

CONFIDENTIAL

RESTRUCTURING GUIDELINES

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Ministerio de Economía
Argentina

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The envisaged debt restructuring operation aims at ensuring debt sustainability with high probability under the government's assumptions. This also has to be compatible with IMF's assumptions factoring in a potential new program with Argentina. The debt restructuring should entail the following principles:

<p>1</p> <p>GRACE PERIOD</p>	<ul style="list-style-type: none"> • No repayment of principal should be considered before Argentina can access international credit markets at rates that are sustainable for Argentina's macroeconomic reality. The government sees year 2027 as a reasonable target to re-access international debt markets • No payment of interest should be considered in the early years
<p>2</p> <p>REDUCTION OF COUPONS</p>	<ul style="list-style-type: none"> • Coupons should be constrained by the debt sustainability imperatives, and, in the first years, the objective of FX reserve accumulation • The government sees coupons converging towards a steady-state average effective interest rate on the restructured debt of 3.5% p.a., as a reasonable target
<p>3</p> <p>SUSTAINABLE FX DEBT SERVICE CAPACITY</p>	<ul style="list-style-type: none"> • FX denominated debt service should be in line with Argentina's primary balance trajectory target, FX reserve availability and anticipated cost of funding. The government sees an average FX denominated debt service over GDP of 4.0% from 2027 onwards compatible with a debt profile that is sustainable • The Government favors a reduction in coupon over a reduction in principal
<p>4</p> <p>REFINANCING COST</p>	<ul style="list-style-type: none"> • The government assumes new medium-to-long-term USD denominated debt market refinancing with an average real interest rate of 5% over 2027-2034, and 4.5% from 2035 onwards
<p>5</p> <p>VALUE RECOVERY MECHANISM</p>	<ul style="list-style-type: none"> • Contingent value recovery features could be envisaged to allow for potential upsides, for instance in case of higher than expected real GDP growth (allowing for better coupons) or better than targeted market refinancing conditions (allowing for shorter maturities)

The government debt sustainability analysis relies on the below refinancing assumptions

• Funding mix assumptions:

- Over 2020-2026, medium-to-long-term financing needs are fully covered by Peso debt and seignorage
- From 2027 onwards, medium-to-long-term financing needs are covered by Peso debt for 40% and by foreign currency debt for 60%

• Foreign currency (FX) debt funding assumptions:

- New medium-to-long-term-FX denominated debt is financed at an average real interest rate of 5% until 2034, and 4.5% from 2035 onwards
- New medium-to-long-term-FX funding is assumed to be performed ratably through 3 market debt instruments with respective average maturity of 5, 10 and 15 years (each instrument amortizing in 3 equal annual installments)

• Peso debt funding assumptions:

- New medium-to-long-term Peso denominated debt is financed through CER-linked instruments
- The average interest rate of the new medium-to-long-term Peso denominated debt gradually evolves from 1.25% in 2024 to 4.5% in 2031 in real terms, consistent with the easing of capital controls
- The stock of Peso denominated T-bills is assumed to be constant in nominal USD terms, and is refinanced annually at 1.2% to 1.5% in real terms

• Refinancing framework for International Financial Institutions (IFIs) and bilateral debt:

- Existing IMF loan: we have been engaging constructively with the IMF and it is our intention to seek a new program that will allow the existing IMF loan to be refinanced until Argentina can access international debt markets at sustainable rates
- Existing IFIs (excl. IMF) debt is assumed to be refinanced by IFIs at concessional terms equivalent to those existing today
- Paris Club debt: we have been engaging constructively with the Paris Club and it is our intention to seek a rescheduling of the outstanding Paris Club debt consistent with our assessment of the timeframe for Argentina's re-access to international debt markets at sustainable rates

The government debt sustainability analysis relies on the below macroeconomic assumptions

	Unit	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Real Economy Assumptions												
Real GDP Growth ¹	%	-6.5%	3.0%	2.5%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Nominal GDP	USDbn	418	435	450	463	475	488	501	515	529	543	558
Primary Balance												
Primary Balance	% of GDP	-3.1%	-1.0%	-0.5%	0.0%	0.3%	0.5%	0.8%	1.0%	1.0%	1.0%	1.0%
BCRA Transfers ²	% of GDP	3.1%	1.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
External Sector Assumptions												
Real exchange rate assumed to be constant												
US Inflation	%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Trade Balance	% of GDP	3.6%	2.6%	2.0%	1.9%	1.8%	1.7%	1.6%	1.6%	1.6%	1.6%	1.6%
Gross Reserves Target	USDbn	50	54	58	62	65	67	70	72	74	75	77

Source: Ministry of Economy

Notes: 1) Real GDP growth converges to a steady state growth of 2% starting 2033, with an annual increase of 0.1% between 2031 and 2033; 2) Share of BCRA transfers to cover the primary deficit. Additional BCRA transfers will be dedicated in the short term to cover Peso denominated debt interest payments

The estimates and projections above reflect Argentina's current views based on available information and assumptions about the future that are considered reasonable at this time, but that are subject to risks and uncertainties outside the control of Argentina. Actual results may differ materially from the estimates and projections included above.

ILLUSTRATIVE DEBT SIMULATION

ILLUSTRATIVE PARAMETERS FOR RESTRUCTURING OF THE ELIGIBLE DEBT

ILLUSTRATIVE

	Bond 1	Bond 2	Bond 3	Bond 4	Bond 5	Bond 6	Strip Bond ²
Scope of Debt¹	<ul style="list-style-type: none"> Foreign law global bonds (2016 indenture) Foreign law exchange bonds (FL EBs) (2005 indenture) } exchanged for a new basket of 6 new bonds ¹						<ul style="list-style-type: none"> FL EBs (2005 indenture)
Final Maturity	2029	2032	2035	2038	2041	2044	2044
Average Life	8 years	11 years	14 years	17 years	20 years	23 years	13 years ³
Principal Repayment	3 equal annual payments	3 equal annual payments	3 equal annual payments	3 equal annual payments	3 equal annual payments	3 equal annual payments	No principal payment ²
Nominal amount	<ul style="list-style-type: none"> No nominal haircut USD 10.9bn¹ 	<ul style="list-style-type: none"> No nominal haircut USD 10.9bn¹ 	<ul style="list-style-type: none"> No nominal haircut USD 10.9bn¹ 	<ul style="list-style-type: none"> No nominal haircut USD 10.9bn¹ 	<ul style="list-style-type: none"> No nominal haircut USD 10.9bn¹ 	<ul style="list-style-type: none"> No nominal haircut USD 10.9bn¹ 	<ul style="list-style-type: none"> Virtually applied² to stock of PARs & DISCOs (USD 24.3bn)
Coupon	<ul style="list-style-type: none"> 2020-23: 0% 2024: 1.0% 2025 onwards: coupon increasing by +50bps per year up to 3.0% in 2028, and reaching 3.375% in 2029 						<ul style="list-style-type: none"> 2020-23: 0% 2024-44: 0.5%²

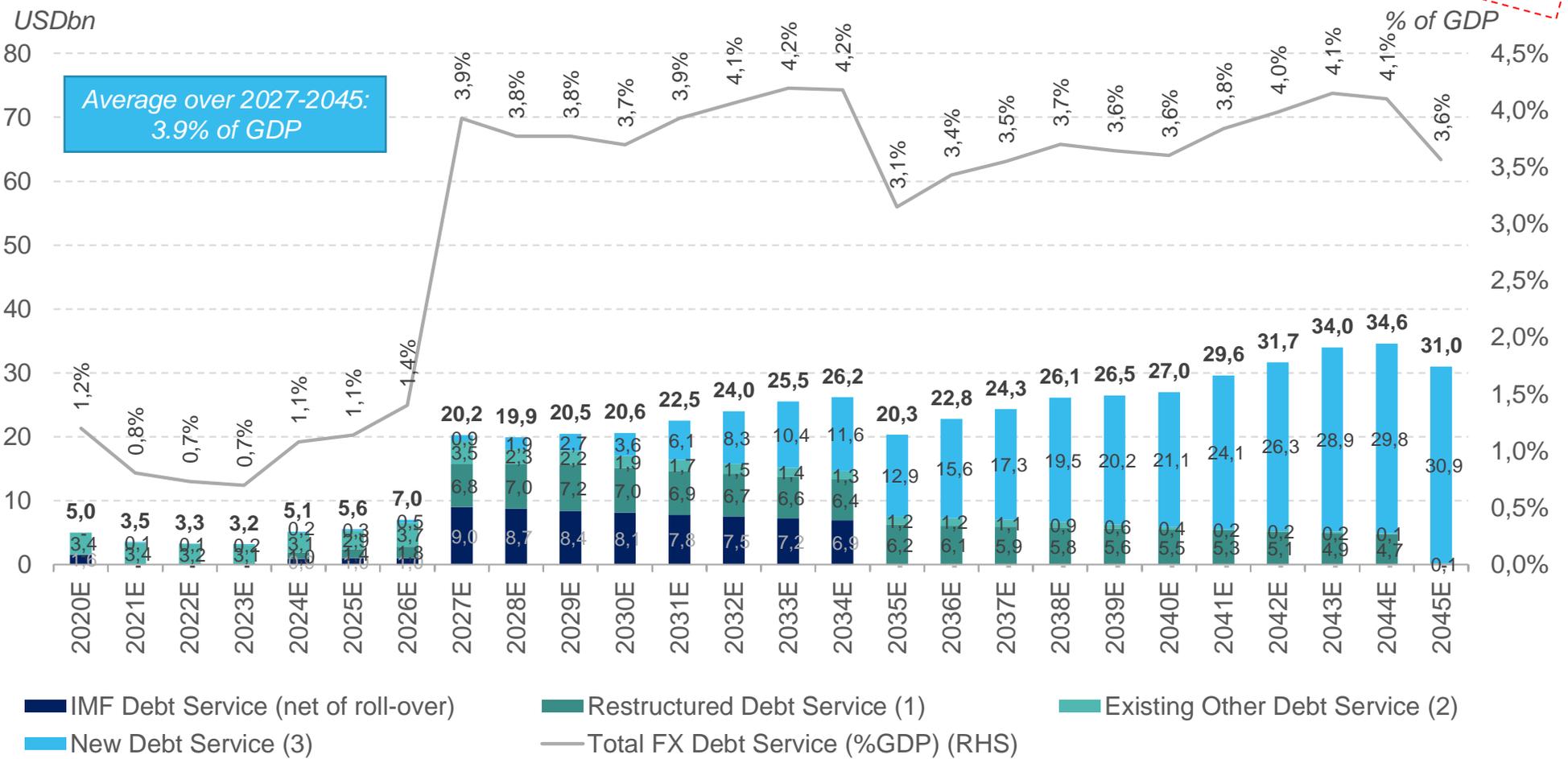
Source: Ministry of Economy

Notes: 1) For illustration purposes only; Eligible debt under local law (USD 17.6bn) assumed to be restructured on comparable terms; Applicable law of original instruments assumed to be preserved except for holders of foreign law instruments wanting to convert into local law instruments; 2) For illustration purposes only; Instrument dedicated to holders of 2005 indenture debt instruments, with potential differentiated distribution between PARs and DISCOs. This instrument mimics an extra coupon paid on Bond 6, assuming a nominal amount of USD 24.3bn, resulting in total cash-flows of USD 2.3bn; 3) Average life of cash-flows between 2024 and 2044

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FX DEBT SERVICE UNDER AN ILLUSTRATIVE DEBT SIMULATION

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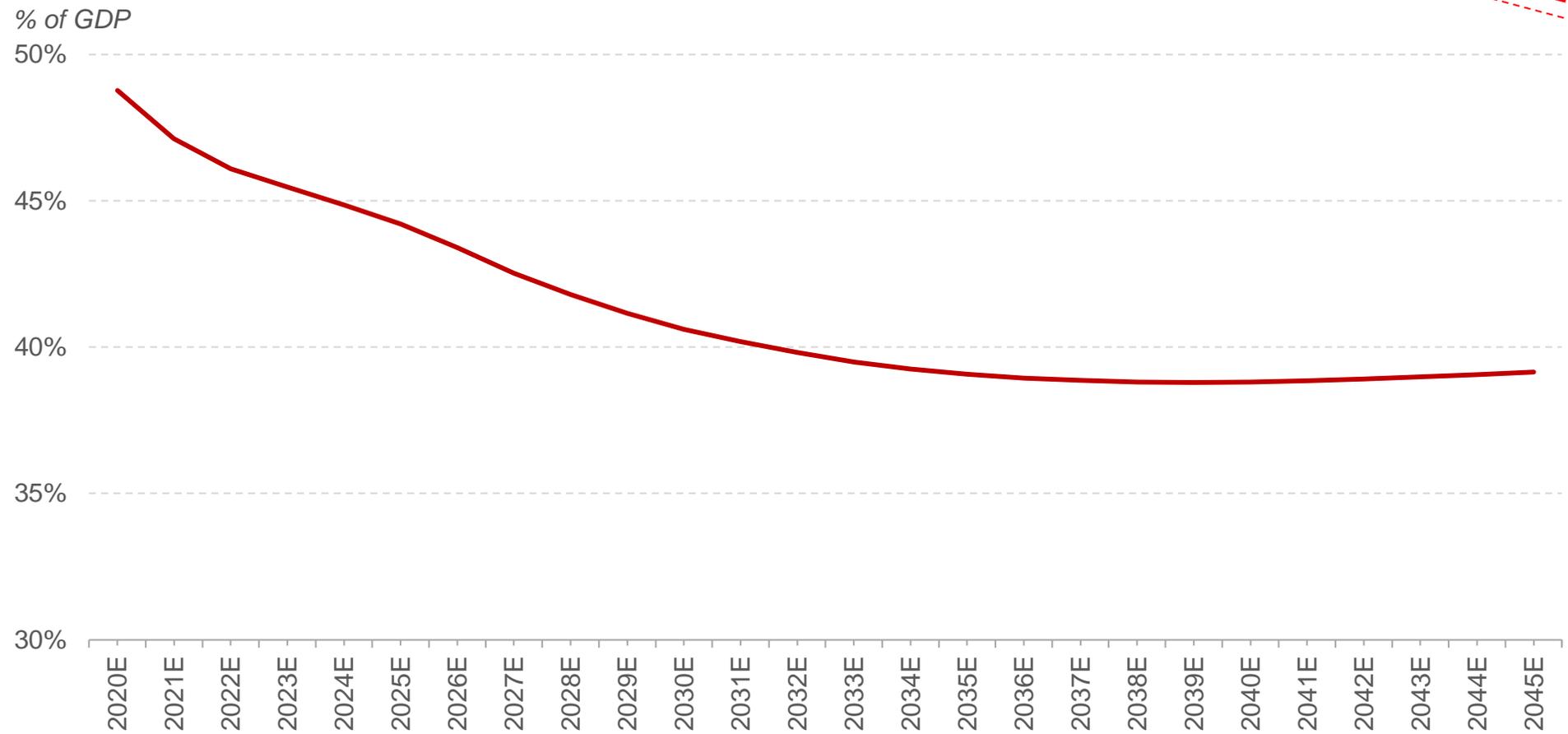
Source: Ministry of Economy

Notes: 1) For illustration purposes only; Eligible debt under local law (USD 17.6bn) assumed to be restructured under terms comparable to those of the eligible debt under foreign law (USD 65.6bn); 2) Including existing IFIs debt (other than IMF), bilateral debt, rescheduled Paris Club debt, private FX non-market debt and non-eligible FX market debt; 3) Including IFIs refinancing and FX debt market refinancing, as per the presented assumptions

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DEBT-TO-GDP¹ RATIO UNDER AN ILLUSTRATIVE DEBT SIMULATION

ILLUSTRATIVE



Source: Ministry of Economy

Note: Debt-to-GDP excl. Publicly-held debt (BCRA, ANSES, BNA and others)

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