September 30, 2010. The Province is the sole owner of Banco Provincia.

Banco Provincia is an *entidad autárquica* (self-administered public institution) governed by a board of directors appointed by the Governor of the Province with the approval of the provincial Senate. Banco Provincia acts as the financial agent of the Province and collects provincial taxes and duties on the Province's behalf. Banco Provincia is also the exclusive paying agent of the Province, handling payments of civil servants' wages and salaries and pension and retirement benefits, as well as payments to the Province's creditors. In addition, Banco Provincia is the exclusive agent for judicial deposits related to non-federal cases heard in provincial courts.

In accordance with Banco Provincia's charter approved by Provincial decree-law No. 9434/79, the Province guarantees all deposits, bonds, securities and other liabilities of Banco Provincia. However, since the specific nature, scope and procedural aspects of the Province's obligations under the guarantee are not expressly defined under the provincial decree-law, the Province believes that the guarantee is an indirect and subsidiary obligation of the Province under general provincial legal principles. As a result, creditors of Banco Provincia seeking to enforce the guarantee must exhaust all legal remedies against Banco Provincia before requesting payment from the Province under the guarantee.

Banco Provincia is one of the largest providers of general, commercial and retail banking services in Argentina, with corporate offices in the cities of La Plata and Buenos Aires and a local retail network of 362 branch offices located throughout the provincial territory and in the City of Buenos Aires. Banco Provincia also offers trade finance and international products through its network of foreign offices in Brazil, Uruguay, Panama, Chile and Spain, and, until the winding-down process is completed, the Cayman Islands, in cooperation with approximately 150 correspondent banks around the world. At September 30, 2009, Banco Provincia had 10,540 employees.

Banco Provincia's activities are mainly focused on individuals and small and mid-sized enterprises, but it also offers a wide variety of products to large companies in the agricultural, industrial, commercial and services sectors. It offers traditional credit services to businesses, including foreign trade, project and commercial financing, as well as consumer and mortgage loans and a broad range of other products and services to individuals, including credit and debit cards and ATM and other cash dispenser facilities. Through Grupo Bapro S.A. and its subsidiaries, Banco Provincia also offers a range of other financial and investment products and services, such as insurance, leasing, securities investments and mutual funds.

Regulatory Framework

Banco Provincia is exempt from compliance with Argentine financial and banking regulations under an agreement entered into by the Province and the federal government in 1859. However, Banco Provincia voluntarily adheres to the regulatory framework of the Argentine financial sector and therefore complies with the banking regulations and rules adopted by the Central Bank, including regulations and rules relating to minimum capital, solvency and liquidity requirements and the supervisory powers of the Central Bank. Because of its special status as a provincial self-administered public institution, Banco Provincia is not subject to any federal income or other tax liability.

Law No. 24,485, as amended by Law No. 25089 and Decree No. 540/95, enacted on April 12, 1995, created the *Sistema de Seguro de Depósitos* (Bank Deposit Insurance System, or "SSGD"), which is overseen by the Central Bank. The SSGD was implemented by the *Fondo de Garantía para los Depósitos* (Deposit Insurance Fund, or "FGD") and is managed by the private company *Seguros de Depósitos S.A.* (Deposit Insurance Company, or "SEDESA"). The shareholders of SEDESA are the federal government (through the Central Bank) and a trust

established by the financial institutions that participate in the system. These entities are required to pay monthly contributions to FGD as determined pursuant to Central Bank rules. The SSGD is financed through regular and supplemental contributions by the participating financial institutions.

The SSGD covers all peso and foreign currency deposits held in accounts with the participating financial institutions, including demand deposit accounts, savings accounts and time deposits, limited to ARS 30,000 per depositor, and subject to various other limitations and exceptions. Banco Provincia has been a voluntary participant in the SSGD since 1997.

The capital ratio for Banco Provincia at September 30, 2010 was 4.94%. The capital ratio represents the quotient of regulatory capital over risk-weighted assets, determined in accordance with the regulations of the Central Bank. At September 30, 2010, Banco Provincia's capital ratio was slightly below the requirement imposed by the Central Bank, which was approximately 5.37%.

Selected Financial Information

The following selected financial information has been derived from Banco Provincia's audited financial statements for the periods indicated below.

| | At and for the year ended December 31, | | | | | At and for the nine months ended September 30, | |
|--|--|-------------------|-------------------|-------------------|-------------------|--|-------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2009 | 2010 |
| Balance Sheet Data | (in millions of pesos) | | | | | | |
| Assets | | | | | | | |
| Cash and due from banks | ARS 1,134 | ARS 2,700 | ARS 3,084 | ARS 4,548 | ARS 5,235 | ARS 5,541 | ARS 6,476 |
| Government and corporate securities | 10,066 | 10,418 | 9,938 | 9,370 | 10,565 | 9,221 | 13,149 |
| Net loans | 5,579 | 6,364 | 7,911 | 9,312 | 10,041 | 9,445 | 11,342 |
| Other receivables from financial brokerage activities ⁽¹⁾ | 1,163 | 725 | 1,895 | 2,568 | 1,828 | 3,035 | 2,863 |
| Property, equipment and miscellaneous assets | 771 | 742 | 733 | 717 | 704 | 710 | 703 |
| Other assets ⁽²⁾ | 1,755 | 1,850 | 2,346 | 2,258 | 1,908 | 1,970 | 1,736 |
| Total assets | 20,468 | 22,799 | 25,907 | 28,773 | 30,282 | 29,922 | 36,269 |
| Liabilities | | | | | | | |
| Deposits | 13,264 | 16,108 | 20,422 | 22,876 | 25,496 | 24,108 | 30,542 |
| Liabilities from financial brokerage activities ⁽¹⁾ | 5,561 | 4,984 | 3,563 | 3,798 | 2,289 | 3,241 | 2,980 |
| Miscellaneous liabilities | 52 | 69 | 69 | 109 | 160 | 124 | 220 |
| Provisions | 88 | 96 | 168 | 256 | 650 | 679 | 483 |
| Items for which classification is pending .. | 221 | 120 | 67 | 55 | 36 | 69 | 22 |
| Total Liabilities | 19,186 | 21,377 | 24,289 | 27,094 | 28,631 | 28,221 | 34,247 |
| Total Net Equity | 1,282 | 1,422 | 1,618 | 1,679 | 1,651 | 1,701 | 2,022 |
| Total Net Equity and Liabilities | ARS 20,468 | ARS 22,799 | ARS 25,907 | ARS 28,773 | ARS 30,282 | ARS 29,922 | ARS 36,269 |
| Income Statement Data | | | | | | | |
| Financial Income | ARS 1,899 | ARS 2,050 | ARS 2,137 | ARS 2,549 | ARS 3,419 | ARS 2,686 | ARS 2,602 |
| Financial Expenditure | (1,024) | (1,096) | (1,064) | (1,508) | (1,625) | (1,225) | (1,097) |
| Provision for loan losses | (155) | (115) | (213) | (197) | (139) | (95) | (192) |
| Net Income from Services | 334 | 390 | 503 | 658 | 843 | 610 | 733 |
| Monetary gain (loss) on financial brokerage activities | - | - | - | - | - | - | - |
| Administrative Expenses | (902) | (1,159) | (1,468) | (1,738) | (2,147) | (1,564) | (1,866) |
| Monetary gain (loss) on administrative expenses | - | - | - | - | - | - | - |
| Net income (loss) on financial brokerage activities | 152 | 70 | (105) | (236) | 351 | 412 | 180 |
| Net miscellaneous income | 98 | 71 | 319 | 307 | (346) | (358) | 191 |
| Monetary gain (loss) on other operations .. | - | - | - | - | - | - | - |
| Net Income (loss) | ARS 250 | ARS 141 | ARS 214 | ARS 71 | ARS 5 | ARS 54 | ARS 371 |

- (1) During 2005, Banco Provincia completed the sale of its portfolio of U.S. treasury bonds, and simultaneously cancelled the related derivative transactions (repurchase contracts or Repos) to eliminate the effect of volatility in the value of these instruments on the bank's results.
- (2) Includes intangible assets, investments in other entities, various other loans and asset items for which classification is pending.

Source: Banco Provincia.

Consolidated Assets

Public Sector Exposure

As of September 30, 2010, Banco Provincia had a public sector exposure in Argentina of approximately ARS 12.7 billion, which represented 34.9% of its assets. This significant public sector exposure was primarily a result of the debt restructuring by the federal government and compensation for the effects of the devaluation of the peso and asymmetric pesification (see “Impact of Measures Adopted During the Economic Crisis—Pesification”), as well as open-market purchases of Province of Buenos Aires bonds.

The following table shows the total exposure of Banco Provincia to the Argentine public sector, both national and provincial, at the dates indicated:

Public Sector Exposure of Banco Provincia

| | At December 31, | | | At September |
|---|------------------------|-------------------|-------------------|-------------------|
| | 2007 | 2008 | 2009 | 30, |
| | (in millions of pesos) | | | |
| Government Securities | | | | |
| <i>Bogar</i> 2018..... | ARS 8,582 | ARS 7,919 | ARS 8,466 | ARS 9,132 |
| <i>Boden</i> 2012 | 484 | 400 | 259 | 143 |
| Argentina Dollar-denominated Discount Bonds ⁽¹⁾ | 4 | 4 | 4 | 4 |
| Argentina Dollar-denominated Discount Bonds ⁽²⁾ | 122 | 281 | 290 | 9 |
| Argentina Euro-denominated Discount Bonds ⁽⁷⁾ | 16 | 17 | 18 | 17 |
| Argentina Peso-denominated Discount Bonds ⁽¹⁾ | 18 | 48 | 16 | 15 |
| Banco Municipal de La Plata Bonds | 29 | 28 | 24 | 15 |
| Provincia de Buenos Aires Bonds | -- | -- | 870 | 911 |
| Residual Provincia de Buenos Aires Bonds..... | -- | 2 | 5 | 6 |
| Debt Cancellation Bond of the Province of Buenos Aires, Series C..... | -- | -- | -- | 2 |
| Provincia de Buenos Aires 9.375% Bonds due 2018..... | -- | -- | -- | 20 |
| Other | 7 | 8 | 1 | 7 |
| Total Government Securities | 9,262 | 8,707 | 9,953 | 10,281 |
| Public Sector Loans | 717 | 682 | 1,077 | 1,131 |
| Other Assets | | | | |
| <i>Bogar</i> 2018 ⁽³⁾ | | 207 | 208 | 211 |
| <i>Boden</i> 2012 ⁽³⁾ | 202 | 44 | 36 | 25 |
| <i>Bogar</i> 2018 ⁽⁴⁾ | 50 | 530 | 489 | -- |
| <i>Bogar</i> 2018 ⁽⁵⁾ | -- | 807 | 337 | 329 |
| <i>Boden</i> 2012 ⁽⁵⁾ | 500 | 454 | 339 | 269 |
| Discount Bonds ⁽⁵⁾ | 547 | -- | -- | 273 |
| <i>Bogar</i> 2018 ⁽⁶⁾ | -- | 24 | 29 | -- |
| <i>Caja de Jubilaciones BPBA</i> | 112 | 151 | 151 | 151 |
| Total Other Assets | 1,411 | 2,217 | 1,589 | 1,258 |
| Total..... | ARS 11,390 | ARS 11,606 | ARS 12,619 | ARS 12,670 |

(1) Issued under Argentine Law.

(2) Issued under New York Law

(3) Because these bonds secure a portion of Banco Provincia’s indebtedness to BICE through a collateral trust pursuant to a restructuring agreement between Banco Provincia and BICE, they are recorded separately from Government Securities. See “—Sources of Funds—Other Liabilities.”

(4) Bonds applied in repurchase transactions (“Repos”) with local Banks.

(5) Bonds applied in Repos with foreign Banks.

(6) Bonds applied in Repos through “Mercado Abierto Electrónico” (MAE).

(7) Issued under English law.

Source: Banco Provincia.

Bogar and Boden

In February 2002, the federal government ordered the mandatory conversion of dollar-denominated deposits to CER-adjusted pesos deposits at a rate of ARS 1.40 per USD 1.00. This measure was known as

“pesification”. As a result of the pesification of deposits and loans at different rates (known as “asymmetric pesification”), Argentine banks, including Banco Provincia, recorded losses reflecting the difference between their pesified assets and their pesified liabilities. To compensate banks for these losses, the federal government issued to these banks a new type of financial instrument, known as the *Boden Compensation* (“*Boden 2007*” and “*Boden 2012*”). In addition, in May 2002, the federal government issued a new type of bond, known as the *Boden Coverage* (“*Boden 2012*”) to compensate banks for losses incurred, based on their balance sheets at December 31, 2001, reflecting any amounts by which their remaining foreign-currency denominated liabilities not subject to pesification exceeded their remaining foreign-currency denominated assets not subject to pesification.

In 2004, pursuant a request by the federal Ministry of Economy and Public Finance under the terms of Decree No. 905/02, Banco Provincia delivered Guaranteed Bonds (“*Bogar 2018*”) in exchange for *Boden 2012*, and agreed to exchange any *Boden 2007* it received for such *Bogar 2018*. On July 31, 2006, Banco Provincia confirmed to the Central Bank that it agreed with the quantities of *Boden 2007* and *Boden 2012* owed to Banco Provincia pursuant to Articles 28 and 29 of Decree No. 905/02 as determined by the *Superintendencia de Entidades Financieras y Cambiarias* (the Superintendency of Financial Institutions and Exchanges, or “SEFyC”). On October 3, 2006, as a result of its confirmation to the SEFyC regarding the quantities of *Boden 2007*, Banco Provincia agreed with the federal Ministry of Economy and Public Finance to execute the exchange of *Boden 2007* for *Bogar 2018*. On October 13, 2006, the federal Ministry of Economy and Public Finance delivered to Banco Provincia *Bogar 2018* with a face value of ARS 136.0 million.

Bogar 2018 are recorded at their technical value in Banco Provincia’s financial statements, which is calculated as the outstanding principal amount of the bond plus accrued interest. In September 2004, the Province established the *Fondo de Sostén del Valor de los Bonos Garantizados (Bogar)* (Fund to Support the Value of the Guaranteed Bonds (*Bogar*), or the “Fund”) to assure that the present value of the *Bogar*, discounted at the rates established by the Central Bank, would be equal to its technical value. The Fund receives cash flows financed with the revenues of the Province and transferred to Banco Provincia as capital. In accordance with provincial Law No. 13,225, modified by provincial Law No. 13,238, the Province had to transfer to the Fund ARS 50 million in 2004, ARS 168 million in 2007, ARS 156 million in 2008, ARS 144 million in each of 2009 and 2010, and has to transfer ARS 144 million per year from 2011 through 2015 and ARS 120 million in 2016. In addition, Banco Provincia has to transfer to the Province a portion of its net income in an amount equal to the cash flows provided by the Fund. *Bogar 2018* represented 31.5% of Banco Provincia’s assets at December 31, 2009, and accrued interest at CER plus 2.0%. *Province of Buenos Aires Bonds*

During the period ended December 31, 2009, Banco Provincia purchased USD 225.1 million par amount of Province of Buenos Aires bonds for USD 80.8 million. At September 30, 2010, such securities have been recorded at their pertinent technical value under the “Government Securities - Investment Accounts” caption for ARS 910.5 million.

Other

Banco Provincia also has small investments in debt instruments issued by the federal government and Banco Municipal de La Plata, which Banco Provincia acquired in 2004.

Loan Portfolio

The following table shows Banco Provincia’s loan portfolio by type of client from 2005 through September 30, 2010.

Loan Portfolio of Banco Provincia by Client Type

| | At December 31, | | | | | | At | |
|-----------------------------|------------------------|-------|------|-------|------|-------|-----------|--------|
| | 2005 | | 2006 | | 2007 | | September | |
| | | | | | | | 30, | |
| | (in millions of pesos) | | | | | | 2010 | |
| Public ⁽¹⁾ | ARS | 656 | ARS | 692 | ARS | 717 | ARS | 1,132 |
| Financial..... | | 216 | | 197 | | 102 | | -- |
| Private | | 5,303 | | 6,008 | | 7,704 | | 10,742 |
| Total | | 6,175 | | 6,897 | | 8,523 | | 11,874 |
| Allowances..... | | (596) | | (532) | | (613) | | (532) |
| Total Net Loans..... | ARS | 5,579 | ARS | 6,365 | ARS | 7,910 | ARS | 11,342 |

(1) Reflects the transfer of loans made by the provincial public sector to the federal government in exchange for *Bogar* as part of the provincial debt exchange process in 2003.

Source: Banco Provincia.

In 2005, the portfolio of total loans increased by 25.4% as compared to the level at December 31 2004, primarily due to a 43.1% increase in private sector loans. The increase in private sector loans was mainly due to an increase in lending to individuals and to small and medium-sized businesses. The growth in loans to individuals reflects an increase in consumer loans, particularly as a result of improvements in the credit qualification process, and increase in mortgage and home equity loans particularly following the launch in April 2005 of a new line of mortgage loans, known as “Procasa” loans, with favorable terms, which was accompanied by improvements in the application and granting process. In 2005, the “Fuerza PyMEs” program was increased by ARS 150 million due to increased demand for credit assistance, with over 6,400 credit applications received under the program. In addition, as a result of the significant efforts made by Banco Provincia and a rate subsidy funded by the Ministry of Economy of the Province, ARS 344 million in credit assistance was granted to PyMEs at a promotional rate, which has provided a significant boost to investment in that sector. In 2005, public sector loans decreased by 38.8% as compared to the previous year, primarily as a result of the credit rights assignment agreement entered into in November 2005 by the Province and Banco Provincia within the framework of the Debt Set-Off Agreement with the Province. The credit rights assignment agreement resulted in a decrease of approximately ARS 349 million in “Public Sector Loans” and “Other Receivables from Financial Brokerage Activities.”

In 2006, Banco Provincia’s loan portfolio increased by 12.0% from its December 31, 2005 level, reflecting primarily a 13.2% increase in loans to the private sector, which is due primarily to the 20.4% increase in consumer loans and 27.9% increase in mortgage loans during this period.

In 2007, the portfolio of total loans increased by 23.6% as compared to the December 31, 2006 level, primarily due to a 28.0% increase in private sector loans. Banco Provincia increased its Non-Financial Private Sector (Argentine residents) loan portfolio by ARS 1,317 million during 2007. This growth was mainly supported by the rise in loans to individuals (ARS 1,067 million) and, to a lesser extent, to corporations (ARS 358 million). A key contributing factor was the launching of consumer loans through electronic channels, instant ATM loans and home banking loans to civil servants, beneficiaries of the Social Security Institute of the Province of Buenos Aires and private sector employees receiving their salaries through Banco Provincia and bearing a favorable credit rating. In addition, Banco Provincia launched a “Prequalified Consumer Loan” for beneficiaries of the National Social Security Administration. In order to be pre-qualified for this loan, customers must receive their salary through direct deposit to the Bank, and repayment of the loan must be made through a direct debit program. A total of 75,493 beneficiaries of the National Social Security Administration have obtained loans under this program, totaling 5,700 loans for ARS 22.6 million. Loans issued under this program are issued at a variable rate based on the rates Banco Provincia pays for deposits, and therefore do not present any exchange rate risk to Banco Provincia.

In 2008, the portfolio of total loans increased by 14.3% as compared to the previous year, primarily due to a 17.6% increase in private sector loans. The loan program called “*Fuerza Productiva*” (Productive Force) as well as the sub-program “*Parques Productivos*” (“Production Parks”) were launched in accordance with an agreement with the Ministry of Agricultural Affairs and Production and the Ministry of Economy of the Province of Buenos Aires. As a result of these programs, ARS 450 million was allocated to the granting of loans to PyMEs at the BADLAR rate for a maximum 60-month term and for 72 months in the case of loans for cattle breeding businesses. Banco Provincia also recorded a growth of ARS 241.7 million in credit card financings, and prequalified loans secured by mortgages on residences, the Procampo Card and checking account overdrafts.

At September 30, 2010, the portfolio of total loans increased by 13.5% compared to the level as of December 31, 2009, primarily due to a 14.5% increase in loans to the private sector. The deceleration in the level of growth is explained by conservative lending policies adopted by the Bank as a consequence of the global financial crisis.

As of September 30, 2010, Banco Provincia has recorded ARS 423.8 million for provision for certain contingencies, such as settlement of pending labor and commercial lawsuits, anticipated inability to collect on credit card accounts, claims for rescheduled deposits, fraud and other contingencies.

Loan Loss Rates

The following table shows the loan loss rates for loans in Banco Provincia’s portfolio from 2005 to September 30, 2010.

| | For the year ended December 31, | | | | | For the nine months ended September 30, |
|----------------------|---------------------------------|------|------|------|------|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| | (in millions of pesos) | | | | | |
| Loan Loss Rates..... | 7.1% | 7.6% | 7.3% | 3.0% | 2.9% | 3.0% |

Source: Banco Provincia.

Loan loss rates were stable at 7.1% to 7.6% between 2005 and 2007 because of the after-effects of the 2002 economic crisis on a number of borrowers. However, in 2008, the Bank determined that one of its largest borrowers would not repay its loans, and therefore recorded the value of those loans as a loss. In addition, another large borrower substantially improved its credit situation, resulting in a decrease in the loan loss provisions for that borrower. As a result, in 2008, the loan loss rates dropped dramatically to 3.0%. Loan loss rates continued to remain low in 2009 and for the nine months ended September 30, 2010.

Visa Inc. Restructuring

Visa Inc. Restructuring

Pursuant to the corporate restructuring under which Visa International, Visa USA and Visa Canada became subsidiaries of Visa Inc., Banco Provincia, as a member of Visa International entitled to voting rights, received 456,660 shares of Visa Inc. On April 29, 2008, Visa Inc. paid Banco Provincia USD 11.0 million in respect of a mandatory redemption of 256,577 shares. On May 16, 2008, Banco Provincia received a stock certificate representing the remaining 200,083 shares of Visa Inc.

On September 17, 2009, Banco Provincia entered into an agreement providing for the sale of the 200,083 Class “C” shares of Visa Inc. to Citigroup Global Markets Inc. As of December 31, 2009 all of the Class “C” shares had been transferred to Citigroup. In 2009 Banco Provincia registered a ARS 346 million loss in “Net Miscellaneous Income”, mainly as a reduction in revenues from the participations of Banco Provincia in Grupo Banco Provincia as well as a result of the sale of Visa Inc. participation.

Sources of Funds

Banco Provincia's main source of funds has been deposits, particularly from the private sector. At September 30, 2010, deposits represented 89.2% of total liabilities.

Deposits

The table below shows the evolution, by sector, of Banco Provincia's total deposits from 2005 through September 30, 2010.

Evolution of Deposits at Banco Provincia

| | At December 31, | | | | | At September 30, |
|--|------------------------|-------------------|-------------------|-------------------|-------------------|------------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| | (in millions of pesos) | | | | | |
| Non-Financial Public Sector | ARS 4,680 | ARS 5,807 | ARS 7,850 | ARS 7,526 | ARS 7,408 | ARS 9,637 |
| Financial Sector | 37 | 41 | 69 | 104 | 118 | 112 |
| Non-Financial Private Sector | 8,547 | 10,261 | 12,503 | 15,246 | 17,970 | 20,793 |
| Checking Accounts ⁽¹⁾ | 1,765 | 2,005 | 2,578 | 2,826 | 3,231 | 4,267 |
| Savings Accounts | 2,163 | 2,649 | 3,490 | 4,030 | 4,883 | 5,870 |
| Fixed-term deposits | 3,827 | 4,807 | 5,791 | 7,744 | 9,364 | 10,085 |
| Other | 678 | 637 | 534 | 555 | 419 | 497 |
| Accrued interest, adjustments and quotation differences payable | 113 | 162 | 111 | 91 | 73 | 74 |
| Total | ARS 13,264 | ARS 16,108 | ARS 20,422 | ARS 22,876 | ARS 25,496 | ARS 30,542 |

(1) Non-interest bearing accounts.

Source: Banco Provincia.

At December 31, 2005, deposits totaled ARS 13.3 billion, which represented an increase of 13.4% as compared to December 2004. This increase was primarily due to the ARS 1.3 billion increase in deposits by the non-financial private sector, representing an increase of 18.3% as compared to the previous year, reflecting strong growth in each of fixed term deposits, checking accounts and savings accounts. The increase in deposits reflects higher confidence in the banking system as a whole and improvements in the macroeconomic context, as well as efforts by Banco Provincia to market new products, such as its CER-Adjusted Term Deposits, which were widely accepted by the market and resulted in an increase in these deposits from ARS 747.9 million at December 31, 2004 to ARS 1.2 billion at December 31, 2005. Banco Provincia's share in the total deposits in the Argentine banking system was 9.5% at December 31, 2005, as compared to 9.8% at December 31, 2004. The increase in Banco Provincia's liquidity in 2005 allowed it to increase its lending capacity, significantly increasing its active loan portfolio, and to prepay a portion (ARS 179.7 million) of its outstanding debt with the Central Bank.

During year ended December 31, 2006, deposits increased by 21.5% from ARS 13.3 billion to ARS 16.1 billion. This increase was mainly due to an increase of 24.1% and 20.1% in public sector and private sector deposits, respectively, and is explained by the growth of the Argentine financial sector led by Argentina's macroeconomic performance.

At December 31, 2007, deposits totaled ARS 20.4 billion, which represented an increase of 26.8% as compared to December 2006. This increase was primarily due to the ARS 2.0 billion increase in deposits by the non-financial public sector and the ARS 2.2 billion increase in deposits by the non-financial private sector. The increase in deposits reflects higher confidence in the banking system as a whole and improvements in the Argentine economy, as well as efforts by Banco Provincia to increase its deposits, such as publicity campaigns and increased benefits for clients. As a result of this increase in liquidity, Banco Provincia prepaid a significant portion (ARS 1.6 billion) of its outstanding debt with the Central Bank during 2007.

At December 31, 2008, deposits totaled ARS 22.9 billion, which represented an increase of 12.0% as compared to December 2007. This increase was primarily due to the ARS 2.7 billion increase in deposits by the non-financial private sector, representing an increase of 22.0% as compared to the previous year, reflecting strong growth in each of fixed term deposits, checking accounts and savings accounts. In the first half of 2008, Banco Provincia's efforts at attracting deposits were focused on retail deposits, which are less volatile and costly than wholesale deposits. In the second half of the year, the international financial crisis as well as the local farmers' crisis brought about a substantial change in financial market conditions. Banco Provincia changed its strategy towards prioritizing liquidity by emphasizing the raising of funds to offset capital flight and a growing decline in deposits. In this six-month period, deposits from the Province decreased by ARS 1.5 billion. Consequently, Banco Provincia was compelled to accept more wholesale deposits, which resulted in a corresponding increase in financial costs. Banco Provincia increased its share of all private sector deposits in the Argentine banking system from 7.1% in 2007 to 9.1% in 2008. This helped improve Banco Provincia's financial stability; however, its share of total deposits in the Argentine banking system at 9.7% is still slightly below that of 2007 (9.8%) owing to the decline in public sector deposits.

At December 31, 2009, deposits totaled ARS 25.5 billion, an 11.5% increase as compared to December 2008. This increase was primarily due to the ARS 2.7 billion increase in deposits by the non-financial private sector, representing an increase of 17.9% as compared to the previous year, primarily reflecting a 20.9% increase in fixed-term deposits, as well as a 21.2% increase in savings account deposits and a 14.3% increase in checking account deposits. These increases are mainly explained by growth in the Argentine financial sector led by Argentina's macroeconomic performance. At December 31, 2009, deposits in Banco Provincia represented 9.5% of the total deposits in the Argentine banking system.

At September 30, 2010, deposits totaled ARS 30.5 billion, a 19.8% increase as compared to December 2009. This increase was primarily due to the ARS 2.8 billion increase in deposits by the non-financial private sector, representing an increase of 15.7% as compared to December 2009, primarily reflecting a 32% increase in checking account deposits, as well as a 20.0% increase in savings account deposits and a 7.7% increase in fixed-term deposits. These increases are mainly explained by growth in the Argentine financial sector led by Argentina's macroeconomic performance. At September 30, 2010, deposits in Banco Provincia represented 8.9% of the total deposits in the Argentine banking system.

Judicial Decisions (Amparos)

As Argentina's economic crisis deepened and speculation of a potential devaluation mounted in 2001, confidence in the banking sector began to erode, triggering a significant run on deposits during that year. By December 31, 2001, Banco Provincia's total deposits (peso and foreign currency) had declined 35.8% from December 31, 2000 levels. To reduce the threat of a collapse of the banking sector, in December 2001 and February 2002 the federal government imposed strict limits on bank withdrawals. As the demand for pesos recovered in the fall of 2002, easing the pressure of capital flight from the Argentine economy and its banking system, the federal government was able to lift all restrictions on withdrawals of demand deposits in November 2002. Similarly, in April 2003, depositors were permitted to withdraw their term deposits. As a result of Decree No. 739/2003, restrictions on withdrawals are no longer in effect. The decree allowed depositors to withdraw their deposits at a rate of ARS 1.4 per USD 1.00, adjusted for CER, and to be compensated for the difference between that rate and the then current exchange rate by receiving bonds denominated in U.S. dollars (*Boden 2013* or *Boden 2006*). However, some depositors chose not to withdraw their deposits in order to preserve the original value of the account in its original currency in hopes of pursuing a lawsuit against the federal government and the financial institutions.

At September 30, 2010, Banco Provincia had refunded approximately ARS 2.5 billion to depositors seeking the original value of their deposits from their financial institutions pursuant to judicial orders finding that the restrictions on bank withdrawals were unconstitutional. Since Banco Provincia was required to return these deposits using currency exchange rates in effect on the date of refund, in accordance with Central Bank rules, Banco Provincia has recorded in aggregate ARS 936.7 million as "Intangible assets" for the difference between the refund amounts stated in the judicial orders and the deposit balance booked at the conversion rate of ARS 1.40 to USD 1.00, adjusted for CER. This amount is amortized over a 60-month period and, at December 31, 2009, the

outstanding balance of these intangible assets amounted to ARS 77.5 million. As of September 30, 2010, Banco Provincia recorded a provision of ARS 54.6 million for judicial deposits, reflecting the difference between the book value of the deposits considered in their original currency and the current peso value of those deposits.

Financing from the Central Bank

During the 2001 economic crisis, the Central Bank provided temporary financial assistance to Argentine financial institutions to address the liquidity shortages of these institutions resulting from the run and subsequent freeze on deposits and the asymmetric pesification of financial assets and liabilities. Banco Provincia is required to repay the amount of any temporary financial assistance from the Central Bank received on or before March 28, 2003 in 70 monthly installments in CER-adjusted pesos. This amount was initially ARS 4.4 billion. The principal amount, which is adjusted by the CER index, accrues interest at a yearly rate of 3.5% and is secured by an aggregate amount of guaranteed loans received under the federal debt exchange program and *Bogar* equal to 125.0% of the outstanding amount.

The Central Bank is entitled to extend this repayment schedule to up to 120 months with the consent of a new committee appointed by the federal government in 2003 to oversee the complete restructuring of the financial system. The repayment schedule, however, cannot exceed the average useful life of the assets securing repayment. In June 2003, Banco Provincia requested an extension of the repayment schedule of its temporary financial assistance obligations to 120 months. To date, no extension has been approved and, as a result, since March 2004, Banco Provincia has been making installment payments of principal and interest on its temporary financial assistance obligations in accordance with the initial 70-month schedule.

On June 2, 2007, Banco Provincia made an extraordinary payment of ARS 800 million to prepay the temporary financial assistance. The Central Bank allocated the entire amount to principal under the CER-adjusted debt. On July 3, 2007, Banco Provincia made another advance payment of ARS 800 million. The Central Bank allocated ARS 724 million of this amount to principal and ARS 76 million to interest under the CER-adjusted debt.

At December 31, 2008, the outstanding principal amount under this program was ARS 852 million. On December 31, 2009, Banco Provincia paid the last installment and completely cancelled its debt with the BCRA under the temporary financial assistance program.

External Indebtedness

The table below shows, by source, the amounts of foreign currency financing provided by financial institutions outside of Argentina to Banco Provincia from 2005 through September 30, 2010.

Foreign Currency Financing Provided to Banco Provincia

| | At December 31, | | | | | | | | | | At |
|---|-------------------------------|--|---------------|--|----------------|--|----------------|--|----------------|--|---------------|
| | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | | September |
| | (in millions of U.S. dollars) | | | | | | | | | | 30, |
| | USD | | USD | | USD | | USD | | USD | | 2010 |
| Overnight and short-term funds..... | 7 | | 3 | | 2 | | 2 | | 2 | | – |
| Euro-certificates of deposit (short-term)..... | – | | – | | – | | – | | – | | – |
| Trade finance (short-term)..... | – | | 1 | | 5 | | 4 | | – | | 0 |
| Interbank lines (medium-term)..... | – | | – | | – | | – | | – | | – |
| Secured financing (short-term) ⁽¹⁾ | 21 | | – | | 215 | | 178 | | 100 | | – |
| Secured financing (medium-term)..... | – | | – | | – | | – | | – | | – |
| Floating rate interest bonds (long-term) ⁽²⁾ | 6 | | 5 | | 3 | | 1 | | – | | – |
| U.S. Commercial Paper..... | 12 | | 10 | | 8 | | 6 | | 3 | | – |
| Medium-Term Financing..... | 78 | | 78 | | 78 | | 78 | | 71 | | 55 |
| Total | USD 124 | | USD 97 | | USD 311 | | USD 269 | | USD 176 | | USD 55 |

(1) Financing obtained through repurchase transactions.

(2) Net present value of obligations for a USD 122 million notional principal amount.

Source: Banco Provincia.

Banco Provincia's external indebtedness increased by approximately 41.9% between 2005 and 2009, mainly as a result of repurchase transactions entered into with foreign banks in 2007, the proceeds of which were used to prepay the temporary financial assistance received from the Central Bank in 2001. Banco Provincia's external indebtedness decreased by approximately 69 % between December 31, 2009 and September 30, 2010 as a result of the cancellation of repurchase operations entered into by the Grand Cayman branch in May 2010 in connection with the winding-down of its operations.

Other Liabilities

Banco de Inversión y Comercio Exterior S.A.—Debt Rescheduling Agreement. Banco de Inversión y Comercio Exterior S.A. ("BICE") has extended several loans to Banco Provincia to provide financing to Banco Provincia's clients for various investment projects. In July 2003, in order to reduce the interest rates and extend the terms of these loans, Banco Provincia and BICE entered into an agreement to restructure Banco Provincia's outstanding indebtedness to BICE, a portion of which is secured by *Bogar* and *Boden* through a collateral trust. The agreement provides that Banco Provincia will repay amounts owed to BICE in line with the average life of the collateral assets. At September 30, 2010, the aggregate amount of debt owed by Banco Provincia to BICE was ARS 211 million.

Litigation. At September 30, 2010, Banco Provincia recorded a litigation provision for ARS 90 million. The most significant legal action currently pending against Banco Provincia is a class action lawsuit by the *Union de Usuarios* (Users Union) related to security charges at ATMs. Banco Provincia has recorded a provision of ARS 46 million for potential losses related to this lawsuit, as well ARS 8 million for costs related to the lawsuit. Banco Provincia does not believe that any of the other lawsuits pending against it are material.

Debt Restructuring Agreement—Commodity Credit Corporation. In June 2005, the board of directors of Banco Provincia approved the restructuring of the USD 112.6 million of debt Banco Provincia had with the Commodity Credit Corporation through a cash payment in the amount of USD 34.2 million. The total amount pending repayment on the restructured loan in dollars will be paid in 11 semi-annual consecutive installments beginning on January 1, 2009. In addition, Banco Provincia recorded in "Other income" an amount of ARS 15.5 million from interest waived by Commodity Credit Corporation pursuant to such restructuring. At September 30, 2010, the aggregate outstanding amount of restructured debt with Commodity Credit Corporation was ARS 221.9 million.

Liquidity and Financial Position

The table below shows Banco Provincia's liquidity ratios from 2005 through September 30, 2010.

Liquidity Ratios

| | At December 31, | | | | | At |
|--|------------------|-------|-------|-------|-------|--------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | September 30, 2010 |
| | (in percentages) | | | | | |
| Cash and cash equivalents / Deposits | 8.5% | 16.7% | 15.1% | 19.9% | 20.5% | 21.2% |
| Net Loans / Assets | 27.3% | 27.9% | 30.5% | 32.4% | 33.2% | 31.3% |

Source: Banco Provincia.

The table below shows Banco Provincia's solvency ratios from 2005 through September 30, 2010.

Solvency Ratios

| | At December 31, | | | | | At September 30, |
|---------------------------|------------------|-------|-------|-------|-------|------------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| | (in percentages) | | | | | |
| Net Equity / Assets | 6.3% | 6.2% | 6.2% | 5.8% | 5.5% | 5.6% |
| Net Equity / Loans..... | 23.0% | 22.3% | 20.5% | 18.0% | 16.4% | 17.8% |

Source: Banco Provincia.

In 2004, Banco Provincia implemented a short-term plan to reduce financial costs and non-wage expenses, increase income through the adoption of an aggressive commercial policy for services and loans and significantly increase loan recoveries. This plan began to produce results in May 2004, as Banco Provincia began to record monthly profits, and allowed Banco Provincia to record net income of ARS 62 million in 2004, ARS 250 million in 2005, ARS 141 million in 2006, ARS 214 million in 2007, ARS 71 million in 2008, ARS 5 million in 2009 and ARS 371 million for the nine months ended September 30, 2010.

Branches Abroad

On February 14, 2007, pursuant to Resolution No. 203/07, Banco Provincia's board of directors decided to close its New York Agency. As of December 2009, after several months of winding down operations, the New York Agency was closed.

On March 19, 2009, pursuant to Resolution No. 324/09, Banco Provincia's board of directors decided to close its Grand Cayman branch and sent the pertinent communication to the Grand Cayman Island Regulatory Authority. The Grand Cayman branch is currently winding down operations.

DESCRIPTION OF THE NOTES

This section of this offering memorandum is only an overview of the material provisions of the Notes and the Trust Indenture. The Province urges you to read the Trust Indenture for a complete description of the Province's obligations and your rights as a holder of the Notes. Copies of the Trust 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 (formerly known as The Bank of New York) as trustee dated as of January 12, 2006 (the "Trust Indenture").

General

Basic Terms

The Notes will:

- be direct, unconditional, unsecured and unsubordinated obligations of the Province;
- be initially issued in an aggregate principal amount of USD 750,000,000;
- pay principal in three installments:
 - 33.33% of the principal on January 26, 2019,
 - 33.33% of the principal on January 26, 2020 and
 - 33.34% of the principal on January 26, 2021;
- mature on January 26, 2021;
- 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 one or more registered notes in global form;
- be eligible for settlement in Euroclear and Clearstream;
- be issued in denominations of USD 100,000 and in integral multiples of USD 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 10.875% per annum;
- accrue from the date of issuance or the most recent interest payment date;
- be payable semi-annually in arrears on January 26 and July 26 of each year, beginning July 26, 2011, to persons in whose names the Notes are registered at the close of business on the fifteenth calendar day preceding the corresponding payment date (the "Record Date"); and

- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Payment

The trustee will make payments to the registered holders of the Notes.

While the Notes are held in global form, holders of beneficial interests in the Notes will be paid in accordance with the procedures of the relevant clearing system and its direct participants, if applicable. Neither the Province nor the trustee shall have any responsibility or liability for any aspect of the records of, or payments made by, the relevant clearing system or its nominee or direct participants, or any failure on the part of the relevant clearing system or its direct participants in making payments to holders of the Notes from the funds they receive.

If any date for an interest or principal payment is not a business day, the Province will make the payment on the next 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 authorized generally or obligated by law, regulation or executive order to close in New York City or Buenos Aires.

Claims against the Province for the payment of principal of, or interest on, the Notes (including additional amounts) must be made within ten and four years, respectively, from the due date for payment thereof.

Paying Agents and Transfer Agents

The trustee will maintain a trustee paying agent and a transfer agent in a Western European city (which, so long as the Notes of a series are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, will be Luxembourg) and in such other places where it would be necessary or convenient for the payment of the Notes. The trustee will also, as described further under “Additional Amounts,” maintain a trustee paying agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the European Council Directive regarding taxation of savings income while such Directive or any similar Directive is in force. The trustee will also give prompt notice to all holders of Notes of any future appointment or any resignation or removal of any trustee paying agent or transfer agent or of any change by any trustee paying agent or transfer agent in any of its specified offices.

Registration and Book-Entry System

The Notes will be initially issued and held in certificated form by Deutsche Securities Sociedad de Bolsa S.A. The certificated notes will be subsequently transferred as a global note, in fully registered form, without interest coupons attached, to, and registered in the name of, a nominee of a common depository of Euroclear and Clearstream, Luxembourg. Financial institutions, acting as direct and indirect participants in either Euroclear or Clearstream, Luxembourg, will represent your beneficial interests in the global security. These financial institutions will record the ownership and transfer of your beneficial interests through book-entry accounts, eliminating the need for physical movement of securities.

If you wish to hold securities through the Euroclear or the Clearstream, Luxembourg system, you must either be a direct participant in Euroclear or Clearstream, Luxembourg or hold securities through a direct participant in Euroclear or Clearstream, Luxembourg. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations that have accounts with Euroclear or Clearstream, Luxembourg. Indirect participants are securities brokers and dealers, banks, trust companies and trustees that do not have an account with Euroclear or Clearstream, Luxembourg, but that clear through or maintain a custodial relationship with a direct participant. Thus, indirect participants have access to the Euroclear or Clearstream, Luxembourg system through direct participants.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in these Notes to such persons.

As an owner of a beneficial interest in the global securities, you will generally not be considered the holder of any Notes under the Trust Indenture.

Definitive Securities

The Province will issue securities in definitive form in exchange for interests in a global security only if:

- a clearing system for such series of notes is closed for a continuous period of 14 days, announces an intention permanently to cease business or does in fact do so, or is not registered or ceases to be exempt from registration under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”);
- at any time the Province decides it no longer wishes to have all or part of such notes represented by global securities; or
- the trustee determines, upon the advice of counsel, that it is necessary to obtain possession of such notes in definitive form in connection with any proceedings to enforce the rights of holders of such notes.

In connection with the exchange of interests in a global security for securities in definitive form under any of the conditions described above, such 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 the relevant clearing system, in exchange for its beneficial interest in such global security, an equal aggregate principal amount of definitive securities.

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

The Luxembourg Stock Exchange will be informed before the Province issues definitive securities in exchange for the global security held by the common depository. If the Province issues such definitive securities, it will publish notices in a newspaper with general circulation in Luxembourg (which the Province expects to be the *Luxemburger Wort* or the *Tageblatt*), or, alternatively, on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>, announcing procedures for payments of principal and interest in respect of or transfer of definitive securities in Luxembourg.

You may be charged for any stamp, tax or other governmental or insurance charges that must be paid in connection with the transfer, exchange or registration of transfer of Notes. The Province, the trustee and any other agent appointed by the trustee or the 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 sign an indemnity under which you agree to pay the Province, the trustee or any other agent appointed by the trustee 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 bona fide 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 definitive security.

In case any mutilated, destroyed, stolen or lost Note has become or will become due and payable within 15 calendar days following its delivery to the trustee for replacement, the Province may pay such Note instead of replacing it.

Ranking

The Notes are direct, unconditional, unsecured and unsubordinated obligations of the Province, ranking, except as otherwise provided by law, *pari passu*, without any preference, among themselves and with all other present and future unsecured and unsubordinated Indebtedness (as defined in “Negative Pledge Covenant” below) from time to time outstanding of the Province.

Further Issuances

Under the terms of the Trust Indenture, the Province may from time to time, without the consent of the holders of the Notes, create and issue additional notes ranking *pari passu* with the Notes and having the same terms and conditions as any series of such Notes, or the same except for the amount of the first payment of interest on such additional notes. The Province may also consolidate the additional notes to form a single series with any outstanding series of notes. In order for the Province to consolidate additional notes to form a single series, any such additional notes, however, may not have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the relevant series of such notes have as of the date of the issuance of such additional notes.

Additional Amounts

The Province will make payments in respect of the Notes without withholding or deduction for or on account of any present or future taxes, duties, levies, or other governmental charges withheld or assessed by Argentina or the Province or any authority therein (such jurisdictions, “Relevant Jurisdictions” and such taxes, “Relevant Taxes”) unless the withholding or deduction is required by law. If the Province is required to make any withholding or deduction of this nature, it will pay holders the additional amounts necessary to ensure that they receive the same amount as they would have received without this withholding or deduction.

The Province will not, however, pay any additional amounts with respect to any Note in connection with any tax, duty, levy, or other governmental charge that is imposed because:

- (1) the holder has some connection with the Relevant Jurisdiction other than merely holding the Note, the receipt of payments on the Note or enforcing rights under the Notes; or
- (2) the holder has failed to present for payment the Note (where presentation is required by the terms of the Notes) within 30 days from when holders receive notice in accordance with the Trust Indenture that the payment is available.

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.

The Province undertakes that while European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 is in force, the Province will ensure that it maintains a paying agent in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

Negative Pledge Covenant

The Province has agreed that, subject to the exceptions described below, it will not, for so long as any note remains outstanding or any amount payable by the Province under the indenture shall remain unpaid, incur, issue or assume any Indebtedness secured by a Lien on any property or assets of the Province without making effective provision to secure the Notes equally and ratably (or prior to) such Indebtedness for so long as such Indebtedness shall be so secured, unless, after giving effect thereto, the aggregate amount then outstanding of all such

Indebtedness so secured would not exceed 8.0% of the Province's annual revenues for the fiscal year most recently ended prior to the incurrence of the Lien.

The Province may, however, create or permit to subsist:

- (a) any Lien in existence on the date of the indenture;
- (b) any Lien upon bank accounts, deposits or proceeds thereof (or arising from the existence of rights of set-off against such accounts, deposits or proceeds) securing Indebtedness of the Province incurred in connection with letters of credit issued by, or trade finance transactions with, a bank to which such Lien is granted or holding such rights, and which Indebtedness has a final maturity of not greater than 180 days from the date on which payment under such letter of credit or in connection with such trade finance transactions is due and payable;
- (c) any Lien upon any property to secure Indebtedness of the Province incurred specifically for the purpose of financing the acquisition of the property subject to such Lien;
- (d) any Lien existing on any property at the time of its acquisition to secure Indebtedness of the Province;
- (e) 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;
- (f) any Lien securing Indebtedness incurred for the purpose of financing all or part of the cost of personal property sold or services provided to the Province;
- (g) any replacement, renewal or extension of any Lien permitted by clauses (a) through (f) above upon the same property theretofore subject to such Lien, including any replacement, renewal or extension of such Lien resulting from the refinancing (without increase in the principal amount) of the Indebtedness secured by such Lien; provided that the Province shall not be permitted to replace, renew or extend any Lien in respect of Indebtedness to the federal government unless the federal government remains the creditor;
- (h) any Lien to secure public or statutory obligations or otherwise arising by law to secure claims other than for borrowed money;
- (i) any Lien securing Indebtedness of the Province to the federal government encumbering the right of the Province to receive Co-Participation Payments, provided that the incurrence of such Indebtedness so secured will not cause the Co-Participation Secured Indebtedness Ratio to exceed 50.0% in any fiscal year;

provided that any Lien described in clauses (a) through (i) above may not secure any payment obligation, including any contingent liability of any Person, arising from bonds, debentures, notes or other securities which are, or were intended at the time of issue to be, quoted, listed or traded on any stock exchange, automated trading system, or over-the-counter or other securities market or sold in whole or in part pursuant to a private placement exemption in any jurisdiction.

As used herein, the term "Co-Participation Payments" means any transfers made by the federal government to the Province pursuant to federal law No. 23,548, 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 “Indebtedness” means, with respect to any person, whether outstanding on the original issuance date of a series of notes 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 bonds, debentures, notes or similar instruments; and (v) to the extent 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 person specified in clause (i), (ii), (iii) or (iv) above.

As used herein, the term “Lien” means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance on or with respect to, or any preferential arrangement which has the practical effect of constituting a security interest with respect to the payment of any obligation with or from the proceeds of, any currently existing or future asset or revenues of any kind under the laws of Argentina.

As used herein, the term “Co-Participation Secured Indebtedness Ratio” is the percentage that is equal to (A) in any fiscal year, the aggregate amount of payments of principal and interest that will become due in such fiscal year (after giving pro forma effect to the incurrence of Indebtedness secured by a Lien on the Province’s right to receive Co-Participation Payments), in respect of Indebtedness that is secured by a Lien on the Province’s right to receive Co-Participation Payments, divided by (B) the aggregate amount of Co-Participation Payments actually received by the Province for the fiscal year most recently ended prior to the incurrence of the Lien, multiplied by (C) 100; provided that, with respect to the calculation of payments to be made in respect of principal and interest, inflation adjustment accrued through the most recent fiscal year on such principal and interest shall be given effect, but no effect shall be given for inflation adjustment for the current and any future fiscal years, and provided further, that the Co-Participation Secured Indebtedness Ratio is to be calculated for each future fiscal year on a standalone basis and not by aggregating the principal and interest payments for more than one fiscal year.

Notification of Events or Conditions Under Other Indebtedness

So long as any Notes remain outstanding, the Province shall promptly:

- notify the trustee in writing of any meeting or communication (whether written or oral) with any creditor under any instrument or agreement evidencing any Indebtedness of the Province regarding any default in the payment of principal of, or interest on, any such Indebtedness; and
- deliver to the trustee a copy of any written notice sent or received by the Province to or from any creditor which describes any default in the payment of principal of, or interest on, any such Indebtedness.

Events of Default

Each of the following is an event of default under any series of Notes:

- (a) The Province fails to pay any principal due on the Notes when due and payable for 10 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 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 Trust Indenture, which failure continues unremedied for 60 days after written notice thereof has been given to the Province by the trustee; or

- (d) The Province 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 USD 15,000,000 (or its equivalent in other currencies); or
- (e) Any Indebtedness of the Province (other than Excluded Indebtedness) having an aggregate principal amount greater than or equal to USD 15,000,000 (or its equivalent in other currencies) is accelerated due to an event of default, unless the acceleration is rescinded or annulled; or
- (f) The Province declares a moratorium of payment of its Indebtedness (other than Excluded Indebtedness); or
- (g) 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 USD 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 90 days shall have passed since the entry of such final judgment, decree or order without it having been satisfied or stayed; or
- (h) The validity of the Notes or the Trust Indenture is contested by the Province; or
- (i) (A) Any constitutional provision, law, regulation, ordinance or decree necessary to enable the Province to perform its obligations under the Notes or the Trust 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 Trust 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 Trust Indenture, and, in each case, such expiration, withholding, revocation, termination, cessation, invalidity, unenforceability or delay shall continue in effect for a period of 90 days.

If any of the events of default described above occurs and is continuing, the holders of not less than 25.0% of the aggregate principal amount of the Notes then outstanding may declare all of the Notes then outstanding to be immediately due and payable by a notice in writing to the Province, with a copy to the trustee. Upon any declaration of acceleration, the principal of, together with accrued interest (including any additional amounts) to the date of acceleration, the affected series of Notes shall become immediately due and payable, without any further action or notice of any kind, unless prior to the date of delivery of such notice all events of default in respect of the Notes have been cured.

If, at any time after Notes shall have been declared due and payable, the Province shall pay or shall deposit with the trustee a sum sufficient to pay all matured amounts of interest and principal 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 the expenses, and reasonable compensation of the trustee, and 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, shall have been remedied, then, and in every such case, the holders of a majority in 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 (i) any series of Existing Bonds and (ii) any indebtedness incurred prior to the issue date of the Notes under credit facilities extended or guaranteed by member states of the OECD or any agency or instrumentality thereof.

As used herein, “Existing Bonds” means (a) USD Zero Coupon Notes due 2002, (b) USD 12.50% Notes due 2002, (c) Euro 7.875% Notes due 2002, (d) Euro 9% Notes due 2002, (e) Euro 10.25% Notes due 2003, (f) Yen 4.25% Notes due 2003, (g) USD 12.75% Notes due 2003, (h) SFr 7.75% Notes due 2003, (i) Euro 10.375% Notes due 2004, (j) Euro 9.75% Notes due 2004, (k) Euro 10% Notes due 2004, (l) Euro 10.75% Notes due 2005, (m) Euro 10.625% Notes due 2006, (n) USD FRNs Notes due 2006, (o) USD 13.75% Notes due 2007, (p) USD 13.25% Notes due 2010, (q) USD 9.375% Notes due 2018, (r) USD 9.625% Notes due 2028 and (s) USD 11.75% Notes due 2015.

Meetings, Amendments and Waivers

The Province, or the trustee in its discretion, may call a meeting of the holders of the Notes at any time and from time to time regarding the Notes or the Trust Indenture. The trustee will determine the time and place of the meeting and will notify the holders of the time, place, purpose and requirements to attend the meeting not fewer than 30 days prior to the date fixed for the meeting. In addition, the trustee will call a meeting of the holders of the Notes if holders of not less than 10.0% of the aggregate principal amount of the outstanding Notes have delivered a written request to the trustee setting forth the action they propose to take.

Only holders and their proxies are entitled to vote at a meeting of holders of Notes. Meetings are subject to first and second calls. The quorum for the first call will be persons holding or representing a majority of the outstanding Notes and, if such call fails in attaining such quorum, any number of persons holding or representing an outstanding note will constitute a quorum for the meeting convened on the second call. Notice of the reconvening of any meeting need be given only once, but must be given not fewer than 30 days and not more than 60 days prior to the reconvened meeting. For purposes of a meeting of holders that proposes to discuss “reserved matters” (specified below), holders or proxies representing not less than 75.0% of the aggregate principal amount of the outstanding Notes (66 $\frac{2}{3}$ % of the aggregate principal amount of the outstanding Notes of each series issued under the Trust Indenture in the case of reserved matters with respect to all series of Notes issued under the Trust Indenture) will constitute a quorum. The trustee will set the procedures governing the conduct of any meeting.

The Province, the trustee and the holders may generally modify or take actions with respect to the terms of the Notes or the Trust Indenture:

- with the affirmative vote of the holders of not less than a majority in aggregate principal amount of the outstanding Notes that are represented at a duly called and held meeting; or
- with the written consent of the holders of not less than a majority in aggregate principal amount of the outstanding Notes (without the need for a meeting of holders or a vote of such holders at a meeting).

However, special requirements apply with respect to any amendment, modification, change or waiver with respect to the Notes or the Trust Indenture that would:

- change the due date or dates for the payment of principal of, or any installment of interest on, the Notes;
- reduce the principal amount of the Notes or the interest rate thereon;
- reduce the principal amount of the Notes that is payable upon acceleration of the maturity date;
- change the currency in which any amount in respect of the Notes is payable;
- reduce the percentage of the aggregate principal amount of the outstanding Notes held by holders whose vote or consent is needed to modify, amend or supplement the terms and conditions of the Notes or the Trust Indenture or to make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action;
- change the definition of “outstanding” with respect to the Notes;

- change the Province’s obligation to pay any additional amounts in respect of the Notes as set forth under “—Additional Amounts;”
- change the governing law provision of the Notes;
- change the courts of the jurisdiction of which the Province has submitted, the Province’s obligation to appoint and maintain an agent for the service of process in New York City or the Province’s agreement not to claim, and to waive irrevocably, immunity (sovereign or otherwise) in respect of any suit, actions or proceedings arising out of or relating to the Trust Indenture or to the Notes;
- authorize the trustee, on behalf of all holders of the Notes, to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Province or any other person;
- in connection with an exchange offer for, or offer to acquire all or any portion of, the Notes, amend any event of default under the Notes; or
- change the ranking of the Notes, as described under “—Ranking.”

The above-listed matters are “reserved matters” and any amendment, modification, change or waiver with respect to a reserved matter is a “reserved matter modification.” A reserved matter modification, including a change to the payment terms of the Notes, may be made without a holder’s consent, as long as the requisite supermajority of the holders (set forth below) agrees to the reserved matter modification.

Any reserved matter modification to the terms of the Notes or to the Trust Indenture insofar as it affects the Notes may generally be made, and future compliance therewith may be waived, with the consent of the holders of not less than 75.0% in aggregate principal amount of the Notes at the time outstanding.

If the Province proposes any reserved matter modification to the terms of the Notes of two or more series issued under the Trust Indenture or to the Trust Indenture insofar as it affects the Notes of such series issued thereunder, in either case as part of a single transaction, the Province may elect to proceed pursuant to provisions of the Trust Indenture providing that such reserved matter modifications may be made, and future compliance therewith may be waived, for any affected series if made with the consent of the Province and of:

- holders of not less than 85.0% in aggregate principal amount of the outstanding Notes of all series that would be affected by that reserved matter modification (taken in aggregate); and
- holders of not less than 66⅔% in aggregate principal amount of the outstanding Notes of each series (taken separately).

If any reserved matter modification is sought in the context of a simultaneous offer to exchange the Notes for new debt securities of the Province or of any other person, the Province will ensure that the relevant provisions of the affected Notes, as amended by such reserved matter modification, are no less favorable to the holders thereof than the provisions of the new debt security being offered in the exchange, or, if more than one debt security is so offered, no less favorable than the new debt security issued having the largest aggregate principal amount.

The Province agrees that it will not issue any subsequent series of bonds under the Trust Indenture or reopen any existing series of notes with the intention of placing any bonds with holders expected to support any modification proposed or to be proposed by the Province for approval pursuant to the modification provisions of the Trust Indenture or the terms of any series of bonds.

Any modification consented to or approved by the holders of the Notes of one or more series pursuant to the above provisions will be conclusive and binding on all holders of the Notes of such series (whether or not such holders have given such consent or were present at a meeting of holders at which such action was taken) and on all future holders of the Notes of such series (whether or not notation of such modification is made upon the Notes of

such series). Any instrument given by or on behalf of any holder of a note in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent holders of that note.

The Province and the trustee may, without the vote or consent of any holder of the Notes, modify, amend or supplement the Notes or the Trust Indenture insofar as it affects the Notes for any of the following purposes:

- to add to the Province's covenants for the benefit of the holders of the Notes;
- to surrender any of the Province's rights or powers;
- to provide security or collateral for the Notes;
- to modify the restrictions on, and procedures for, resale and other transfers of the Notes to the extent required by any change in applicable law or regulation (or the interpretation thereof) or in practices relating to the resale or transfer of restricted securities generally;
- to accommodate the issuance, if any, of Notes in book-entry or certificated form and matters related thereto;
- to cure any ambiguity or correct or supplement any defective provision contained in the Notes or the Trust Indenture; or
- to change the terms and conditions of the Notes or the Trust Indenture in any manner which the Province and the trustee may determine, so long as any such change does not, and will not, adversely affect the interests of the holders of the Notes.

The term "outstanding," when used with respect to the Notes, means, as of the date of determination, all Notes theretofore authenticated and delivered under the Trust Indenture, except:

- Notes theretofore canceled by the trustee or delivered to the trustee for cancellation;
- Notes, or portions thereof, for whose payment, redemption or purchase, money in the necessary amount has been theretofore deposited with the trustee or any paying agent for the holders of such Notes; provided that if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the terms of the Trust Indenture or provision therefor satisfactory to the trustee has been made; and
- Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Trust Indenture, other than any such Notes in respect of which there shall have been presented to the trustee proof satisfactory to it that such Notes are held by a bona fide purchaser in whose hands the Notes are valid obligations of the Province;

provided, however, that in determining whether the holders of the requisite principal amount of outstanding Notes are present at any meeting for quorum purposes or have given any request, demand, direction, consent or waiver hereunder, Notes owned by the Province, any agency of the Province or Banco Provincia shall be disregarded and deemed not to be "outstanding," except that, in determining whether the trustee shall be protected in relying upon such determination as to quorum or upon any such request, demand, direction, consent or waiver, only Notes which a responsible officer of the trustee actually knows to be so owned shall be so disregarded. Notes so owned 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 Notes and that the pledgee is not the Province. The term "responsible officer," when used with respect to the trustee, means any officer within the corporate trust department of the trustee (or any successor group), including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other trust officer or assistant trust officer of the trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of the Trust Indenture; and also means, with respect to a particular matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

Prior to any vote or consent on a reserved matter modification affecting any series of Notes, the Province will deliver to the trustee a certificate signed by an authorized representative of the Province, specifying, for the Province and each relevant public sector instrumentality, any Notes of that series deemed to not be outstanding as described above or, if no Notes of that series are owned or controlled by the Province or any public sector instrumentality, a certificate signed by an authorized representative of the Province to that effect.

Notices

The Province will mail notices to holders of Notes at their registered addresses as reflected in the books and records of the trustee. The Province will consider any mailed notice to have been given five business days after it has been sent.

All notices regarding the Notes shall be given by publication at least once (i) in an authorized newspaper in the English language in London, (ii) in an authorized newspaper in the Spanish language in Argentina and (iii) if the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange shall so require, in an authorized newspaper in Luxembourg, or, alternatively, on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>. The term “authorized newspaper” as used herein shall be deemed to mean a newspaper of general circulation customarily published on each business day, whether or not it shall be published in Saturday, Sunday or holiday editions; *La Nación* or *Ambito Financiero* in Buenos Aires, the Financial Times in London and the *Luxemburger Wort* in Luxembourg are deemed to be authorized newspapers. If, by reason of the suspension of publication of any newspaper or by reason of any other cause, it shall be impracticable to give notice to the holders in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Province or by the trustee on behalf of and at the instruction of the Province shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the publication in lieu of which it is given. Neither the failure to give notice nor any defect in any notice to any particular holder shall affect the sufficiency of any notice with respect to other Notes. Any notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

Notwithstanding the above, *provided* that, in the case of Notes listed on a stock exchange, the stock exchange agrees, so long as the global notes are held in their entirety by or on behalf of Euroclear and/or Clearstream Luxembourg, there may be substituted for such publication in such newspapers the delivery of the relevant notice to Euroclear and/or Clearstream Luxembourg, as appropriate, for communication by them to the holders. Any such notice shall be deemed to have been given to the holders on the seventh day after the day on which said notice was given to Euroclear and/or Clearstream Luxembourg, as appropriate. In addition, the Province shall also ensure that, so long as any of the Notes is represented by a global note held by or on behalf of Euroclear and/or Clearstream Luxembourg, all notices regarding the Notes will be delivered, in writing, to Euroclear and/or Clearstream Luxembourg, as appropriate. In any event, notices with respect to the Notes listed on the Luxembourg Stock Exchange will be published in Luxembourg in an authorized newspaper.

Payment Procedure in the Event of Foreign Exchange Restrictions in Argentina

The Province has agreed that, in the event of any kind of foreign exchange limitation, restriction or prohibition in Argentina, such that the Province is unable to obtain the full amount of the specified currency or transfer such amounts outside of Argentina, in any date of payment in respect of the Notes, to the extent permitted by such restriction or prohibition, the Province will pay all such amounts then due in the specified currency by means of (i) purchasing Euro- or 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) of 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

The Trust 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 2,337 to 2,340 of the Argentine Civil 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 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 as its process agent Corporation Service Company, which is presently located at 80 State St., Albany, New York 12207, United States of America.

The process agent will receive, on behalf of the Province and its property, service of copies 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 at the address specified above for the process 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 courts that may have jurisdiction over the Province.

In addition to the foregoing, holders of Notes may serve legal process in any other manner permitted by applicable law. The above provisions do not limit the right of 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 or the Trust 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 of the public domain located in the Province or dedicated to the purpose of an essential public service), the Province hereby irrevocably waives such immunity in respect of its obligations under the Trust Indenture, and, without limiting the generality of the foregoing, the Province agrees that the waivers set forth in the Trust Indenture shall have the fullest scope permitted under the Foreign Sovereign Immunities Act of 1976 of the United States, as amended, 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.

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 existing 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 Province agrees that, if a judgment or order given or made by any court for the payment of any amount in respect of any note to the holders thereof is expressed in a currency (the “judgment currency”) other than the specified currency, the Province shall indemnify the relevant holders against any deficiency arising or resulting from any variation in rates of exchange between the date as of which the specified currency is notionally converted into the judgment currency for the purposes of such judgment or order and the date actual payment thereof is received (or could have been received) by converting the amount in the judgment currency into the specified currency promptly after receipt thereof at the prevailing rate of exchange in a foreign exchange market reasonably selected by such holders. This indemnity will constitute a separate and independent obligation from the other obligations contained in the Notes and will give rise to a separate and independent cause of action.

Concerning the Trustee

The Trust Indenture contains provisions relating to the obligations and duties of the trustee, to the indemnification of the trustee and to the trustee’s relief from responsibility for actions that it 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.

NOTICE TO INVESTORS

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 the exemption from registration 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 reserves the right to require, in connection with any offer, sale or other transfer of Notes prior to the expiration of the resale restriction period, the delivery of written certifications and/or other information satisfactory to the Province and the trustee 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 Rule 144A global note 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) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, (D) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATIONS UNDER THE SECURITIES ACT OR (E) 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.”

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.

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.

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, real estate investment trust, regulated investment company, insurance company, dealer in securities or currencies, trader in securities or commodities that elects “mark-to-market” treatment, investor that will hold the Notes as a hedge against currency risk or as a position in a “straddle”, conversion or other risk reduction transaction, partnership or other pass-through entity 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 below) whose “functional currency” is not the U.S. dollar.

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.

U.S. Internal Revenue Service Circular 230 Notice

To ensure compliance with Internal Revenue Service Circular 230, prospective investors are hereby notified that (a) any discussion of U.S. federal tax issues contained or referred to in this offering memorandum or any other document referred to herein is not intended or written to be used, and cannot be used, by prospective investors for the purpose of avoiding penalties that may be imposed on them under the U.S. Internal Revenue Code of 1986, as amended, (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein, and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

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.

According to article 78 of Decree No. 2284/91, foreign beneficiaries will not be subject to the payment of IT on income derived from the disposition of the Notes even if they are not placed through a public offering.

In the event of the imposition over local and foreign individuals or foreign entities of any deduction or withholding for or on account of Income Tax, 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 (the 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 ARS 200,000 at the end of a given economic period. If the value of the assets exceeds ARS 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 federal 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.

The Province recently passed a tax on gratuitous transfer of properties, which may apply if the beneficiaries are domiciled in the Province or if the assets being distributed, such as the Notes, are located therein. The tax is levied on any increase in assets that results from a gratuitous title transfer, including inheritances, legacies and gifts. Any gratuitous transfer of property lower than or equal to ARS 3 million is exempt. Any gratuitous transfer of property that exceeds ARS 3 million is subject to the tax on the full amount of the transfer. The amount to be taxed, which includes a fixed component and a variable component that is based on differential rates (which range from 5% to 10.5%), varies according to the property value to be transferred and the degree of kinship of the parties involved.

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

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 United States 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 the United States of America (including the States and the District of Columbia), its possessions, territories and other areas subject to its jurisdiction.

If you are a United States person, the interest you receive on the Notes will generally be subject to U.S. federal income taxation and will be considered ordinary interest income on which you will be taxed in accordance with the method of accounting that you generally use for tax purposes. A United States person will also be required to include in gross income as interest any withholding tax paid (if any) and additional amounts paid (if any) with respect to withholding tax on the Notes, including foreign withholding tax on payments of such additional amounts. When you sell, exchange or otherwise dispose of the Notes, you generally will recognize gain or loss equal to the difference between an 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, reduced by payments of principal previously received in respect of such note. If you are an individual, estate or trust and the note being sold, exchanged or otherwise disposed of is a capital asset held for more than one year, you may be eligible for reduced rates of taxation on any capital gain realized. Your ability to deduct capital losses is subject to limitations.

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, United States persons 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 gross income by a United States person would be greater than the amount of cash actually received by the United States person in such instance. A United States person may be able, subject to certain generally applicable limitations, to claim a foreign tax credit (or, alternatively, a deduction if the United States person has elected to deduct all foreign income taxes for that taxable year) for foreign withholding taxes imposed on payments of interest (including any additional amounts). The calculation of U.S. foreign tax credits and, in the case of a United States person that elects to deduct foreign income taxes, the availability of deductions involves the application of complex rules that depend on a United States person’s particular circumstances. United States persons should, therefore, consult their own tax advisors regarding the application of the U.S. foreign tax credit rules to interest income (including additional amounts) on the Notes.

Gain or loss recognized by a United States person on the sale, redemption, retirement or other taxable disposition of a note will generally be U.S.-source gain or loss. Accordingly, if Argentine or other withholding tax is imposed on the sale or disposition of the Notes, a U.S. person may not be able to fully utilize its United States foreign tax credits in respect of such withholding tax unless such United States person has other foreign source income. Prospective investors should consult their own tax advisors as to the U.S. tax and foreign tax credit implications of such sale, redemption, retirement or other taxable disposition of a note.

Holders of Notes that are not United States persons will not be subject to U.S. federal income taxes, including withholding taxes, on payments of interest on the Notes unless the interest is effectively connected with the conduct by the holder of a trade or business in the United States.

The gain realized on any sale or exchange of the Notes by a holder that is not a United States person will not be subject to U.S. federal income tax, including withholding tax, unless (i) such gain is effectively connected with the conduct by the holder of a trade or business in the United States or (ii) in the case of gain realized by an

individual holder, the holder is present in the United States for 183 days or more in the taxable year of the sale and certain additional conditions are satisfied.

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. Persons holding Notes who are not United States persons may be required to comply with applicable certification procedures to establish that they are not United States persons in order to avoid the application of such information reporting requirements and backup withholding tax. 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 furnish the required information to the U.S. Internal Revenue Service.

In addition, for taxable years beginning after March 18, 2010, new legislation requires certain United States persons who are individuals to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for notes held in accounts maintained by certain financial institutions). Holders of Notes that are United States persons should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Notes.

A Note held by an individual holder who at the time of death is not a United States person will not be subject to United States federal estate tax.

European Union Directive on the Taxation of Savings Income

Under European Council Directive 2003/48/EC on the taxation of savings income (“the Savings Directive”), each member state of the European Union (each, a “Member State”) is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual beneficial owner resident in, or certain limited types of entities established in, that other Member State. However, for a transitional period, Austria and Luxembourg have instead opted to apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 percent, unless during such period they elect otherwise. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain member states, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to an individual resident in member state.

A proposal for amendments to the Savings Directive has been published, including a number of suggested changes which, if implemented, would broaden the scope of the rules described above.

As indicated above under “additional amounts,” no additional amounts will be payable with respect to a note where such withholding or deduction is imposed or levied on a payment to an individual and is required to be made pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 on the taxation of savings income or to any law implementing or complying with, or introduced in order to conform to, the Savings Directive or such other Directive. Holders should consult their tax advisers regarding the implications of the Directive in their particular circumstances.

The Province has undertaken to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

PLAN OF DISTRIBUTION

The Province intends to offer the Notes to the initial purchasers, Merrill Lynch Argentina S.A. and Deutsche Securities Sociedad de Bolsa S.A. Banco Provincia is acting as local co-manager, not as an initial purchaser. Banco Provincia may receive the Notes from the initial purchasers and they may take such action with respect to the Notes as permitted herein. 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 severally purchase from the Province USD 750,000,000 principal amount of the Notes. Affiliates of Merrill Lynch and Deutsche Bank may distribute the Notes outside of Argentina, however affiliates of Banco Provincia may not distribute Notes outside of Argentina.

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 January 26, 2011 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 day 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 day 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 with no established trading market. 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 Buenos Aires Stock Exchange 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 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.

OFFICIAL STATEMENTS

Information in this offering memorandum that is identified as being derived from a publication of Argentina, the Province or one of their respective agencies or instrumentalities relies on the authority of such publication as a public official document of Argentina or the Province, as the case may be. The Province has not independently verified the information in this offering memorandum that is identified as being derived from a publication of Argentina and makes no representation as to its accuracy or completeness.

VALIDITY OF THE NOTES

The validity of the Notes will be passed upon for the Province by Cleary Gottlieb Steen & Hamilton LLP, United States counsel to the Province, and by the *Asesor General de Gobierno* (General Legal Advisor to the Executive Branch) of the Province, and for the initial purchasers by Shearman & Sterling LLP, United States counsel to the initial purchasers and Bruchou, Fernández Madero & Lombardi, Argentine counsel to the Initial Purchasers.

As to all matters of Argentine and provincial law, Cleary Gottlieb Steen & Hamilton LLP may rely on the opinion of the *Asesor General del Gobierno* of the Province, and Shearman & Sterling LLP may rely upon the opinion of Bruchou, Fernández Madero & Lombardi. As to all matters of United States law, the *Asesor General del Gobierno* of the Province may rely on the opinion of Cleary Gottlieb Steen & Hamilton LLP, and Bruchou, Fernández Madero & Lombardi may rely on the opinion of Shearman & Sterling LLP.

GENERAL INFORMATION

The Province

The Province has authorized the creation and issue of the Notes pursuant to Law No. 14,199 dated December 2, 2010 and Decree No. 2,962 dated December 28, 2010.

Except as disclosed in this listing prospectus, since December 31, 2010 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 has been made to list the Notes on the Buenos Aires Stock Exchange and on Mercado Abierto Electrónico. 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 Euroclear and Clearstream clearance systems. The relevant trading information is set forth in the following table:

| Notes Offered | ISIN Number | Common Code |
|----------------------|--------------------|--------------------|
| Rule 144A | XS0584497175 | 058449717 |
| Regulation S | XS0584493349 | 058449334 |



ISSUER

The Government of the Province of Buenos Aires

Calle 8 entre 45 y 46, P.B. Of.14
La Plata, Buenos Aires 1900

TRUSTEE, PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

The Bank of New York Mellon

101 Barclay Street
Floor 21 West
New York, New York 10286
Attention: Global Finance Unit

LUXEMBOURG PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon (Luxembourg) S.A.

Vertigo Building - Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

LEGAL ADVISORS

To the Province

As to U.S. federal and New York law:
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006

Asesor General del Gobierno de
la Provincia de Buenos Aires
Calle 9 No. 1177 entre 56 y 57
La Plata, Buenos Aires 1900
Argentina

As to Argentine law:

Cabanellas, Etchebarne, Kelly
& Dell'Oro Maini
San Martín 323, Piso 17
C1004AAG Buenos Aires
Argentina

To the Initial Purchasers

As to U.S. federal and New York law:
Shearman & Sterling LLP
599 Lexington Avenue
New York, New York 10022

As to Argentine law:
Bruchou, Fernández Madero & Lombardi
Ing. Enrique Butty 275
C1001AFA Buenos Aires
Argentina

LUXEMBOURG LISTING AGENT

The Bank of New York Mellon (Luxembourg) S.A.

Vertigo Building - Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg



The Province of Buenos Aires
(A Province of Argentina)

OFFERING MEMORANDUM

BofA Merrill Lynch

Deutsche Bank Securities

Banco de la Provincia de Buenos Aires

January 19, 2011.
