



Agua y Saneamientos Argentinos S.A.

U.S.\$500,000,000

6.625% Notes due 2023

We are offering U.S.\$500,000,000 aggregate principal amount of our 6.625% notes due 2023 (the "Notes"). The principal of the Notes will be payable on February 1, 2023. Interest on the Notes will accrue at a rate of 6.625% per year and will be payable in arrears on February 1 and August 1 of each year, commencing on August 1, 2018.

We may redeem the Notes, in whole but not in part, at any time prior to February 1, 2021, at a redemption price based on a "make-whole" premium, plus accrued and unpaid interest. We may also redeem the Notes, in whole or in part at any time after February 1, 2021 at the prices set forth elsewhere in this offering memorandum plus accrued and unpaid interest. In addition, we may redeem the Notes, in whole but not in part, at a price equal to 100% of their outstanding principal amount plus accrued and unpaid interest and any additional amounts upon the occurrence of certain changes in Argentine tax law.

The Notes will constitute our direct, unsecured and unsubordinated obligations and will rank *pari passu* in right of payment with all our other existing and future unsecured and unsubordinated indebtedness, except as otherwise provided by law. The Notes will be effectively subordinated to any of our secured obligations to the extent of the value of the assets securing such obligations. Although 90% of our share capital is owned by the Republic of Argentina ("Argentina"), the Notes do not benefit from any guarantee by Argentina.

Investing in the Notes involves risks. See "Risk Factors" commencing on page 28 of this offering memorandum for a discussion of certain risks that you should consider in connection with an investment in the Notes.

Issue Price: 100.000%, plus accrued interest, if any, from February 1, 2018

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act) or to, or for the benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold by the initial purchasers only outside the United States to non-U.S. persons within the meaning of Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see "Transfer Restrictions" in this offering memorandum.

This offering memorandum does not constitute, and may not be used for the purpose of, and offer or solicitation by anyone in any jurisdiction in which such offer of solicitation is not authorized to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this offering memorandum in any jurisdiction where such action is required.

Any offer or sale of Notes in any member state of the European Economic Area which has implemented directive 2003/71/EC (as amended, the "Prospectus Directive") must be addressed to Qualified Investors (as defined in the Prospectus Directive).

The Notes will constitute non-convertible notes (*obligaciones negociables simples no convertibles en acciones*) under the Argentine Negotiable Obligations Law No. 23,576, as amended (the "Argentine Negotiable Obligations Law"), will rank *pari passu* in right of payment with all of our existing and future unsecured and unsubordinated indebtedness, except as otherwise provided by law, will be issued and placed in accordance with such law, Law No. 24,156, as amended and supplemented, and any other applicable law and/or regulation, and will have the benefits provided thereby and will be subject to the procedural requirements therein set forth.

The Notes will be offered to the public in Argentina by means of an Argentine prospectus in the Spanish language. The issue of the Notes was approved by our shareholders on November 16, 2017, and by our board of directors on November 16, 2017.

The issuance of the Notes has been authorized by the Ministry of Finance of Argentina pursuant to Authorization Letter No. IF 2017 28091714-APN-MF, dated November 13, 2017.

We are not subject to the rules and regulations of the Argentine Securities Commission (the "Comisión Nacional de Valores" or the "CNV") and therefore the public offer of the Notes in Argentina has not been registered with the CNV and the CNV has not passed upon the information contained in the Spanish language version of this offering memorandum and has neither approved nor disapproved it.

We have applied to have the notes listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of such exchange. This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 10, 2005, as amended.

The Notes will be issued in fully registered form in denominations of U.S.\$150,000 and integral multiples of U.S.\$1,000 in excess thereof and will be registered in the name of a nominee of a common depository for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), on or about February 1, 2018.

Global Coordinators and Joint Bookrunners

Citigroup

Deutsche Bank Securities

HSBC

Co-Manager

Credit Agricole CIB

The date of this offering memorandum is February 21, 2018.

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NOTICE TO INVESTORS

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to “AySA”, “Company”, “we”, “our”, “ours”, “us” or similar terms refer to Agua y Saneamientos Argentinos S.A.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes described herein.

We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered by this offering memorandum, Citigroup Global Markets Limited, Deutsche Bank Securities Inc., HSBC Securities (USA) Inc. and Crédit Agricole Corporate and Investment Bank (together, the “Initial Purchasers”) will act as initial purchasers with respect to the offering of the Notes. This offering memorandum does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes.

The Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past, the present or future. We have furnished the information contained in this offering memorandum. The Initial Purchasers have not independently verified the information contained herein (financial, legal or otherwise) and assume no responsibility for the accuracy or completeness of such information. Neither the delivery of this offering memorandum nor any sales made hereunder will, under any circumstances, imply that the information contained herein is correct as of any date subsequent to the date of the cover of this offering memorandum.

Neither we nor the Initial Purchasers have authorized anyone to provide you with any information other than that contained in this offering memorandum. We take no responsibility for, and can provide no assurance as to the reliability of, any information that others may provide you.

Our board of directors hereby represents that, as of the date hereof, this offering memorandum contains true, accurate and complete information regarding any material fact that may affect our financial condition and results of operations as well as all other information that is required to be furnished to prospective investors in respect of the Notes in accordance with applicable law and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any opinions or intentions expressed herein to be misleading. Prospective investors should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

We are not, and the Initial Purchasers are not, making an offer to sell the Notes in any jurisdiction where the offer is not permitted.

Neither the Securities and Exchange Commission (the “SEC”) nor any state securities commission nor the CNV has approved or disapproved the Notes or passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

In making a decision to invest in the Notes, prospective investors must rely on their own examination of our business and financial condition and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Notes under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

You must (i) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the Notes and (ii) obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the Notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the Initial Purchasers shall have any responsibility therefor.

IN CONNECTION WITH THIS OFFERING, 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 BEHALF OF THE INITIAL PURCHASERS) WILL UNDERTAKE STABILIZATION ACTIONS. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE OF THE NOTES AND 60 DAYS AFTER THE ALLOTMENT OF THE NOTES.

IMPORTANT – NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For these purposes,

- (a) a retail investor means a person who is one (or more) of:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”);
 - (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPs Regulation.

AVAILABLE INFORMATION

The Indenture requires that we furnish to the Trustee (as defined herein) all notices of meetings of the holders of Notes and other reports and communications that are generally made available to holders of the Notes. At our request, the Trustee will be required under the Indenture to mail these notices, reports and communications received by it from us to all record holders of the Notes promptly upon receipt.

We will make available to the holders of the Notes, at the corporate trust office of the Trustee at no cost, copies of the Indenture as well as of this offering memorandum.

Copies of the Indenture as well as of this offering memorandum will also be available at our corporate office located at Tucumán 752, 20th floor, City of Buenos Aires, Argentina.

We have applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of such exchange. This offering memorandum will be available, free of charge, on the Luxembourg Stock Exchange website www.bourse.lu.

ENFORCEMENT OF CIVIL LIABILITIES

We are a *sociedad anónima* organized under the laws of Argentina. All of our assets are located outside the United States and all of our directors, executive officers and controlling persons reside outside of the United States, and all of the experts named in this offering memorandum also reside outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them or against us judgments predicated upon the civil liability provisions of the federal securities laws of the United States or the laws of other jurisdictions.

To the fullest extent permitted by applicable law, we will irrevocably submit to the jurisdiction of any New York state or any 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 our failure or alleged failure to perform any obligations under the Notes, and we 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. We will irrevocably waive, to the fullest extent we 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 we have or hereafter may acquire any immunity (sovereign or otherwise) in respect of our obligations under the Notes or the 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 ourselves or our property (except for property considered of the public domain or dedicated to the purpose of an essential public service or otherwise exempt from attachment or seizure under applicable Argentine law), we will irrevocably waive such immunity in respect of our obligations under the Indenture and/or the Notes, and, without limiting the generality of the foregoing, we agree that the waivers set forth in the Indenture shall have the fullest scope permitted under the Foreign Sovereign Immunities Act of 1976 of the United States, as amended (the “Immunities Act”), and are intended to be irrevocable. Notwithstanding the foregoing, we reserve the right to plead sovereign immunity under the Immunities Act with respect to actions or proceedings brought against it under U.S. federal securities laws or any state securities laws, and our appointment of a process agent is not intended to extend to such actions or proceedings. However, under the Immunities Act, it may not be possible to enforce in the United States a U.S. judgment against us. In addition, under the laws of the Republic of Argentina (“Argentina”), it may not be possible to obtain in Argentina recognition or enforcement of a U.S. judgment and any attachment or other form of execution (before or after judgment) on the property, will be subject to the applicable provisions of the *Código Procesal Civil y Comercial de la Nación Argentina* (the “Code of Civil and Commercial Procedure of Argentina”). See “Description of the Notes—Governing Law” and “—Submission to Jurisdiction.”

A judgment obtained against us in a foreign court may be enforced in the Supreme Court of Argentina. Based on existing law, the Supreme Court 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 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*) with respect to personal property if such was transferred 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 considered final according to the law of the country in which it was issued);
- is not against Argentine public policy; and

- is not incompatible with another judgment previously or simultaneously issued by an Argentine Court.

In a March 2014 decision, the Supreme Court of Argentina held that the enforcement of a foreign judgment did not satisfy one of the requirements set forth in the Code of Civil and Commercial Procedure of Argentina (*i.e.*, that a foreign judgment cannot contravene Argentine law principles of public policy), given the fact that an enforcement as such requested by the plaintiff would imply that such plaintiff, pursuant to an individual action filed before a foreign court, would circumvent the public debt restructuring process set forth by the Federal Government through emergency legislation enacted in accordance with the Argentine federal constitution (the “Argentine Constitution”). In addition, the Supreme Court of Argentina held that such norms were part of Argentine public policy and, therefore, that the enforcement of a foreign judgment, such as the one sought by the plaintiff, could not be granted as it would be clearly contrary to such legislation.

IN ACCORDANCE WITH ARGENTINE LAW, IT IS POSSIBLE TO TAKE LEGAL ACTIONS AGAINST US DIRECTLY, BUT ATTACHMENT OR OTHER FORM OF EXECUTION ON THE PROPERTY OF US THAT IS USED FOR THE PROVISION OF PUBLIC SERVICES WILL NOT BE ORDERED. FURTHERMORE, ATTACHMENT PRIOR TO JUDGMENT OR ATTACHMENT IN AID OF EXECUTION WILL NOT BE ORDERED BY COURTS OF ARGENTINA WITH RESPECT TO PUBLIC PROPERTY IF SUCH PROPERTY IS LOCATED IN ARGENTINA AND IS INCLUDED WITHIN THE PROVISIONS OF ARTICLES 234, 235 AND 237 OF THE ARGENTINE CIVIL AND COMMERCIAL CODE OR DIRECTLY PROVIDES AN ESSENTIAL PUBLIC SERVICE SUCH AS THOSE SERVICES PROVIDED BY US AND, AS A RESULT, IT IS UNLIKELY THAT AN ARGENTINE COURT WILL ORDER OR RECOGNIZE AN ATTACHMENT AGAINST OUR PROPERTY OR ASSETS.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. Words such as “believe”, “anticipate”, “may”, “will”, “aim”, “continue”, “plan”, “expect”, “intend”, “target”, “estimate”, “project”, “predict”, “forecast”, “should” and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. We have based these forward-looking statements on our current beliefs, expectations and projections about future events, financial trends, business strategy, competitive position, business environment, potential growth, effects of regulations and competition, and other circumstances affecting our business. Many important factors, in addition to those discussed in this offering memorandum, could cause our results to differ substantially from those anticipated in our forward-looking statements, including:

- local, regional and national business, economic, political, social, legal or other conditions in Argentina and elsewhere in Latin America or changes in either developed or other emerging markets;
- inflation and interest rates fluctuations in Argentina;
- government regulations in Argentina;
- adverse legal or regulatory disputes or proceedings;
- exchange rate fluctuations, including a significant devaluation of the peso;
- exchange controls, restrictions on transfers abroad and restrictions on capital inflows and outflows;
- the availability of financing on reasonable terms, including as a result of conditions in regional and global markets;
- changes in capital markets which may affect the policies or attitudes regarding the granting of loans to or investment in Argentine companies;
- increases in the cost of funding or inability to obtain funding on acceptable terms;
- an increase in our cost and expenses; and
- the risk factors discussed under “Risk Factors”.

Examples of these forward-looking statements include:

- projections of capital expenditures, capital structure or other financial items or ratios;
- statements about our future financial performance or economic conditions in Argentina; and
- statements of assumptions underlying these statements.

You should not place undue reliance on forward-looking statements, which are based on our current expectations. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results may differ materially from those expressed in forward-looking statements. Many of the factors that will determine our performance are beyond our ability to control or predict. All forward-looking statements and risk factors included in this offering memorandum are made as of the date on the front cover of this offering memorandum, based on information available to us as of such date, and we assume no obligation to update publicly or to revise any forward-looking statement or risk factor after we distribute this offering memorandum because of new information, future events or other factors. In light of the risk and uncertainties described above, the forward-looking events and circumstances discussed in this offering memorandum might not occur, which could result in a material adverse effect on our financial performance.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

Our fiscal year ends on December 31 of each year. This offering memorandum includes information extracted from our audited annual financial statements as of and for each fiscal years ended December 31, 2016 and 2015 (our “Audited Annual Financial Statements”).

Our Audited Annual Financial Statements have been prepared in accordance with Argentine Generally Accepted Accounting Principles (“Argentine GAAP”) as issued by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* (“FACPCE”) and approved by the Professional Association of Economic Sciences of the Autonomous City of Buenos Aires (“*Consejo Profesional de Ciencias Económicas de la Ciudad de Buenos Aires*” or “CPCECABA”). Our Audited Annual Financial Statements for the year ended December 31, 2016 have been audited by Bértora & Asociados S.R.L. (“Bértora”), our independent auditors, whose report dated November 13, 2017, is included in this offering memorandum. Such report contains qualifications and emphasis-of-a-matter paragraphs to which we refer and investors should familiarize themselves with them. Bértora did not audit our annual financial statements for the year ended December 31, 2015, which are included in our Audited Annual Financial Statements for comparison purposes. The financial statements for the year ended December 31, 2015 were audited by Roberto Quian & Asociados, whose report is dated August 17, 2016. Such report contains qualifications and emphasis-of-a-matter paragraphs to which we refer and investors should familiarize themselves with them. See Risk Factors, “*Our auditors for the fiscal year ended December 31, 2015 have included a qualification and a paragraph of emphasis in their report to our Audited Financial Statements for the year ended December 31, 2015.*”

We have not prepared any financial statement for any period or as of any date after December 31, 2016. However, we have included in this offering memorandum certain limited financial information for the nine months ended September 30, 2017 and 2016 but our independent auditors have not performed a limited review for such periods. The limited financial information for the periods ended September 30, 2017 and 2016 included in this offering memorandum were prepared based upon a number of assumptions, estimates and business decisions that are inherently subject to significant business and economic conditions and contingencies, many of which are beyond our control. The limited financial information contained in this offering memorandum for the periods ended September 30, 2017 and 2016 is not meant to be a comprehensive statement of our unaudited financial results for these periods and our actual results may differ from these estimates. As of the date of this offering memorandum, we are not required under applicable Argentine law to prepare interim financial statements.

We have determined that, as of the date of this offering memorandum, the Argentine peso does not qualify as a currency of a hyperinflationary economy according to Argentine GAAP. In a hyperinflationary economy, financial information is adjusted by applying a general price index and expressed in the measuring unit (the hyperinflationary currency) current at the end of the reporting period. Therefore, our Audited Annual Financial Statements and our unaudited financial information for the periods ended September 30, 2017 and 2016 included herein were not restated in constant currency. For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results of Operations—The Argentine Economy”. Notwithstanding the above, in recent years, certain macroeconomic variables affecting our business, such as the cost of labor, the exchange rate of the Argentine peso to the U.S. dollar and costs and expenses associated with inputs necessary to run our business that are denominated in pesos, have experienced significant annual increases, which should be considered in the assessment and interpretation of our financial performance reported in this offering memorandum. See “Risk Factors—Risks Relating to Argentina—Continuing high inflation may have a negative effect on the Argentine economy and on our financial performance.” Argentine inflation could therefore affect the comparability of the different periods presented herein.

Currency Information

Unless otherwise specified, references to “U.S.\$” and “U.S. dollars” are to United States dollars. References to “Ps.” and “pesos” are to Argentine pesos. This offering memorandum contains translations of

various peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. You should not consider these translations to be representations that the peso amounts actually represent these U.S. dollars amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated U.S. dollar amounts in this offering memorandum at the exchange rate of Ps.17.31 to U.S.\$1.00, which was the selling rate published by Banco de la Nación Argentina (“Banco Nación”) on September 30, 2017. See “Exchange Rates and Exchange Controls” for information regarding the rates of exchange between the peso and the U.S. dollar.

Rounding

Certain figures included in this offering memorandum have been rounded for ease of presentation. Percentage figures included in this offering memorandum have in some cases been calculated on the basis of such figures prior to rounding. For this reason, certain percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in the financial statements. Certain numerical figures shown as totals in this offering memorandum, due to rounding, may not be an arithmetic aggregation of the figures that precede them.

SUMMARY

This summary highlights selected information contained elsewhere in this offering memorandum, but it does not contain all of the information that may be important to you. Before making a decision to invest in the Notes, you should carefully read this entire offering memorandum, including the information under the heading “Risk Factors” as well as the information in the financial statements and accompanying Notes included in this offering memorandum.

Overview

AySA has the exclusive concession for the provision of drinking water and sewage services in the City of Buenos Aires and 25 districts in the Greater Buenos Aires Area in Argentina.

Our History

The beginning of our concession dates back to 1912 when Obras Sanitarias de la Nación (“OSN”), the State-owned company engaged in delivering drinking water and sewage services was created. OSN was created to develop, build and manage infrastructure to ensure water supply within Argentina. By 1922 OSN already provided services to approximately 1.7 million people.

AySA was created pursuant to Decree No.304/2006 of the Argentine Executive Branch on March 21, 2006 subsequently ratified by the Argentine Congress through Law No. 26,100. This followed the termination of the concession held until then by a private sector operator, Aguas Argentinas S.A. (“Aguas Argentinas”) for the delivery of drinking water and sewage services within the City of Buenos Aires and certain districts of the Greater Buenos Aires Area.

Aguas Argentinas had been awarded such concession as a result of an international public tender called for by the Federal Government pursuant to Law No. 23,696 (known as the State Reform Law and which served as the legal basis for the privatization process that took place in Argentina in the early 1990s). On May 1, 1993, Aguas Argentinas took over the whole operations which, until that time, had been carried out by OSN.

The concession agreement entered into between the Federal Government and Aguas Argentinas was subject to ongoing changes and was finally terminated through Decree No.303/2006, whereby the Federal Government terminated the agreement. Such early termination was decided by the Federal Government prior to AySA’s creation.

AySA was incorporated as a corporation (*sociedad anónima*) pursuant to the Argentine Corporations Law, but subject to certain conditions that grant it a special legal status. In this regard, Executive Decree No.304/2006 also provided that 90% of AySA’s shares would be owned by the Federal Government while the remaining 10% would belong to OSN’s and Aguas Argentinas’ former employees and AySA workers who joined the Employee Stock Ownership Plan.

Subsequently, by way of Decree No. 373/2006 - also ratified by Law No. 26,100 - the Executive Branch amended the law that had created AySA, in that it established that the Federal Government’s shares would be non-transferable and that its percentage ownership could not be changed by any corporate action. Therefore, unlike other companies (including other *sociedades anónimas*), AySA is a necessarily state-owned company and such status may only be changed by the enactment of another law by the Argentine Congress.

Pursuant to Section 105 of the Federal Government’s budget Law No. 27,431 for the year 2018, as from January 1, 2018, AySA will no longer be subject to the Federal budget preparation regime applicable to companies owned by the Federal Government or with a majority of its capital stock owned by the Federal Government. However, AySA will remain subject to the same internal and external controls to which it was subject prior to the enactment of Law No. 27,431.

Business Strategy

Our main strategic goal is to achieve a 100% coverage for the provision of drinking water and sewage services within our concession area, allowing the entire population living in our concession area to benefit from our services thus promoting social inclusion and economic progress.

We intend to achieve that goal by aggressively investing in expanding and upgrading our infrastructure so as to be able to reach the sectors of the population within our concession area we currently do not serve. We estimate that as of the date of this offering memorandum, approximately 4.1 million and 7.3 million inhabitants lack access to drinking water and sewage services, respectively within our concession area. Our corporate objective is aligned with the current Federal administration's key pillar of reducing poverty levels in Argentina and, in particular, in the Greater Buenos Aires Area.

We expect to continue relying on the support of the Federal Government, that provided us with approximately two thirds of our total revenues in 2016 but to increasingly benefit from higher collections from customers, as our tariffs have been adjusted after over 15 years without any such increases despite substantial increases in our cost of operations.

AySA's Strengths

Our main strengths include:

- (1) 90% of our share capital is owned by the Federal Government;
- (2) the availability of a high volume of fresh water supply due to our proximity to the "de la Plata" and the "Paraná" rivers;
- (3) our large scale operations;
- (4) having the exclusive concession over the area where we provide water and sewage services;
- (5) an infrastructure design which we believe allows for the efficient provision of our services;
- (6) being incorporated as a corporation, which allows us to be agile and flexible; and
- (7) what we believe is a good relationship with the single trade union to which substantially all of our employees belong and who supports our strategy.

Regulatory Framework

On February 28, 2007, the Argentine Congress enacted Law No. 26,221, approving the regulatory framework applicable to our concession (the "Regulatory Framework"). The Regulatory Framework governs all aspects of drinking water distribution and sewage treatment.

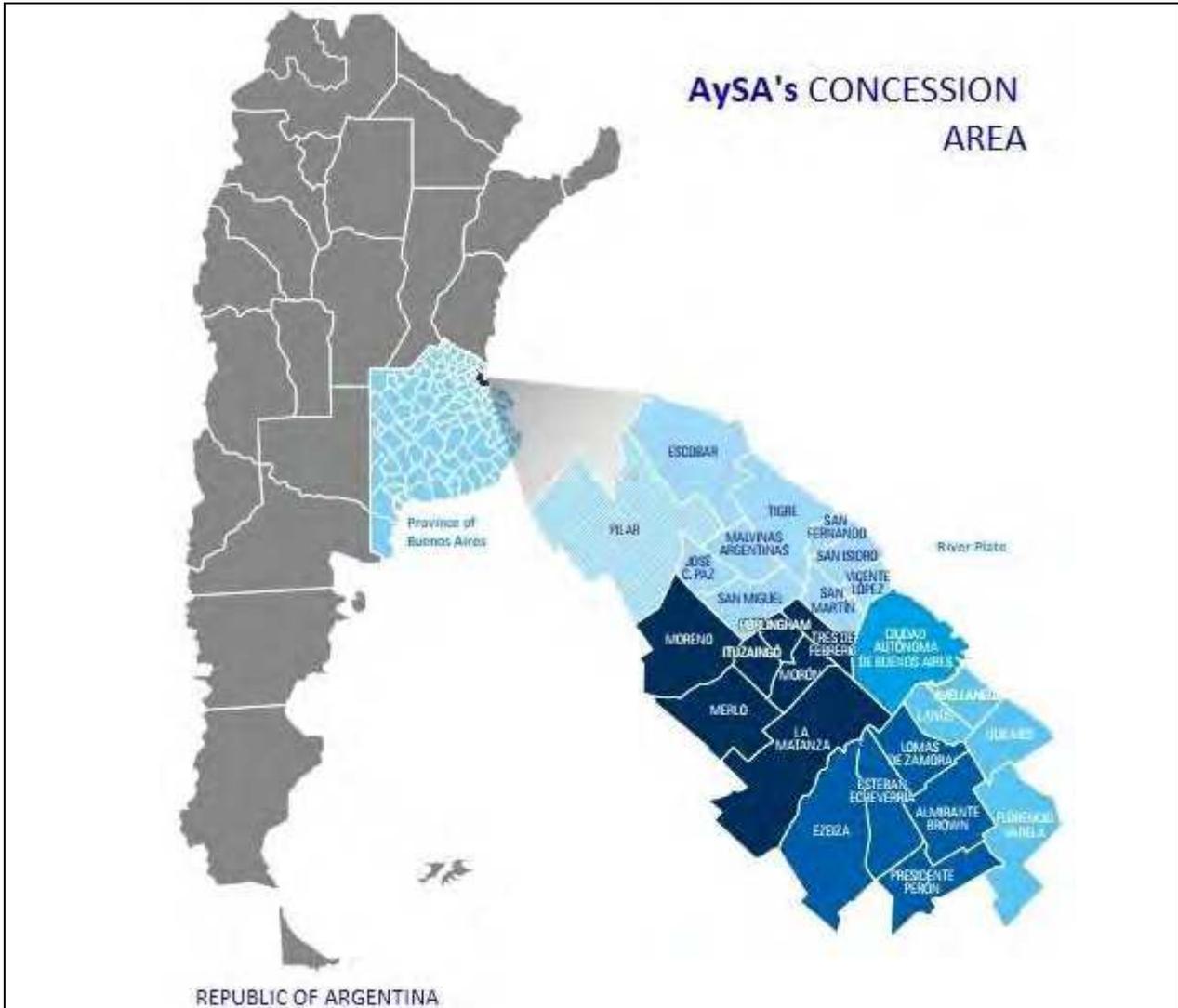
The Regulatory Framework establishes the quality standards that we are required to meet, the service conditions, our obligations and the powers vested upon the applicable regulatory authorities. The specific aspects inherent to the concession are not governed by the Regulatory Framework, but rather by a separate agreement between the Federal Government and us, ratified by Resolution No.170 of the former Ministry of Federal Planning, Public Investment and Services on February 23, 2010, pursuant to which the concession term was set at 20 years, as from March 21, 2006 and expiring on March 21, 2026, and renewable by the parties' mutual agreement. For further details about the Regulatory Framework and the agreement, see "Regulatory Framework and Tariffs."

The Concession

Concession Area

The total area of the concession awarded to us extends over approximately 2,949 square-kilometers, covering the City of Buenos Aires, and 25 districts or municipalities surrounding the Greater Buenos Aires Area within the Province of Buenos Aires.

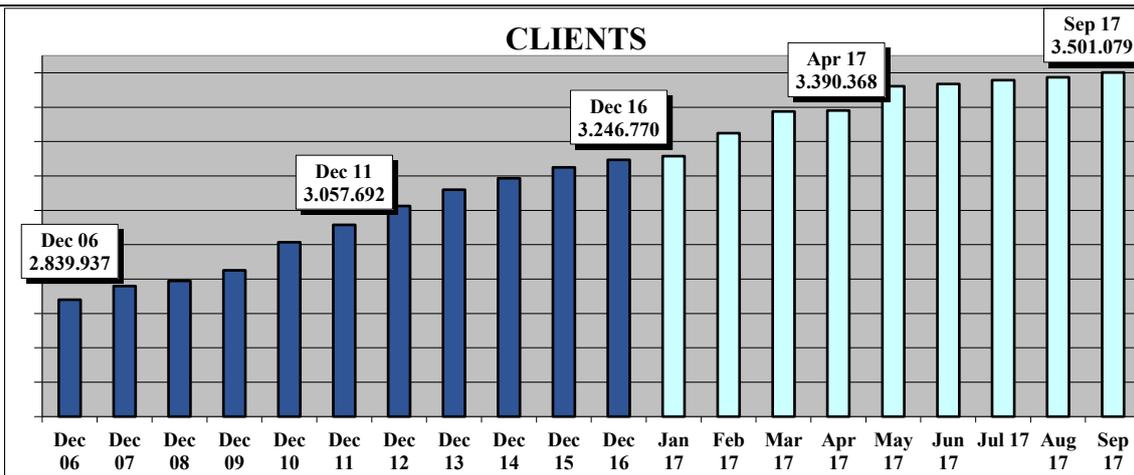
Our concession is divided into five regions: Capital, Southeast, Southwest, North, and West. The following map shows our concession area:



Clients

We provide drinking water, sewage and related services, such as interconnection and bulk sales of water, to approximately 13.5 million people. As of September 30, 2017, we had 3.5 million clients (legal entities and/or individuals who are billed for our services), while as of September 30, 2016 we had a total of 3.2 million clients.

The following table shows the evolution in the number of clients of our services since we were awarded the concession until September 30, 2017:



Source: Company

Services

We are engaged in the provision of drinking water, wastewater treatment and sewage and supplementary or special services, such as interconnection works and bulk sales of water, through a comprehensive network covering the entire water cycle, seeking to maximize efficiency and pursuing a sustainable management approach.

We invoice our clients for the full tariff applicable each type of client. However, our invoices are discounted, as required by our Regulatory Framework, and clients only pay the discounted amount. The following table shows a breakdown of our sales accrued for each of the services we provide during the years ended December 31, 2016 and 2015 as well as the subsidies granted by the Federal Government and passed by AySA onto clients, and sales, net of subsidies, accrued during such periods.

	Fiscal years ended ⁽¹⁾ December 31,		
	2016		2015
	(In millions of U.S.\$)	(In millions of Ps.)	
<i>Accrued sales</i>			
Revenues from water supply and sewer services	534.7	8,495.8	3,582.9
Revenues from water service.....	35.9	570.9	267.4
Revenues from sewer service	5.6	89.5	34.9
Revenues from general services	(11.9)	(189.8)	(32.4)
Revenues from special services.....	8.2	130.8	49.9
Other.....	(4.2)	(67.2)	6.7
Accrued sales.....	568.3	9,030.0	3,909.4
<i>Service subsidies</i>			
Subsidy on water and sewer services.....	(57.8)	(919.0)	(953.8)
Subsidy on water service	(9.6)	(153.2)	(123.0)
Subsidy on sewer service.....	(1.3)	(21.0)	(14.0)
Subsidy on general services.....	0.5	8.1	7.8
Subsidy on special services	(2.6)	(41.4)	(10.8)

	Fiscal years ended ⁽¹⁾ December 31,		
	2016		2015
	(In millions of U.S.\$)	(In millions of Ps.)	
Other.....		-	1
Total accrued subsidies.....	(70.9)	(1,126.5)	(1,092.8)
<i>Accrued sales, net of subsidies</i>			
Revenues from water supply and sewer services	476.8	7,576.8	2,629.1
Revenues from water service.....	26.3	417.7	144.4
Revenues from sewer service.....	4.3	68.5	20.9
Revenues from general services.....	(11.4)	(181.7)	(24.6)
Revenues from special services.....	5.6	89.4	39.1
Other.....	(4.2)	(67.2)	7.7
Accrued sales, net of subsidies.....	497.4	7,903.5	2,816.6

Notes:-

- (1) The term refers to subsidies passed onto clients as a percentage discount on invoices issued to them.

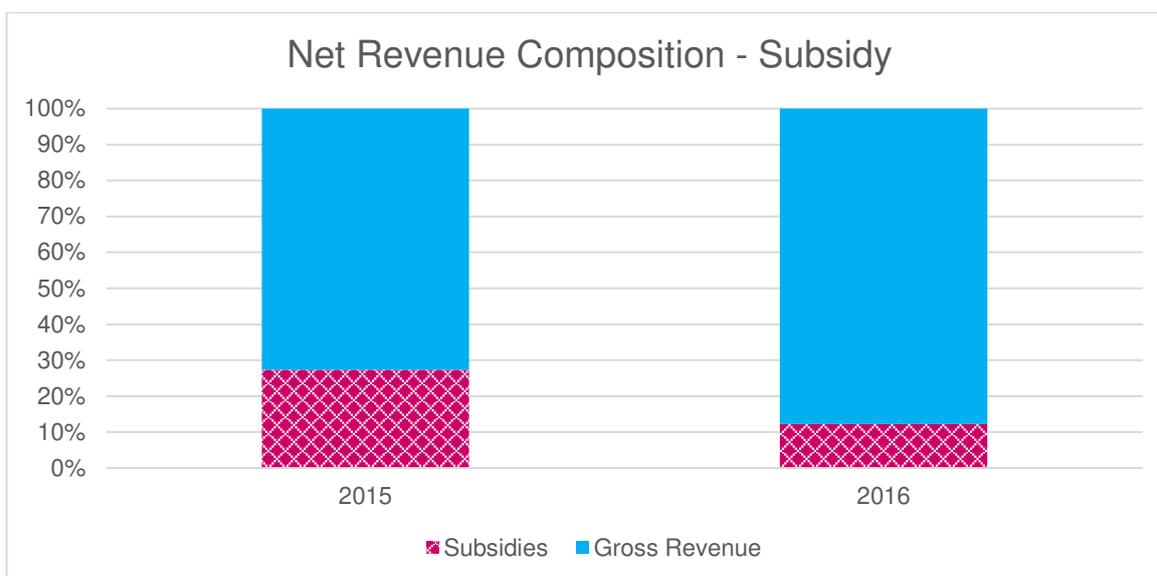
The following table shows our total gross revenues, service subsidies passed onto clients, and net revenues earned by us for the years ended December 31, 2016 and 2015:

	9-month period ended September 30,		Fiscal years ended December 31,		
	(In millions of U.S.\$)	(In millions of Ps.)	(In millions of U.S.\$)	(In millions of Ps.)	
	2017	2017	2016	2016	2015
Accrued Sales.....	551.8	9,551.7	568.3	9,030.0	3,909.4
Service subsidies ⁽¹⁾	(48.5)	(840.4)	(70.9)	(1,126.5)	(1,092.8)
Net revenues⁽²⁾	503.3	8,711.3	497.4	7,903.5	2,816.6

Notes: —

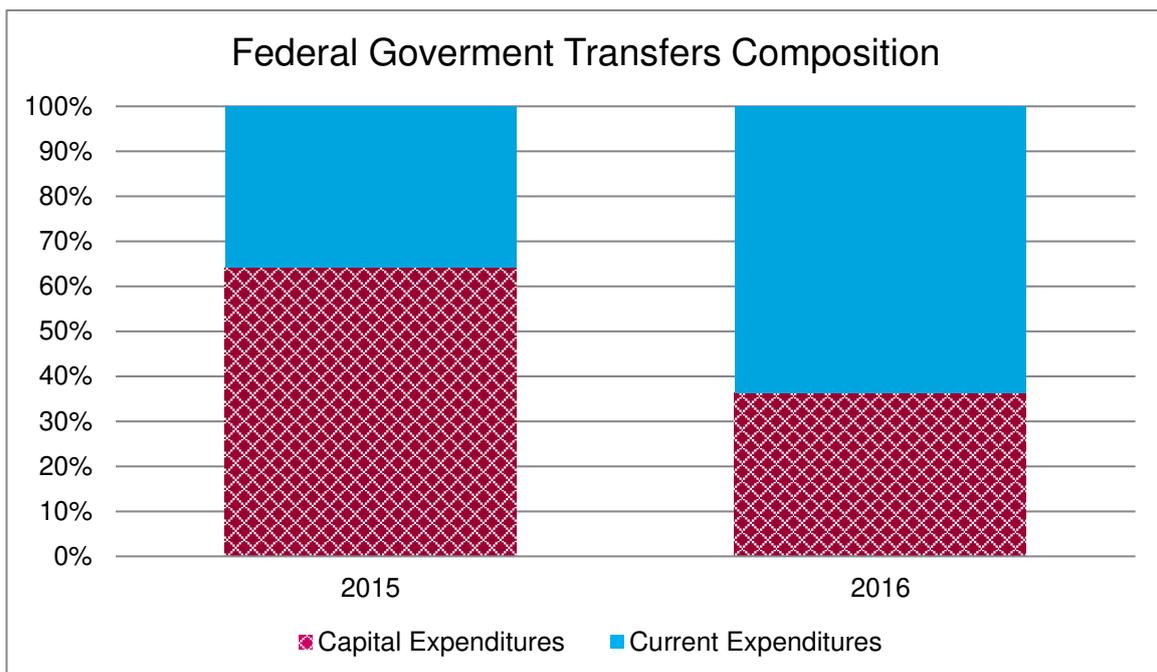
- (1) The term refers to subsidies passed onto clients as a percentage discount on invoices issued to them.
(2) Accrued revenues include surcharges on arrears and previous years' adjustments.

The following chart shows a breakdown of our net revenue during the years ended December 31, 2016 and 2015.



Source:— Company.

The following chart shows the composition of the transfers we received from the Federal Government during the years ended December 31, 2016 and 2015.



Source:— Company.

As capital transfers must be applied to (i) the acquisition and/or construction of assets to be used in connection with, and (ii) the provision of services pursuant to, our concession (and if not used, must be returned to the Federal Government), taking into account that as of the expiration of the concession term of such assets shall revert to the Federal Government free of charge, we decided to account for them as income in line when the depreciation of acquisition or construction costs of such assets takes place . Any unused balance, until applied to the applicable acquisition or construction, is accounted for as a reserve in our shareholders' equity.

In respect of current transfers, we account for them as a reserve in our shareholders' equity and reflect them as revenue in the year in which the expenses for which such transfers were made are incurred.

Drinking water

The provision of drinking water services involves the intake of raw water -that is, water in its natural state- its purification, transport and distribution for consumption. Our water purification network extends across 22,471 km of pipelines, serving over 10.2 million people.

We rely mainly on two water sources: surface water (from the de la Plata and Paraná rivers) and underground aquifers. We collect water through collection towers, from where water is transported to treatment facilities where it is treated and filtered. Once purified, water is distributed and/or stored for future distribution.

Our total water production for the year ended December 31, 2016 amounted to 1,913.3 million cubic meters (approximately 5.2 million cubic meters per day), while our total water production for the year ended December 31, 2015 amounted to 1,943.7 million cubic meters.

We classify our water production and purification facilities into: (i) surface water purification facilities where river water collected from intake towers that flows into treatment and filtration facilities, and (ii) underground water production facilities, where water is retrieved from wells, whether individually or in batteries of wells and is then treated through reverse osmosis, ion exchange and adsorption processes, as applicable, to remove contaminating elements.

As of December 31, 2016, we had the following treatment facilities for water purification: 368 wells (including operative one and reserves), three surface water treatment plants, six ion exchange facilities, one adsorption facility, and two reverse osmosis facilities.

Our surface purification facilities include the General San Martín Plant, which serves the residents of the City of Buenos Aires and the municipalities of San Isidro, Vicente López, San Martín, Tres de Febrero, Morón, Ituzaingó, Hurlingham and a section of La Matanza, in the Greater Buenos Aires Area; the General Belgrano Plant, which serves the residents of the municipalities of Quilmes, Lanús, Avellaneda, Lomas de Zamora, a section of Esteban Echeverría (9 de Abril) and Almirante Brown, to the South of the Greater Buenos Aires Area, La Matanza, to the West of the Greater Buenos Aires Area and certain neighborhoods of the City of Buenos Aires, including Constitución, Caballito and Floresta, and the Juan Manuel de Rosas Plant, which serves the residents of the municipalities of Tigre and San Fernando.

Sewage service

This service involves the collection, lifting, transport and treatment of wastewater generated within the concession area - including industrial sewage permitted to be poured into the sewer system - for the subsequent disposal into receiving waters under the conditions required by applicable laws and regulations. Our wastewater treatment network extends across 14,800 kilometers of pipelines serving a concession area of around 2,949 square kilometers and supplies over 7.9 million people.

Wastewater is drained by gravity from the residential network, where it is pump-lifted to larger pipes. Then, wastewater is transported to facilities to undergo pre-treatment or treatment before being disposed of in receiving rivers.

Wastewater from the sewer network undergoes treatment at water treatment plants. Sewage is processed and then disposed of into the receiving waters (the de la Plata, Reconquista and Matanza rivers) pursuant to legal standards. The wastewater treatment process seeks to remove gross solid materials (such as urban solid waste from households) as well as fat and organic matter (found in particles and dissolved). The stages of each process vary according to the biological treatment being performed.

Also, pumps lift wastewater from micro-watersheds to larger pipes of the sewer network, from where they flow into a purification plant for treatment.

Our facilities include 163 minor pumping plants, the Boca-Barracas pumping plant, the Wilde pumping plant, and 18 wastewater treatment plants.

During the year ended December 31, 2016, the pumped volume across all wastewater treatment facilities was 1,023.5 million cubic meters. The total volume of sewage biologically treated at wastewater treatment

facilities in 2016 was 147.3 million cubic meters, while the volume of pre-treated sewage was 674.8 million cubic meters, therefore, the percentage of treated wastewater was approximately 81%.

Major Completed Works and Major Projects

Drinking Water

Our main works and projects in connection with the provision of drinking water services are the construction of our Juan Manuel de Rosas Potabilization Plant and the works to be performed in the Bernal System.

Juan Manuel de Rosas Plant and new North Underground River

The new Juan Manuel de Rosas Plant, which takes water from the Paraná river for its potabilization, along with the construction of a new North Underground river of treated water will allow to improve and expand the drinking water service to reach approximately 2.5 million residents in the Malvinas Argentinas, José C. Paz, San Miguel, Moreno and Merlo districts under the Greater Buenos Aires Area, which have been recently transferred to us. The Juan Manuel de Rosas Plant is at an approximately 95% completion stage.

The construction of the new North Underground river is at project stage. The project consists of the construction of a treated water aqueduct of approximately 50km long and a diameter of 4,000 and 3,000 millimeters from Tigre up to Merlo, in the Province of Buenos Aires, counting with 3 new Elevation Stations. This project will require civil and electromechanical works in an approximate amount of Ps.18,000 million (VAT excluded).

Bernal System

The set of works planned for the Bernal System will allow to develop our expansion in the districts of Esteban Echeverría, Almirante Brown, Lomas de Zamora, Ezeiza and La Matanza of the Greater Buenos Aires Area. Such works will benefit approximately 2,5 million residents, and consist on: a new intake of unprocessed water in the Rio de la Plata, the expansion of the existing Bernal Water Treatment Plant, and a new underground river of treated water.

Transportation of treated water will be effected through the construction of a new South Underground river approximately 22 km long with an internal diameter of 2900 millimeters, to be made in two sections and with two pumping stations. The table below shows the stage of each project and their estimated cost. The works are partially financed by CAF (Andean Finance Corporation) through a loan to the Federal Government.

Bernal System

	Stage	Cost (VAT excluded) in millions of Ps.
Bernal New Intake	Under design	6,000
Expansion of Bernal Plant	Contracted	2,200
South Underground River (Section 1)	Contracted	2,900
South Underground River (Section 2)	Contracted	2,900
Total		14,000

Sewage

Our main works and projects in connection with the provision of sewage services are the works to be performed in the Riachuelo System, Berazategui System, construction of the Coastal Collector, the Laferrere Plant and the Luján/Escobar Plant.

Riachuelo System

The set of works to be performed in the Riachuelo System will allow us to relieve the capacity of the existing Riachuelo – Wilde main sewage pipes, which currently conduct the sewage to our Berazategui plant.

Works in the Riachuelo System will also allow the processing of sewage from the expansion of our services into the districts of Avellaneda, Lanús, Lomas de Zamora and Almirante Brown of the Greater Buenos Aires Area. Works to be done in the Riachuelo system include building a collection tunnel of approximately 15 km, parallel to the Riachuelo river. The new “Colector Margen Izquierda” will allow the proper drainage of sewage including overflow spills in drought weather. The collector will reach a Primary Plant in Dock Sud, which will be completed with a Pumping Station and an Emissary approximately 12 km long into the Rio de la Plata, that will disperse the pretreated sewage and complete the treatment.

The table below shows the stage each of these projects are in and their estimated cost. The works are partially financed by the World Bank:

Riachuelo System		
	Stage	Cost (VAT excluded) in millions of Ps.
Colector Margen Izquierda and Desvío Colector Baja Costanera	Under construction	1,900
Pretreatment plant, Intake station and Pumping Station	Under construction	2,400
Emissary and Diffusers	Under construction	2,200
Total		6,500

Berazategui System

The set of works performed and to be performed in the Berazategui system include the construction of the Berazategui Plant which has been finished, construction of a pumping station for an amount of Ps.700 million (VAT excluded) and the construction of the Berazategui Emissary for an amount of Ps.4,000 million (VAT excluded) and which is at a project stage.

Coastal Collector

The construction of the Coastal Collector will provide relief of the North sewage system of the districts of Tigre, San Fernando, San Isidro and Vicente López, of the Greater Buenos Aires Area and the collection of sewage overflow spills in drought weather. These works are at a project stage and will require an investment of Ps.6,000 million (VAT excluded).

Laferrere Plant

The Laferrere Plant project includes the construction of the first module of the new Sewage Treatment Plant, to receive the sewage of 450,000 residents corresponding to the expansion of the sewage service in La Matanza district and part of the Merlo district of the Greater Buenos Aires Area.

Luján/Escobar Plant

The project will allow us to process sewage for 1.2 million residents in the districts of Escobar and Pilar in the Province of Buenos Aires. This project includes the construction of a new sewage treatment plant.

Procurement and Bidding Processes

Pursuant to Chapter XI.6 of our Binding Instrument, all contracts for the provision of goods, services including the engagement of contractors for the development and execution of construction projects must be conducted through competitive bidding processes or alternate similar methods that ensure price competition.

Chapter XIII of our Regulatory Framework, requires that we give priority to Argentine bidders and components when hiring services and/or acquiring goods. Further, Law No. 26,221 requires that we design and implement procedures which guarantee transparency in the information we give to bidders, competition among the bidders, and that we keep a record of vendors.

Since April 2016 all the terms of reference and requirements to present tenders for construction projects are published in the AySA's web page and can be freely and anonymously downloaded, so that the identity of the bidder is not known to AySA until its bid has been presented.

Employees

As of September 30, 2017, we had a total of 7,460 employees. The following table shows our number of employees as of December 31, 2016 and 2015, and as of September 30, 2017.

	Number of Employees		
	As of December 31,		As of
	2015	2016	September 30,
Operation workforce	1,961	2,059	2,456
Administration workforce	677	711	866
Technicians and Professionals	2,334	2,372	2,559
Supervisors	1,318	1,309	1,395
Managers and directors	151	179	184
Total	6,441	6,630	7,460

Our recent significant growth in employee numbers is mainly due to the extension of our concession through the incorporation of eight new districts, including the incorporation of a substantive percentage of the employees who worked in such areas prior to our taking over of operations.

THE OFFERING

The following is a brief summary of certain 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.....	Agua y Saneamientos Argentinos S.A., a corporation organized under Argentine law.
Securities Offered	U.S.\$500,000,000 aggregate principal amount of 6.625% Notes due 2023.
Issue Price.....	100.000%, plus accrued interest, if any, from February 1, 2018.
Maturity	February 1, 2023.
Interest	Interest on the Notes will accrue at a rate of 6.625% per year.
Interest Payment Dates	Interest on the Notes will be payable semiannually in arrears on February 1 and August 1 of each year, beginning on August 1, 2018.
Ranking.....	The Notes will be our general, unsecured and unsubordinated obligations, ranking equally without any preference among themselves and with all of our other present and future unsecured and unsubordinated indebtedness from time to time outstanding, except as otherwise provided by law.
Additional Amounts.....	All payments by us of principal, premium, if any, and interest in respect of the Notes will be made without withholding or deduction for or on account of, any present or future taxes and duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Argentina or by or within any political subdivision thereof or authority therein or thereof having power to tax, unless required by law, in which case, subject to specified exceptions and limitations, we will pay such additional amounts as may be required so that the net amount received by the holders of the Notes, after any such withholding or deduction, will not be less than the amount that would have been received in the absence of any such withholding or deduction. See "Description of the Notes—Additional Amounts."

Optional Redemption.....	<p><i>Make-Whole Redemption.</i> We may redeem the Notes, in whole but not in part, at any time prior to February 1, 2021, at a redemption price equal to (A) 100% of the principal amount of such Notes, plus accrued and unpaid interest (including Additional Amounts, if any) to the date of redemption, plus (B) a “make-whole” amount, as described under “Description of the Notes—Optional Redemption—Optional Redemption with a Make-Whole Premium.”</p> <p><i>Optional Redemption without a Make-Whole Premium.</i> At any time and from time to time on or after February 1, 2021, we may redeem the Notes, at our option, in whole or in part, at redemption prices described in this offering memorandum, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.</p> <p><i>Tax Redemption.</i> We may redeem the Notes, in whole but not in part, subject to applicable Argentine laws, at a price equal to 100% of the principal amount plus accrued and unpaid interest thereon to the redemption date and any additional amounts, upon the occurrence of certain changes in tax law. See “Description of the Notes—Optional Redemption—Optional Redemption upon a Tax Event.”</p>
Certain Covenants.....	<p>The indenture governing the Notes contains covenants that will, among other things, limit our and our restricted subsidiaries’ ability to, among other things:</p> <ul style="list-style-type: none"> (1) incur or guarantee additional indebtedness; and (2) incur liens; <p>These covenants are subject to a number of important qualifications and exceptions. Many of these covenants will not apply to us or our restricted subsidiaries during any period in which the Notes are rated investment grade by at least two rating agencies. For more information, see “Description of the Notes—Certain Covenants.”</p>
Further Issuances	<p>We may from time to time, without notice to or consent of the holders of the Notes, create and issue additional Notes of the same series as the Notes initially issued in this offering.</p>
Listing	<p>We have applied to have the Notes listed on the Luxembourg Stock Exchange for trading on its Euro MTF Market.</p>
Form of Notes, Clearing and Settlement	<p>The Notes will be issued in the form of one or more global notes without coupons, registered in the name of a nominee of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg. The Notes will be issued in minimum denominations of U.S.\$150,000 and integral multiples of U.S.\$1,000 in excess thereof, and will have a minimum subscription amount of U.S.\$150,000. See “Plan of Distribution.”</p>

Transfer Restrictions.....	We have not registered the Notes under the Securities Act. The Notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. See “Plan of Distribution—Transfer Restrictions”.
Governing Law	The indenture and the Notes are governed by, and will be construed in accordance with, the law of the State of New York; <i>provided</i> that the Negotiable Obligations Law shall govern the requirements for the Notes to qualify as <i>obligaciones negociables</i> thereunder while such law, together with Argentine General Corporations Law No. 19,550, as amended, the Argentine Capital Markets Law and other applicable Argentine laws and regulations, govern the capacity and corporate authorization of AySA to execute and deliver the Notes and certain matters in relation to meetings of holders.
Initial Purchasers	Citigroup Global Markets Limited, Deutsche Bank Securities Inc., HSBC Securities (USA) Inc. and Crédit Agricole Corporate and Investment Bank
Trustee, Co-Registrar, Transfer Agent and Principal Paying Agent	U.S. Bank National Association
Representative of the Trustee in Argentina, Argentine Registrar and Transfer Agent and Argentine Paying Agent	Banco Santander Río S.A.
Luxembourg Listing Agent.....	Banque Internationale à Luxembourg
Taxation.....	For a summary of certain Argentine tax consequences, see “Taxation”.
Risk Factors	You should carefully consider all of the information in this offering memorandum. See “Risk Factors” in this offering memorandum for a description of the certain significant risks in connection with an investment in the Notes.

SUMMARY FINANCIAL DATA

The following tables present our summary financial information as of and for the periods indicated. Financial information as of and for the years ended December 31, 2016 and 2015 is derived from and should be read together with our Audited Annual Financial Statements included in this offering memorandum. We have not prepared any financial statement for any period or as of any date after December 31, 2016. However, we have included in this offering memorandum certain limited financial information for the nine months ended September 30, 2017 and 2016 but our independent auditors, Bértora, have not performed a limited review for such periods. Such limited financial information was prepared based upon a number of assumptions, estimates and business decisions that are inherently subject to significant business and economic conditions and contingencies, many of which are beyond our control. This limited financial information is not meant to be a comprehensive statement of our unaudited financial results for these periods and our actual results may differ from these estimates. The results of operations disclosed below for the nine-month period ended September 30, 2017 are not necessarily indicative of the results to be expected for the full year ending December 31, 2017.

Our financial statements and other financial information included in this offering memorandum, unless otherwise specified, are stated in Argentine pesos. The U.S. dollar amounts set forth below are conversions from the peso amounts, included solely for the convenience of the reader. These conversions should not be construed as representations that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated or at any other rate. See “Exchange Rates and Exchange Controls” for information regarding the rates of exchange between the peso and the U.S. dollar.

We prepare our financial statements pursuant to Argentine GAAP issued by the FACPCE and approved by CPCECABA. For additional information regarding financial information presented in this offering memorandum, see “Presentation of Financial and Other Information.”

AySA’s Selected Financial Data

	As of and For Years ended December 31,		
	2016	2016	2015
	(in millions of U.S.\$) ⁽¹⁾	(in millions of Ps.)	
Statement of Income:			
Income from services	497.4	7,903.5	2,816.6
Operating expenses	(318.5)	(5,061.4)	(3,361.1)
Marketing expenses	(71.1)	(1,130.2)	(739.2)
Administrative expenses	(296.8)	(4,716.4)	(3,024.4)
Other operating income	(45.8)	(727.1)	(419.5)
Other Income (Expenses), net	(1.5)	(23.5)	11.7
Financial and holding results:			
From Assets	40.1	637.2	60.5
From Liabilities	(97.0)	(1,541.5)	(1,688.2)
Income before the Application of transfers from the National State	(293.2)	(4,659.4)	(6,343.7)
Application of transfers from the National State ⁽²⁾	320.5	5,092.2	3,000.0
Net income for the year	<u>27.2</u>	<u>432.8</u>	<u>(3,343.7)</u>

Balance sheet:**ASSETS****CURRENT ASSETS**

Cash and banks	63.8	1,013.7	107.4
Investments	88.8	1,411.6	2.5
Receivables from services	76.4	1,213.5	332.7
Other receivables	55.0	874.3	1,494.3
Tax credits	8.9	141.5	348.9
Other assets	22.9	363.6	283.7
Total current assets	<u>315.8</u>	<u>5,018.3</u>	<u>2,569.5</u>

NON-CURRENT ASSETS

Receivables from services	10.7	169.5	119.1
Other receivables	36.5	580.5	444.9
Tax credits	188.4	2,993.9	2,432.3
Fixed assets	1,903.8	30,251.6	22,721.4
Intangible assets	13.3	210.7	180.8
Total non-current assets	<u>2,152.7</u>	<u>34,206.2</u>	<u>25,898.6</u>

TOTAL ASSETS	<u>2,468.5</u>	<u>39,224.5</u>	<u>28,468.0</u>
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LIABILITIES**CURRENT LIABILITIES**

Payables	204.7	3,251.9	3,733.7
Borrowings	73.3	1,165.1	1,202.2
Salaries and social security contributions	65.7	1,044.0	953.9
Tax liabilities	11.7	185.3	255.2
Other liabilities	9.7	154.2	26.6
Provisions	0.3	4.0	4.1
Total Current Liabilities	<u>365.3</u>	<u>5,804.5</u>	<u>6,175.6</u>

NON-CURRENT LIABILITIES

Tax liabilities	0.5	8.5	4.3
Borrowings	153.4	2,436.8	2,499.1
Other liabilities	25.3	402.6	261.0
Other debts	2.1	33.8	34.2
Provisions	55.7	884.7	630.2
Total non-current liabilities	<u>237.0</u>	<u>3,766.3</u>	<u>3,428.7</u>

TOTAL LIABILITIES	<u>602.3</u>	<u>9,570.8</u>	<u>9,604.4</u>
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SHAREHOLDERS' EQUITY (as per respective statement)

Total Shareholders' Equity	<u>1,866.2</u>	<u>29,653.7</u>	<u>18,863.7</u>
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2,468.5</u>	<u>39,224.5</u>	<u>28,468.0</u>
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Notes:-

(1) The figures expressed in U.S.\$ as of and for the year ended December 31, 2016 have been calculated using the exchange rate of Ps.15.89/U.S.\$1.00, which was the exchange rate published by Banco Nación for currency transfers on December 31, 2016.

(2) Only includes current transfers and not capital transfers in the amount of Ps.10,844.8 million which are reflected in our shareholders' equity for the year 2016.

Statement of cash flow

	Years ended on December 31,		
	(in millions of U.S.\$)	2016 (in millions of Ps.)	2015
Cash at the beginning of year ⁽¹⁾	6.9	109.9	970.0
Cash at year-end ⁽¹⁾	152.6	2,425.3	109.9
Net cash-flow used in operating activities	(338.6)	(5,380.0)	(4,978.8)
Net cash-flow used in investment activities	(512.4)	(8,142.3)	(5,596.1)
Net cash-flow generated by financing activities	996.7	15,837.7	9,714.8
Net cash increase (decrease)	145.7	2,315.4	(860.1)

Note:-

(1) Includes cash and banks plus temporary investments.

Recent results (unaudited)

Income from Services

The following table presents a breakdown of our income from services for the nine-month periods ended September 30, 2017 and 2016:

	For the nine-month period ended September 30,			
	2017 (in millions of U.S.\$)	2017 (in millions of Ps.)	2016	% Change
Non-metered service	263.6	4,563.7	2,945.7	54.9
Metered service	194.3	3,363.8	2,116.4	58.9
Debit/credit notes	(1.3)	(22.7)	(8.2)	176.8
Total General Accrued Sales	456.7	7,904.7	5,053.9	56.4
Special Services and Other Sales	8.2	141.3	86.3	63.7
Other charges	87.0	1,505.7	1,024.5	47.0
Accrued Sales	551.8	9,551.7	6,164.6	54.9
Effect Undersecretary of Water Resources Disposition No. 44/2011, as amended	(48.5)	(840.4)	(856.2)	1.8
Total	503.3	8,711.3	5,308.4	64.1

Federal Government Transfers

The following table shows a breakdown of transfers accrued from the Federal Government for the nine-month periods ended September 30, 2017 and September 30, 2016:

Nine-month period ended September	Transfers from the Federal Government			Total
	(in millions of U.S.\$)	Capital Transfers	Current Transfers	
2017 ⁽¹⁾	532.7	9,221.1	-	9,221.1
2016 ⁽²⁾	727.8	6,600.0	4,541.9	11,141.9

Note:-

(1) The figures expressed in U.S. dollar for the nine months ended September 30, 2017 have been calculated using the exchange rate of Ps.17.31/U.S.\$1.00 which was the exchange rate published by Banco Nación for currency transfers on September 30, 2017.

(2) The figures expressed in U.S. dollar for the nine months ended September 30, 2016 have been calculated using the exchange rate of Ps.15.31/U.S.\$1.00 which was the exchange rate published by Banco Nación for currency transfers on September 30, 2016.

Salaries

The following table sets out a breakdown of our salaries and social contributions for the nine-month periods ended September 30, 2017 and September 30, 2016:

Nine-month period ended September	(in millions of U.S.\$)	(in millions of Ps.)
2017 ⁽¹⁾	321.9	5,572.3
2016 ⁽²⁾	252.7	3,869.1

Note:-

(1) The figures expressed in U.S. dollar for the nine months ended September 30, 2017 have been calculated using the exchange rate of Ps.17.31/U.S.\$1.00 which was the exchange rate published by Banco Nación for currency transfers on September 30, 2017.

(2) The figures expressed in U.S. dollar for the nine months ended September 30, 2016 have been calculated using the exchange rate of Ps.15.31/U.S.\$1.00 which was the exchange rate published by Banco Nación for currency transfers on September 30, 2016.

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors should carefully consider the risks described below before making an investment decision. Our business, financial condition and results of operations, including our ability to repay the Notes, could be materially and adversely affected by any of these risks. In particular, our operations and earnings are subject to risks as a result of changes in competitive, economic, political, legal, regulatory, social, industrial, business and financial conditions. The trading price of the Notes could decline due to any of these risks, and investors may lose all or part of their investment. The risks described below are those known to us and that we currently believe may materially affect us. Additional risks not presently known to us or that we currently consider immaterial may also impair our business.

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this offering memorandum.

Risks Relating to Argentina

The Federal Government has intervened in water and public utility sector and other sectors relating to the provision of essential services in the past, and is likely to continue intervening.

The Federal Government, has in the past heavily intervened in the water and sewage services industry as well as in other essential services. Prior to 1993, the provision of drinking water and sewage services, as virtually all public services in Argentina, was in charge of a Government-owned company. In 1993, these services were privatized and, after calling an international public bid, a 30 years concession was granted to a consortium of companies operating under a company named Aguas Argentinas S.A., beginning operations on May 1993. On March 21, 2006, through Decree No. 303/06, the Argentine Executive decided to revoke the concession granted to Aguas Argentinas. In order to revoke the concession, the Federal Government alleged that Aguas Argentinas had breached the concession agreement by not fulfilling the technical requirements imposed by the concession agreement. Further, Decree No. 303/06 established that access to drinking water is to be considered a basic human right. After a short period during which the Federal Government itself managed the concession, and for the purposes of the continuity of the services, the Federal Government created our company.

We provide no assurance that the Federal Government will not adopt other measures in the future, to increase its direct intervention in those sectors which provide essential services, as ours, such as expropriations, nationalizations, enforced renegotiations or modifications to existing contracts, new tax rules, supporting modifications to laws, rules and policies that affect the economy. If such or similar measures are adopted by the Federal Government, they may have a material adverse effect on the economy of Argentina and, in turn, on our results of operations, financial condition, and ability to repay the Notes.

We are highly dependent on macroeconomic conditions in Argentina.

Our business and financial results depend to a significant degree on macroeconomic, political, regulatory and social conditions in Argentina. We are a corporation organized under the laws of Argentina and all of our operations, assets and revenues are located in or derived from Argentina. The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high levels of inflation and currency devaluation, and may experience further volatility in the future. In the past, instability in Argentina and in other Latin American and developing countries has been caused by many different factors, including the following:

- fiscal deficits;
- adverse external economic shocks;
- dependence on external financing;
- inconsistent fiscal and monetary policies;

- high and fluctuating levels of inflation;
- changes in currency values;
- high interest rates;
- price controls;
- wage increases;
- changes in governmental economic or tax policies;
- volatility in foreign exchange rates;
- fluctuations in Central Bank reserves;
- trade barriers;
- statutory and regulatory changes;
- exchange rate and capital controls; and
- political and social tensions.

During 2001 and 2002, Argentina experienced a period of severe political, economic and social crisis, which caused a significant economic contraction and led to radical changes in government policies. Among other consequences, the crisis resulted in Argentina defaulting on its sovereign foreign debt obligations, a significant devaluation of the peso and ensuing inflation, and the introduction of emergency measures that have affected many sectors of the economy, and the public services sector in particular. These emergency measures and other economic policies have included, among others, foreign exchange and capital controls, export duties and restrictions, price controls, and government intervention in the private sector and nationalizations. As a result of the crisis and the government's response, many private sector debtors with foreign currency exposure defaulted on their outstanding debt.

Although Argentina has largely recovered from the 2001-2002 crisis, the pace of growth of Argentina's economy diminished, suggesting uncertainty as to whether the growth experienced between 2003 and 2011 was sustainable, and the economy suffered a sustained erosion of capital investment. Economic growth was initially fueled by a significant devaluation of the peso, the availability of excess production capacity resulting from a long period of deep recession and high commodity prices. During 2008 and 2009, however, the Argentine economy suffered a slowdown attributed to local and external factors, including the effects of the global economic crisis and an extended drought affecting agricultural activities. Economic conditions in Argentina from 2012 to 2015 included a tightening of foreign exchange controls (beginning in the second half of 2011), increased inflation, a rising fiscal deficit and limitations on Argentina's ability to service its sovereign debt in accordance with its terms due to its litigation with holdout creditors, which was settled in 2016. In addition, there is an increasing need for capital investment in sectors. A decline in international demand for Argentine products, the loss of competitiveness of the Argentine peso vis à vis other currencies, a decline in confidence among consumers and foreign and domestic investors, a higher rate of inflation and future political uncertainties, among other factors, may affect the development of the Argentine economy. More recently the economy has shown signs of a slowdown, primarily due to the decline in global commodity prices and adverse conditions in Brazil, a principal trading partner.

Volatility in the Argentine economy and measures taken by the Federal Government have had and are expected to continue to have a significant impact on us. As in the recent past, Argentina's economy may be adversely affected if political and social pressures inhibit the implementation by the present Federal Government of policies designed to control inflation, generate growth and enhance consumer and investor confidence, or if policies implemented by the Federal Government that are designed to achieve these goals are not successful. We cannot provide any assurance that future economic, social and political developments in

Argentina, over which we have no control, will not impair our business, financial condition and results of operations.

Political developments in Argentina could adversely affect the Argentine economy.

Presidential and congressional elections in Argentina took place on October 25, 2015 and a runoff election (*ballotage*) between the two leading presidential candidates was held on November 22, 2015, which resulted in Mr. Mauricio Macri being elected President of Argentina. The Macri administration assumed office on December 10, 2015.

Since assuming office, the Macri administration has announced and implemented several significant economic and policy reforms, including:

- *INDEC reforms.* On January 2016, based on its determination that the national statistics office (the “INDEC”) had failed to produce reliable statistical information, the Macri administration declared the national statistical system and the INDEC in a state of administrative emergency. As a result, INDEC stopped publishing statistical information up and until the conclusion of the restructuring of its technical and administrative structure. INDEC is implementing certain methodological reforms and adjusting certain macroeconomic statistics on the basis of these reforms which enabled a readjustment of Argentine duties towards the International Monetary Fund (the “IMF”). In June 2016, INDEC re-published certain details dating back to the years 2004 to 2015 after they were revised. Such re-publication included variations in the Consumer Price Index. On June 29, 2016, INDEC also published revised gross domestic product (the “GDP”) data for the years 2004 through 2015. On November 2, 2016, the IMF’s Executive Board lifted the censure that had been imposed on Argentina. Starting on September 22, 2016, INDEC began to publish the monthly values of the Basic Food Basket (“CBA”) and the Total Basic Basket (“CBT”) based on details generated as from April. See “—Continuing high inflation may have a negative effect on our financial performance.” On August 22, 2017 INDEC reported that in July 2017, the monthly variation in CBA compared to the month of June had been 1.44 % whilst the variation in CBT had been 1.44%. On November 9, 2016, the Executive Board of the International Monetary Fund lifted the censure on the Argentine Republic on the understanding that the country had re-assumed its duties in terms of the consistent release of statistical information under agreements entered into with the IMF. In spite of such reforms, uncertainties subsist as to the effects that the revised details could have on the Argentine economy and its public accounts. Additionally, and in spite of the most recent reforms, uncertainties exist as to whether official information and the measurement procedures adequately reflect inflation in Argentina and the effect that these reforms will have on the Argentine economy. See “—Risks Relating to Argentina—The credibility of several Argentine economic indexes has been called into question, which may lead to a lack of confidence in the Argentine economy and may in turn limit our ability to access the credit and capital markets.”
- *Agreement with holdout creditors.* The Macri administration has settled the substantial majority of outstanding claims brought by holdout creditors and has issued sovereign bonds in the international financial markets. As of December 31, 2016, the outstanding debt with holdout creditors was approximately U.S.\$1.51 billion See “—Risks Relating to Argentina—Availability of funding alternatives from international markets could hamper the implementation of reforms and public policies to promote economic growth, which could adversely affect the Argentine economy and our business.”
- *Foreign exchange reforms.* The Macri administration eliminated substantially all of the foreign exchange restrictions, including certain currency controls that were imposed by the previous administration; these reforms are expected to provide greater flexibility and easier access to the MULC. See “Exchange Rates and Exchange Controls.”
- *Foreign trade reforms.* The Macri administration has eliminated or reduced export duties on several agricultural products, eliminated export duties on most industrial and mining exports and reduced import duties on electronics such as laptop computers.

- *Fiscal policy.* The Macri administration took steps to anchor the fiscal policy looking to reduce the primary fiscal deficit through a series of tax and other measures, and has announced its intention to reduce the primary deficit in 2017, in part by eliminating public services subsidies currently in place. The fiscal primary deficit recorded as of December 2016 was 4.6%, smaller than the 5.9% posted as of December 2015. The goal pursued by the Federal Government is to balance the primary budget for 2019.
- *Correction of monetary imbalances.* The Macri administration has adopted an inflation targeting regime in parallel with the floating exchange rate regime and set inflation targets for the next four years. The Central Bank has increased stabilization efforts to reduce excess monetary imbalances and raised peso interest rates to offset inflationary pressure. In addition, since January 2017, the Central Bank no longer uses the 35-day Lebac interest rate as its main policy instrument, but, instead, uses the seven-day interbank lending rate as a reference rate, which the Central Bank is to determine weekly. However, inflation for the years 2016 and up to this date in 2017 continues to be high. See “—Continuing high inflation may have a negative effect on our financial performance.”
- *Tax Amnesty Law.* In July 2016, the *Régimen de Sinceramiento Fiscal* (the “Tax Amnesty Law”) was introduced to promote the voluntary declaration of assets by Argentine residents. The Tax Amnesty Law allowed Argentine tax residents holding undeclared funds or assets located in Argentina or abroad to (i) declare such property until April 27, 2017 (as extended by General Resolution 4016-E) without facing prosecution for tax evasion or being required to pay outstanding tax liabilities on the assets, provided they can provide evidence that the assets were held by certain specified cut-off dates, and (ii) keep the declared property outside Argentina and not repatriate such property to Argentina. In the case of cash that was not deposited in bank accounts by the specified cut-off dates, such amounts had to be disclosed by October 31, 2016 and deposited by November 21, 2016 in special accounts opened at Argentine financial entities. Assets totaling approximately, U.S.\$116.8 billion were declared pursuant to which the Government raised Ps.146.8 billion in the special tax established by such law.
- *Reduction of Subsidies.* The Macri administration has implemented and seeks to enhance a subsidy elimination program. In particular, such program covers the reduction of subsidies to electricity, transportation, water and sewage services through the replacement of subsidies from the Federal Government with tariffs based on real costs. However, some of these measures have received opposition and litigation has arisen in connection therewith.
- *Retiree Program.* On June 29, 2016, the Federal Congress passed Law No. 27,260 establishing the “Historical Reparations Program for Retirees and Pensioners” (the “Retiree Program”). The main terms of this program include (i) payments to more than two million retirees and the retroactive compensation of more than 300,000 retirees, and (ii) the creation of a universal pension system for the elderly, which guarantees an income for all individuals over 65 years of age who are otherwise ineligible for retirement. The Retiree Program will be funded with (i) funds from a tax amnesty program aimed at promoting the voluntary declaration of assets by Argentine residents; (ii) funds from the *Fondo de Garantía de Sustentabilidad* of the Social Security Federal Administration (*Administración Nacional de la Seguridad Social*) (the “ANSES”); and (iii) with the proceeds obtained from the liquidation of assets of ANSES, if funds obtained from (i) and (ii) are not sufficient. The Retiree Program for retirees and pensioners will afford retroactive compensation to retirees in an aggregate amount of more than Ps.47.0 billion. In April, 2017, the Ministry of Finance and the Argentine Revenue Service Agency (the “Administración Federal de Ingresos Públicos” or “AFIP”) announced that approximately U.S.\$116 billion in cash holdings, real estate and securities had been declared. In addition, in June 2016, the Federal Congress enacted Law No. 27,253, which established a regime that permits rebates of the value added tax (the “VAT”) paid on the purchase of certain staples by retired taxpayers who receive minimum pensions as well as by the beneficiaries of social programs.

- *Income Tax.* In December 2016, the Federal Congress approved an increase in the income tax minimum income threshold by approximately 23%, from Ps.25,000 to Ps.30,670 for married workers with at least two children and from Ps.18,880 to Ps.23,185 for single workers. The minimum income threshold for the income tax calculations will be subject to automatic adjustments going forward, by reference to increases in the average wages paid to public sector employees. The Federal Congress also passed modifications to the income tax brackets to take the impact of inflation in recent years into account.
- *Domestic Capital Markets.* In December 2012 and August 2013, the Argentine Congress established new regulations relating to domestic capital markets. Such regulations generally provide for increased intervention in the capital markets by the Federal Government, authorizing, for example, the CNV, to appoint observers with the ability to veto the decisions of the board of directors of companies admitted to the public offering regime under certain circumstances and suspend the board of directors for a period of up to 180 days. In November, 2017, the Argentine Executive Branch sent a bill to the Argentine Congress to reform the current Capital Markets Law No. 26,831 which, among other changes, proposes the abrogation of such power granted to the CNV and generally seeks to modernize the entire regulatory framework applicable to the Argentine capital markets, incorporating current international practices to contribute to its development. The House of Representatives has approved the bill; however, the Senate has not yet approved it; and thus, as of the date of this offering memorandum, such bill has not yet been passed.
- *Corporate Criminal Liability Law (Ley de Responsabilidad Penal Empresaria).* On November 8, 2017, the Argentine Congress passed Law No. 27,401 which provides for the criminal liability of corporate entities when the following crimes are committed, directly or indirectly, with their intervention or on their behalf, interest or benefit: (a) local or international bribery and influence peddling, (b) negotiations that are incompatible with public office, (c) illegal payments made to public officials under the appearance of taxes or fees owed to the relevant government agency (*concusión*), (d) illegal enrichment of public officers and employees, and (e) producing knowingly false balance sheets and reports to cover up local or international bribery or influence peddling. Companies found liable for committing such crimes may be subject to various sanctions, including, among others, fines ranging from two to five times the “undue” benefit that was obtained or that could have been obtained through the actions incurred in breach of this regulation. Additionally, Companies found liable may forfeit assets obtained through the illegal actions. The law will become effective 90 days after its promulgation by the President of Argentina and published in the Argentine Official Gazette which occurred on December 1, 2017.
- *Amendment to Labor Risks Law.* On February 15, 2017, the Argentine congress passed Law 27,348, which amends and complements Labor Risks Law No. 24,557, or the Labor Risks Law, and aims to reduce litigation arising from accidents at work. Under the new regime, prior to filing a lawsuit resulting from work-related accidents, affected workers must go through jurisdictional medical commissions, in order to assess the impact of any accident and to assign benefits provided for under the Labor Risks Law.
- *Draft Bill for Productive Financing.* On November 13, 2017, the Macri Administration submitted to the Argentine congress a draft bill that aims to develop Argentina’s capital markets. The draft bill amends and updates the Argentine Capital Markets Law, the Mutual Funds Law and the Argentine Negotiable Obligations Law, among others. Furthermore, the bill amends certain tax provisions, regulates relating to derivatives and promotes a financial inclusion program. On November 22, 2017, the draft bill was passed by the lower chamber of the Argentine congress and it has been sent to the Argentine senate. Though the draft bill has not yet been approved, it remains a top priority on the agenda of the Macri administration.
- *Social Security Reform Law.* On December 28, 2017, Argentine Law No. 27,426 was promulgated. The law provides for modifications to the method of calculation of increases of social security benefits. In most cases, minimum benefits will equal 82% of the minimum wage. The law also grants employees the option to maintain their employment status until the age of 70, though employees

may choose to retire earlier. Male employees may retire at 65 and female employees may retire at 60.

- *Labor Reform Draft Bill.* The Macri administration recently announced a draft bill to reform labor and social security which was sent to the Argentine congress for debate on November 21, 2017. On November 29, 2017, the draft bill was passed by the Argentine senate, and sent to the Argentine congress the same day. The draft bill aims to improve competitiveness and efficiency of various sectors, increase employment, attract investment and reduce labor costs.
- *Tax Regime.* On December 27, 2017, a draft bill proposing a series of tax and social security reforms was approved by the Argentine congress by means of Law No. 27,430. The law provides for a series of tax and social security reforms intended to eliminate certain existing complexities and inefficiencies of the Argentine tax regime, reduce tax evasion, increase the coverage of income tax as applied to individuals and encourage investment while sustaining the Macri administration's medium- and long-term efforts aimed at restoring fiscal balance. The reforms are part of the agenda of the Macri administration to increase the competitiveness of the Argentine economy (including the reduction of the fiscal deficit) as well as employment and diminish poverty on a sustainable basis.
- *Fiscal Agreement among the Federal Government and the Provinces.* On November 16, 2017, the governors of 23 out of Argentina's 24 provinces agreed to drop legal claims estimated at approximately Ps.740 billion (approximately U.S.\$42 billion) over their share of federal taxes in exchange for the proceeds of a 10-year, Ps.80 billion (approximately U.S.\$4.6 billion) bond issued by the Federal Government. They also agreed to reduce local turnover taxes by 1.5% of GDP over the next five years while limiting spending. The provinces agreed to a new method for pension increases based on inflation rather than the current formula that takes into account private sector wage growth and social security contribution increases. They also agreed to eliminate certain public-sector benefits in pensions. The Macri administration has stated that this agreement is a further effort to cut the primary budget gap of the Federal Government by 1% in 2018.
- *Decree of de-bureaucratization and simplification.* On January 10, 2018, the Macri administration issued Emergency Decree No. 27/2018 aimed at simplifying, expediting and promoting efficiency in the procedures within administrative entities and agencies, in order to avoid unnecessary bureaucracy and expenses.

As of the date of this offering memorandum, there is no predicting on the impact that these measures, as well as any other measure that the Federal Government may adopt in the future, may have on the Argentine economy in general and the public services sector in particular. In addition, there is also the possibility that the measures adopted by the Federal Government might impact the economy without yielding any benefit for our business. Further, such measures could even be harmful to our business. It is also important to note that there are uncertainties as to what other measures announced during the presidential campaign by Argentina's new President will be implemented, and when they could be implemented, irrespective of the measures already described herein. In particular, we are unable to predict how the new government will deal with certain political and economic issues that were pivotal during the presidential campaign, such as how to finance public expenditures, introduce the reforms required by the tax system or the impact that any measure associated with these matters as implemented by the Federal Government might have on the Argentine economy in general. Furthermore, we cannot predict which other measures the new government shall adopt in relation with the public services sector.

Some of the measures proposed by the Macri administration may generate political and social opposition, which may in turn prevent the new government from adopting such measures as proposed. The Macri administration does not hold a majority of the seats in both chambers of the Argentine Congress, which will require the Macri administration to continue to seek political support from the opposition for its economic proposals. However, the results of the legislative elections held in October 2017 showed a considerable level of support for the Macri administration and resulted in an increase in the number of seats held by the Macri administration in Congress.

The fiscal, monetary and currency adjustments undertaken by the Macri administration may subdue growth in the short-term. For example, immediately after the foreign exchange controls were lifted on December 16, 2015, the dismantling of the multiple exchange regime resulted in the official peso exchange rate (available only for certain types of transactions) falling in value by 36.4%, as the peso-U.S. dollar exchange rate reached Ps.13.4 to U.S.\$1.00 on December 17, 2015.

As of the date of this offering memorandum, the impact that these measures and any future measures taken by the Macri administration will have on the Argentine economy as a whole and each sector in particular cannot be predicted. In particular, we have no control over the implementation, nor can predict the outcome, of the reforms to the Regulatory Framework that governs our operations and cannot guarantee that these reforms will be implemented or implemented in a manner that will benefit our business. The failure of these measures to achieve their intended goals could adversely affect the Argentine economy, and public services companies in particular as a result of the high levels of supervision and involvement by the Federal Government, and our ability to service our debt obligations, including the Notes.

Significant fluctuations in the value of the peso could negatively affect the Argentine economy and our financial performance.

With the tightening of exchange controls beginning in late 2011, in particular with the introduction of measures that limited access to foreign currency by private companies and individuals (such as requiring an authorization of tax authorities to access the foreign currency exchange market), the implied exchange rate, as reflected in the quotations for Argentine securities that trade in foreign markets, compared to the corresponding quotations in the local market, increased significantly over the official exchange rate. Certain foreign exchange restrictions were lifted in December 2015 and, as a result, the substantial spread between the official exchange rate and the implicit exchange rate derived from securities transactions has substantially decreased. See “Exchange Rates and Exchange Controls.”

After several years of relatively moderate variations in the nominal exchange, the Argentine peso depreciated 14.3% against the U.S. dollar in 2012, 32.4% in 2013, and 30.6% in 2014, including a loss of 22.4% in the month of January, based on official exchange rates as reported by the Argentine Central Bank. In 2015, the peso depreciated 52.4% against the U.S. dollar primarily after the lifting of certain foreign exchange restrictions in the month of December. Since the devaluation in December 2015, the Argentine Central Bank has allowed the peso to float and significantly limited interventions to those needed to ensure the orderly functioning of the foreign exchange market. In 2016, the peso depreciated 20.4% against the U.S. dollar. During the year 2017, the devaluation of the Argentine peso has varied significantly, with an approximate devaluation of 20.7% compared to the U.S. dollar. As of January 17, 2018, the exchange rate was Ps.18.892 to U.S.\$1.00. We are unable to predict the future value of the peso against the U.S. dollar. If the peso continues to devalue, all or some of the negative effects on the Argentine economy related to such devaluation could reappear. In addition, this could adversely affect our financial condition and the results of our operations as a consequence of the exposure to the financial commitments denominated in U.S. Dollars.

Conversely, a substantial increase in the value of the peso against the U.S. dollar also presents risks for the Argentine economy. A significant real appreciation of the peso would adversely affect exports, which could have a negative effect on GDP growth and employment, as well as reduce the Argentine public sector’s revenues by reducing tax collection in real terms, given its current heavy reliance on taxes on exports.

All of our revenues are denominated and paid in pesos while some of our costs are denominated in U.S. dollars. Consequently, variations in the rate of exchange between the U.S. dollar and the peso could have a negative effect on our financial condition and results of operations.

The credibility of several Argentine economic indexes has been called into question, which may lead to a lack of confidence in the Argentine economy and may in turn limit our ability to access the credit and capital markets.

Since 2007, the INDEC has experienced a process of institutional and methodological reforms that have given rise to controversy with respect to the reliability of the information that it produces including inflation, GDP and unemployment data. As a result, the credibility of the Consumer Price Index (“CPI”), as well as

other indexes published by the INDEC has been affected, with allegations that the inflation rate in Argentina and the other rates calculated by INDEC could be substantially different than as indicated in official reports.

Reports published by the IMF state that their staff uses alternative measures of inflation for macroeconomic surveillance, including data produced by private sources, which have shown inflation rates considerably higher than those published by the INDEC since 2007. The IMF has also censured Argentina for failing to make sufficient progress, as required under the Articles of Agreement of the IMF, in adopting remedial measures to address the quality of official data, including inflation and GDP data.

In February 2014, the INDEC released a new inflation index, known as National Urban Consumer Price Index (*Índice de Precios al Consumidor Nacional Urbano*) that measures prices on goods across the country and replaces the previous index that only measured inflation in the urban sprawl of the City of Buenos Aires. Even though the new methodology brought inflation statistics closer to those estimated by private sources, material differences between recent official inflation data and private estimates remained during 2015.

However, during December 2015 and January 2016, the new administration declared the national statistical system and the INDEC in state of administrative emergency through December 31, 2016, and announced that the INDEC will implement certain methodological reforms and adjust certain macroeconomic statistics on the basis of these reforms. Accordingly, the new head of the INDEC announced the decision to temporarily suspend the publication of official data on prices, poverty, unemployment and GDP until a full review of the institution was completed. In the meantime, the Macri administration released an alternative CPI index based on data from the City of Buenos Aires and the Province of San Luis. After the implementation of certain methodological reforms and the adjustment of certain macroeconomic statistics on the basis of such reforms, in June 2016 the INDEC resumed its CPI publications and revised GDP data for the years 2006 through 2015. Among other adjustments, in calculating GDP for 2004, the INDEC made changes to the composition of GDP that resulted in a downward adjustment of approximately 12% for that year. In calculating real GDP for subsequent years based on the revised 2004 GDP, the INDEC used deflators that are consistent with its revised methodology to calculate inflation. By understating inflation in the past, the INDEC had overstated growth in real terms. The adjustments made by the INDEC result in a determination of real GDP growth for the period 2004-2015 of 48.6%, as opposed to a 63% growth in real terms for the same period resulting from the information used prior to June 2016. In July and October of 2016 a team sent by the IMF, INDEC workers and officials from the former Ministry of Treasury and Public Finance held meetings to discuss the new inflation indexes and GDP measurements proposed by the Federal Government. After such meeting, on November 9, 2016, the IMF board of directors lifted the sanctions they had imposed, and thus allowing Argentina to access IMF loans. The statistical state of emergency was lifted on January 1, 2017.

On June 15, 2016 and after six months without official statistics, INDEC reinstated the publication of its main indicators, which had been suspended by reason of the “national statistical emergency situation” decreed in early 2016. In this respect, INDEC reported that inflation for the Autonomous City of Buenos Aires and Greater Buenos Aires had been 4.2% in May, 2016, 3.1% in June 2016, 2% in July, 2016, 0.2% in August 2016, 1.1% in September 2016, 2.4% in October 2016, 1.6% in November 2016, 1.2% in December 2016, 1.3% in January 2017, 2.5% in February 2017, 2.4% in March 2017, 2.6% in April, 2017, 1.3% in May 2017, 1.2% in June 2017, 1.7% in July 2017, 1.4% in August 2017, 1.9% in September 2017, 1.5% in October 2017, 1.4% in November 2017 and 3.1% in December 2017.

Despite these reforms that have been approved by the IMF, there remains uncertainty as to whether official data and measurement procedures sufficiently reflect inflation in the country, and what effect these reforms will have on the Argentine economy.

As of the date of this offering memorandum, the impact that these measures and other future measures taken by the Macri administration with respect to the INDEC could have on the Argentine economy and investors’ perception of the country cannot be predicted.

Continuing high inflation may have a negative effect on the Argentine economy and on our financial performance.

Inflation has, in the past, materially undermined the Argentine economy and the Federal Government's ability to foster conditions that would permit stable growth. In recent years, Argentina has confronted inflationary pressures, evidenced by significantly higher fuel, energy and food prices, among other factors. According to data released by INDEC, the inflation rate reached 10.9% in 2010, 9.5% in 2011, 10.8% in 2012, 10.9% in 2013, 23.9% in 2014, 11.9% in the ten-month period ending on October 31, 2105 and 4.2% in the period that came to an end in May 2016. In response, the prior Argentine administration implemented programs to control inflation and monitor prices for essential goods and services, including freezing the prices of key products and services (including water and sewage tariffs), and price support arrangements agreed between the Federal Government and private sector companies in several industries and markets.

In November 2015, INDEC suspended the publication of the CPI. According to the most recently published information and to the details compiled by the Province of San Luis, CPI had grown by 31.6% in 2015 and the inflation index was 6.5%, 4.2%, 2.7%, 3.0% and 3.4% in December 2015, January, February, March and April 2016, respectively. According to published information and following the details compiled by the Autonomous City of Buenos Aires, CPI grew by 26.9% in 2015 and by 40.3% in 2016, whilst the inflation index was 40.3% in 2016. In June 2016, INDEC published the CPI after implementing a number of methodological reforms and adjusting certain macroeconomic statistics on the basis of such reforms. According to INDEC, the inflation index in Argentina was 39.2% in 2016 and 17.6% in the first nine months of 2017.

A high inflation level would adversely affect Argentina's competitiveness on the international front as it would dilute the effects of a devaluation of the Argentine peso, it would have a negative impact on the level of economic activities and employment and would undermine confidence in the Argentine banking system, which could constrain even further the availability of local and international credit for companies. In turn, a part of Argentina's indebtedness is adjusted by application of the Reference Stabilization Coefficient ("CER"), a monetary index that is closely related to inflation. Therefore, any significant increase in inflation would in turn rise Argentina's external indebtedness and consequently, the country's sovereign financial obligations which could exacerbate pressure over the Argentine economy. Widespread uncertainty plus an overall absence of stability in terms of inflation could also entail shorter contractual terms and affect planning and decision-making capabilities. An environment of high inflation could undermine Argentina's competitiveness abroad counterbalancing the effects of the Peso devaluation and it would have the same negative effects on the level of economic activity. Should inflation levels remain this high or rise even further in the future, the Argentine economy's development could be affected and access to credit would shrink even further.

The Federal Government has taken some measures to keep inflation in check, such as the implementation of a program locally known as "*We look after prices*" (*Precios Cuidados*) pursuant to which supermarkets are compelled to carry some products at the prices determined by the Federal Government and the execution of sectorial agreements for the enforcement of salary raises. In addition, the Federal Government has recently enacted the so-called "Supply Law", Law No. 26,991. The Supply Law modifies Law No. 20,680 which allows the Federal Government to intervene certain markets whenever it considers that any player in a given market is trying to impose prices or restrict supply in such market. Amongst other provisions, the Supply Law imposes monetary sanctions, suspension of business activities and the seizure and confiscation of assets.

Inflation rates could escalate in the future, and there is uncertainty regarding the effects that the measures adopted, or that may be adopted in the future, by the Federal Government to control inflation may have. If inflation remains high or continues to rise, Argentina's economy may be negatively impacted and our results of operations could be materially affected.

Availability of funding alternatives from international markets could hamper the implementation of reforms and public policies to promote economic growth, which could adversely affect the Argentine economy and our business.

Argentina's 2001 sovereign default and its failure to fully restructure its sovereign debt and negotiate with the holdout creditors has limited and may continue to limit Argentina's ability to access international

financing. In 2005, Argentina completed the restructuring of a substantial portion of its indebtedness and settled all of its debt with the IMF. Additionally, in June 2010, Argentina completed the restructuring of a significant portion of the defaulted bonds that were not swapped in the 2005 restructuring. As a result of debt exchanges in 2005 and 2010, Argentina restructured approximately 91% of its defaulted debt that was eligible for restructuring. Holdout bondholders that declined to participate in the restructurings, however, filed lawsuits against Argentina in several countries, including the United States. Since late 2012, rulings from courts in the United States favorable to holdout bondholders exacerbated investors' concerns about investing in the country.

In November 2012, the United States District Court for the Southern District of New York ratified the injunction order issued on February 23, 2012, which held that Argentina had violated the *pari passu* clause with respect to the bondholders that had not participated in the sovereign debt swaps in 2005 and 2010, and as a consequence was required pursuant to the District Court's ruling to pay 100% of the amounts due to the plaintiffs together with the payment of the amounts due on the next maturity date to bondholders who had participated in the debt swaps. In June 2014, the U.S. Supreme Court denied Argentina's appeal for certiorari of the Second Circuit Court of Appeals' ruling affirming the District Court judgment. That same month, the District Court ruled that funds should not be delivered to the holders of restructured debt in the absence of a prior agreement with the holdout bondholders. In June 2015, the Second Circuit granted partial summary judgment to a group of "me-too" plaintiffs in 36 separate lawsuits, finding that, consistent with the previous ruling of such court, Argentina violated a *pari passu* clause in bonds issued to the "me-too" bondholders.

In February 2016, the new Argentine administration reached agreements in principle with certain holdout bondholders to settle these claims, which were subject to the approval of the Argentine Congress and the lifting of the *pari passu* injunctions. In March 2016, after the District Court agreed to vacate the *pari passu* injunctions subject to certain conditions, the Argentine Congress ratified these settlement agreements through Law No. 27,249 and repealed the so called Lock Law No. 26,017 and the Sovereign Payment Law No. 26,984, which prohibited Argentina to offer to holdout bondholders more favorable terms than those offered in the 2005 and 2010 debt swaps. The Federal Government has reached settlement agreements with holders of a significant portion of the defaulted bonds and has repaid the majority of the holdouts creditors with the proceeds from a U.S.\$16.5 billion international offering of 3-year, 5-year, 10-year and 30-year bonds on April 22, 2016. Through this offering, Argentina regained access to the international capital markets. Although the size of the claims involved has decreased significantly, litigation initiated by bondholders that have not accepted Argentina's settlement offer continues in several jurisdictions.

Additionally, foreign shareholders of several Argentine companies have filed claims with the International Centre for Settlement of Investment Disputes (the "ICSID") alleging that the emergency measures adopted by the Federal Government since the 2001 and 2002 crisis differ from the fair and equitable treatment standards set forth in several bilateral investment treaties to which Argentina is a party. Many of these claims have been ruled against Argentina.

Holdout creditors litigation, as well as ICSID and other claims against the Federal Government, have resulted and may result in new material judgments against the Federal Government, lead to attachments of or injunctions relating to Argentina's assets, or could bring Argentina in default of its other obligations, and such event may prevent Argentina from obtaining favorable terms or interest rates when accessing international private or multilateral capital markets or from accessing international financing at all.

Claimants have also filed suits before arbitral tribunals pursuant to the rules of the United Nations Commission on International Trade Law (UNCITRAL) and of the International Chamber of Commerce (ICC).

The termination of the injunctions issued by the U.S. courts preventing bondholders from receiving their interest payments on the bonds issued pursuant to the 2005 and 2010 exchange offers and the related subsequent events have paved the way for the Federal Government to regain access to the international capital markets. Nonetheless, Argentina's ability to obtain international or multilateral private financing or direct foreign investment may be limited, which may in turn impair its ability to implement reforms and public policies to foster economic growth. In addition, Argentina's ongoing litigation with the remaining holdout creditors as well as ICSID and other claims against the Federal Government, or any future defaults by Argentina with its financial obligations, may prevent Argentine companies, such as us, from accessing the

international capital markets or make the terms of any such transactions less favorable than those provided to companies in other countries in the region, potentially impacting our financial condition.

Government intervention in the Argentine economy could adversely affect the economy and our financial condition and results of operations.

In the recent past, the Federal Government has directly intervened in the economy, including through the implementation of expropriations or nationalizations and price controls.

In December 2012 and August 2013, the Argentine Congress established new regulations relating to domestic capital markets. The new regulations generally provide for increased intervention in the capital markets by the Federal Government, authorizing, for example, the CNV to appoint observers with the ability to veto the decisions of the board of directors of companies admitted to the public offering regime under certain circumstances and suspend the board of directors for a period of up to 180 days.

Although the current administration has not taken an interventionist approach, the level of intervention in the economy by the Federal Government may continue or increase.

Despite the measures taken by the current administration, we cannot assure you that these or other measures that may be adopted by the Federal Government in the future in response to social unrest, such as nationalizations, intervention by the CNV, forced renegotiations or modifications of existing contracts, new tax policies, price fixing, regulations and reforms affecting foreign trade and investments, will not have a material adverse effect on the Argentine economy and, consequently, will not adversely affect our business, financial condition and results of operations.

Exchange controls and restrictions on capital inflows and outflows could limit the availability of international credit, adversely affecting the Argentine economy, and, as a result, our financial condition and results of operations.

In 2001 and 2002, Argentina experienced a mass withdrawal of deposits from the financial system as a result of a lack of confidence in the Federal Government's ability to repay its debt and sustain the parity between the peso and the U.S. dollar. This caused a liquidity crisis in the Argentine financial system, which led the Federal Government to impose exchange controls and transfer restrictions, substantially limiting the ability of companies to retain foreign currency or make payments abroad. After 2002, these restrictions, including those requiring the Argentine Central Bank's prior authorization for the transfer of funds abroad to pay principal and interest on debt obligations, were substantially eased. In addition to the foreign exchange restrictions applicable to outflows, however, in June 2005 the Federal Government adopted various rules and regulations that established new restrictive controls on capital inflows into the country, including a requirement that, for certain funds remitted into Argentina, an amount equal to 30% of the funds must be deposited into an account with a local financial institution as a U.S. dollar deposit for a one-year period without any accrual of interest, benefit or other use as collateral for any transaction.

Moreover, since the last quarter of 2011 and through December 17, 2015, the Federal Government increased controls on the sale of foreign currency and the acquisition of foreign assets by local residents, limiting the possibility of transferring funds abroad. Regulations were also issued pursuant to which certain foreign exchange transactions were subject to prior approval by Argentine tax authorities. As a result, the Argentine authorities significantly curtailed access to the foreign exchange market by individuals and private-sector entities. In particular, during this period, the Central Bank exercised a *de facto* prior approval power for certain foreign exchange transactions otherwise authorized to be carried out under the applicable regulations by means of regulating the amount of foreign currency available to financial institutions to conduct such transactions.

The number of exchange controls introduced in the past and in particular after 2011 during the prior administration gave rise to an unofficial U.S. dollar trading market, and the peso—U.S. dollar exchange rate in such market substantially differed from the official peso-U.S. dollar exchange rate.

Since December 2015, the Macri administration lifted most exchange control restrictions, and in August 2016, the Central Bank issued new regulations which repealed most of the restrictions for the purchase of

foreign currency and the inflow and outflow of funds from Argentina. Additionally, in order to increase the level of international reserves, the Central Bank has executed certain bond repurchase agreements with several Argentine and foreign entities.

Notwithstanding the measures adopted by the Macri administration since December 2015, which lifted virtually all exchange and capital controls and generally aim in such direction, in the future, should there be a change in policies, the Federal Government could reestablish exchange controls or restrictions on the movement of capital and/or take other measures in response to capital flight or a significant depreciation of the peso, which could limit our ability to access the international capital markets. Such measures could lead to political and social tensions and undermine the Federal Government's public finances, as has occurred in the past, which could adversely affect Argentina's economy and prospects for economic growth. For more information, see "Exchange Rates and Exchange Controls."

The Argentine economy could be adversely affected by economic events in other markets.

Argentina's economy is vulnerable to external shocks that could be caused by adverse developments affecting its principal trading partners. A significant decline in the economic growth of any of Argentina's major trading partners (including Brazil, the European Union, China and the United States) could have a material adverse impact on Argentina's balance of trade and adversely affect Argentina's economic growth. Declining demand for Argentine exports could have a material adverse effect on Argentina's economic growth. In particular, the economy of Brazil, Argentina's largest export market and its principal source of imports, is currently experiencing heightened negative pressure due to the uncertainties stemming from ongoing political crisis, including the impeachment of Brazil's former president, Ms. Dilma Rousseff and accusations of alleged corruption by the current president in office, Mr. Michel Temer. The Brazilian economy contracted by 3.8% during 2015, and by 3.6% during 2016. A further deterioration of economic conditions in Brazil may reduce demand for Argentine exports and create advantages for Brazilian imports, therefore negatively impacting Argentina's trade balance.

In addition, financial and securities markets in Argentina have been influenced by economic and market conditions in other markets worldwide. Such was the case in 2008, when the global economic crisis led to a sudden economic decline in Argentina in 2009, accompanied by inflationary pressures, depreciation of the Argentine peso and a drop in consumer and investor confidence. Although economic conditions vary from country to country, investors' perception of the events occurring in one country may substantially affect capital flows into other countries. International investors' reactions to events occurring in one market sometimes demonstrate a "contagion" effect in which an entire region or class of investment is disfavored by international investors. Argentina could be adversely affected by negative economic or financial developments in other countries, which in turn may have an adverse effect on our financial condition and results of operations. Lower capital inflows and declining securities prices negatively affect the real economy of a country through higher interest rates or currency volatility. Moreover, Argentina may also be affected by other countries that have influence over world economic cycles.

The international economy is showing contradictory signals of global growth, leading to significant financial uncertainty. In addition, emerging market economies have been affected by the recent change in the U.S. monetary policy, resulting in the unwinding of investments and increased volatility in the value of their currencies. If interest rates rise significantly in developed economies, including the United States, emerging market economies, including Argentina, could find it more difficult and expensive to borrow capital and refinance existing debt, which would negatively affect their economic growth. There is also global uncertainty about the degree of economic recovery in the United States, with no substantial positive signals from other developed countries. Moreover, the recent challenges faced by the European Union to stabilize certain of its member economies such as that of Greece, have had and may continue to have international implications affecting the stability of global financial markets, which has hindered economies worldwide.

In a referendum on membership of the European Union held on June 23, 2016, the United Kingdom voted in favor of the British government taking the necessary action for the U.K. to leave the European Union (commonly known as "Brexit"), and the British government has triggered the formal process to leave the European Union on March 29, 2017. That process is expected to conclude by mid-2019. The U.K.'s decision

to leave the European Union has caused, and is anticipated to continue to cause, uncertainties and instability in the financial markets, which may affect us and the trading price of the Notes. These uncertainties could have a material adverse effect on our business, financial condition, results of operations and prospects.

On November 8, 2016, Donald J. Trump was elected as the president of the United States and he assumed office on January 20, 2017. Since President Trump's assumption of power, the United States appears to have shifted with a tendency towards greater restrictions on free trade generally and immigration. Changes in social, political, regulatory and economic conditions in the United States or in laws and policies governing foreign trade could create uncertainty in the international markets and could have a negative impact on emerging market economies, including the Argentine economy, which in turn could have a negative impact on our operations.

On October 27, 2017, Catalonia's regional government declared its independence from Spain. In response to this declaration, Spain's national government announced that it rejected such declaration and intervened the regional government dissolving parliament and called for elections to elect new authorities. Such disturbances in the European Union in general and in Spain in particular could have political, regulatory and economic implications in international markets which could have negative repercussions in Argentina and therefore, adversely affect our operations.

Government measures, as well as pressure from labor unions, could require salary increases or added worker benefits, all of which could increase companies' operating costs.

Labor relations in Argentina are governed by specific legislation, such as Labor Law No. 20,744 and Collective Bargaining Law No. 14,250, which, among other things, dictate how salary and other labor negotiations are to be conducted. Most industrial or commercial activities are regulated by a specific collective bargaining agreement that groups together companies according to industry sectors and by trade unions. Argentine employers, both in the public and private sectors, have experienced significant pressure from their employees and labor organizations to significantly increase wages and to provide additional employee benefits. Due to the high levels of inflation, employees and labor organizations are demanding significant wage increases. In the past, the Federal Government has passed laws, regulations and decrees requiring companies in the private sector to maintain minimum wage levels and provide specified benefits to employees.

In the future, the Federal Government could take new measures requiring salary increases or additional benefits for workers, and the labor force and labor unions may apply pressure for such measures. As of the date of this offering memorandum, the Federal Government has announced a series of measures to be taken in order to increase employment in Argentina, which will be negotiated with labor representatives and business organizations. Any such increase in wage or worker benefit could result in added costs and reduced results of operations for Argentine companies, including us.

A continued decline in the global prices for Argentina's main commodity exports could have an adverse effect on Argentina's economic growth.

High commodity prices have contributed significantly to the increase in Argentine exports since 2002 as well as in governmental revenues from export taxes. However, this reliance on the export of certain commodities, such as soy, has made the Argentine economy more vulnerable to fluctuations in their prices. Since the beginning of 2015, international commodity prices for Argentina's primary commodity exports have tended to decline, which has had an adverse effect on Argentina's economic growth. If international commodity prices continue to decline, the Argentine economy could be adversely affected. In addition, adverse weather conditions can affect the production of commodities by the agricultural sector, which account for a significant portion of Argentina's export revenues.

These circumstances would have a negative impact on the levels of government revenues, available foreign exchange and the Federal Government's ability to service its sovereign debt, and could either generate recessionary or inflationary pressures, depending on the government's reaction. Either of these results would adversely impact Argentina's economy growth and, therefore, our financial condition and results of operations.

High public expenditure could result in long-lasting adverse consequences for the Argentine economy.

In recent years, the Federal Government has substantially increased public expenditures. In 2015 and 2016, respectively, public sector expenditures increased by 38.1% and 38.2% respectively year over year and the Federal Government reported a primary fiscal deficit of 5.4% and 4.6% of GDP, respectively according to the former Ministry of Economy and Public Finance. During the past administration, the Federal Government has resorted to the Central Bank and to the ANSES to source part of its funding requirements. The Macri administration, in contrast, has resorted to debt financings to source funding requirements. Moreover, the primary fiscal balance could be negatively affected in the future if public expenditures continue to increase at a rate higher than revenues due to, for example, social security benefits, debt servicing, financial assistance to provinces with financial problems and increased spending on public works and subsidies, including subsidies to the energy and transportation sectors. A further deterioration in fiscal accounts could negatively affect the Federal Government's ability to access the long-term financial markets and could in turn result in more limited access to such markets by Argentine companies such as ourselves.

The actions taken by the prior Argentine administration to reduce imports may adversely affect our ability to access capital goods that are necessary for our operations.

In 2012, the Federal Government adopted an import procedure pursuant to which local authorities must pre-approve any import of products and services to Argentina as a precondition to allowing importers access to the foreign exchange market for the payment of such imported products and services. In the same year, the European Union, the United States and Japan filed claims with the World Trade Organization (the "WTO") against certain import-related requirements maintained by Argentina. Recently, the WTO found that those measures are not consistent with Argentina's obligations under the WTO and requested their removal. On December 22, 2015, through Resolution No. 3,823, the AFIP removed the import authorization system in place since 2012 denominated affidavit advance import (*declaraciones juradas anticipadas de importación* or "DJAI") and replaced it with the new comprehensive import monitoring system (*sistema integral de monitoreo de importaciones* or "SIMI"). Among other changes, local authorities must now respond to any request for approval within a 10-day period from the date on which the request is filed.

We cannot assure you that the Federal Government will not modify current import regulations, and we cannot predict the impact that any such changes may have on our results of operations and financial condition.

Laws have been recently enacted and legislative bills have been recently drawn up which may significantly affect us.

- A legislative bill has been drawn aiming at taxing financial income.

As of the date of this offering memorandum, Argentina's Executive Branch had sent to the Argentine Congress a legislative bill to reform the country's tax system seeking to levy a tax on the financial income earned by individuals, undivided estates and foreign beneficiaries to the extent that such income is not placed in the framework of a public offering in markets authorized by the CNV.

Further, if passed, this legislative bill would apply a stepwise 10% reduction in the tax rate levied on taxpayers who are Argentine companies in order to bring the rate closer to the average tax rate that is levied on corporate gains at a global level. In this respect, "taxpayers who are Argentine companies" would be paying for the fiscal year beginning in year 2019 and up to 2021 taxes at a tax rate of 30% and, for the fiscal year beginning in 2022, they would pay taxes at a tax rate of 25%. All of the above is subject to the condition that such "taxpayers who are Argentine companies" do not distribute dividends and instead re-invest their earnings.

The reform legislative bill provides that all dividend distributions would be taxed at a 7% tax rate as from the three first fiscal periods beginning in 2019 and at a 13% tax rate thereafter.

With respect to the tax treatment to be applied to corporate bonds (locally known as negotiable obligations), as of the date of this offering memorandum and pursuant to Section 36 bis of Law No. 23,576, income/loss from purchases and sales, exchanges, barter, conversions and disposals of corporate bonds are exempt from income tax except in the case of "taxpayers who are Argentine companies" who must pay income tax on their aggregate income at 35% as per Decree 1076/92.

The proposed reform also contemplates changes in the Tax on Bank Debits and Credits and admits the possibility of computing 100% of the amounts paid as Tax on Bank Debits and Credits as an advanced payment of a part of Income Tax.

Although this reform legislative bill has not yet been addressed by the Argentine Congress, an increase in AySA's tax burden could have a negative impact on our operations and detract from our ability to pay the Notes.

- Congress passed a new law concerning the criminal liability of legal entities and compliance protocols for cases of corruption.

Argentina's Congress passed a law on November 8, 2017 whereby legal entities can now be held criminally liable and compliance protocols are prescribed for certain cases of corruption. This law shall come into force 90 days after it is signed off by the President and published in the Official Gazette. Although the President is empowered to veto the law, it is unlikely that he will do as much considering that the current administration was this law's strongest supporter.

Amongst other matters, this law re-defines the outlook of legal entities' criminal liability: until now, corporate criminal liability could be attributed to legal entities only in a small number of instances, including, for example, some cases of tax evasion and smuggling. Given the strong impact that this law might have and international trends in anti-corruption initiatives, there is uncertainty as to its enforcement and the impact that such enforcement could have on companies, including AySA.

- Preliminary Legislative Bill for a Labor Law Reform: Formalization of non-registered workers.

On October 31, 2017, the Ministry of Labor released a Preliminary Legislative Bill (the "Draft Bill") for purposes of discussion with the various trade unions and management chambers. As of the date of this offering memorandum, the Draft Bill has not yet been formally accepted by Congress for debate.

Amongst its ten titles, the Draft Bill includes the formalization of non-registered workers, an initiative against evasion of social security payment obligations and workers' registration.

In particular, in the case of the formalization of non-registered workers, the Draft Bill provides for an amnesty to record unregistered employment and amending records in connection with salaries actually received by workers and/or actual dates of commencement of the labor relationship, except for domestic workers. Further, the Draft Bill establishes different benefits for workers.

Risks Relating to the Company

We receive transfers from the Federal Government to fund a substantial part of operations and expenses. If the Federal Government ceased to provide such transfers, our operational capacity, financial condition and the results of operations would be adversely affected.

We have two main sources of cash inflows, transfers from the Federal Government and revenue derived from tariffs, both of which are dependent on the Federal Government. Transfers from the Federal Government fund a substantial part of our operations and expenses. In the fiscal years ended on December 31, 2015 and 2016 we received from the Federal Government a total of Ps.8,808.1 million, and Ps.15,937 million, respectively, which represented 75.8% and 66.8% of our revenue, respectively. If the Federal Government ceased to provide such transfers, or decided to significantly reduce them, our operational capacity, financial condition and the results of operations would be adversely affected.

Our second source of cash inflows consists of revenues from the collection of bills paid by our clients. Such payments depend on the tariffs we charge, which are ultimately set by the Federal Government. The tariffs set for water and sewage services have historically not been fully cost-reflective (including the costs of capital expenditures) and thus have not allowed for building of cash reserves to fully support the committed capital expansion program. For more information on the setting of tariffs, see "Regulatory Framework and Tariffs" in this offering memorandum. Therefore, our results of operations, financial condition, and ability to repay the Notes, is largely subject to the actions of the Federal Government and may be adversely affected if

the Federal Government decided not to continue transferring funds and/or to set the tariffs at a level which did not allow us to operate as we have in the past and in accordance with our expansion plans.

Neither our operations nor our issue of Notes in connection with this offering memorandum is in any manner guaranteed by the Federal Government.

Although we are an Argentine corporation (*sociedad anónima*) 90% owned by the Federal Government that provides an essential public service, our financial obligations do not constitute obligations of and are not guaranteed by the Federal Government. Additionally, the Federal Government is under no obligation to lend money or in any way make funds available to us, and noteholders will have no claim against, or recourse to, the Federal Government. When purchasing the Notes, the noteholders will be relying solely upon our creditworthiness. There is no assurance that AySA's creditworthiness will not decline as a result of either internal or external factors, such as our own results of operations or general macroeconomic factors.

The interests pursued by the Federal Government in its capacity as our controlling shareholder, including its power to set our tariffs, could differ from our interests.

The Federal Government as a controlling shareholder may have an impact on our business through its ability to control those decisions that call for a positive vote from a majority of our shareholders or our directors. Although the supply of water and sewage services are considered essential services that are of overarching interest to the Federal Government, the Federal Government may decide to deploy new strategies, agree on acquisitions, diversify its businesses or undertake other initiatives which might differ from our interests. Inasmuch as the Federal Government is empowered to appoint a majority of the members of our Board of Directors, in the event of a conflict between the Federal Government and us, the Federal Government could instruct such directors so that they abstain from commencing legal actions that go against its interests. There can be no assurances that the Federal Government will at all times act consistently with our interests or those of our Noteholders. Please see "Majority Shareholders and Transactions with Related Parties" in this offering memorandum.

The assets are subject to direct government intervention and may be considered non-attachable.

All of our assets are located in Argentina. Our business consists in providing for the supply of drinking water and the treatment of sewage and in this respect, our business is an essential public service under Argentine law. In accordance with Argentine law, it is possible to take legal actions against us directly, but attachment or other form of execution on our property that is used for the provision of public services will not be ordered. Furthermore, attachment prior to judgment or attachment in aid of execution will not be ordered by courts of Argentina with respect to public property if such property is located in Argentina and is included within the provisions of articles 234, 235 and 237 of the Argentine civil and commercial code or directly provides an essential public service such as those services provided by us and, as a result, it is unlikely that an Argentine court will order or recognize an attachment against the company's property or assets.

Further, as our water and sewage related assets are used in connection with the provision of what is deemed to be an essential public service under Argentine law. Pursuant to Article 243 of the Argentine Civil and Commercial Code, those assets may not be available for liquidation in the event of our bankruptcy, insolvency or attachment to secure a judgment, and, in case of our insolvency or bankruptcy, could be transferred to another public services company or the Federal Government in order to ensure the continued provision of the relevant public services.

As per the terms of the concession, we received, free of charge, from the Federal Government all of the assets we use for the provision of services when the concession was granted, but subject to an obligation to return all assets not sold during the term of the concession, in accordance with certain provisions, upon the expiration or termination of the concession. All assets acquired by us during the term of the concession must also be surrendered to the Federal Government upon the expiration or termination of the concession. Therefore, the Federal Government is the ultimate owner of the vast majority of our assets.

Our concession may be terminated or not extended.

Pursuant to the Binding Instrument (*Instrumento de Vinculación*) between us and the Federal Government pursuant to which the concession over drinking water and sewage services was awarded to us (the “Binding Instrument”), the term for the concession was established for 20 years, ending on March 21, 2026. The concession may be renewed by mutual agreement; however, no assurances can be given that the concession will be renewed. The renewal of the concession requires the consent of the Federal Government through a resolution adopted by the Ministry of Interior, Public Works and Housing who will evaluate our performance to date. Despite the fact that neither the Binding Instrument nor the Regulatory Framework establishes that the Federal Government may unilaterally terminate our concession, it may nevertheless be terminated given the inherent power of the Federal Government.

In the event the concession is terminated, we will not receive any compensation and it will be obligated to return all assets related to the provision of the service to the Federal Government.

In the event the concession is terminated, we will not receive any compensation and we will be obligated to return all assets related to the provision of the service to the Federal Government, irrespective of whether this occurs due to the expiration of the concession or any other reason.

Upon the termination of the concession (for any reason), we must return to the Federal Government, free of charge, all assets transferred to us or purchased or built by us in the course of the concession for the provision of water and sewage services, as well as the activities incident thereto. The Federal Government retains and gains ownership of all transferred assets and any assets purchased or built by us in the course of the concession. The assets must be returned in good conditions of use and operation. The assets acquired after the Company has come into being and has been transferred must be registered in the name of the Federal Government, free of charge.

If the Federal Government revokes the concession, we would receive no termination payment and would transfer substantially all of its assets to the Federal Government, leaving the holders of Notes with limited recourse for the satisfaction of our obligations under the Notes. In addition, if we retained certain assets after a revocation of the concession, such remaining assets could be insufficient to repay the claims of Note holders and the claims of other holders of unsecured debt.

We require additional financing to fund our capital investment program.

We will require substantial additional financing to fund our current capital investment program. Moreover, in view of further expected increase in demand for water and sewage treatment services as a result of the Federal Government’s objective to achieve 100% coverage in the Greater Buenos Aires area, we expect to be required to undertake additional capital investments. We cannot predict the level of such funding but believe that a substantial portion of it will be raised from foreign currency loans and in the capital markets outside of Argentina. Our ability to obtain such external financing and the cost of such financing are dependent on numerous factors including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in us, the success of our business, the economic, legal and political conditions in Argentina. If we are not able to raise capital as planned (in Argentina or abroad), then the implementation of the capital investment plan will be susceptible to delays and additional costs, any of which may have an adverse effect on our business, results of operations or financial condition.

We may have difficulty refinancing current or future indebtedness, including indebtedness incurred in relation to the Notes.

Economic conditions and the credit markets have historically experienced, and may continue to experience, periods of volatility, uncertainty, or weakness. Any renewed financial turmoil, worsening credit environment, weakening of the general economy, or further uncertainty could impact the availability or cost of debt financing, including with respect to any refinancing of the obligations elsewhere in this offering memorandum. The concession under which we operate expires in 2026 and the Federal Government is under no obligation to renew it or grant an extension, which could have a substantial adverse impact on our ability to refinance our indebtedness, including indebtedness incurred in relation to the Notes.

If we are unable to refinance or renegotiate our debt, we cannot guarantee that we will be able to generate enough cash flows from operations or that we will be able to obtain enough capital to service our debt or fund our planned capital expenditures. Failure to refinance indebtedness when required could result in a default under such indebtedness and materially restrict our ability to pay amounts due on the Notes. If we incur additional indebtedness, any such indebtedness could exacerbate the risks described above.

Our auditors for the fiscal year ended December 31, 2015 have included a qualification and a paragraph of emphasis in their report to our Audited Financial Statements for the year ended December 31, 2015.

Our auditors for the fiscal year ended December 31, 2015 have included a qualification and a paragraph of emphasis in their report to our Audited Financial Statements for the year ended December 31, 2015 drawing attention to the fact that during the year ended December 31, 2015, we received transfers for an aggregate amount of Ps.8,808.1 million. Out of such sum, Ps.4,972 million were recorded as transfers for capital expenditure and Ps.3,000 million were recorded as transfers for current expenses. As of the closing of the fiscal year 2015, a balance of Ps.877 million was pending disbursement. Due to these transfers, we may conduct normal operations and meet service maintenance and expansion requirements.

The Company has recorded receivables with Aguas Argentinas S.A in an amount of Ps.76.1 million. Aguas Argentinas S.A. is currently undergoing reorganization proceedings and, within this scenario, we filed the relevant proof of claim and, the competent bankruptcy court allowed an amount of ARS 18.2 million claimed. Regarding the claim for ARS 57.9 million, with respect to which a motion for exemption from the bankruptcy estate was filed, in the opinion of our attorneys, it is unlikely that the motion will succeed. Thus, it is estimated that the claim will be allowed by the bankruptcy court as an unsecured claim. In connection with the reorganization proceedings involving Aguas Argentinas, a proposed composition of creditors was approved, which includes a reduction of debt and an extension of payment terms. Nevertheless, irrespective of court approval, with respect to the likelihood of final recovery of the claim, in the event such claim is not allowed by the bankruptcy court, the concession the Federal Government to acknowledge our claim for payment of the services actually provided, as this matter is deemed intrinsic to the interim regime arising from taking possession of the service. Consequently, and according to the criterion stated above, no allowance has been made for such items.

In fiscal year 2015, as well as in the previous fiscal year, we assessed VAT credit at its discounted value, as stated in current accounting standards. The calculation of discounted values is based on future estimates made by us in relation to the decision to expand the water and sewage network and to increase tariffs, which decisions may be adopted either by us or the enforcing authority. Taking this into consideration, our auditors may not issue an opinion on the basis for such calculations.

Our auditors for the fiscal year ended December 31, 2016 have included three qualifications and a paragraph of emphasis in their report to our Audited Financial Statements for the year ended December 31, 2016.

Our auditors for the fiscal year ended December 31, 2016 have included three qualifications and a paragraph of emphasis in their report to our Audited Financial Statements for the year ended December 31, 2016 drawing attention to the fact that during the year ended December 31, 2016, we received transfers from the Federal Government to finance current expenses totaling Ps.5,092.2 million and transfers by the Federal Government and other sources to fund capital expenditure in an amount of Ps.10,844.8 million, totaling Ps.18,329.1 million for current expenses and Ps.36,489.5 million for capital expenditure within the 2006-2016 period. The full amount received from the Federal Government for current expenses and the amount of Ps.1,612.5 million received from the Federal Government for capital expenditure have been allocated to income for such period. Transfers received from the Federal Government contributed to the financing of our activities; however, they were insufficient to balance the working capital deficit shown in our financial statements as of the closing of the year. In addition, accumulated losses have depleted our capital stock and reserve funds; however, as a result of the transfers received from the Federal Government, we managed to avoid recording negative shareholders' equity for such periods. Considering the foregoing, our capacity to

finance operations, maintain services, recover investments in assets, repay liabilities, execute and complete construction plans is subject to the adjustment of tariff levels as provided for by the Regulatory Framework and the Binding Instrument and/or the availability of additional resources provided by the Federal Government and/or other financing sources.

The financial information included in this offering memorandum for the nine-month periods ended September 30, 2017 and September 30, 2016 is limited and has not been reviewed by our auditors.

Despite having been prepared by our management in a manner consistent with our audited financial information, financial information included in this offering memorandum for the nine-month periods ended September 30, 2017 and September 30, 2016 is limited and has not been reviewed by our auditors. Therefore, such partial financial information may not accurately reflect our results of operations, assets or overall financial condition.

The provisions that govern the tariffs applicable to us do not assure the earning of a reasonable profit.

Unlike the regulatory frameworks and tariff schemes applicable to other public services, the provisions contained in the Regulatory Framework and the Binding Instrument do not guarantee that we will earn a profit through the collections of tariffs. Instead, these provisions contemplate an economic regime based on cost assessments on the understanding that the “economic balance of the concession” meaning income reasonably in line with costs will be preserved. However, such equation has been unbalanced in the past and no assurances may be given that such balance will ever be achieved in the future or that our income will be sufficient to meet our debt obligations. Any imbalance between our costs and income could affect our results of operations, financial condition and ability to repay the Notes.

Tariff adjustments are dependent upon governmental decisions.

Neither the Regulatory Framework nor the Binding Instrument provides for automatic tariff adjustments. They do provide for periodical, pre-scheduled reviews (once a year and once every five years) as well as extraordinary tariff reviews for events such as those resulting from acts of God or force majeure. These reviews have not always been on time, leading to delayed tariff adjustments, and therefore affecting our operations. A resolution from the Federal Government is needed for us to be entitled to increase tariffs. Although mandatory public hearings are not required prior to modifying tariffs applicable to us, we have in the past subjected ourselves to such hearings, and may continue to do so in the future. Delays and/or refusals on the part of the entities involved in the modification of our tariffs when reviewing our tariffs; and/or a negative outcome and/or reactions to or in connection with public hearings regarding the increase of our tariffs could have an impact on our sources of income and therefore affect our financial condition, results of operations and ability to pay the Notes.

Because substantially all of our assets are dedicated to the provision of essential public services, they may not be available for liquidation in the event of a bankruptcy and may not be subject to attachment to secure a judgment.

Our water and sewage related assets are used in connection with the provision of what is deemed to be an essential public service under Argentine law. Pursuant to Article 243 of the Argentine Civil and Commercial Code, those assets may not be available for liquidation in the event of our bankruptcy, insolvency or attachment to secure a judgment, and, in case of our insolvency or bankruptcy, could be transferred to another public services company or the Federal Government in order to ensure the continued provision of the relevant public services.

Further, as per the terms of the concession, we received, free of charge, from the Federal Government all of the assets we use for the provision of services when the concession was granted, but subject to an obligation to return all assets not sold during the term of the concession, in accordance with certain provisions, upon the expiration or termination of the concession. All assets acquired by us during the term of the concession must also be surrendered to the Federal Government upon the expiration or termination of the concession. Therefore, the Federal Government is the ultimate owner of the vast majority of our assets.

The Federal Government, in its capacity as grantor of the concession may extend our concession area.

The Federal Government, in its capacity as grantor of our concession, has in the past and may continue in the future to extend the area of the concession in which we must provide services, including to areas where large sections of the population cannot afford to pay for our services in full. Extensions of our concession's area do not necessarily entail an increase in the transfers we receive from the Federal Government. Further extensions of our concession area could have an adverse effect on our operational capacity, financial condition and the results of our operations.

We are subject to regulatory constraints which limit its capacity to interrupt its services.

Given that access to drinking water has been classified as a basic human right -and in view of the essential nature of the service rendered by us- our ability to interrupt our services in the event of non-payment or delays in payment is subject to strict limitations. In particular, we may interrupt the service to non-residential users (except for hospitals, clinics or prisons, run either by the Federal Government or the private sector), whereas we may only restrict the service to minimum quantities as necessary to cover vital needs (i.e. limit without totally disconnecting water services) in the case of residential users. The obligation to continue to provide services in spite of delays in payment or non-payment by clients could affect our financial condition, results of operations and ability to service and repay the Notes.

We could be faced with certain administrative procedures and court actions which could negatively affect our activities and our results of operations.

We are a defendant in certain court actions which, individually or in the aggregate could result in the imposition of costs, fines, payment of sums set forth in judgments or other significant losses. Although we have created provisions for such risks on the basis of legal opinions and external and internal legal advice and according to applicable accounting principles, certain contingent losses, particularly those related to environmental matters, are subject to changes stemming from, for instance, new available information, and there is a possibility that the costs caused by such risks, if materialized, could significantly exceed the provisions we have created.

We might not obtain sufficient insurance coverage.

Although we have insured our properties in conditions that it believes to be prudent and consistent with industry practices and has adopted and maintains safety and security measures in place, any significant damage, accident or suspension in production in the establishment or in our system to distribute water and treat sewage could adversely affect our operational capacity, financial condition and results of operations.

No assurances can be given that there shall be sufficient coverage for risks or losses for some risk or loss in particular. In the event of accidents or other losses that have not been covered by our insurance policies in force, we may experience substantial losses or be compelled to disburse significant amounts of our own funds, which could have an adverse and substantial impact on the results of our operations and our financial condition.

The cost of our current insurance coverage could increase. Our insurance policies are subject to periodical reviews that must be undertaken by our insurers. In case of an increase in the amount of our premiums, there is a possibility of us not being in a position to maintain a coverage similar to the current one, or do it at a significantly higher cost. Any additional cost could have a substantial adverse impact on our business activities, our financial condition and the results of our operations.

Our relationship with national and provincial authorities, and, in particular, the relationship between us and the Province of Buenos Aires and the Autonomous City of Buenos Aires are important to our business.

Given the nature of our businesses, we interact with national authorities (such as the Water and Sanitation Regulatory Entity ("Ente Regulador de Aguas y Saneamientos", or "ERAS") and the Undersecretary of Water Resources), provincial authorities (the Water Authority of the Province of Buenos Aires) and inter-jurisdictional authorities (such as the Planning Agency ("Agencia de Planificación", or "APLA")) in those areas where we conduct business, in particular with the Province of Buenos Aires and the Autonomous City of Buenos Aires. Tariffs applicable to us are set by the Federal Government. There can be no assurances that such relationships do not deteriorate in the future, which could adversely affect our business and results of

operations. For instance, provincial authorities might try to impose rates that are unexpected or disproportionately high or other significant additional obligations. Further, we are subject to political swings caused by changes of parties in office. The priorities of the current administration to expand the provision of water to all residents of Greater Buenos Aires may change in the future. New authorities could decide to take actions that could have a substantial adverse effect on our business activities, our financial condition and the results of our operations.

We do not hedge our currency risk and, if we are not able to effectively hedge our currency risk in full and a devaluation of the Peso occurs, there may be a material adverse effect on our results of operations and financial condition.

Our revenues are collected in Pesos pursuant to tariffs that are not indexed to the U.S. dollar, while a significant portion of our existing financial indebtedness is denominated in U.S. dollars, which exposes us to the risk of loss from a devaluation of the Peso. We do not hedge our currency risk and, in the future, if we are not able to effectively hedge all or a significant portion of our currency risk exposure, a devaluation of the Peso may significantly increase our debt service burden, which, in turn, may have a material adverse effect on our financial condition and results of operations.

We have to service our debt and other financial obligations denominated in U.S. dollars with revenues generated in pesos. This could adversely affect our ability to service our obligations in the event of a devaluation or depreciation in the value of the peso compared to the U.S. dollar. In addition, our indebtedness would be significantly affected by fluctuations in exchange rates between the peso and other currencies.

All of our revenue is denominated in pesos. A substantial portion of our debt (including the Notes offered hereby) is and will be denominated in U.S. dollars. Our U.S. dollar-denominated debt must be serviced with funds generated by us in pesos. We do not, and we may not be able to, hedge our currency risk, and as a result, a devaluation or depreciation in the value of the peso compared to the U.S. dollar, could adversely affect our ability to service our debt, which in turn could adversely affect our business, financial condition and/or results of operations.

We might fail to attract or retain our key personnel.

Our business depends on the contributions by our senior management and our highly-qualified engineers and employees. We are equally dependent on our ability to attract, train, incentivize and retain key managers and the commercial and technical staff with the requisite skills and experience. There is no assuring that we will be able to retain and attract key personnel and that the replacement of any key person who might leave the company shall not be difficult and time-consuming. A loss of the experience and of the services rendered by key personnel or the inability to find adequate replacements or additional personnel could adversely affect our businesses, financial condition and/or results of operations.

We may incur significant labor liability when we outsource work.

We carry out a number of activities by hiring independent contractors to maintain a flexible cost base that makes it possible to respond more quickly to the changing market conditions. As of December 31, 2016, our third-party contractors had engaged approximately 1,603 employees in tasks related to our operations. While we have very strict policies regarding labor and social security obligations by our contractors, we are not in a position to ensure that contractor employees will not initiate legal action seeking compensation from us, based on certain judgments by Argentine courts that recognize joint responsibility between the contractor and the entity to which services are provided, under certain circumstances. If we were unable to obtain a favorable ruling on any such claims, our financial condition and results of operations and our ability to pay our debts, including the Notes, may be adversely affected.

We could be subject to organized labor action.

Although we consider our current relations with our workforce to be good, we have experienced organized work disruptions and stoppages in the past and we cannot assure you that we will not experience them in the future. Labor demands are commonplace in Argentina. Further, all of our Class B shares which

represent 10% of our capital stock are owned by our employees through an employee share ownership program. We have agreed to distribute a certain amount of money every year to our Class B shareholders, irrespective of our result of operations. Failures or delays by us to pay such amount or renegotiations in connection thereof could result in organized labor action which would in turn adversely affect our financial condition, result of operations and ability to repay the Notes.

A cyber-attack could adversely affect our business, financial condition and results of operation.

Information security risks have generally increased in recent years as a result of the proliferation of new technologies and the increased sophistication and activities of cyber-attacks. We have increasingly connected equipment and systems to the Internet. Because of the critical nature of our infrastructure and the increased accessibility enabled through connection to the Internet, we may face a heightened risk of cyber-attack. In the event of such an attack, we could have our business operations disrupted, property damaged and customer information stolen; experience substantial loss of revenues, response costs and other financial loss; and be subject to increased litigation and damage to our reputation. A cyber-attack could adversely affect our business, results of operations and financial condition.

Our operations are subject to social risks.

Our activities are subject to social risks, including protests by communities surrounding certain of our operations. Despite of the fact that we are committed to operating in a socially responsible manner, we may face opposition from local communities with respect to our current and future projects in the jurisdictions in which we operate, which could adversely affect our business, results of operations and financial condition.

Authorities from the Federal Government and from the Government of the Province of Buenos Aires have recently decided to incorporate eight districts located in Greater Buenos Aires' second and third urban belts into the concession area operated by us, in order to improve the quality of services rendered, improve public health and streamline capital expenditures. These districts are Escobar, Florencio Varela, José C. Paz, San Miguel, Malvinas Argentinas, Merlo and Moreno. Furthermore, we recently entered into an agreement with the municipality of Pilar to incorporate it into our concession area. The decision to incorporate such districts was based on the need to solve the lack of appropriate infrastructure in such districts in order to achieve sustainable access to drinking water and sewage services. In order to serve Buenos Aires' metropolitan region, a long-term plan that contributes to territorial organization, environmental sustainability and social development must be deployed. Failure to fulfill such plan could adversely affect our business, results of operations and financial condition.

In light of our technical and organizational resources, we cannot out rule the possibility of our area of service being broadened even further in the future. An enhancement of our area of service to the outskirts of Buenos Aires' metropolitan area, which is less densely populated and where households are poorer might entail an adverse impact on our businesses, the results of our operations and our financial condition.

Our plants are exposed to the risk of mechanical or electrical failure and any associated unavailability may affect our capacity to honor our contractual obligations and to discharge other obligations which might affect our financial performance.

Our facilities run the risk of sustaining mechanical or electrical failure and may experience periods of unavailability, which could impact our ability to render services. Any unforeseen unavailability in our facilities may also have an adverse impact on our financial condition and the results of our operations and we could be exposed to fines or penalties, which could in turn have a substantial adverse impact on our business, the results of our operations and our financial condition.

We are exposed to penalties that may have a financial impact.

Although the Regulatory Framework does not provide for a system of monetary penalties (fines), we are exposed to penalties that consist in the obligation to comply with, what is instructed by the applicable authorities, including the redress of the damages inflicted. The financial impact of these obligations could have a bearing on our capacity to repay the Notes.

The Regulatory Framework does provide for a regime of penalties to be imposed on us and on our board members when malice or serious negligence in our behavior is involved and there is a failure to comply with specific obligations associated to drinking water and sewage services.

In addition, we could be subject to the imposition of sanctions, including antitrust sanctions, if we were to undertake actions that affect the provision of our services and/or our customers, which could in turn adversely affect our operations, our financial condition and the results of our operations.

If the concession were to be revoked or otherwise terminated, substantially all of our personnel would be redundant and may have to be compensated for its severance.

Upon the termination of our concession, we may have to compensate employees who become redundant which could adversely affect our financial condition and the results of our operations as well as our capacity to repay the Notes.

We are subject to anti-corruption, anti-bribery and anti-money laundering laws in Argentina. Failure to comply with these laws could result in penalties, which could harm our reputation and have an adverse effect on our operations.

We are subject to anti-corruption, anti-bribery and anti-money laundering laws in Argentina. Although we maintain policies and processes intended to comply with these laws, we cannot ensure that these compliance policies and processes will prevent intentional, reckless or negligent acts committed by our officers or employees. If our officers or employees fail to comply with any applicable anti-corruption, anti-bribery or anti-money laundering laws, they may be subject to criminal, administrative or civil penalties and other remedial measures, which could have material adverse effects on our business, financial condition, results of operations and prospects. Any investigation of potential violations of anticorruption, anti-bribery or anti-money laundering laws by governmental authorities in any jurisdiction where we operate could materially and adversely affect our business, financial condition, results of operations and prospects.

This could also adversely impact our reputation and ability to, when applicable, obtain contracts, assignments, permits and other government authorizations.

In the ordinary course of our business we enter into agreements with governmental entities and other parties. The interpretation and enforcement of certain provisions of our existing or any additional agreements may result in disputes among us and our customers or third-parties and we cannot assure you that any claims, suits or other legal proceedings arising from such agreements against us will not adversely affect our business, financial condition and results of operations.

There can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of our policies and procedures. Any violations by us of anti-bribery and anti-corruption laws or sanctions regulations could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

In the context of an investigation, to which we are not a party, of Odebrecht's and its subsidiaries' operations in Argentina started on account of Odebrecht's confessions in the Brazilian "Lava Jato" process, an Argentine prosecutor identified existing proceedings in respect of the award of certain projects by us to companies including Odebrecht and Camargo Correa. According to press investigations and other information, AySA's former employees (including our former chairman of the board) and a former external advisor, have been cited by an Argentine federal judge in order to investigate whether there were any irregularities in the award of such projects by us. The existence of such investigations and the outcome of such investigations, if any irregularities are found, could adversely affect our reputation and results of operations.

In the context of an investigation, to which we are not a party, of Odebrecht's and its subsidiaries' operations in Argentina started on account of Odebrecht's confessions in the Brazilian "Lava Jato" process, an Argentine prosecutor identified existing proceedings in respect of the award of certain projects by us to companies including Odebrecht and Camargo Correa and according to press investigations and other

information, three former AySA employees (including our former chairman of the board) and one former AySA external advisor, whose engagement ended in December 2017, have been cited by an Argentine federal judge in order to investigate whether there were any irregularities in the award of the construction agreement for our Paraná de Las Palmas Plant to a joint venture which included Constructora Noberto Odebrecht S.A., Benito Roggio e Hijos S.A., Supercemento S.A.I.C and José Cartellone Construcciones Civiles S.A., and in connection with the construction of our Berazategui Plant, by a joint venture including Construcoes e Comercio Camargo Correa S.A. and ESUCO S.A., and any possible involvement by such former employees and external advisor. To the best of our knowledge, no current employee or director of AySA is the subject of such investigations or is a party thereto.

Although the action is not against us and we have not been summoned as a party to the investigation, or in any other capacity, several search warrants were executed on our premises requiring the production of corporate books and records. We have collaborated with information requests, and will continue to collaborate as may be required, by the federal judge in charge of the investigation and/or applicable authorities. Further, we have filed a petition to be granted access to the court investigations and filings in order to assess whether we wish to file a request to become a private claimant (in addition to the appointed public prosecutor) in the case, as allowed by applicable Argentine law, to have better access to information and thus allow us to more accurately assess our position. We have received access to the files and investigation, as requested, and are currently analyzing such information to determine whether we will request to be admitted as a private claimant.

In our review of the investigation, we have found that the judge in charge of the investigation has initiated a parallel investigation in order to analyze other project award processes involving AySA, where other companies would have been allegedly benefitted. As of the date of this offering memorandum, we have filed a petition to be granted access to the court investigations and filings in order to assess whether we wish to file a request to become a private claimant (in addition to the appointed public prosecutor) in the case, as allowed by applicable Argentine law, to have better access to information and thus allow us to more accurately assess our position.

In addition, Constructora Noberto Odebrecht S.A. has requested to leave the joint venture and its interest therein to be distributed among the remaining joint venture parties. We have accepted Constructora Noberto Odebrecht S.A.'s request to leave the joint venture, without prejudice of any civil or criminal responsibility for which Constructora Noberto Odebrecht S.A. may have to respond, and reserving all of our rights in connection thereto. Construcoes e Comercio Camargo Correa has completed construction of the Berazategui Plant.

Furthermore, we are in the process of approving state of the art compliance and corporate governance manuals and ethics code, for which we are working in coordination with the Anticorruption Office of Argentina, have engaged the University of San Andrés as an external advisor, and our work is being supervised by experts retained by the Inter-American Development Bank.

Nevertheless, a negative outcome in these, and/or other, investigations in connection with our projects could adversely affect our reputation and results of operations.

Risks Associated with the Provision of Drinking Water and Sewage Services by Us

We are subject to specific regulations imposed by the Regulatory Framework and local authorities associated to the provision of drinking water and sewage treatment facilities that collect, treat, and dispose of waste.

We must abide by specific regulations imposed by the Regulatory Framework and a number of national, provincial and municipal authorities (basically, in the field of urban planning, soil usage and the environment, amongst which the ERAS, APLA, the Undersecretary of Water Resources and the Water Authority of the Province of Buenos Aires) in connection with the supply of drinking water and sewage services. These regulations may result in higher standards when it comes to technical and environmental requirements imposed on the supply of drinking water and the disposal of wastewater, as well as in tariff adjustments and subsidies. Failure to comply with these regulations and/or standards could have an adverse effect on our operational capacity, financial condition and results of operations.

We might face difficulties collecting on its invoices.

Our drinking water and sewage services businesses are to a certain degree dependent on our capabilities to efficiently collect tariffs for the supply of such services through the payment of the respective utilities bills by clients. We might find it difficult to collect bills for such essential services in certain low-income areas and/or from certain categories of clients. Any inability or difficulty to collect on such bills could have an adverse impact on our operational capacity, financial condition and results of operations. Our inability to collect from clients or to succeed in collecting these amounts in due time might substantially and adversely affect our financial condition and the results of operations.

We could be exposed to droughts and natural phenomena which might affect our services consisting in the supply of drinking water and sewage services.

We take our water for the supply of drinking water services from two major rivers, the Rio de la Plata and the Paraná river, as well as from other aquifers and reserves. Notwithstanding the high volume of water from where we obtain our resources, we could be affected in the event of severe droughts and/or natural disasters such as storms, tornados, and tides which could adversely affect our operational capacity, financial condition and results of operations.

Changes in the tariffs scheme and/or federal transfers collected by us could affect our businesses, financial and operational condition.

We receive payments subject to a tariff framework and subsidies regime. Although Argentina's current administration has diminished the component of subsidies relative to the tariff collected by us, new regulations might call for the grant of increased subsidies to the tariffs that we collect from clients. Changes in the tariff scheme and/or in the subsidies granted to our clients might affect our businesses, financial and operational condition. An increase in tariffs could lead to our clients filing claims which would in turn create uncertainties concerning our ability to collect on such tariff increase.

Tariff increases applicable to us have been judicially challenged by consumers' organizations, with different results. On October 7, 2016, the last motion for an injunction against Disposition No. 62/2016 issued by the Undersecretary of Water Resources, and which provided for an increase in the tariffs that we are allowed to charge to our clients, was denied by the courts, who ruled in our favor. However, challenges against tariff increases in other industries have succeeded. Following the tariff increases in the electricity sector, preliminary injunctions were requested by customers, politicians and non-governmental organizations that defend customers' rights, which preliminary injunctions were granted by certain Argentine courts. Among the different rulings, two recent rulings issued by the Second Division of the Federal Court of Appeals for the City of La Plata and a federal judge from the San Martín district court led to the suspension of end-user tariff increases of electricity in the Province of Buenos Aires and in the whole territory of Argentina, respectively. Pursuant to these injunctions, (i) the end-user tariff increases granted as of February 1, 2016, were suspended retroactively to that date, (ii) end-user bills sent to clients were not to include the increase, and (iii) the amounts already collected from end-users as a consequence of consumption recorded before these rulings had to be reimbursed. However, on September 6, 2016, the Argentine Supreme Court denied these injunctions suspending electricity tariff increases for end-users, on the basis of formal objections and procedural defects, and, therefore, as of the date of this offering memorandum, increases to the electricity end-user tariffs have not been suspended. We can neither guarantee that future tariff increases will not be challenged, nor can we guarantee the results of such challenges.

Compliance with environmental regulations and with regulations governing safety and health conditions might entail significant expenses and adversely affect the results of our operations.

Our operations are regulated by a broad range of environmental and health and security requirements imposed by federal and local rules and regulations. We have incurred and will continue to incur significant expenses to continue to comply with such laws. These laws and regulations also demand that we obtain and maintain in force environmental permits, licenses and approvals for the construction of new facilities or the installation and operation of new equipment necessary for our commercial activities. Some of such permits, licenses and approvals must undergo periodical renewal processes.

As of the date of this offering memorandum, we have incurred and will continue to incur major expenses to continue to fulfill regulatory requirements related to the environment, health and safety and security. Failure to comply with environmental requirements may lead to the imposition of fines or sanctions, the assertion of claims for environmental damage, the emergence of redress obligations, the revocation of environmental permits or the temporary or permanent shut-down of facilities. Compliance with modified or newly-adopted environmental and health and safety requirements could compel us to make considerable capital investments, and in particular, environmental laws, future changes in environmental laws and in laws associated to safety and health or the interpretation of these laws, including new or stricter requirements associated to atmospheric emissions, noises, hazardous waste and release of waste water or green taxes could subject our business to the risk of increased capital costs, operational costs or compliance costs as a result of such changes and could constrain the availability of funds for other purposes, which could adversely affect our business, financial condition and the results of our operations.

We are subject to laws relating to the protection of the environment, which may increase the cost associated with our operations.

We are subject to extensive national and local laws and regulations relating to the protection of the environment. Compliance with our obligations under applicable environmental laws may result in significant costs to install and maintain pollution controls, and to handle sewage and hazardous materials. Failure to comply with these laws and regulations may result in the assessment of administrative penalties, civil penalties, imposition of remediation requirements and the issuance of injunctions to ensure future compliance. Certain environmental laws that apply to us may impose joint and several liability, and may apply a strict liability standard. Remediation obligations under applicable environmental laws can result in significant costs associated with the investigation, remediation and/or clean-up of contaminated properties, as well as claims for damages arising out of the contamination of properties or adverse impacts on natural resources.

Although we believe that our operations will be in material compliance with applicable environmental and safety laws and regulations, we may incur significant environmental costs and liabilities, including those relating to claims for damages to property or injury or loss of life. Further, it is possible that other developments, such as increasingly stringent national or local safety and environmental laws and regulations and enforcement policies thereunder, could result in increased costs and liabilities to us. We expect additional and possibly more stringent laws and regulations will be enacted over time with respect to environmental matters.

Our liability for adverse environmental impacts, as well as any future changes in environmental laws and regulations may have a material adverse effect on our cash flows, financial condition or results of operations, and could impair our ability to make payments under the Notes.

We are subject to construction risk in the projects currently undertaken by us.

We are carrying out an ambitious plan of works for the supply of drinking water and sewage services in the municipalities covered by our concession, primarily aimed at expansion and other key aspects, such as the improvement in the quality of our services and the environment through remediation processes. We must complete our construction projects in order to provide our services as required by the Regulatory Framework and fulfill our commitments. The different construction projects undertaken by us are currently at different stages, and there is no assuring that these projects will be completed as per their schedules.

There are certain risks that are inherent to large-scale construction projects, such as shortages, and increased costs, of materials, machinery and labor. If any of our contractors and sub-contractors fails to meet agreed deadlines and budgets, or if there are any interruptions arising from adverse weather conditions or unexpected technical or environmental difficulties, there may be resulting delays and excess construction costs. Contractor and sub-contractor liability clauses, included in most standard construction agreements entered into with contractors and sub-contractors, generally cover these situations, although they may not cover the total value of any resulting losses.

A failure to conclude these works in due time and manner could have an adverse impact on our operational capacity and results of operations, which would in turn adversely affect the ability to repay the Notes.

Risks Relating to the Notes

We may not generate sufficient cash flow to meet our debt service and other obligations, including our obligations under the Notes.

Our ability to make interest and principal payments under the Notes will depend on the sufficiency of funds from the operation and the transfers received from the Federal Government until the concession expires if not renewed. We cannot assure you that we will be able to generate sufficient cash flow or receive sufficient transfers from the Federal Government to meet all of our expenses, including payments on the Notes.

The obligations under the Notes are not guaranteed by the Federal Government or any other entity.

Although we are an Argentine corporation (*sociedad anónima*) of which 90% of our share capital is owned by the Federal Government and provide an essential public service, our financing obligations do not constitute obligations of, and are not guaranteed by, the Federal Government. Additionally, the Federal Government is under no obligation to lend money or in any way make funds available to us, and noteholders will have no claim against, or recourse to, the Federal Government. When purchasing the Notes, the noteholders will be relying upon our creditworthiness. There is no assurance that our creditworthiness will not decline as a result of either internal or external factors, such as our results of operations or general macroeconomic factors.

The Notes are our unsubordinated obligations, and shall enjoy equal priority of payment, without priority, consistent with our other present or future unsecured and unsubordinated indebtedness. The Notes are not guaranteed in any manner by the Federal Government, or any other entity, and are not secured by any assets.

The Notes will be effectively subordinated to any of our secured indebtedness to the extent of the value of the assets securing such obligations.

There is a possibility of incurring further indebtedness for a significant amount, including additional secured indebtedness. The holders of our secured debt shall have claims that are effectively preferred vis-à-vis the claims asserted by investors as Note holders to the extent of the value of assets that guarantee such secured debt.

Should reorganization proceedings be instituted against us, a bankruptcy decree passed against us or should there be an acceleration in the terms to pay any secured debt, the lenders shall be entitled to lodge the appeals available to any secured lender. Consequently, lenders shall have a priority vis-à-vis any claim for payment under the Notes to the extent of the value of the assets tendered to secure payment. If this were the case, it may so happen that no assets will remain for application to the satisfaction of the claims asserted by Note holders. In addition, if assets remained after these lenders are reimbursed, such remaining assets may be insufficient to repay the claims asserted by the Noteholders and the holders of other unsecured debt.

In addition, in accordance with the Bankruptcy and Reorganization Proceedings Law, our obligations concerning the Notes are subordinated to certain preferred rights, including claims in connection with labor law, social security contributions, taxes and expenses and court costs.

Our credit ratings do not reflect all risks of investing in the Notes.

Our credit ratings are an assessment by the rating companies on our ability to pay our debts as they mature. Consequently, actual or anticipated changes in our credit ratings generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks related to the structuring and marketing of the Notes. The ratings do not constitute a recommendation to buy, sell or hold securities and may be revised or withdrawn at any time by the rating agency. The rating of each company should be evaluated independently of any other company grade rating. Further, the rating methods used by Argentina's credit rating agencies might differ in terms of important aspects from those used by the credit rating agencies in the United States or in other countries.

We could redeem the Notes before maturity.

We may redeem the Notes, in whole or in part, in certain circumstances described under “Description of the Notes.” An investor may not be able to reinvest the redemption proceeds in other securities with yields similar to those of the Notes redeemed.

Holders of Notes may find it difficult to enforce liabilities, including civil liabilities against us or our directors, officers and controlling persons.

We are organized under the laws of Argentina and our principal place of business (*domicilio social*) is located in Argentina. All of our directors, officers and controlling persons reside outside of the United States. In addition, all of our assets and all or a substantial portion of the assets of our directors, officers and controlling persons are located outside of the United States. As a result, it may be difficult for holders of Notes to effect service of process within the United States on such persons or to enforce judgments against us or them, including any action based on civil liabilities under the Securities Act.

Further, all or some of our assets could be catalogued as essential for the provision of public services and therefore not be subject to attachment in Argentina. In addition, if our concession were to be terminated, our assets would revert to the Federal Government without compensation to us.

In the event of reorganization proceedings or an out-of-court reorganization agreement, holders of the Notes may vote differently from other creditors.

In the event we are subject to judicial reorganization proceedings, out-of-court reorganization agreements (*acuerdo preventivo extrajudicial*) and/or similar proceedings, current Argentine regulations applicable to the Notes (including, without limitation, the provisions of the Negotiable Obligations Law) will be subject to the provisions of Argentine Law No. 24,522 (the “Argentine Bankruptcy Law”), as amended, and other regulations applicable to business restructuring proceedings and, consequently, certain terms and conditions of the Notes may not apply.

The Argentine Bankruptcy Law establishes a different voting procedure for holders of Notes from that used by other unsecured creditors for purposes of calculating the majorities required by the Argentine Bankruptcy Law (which requires the absolute majority of creditors representing two-thirds of the unsecured debt). Under this system, holders of Notes may have significantly less bargaining power than our other financial creditors in the event of reorganization.

Moreover, Argentine case law has provided that holders of Notes who fail to attend a meeting at which a vote is held in order to vote or who abstain from voting are not to be counted for purposes of calculating whether the majorities required to approve a restructuring proposal have been formed. As a result, the bargaining power of holders of notes may be lessened vis-à-vis our other financial and trade creditors.

The obligations under the notes will be subordinated to certain statutory liabilities.

Under Argentine Bankruptcy Law, the obligations under the Notes are subordinated to certain statutory preferences including claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses. If we are subject to bankruptcy, judicial or non-judicial reorganization proceedings or the equivalent, the rights of the holders of the notes will rank junior to the above statutory preferences and as a result, our ability to pay the amounts outstanding under the Notes may be undermined.

There is no established trading market for the Notes and the market value of the Notes is uncertain.

Although we have applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange for trading on its Euro MTF Market, the Notes will be new issues of securities with no established trading market or prior trading history. We cannot assure you that a market for the Notes will develop or, if one does develop, that it will be maintained. If a trading market does not develop or is not maintained, you may experience difficulty in reselling the Notes or may be unable to sell them at an attractive price or at all. Further, even if a market develops, the liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. Furthermore, the market value and liquidity of, and trading markets for, the Notes may be materially and

adversely affected by changes in interest rates and declines and volatility in the markets for similar securities and in the overall economy, as well as by any changes in our financial condition or results of operations. We cannot assure you that the Notes will not trade at a discount from their initial trading price, whether for reasons related or unrelated to us.

The Notes are not registered securities in the United States, and they will be subject to transfer restrictions that may adversely affect the value of the Notes and limit your ability to resell the Notes.

The Notes have not been registered under the Securities Act or any state securities laws, and we are not required to and currently do not plan on making any such registration in the immediate future. 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 and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States for non-U.S. persons in compliance with Regulation S and in accordance with any applicable securities laws of any other jurisdiction. You should be aware that investors may be required to bear the financial risks of this investment for an indefinite period of time. See “Transfer Restrictions” for a more detailed explanation of such restrictions.

Judgments of Argentine courts enforcing obligations denominated in foreign currency may order payment in Argentine pesos.

If proceedings were brought in the courts of Argentina seeking to enforce our obligations under the Notes, these obligations may be payable in pesos in an amount equal to the amount of Argentine pesos required to settle the obligation denominated in foreign currency under the agreed terms and subject to applicable law or, alternatively, according to the exchange rate between the peso and the U.S. dollar in force at the time of payment. We cannot assure you that such rates of exchange will afford investors full compensation of the amount invested in the Notes plus accrued interest.

Foreign exchange controls and restrictions on remittances abroad may affect your ability to receive payments on the Notes or to repatriate your investment in the Notes.

In the years 2001 and 2002 Argentina imposed foreign exchange controls and restrictions on transfers that significantly constrained the ability of companies to retain foreign currency or to send payments abroad. Later on, many of these restrictions were significantly loosened, including those that called for the previous authorization of the Argentine Central Bank for transferring funds abroad in order to pay principal and interest on debt obligations. This notwithstanding, new rules and regulations were issued in the last quarter of 2011 which significantly curtailed access to the foreign exchange market by individuals and legal entities in the private sector. More recently, Argentina’s new administration lifted many of the foreign exchange restrictions imposed in 2011, including restrictions on the repatriation of portfolio investments by non-resident investors. In spite of all this, should there be a change in policies, Argentina could impose new, more stringent foreign exchange rules and regulations, amongst other things, in response to a flight of capitals or a significant depreciation in the Argentine peso. Should that be the case, our ability to send payments abroad could be affected and therefore.

Events in other countries may have an adverse impact on the fair value of the Notes.

The market price for the Notes may be affected by incidents occurring in international financial markets and in the world’s economic conditions. Argentina’s securities markets are influenced, to different extents, by the economic and market conditions in other countries, in particular those of Latin America and other emerging markets. Although economic conditions are different in each country, investors’ reaction vis-à-vis the occurrences in a country may affect the securities of issuers in other countries, including Argentina. We may not assure that the securities’ market for Argentine issuers shall not be adversely affected by other events. Neither may we assure that such occurrences shall not have a negative impact on the Notes’ market price. For instance, an increase in the interest rates in a developed country, as would be the case of the United States or a negative event in an emerging market may induce a significant flight of capitals from Argentina and reduce the Notes’ traded price.

USE OF PROCEEDS

We will apply the proceeds of the issuance of the Notes under this offering memorandum, which are U.S.\$500,000,000, less any expenses and fees in connection with this offering, in compliance with the requirements of Article 36 of the Negotiable Obligations Law, and other applicable Argentine regulations, (i) to invest in fixed assets in Argentina, (ii) as working capital in Argentina.

In particular, we will use the net proceeds of the offering to make the investments contemplated in our expansion, improvement, and maintenance plan (*Plan de Mejoras, Expansión y Mantenimiento de los Servicios* or “PMOEM”) as approved by the APLA Planning Agency (*Agencia de Planificación*) through Resolution No.24 dated August 20, 2015, as such plan may be amended, and investments needed for the correct development of those areas incorporated to our concession after the issuance of Decree No.304/06.

EXCHANGE RATES AND EXCHANGE CONTROLS

The Company publishes most of its economic indicators and other statistical data in pesos. For figures reflecting flows of peso amounts during a specified period, the average dollar-peso exchange rate for that period is used. For figures reflecting amounts as of a specific date, the exchange rate applicable on that date is used.

Since February 2002, the peso has floated against other currencies, although the *Banco Central de la República Argentina* (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 in relation to the U.S. dollar. In recent years and particularly since 2011, the Federal Government has increased controls on exchange rates and the transfer of funds into and out of Argentina.

After several years of variations in the nominal exchange rate, in 2012, there was a devaluation of approximately 14% of the peso against the U.S. dollar. This was followed by a further devaluation of the peso against the U.S. dollar of 33% in 2013 and 31% in 2014, which included a devaluation of approximately 24% in January 2014. In 2015, there was a devaluation of approximately 52% of the peso against the U.S. dollar, which included a devaluation of 10% from January 1, 2015 to September 30, 2015, and a 38% devaluation in the last quarter of 2015, which was mainly experienced after December 16, 2015, as a consequence of a significant economic reform implemented by the new federal administration, and a 22% devaluation in 2016. See “Risk Factors—Risks Relating to Argentina- Government intervention in the Argentine economy could adversely affect the economy and our financial condition and results of operations.” and “Risk Factors—Risks Relating to Argentina- Exchange controls and restrictions on capital inflows and outflows could limit the availability of international credit, adversely affecting the Argentine economy, and, as a result, our financial condition and results of operations”.

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.

The table below sets forth nominal exchange rate figures:

Nominal Exchange Rates (pesos per U.S.\$)

	Exchange rates⁽¹⁾			
	High	Low	Average⁽²⁾	Period end
Year				
2013	6.518	4.923	5.479	6.518
2014	8.556	6.543	8.119	8.552
2015	13.763	8.554	9.269	13.005
2016	16.039	13.069	14.779	15.850
2017	18.830	15.174	16.566	18.774
Month				
July 2017.....	17.764	16.681	17.169	17.670
August 2017.....	17.783	17.058	17.416	17.365
September 2017.....	17.610	16.972	17.246	17.318
October 2017.....	17.677	17.431	17.453	17.671
November 2017.....	17.670	17.330	17.492	17.384
December 2017.....	18.830	17.260	17.700	18.774
January, through January 17	19.073	18.416	18.756	18.892

Notes:-

(1) Central Bank reference exchange rates (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 17, 2018, the Peso-Dollar reference exchange rate was Ps.18.892 to U.S.\$1.00.

Exchange Controls

With the tightening of exchange controls beginning in late 2011, in particular with the introduction of measures that allowed limited access to foreign currency by private companies and individuals (such as requiring authorization from tax authorities to access the foreign currency exchange market), the implied exchange rate, as reflected in the quotations for Argentine securities that trade in foreign markets, compared to the corresponding quotations in the local market, increased significantly over the official exchange rate. Most foreign exchange restrictions were lifted in December 2015, May 2016 and August 2016, reestablishing Argentine residents’ rights to purchase and remit outside of Argentina foreign currency with no maximum amount and without specific allocation or the need to obtain prior approval. As a result, since December 2015, the substantial spread between the official exchange rate and the implicit exchange rate derived from securities

transactions has substantially decreased. On December 30, 2016, the Central Bank further eased foreign exchange controls by eliminating the mandatory repatriation of proceeds from the export of services. On January 4, 2017, the Ministry of Treasury reduced to zero days the mandatory minimum stay period applicable to (i) the inflow of funds to the local foreign exchange market arising from certain foreign indebtedness and (ii) any entry of funds to the foreign exchange market by non-residents.

On May 19, 2017, the Central Bank issued Communication “A” 6244, which came into force on July 1, 2017, providing for certain new rules that will govern access to the MULC and that supersede previous rules on the matter. Communication “A” 6244 (as amended by Communication “A” 6312) has replaced all previous rules governing exchange transactions, the general exchange position and the provisions of Decree No. 616/05, while rules governing information and filing requirements were not replaced.

In addition, Communication “A” 6244 (as amended by Communication “A” 6312 and Communication “A” 6363) sets forth:

1. the principle of freedom of exchange. According to section 1.1 of this Communication, “all natural or legal persons, estates and other properties may freely trade in the exchange market”;
2. the maintenance of the obligation to enter into any exchange transaction through an entity authorized by the Central Bank (section 1.2);
3. the removal of time restrictions to trade in the MULC; and
4. the maintenance of the obligation of resident natural or legal persons to comply with the requirements of “Review of Debt Securities and External Liabilities Issued by the Financial Sector and the Non-Financial Private Sector” (Communication “A” 3602, as supplemented) and “Review of Direct Investments” (Communication “A” 4237, as supplemented), even if no funds had flowed into the exchange market and/or no access to such market is expected in the future with respect to reportable transactions.

By Decree No. 893/2017 (the “Decree”), published in the Official Gazette on November 2, 2017, the Federal Government repealed article 1 of Decree No. 2581/1964, article 10 of Decree No. 1555/1986 and Decree No. 1638/2001. This action eliminated the obligation of Argentine exporters to repatriate and settle for pesos in the Foreign Exchange Market (*Mercado Único y Libre de Cambios*) foreign currency proceeds derived from the export of goods.

For further information in relation to all previous and current exchange restrictions and controls investors should seek advice from their legal advisors and analyse the regulations of the Central Bank, Decree No. 616/2005, Resolution No. 365/2005 of the former Ministry of Economy and Production, Resolution No. 3/2015 of the former Ministry of Treasury and Public Finance, Communication “A” 6037, Communication “A” 6244, Communication “A” 6312, and the Foreign Exchange Criminal Regime (Law No. 19,359, as amended), as further supplemented and amended, available on the website of the Ministry of Justice and Human Rights (<http://www.infoleg.gov.ar>) or on the Central Bank’s website (<http://www.bcra.gov.ar>). None of the information contained on either such website is deemed to be incorporated by reference into this offering memorandum.

CAPITALIZATION

The table below sets forth our current and non-current financial liabilities, as well as our capitalization as of September 30, 2017, both on an actual basis and as adjusted to reflect the Notes offering and the application of the proceeds therefrom. This table should be read alongside with “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” of this offering memorandum.

	As of September 30, 2017			
	Actual	As Adjusted	Actual	As Adjusted
	(in millions of Ps.)		(in millions of U.S.\$) ⁽¹⁾	
Current financial liabilities.....	977.3	977.3	56.5	56.5
Non-current financial liabilities.....	2,179.1	2,179.1	125.9	125.9
Notes offered hereby ⁽²⁾	-	8,655.0	-	500.0
Total financial liabilities.....	3,156.4	11,811.4	182.3	682.3
Shareholders’ equity.....	37,231.1	37,231.1	2,150.8	2,150.8
Total capitalization⁽³⁾.....	40,387.5	49,042.5	2,333.2	2,833.2

Notes:-

- (1) U.S.\$1.00 = Ps.17.31, the selling rate published by Banco Nación on September 30, 2017.
- (2) U.S.\$500,000,000 principal amount of Notes. Fees and expenses in connection with this offering are approximately U.S.\$3.5 million.
- (3) Total capitalization represents total financial liabilities plus shareholders’ equity.

SELECTED FINANCIAL INFORMATION

The following tables present our summary financial information as of and for the periods indicated. Financial information as of and for the years ended December 31, 2016 and 2015 is derived from and should be read together with our Audited Annual Financial Statements included in this offering memorandum. We have not prepared any financial statement for any period or as of any date after December 31, 2016. However, we have included in this offering memorandum certain limited financial information for the nine months ended September 30, 2017 and 2016 but our independent auditors, Bértora, have not performed a limited review for such periods. The limited financial information set forth below was prepared based upon a number of assumptions, estimates and business decisions that are inherently subject to significant business and economic conditions and contingencies, many of which are beyond our control. This limited financial information is not meant to be a comprehensive statement of our unaudited financial results for these periods and our actual results may differ from these estimates.

Our financial statements and other financial information included in this offering memorandum, unless otherwise specified, are stated in Argentine pesos. The U.S. dollar amounts set forth below are conversions from the peso amounts, included solely for the convenience of the reader. These conversions should not be construed as representations that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated or at any other rate. See “Exchange Rates and Exchange Controls” for information regarding the rates of exchange between the peso and the U.S. dollar.

We prepare our financial statements pursuant to Argentine GAAP issued by the FACPCE and approved by the CPCECABA. For additional information regarding financial information presented in this offering memorandum, see “Presentation of Financial and Other Information.”

AySA’s Selected Financial Data

	As of and For Years ended December 31,		
	2016	2016	2015
	(in millions of U.S.\$) ⁽¹⁾	(in millions of Ps.)	
Statement of Income:			
Income from services	497.4	7,903.5	2,816.6
Operating expenses	(318.5)	(5,061.4)	(3,361.1)
Marketing expenses	(71.1)	(1,130.2)	(739.2)
Administrative expenses	(296.8)	(4,716.4)	(3,024.4)
Other operating income	(45.8)	(727.1)	(419.5)
Other Income (Expenses), net	(1.5)	(23.5)	11.7
Financial and holding results:			
From Assets	40.1	637.2	60.5
From Liabilities	(97.0)	(1,541.5)	(1,688.2)
Income before the Application of transfers from the National State	(293.2)	(4,659.4)	(6,343.7)
Application of transfers from the National State ⁽²⁾	320.5	5,092.2	3,000.0
Net income for the year	<u>27.2</u>	<u>432.8</u>	<u>(3,343.7)</u>

Balance sheet:

ASSETS

CURRENT ASSETS			
Cash and banks	63.8	1,013.7	107.4
Investments	88.8	1,411.6	2.5
Receivables from services	76.4	1,213.5	332.7
Other receivables	55.0	874.3	1,494.3
Tax credits	8.9	141.5	348.9
Other assets	22.9	363.6	283.7
Total current assets	<u>315.8</u>	<u>5,018.3</u>	<u>2,569.5</u>
NON-CURRENT ASSETS			
Receivables from services	10.7	169.5	119.1
Other receivables	36.5	580.5	444.9
Tax credits	188.4	2,993.9	2,432.3
Fixed assets	1,903.8	30,251.6	22,721.4
Intangible assets	13.3	210.7	180.8
Total non-current assets	<u>2,152.7</u>	<u>34,206.2</u>	<u>25,898.6</u>
TOTAL ASSETS	<u>2,468.5</u>	<u>39,224.5</u>	<u>28,468.0</u>
LIABILITIES			
CURRENT LIABILITIES			
Payables	204.7	3,251.9	3,733.7
Borrowings	73.3	1,165.1	1,202.2
Salaries and social security contributions	65.7	1,044.0	953.9
Tax liabilities	11.7	185.3	255.2
Other liabilities	9.7	154.2	26.6
Provisions	0.3	4.0	4.1
Total Current Liabilities	<u>365.3</u>	<u>5,804.5</u>	<u>6,175.6</u>
NON-CURRENT LIABILITIES			
Tax liabilities	0.5	8.5	4.3
Borrowings	153.4	2,436.8	2,499.1
Other liabilities	25.3	402.6	261.0
Other debts	2.1	33.8	34.2
Provisions	55.7	884.7	630.2
Total non-current liabilities	<u>237.0</u>	<u>3,766.3</u>	<u>3,428.7</u>
TOTAL LIABILITIES	<u>602.3</u>	<u>9,570.8</u>	<u>9,604.4</u>
SHAREHOLDERS' EQUITY (as per respective statement)			
Total Shareholders' Equity	<u>1,866.2</u>	<u>29,653.7</u>	<u>18,863.7</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2,468.5</u>	<u>39,224.5</u>	<u>28,468.0</u>

Notes:-

- (1) The figures expressed in U.S.\$ as of and for the year ended December 31, 2016 have been calculated using the exchange rate of Ps.15.89/U.S.\$1.00, which was the exchange rate published by Banco Nación for currency transfers on December 31, 2016.

- (2) Only includes current transfers and not capital transfers in an amount of Ps.10,844.8 million which are reflected in our shareholders' equity.

Statement of cash flow

	Years ended on December 31,		
	2016 (in millions of U.S.\$)	2016 (in millions of Ps.)	2015
Cash at the beginning of year ⁽¹⁾	6.9	109.9	970.0
Cash at year-end ⁽¹⁾	152.6	2,425.3	109.9
Net cash-flow used in operating activities	(338.6)	(5,380.0)	(4,978.8)
Net cash-flow used in investment activities	(512.4)	(8,142.3)	(5,596.1)
Net cash-flow generated by financing activities	996.7	15,837.7	9,714.8
Net cash increase (decrease)	145.7	2,315.4	(860.1)

Note:-

- (1) Includes cash and banks plus temporary investments.

Recent results (unaudited)

Income from Services

The following table presents a breakdown of our income from services for the nine-month periods ended September 30, 2017 and 2016:

	For the nine-month period ended September 30,			
	2017 (in millions of U.S.\$)	2017 (in millions of Ps.)	2016 (in millions of Ps.)	% Change
Non-metered service	263.6	4,563.7	2,945.7	54.9
Metered service	194.3	3,363.8	2,116.4	58.9
Debit/credit notes	(1.3)	(22.7)	(8.2)	176.8
Total General Accrued Sales	456.7	7,904.7	5,053.9	56.4
Special Services and Other Sales	8.2	141.3	86.3	63.7
Other charges	87.0	1,505.7	1,024.5	47.0
Accrued Sales	551.8	9,551.7	6,164.6	54.9
Effect Undersecretary of Water Resources Disposition No. 44/2011, as amended	(48.5)	(840.4)	(856.2)	1.8
Total	503.3	8,711.3	5,308.4	64.1

Federal Government Transfers

The following table shows a breakdown of transfers accrued from the Federal Government for the nine-month periods ended September 30, 2017 and September 30, 2016:

Nine-month period ended September	Transfers from the Federal Government			
	(in millions of U.S.\$)	Capital Transfers	Current Transfers	Total
2017 ⁽¹⁾	532.7	9,221.1	-	9,221.1
2016 ⁽²⁾	727.8	6,600.0	4,541.9	11,141.9

Note:-

(1) The figures expressed in U.S. dollar for the nine months ended September 30, 2017 have been calculated using the exchange rate of Ps.17.31/U.S.\$1.00 which was the exchange rate published by Banco Nación for currency transfers on September 30, 2017.

(2) The figures expressed in U.S. dollar for the nine months ended September 30, 2016 have been calculated using the exchange rate of Ps.15.31/U.S.\$1.00 which was the exchange rate published by Banco Nación for currency transfers on September 30, 2016.

Salaries

The following table sets out a breakdown of our salaries and social contributions for the nine-month periods ended September 30, 2017 and September 30, 2016:

Nine-month period ended September	(in millions of U.S.\$)	(in millions of Ps.)
2017 ⁽¹⁾	321.9	5,572.3
2016 ⁽²⁾	252.7	3,869.1

Note:-

(1) The figures expressed in U.S. dollar for the nine months ended September 30, 2017 have been calculated using the exchange rate of Ps.17.31/U.S.\$1.00 which was the exchange rate published by Banco Nación for currency transfers on September 30, 2017.

(2) The figures expressed in U.S. dollar for the nine months ended September 30, 2016 have been calculated using the exchange rate of Ps.15.31/U.S.\$1.00 which was the exchange rate published by Banco Nación for currency transfers on September 30, 2016.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis should be read in conjunction with our Financial Statements and the notes thereto included elsewhere in this offering memorandum and are based thereon. This discussion contains forward-looking statements that reflect our plans, estimates and opinions. Our actual results may differ materially from those discussed in the forward-looking statements. Those factors which might cause or contribute to these differences are those discussed below and elsewhere in this offering memorandum, especially in “Risk Factors”.

Overview

AySA was created by the Argentine Executive Branch pursuant to Decree No.304/2006 dated March 21, 2006, later ratified by the Argentine Congress pursuant to Law No. 26,100. AySA was created as a corporation subject to the laws and other regulations of Argentina, and holds an exclusive concession for the provision of drinking water and sewage services in the City of Buenos Aires and 25 districts or municipalities in the neighboring Greater Buenos Aires Area. We prepare our financial statements pursuant to Argentine GAAP issued by the FACPCE and approved by the CPCECABA. See “*Selected Financial Information*”.

Factors Affecting our Results of Operations

The Argentine Economy

All of our users are located in Argentina and all of our revenue derives from tariffs paid by our clients and transfers from the Federal Government. Therefore, our financial position and results of operations depend on the prevailing macroeconomic and political conditions in Argentina. For more information, see “Risk Factors – Risks Relating to Argentina”.

The following table presents information related to certain economic indicators for Argentina in the indicated years. For more information, see “Risk Factors—Risks Relating to Argentina — The credibility of several Argentine economic indexes has been called into question, which may lead to a lack of confidence in the Argentine economy and may in turn limit our ability to access the credit and capital markets”.

	For the year ended on December 31,	
	2016	2015
GDP (in billion Pesos at 2004 prices)	704.7	720.9
GDP Growth (Decrease) (*)	(2.3%)	2.4%
Unemployment Rate (**)	7.6%	9.4
CPI (% change) (***)	40.9%	26.9%
Primary fiscal balance (excludes interest) (as % of GDP)	(0.9)	(5.4)

Notes:-

(*) Data for 2015 was published by the INDEC on June 29, 2016.

(**) The labor report issued by the Observatorio de la Deuda Social Argentina of the Universidad Católica Argentina was used for 2015 while the INDEC measurement was used for 2016.

(***) Data for 2015 is the CPI from the Autonomous City of Buenos Aires, and data from 2016 is INDEC's CPI. See "Risk Factors- Risk Factors Relating to Argentina- Continuing high inflation may have a negative effect on the Argentine economy and on our financial performance".

In December 2015, recently inaugurated President Macri's administration declared the state of emergency in national statistics and ceased publishing macroeconomic information, while working in improving INDEC's technical and administrative structure and its credibility. On March 30, 2016, INDEC published preliminary GDP data for 2015, according to which real GDP had grown by 2.6% in such year. According to reviewed GDP calculations published by INDEC on June 24, 2016, which are the basis for the real GDP calculation for each year as from 2004, Argentina's GDP rose by 2.6% in 2015 and decreased by 2.3% in 2016.

On the other hand, the devaluation of the peso with regard to the U.S. dollar reached 52%, including a 10% devaluation from January 1, 2015 to September 30, 2015, and a 38% devaluation during the last quarter of the year, as a result of the elimination in December 2015 of a significant number of exchange controls adopted by the previous Federal administration. See "Risk Factors – Risks Relating to Argentina - Significant fluctuations in the value of the peso could negatively affect the Argentine economy and our financial performance". During the year ended on December 31, 2016, the peso devalued approximately 21.8% against the U.S. dollar.

The long-term evolution of the Argentine economy remains uncertain. While economic, political and social conditions have improved, the country still faces significant challenges, including the need to attract capital investments which would allow sustained growth and a reduction in inflationary levels, to address the energy production deficit faced by the country, to reduce the large public sector deficit and to reform its tax system. In light of these uncertainties, our future results of operations, liquidity and financial performance also remain uncertain.

Argentina has faced and continues to face inflationary pressures. From 2011 to 2015, inflation in Argentina increased, as measured by the CPI and Wholesale Price Index ("WPI"), which reflected a continuous growth in private consumption levels and the economic activity (including exports and public and private investments), which exerted a rising pressure on the demand for goods and services. According to INDEC data, the CPI grew by 9.5% in 2011, 10.8% in 2012 and 10.9% in 2013. The WPI increased by 12.7% in 2011, 13.1% in 2012, 14.8% in 2013 and 28.3% in 2014. In February 2014, INDEC published a new inflation index using a different methodology (CPI Nu) to measure the prices of goods in a country. See "Risk Factors – Risks Relating to Argentina – The credibility of several Argentine economic indexes has been called into question, which may lead to a lack of confidence in the Argentine economy and may in turn limit our ability to access the credit and capital markets". The annual change of the CPI during 2014 cannot be estimated due to the implementation of the new INDEC methodology. However, since December 2013, the Economic Policy Secretariat has published monthly CPI figures (using the new methodology). According to this information, the annual change of INDEC's CPI as of December 2014 was 23.9%. INDEC published no complete CPI data for 2015. During 2015, the CPI for the Autonomous City of Buenos Aires was 26.9% and for the Province of San Luis 31.6%.

On January 8, 2016, based on the fact that INDEC had not generated any reliable statistics, the Macri administration enacted Executive Decree No.55/2016 which declared the administrative emergency of the Argentine statistical system until December 31, 2016. After the declaration of emergency, INDEC ceased publishing statistical data until its technical and administrative structure was reorganized. During the implementation of these reforms, however, INDEC used official CPI figures and other statistics published by the Province of San Luis and the Autonomous City of Buenos Aires. According to the latest information published on data of the Autonomous City of Buenos Aires, the CPI grew by 26.6% in 2013, 38.0% in 2014, 26.9% in 2015 and 41.0% in 2016.

On June 15, 2016, INDEC resumed the publication of inflation rates which, from May to December, 2016 was 16.9%, using the new methodology to calculate the CPI. According to INDEC, the inflation for Greater Buenos Aires was 1.3% in January, 2.5% in February, 2.4% in March, 2.6% in April, 1.3% in May, 1.2% in June, 1.7% in July, 1.4% in August, 1.9% in September, 1.5% in October, 1.4% in November 2017 and 3.1%

in December 2017. As of the date of this offering memorandum, the Federal Government has not extended INDEC’s administrative emergency.

Origin and Mix of Income and Costs

Overview

We obtain our cash inflows related to the provision of drinking water and sewage services from two main sources: revenue derived from tariffs charged to our clients and non-refundable transfers that we receive from the Federal Government. We also receive income from the provision of special services such as interconnections and sales of bulk water. From 2014 to 2016, the number of clients grew by 0.2% from 3,193,267 to 3,246,770.

Income Derived from Tariffs

Income derived from tariffs charged in relation to the provision to clients of drinking water and sewage services is divided between metered and unmetered services. Approximately 14% of our clients are billed for our services on a metered basis, which represents approximately 41% of AySA’s revenues, i.e. water actually consumed, whereas the remaining clients are billed based on the district where they are located and the square footage of the premises to which the services are provided.

The Regulatory Framework under which we operate requires us to provide discounts to certain of our clients with respect to the level of approved tariffs for such clients. These discounts are not strictly matched by the transfers we receive from the Federal Government, which are independent of the level of discounts. For more information on the Regulatory Framework, see “Regulatory Framework and Tariffs” in this offering memorandum.

Over the course of the past two years, our tariffs have increased substantially and the Federal Government has amended the Regulatory Framework to reduce the level and scope of the discount we are required to provide to certain of our clients. We expect that our tariff revenue will continue increasing in 2018 as new clients are added to our concession area and tariff levels continue to increase.

The following table shows the changes to the tariff regime, the subsidies in the form of discounts to our clients and the value of the K coefficient, a major component of our tariff scheme since January 2018, during the years ended December 31, 2016 and 2015. For more information on the Regulatory Framework, see “Regulatory Framework and Tariffs” elsewhere in this offering memorandum.

Undersecretary of Water Resources Resolution	In effect as of	Applicable to	“K” Coefficient		Applicable Subsidy Discount		Total Increase (%)
			Value	Variation (%)	Discount (%)	Variation due to Reduction of Discount (%)	
No.4/2014	04/01/2014	Clients with no discounts	5.1138	37%	0%	0%	37%
		Prime zone clients	5.1138		5%	5%	408%
		Mid zone clients	5.1138		25%	25%	301%
		Low zone clients	5.1138		50%	50%	167%
No.62/2016	04/01/2016	Clients with no discounts	16.1937	217%	0%	0%	217%
		Clients zone users	16.1937		0%	0%	233%

		Mid zone Clients	16.1937		0%	0%	322%
		Low zone Clients	16.1937		25%	25%	375%
No.19/2017	05/03/2016	Clients with no discounts	19.9183	23%	0%	0%	23%
		Prime zone clients	19.9183		0%	0%	23%
		Mid income zone clients	19.9183		0%	0%	23%
		Low income zone clients	19.9183		25%	25%	23%

We have submitted to the Undersecretary of Water Resources a new tariff proposal which consists of a 23% increase, together with a program for phasing out the 25% subsidy discount to non-residential clients. Additionally, a rebalancing is planned between fixed and variable charges aimed at enhancing the care of the resource and improving the tariff structure. Such proposal, relating to the year 2017, has been discussed in public hearings, it was approved by Decree SSRH No. 19/2017, and is currently being implemented.

Transfers from the Federal Government

In the years ended December 31, 2016 and 2015, we received from the Federal Government a total of Ps. 15,937.1 million and Ps.8,808.1 million, respectively of non-refundable transfers. When “Capital Transfers” (i.e. transfers from the Federal Government to fund our capital expenditure program in the amount of Ps.2,544.8 million are excluded), during 2016 we received Ps.12,892.2 million from the Federal Government to fund our operating expenses. In addition, during 2016 we expected to receive a transfer from the Federal Government in the amount of Ps.500.0 million which we did not receive; however, we recorded such transfer in our financial statements as a receivable from the Federal Government. Those Ps.500.0 million have been received by us as of the date of this offering memorandum. See Notes 3.d and 14.b to our financial statements).

Between the commencement of our concession and December 31, 2016, we have accrued transfers from the Federal Government in the aggregate amount of Ps.54,818.5 million, of which, Ps.36,489.4 million corresponded to Capital Transfers and Ps.18,329.1 million to current transfers.

The following table shows a breakdown of transfers accrued from the Federal Government since the start of our concession:

Transfers from the Federal Government (In millions of pesos)			
Year	Capital Transfers	Current Transfers	Total
2006	25.0	-	25.0
2007	216.0	-	216.0
2008	655.0	300.0	955.0
2009	997.0	403.4	1,400.4
2010	1,258.6	780.0	2,038.6
2011	2,550.7	1,344.5	3,895.2
2012	3,778.9	1,691.4	5,470.3
2013	4,356.5	2,800.0	7,156.5
2014	5,998.8	2,917.6	8,916.4

2015	5,808.1	3,000.0	8,808.1
2016	10,844.8	5,092.2	15,937.1
Total	36,489.4	18,329.1	54,818.5

As capital transfers must be applied to (i) the acquisition and/or construction of assets to be used in connection with, and (ii) the provision of services pursuant to, our concession (and if not used, must be returned to the Federal Government), taking into account that as of the expiration of the concession term of such assets shall revert to the Federal Government free of charge, we decided to account for them as income in line when the depreciation of acquisition or construction costs of such assets takes place. Any unused balance, until applied to the applicable acquisition or construction, is accounted for as a reserve in our shareholders' equity.

In respect of current transfers, we account for them as a reserve in our shareholders' equity and reflecting them as revenue in the year in which the expenses for which such transfers were made are incurred.

Operation and Administrative Expenses

Our operation costs and marketing and administrative expenses mainly consist of: (i) salaries and social security contributions, (ii) repair works and maintenance of property, plant and equipment, (iii) consumption of chemical supplies, (iv) energy and fuel, and (v) taxes, rates and contributions.

Operation and administrative costs are the main components of these expenses and consist mainly of the costs incurred for drinking water distribution and commercialization and sewage disposal and those related to the increase of clients to whom our services are supplied. Our administrative costs increase as our number of users increases as many of our costs, such as our collection services, are linked to the number of users we reach. Likewise, our personnel costs tend to increase as our number of users grows, in particular as a consequence of the addition of new municipalities into our concession area.

Income Tax

Pursuant to Section 34 of the 2014 Federal Budget Law No. 26,895, we are exempted from both income tax and minimum presumed income tax.

In addition, pursuant to the same section 34 of the Federal Budget Law No. 26,895, we were released from the payment of our debt originated up to the effective date of the mentioned exemption, which became effective on January, 2014, in connection with income tax and minimum presumed income tax. Such release includes the principal, penalty interest, additional penalty interest, fines and other penalties in respect of such taxes, regardless of their status.

Inflation Effects

We have determined that, as of the date of this offering memorandum, the Argentine peso does not qualify as a currency of a hyperinflationary economy according to Argentine GAAP. In a hyperinflationary economy, financial information is adjusted by applying a general price index and expressed in the measuring unit (the hyperinflationary currency) current at the end of the reporting period. Therefore, the audited and the unaudited financial information for the periods ended December 31, 2016 and 2015, and September 30, 2017 and 2016, respectively, included herein were not restated in constant currency. During periods of high inflation such as those recently experienced by Argentina, salaries tend to fall in real terms and as result the Federal Government maintained a "freeze" on tariff increases in respect of the provision of public services such as those provided by us. Notwithstanding this, the Federal Government granted substantial salary increases to its employees and encouraged the private sector to grant similar increases, in many instances above the rate of recorded inflation. As salaries comprise approximately 45% of our current expenses, such salary increases combined with other costs that follow inflation that have not been matched by tariff increases resulted in substantial operating losses that had to be covered by Federal Government transfers. Argentine inflation could therefore affect the comparability of the different periods presented herein. Furthermore, we cannot give any assurance that the greater costs generated by inflation will be offset in the future in whole or in part with increases in our tariffs for the provision of drinking water and sewage services.

Exchange Rates

Our functional and presentation currency is the peso. Any significant devaluation of the peso, such as the ones registered in early 2014 and in December 2015, generates an increase in the cost of servicing our foreign currency denominated debt and certain operation costs (i.e., in respect on imported inputs), and as a result have an adverse effect on our results. See “Risk Factors – Risks Relating to Argentina - Significant fluctuations in the value of the peso could negatively affect the Argentine economy and our financial performance”.

The devaluation of the peso had a negative impact on our U.S. dollar denominated debt and on our results of operations, as all of our revenues are denominated in pesos. Exchange rate differences decreased from Ps.(1,362.7) million for the year ended December 31, 2015 to Ps.(1,115.9) million for the year ended December 31, 2016. Such decrease was due to the smaller impact of the devaluation during the year ended December 31, 2016 compared to the devaluation during the year ended December 31, 2015.

Total Active Relations with Customers and Customer Base Reduction

Pursuant to the Regulatory Framework, tariffs must be aimed to achieve universality of service, i.e. that all inhabitants within our concession area have access to drinking water and sewage services. In accordance, our business strategy is focused on increasing our user numbers in order to reach all inhabitants within the concession area. For more information on the Regulatory Framework, see “Regulatory Framework and Tariffs” in this offering memorandum. Our total user base was of approximately 3.2 million as of December 31, 2016 and approximately 3.7 million as of December 31, 2017.

Key Business Measures

Average Income per Client

Our results of operations are substantially dependent on the level of our tariffs. According to the tariff structure contemplated in the Regulatory Framework and in the Binding Instrument users are classified by category (residential, non-residential and vacant lot). The average bi-monthly invoice per client increased from Ps.148.04 in December 2015, to Ps.548.93 in December 2016 and to Ps.634.79 in September, 2017.

Key Accounting Policies

This discussion and analysis of our financial condition and results of operations is based upon our audited financial statements, which have been prepared pursuant to Argentine GAAP issued by the FACPCE, and approved by the CPCECABA. The preparation of our audited financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities.

Key accounting policies are those that reflect significant judgments, estimates or uncertainties and could potentially lead to materially different results under different assumptions and conditions. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond our control. Such changes are reflected in the assumptions when they occur. Therefore, actual results may differ from these estimates under different assumptions or conditions. These assumptions are reviewed at the end of each reporting period.

We have described below what we believe are our most critical accounting policies that involve a high degree of judgment and/or estimates and the methods of their application. For more information on the accounting policies and the methods used in the preparation of the audited financial statements, see our audited financial statements included elsewhere herein.

Allowance for Doubtful accounts and Invoice Adjustments

Our allowance for doubtful accounts and invoice adjustments account are reviewed on a monthly basis to estimate losses derived from the lack of payment by our clients.

While we have improved collection rates since the commencement of the concession, a provision has been created to regularize and adjust the valuation of income from services. All past-due receivables over two years are fully reserved (except for users belonging to federal, provincial or local government).

Value added tax credits

We measure our valued added tax credits at its present value considering its estimated future application taking into account estimated future tariff increases discounted at market interest rates.

Capital transfers from Federal Government

As capital transfers must be applied to the acquisition and/or construction of assets to be used to the provision of services under our concession (and if not used, must be returned to the Federal Government), taking into account that as of the expiration of the concession term the holding of such assets shall revert to the Federal Government free of charge, we decided to account for them as income in line when the depreciation of the acquisition or construction costs of said assets takes place. Any unused balance, until applied to the applicable depreciation of the acquisition or construction costs, is accounted for as a reserve in our shareholders' equity.

Provisions for Contingencies

In the ordinary course of our business, we are involved in legal, tax and administrative conflicts, in addition to other contingent risks and/or matters related to the interpretation of applicable laws and regulations that are contingent on the occurrence or non- occurrence of one or more future events. The outcome of these claims may have a material impact on our financial condition and results of operations. Factors taken into account for the calculation of such provision for contingencies are based on estimated amounts according to the likelihood of their occurrence. If, on evaluating the contingency there is a likelihood of a loss and the amount may be estimated, it is accounted for as a liability in the provisions item, based on the best possible estimate of the amount payable. If the potential loss is not likely but is reasonably possible, or is likely but its amount may not be estimated, the nature of the contingent liability and an estimate of the likelihood of occurrence are included in as a note to the financial statements. Contingencies deemed to be remote are not included in our financial statements, unless guarantees are involved. To estimate our contingences, we take into account the opinion and the information supplied by our legal, human resources and risk management divisions. Due to the uncertain nature of these matters, these estimates change as available information becomes available and might result in substantial changes in our financial statements for future periods. As of December 31, 2016, we had a provision of Ps.888.7 million for pending claims.

Depreciation of Fixed Assets and Intangible Assets

Depreciation of these assets is calculated by the straight-line method, based on the estimated useful life of each homogeneous group. Such homogeneous groups' useful life may exceed the concession term given that the assets must return to our main shareholder, the Federal Government (see "Regulatory Framework").

Results of Operations

Year ended December 31, 2016 as compared to the year ended December 31, 2015

Income from Services

The following table presents a breakdown of our income from services for the years ended December 31, 2016 and 2015:

For the year ended December 31,		
2016	2015	% Change
(in millions of pesos)		

Non-metered service	4,355.3	1,879.7	131.7%
Metered service	3,073.1	1,265.1	142.9%
Debit/credit notes	(17.1)	(4.4)	288.6%
Total general accrued sales	7,411.3	3,140.4	136.0%
Special services and other sales	131.4	50.1	162.3%
Other charges ⁽¹⁾	1,487.2	718.9	106.9%
Accrued Sales	9,029.9	3,909.4	131.0%
Effect Undersecretary of Water Resources Disposition No. 44/2011, as amended ⁽²⁾	(1,126.4)	(1,092.8)	3.1%
Total	7,903.5	2,816.6	180.6%

Notes:-

(1) Includes non-regulated income (laboratory analysis) for Ps.0.4 million and Ps.0.6 million respectively

(2) Undersecretary of Water Resources Disposition No. 44/2011 fixed the “K” coefficient at 3.7331 and eliminated certain subsidies passed on to our clients.

Our income from services increased by 180.6% from Ps.2,816.6 million in the year ended December 31, 2015 to Ps.7,903.5 million in the year ended December 31, 2016, including non-metered and metered services, mainly as a result of the increase in the tariff structure as from January 1, 2016.

Income from non-metered services increased by 131.7% from Ps.1,879.7 million in the year ended December 31, 2015 to Ps.4,355.3 million in the year ended December 31, 2016. Such increase was due to an increase in tariffs during the year 2016, a decrease in subsidies and a larger user base.

Income from metered services increased by 142.9% from Ps.1,265.1 million in the year ended December 31, 2015 to Ps.3,073.1 million in the year ended December 31, 2016. Such increase was due to an increase in tariffs during the year 2016, a decrease in subsidies and a larger user base.

Losses from debit/credit notes increased by 288.6% from Ps.4.4 million in the year ended December 31, 2015 to Ps.17.1 million in the year ended December 31, 2016. Such increase was due to an increase in tariffs during the year 2016 and a decrease in subsidies which resulted in a higher number of claims by our clients, whose incentives to file claims increase as tariffs increase and subsidies are reduced.

Special services and other sales increased by 162.3% from Ps.50.1 million in the year ended December 31, 2015 to Ps.131.4 million in the year ended December 31, 2016. Such increase was due to an increase in tariffs pursuant to Disposition No. 62/2016 of the Undersecretary of Water Resources.

Other charges increased 106.9% from Ps.718.9 million in the year ended December 31, 2015 to Ps.1,487.2 million in the year ended December 31, 2016. Such charges are mainly composed of the “*Aporte Universal Diario*,” a fixed fee charged to every client, and charges invoiced to clients who do not provide the required information in connection with the ownership of the premises where they live.

As a result of the above, accrued sales increased by 131.0% from Ps.3,909.4 million in the year ended December 31, 2015 to Ps.9,029.9 million in the year ended December 31, 2016.

Losses from the effect of Resolution No.44/2011 of the Undersecretary of Water Resources increased by 3.1% from Ps.1,092.8 million in the year ended December 31, 2015 to Ps.1,126.4 million in the year ended December 31, 2016. Such change was due to the discounts we are required to grant to certain of our customers which despite a reduction in 2016 more than offset the revenue resulting from higher tariffs. These discounts applied to, among others, religious institutions, firefighters and others, and the reimbursement of certain amounts to La Matanza district users as a result of an injunction.

Federal Government Transfers

Transfers from the Federal Government in the year ended December 31, 2016 were made in accordance with the 2016 budget law and included transfers for current expenditure of Ps.5,092.2 million and transfers for capital expenditures of Ps.8,300 million.

In addition, the Federal Government assigned to us the proceeds from loans from multilateral credit agencies where the Federal Government is the sole borrower and remains responsible for the servicing and repayment of such loans in the amount of Ps.2,544.8 million. These include proceeds from loans from Inter-American Development Bank Loans (2048/OC-AR) and (2613/OC-AR), the Andean Development Corporation Loans (CFA-8083), (CFA-8591), (CFA-9301), and (Program 44): and the World Bank (7706-AR) and are included by us as revenue.

Operating Expenses, Marketing and Administrative Expenses

In 2016, our operating expenses, marketing and administrative expenses were mainly composed of (i): salaries and social security contributions, (ii) repair works and maintenance of property, plant and equipment, (iii) consumption of chemical supplies, (iv) energy and fuels, and (v) taxes, rates and contributions. Our operating cost, marketing and administrative expenses increased by 54.8%, from Ps.7,532.5 million in the year ended December 31, 2015 to Ps.11,658.6 million in the year ended December 31, 2016.

Operating expenses increased by 50.6% from Ps.3,361.1 million in the year ended December 31, 2015 to Ps.5,061.4 million in the year ended December 31, 2016. This increase was mainly due to the increase in salaries and social security contributions as a result of salary increases in line with inflation and the increase in the number of our employees, to the increase in energy and fuels costs and higher consumption of chemical supplies.

Marketing expenses increased by 52.9% from Ps.739.2 million in the year ended December 31, 2015 to Ps.1,130.2 million in the year ended December 31, 2016. This increase was due to the increase in salaries and social security contributions of employees in charge of collection and customer service in line with inflation and the increase in the number of such employees which was a result of the extension of our concession area and inclusion of workers previously engaged by concessionaires in the areas we took over from them. In addition, the provision for doubtful debts and invoice adjustments increased due to the tariff adjustments as the number of non-paying clients increases when tariffs are raised, as does the size of the delinquent invoices.

Administrative expenses increased by 55.9% from Ps.3,024.4 million in the year ended December 31, 2015, to Ps.4,716.4 million in the year ended December 31, 2016. This was due to: (i) increase in salaries and social security contributions; (ii) increase in repair works and maintenance of property, plant and equipment; (iii) taxes, rates and contributions; and (iv) third parties' works and services.

The following table sets out a breakdown of our operating, marketing and administrative expenses for the years ended December 31, 2016 and 2015:

	For the year ended December 31,		
	2016	2015	% Change
	(in millions of pesos)		
Salaries and social security contributions	5,289.8	3,626.9	45.9
Depreciation of fixed assets	539.5	379.3	42.2
Application of transfers from the Federal Government and trust depreciation ⁽¹⁾	(488.1)	(369.1)	32.2
Amortization of intangible assets	42.7	32.6	31.1
Repair works and maintenance of fixed assets ⁽²⁾	1,467.9	1,050.1	39.8
Energy and fuels	806.7	392.9	105.3

For the year ended December 31,			
	2016	2015	% Change
(in millions of pesos)			
Consumption of chemical supplies	906.5	653.0	38.8
Fees and remuneration for services	120.7	90.8	32.8
Remuneration for directors and auditors	16.8	2.2	652.4
Provision for contingencies	268.7	183.9	46.1
Provision for write-down of materials	0.3	10.6	(97.0)
Advertising and external institutional communication	50.6	121.9	(58.5)
Bank commissions for collections	42.0	24.6	70.9
Third parties' works and services	534.6	408.5	30.9
Rents	264.7	82.6	220.4
Taxes, rates and contributions	803.4	389.4	106.3
Distribution and correspondence	76.8	49.6	54.8
Communications	27.0	14.1	91.2
Reward for retiring personnel	381.6	203.9	87.2
Provision for doubtful debts and invoice adjustments	326.0	103.0	216.6
Other supplies	53.5	33.9	58.1
Other net (income) expense	23.6	(11.6)	(303.3)
Other expenses	103.2	59.5	73.7
Total	<u>11,658.6</u>	<u>7,532.5</u>	<u>54.8</u>

Notes:-

(1) Includes depreciation of certain works and assets undertaken and held through a trust (terminated on April 23, 2014) in an amount of Ps.0.4million and Ps.0.4 million for the years ended December 31, 2016 and 2015, respectively.

(2) Includes consumption of materials for Ps.64.5 million and Ps.41.8 million, for the years ended on December 31, 2016 and 2015, respectively.

Expenses for salaries and social security contributions increased by 45.9% to Ps.5,289.8 million in the year ended December 31, 2016, from Ps.3,626.9 million in the year ended December 31, 2015. This increase was mainly due to salary increases which were in line with inflation rates for the applicable periods and to a headcount increase. Overall, salaries subject to collective bargaining increased by 32.7% during the year ended December 31, 2016 compared to an inflation as measured by INDEC of 39.7%. Headcount increase responded to the expansion into new areas of the concession, including the addition of workers previously engaged by the previous concessionaires in such areas.

Depreciation of fixed assets increased by 42.2% from Ps.379.3 million in the year ended December 31, 2015 to Ps.539.5 million in the year ended December 31, 2016. This increase was mainly due to additions of property, plant and equipment as a result of our investment plan.

Amortization of intangible assets increased by 31.1%, to Ps.42.7 million in the year ended December 31, 2016, from Ps.32.6 million in the year ended December 31, 2015. This increase was due to the addition of intangible assets.

Repair works and maintenance of fixed assets increased by 39.8%, from Ps.1,050.1 million in the year ended December 31, 2015 to Ps.1,467.9 million in the year ended December 31, 2016. This was due to a greater activity and to an increase in prices in line with inflation. Energy and fuels increased by 105.3%, from Ps.392.9 million in 2015 to Ps.806.7 million in 2016. This increase was mainly due to the increase in the cost of electricity as well as of fuels.

Our consumption of chemical supplies increased by 38.8%, to Ps.906.5 million in the year ended December 31, 2016, from Ps.653.0 million in the year ended December 31, 2015, mainly due to cost of such supplies being denominated in U.S. dollars, which appreciated against the peso during the year.

Fees and compensations for services received by us from third parties increased by 32.8%, from Ps.90.8 million in the year ended December 31, 2015 to Ps.120.7 million in the year ended December 31, 2016. This increase was mainly due to higher amounts paid to suppliers for those services, as a result of inflation.

Remuneration for directors and auditors increased by 652.4%, from Ps.2.2 million in 2015 to Ps.16.8 million in 2016. This increase was mainly due to higher amounts paid to our directors and auditors for performance of their duties, the reasons for such higher amounts being that during the year ended December 31, 2015 we had only three regular board members (two of which waived their compensations as board members) compared to five board members during the year ended December 31, 2016, all of which received compensation for their services.

The provision for contingencies increased by 46.1%, from Ps.183.9 million in the year ended December 31, 2015 to Ps.268.7 million in the year ended December 31, 2016. This increase resulted from threatened claims and/or legal proceedings and other contingent risks and/or matters related to the interpretation of the applicable law as assessed by our legal advisors.

The provision for write-downs of materials decreased by 97%, from Ps.10.6 million in 2015 to Ps.0.3 million in 2016. This decrease was due to a reversal of inventory.

Advertising and external institutional communication expenses decreased by 58.5%, from Ps.121.9 million in the year ended December 31, 2015 to Ps.50.6 million in the year ended December 31, 2016. Such decrease was due to the discontinuation of advertising programs.

Bank commissions for collections increased by 70.9%, from Ps.24.6 million in 2015 to Ps.42.0 million in 2016. This increase was due to the increases in the amount of revenue collected.

Third parties' works and services increased by 30.9%, from Ps.408.5 million in 2015 to Ps.534.6 million in 2016. Such increase was mainly due to the increase in prices and activity level.

Rents increased by 220.4%, from Ps.82.6 million in 2015 to Ps.264.7 million in 2016 due to the renewal and regularization of major lease agreements we are party to.

Taxes, Rates and contributions (i.e. gross income tax, and taxes on debits and credits) increased by 106.3%, from Ps.389.4 million in the year ended December 31, 2015 to Ps.803.4 million in the year ended December 31, 2016. This increase was due to the increase in the tax base, as our revenue from both tariffs and federal government transfers increased. Distribution and correspondence costs increased by 54.8% from Ps.49.6 million in 2015 to Ps.76.8 million in 2016. This increase was due to the increase in prices and the number of clients. Communication costs increased by 91.2%, from Ps.14.1 million in 2015 to Ps.27.0 million in 2016. This increase was due to the regularization of contracts and price increases in line with inflation.

The cost of the reward to employees eligible for retirement which is given as a benefit to retiring employees, increased by 87.2% from Ps.203.9 million in 2015 to Ps.381.6 million in 2016. This increase was

due to salary increases, new hires and to the introduction of a new bonus for length of service in the collective bargaining agreement.

The provision for doubtful debts and invoice adjustments increased by 216.6% from Ps.103.0 million in 2015 to Ps.326.0 million in 2016. This increase was due to the tariff increase as we estimate that increases in tariffs such as those that came into force in the past two years tend to be coupled with an increase in the number of non-paying clients, plus those clients who were already delinquent in payment are even less likely to re-start paying after the tariff increase.

The cost of other supplies increased by 58.1%, from Ps.33.9 million in 2015 to Ps.53.5 million in 2016. This increase was due to price increases. The 73.7% change in other expenses from Ps.59.5 million in 2015 to Ps.103.2 million in 2016 was due to increase in prices and activity level.

Financial and Holding Results

In the year ended December 31, 2016, we recorded a net financial loss of Ps.904.3 million, as compared to a net financial loss of Ps.1,627.8 million in 2015. This decrease was mainly due to a reduction of the balance of foreign currency denominated debt outstanding (i.e., the BNDES loan) and higher interest charged to clients in connection with delinquent invoices due to the increase in tariffs.

Income before the application of transfers from the Federal Government

In the year ended December 31, 2016, the loss before the application of transfers from the Federal Government amounted to Ps.4,659.4 million, as compared to Ps.6,343.7 million in the year ended December 31, 2015. This decrease was mainly due to the impact of the tariff increase which grew at a higher percentage than our costs.

Application of Transfers from the Federal Government

In the year ended December 31, 2016, the application of transfers from the Federal Government for current expenses amounted to Ps.5,092.2 million, as compared to Ps.3,000 million in the year ended December 31, 2015. Transfers from the Federal Government for current expenditures are non-refundable.

Net Income (Loss) for the Year

For the reasons stated above, we recorded net income of Ps.432.8 million in the year ended December 31, 2016 as compared to a Ps.3,343.7 million loss recorded in the year ended December 31, 2015.

Source and Use of Funds

The following table shows our cash flow movements for the years ended December 31, 2016 and 2015:

	For the year Ended December 31,	
	2016	2015
	(In millions of pesos)	
Cash at beginning of year ⁽¹⁾	109.9	970.0
Cash at year end ⁽¹⁾	2,425.3	109.9
Net cash flow generated by (used in) operating activities	(5,380.0)	(4,978.8)
Net cash flow generated by (used in) investment activities	(8,142.3)	(5,596.1)
Net cash flow generated by (used in) financing activities	15,837.7	9,714.8
Net cash increase (decrease)	2,315.4	(860.1)

Note:-

(1) Includes cash and Banks plus temporary investments.

Net cash increase

During the years ended December 31, 2016 and 2015, funds originating in operations amounted to a Ps.2,315.4 million inflow and a Ps.(860.1) million outflow, respectively. This reversal was mainly due to the increase in revenue during such years, mainly resulting from tariff and federal government transfer increases.

Net cash flow generated by (used in) Operating Activities

During the year ended December 31, 2016, funds used in operating activities increased from Ps. (4,978.8) million registered in the year ended December 31, 2015 to Ps.(5,380.0) million, mainly due to an increase of net expenses.

Net cash flow generated by (used in) Investment Activities

During the year ended December 31, 2016, funds used in investment activities increased by 45.5% as compared to 2015 from Ps. (5,596.1) million to Ps. (8,142.3) million as we substantially stepped up our investment program..

Net cash flow generated by (used in) financing activities

Net cash flow generated by (used in) financing activities increased to Ps.15,837.7 million during the year ended December 31, 2016, mainly due to transfers from the Federal Government amounting to Ps.15,937.1 million for capital expenditures and financing of works. The amounts used for works financing are not reimbursable.

Net cash flow generated by (used in) financing activities amounted to Ps.9,714.8 million during the year ended December 31, 2015, mainly due to the transfers from the Federal Government and assignment by the Federal Government of proceeds from multilateral loans which amounted to Ps.8,808.1 million.

Recent results (unaudited)

We have not prepared any financial statement for any period or as of any date after December 31, 2016. However, we have included in this offering memorandum certain limited financial information for the nine months ended September 30, 2017 and 2016 but our independent auditors, Bértora, have not performed a limited review for such periods. The information set forth below was prepared based upon a number of assumptions, estimates and business decisions that are inherently subject to significant business and economic conditions and contingencies, many of which are beyond our control. This limited financial information is not meant to be a comprehensive statement of our unaudited financial results for these periods and our actual results may differ from these estimates.

Sources of Financing

We have historically relied on income from tariffs, transfers from the Federal Government and, to a more limited extent, third party financing as sources of funds. The following table shows our income derived from tariffs and transfers received from the Federal Government during the years ended December 31, 2016 and 2015.

	For the year ended December 31,	
	2016	2015
	(In millions of Ps.)	
Income from services	7,903.5	2,816.6
Transfers from the Federal Government ⁽¹⁾	15,937.1	8,808.1

Note:-

(1) Includes capital and current transfers.

Debt

As of December 31, 2016, our outstanding debt amounted to Ps.3,601.9 million. The following table sets out a breakdown of our debt as of December 31, 2016

Loans:	(In millions of Ps.)
Current:	
ANSES Loan	164.9
BNDES Loan	1,000.2
<i>Subtotal</i>	<u>1,165.1</u>
Non Current:	
ANSES Loan	167.2
BNDES Loan	2,269.6
<i>Subtotal</i>	<u>2,436.8</u>
TOTAL	<u>3,601.9</u>

ANSES Loan

On December 3, 2007, we and the ANSES entered into a loan agreement for Ps.890 million to be used for works in the Paraná de las Palmas and Berazategui purifying plants. The loan is denominated in pesos, has a maturity of 10 years with a 2-year grace period for principal and bears interest at the BADLAR rate plus 300 basis points per year. The ANSES loan is secured by a portion of our receivables generated in connection with payments made by American Express credit cards. Pursuant to the terms of such loan, one sixth of all invoices paid using American Express cards is deposited into an account to be utilized for the payment of principal, and two business days prior to any interest payment date the full interest service amount due on such interest payment date must be deposited in the interest payment account. With respect to payments of interest, at the beginning of each interest period, we must inform the collateral agent under the agreement the amounts collected through American Express cards to be withheld by such agent, provided that two business days prior to any interest payment date the full interest service amount due on such interest payment date must be deposited in the interest payment account. All sums collected through American Express cards in excess of the amounts described above are released to us.

On January 7, 2008 ANSES made a first disbursement of Ps.590 million into an escrow account pending our fulfilment of certain conditions precedent. While in escrow, the borrowed disbursement accrued no interest. Funds were deposited in a specific account with Banco Nación and interest was capitalized from time to time, therefore the aggregate amount of the first tranche once the funds were made available amounted to Ps.624 million.

On August 21, 2008, the former Ministry of Federal Planning, Public Investment and Services approved through Resolution No. 776 the loan agreement entered into by ANSES and us.

On September 26, 2008, ANSES informed Banco Nación through a note that AySA had met the conditions precedent for the release of the funds under the loan agreement.

On April 7, 2009, ANSES made a second disbursement of Ps.266 million, which was deposited in the trust account, thus completing the Ps 890 million of the credit line.

By the end of 2010 all funds disbursed by ANSES had been used.

The financing debt balance as of December 31, 2016 amounted to Ps. 332 million, including accrued interest.

During 2016 Ps.265 million were paid as debt service under this loan agreement, with transfers from the Federal Government, Ps.146 million of which were for principal and Ps.119 million for interest.

BNDES Loan

In 2008, we entered into a loan agreement with BNDES, Brazil's development bank. The following are the main terms of the loan agreement:

- (1) Aggregate amount of up to U.S.\$370 million for the financing of the construction of the Parana de las Palmas and Berazategui purifying plants).
- (2) Currency: US dollars.
- (3) Interest rate: 5 year LIBOR plus 259 basis points margin per year.
- (4) Export credit insurance: 1.6% on each disbursement.
- (5) Maturity: 12 years plus a grace period for principal equal to the works execution term.

This financing falls within the framework of the Agreement on Reciprocal Payments and Loans entered into by Argentina and Brazil (CCR) which allows for reciprocal set-offs between Argentina's and Brazil's central banks of payments made in export and import transactions. Pursuant to such system exporters get paid by their commercial banks upon presentment of the respective bill of lading and the exporter's commercial bank gets in turn paid by the respective country's central bank who in turn gets paid by the importer's central bank who collects from the importer's commercial bank, who finally collects from the importer.

During 2016 service of BNDES debt, including principal, interest and Banco Nación expenses amounted to Ps.950 million, financed through transfers from the Federal Government, with the outstanding amount of principal and interest amounting to Ps.3,269.8 million as of December 31, 2016.

The following table shows the principal amortization schedule for the ANSES and BNDES loans as of December 31, 2016:

	Year ending December 31			
	2017	2018	2019	2020-2022
	(in millions of pesos)			
ANSES ⁽¹⁾⁽²⁾	146	146	21	-
BNDES ⁽¹⁾⁽³⁾	39	39	39	65

Notes:-

- (1) The table above does not include interest payments under the loans.
- (2) Denominated in millions of pesos.
- (3) Denominated in millions of U.S. dollars.

Financing through Multilateral Loan Agencies

The Federal Government, our main shareholder, has assigned to us the proceeds from certain loans it has entered into with multilateral loan agencies, such as the InterAmerican Development Bank, Andean Development Corporation, and the World Bank. All payments under such loans are made by and are the responsibility of the Federal Government.

Income from Services

The following table presents a breakdown of our income from services for the nine-month periods ended September 30, 2017 and 2016:

	For the nine-month period ended September 30,		
	2017	2016	% Change
	(in millions of pesos)		
Non-metered service	4,563.7	2,945.7	54.9
Metered service	3,363.8	2,116.4	58.9

Debit/credit notes	(22.7)	(8.2)	176.8
Total General Accrued Sales	7,904.7	5,053.9	56.4
Special Services and Other Sales	141.3	86.3	63.7
Other charges	1,505.7	1,024.5	47.0
Accrued Sales	9,551.7	6,164.6	54.9
Effect Undersecretary of Water Resources Disposition No. 44/2011, as amended	(840.4)	(856.2)	1.8
Total	8,711.3	5,308.4	64.1

Our income from services increased by 64.1% from Ps.5,308.4 million for the nine-month period ended September 30, 2016 to Ps.8,711.3 million for the nine-month period ended September 30, 2017, including non-metered and metered services, mainly as a result of the increase in the tariff structure by 216.6% as of April, 2016 and 23% as of May, 2017.

Income from non-metered services increased by 54.9% from Ps.2,945.7 million for the nine-month period ended September 30, 2016 million to Ps.4,563.7 million for the nine-month period ended September 30, 2017. Such increase was due to the increase in tariffs, a decrease in subsidies and a larger user base.

Income from metered services increased by 58.9% from Ps.2,116.4 million for the nine-month period ended September 30, 2016 to Ps.3,363.8 million for the nine-month period ended September 30, 2017. Such increase was due to the increase in tariffs, a decrease in subsidies and a larger user base.

Losses from debit/credit notes increased by 176.8% from Ps.8.2 million for the nine-month period ended September 30, 2016 to Ps.22.7 million for the nine-month period ended September 30, 2017. Such increase was due to an increase in tariffs during the nine-month period ended September 30, 2017 and a decrease in subsidies which resulted in a higher number of claims by our clients, whose incentives to file claims increase as tariffs increase and subsidies are reduced.

Special services and other sales increased by 63.7% from Ps.86.3 million for the nine-month period ended September 30, 2016 to Ps.141.3 million for the nine-month period ended September 30, 2017. Such increase was due to the impact of the increase in prices pursuant to Resolution No. 62/2016 of the Undersecretary of Water Resources.

Other charges increased by 47% from Ps.1,024.5 million for the nine-month period ended September 30, 2016 to Ps.1,505.7 million for the nine-month period ended September 30, 2017. Such charges are mainly composed by: the “*Aporte Universal Diario*” (a fixed fee charged to every user) and charges invoiced to clients who do not provide the required information in connection with the ownership of the premises where they live.

Accrued sales increased by 54.9% from Ps.6,164.6 million for the nine-month period ended September 30, 2016 to Ps.9,551.7 million for the nine-month period ended September 30, 2017. Such increase was due to the reasons explained above.

Losses from the effect of Resolution No.44/2011 of the Undersecretary of Water Resources decreased by 1.8% from Ps.856.2 million for the nine-month period ended September 30, 2016 to Ps.840.4 million for the nine-month period ended September 30, 2017. Such change was due to the discounts we are required to grant to certain of our customers, such as religious institutions, firefighters and others and reimbursement of certain amounts to La Matanza district clients as a result of an injunction.

The following table shows a breakdown of transfers accrued from the Federal Government for the nine-month periods ended September 30, 2017 and September 30, 2016:

Transfers from the Federal Government
(In millions of pesos)

Nine-month period ended September	Capital Transfers	Current Transfers	Total
2016	6,600.0	4,541.9	11,141.9
2017	9,221.1	-	9,221.1

Capital transfers received from the Federal Government increased by 39.7% from Ps.6,600.0 million for the nine-month period ended September 30, 2016 million to Ps.9,221.1 million for the nine-month period ended September 30, 2017. Such increase was due to an increase in inflation which required the Federal Government to increase its transfers to us in order to reach the same outcome, in real terms, as it did during the previous period, and due to higher levels of investment.

Current transfers received from the Federal Government decreased from Ps.4,541.9 million for the nine-month period ended September 30, 2016 million to none for the nine-month period ended September 30, 2017. Such elimination of current transfers was the result of the increase in tariffs and a reduction in the level of subsidies that we grant to our users.

Salaries and Social Contributions

Salaries and social security contributions increased by 44% to Ps.5,572.3 million for the nine-month period ended September 30, 2017, from Ps.3,869.1 million for the nine-month period ended September 30, 2016. This increase was mainly due to salary increases which were in line with inflation rates for the applicable periods and to a headcount increase. Headcount increase responds to the expansion into new areas of our concession, including the incorporation of workers previously engaged by the previous concessionaires in such areas.

Loans and Financings

The amount owed under the ANSES loan decreased from Ps.353.4 million at September 30, 2016 to Ps.198.1 million at September 30, 2017 due to re-payments of capital. The principal amount owed under our BNDES loan decreased from Ps.3,880.4 million at September 30, 2016 to Ps.2,958.3 million at September 30, 2017 due to re-payments of capital that more than offset the effect of devaluation as this loan is denominated in U.S. dollars.

BUSINESS

Overview

AySA has the exclusive concession for the provision of drinking water and sewage services in the City of Buenos Aires and 25 districts in the Greater Buenos Aires Area in Argentina.

Our History

The beginning of our concession dates back to 1912 when Obras Sanitarias de la Nación (“OSN”), the State-owned company engaged in delivering drinking water and sewage services was created. OSN was created to develop, build and manage infrastructure to ensure water supply within Argentina. By 1922 OSN already provided services to approximately 1.7 million people.

AySA was created pursuant to Decree No.304/2006 of the Argentine Executive Branch on March 21, 2006 subsequently ratified by the Argentine Congress through Law No. 26,100. This followed the termination of the concession held until then by a private sector operator, Aguas Argentinas for the delivery of drinking water and sewage services within the City of Buenos Aires and certain districts of the Greater Buenos Aires Area.

Aguas Argentinas had been awarded such concession as a result of an international public tender called for by the Federal Government pursuant to Law No. 23,696 (known as the State Reform Law and which served as the legal basis for the privatization process that took place in Argentina in the early 1990s. On May 1, 1993, Aguas Argentinas took over the whole operations which, until that time, had been carried out by OSN.

The concession agreement entered into between the Federal Government and Aguas Argentinas was subject to ongoing changes and was finally terminated through Decree No.303/2006, whereby the Federal Government terminated the agreement. Such early termination was decided by the Federal Government prior to AySA’s creation.

AySA was incorporated as a corporation (*sociedad anónima*) pursuant to the Argentine Corporations Law, but subject to certain conditions that grant it a special legal status. In this regard, Executive Decree No.304/2006 also provided that 90% of AySA’s shares would be owned by the Federal Government while the remaining 10% would belong to OSN’s former employees and AySA workers who joined the Employee Stock Ownership Plan.

Subsequently, by way of Decree No. 373/2006 - also ratified by Law No. 26,100 - the Executive Branch amended the law that had created AySA, in that it established that the Federal Government’s shares would be non-transferable and that its percentage ownership could not be changed by any corporate action. Therefore, unlike other companies (including other *sociedades anónimas*), AySA is a necessarily state-owned company and such status may only be changed by the enactment of another law by the Argentine Congress.

Pursuant to Section 105 of the Federal Government’s budget Law No. 27,431 for the year 2018, as from January 1, 2018, AySA will no longer be subject to the Federal budget preparation regime applicable to companies owned by the Federal Government or with a majority of its capital stock owned by the Federal Government. However, AySA will remain subject to the same internal and external controls to which it was subject prior to the enactment of Law No. 27,431.

Business Strategy

Our main strategic goal is to achieve 100% coverage in the provision of drinking water and sewage services within our concession area, allowing the entire population living in our concession area to benefit from our services thus promoting social inclusion and economic development.

We intend to achieve that goal by aggressively investing in expanding and upgrading our infrastructure so as to be able to reach the sectors of the population within our concession area we currently do not serve. We estimate that as of the date of this offering memorandum, approximately 4.1 million and 7.3 million inhabitants lack access to drinking water and sewage services, respectively within our concession area. Our

corporate objective is aligned with the current Federal administration's key pillar of reducing poverty levels in Argentina and, in particular, in the Greater Buenos Aires Area.

We expect to continue relying on the support of the Federal Government, that provided us with approximately two thirds of our total revenues in 2016 but to increasingly benefit from higher collections from customers, as our tariffs have been adjusted after over 15 years without any such increases despite substantial increases in our cost of operations.

AySA's Strengths

Our main strengths include:

- (1) 90% of our share capital is owned by the Federal Government;
- (2) the availability of a high volume of fresh water supply due to our proximity to the "de la Plata" and the "Paraná" rivers;
- (3) our large scale operations;
- (4) having the exclusive concession over the area where we provide water and sewage services;
- (5) an infrastructure design which we believe allows for the efficient provision of our services;
- (6) being a corporation, which we believe allows us to be agile and flexible; and
- (7) what we believe to be a good relationship with the single trade union to which substantially all of our employees belong and who supports our strategy.

Regulatory Framework

On February 28, 2007, the Argentine Congress enacted Law No. 26,221, approving the Regulatory Framework. The Regulatory Framework governs all aspects of drinking water distribution and sewage treatment.

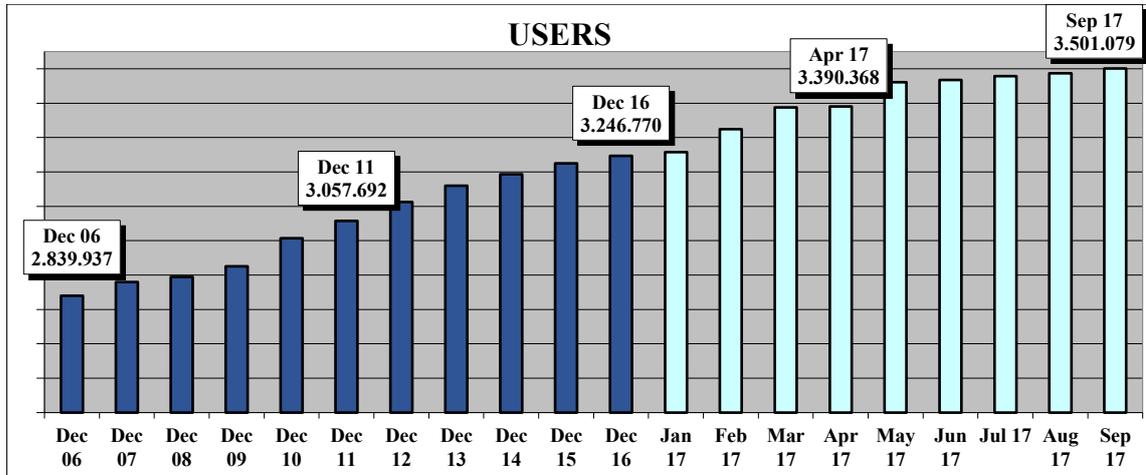
The Regulatory Framework establishes the quality standards that we are required to meet, the service conditions, our obligations and the powers vested upon the applicable regulatory authorities. The specific aspects inherent to the concession are not governed by the Regulatory Framework, but rather by a separate agreement between the Federal Government and us, ratified by Resolution No.170 of the former Ministry of Federal Planning, Public Investment and Services on February 23, 2010, pursuant to which the concession term was set at 20 years, as from March 21, 2006 and expiring on March 21, 2026, and renewable by mutual agreement. For further details about the Regulatory Framework and the agreement, see "Regulatory Framework and Tariffs."

The Concession

Concession Area

The total area of the concession awarded to us extends along approximately 2,949 square-kilometers, covering the City of Buenos Aires, and 25 districts or municipalities surrounding the Greater Buenos Aires Area within the Province of Buenos Aires.

Our concession is divided into five regions: Capital, Southeast, Southwest, North, and West. The following map shows our concession area:

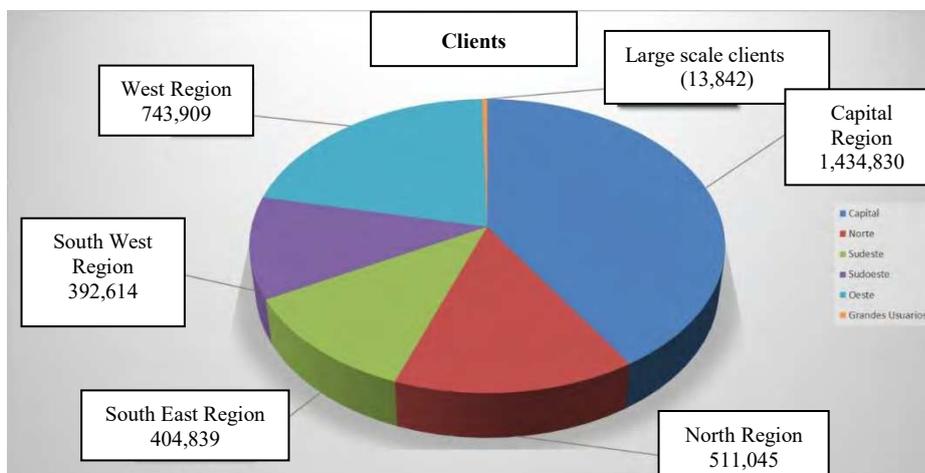


Source:- Company

The following table shows the incorporation of districts, employees incorporated from such districts, and clients incorporated from such districts during the years ended December 31, 2016 and 2015 and during the nine-month period ended September 30, 2017.

Districts	Clients	Employees
Escobar	12,241	16
San Miguel	73,748	33
Presidente Perón	21,112	14
Moreno	61,130	100
Merlo	83,121	50
Florencio Varela (expansion)	90,677	82

The following illustration shows the distribution by region of clients who are billed for our services as of September 30, 2017.



Source:- Company

Services

We are engaged in the provision of drinking water, wastewater treatment and sewage and supplementary or special services, such as interconnection works and bulk sales of water, through a comprehensive network covering the entire water cycle, seeking to maximize efficiency and pursuing a sustainable management approach.

We invoice our clients for the full tariff applicable to each to type of client. However, our invoices are discounted, as required by our Regulatory Framework, and clients only pay the discounted amount. The following table shows a breakdown of our sales accrued for each of the services we provide during the years ended December 31, 2016 and 2015 as well as the subsidies granted by the Federal Government and passed by AySA onto clients, and sales, net of subsidies, accrued during such periods:

	Fiscal years ended ⁽¹⁾ December 31,		
	2016	2015	
	(In millions of U.S.\$)	(In millions of Ps.)	
<i>Accrued sales</i>			
Revenues from water supply and sewer services	534.7	8,495.8	3,582.9
Revenues from water service	35.9	570.9	267.4
Revenues from sewer service	5.6	89.5	34.9
Revenues from general services	(11.9)	(189.8)	(32.4)
Revenues from special services	8.2	130.8	49.9
Other	(4.2)	(67.2)	6.7
Accrued sales	568.3	9,030.0	3,909.4
<i>Service subsidies</i>			
Subsidy on water and sewer services	(57.8)	(919.0)	(953.8)
Subsidy on water service	(9.6)	(153.2)	(123.0)
Subsidy on sewer service	(1.3)	(21.0)	(14.0)
Subsidy on overall services	0.5	8.1	7.8
Subsidy on special services	(2.6)	(41.4)	(10.8)
Other		-	1
Total accrued subsidies	(70.9)	(1,126.5)	(1,092.8)
<i>Accrued sales, net of subsidies</i>			
Revenues from water supply and sewer services	476.8	7,576.8	2,629.1
Revenues from water supply service	26.3	417.7	144.4
Revenues from sewer service	4.3	68.5	20.9
Revenues from general services	(11.4)	(181.7)	(24.6)
Revenues from special services	5.6	89.4	39.1
Other	(4.2)	(67.2)	7.7
Accrued sales, net of subsidies	497.4	7,903.5	2,816.6

Notes:-

(1) The term refers to subsidies passed onto clients as a percentage discount on invoices issued to them.

The following table shows our total gross revenues, service subsidies passed onto users, and net revenues earned by us for the years ended December 31, 2016 and 2015:

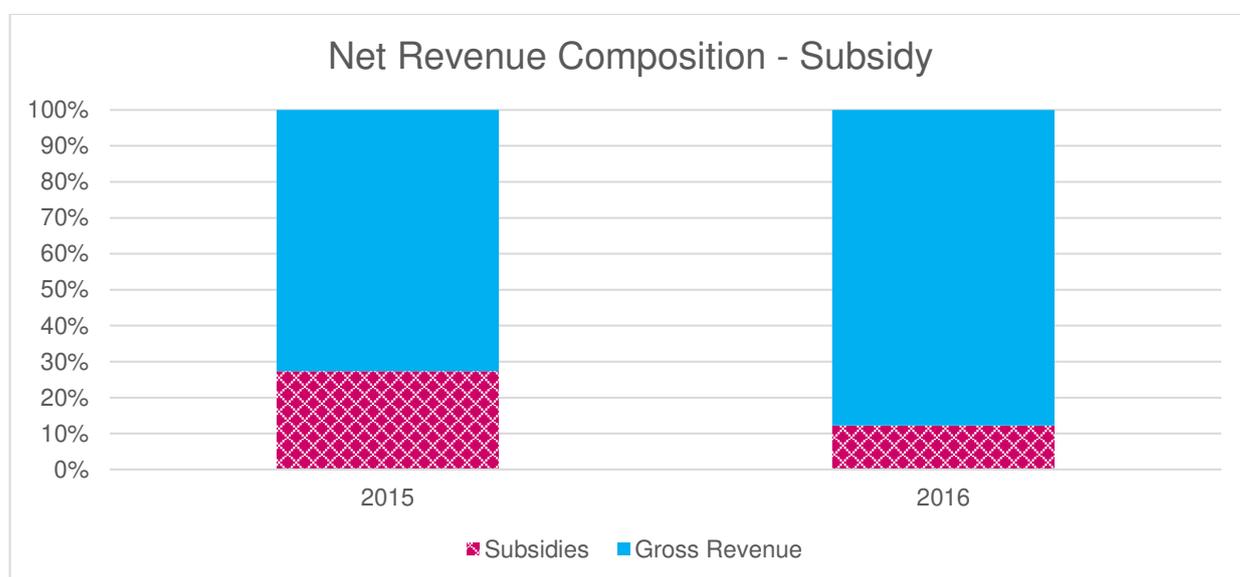
	9-month period ended September 30,		Fiscal years ended December 31,		
	(In millions of U.S.\$)	(In millions of Ps.)	(In millions of U.S.\$)	(In millions of Ps.)	
	2017	2017	2016	2016	2015
Accrued sales revenues	551.8	9,551.7	568.3	9,030.0	3,909.4
Service subsidies ⁽¹⁾	(48.5)	(840.4)	(70.9)	(1,126.5)	(1,092.8)
Net revenues⁽²⁾	503.3	8,711.3	497.4	7,903.5	2,816.6

Notes: —

(1) The term refers to subsidies passed onto users as a percentage discount on invoices issued to them.

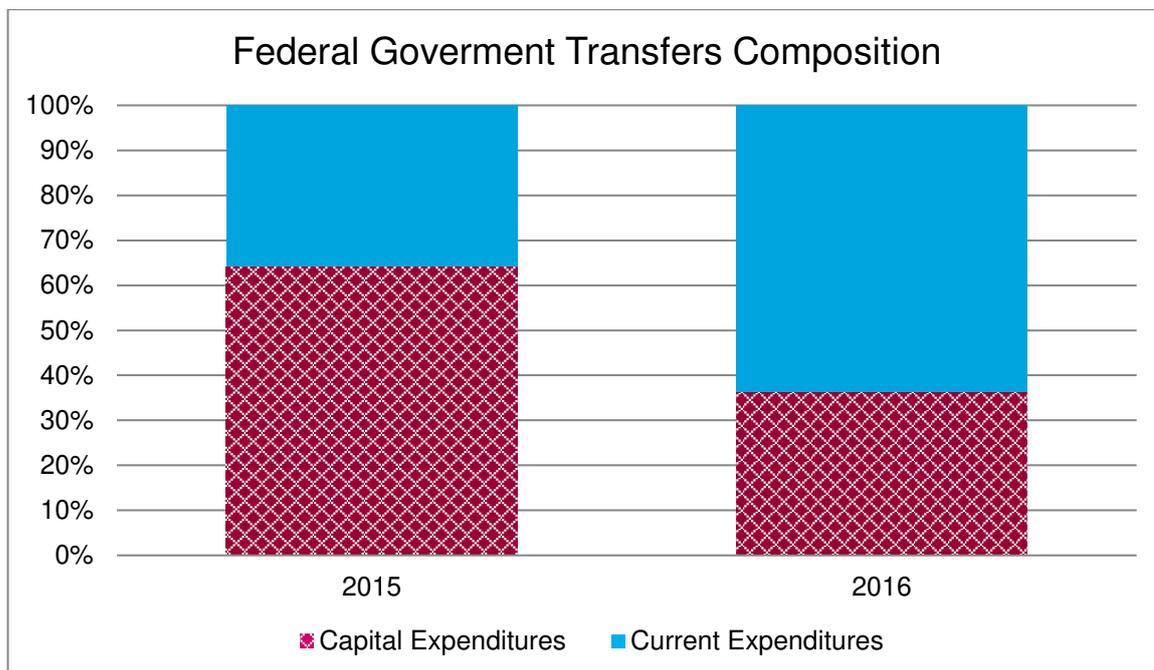
(2) Accrued revenues include surcharges on arrears and previous years' adjustments.

The following chart shows a breakdown of our net revenue during the years ended December 31, 2016 and 2015.



Source:— Company.

The following chart shows the composition of the transfers we received from the Federal Government during the years ended December 31, 2016 and 2015.



Source:— Company.

As capital transfers must be applied to (i) the acquisition and/or construction of assets to be used in connection with, and (ii) the provision of services pursuant to, our concession (and if not used, must be returned to the Federal Government), taking into account that as of the expiration of the concession term of such assets shall revert to the Federal Government free of charge, we decided to account for them as income in line when the depreciation of acquisition or construction costs of such assets takes place . Any unused balance, until applied to the applicable acquisition or construction, is accounted for as a reserve in our shareholders' equity.

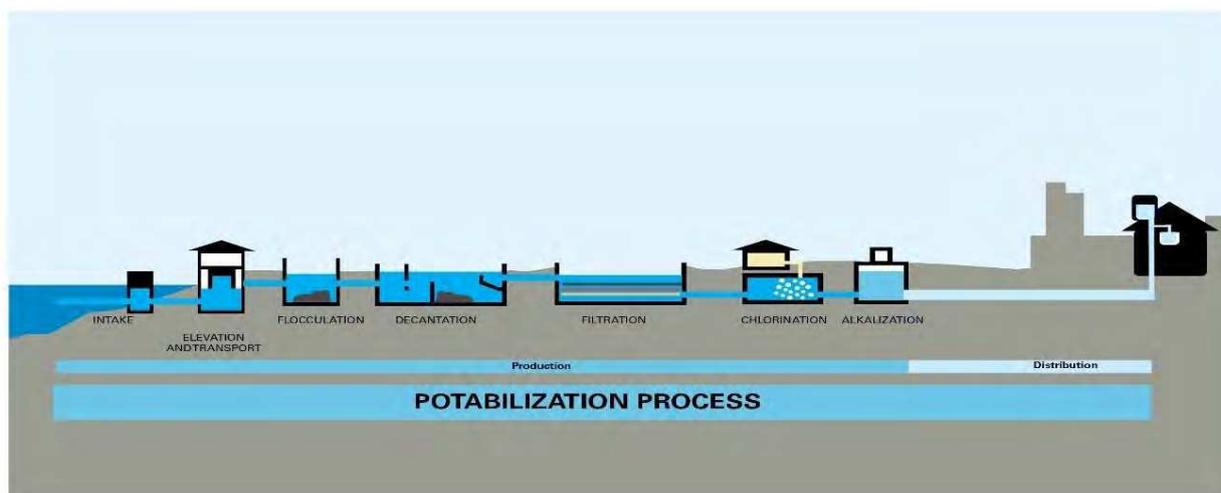
In respect of current transfers, we account for them as a reserve in our shareholders' equity and reflect them as revenue in the year in which the expenses for which such transfers were made are incurred.

Drinking water

The provision of drinking water services involves the intake of raw water - that is, water in its natural state - its purification, transport and distribution for consumption. Our water purification network extends across 22,471 km of pipelines, serving over 10.2 million people.

We rely mainly on two water sources: surface water (from the de la Plata and Paraná rivers) and underground aquifers. We collect water through collection towers, from where water is transported to treatment facilities where it is treated and filtered. Once purified, water is distributed and/or stored for future distribution.

The following graph shows our water purification process.



Our total water production for the year ended December 31, 2016 amounted to 1,913.3 million cubic meters (approximately 5.2 million cubic meters per day), while our total water production for the year ended December 31, 2015 amounted to 1,943.7 million cubic meters.

We classify our water production and purification facilities into: (i) surface water purification facilities where river water collected from intake towers that flows into treatment and filtration facilities, and (ii) underground water production facilities, where water is retrieved from wells, whether individually or in batteries of wells and is then treated through reverse osmosis, ion exchange and adsorption processes, as applicable, to remove contaminating elements.

As of December 31, 2016, we had the following treatment facilities for water purification: 368 wells (including operative one and reserves), three surface water treatment plants, six ion exchange facilities, one adsorption facility, and two reverse osmosis facilities.

Our surface purification facilities include the General San Martín Plant, which serves the residents of the City of Buenos Aires and the municipalities of San Isidro, Vicente López, San Martín, Tres de Febrero, Morón, Ituzaingó, Hurlingham and a section of La Matanza, in the Greater Buenos Aires Area; the General Belgrano Plant, which serves the residents of the municipalities of Quilmes, Lanús, Avellaneda, Lomas de Zamora, a section of Esteban Echeverría (9 de Abril) and Almirante Brown, to the South of the Greater Buenos Aires Area, La Matanza, to the West of the Greater Buenos Aires Area and certain neighborhoods of the City of Buenos Aires, including Constitución, Caballito and Floresta, and the Juan Manuel de Rosas Plant, which serves the residents of the municipalities of Tigre and San Fernando. We also provide services to the districts of Ezeiza, José C. Paz, Moreno, Merlo, Malvinas Argentinas, San Miguel, Escobar, Presidente Perón and Ituzaingó.

The following table provides selected information about each of our surface purification facilities:

Plant	Location	Area (in hectares)	Inaugurated in	Production Capacity (m3/d)	Estimated number of beneficiary recipients
General San Martín	Palermo, City of Buenos Aires	28.5	1913	3,100,000	5,500,000
Juan Manuel de Rosas	Tigre, Province of Buenos Aires	15	2013	600,000	2,000,000

				Available capacity:	Current recipients:
				220,000	445,500
General Belgrano	Bernal, Province of Buenos Aires	36	1978	1,900,000	3,400,000
Total				5,220,000	9,345,500

Sewage service

This service involves the collection, lifting, transport and treatment of wastewater generated within the concession area - including industrial sewage permitted to be poured into the sewer system - for the subsequent disposal into receiving waters under the conditions required by applicable laws and regulations. Our wastewater treatment network extends across 14,800 kilometers of pipelines serving a concession area of around 2,949 square kilometers and supplies over 7.9 million people.

Wastewater is drained by gravity from the residential network, where it is pump-lifted to larger pipes. Then, wastewater is transported to facilities to undergo pre-treatment or treatment before being disposed of in the receiving rivers.

The following diagram illustrates our water treatment process:



Water treatment facilities are comprised of purification and pumping plants. Wastewater from the sewer network undergoes treatment at water treatment plants. Sewage is processed and then disposed of into the receiving waters (the de la Plata, Reconquista and Matanza rivers) pursuant to legal standards. The wastewater treatment process seeks to remove gross solid materials (such as urban solid waste from households) as well as fat and organic matter (found in particles and dissolved). The stages of each process vary according to the biological treatment being performed.

In addition, pumps lift wastewater from micro-watersheds to larger pipes of the sewer network, from where they flow into a purification plant for treatment.

Our facilities include 163 minor pumping plants, the Boca Barracas pumping plant, the Wilde pumping plant, and 18 wastewater treatment plants.

The following table provides selected information about each of our wastewater treatment plants:

Plant		Location	Area (in hectares)	Opened in	Treatment (m3/d)	Estimated number of recipients
Berazategui (pre-treatment plant) Del Bicentenario		Berazategui, Province of Buenos Aires	16	2014	2,332,800	8,000,000
Lanús		Lanús, Province of Buenos Aires	5.2	2016	23,328	90,000
Fiorito		Lomas de Zamora, Province of Buenos Aires	10.9	Commissioning has not yet occurred.	77,760	270,000
Norte	Module I	San Fernando, Province of Buenos Aires	16	1999	66,444	600,000
	Module II			2014	77,460	
Sudoeste	Module I	La Matanza, Province of Buenos Aires	14	1972	160,000	870,000
	Module II			2013	77,760	
El Jagüel	Module I	Esteban Echeverría, Province of Buenos Aires	16	1983	8,700	180,000
	Module II			2013	40,000	
Hurlingham		Hurlingham, Province of Buenos Aires	35	2010	28,512	135,000
Barrio Uno		Ezeiza, Province of Buenos Aires	0.2	Service Takeover: 2003	1,700	5,000
Santa Catalina		Ezeiza, Province of Buenos Aires	0.5	Service Takeover: 2009	17,280	50,000
Escobar		Escobar, Province of Buenos Aires	2	Service Takeover: November 2016	6,480	30,600
Garín		Escobar, Province of Buenos Aires	0.15	Service Takeover: November 2016	1,200	6,000
Bella Vista		San Miguel, Province of Buenos Aires	5	Service Takeover: December 2016	36,000	170,300
Guernica		Guernica, Province of Buenos Aires	2	Service Takeover: February 2017	6,000	28,400

Merlo - Ferrari	Merlo, Province of Buenos Aires	4.5	Service Takeover: May 2017	34,560	163,500
Merlo - Norte	Merlo, Province of Buenos Aires	7.13	Service Takeover: May 2017	24,000	80,000
Moreno - Catonas	Moreno, Province of Buenos Aires	9	Service Takeover: March 2017	34,560	163,500
Moreno-Paso del Rey	Moreno, Province of Buenos Aires	4.5	Service Takeover: March 2017	24,000	113,600
Florencio Varela	Florencio Varela	0.9	Service Takeover:	4,860	18,000
Total				3,083,404	10,968,900

During the year ended December 31, 2016, the pumped volume across all wastewater treatment facilities amounted to 1,023.5 million cubic meters. The total volume of sewage biologically treated at wastewater treatment facilities in 2016 was 147.3 million cubic meters, while the volume of pre-treated sewage was 674.8 million cubic meters, therefore, the percentage of treated wastewater was approximately 81%.

Major Completed Works and Major Projects

Drinking Water

Our main works and projects in connection with the provision of drinking water services are the construction of our Juan Manuel de Rosas Potabilization Plant and the works to be performed in the Bernal System.

Juan Manuel de Rosas Plant and new North Underground River

The new Juan Manuel de Rosas Plant, which takes water from the Paraná river for its potabilization, along with the construction of a new North Underground river of treated water will allow to improve and expand the drinking water service to reach approximately 2.5 million residents in the Malvinas Argentinas, José C. Paz, San Miguel, Moreno and Merlo districts under the Greater Buenos Aires Area, which have been recently transferred to us. The Juan Manuel de Rosas Plant is at an approximately 95% completion stage.

The construction of the new North Underground river is at project stage. The project consists of the construction of a treated water aqueduct of approximately 50km long and a diameter of 4,000 and 3,000 millimeters from Tigre up to Merlo, in the Province of Buenos Aires, counting with 3 new Elevation Stations. This project will require civil and electromechanical works in an approximate amount of Ps.18,000 million (VAT excluded).

Bernal System

The set of works planned for the Bernal System will allow to develop our expansion in the districts of Esteban Echeverría, Almirante Brown, Lomas de Zamora, Ezeiza and La Matanza of the Greater Buenos Aires Area. Such works will benefit approximately 2.5 million residents, and consist on: a new intake of unprocessed water in the Rio de la Plata, the expansion of the existing Bernal Water Treatment Plant, and a new underground river of treated water.

Transportation of treated water will be effected through the construction of a new South Underground river approximately 22 km long with an internal diameter of 2900 millimeters, to be made in two sections and

with two pumping stations. The table below shows the stage of each project and their estimated cost. The works are partially financed by CAF (Andean Finance Corporation) through a loan to the Federal Government.

Bernal System		
	Stage	Cost (VAT excluded) in millions of Ps.
Bernal New Intake	Under design	6,000
Expansion of Bernal Plant	Contracted	2,200
South Underground River (Section 1)	Contracted	2,900
South Underground River (Section 2)	Contracted	2,900
Total		14,000

Sewage

Our main works and projects in connection with the provision of sewage services are the works to be performed in the Riachuelo System, Berazategui System, construction of the Coastal Collector, the Laferrere Plant and the Luján/Escobar Plant.

Riachuelo System

The set of works to be performed in the Riachuelo System will allow us to relieve the capacity of the existing Riachuelo – Wilde main sewage pipes, which currently conduct the sewage to our Berazategui plant. Works in the Riachuelo System will also allow the processing of sewage from the expansion of our services into the districts of Avellaneda, Lanús, Lomas de Zamora and Almirante Brown of the Greater Buenos Aires Area. Works to be done in the Riachuelo system include building a collection tunnel of approximately 15 km, parallel to the Riachuelo river. The new “Colector Margen Izquierda” will allow the proper drainage of sewage including overflow spills in drought weather. The collector will reach a Primary Plant in Dock Sud, which will be completed with a Pumping Station and an Emissary approximately 12 km long into the Rio de la Plata, that will disperse the pretreated sewage and complete the treatment.

The table below shows the stage each of these projects are in and their estimated cost. The works are partially financed by the World Bank:

Riachuelo System		
	Stage	Cost (VAT excluded) in millions of Ps.
Colector Margen Izquierda and Desvío Colector Baja Costanera	Under construction	1,900
Pretreatment plant, Intake station and Pumping Station	Under construction	2,400
Emissary and Diffusers	Under construction	2,200
Total		6,500

Berazategui System

The set of works performed and to be performed in the Berazategui system include the construction of the Berazategui Plant which has been finished, construction of a pumping station for an amount of Ps.700

million (VAT excluded) and the construction of the Berazategui Emissary for an amount of Ps.4,000 million (VAT excluded) and which is at a project stage.

Coastal Collector

The construction of the Coastal Collector will provide relief of the North sewage system of the districts of Tigre, San Fernando, San Isidro and Vicente López, of the Greater Buenos Aires Area and the collection of sewage overflow spills in drought weather. These works are at a project stage and will require an investment of Ps.6,000 million (VAT excluded).

Laferrere Plant

The Laferrere Plant project includes the construction of the first module of the new Sewage Treatment Plant, to receive the sewage of 450,000 residents corresponding to the expansion of the sewage service in La Matanza district and part of the Merlo district of the Greater Buenos Aires Area.

Luján/Escobar Plant

The project will allow us to process sewage for 1.2 million residents in the districts of Escobar and Pilar in the Province of Buenos Aires. This project includes the construction of a new sewage treatment plant.

Safety record

We have not had any major accidents since the start of the concession. The following table shows our safety performance for the years ended December 31, 2016, 2015, and 2014 and for the nine months ended September 30, 2017.

	Safety Record			Nine months ended September 30,
	Year ended December 31,			
	2014	2015	2016	2017
Work related accidents	118	129	95	82
Aggregate days lost by individuals due to accidents	3,984	4,637	3,514	3,036

In 2017, an employee of a third-party contractor died as a result of a work accident while working for us. Although such employee was not our employee, following such accident we were required to enroll in a work-related death prevention program which requires us to closely supervise our third-party contractors when undertaking certain activities.

Procurement and Bidding Processes

Pursuant to Chapter XI.6 of our Binding Instrument, all contracts for the provision of goods, services including the engagement of contractors for the development and execution of construction projects must be conducted through competitive bidding processes or alternate similar methods that ensure price competition.

Chapter XIII of Law No. 26,221, of our regulatory framework, requires that we give priority to Argentine bidders and components when hiring services and/or acquiring goods. Further, Law No. 26,221 requires that we design and implement procedures which guarantee transparency in the information we give to bidders, competition among the bidders, and that we keep a record of vendors.

Since April 2016 all the terms of reference and requirements to present tenders for construction projects are published in the AySA's web page and can be freely and anonymously downloaded, so that the identity of the bidder is not known to AySA until its bid has been presented.

For risks related to our procurement and bidding processes, see "Risk Factors--Risks Relating to the Company—"In the context of an investigation, to which we are not a party, of Odebrecht's and its subsidiaries' operations in Argentina started on account of Odebrecht's confessions in the Brazilian "Lava Jato" process, an Argentine prosecutor identified existing proceedings in respect of the award of certain projects by us to companies including Odebrecht and Camargo Correa. According to press investigations and other information, AySA's former employees (including our former chairman of the board) and a former external advisor, have been cited by an Argentine federal judge in order to investigate whether there were any irregularities in the award of such projects by us. The existence of such investigations and the outcome of such investigations, if any irregularities are found, could adversely affect our reputation and results of operations".

Quality Certifications

Several of our facilities and processes have been certified by the *Instituto Argentino de Normalización y Certificación* ("IRAM"), the Argentine representative of the International Organization for Standardization ("ISO"). We are subject to annual audits performed by IRAM with a view to such certification processes.

We have obtained ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certifications for several processes under our Integrated Management System for Quality, Environment, Safety and Health.

We have also obtained the ISO 17025:2005 certification for the Central Laboratory in the City of Buenos Aires, as a test laboratory. On November 19, 2015, we renewed the Central Laboratory's certifications. Such certifications are valid until February 19, 2018.

Further, we have also obtained ISO 9001:2008 certifications for our Quality Management System in the *El Jaguel/Barrio I* purifying plant and for our logistics and commercial areas.

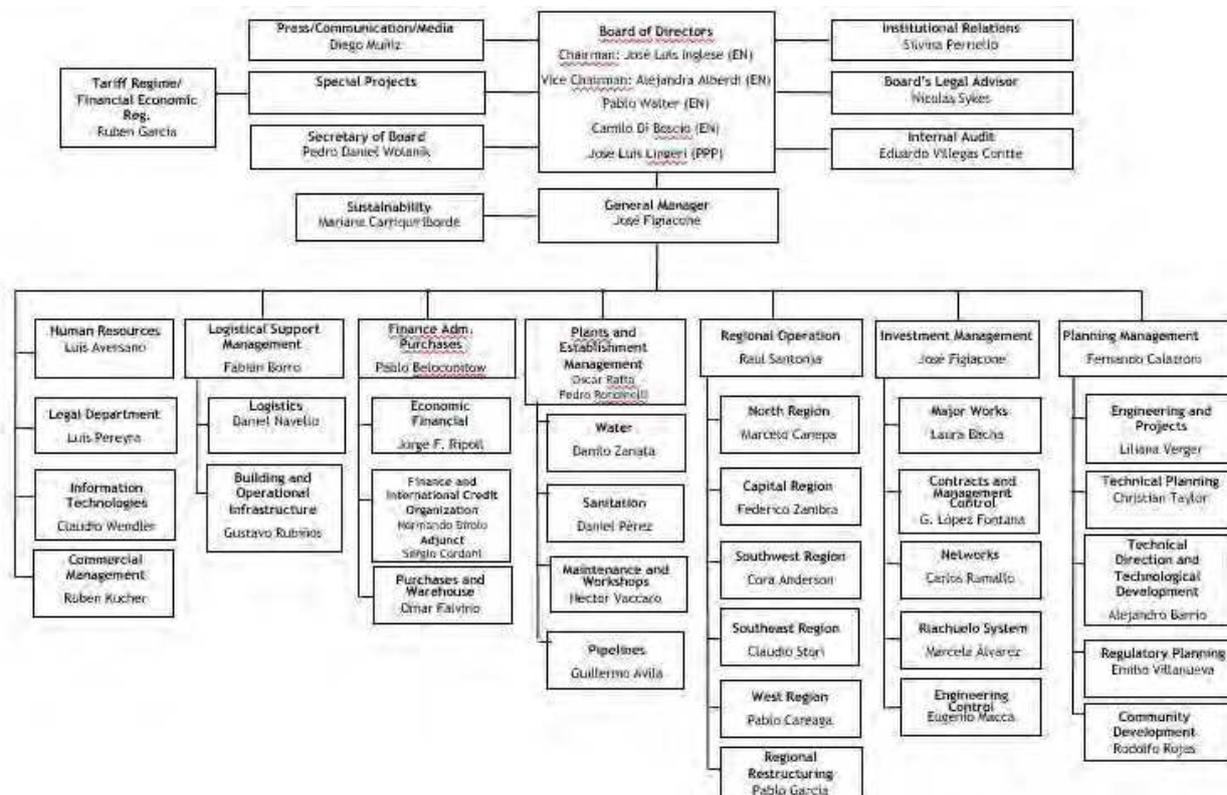
We obtained ISO 14001:2005 certification for our *Planta Depuradora Norte* purifying plant Environmental Management System. In addition, we also obtained ISO 14001:2004 certification for our purifying plant's "*Planta Depuradora Hurlingham*" Quality Management System.

We continuously monitor our production processes and their environmental impact in order to maintain and enhance our certifications.

Organization and Employees

Organization

The following graph shows our organizational structure and our senior management structure:



Employees

As of September 30, 2017, we had a total of 7,460 employees. The following table shows our number of employees as of December 31, 2016, and 2015, as of September 30, 2017.

Number of Employees

	As of December 31,		As of September 30,
	2015	2016	2017
Operation workforce	1,961	2,059	2,456
Administration workforce	677	711	866
Technicians and Professionals	2,334	2,372	2,559
Supervisors	1,318	1,309	1,395
Managers and directors	151	179	184
Total	6,441	6,630	7,460

Our recent significant growth in employee numbers is mainly due to the extension of our concession area through the incorporation of eight new districts, including the incorporation of a substantial percentage of the employees who worked in such areas prior to our taking over of operations.

We also have third-party contractors, mainly in charge of security and cleaning services. As of December 31, 2016, we had approximately 1,603 employees working for such contractors.

The following table shows the reasons for hiring new employees during the years ended December 31, 2016 and 2015 and for the nine-months ended September 30, 2017.

	Employees		
	(In %)		
	2015	2016	September 30, 2017
Registration of previously incorporated workers ⁽¹⁾	11.6	6.2	3.6
Operational needs	22.2	20.9	10.2
Replacement of workers	19.0	28.9	14.3
Workers needed for plants and wells	10.1	1.0	-
Workers needed for special projects	16.8	5.2	-
New Structure ⁽²⁾	-	-	0.1
Others	20.3	21.9	18.1
Expansion	-	6.0	31.3
New Areas	-	9.8	22.6

Notes:-

(1) Includes workers previously engaged by AySA but whose registration had not been finalized.

(2) Includes workers incorporated as a result of the take-over of our new areas.

Benefits

We have a broad benefits plan in place for our employees. Among others, benefits include: health plans and scholarships for our employees and their children to study.

With a focus on favoring our employees, we have a policy whereby we give preference to employee's children over third parties when filling vacancies, provided both candidates have equal qualifications.

We also have an employee stock ownership plan from which our employees benefit (the "Employee Stock Ownership Plan"). The Employee Stock Ownership Plan extends to all members of AySA's personnel who have executed the General Transfer and Voting Trust Agreement. Once AySA workers become a party to such agreement, they become Class B shareholders.

A weighted formula is used in order to determine the amount of Class B Shares to be allocated to each worker in any particular year. Such formula takes into consideration three key elements: salary, years of service with AySA and family social contributions. Family social contributions are calculated taking into account the number of relatives, from the employee's primary group. The formula weighs each of such components in the following way: salary 60%, years of service 20% and family social contributions 20%.

AySA workers receive a yearly distribution in relation to their shareholdings. The amount distributed does not correspond to AySA's operating results in any fiscal year. Such amount is the product of a negotiated agreement, which is reviewed every year, and may represent up to 2% of the total amount paid by AySA as wages (including social contributions), according to the collective bargaining agreement. Such amount is distributed among the Class B shareholders in the following way: 50% of such total aggregate amount is distributed in equal shares among all Class B shareholders and the remaining 50% is distributed pro rata to each Class B shareholder in accordance with the formula described above.

The total amount allocated by virtue of the Employee Stock Ownership Plan was Ps.33.6 million and Ps.27.9 million for 2016 and 2015, respectively, which were paid to workers within the first quarter of each year, pursuant to the stipulations of the Collective Bargaining Agreement. Such amount may be adjusted on an annual basis by mutual agreement of the parties, regardless of the economic results of AySA.

Up to 10% of the aggregate amount to be distributed among the Class B shareholders may be allocated to a reserve fund for the repurchase of shares that belong to Class B shareholders who retire or cease working at AySA. Such shares are paid at their nominal value until the book value thereof may be determined.

Litigation

As of December 31, 2016, AySA had 420 legal actions pending. Out of that total, 403 legal actions had been brought against AySA for an aggregate amount in dispute of Ps. 200 million and U.S.\$ 0,5 million as of December 31, 2016. As of December 31, 2016, we had a reserve for contingencies in the amount of Ps. 888,7 million.

The main legal actions against AySA were brought by certain consumer advocacy groups, Proconsumer and Asociación de Defensa de los Derechos de Usuarios y Consumidores ("ADDUC"), challenging the interest on arrears established by Law No. 26,221 (Regulatory Framework). In their claims, the plaintiffs argued that such interest was inconsistent with the provisions of the Consumer Advocacy Law (hereinafter, the "CAL") and sought a reimbursement of the amount paid in excess of that permitted under the CAL, plus interest accrued thereon and a fine equal to 25% of the amount claimed. We have estimated and created a contingency for an amount of approximately Ps.453 million.

Both actions have similar purposes and claims, and have therefore been joined, upon AySA's request, in order to avoid contradictory rulings dealing with the same issue and for reasons of procedural economy. However, the actions differ in two aspects: firstly, the action brought by ADDUC enlarges the scope of represented users, including non-residential users, and excluding those that use the water supply service delivered by AySA as an industrial process input; and second whilst Proconsumer states October 7, 2010 as the date in which they can give effect to their claim, ADDUC states April 15, 2008 as the date in which they can give effect to their claim.

On May 14, 2014, AySA filed a motion to dismiss such claims, for which the lower district ruled in its favor on October 31, 2014. The plaintiff appealed such ruling and on February 12, 2015 the Court of Appeals ruled in AySA's favor once again, sustaining that such appeal had no legal basis. Thereafter, the plaintiff filed an extraordinary appeal, which was rejected on April 7, 2015.

Finally, the plaintiff filed an appeal with the Supreme Court of Justice arguing that the Court of Appeals had improperly rejected the previous appeal. As of the date of this offering memorandum, the Supreme Court of Justice has not yet ruled on this matter.

In another case, "Asociación para la Defensa de Usuarios y Consumidores (ADDUC) c/ AySA y otro", ADDUC filed a brief requesting the suspension and annulment (and refund of all collected sums) of the tariff adjustments introduced by Disposition No. 62/2016 of the Undersecretary of Water Resources. The case is

currently at an evidentiary stage where the parties are in discovery. In addition to the main claim, ADDUC filed for an injunction to freeze the application of the tariff modifications introduced by Disposition No. 62/2016. The injunction has been denied by the lower court, a ruling that was appealed by ADDUC and upheld by the Court of Appeals. ADDUC filed for an extraordinary appeal which was also rejected by the court of appeals. Upon such rejection, ADDUC filed an extraordinary complaint brief in a last attempt to reach the Supreme Court of Justice. As of the date of this offering memorandum, there is no ruling on such request.

On May 11, 2017 and June 16, 2017, we received letters from the Municipality of Avellaneda through which such Municipality claimed certain alleged debts arising from unpaid municipal contributions in connection with certain plots of land in Avellaneda. According to the Municipality of Avellaneda, such contributions amount to approximately Ps.2.6 million per month. On July 25, 2017, we received a letter from the Municipality of Avellaneda demanding from us Ps.73.4 million which the Municipality calculated as the then current value of their claim. On August 4, 2017 and October 30, 2017, we filed briefs, starting administrative procedures for the dismissal of the Municipality's request and declaration of inapplicability of such municipal contributions, and, as a subsidiary argument, disputed the amount of the contribution.

We have recently received a notice to attend a mediation process from Constructora Noberto Odebrecht S.A. In Argentina, it is required that parties attempt a mediation prior to initiating a law suit. The mediation has been set to take place during February 2018. As of the date of this offering memorandum, we do not have specific information regarding the cause or extent of the law suit, if any, that may follow such mediation.

REGULATORY FRAMEWORK

The following section contains a summary of the regulatory framework and tariffs applicable to our business and operations.

Background

Prior to 1990, drinking water and sewage services, as virtually all public services in Argentina, were provided by a Federal Government-owned company. The Federal Government-owned company in charge of providing drinking water and sewage services was called OSN. In 1990, an international public bid was conducted and water and sewage services were privatized, resulting in a 30-year concession. Such concession was granted to a consortium of companies operating through a company named Aguas Argentinas. The concession included the territory of the City of Buenos Aires and certain cities in the Buenos Aires Province metropolitan area.

On March the 21st, 2006, through Decree No. 303/06, Argentine President, Nestor Kirchner, revoked and terminated the concession granted to Aguas Argentinas.

In 2006, Decree No. 303/06 established that access to drinking water is to be considered a basic human right. In order to guarantee the continuity of services, the Federal Government created AySA. AySA was created on March the 21st, 2006 through Emergency Decree No. 304/06 issued by the Argentine Executive, which was then ratified by Law No. 26,100, as a corporation (*sociudad anónima*) under the regime set forth by the Argentine Companies Law No. 19,550 (the "General Companies Law").

90 % of AySA's shares belong to the Federal Government, and may not be transferred, and 10 % to former OSN employees and current AySA employees, who adhered to the Employee's Stock Ownership Program, through which they were included as shareholders of Aguas Argentinas. This Employee's Stock Ownership Program includes all employees who executed the General Transfer Agreement and AySA's Shareholders' Agreement.

As set forth in Section 11 of Decree 304/06 issued by the Argentine Executive, AySA is subject to private law rules and principles, and is not subject to regulations on administrative proceedings laws, public bids, government contracts, government employees and public works regardless of the fact that it is controlled and audited by the control systems of the Argentine Public Sector and subject to Law No. 24,156 of Public Finance Administration.

However, pursuant to Chapter XI.6 of our Binding Instrument, all contracts for the provision of goods, services including the engagement of contractors for the development and execution of construction projects must be conducted through competitive bidding processes or alternate similar methods that ensure price competition.

Chapter XIII of our Regulatory Framework, requires that we give priority to Argentine bidders and components when hiring services and/or acquiring goods. Further, our Regulatory Framework requires that we design and implement procedures which guarantee transparency in the information we give to bidders, competition among the bidders, and that we keep a record of vendors.

Main regulations

Since AySA's services are provided in the City of Buenos Aires and in the Province of Buenos Aires, and subject to the control of the Federal Government, Law 26,221 (Regulatory Framework), enacted February 28, 2007, approved a "Tripartite Agreement" executed by the representatives of these three jurisdictions.

The Tripartite Agreement established that the ERAS would be in charge of: controlling and regulating the provision of the service, the accounting aspects of the concession, and addressing user claims. It was also provided that, for such purposes, ERAS shall issue the necessary rules to regulate the conditions for the provision of the services as laid down in the regulatory framework and the related concession contract. In addition, ERAS shall regulate the relations between the provider company and the users, establishing the procedures and requirements, to ensure that users will be provided with the necessary assistance and information to exercise their rights broadly.

Furthermore, the Planning Agency APLA was created, which is responsible for the comprehensive coordination of planning expansion works and improvement of the service. APLA shall take all the measures necessary for the purposes established in the regulatory framework adopted by Law 26,221 and regulated by Decree No. 763/2007.

Regulatory framework

Service limits and constraints

The main characteristics set out in the Regulatory Framework for the provision of the services by AySA are the following:

- **Term:** the term of the concession was set at 20 years as of the date in which AySA began to provide the services, which was established on March 21, 2006. Therefore, the termination date for the concession is March 21, 2026, but may be extended by mutual agreement of the parties. Such extension of the term of the agreement must be approved by the Ministry of Interior, Public Works and Housing, after reviewing AySA's performance. Despite the fact that the concession agreement does not provide for an anticipated termination, we cannot guarantee that the Federal Government will not terminate the concession either due to AySA's fault or on account of public policy reasons.
- **Concession Type:** the exploitation of the services under the concession is granted free of charge to AySA. This means that AySA is exempted from the obligation to pay a fee for the term of the concession. Notwithstanding, such characteristic does not arise from the Regulatory Framework but from the concession itself, and, therefore, it could be modified by the sole discretion of Argentine Executive Branch.
- **Obligation to provide the service:** AySA shall provide or offer its services to all buildings, inhabited or not, included within the concession area, in accordance with the provisions of the Regulatory Framework. Such services shall be free of charge for the public fire-fighting service, including fire departments. In addition, on account of water services being deemed as a human right, AySA has limited powers to interrupt its services upon lack of payment by its customers. AySA may however, partially interrupt the services by placing a partial plug on the non-paying customer's connection with the water network, thus limiting the amount of water received by such customer to minimal needs. However, AySA may fully interrupt water services to its non-residential clients, other than prisons, and hospitals (whether public or private).
- **Terms of service:** the public drinking water and sewage service shall be provided under conditions ensuring continuity, regularity, quality and generality, so as to ensure the efficient provision to users and the protection of the environment.
- **Water quality:** AySA shall take all necessary measures to ensure that raw water entering the Treatment Plants, or extracted from underground drillings, is of acceptable quality for the purpose of being subject to the related purification treatments. Furthermore, an automatic control and alarm system at each surface water intake shall be installed, for instrumental control of physical and chemical parameters at purification plants. AySA shall report to the APLA and the ERAS any substantial deviations from the required quality levels of raw water. In the event of a pollution accident affecting the supply of raw water, the concessionaire shall take all the necessary measures to detect and prevent contamination of Treatment Plants or the distribution system, reporting within a period of two hours to the APLA, the ERAS and the people, if applicable, keeping them regularly informed about the measures taken. Drinking water shall conform to the recommendations issued by the World Health Organization and the requirements of the Argentine Food Code.

The Regulatory Framework, describes the public service provided by AySA, which consists of gathering and purifying raw water, transporting, distributing and commercializing drinking water, as well as the collection, transportation, treatment, disposal and commercialization of sewage and industrial effluents drained into the sewage system, and control thereof; all of the above within the territory covered by the concession.

AySA's Concession area includes: the City of Buenos Aires and, in the Province of Buenos Aires: Almirante Brown, Avellaneda, Esteban Echeverría, Ezeiza, La Matanza, Lanús, Lomas de Zamora, Morón, Quilmes, San Fernando, San Isidro, General San Martín, Tres de Febrero, Tigre, Vicente López, José C. Paz,

Moreno, Merlo, Malvinas Argentinas, Florencio Varela, San Miguel, Presidente Perón and Escobar. For Hurlingham and Ituzaingo, it applies as regards the service of drinking water; and services of reception of sewage in bulk from Berazategui. The Federal Government is not entitled to force us to accept new municipalities, from a regulatory perspective. However, the Federal Government is our main shareholder with 90% of our capital stock and may direct our actions so that we accept new districts. For further information, please see the “Risk Factors” section in this offering memorandum. The Regulatory Framework provides the requirements for quality of the drinking water, the terms of service, AySA's obligations and powers of the regulatory authorities. The specifics of the concession are not included in the regulatory framework. Such specifics were provided for under the Binding Instrument, establishing a relation between the Federal Government and AySA.

Binding Instrument

Through Decree No. 763/07 issued by the Argentine Executive, the former Ministry of Federal Planning, Public Investment and Services was instructed to approve the Concession Agreement Form to be executed with AySA. As a result, through Resolution No. 170/10, issued by that Ministry, the sample document that established the relation between the Federal Government and AySA, and the conditions for the provision of the service, was approved.

AySA is exempted from paying any fees, a concession term of twenty (20) years is set, as of March 21, 2006 - which may be extended by mutual agreement of the parties - and the execution of a works plan for the maintenance improvement and expansion of the system is set forth. Furthermore, it defines the relation between the Federal Government, the enforcement authority, the ERAS and the APLA and the people's rights and obligations.

The contract provides that the assets used for the provision of the service and other supplementary activities shall be the property of the Federal Government, but, nevertheless, AySA shall hold and manage those until the end of the concession. All members of the personnel hired by Aguas Argentinas, who continued to provide services at AySA, shall retain the applicable rights and obligations regime.

In terms of the economic and tariff regime, it shall be based on the determination of operating costs, investment, maintenance, administration and commercial costs, meaning that the Concession would be in economic and financial balance if the tariffs for the services provided are sufficient to recover the related costs. Unlike most other public service concessions, AySA's Regulatory Framework and agreements in connection thereto do not provide for a reasonable return on investment for AySA. Further, any amount received by AySA in excess of its costs, must be reinvested pursuant to the terms of the corresponding approved investment plan.

Similarly, and unlike other public services, AySA's Regulatory Framework and related agreements do not include monetary sanctions applicable to the concessionaire. Notwithstanding, AySA may be subject to damages caused by it in the ordinary course of business.

Competent authorities

Former Argentine Ministry of Planning, Public Investment and Services

The Former Argentine Ministry of Planning, Public Investment and Services who – together with the intervention of the Secretary of Public Works- was in charge of issuing clarification and supplementary rules, approving action plans, budgets and investing in all actions provided for under the applicable rules, in the Regulatory Framework and the Binding Instrument. Likewise, it was established that such ministry would execute the concession contract and issue all the necessary rules to comply with the regulatory framework. These tasks were undertaken by the Argentine Ministry of Interior, Public Works and Housing in 2015.

Undersecretary of Water Resources As the enforcement authority, the Argentine Undersecretary of Water Resources is in charge of overseeing the relation between the concessionaire and the Federal Government, issuing the policies, plans and programs related to the service and exercises regulatory power and control regarding the provision of the public service.

ERAS - Regulating Entity for Drinkable Water & Sanitation Services

Under the Tripartite Agreement and the Regulatory Framework, both approved by Law No. 26,221, the ERAS is responsible for:

- (1) controlling compliance with concessionaire's obligations set forth in the regulatory framework and the concession contract, especially regarding the provision of the service;
- (2) design and control of the regulatory accounting of the concession;
- (3) control of the relationship with users and the content of the tariffs set forth by the enforcement authority;
- (4) controlling the bills issued by the concessionaire;
- (5) auditing service quality;
- (6) protecting the interests of the community; and
- (7) control, audit and verification of compliance with the quality standards and internal facilities' standards in force at the regulated area.

The ERAS is directed and managed by a Board of Directors composed of three members appointed by the Argentine Executive, two of those appointed by proposal of the Government of the City of Buenos Aires and the Government of the Province of Buenos Aires, respectively.

The members of the Board of Directors must meet the same requirements applicable for prospective Members of the Argentine Congress and shall have proven experience and expertise on the activities to be carried out, as well as, the incompatibilities to be a public officer, listed in Chapter V, sections 13 and 14, of Law No. 25,188, shall apply.

The authorities of the Regulatory Entity are elected among the members of the Board of Directors for a term of 4 years, except for the Chairman, who shall be appointed by the Argentine Executive. The Chairman shall be the legal representative and, in the event of temporary impediment or absence, shall be replaced by the Vice chairman. If the Board of Directors is unable to reach a decision, the Ministry of Interior, Public Works and Housing shall break the tie.

APLA - Planning Agency

In turn, the APLA is the entity in charge of planning and controlling the expansion works for the service and coherence of the actions included in all Master Plans and Operation plans in general, pursuant to the Tripartite Agreement and the Regulatory Framework approved by Law 26,221, for the following purposes:

- Control the development of projects, works, environmental impact studies, plans, compliance with the regulatory framework, and communication thereof;
- Set the quality goals and approve, at the request of the concessionaire, expansion works;
- Provide or procure the provision of access to information by the population;
- Project and provide expansion works based on the availability of financial resources; and
- Intervene in all technical or operational matters affecting the action plans.

Therefore, by virtue of such powers, improvement, operation, expansion and maintenance plans for the Services ("PMOEM", for the acronym in Spanish) were approved through Resolution No. 40/2009, issued by the APLA, and 4/2010, issued by the Undersecretary of Water Resources.

The APLA is directed and managed by a board of directors composed of three members: one of them is the Undersecretary of Water Resources and the remaining two are appointed by the Argentine Executive, as proposed by the Province of Buenos Aires and of the Government of the City of Buenos Aires, respectively. The members of the Board of Directors must meet the same requirements applicable for prospective Members of the Argentine Congress and shall have proven experience and expertise for the activities to be carried out; also, the incompatibilities to be a public officer, listed in Chapter V, sections 13 and 14, of Law No. 25,188, shall apply.

The APLA has a General Manager appointed by the Undersecretary of Water Resources who shall be responsible for coordinating the relationship of the Board of Directors with the Advisory Committee and the technical departments of the entity.

Tariffs

The Regulatory Framework sets forth the general principles in what tariffs are respected so that:

- (1) tariffs are codified by type of service and customer within a same area;
- (2) tariffs help towards a rational usage of services and resources in order to guarantee the provision of water and sewage services;
- (3) there is a constant balance between supply and demand of services. AySA may not unilaterally restrict the services it provides;
- (4) will be directed to address sanitary and social goals directly related with the provision of the services;
- (5) will allow that payments made by certain clients help balance the economic cost of the equation and the provision of services to users in other less wealthier areas;
- (6) the tariff structure must help materialize the objective of universal coverage of water and sewage services.

Regarding tariffs, in accordance with the regulatory framework, the basic tariff system is composed of a fixed tariff regime and a meter-based regime. The meter-based regime applies for non-residential clients which can be subject to the metered system, condominium buildings (*Propiedad Horizontal*), sales of bulk water and the concessionaire's or the user's option. Currently, approximately 14% of our customers have metered type services (which represents approximately 30% of AySA's revenues), being the objective of the company to increase this number. Our residential clients receive subsidies on a regular basis. Subsidies include a discount over the overall amount to be paid by clients for their water and sewage services. There is no strict correlation or match between subsidies included in our invoices and the transfers we receive from the Federal Government.

Further, there is also a tariff regime for low income sectors - a social tariff, in addition to subsidies, which allows low income households to have access to water and sewage services at a lower price since regular subsidies received by all residential consumers have decreased.

The regulatory framework establishes certain categories of users pursuant to the type of household and consumption volumes. The following formula is used to calculate the amount of our invoices.

$BA = \text{Max} \{FC + VC; FDM * K * \text{Number of days of service}\}$ <p>Where:</p> <p>BA: Billable Amount</p> <p>FC: Fixed Charge</p> <p>VC: Variable Charge</p>

For the purposes of billing, the Regulatory Framework establishes different categories of clients based on the type of property and consumption volumes. The amount to be billed is determined as per the following formula:

The fixed charge ("FC") results from adding the Fixed Basic Daily Tariff ("FBDT") and the Daily Universal Contribution ("DUC") for the number of services available multiplied by the K coefficient, and finally multiplying that total by the number of days of service.

$$FC = (FBDT + DUC * SF * K) * \text{Number of days of service}$$

Where:

FBDT: Fixed Basic Daily Tariff

DUC: Daily Universal Contribution

K: modification coefficient

SF: Service Factor 1 if it is the provision of water or sewage, and 2 If both services are provided

The Fixed Basic Daily Tariff (“FBDT”) is determined by multiplying the total floor area (“FA”) by the building coefficient for the fixed charge, and the result is then added one-tenth of the land surface (“LS”). That previous result is then multiplied by the Fixed General Daily Tariff (“FGDT”) for each service available and by the coefficients "Z" for fixed charges and "K".

$$FBDT = K * Z_f * GDT_f * (FA * E_f + LS/10)$$

Where:

K: modification coefficient

Z_f: zoning coefficient for fixed charge

GDT_f: general daily tariff of each service and category of User for fixed charge

FA: covered area

B_f: building coefficient for fixed charge

LA: land area

The land area shall be deemed to be the area of the land or plot where the building is located.

The total floor area is deemed as the sum of floor areas of each one of the floors of the building plus 50 % of the total for partially covered surfaces.

For land within the Empty land category, only a tenth of the surface of the land shall be considered.

The concept of Universal Daily Contribution (UDC) is applied on a per Unit basis and per service available, multiplied by the "K" coefficient and the number of days of service, and the only properties excepted are the units of buildings subdivided under the regime set forth by Section 2037 of the Argentine Civil and Commercial Code used as a garage.

The concept of “Unit” means any space that can be used in an independent manner with an independent entrance from the street, whether using common spaces or not.

The Variable Charge ("VC") applies both for the meter-based regime and the fixed charge regime. In the case of the meter-based regime, the Variable Charge (VC) shall be determined according to the following formula

$$VC = (RC-FC) * \text{the m3 price} * K * FS$$

Where:

CR: recorded or estimated consumption FC:

bimonthly free consumption

K: modification coefficient

SF: Service Factor: 1 if it is the provision of water or sewage, and 2 if both services are provided.

In the case of non-meter regime, the Variable Charge shall be equal to the amount determined by the Variable Daily Basic Tariff ("VDBT") multiplied by the number of days of service.

The value of the FBDR shall be determined by multiplying the total floor area ("FA") by the building coefficient for a variable charge, and the result is added to one-tenth of the land surface ("LS"). That previous result is then multiplied by the Variable General Daily Tariff ("VGDT") for each service available and by the coefficients "Z" for Variable Charges and "K".

The values for the changes coefficient components ("K"), Fixed Daily General Tariff ("FDGT"), Fixed Building Coefficient ("FB"), Fixed Zonal Coefficient ("FZ"), Universal Daily Contribution ("UDC"), Variable General Daily Rate ("TGDv"), Variable Building Coefficient ("Bv"), Variable Zonal Coefficient ("Zv") and the price per m3, as well as the values corresponding to the Daily Minimum Bill for each User category, type of unit and service provided, are specified in the Rules for Tariff Standards ("RANT", for its Spanish acronym).

The value of the changes coefficient components ("K") was set through Disposition No. 13/2017 of the Undersecretary of Water Resources in an amount of 16,1437. Such amount was later reduced by 25% for those customers whose house holdings are located in those areas which have a Zonal Coefficient of 1.45, 1.30, and 1.1.

The current RANT was approved by Provisions 19-E/2017 and Disposition No. 62/2016 issued by the Undersecretary of Water Resources with values provided for in its Annexes, which is an amendment to Provisions 45/2010 and 4/14.

Below is the detail of the current RANT:

$$DBT_v = K * Z_v * DGT_v * (FA * E_v + ST/10)$$

Where:

K: modification coefficient

Z_v: zonal coefficient for variable charge

GDT_v: general daily tariff of each service and category of User for variable charge

FA: covered area

B_v: building coefficient defined for fixed charge LA: land area

GENERAL TARIFFS

Residential Users - Effective as of the publication until October 31, 2017.

Residential Users	Unit	Class I			Class II		
		Water	Sewer	Sewer Former Radius	Water	Sewer	Sewer Former Radius
Fixed Daily General Tariff	Ps.\$/(m ² *1000)	0.2293	0.2293	0.2522	0.2293	0.2293	0.2522
Daily Variable General Tariff	Ps.\$/(m ² *1000)	0.2293	0.2293	0.2522	0.2293	0.2293	0.2522
Universal Daily Contribution	Ps.\$/day	0.0716	0.0716	0.0716	0.0716	0.0716	0.0716
Price per Cubic Meter	Ps.\$/m ³	0.343	0.343	0.343	0.343	0.343	0.343
Minimum Daily Bill							
Functional Unit	Ps.\$/day	0.1374	0.1374	0.1374	0.1374	0.1374	0.1374

Supplementary Unit	Ps./day	0.0164	0.0164	0.0164	0.0164	0.0164	0.0164
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Residential Users - Effective as of November 1, 2017

Residential Users	Unit	Class I			Class II		
		Water	Sewer	Sewer Former Radius	Water	Sewer	Sewer Former Radius
Fixed Daily General Tariff	Ps. \$(/m ² *1000)	0	0	0	0	0	0
Daily Variable General Tariff	Ps. \$(/m ² *1000)	0.458/0	0.458/0	0.5044	0.4580	0.4580	0.5044
Universal Daily Contribution	Ps. \$/day	0.0716	0.0716	0.0716	0.0716	0.0716	0.0716
Price per Cubic Meter - Zonal Areas; 1.10; 1.30; 1.45	Ps. \$/m ³	0.4802	0.4802	0.4802	0.4802	0.4802	0.4802
Price per Cubic Meter - Zonal Areas; 1.60; 1.80; 2.00	Ps. \$/m ²	0.5488	0.5488	0.5488	0.5488	0.5488	0.5488
Price per Cubic Meter - Zonal Areas; 2.20; 2.40; 2.75; 3.10 and 3.50	Ps. \$/m ²	0.6860	0.6860	0.6860	0.6860	0.6860	0.6860
Minimum Daily Bill							
Functional Unit	Ps. \$/day	0.1374	0.1374	0.1439	0.1374	0.1374	0.1439
Supplementary Unit	Ps. \$/day	0.0164	0.0164	0.0181	0.0164	0.0164	0.0181

Non-Residential Users - Effective as of the publication of Resolution 19-E/2017 (April 5, 2017)

Class I Non-Residential Users	Unit	Type 1		Type 2		Type 3		
		Water	Sewer	Water	Sewer	Water	Sewer	Sewer Radio
			Sewer Former Radius			Sewer Former Radius		

											Former
Fixed Daily General Tariff	Ps.\$/(m ² *1000)	0	0	0	0	0	0	0	0	0	0
Daily Variable General Tariff	Ps.\$/(m ² *1000)	0.9172	0.9172	1.009	0.9172	0.9172	1.009	0.9172	0.9172	1.009	
Universal Daily Contribution	Ps.\$/day	0.0716	0.0716	0.0716	0.0716	0.0716	0.0716	0.0716	0.0716	0.0716	
Price per Cubic Meter	Ps.\$/m ³	0.686	0.686	0.686	0.686	0.686	0.686	0.686	0.686	0.686	
Minimum Daily Bill											
Functional Unit	Ps.\$/day	0.2031	0.2031	0.2163	0.2031	0.2031	0.2163	0.2031	0.2031	0.2163	
Supplementary Unit	Ps.\$/day	0.0329	0.0329	0.0362	0.0329	0.0362	0.0362	0.0329	0.0329	0.0362	

Non-Residential Users - Effective as of the publication of Resolution 19-E/2017 (April 5, 2017)

Class II Non-Residential Users	Unit	Type 1			Type 2			Type 3		
		Water	Sewer	Sewer Former Radius	Water	Sewer	Sewer Former Radius	Water	Sewer	Sewer Radio Former
Fixed Daily General Tariff	Ps.\$/(m ² *1000)	0	0	0	0	0	0	0	0	0
Daily Variable General Tariff	Ps.\$/(m ² *1000)	0.9172	0.9172	1.009	0.9172	0.9172	1.009	0.9172	0.9172	1.009
Universal Daily Contribution	Ps.\$/day	0.0716	0.0716	0.0716	0.0716	0.0716	0.0716	0.0716	0.0716	0.0716
Price per Cubic Meter	Ps.\$/m ³	0.686	0.686	0.686	0.686	0.686	0.686	0.686	0.686	0.686
Minimum Daily Bill										

Functional Unit	Ps./day	0.2031	0.2031	0.2163	0.2031	0.2031	0.2163	0.2031	0.2031	0.2163
Supplementary Unit	Ps./day	0.0329	0.0329	0.0362	0.0329	0.0362	0.0362	0.0329	0.0329	0.0362

Vacant Land Users - Effective as of the publication of Resolution 19-E/2017 (April 5, 2017) until October 31, 2017

Empty Lands	Unit	Water	Sewer	Sewer Former Radius	
Fixed Daily General Tariff	Ps./(m ² *1000)		0.2293	0.2293	0.2522
Daily Variable General Tariff	Ps./(m ² *1000)		0.2293	0.2293	0.2522
Universal Daily Contribution	Ps./day		0.0716	0.0716	0.0716
Price per Cubic Meter	Ps./m ³		0.343	0.343	0.343
Minimum Daily Bill	Ps./day		0.1209	0.1209	0.1209

Vacant Land Users - Effective as of the publication of Resolution 19-E/2017 (April 5, 2017) until November 1, 2017

Empty Lands	Unit	Water	Sewer	Sewer Former Radius	
Fixed Daily General Tariff	Ps./(m ² *1000)		0	0	0
Daily Variable General Tariff	Ps./(m ² *1000)		0.4586	0.4586	0.4586
Universal Daily Contribution	Ps./day		0.0716	0.0716	0.0716
Price per Cubic Meter - Zonal Areas; 1.10; 1.30; 1.45	Ps./m ³		0.4802	0.4802	0.4802
Price per Cubic Meter - Zonal Areas; 1.60; 1.80; 2.00	Ps./m ³		0.5488	0.5488	0.5488

Price per Cubic Meter - Zonal Areas; 2.20; 2.40; 2.75; 3.10 and 3.50	Ps./m ³	0.6860	0.6860	0.6860
Minimum Daily Bill	Ps./day	0.1209	0.1209	0.1209

Furthermore, the Regulatory Framework establishes the charges for special services to be provided by AySA (i.e., construction fee; provision of drinkable water for vessels; removable or temporary facilities, water used for irrigation and/or cleaning of public parks and areas, drinking water supplied to water carriers, water for the provision of the drinking water supply service in areas with no service, unloading of vacuum trucks to sewage collectors system at the enabled landfills, sewage to the network operated by the Concessionaire, connection and disconnection charges, reconnection charges for the drinking water and/or sewage service, charge for access to the service, water in block or sewage drain in block, treatment of industrial sewage, charges for property title not reported and meter installation charges).

All tariffs modifications must be approved by the application authority with prior intervention of the ERAS. Tariff revisions may be requested both by AySA and the application authority. The concession contemplates periodical (annual and every five years) pre-established tariff reviews as well as extraordinary tariff reviews on account of force majeure and other unexpected events. For the time being, no extraordinary tariff reviews have occurred. Currently, there is no need to hold public hearings prior to reviewing tariffs, however we have in the recent past held public hearings in connection with tariff reviews.

The following table shows the changes to the tariff regime, the subsidies in the form of discounts to our clients and the value of the K coefficient, a major component of our tariff scheme, during the years ended December 31, 2016, 2015 and 2014.

Undersecretary of Water Resources Resolution	In effect as of	Applicable to	"K" Coefficient		Applicable Discount		Total Increase (%)
			Value	Variation (%)	Discount (%)	Variation due to Reduction of Discount (%)	
No.4/2014	04/01/2014	Clients with no discounts	5.1138	37%	0%	0%	37%
		Prime zone users	5.1138		5%	5%	408%
		Mid zone users	5.1138		25%	25%	301%
		Low zone users	5.1138		50%	50%	167%
No.62/2016	04/01/2016	Clients with no discounts	16.1937	217%	0%	0%	217%
		Prime zone users	16.1937		0%	0%	233%
		Mid zone clients	16.1937		0%	0%	322%
		Low zone users	16.1937		25%	25%	375%
No.19/2017	05/03/2016	Clients with no discounts	19.9183	23%	0%	0%	23%
		Prime zone users	19.9183		0%	0%	23%
		Mid income zone users	19.9183		0%	0%	23%
		Low income zone users	19.9183		25%	25%	23%

Procedures for Sanctions

Disposition No. 22/2013 of the Undersecretary of Water Resources approved the procedure through which AySA may be sanctioned.

Pursuant to such disposition, all sanctions procedures must be initiated through a filing with ERAS, notwithstanding that certain sanctions may be directly imposed by the Executive Branch. Further, when the sanctions relate to approved plans, the ERAS will give intervention to the APLA.

Possible sanctions include warnings and penalties (to be deposited in a fund to be destined to the improvement of AySA's services).

Directors are unlimitedly, jointly and severally liable towards the Company, the shareholders and third parties in case of improper performance of their duties, any violations of the laws or the provisions of the Company's bylaws and any damages resulting from willful misconduct, abuse of authority or negligence.

MANAGEMENT

Regular and Alternate Directors, Senior Managers

Our Board of Directors currently consists of five regular directors and one alternate board member. It is entrusted with the direction and management of the Company's business, pursuant to its bylaws and the regulations of General Companies Law.

Members of the Board of Directors are appointed by shareholders present at shareholders' meetings. The Board of Directors shall consist of a minimum number of three regular directors and a maximum number of five regular Directors. In case the Board of Directors consists of five regular Directors, four regular directors, shall be appointed by Class A shareholders and one regular director shall be appointed by Class B shareholders. Directors will remain in office for a term of three fiscal years. Tenure of directors is deemed extended until their successors are appointed by the shareholders' meeting and the new members of the Board of Directors have taken office. Additionally, the shareholders may appoint a like number of alternate directors to fill any vacancies that may occur. None of the current AySA's Directors is considered independent pursuant to applicable Argentine Law.

Pursuant to the General Companies Law, the directors must, in discharging their duties, act with the loyalty and the diligence required of a good businessman. Directors are unlimitedly, jointly and severally liable towards the Company, the shareholders and third parties in case of improper performance of their duties, any violations of the laws or the provisions of the Company's bylaws and any damages resulting from willful misconduct, abuse of authority or negligence. The following are considered inherent in the directors' duty of act with loyalty: (i) the prohibition against using corporate assets and confidential information for their personal benefit; (ii) the prohibition against taking advantage or allowing third parties to take advantage, either by action or omission, of the Company's dealings; (iii) the obligation to avoid taking any action in violation of the law, the Company's bylaws or the resolutions adopted by the shareholders' meetings; and (iv) the prohibition against acting in a manner that is contrary, either directly or indirectly, to the Company's interests.

Under the General Companies Law, the Board of Directors is responsible for the administration and representation of the Company and therefore adopts all administrative measures and those imposed by the General Companies Law, its bylaws and any regulations that may be applicable to the Company. Alternate board members who step in as regular board members have the same duties and responsibilities as regular board members. The Board of Directors is also responsible for the execution of the resolutions adopted by the shareholders' meetings and for the performance of any tasks delegated by the shareholders.

The individuals identified below are the current members of the Board of Directors of AySA, as resolved by AySA Class A shareholders' meetings held on January 19, 2016, April 13, 2016 and June 12, 2017, and Class B shareholders' meeting held on October 23, 2016:

Name	Position	Date of Appointment	End of appointment
José Luis Inglese	Chairman	01/19/2016	12/31/2018
Alejandra Alberdi	Vice Chairman	07/12/2017	12/31/2019
Pablo Hector Walter	Director	01/19/2016	12/31/2018
Camilo Di Boscio	Director	04/13/2016	12/31/2018
José Luis Lingeri	Director	10/23/2015	12/31/2018

<u>Name</u>	<u>Position</u>	<u>Date of Appointment</u>	<u>End of appointment</u>
Mario Osvaldo Pérez Latorre	Alternate Director	01/19/2016	12/31/2018

Set forth below are brief biographical descriptions of our directors:

JOSE LUIS INGLESE, born on March 19, 1947. Mr. Inglese joined our Company on January 19, 2016. He currently serves as Director and Chairman of the Company’s Board of Directors. He has an extensive professional track record in the field of sanitation engineering as he has been involved in the management of water and sanitation works in several countries in Latin America and in Argentina. He is an engineer graduated with honors from *Universidad de Buenos Aires* and has a Masters Degree in Sanitation Engineering. Furthermore, he was President of the Argentine Association of Sanitation Engineering and Environmental Sciences (*Asociación Argentina de Ingeniería Sanitaria y Ciencias del Ambiente (AIDIS)*) and Vice President of the Interamerican Association of Sanitation and Environmental Engineering (*Asociación Interamericana de Ingeniería Sanitaria y Ambiental*). He was awarded with the National Engineering Prize form the National Academy of Engineering for his background in Sanitary and Environmetal Engineering.

MARIA ALEJANDRA ALBERDI, born on February 17, 1961. Ms. Alberdi joined our Company on July 12, 2017. She currently serves as Regular Director and Vice Chairman of the Company’s Board of Directors. When working at Grupo SAUR (2014 – 2017), she served as Legal Director of the Argentine and the Spanish Section and as president of the company. She has also served as General and Legal Director of Obras Sanitarias Mendoza S.A. (1999 - 2014); Infrastructure Legal Manager of Grupo SUEZ LYONNAISE DES EAUX Aguas Argentinas; Legal Director of Malardeau Promotion Immobiliere (Toulouse); legal advisor for public notaries in CRIDON (Lyon); Adjunct Financial Manager of Eriday, representing Dumez (Suez Lyonnaise group); Administrative and Financial Manager of Dumez Argentina. She is a lawyer graduated from the *Universidad de Buenos Aires* (1984) with a Postgraduate Degree in Legal Audit at UBA and the Toulouse Business School (1986) and in Business Administration at IAE (1987).

PABLO HECTOR WALTER, born on March 25, 1967. Mr. Walter joined our Company on January 19, 2016. He currently serves as Regular Director. He has served as a Director of Corporación Antiguo Puerto Madero SA and was National Senator for the Province of Tucumán. Currently, he is National Executive Advisor to the “PRO” political party and Coordinator of the Ministry of the Interior for Tucumán.

CAMILO DI BOSCIO born on May 25, 1974. Mr. Di Boscio joined our Company on April 13, 2016. He currently serves as Regular Director. He has also served as Chief of Staff of the Ministry of Interior, Public Works and Housing since 2015. He has also served as a Director at International Meal Corporation (2012 - 2013). He is an engineer graduated from *Universidad de Buenos Aires* and holds a Master in Business Administration Degree from the University of Southampton UK.

JOSE LUIS LINGERI, born on July 23, 1945. Mr. Lingeri joined our Company in April 10, 2006. He currently serves as a Director as the representative of Class B shareholders. He also serves as General Secretary of the Trade Union of Gran Buenos Aires Water Sector Workers (*Sindicato Gran Buenos Aires de Trabajadores de Obras Sanitarias*).

MARIO OSVALDO PEREZ LATORRE, born on November 19, 1956. Mr. Perez Latorre joined our Company in May 2006. He currently serves as an alternate Director as the representative of Class B shareholders, and used to serve as Manager of Administration and Finance at our Company. Previously, he served as associate economist at Econométrica, and was executive manager at Salto Grande, SOMISA, and the National Health Insurance Association. He is an economist, graduated from the *Universidad Argentina de la Empresa*.

Supervisory Committee

Pursuant to Argentine Law, the main responsibilities of the supervisory committee consist in overseeing compliance with the provisions of the Company's bylaws and the General Companies Law. The supervisory committee shall prepare a report as to the fairness of the financial information submitted by the Company's Board of Directors to be reported to the shareholders at the Annual Ordinary Shareholders' Meeting, notwithstanding the role of the external auditors. The Company's bylaws set forth that the supervisory committee shall be made up of three regular statutory auditors and three alternate statutory auditors, to be elected by the shareholders (i.e., the Federal Government and AySA employees) who shall serve for terms of one year. The tenure in office of statutory auditors is deemed extended until their successors are appointed by the shareholders' meeting and the new statutory auditors have taken office.

The members of the supervisory committee are also vested with powers to (i) call ordinary and extraordinary shareholders' meetings, (ii) incorporate such items on the agenda for shareholders' meetings as they may consider appropriate, (iii) attend shareholders' meetings and (iv) in general, oversee the Company's business. Members of the supervisory committee remain in their positions beyond the end of their appointment until new members have been appointed.

<u>Name</u>	<u>Position</u>	<u>Date of Appointment</u>	<u>End of appointment</u>
Celia Elena Yannuzzi	Regular Statutory Auditor	01/26/2017	12/31/2017
Silvana María Gentile	Regular Statutory Auditor	01/26/2017	12/31/2017
Reinaldo Castro	Alberto Regular Statutory Auditor	01/26/2017	12/31/2017
Francisco Gonzalez	Daniel Alternate Statutory Auditor	01/26/2017	12/31/2017
Hector Oscar Ivancich	Alternate Statutory Auditor	01/26/2017	12/31/2017
Carlos Anibal Urtasun	Alternate Statutory Auditor	01/26/2017	12/31/2017

All members of the supervisory committee are "independent" on account of their appointment by the Federal Government, and their legal domicile is the address of the registered office of the Company on the back cover of this offering memorandum.

Pursuant to AySA's bylaws, one regular statutory auditor and one alternate statutory auditor shall be appointed by the employees included in the Employee Stock Ownership Plan (Class B Shares). Regular and alternate statutory auditors for Class A shares shall be appointed by the shareholders' meeting on the

recommendation of the General Auditing Office of Argentina.

Set forth below are brief biographical descriptions of each regular and alternate member of our supervisory committee:

SILVANA MARIA GENTILE. Ms. Gentile is a Regular Statutory Auditor on behalf of holders of Class A Shares. She has been appointed by the General Auditing Office of Argentina and shall remain in office until the end of 2017 fiscal year. She also served as Regular Statutory Auditor at Banco Macro, ARSAT S.A, Banco Bice S.A, Banco Hipotecario S.A, among others. She is a certified public accountant and has a degree in management, from the *Universidad Nacional de Lomas de Zamora*.

CELIA ELENA YANNUZZI. Ms. Yannuzzi is a Regular Statutory Auditor on behalf of holders of Class A Shares. She has been appointed by the General Auditing Office of Argentina and shall remain in office until the end of 2017 fiscal year. She also served as Regular Statutory Auditor at Administración de Infraestructura Ferroviaria SE (ADIF); Belgrano Cargas y Logística S.A. and Ferrocarriles Argentinos S.E. (FASE). She is a lawyer, graduated from the *Universidad Católica de Buenos Aires*.

HECTOR OSCAR IVANCICH, Mr. Ivancich is an Alternate Statutory Auditor on behalf of holders Class A Shares. He has been appointed by the General Auditing Office of Argentina and shall remain in office until the end of 2017 fiscal year. He also serves as Statutory Auditor at the Centro de Ensayos de Alta Tecnología S.A (CEATSA), Lotería Nacional SE, Educ.ar SE and Contenidos Públicos SE. He is a lawyer, graduated from the *Universidad de Buenos Aires*.

FRANCISCO DANIEL GONZALEZ,. Mr. Gonzalez is an Alternate Statutory Auditor on behalf of holders of Class A Shares. He has been appointed by the General Auditing Office of Argentina and shall remain in office until the end of 2017 fiscal year. He also serves as Regular Statutory Auditor at Compañía Administradora del Mercado Mayorista Eléctrico S.A. (CAMMESSA), Papel Prensa S.A. and COVIARA, served as auditor at Auditoría General de la Nación from 1993 to 1994. He is a certified public accountant, graduated from the *Universidad de Buenos Aires*.

REINALDO ALBERTO CASTRO, Mr. Castro is a Regular Statutory Auditor on behalf of holders of Class B Shares. He shall remain in office until the end of 2017 fiscal year. Prior to joining AySA he was partner at Castro, Klappenbach and associates. He is a lawyer, graduated from the *Universidad de Buenos Aires*.

CARLOS ANIBAL URTASUN. Mr. Urtasun is an Alternate Statutory Auditor on behalf of holders of Class B Shares He also serves as treasurer at the Sindicato Gran Buenos Aires de Trabajadores de Obras Sanitarias (SBBATOS), since 1993, and as a member of the Executive Committee of the Participated Property Program, also since 1993. He shall remain in office as Alternate Statutory Auditor until the end of 2017 fiscal year. He is a certified public accountant, graduated from the *Universidad Nacional de la Plata*.

General Auditing Office of Argentina

Name	Position
Alberto Gowland	Federal General Auditor
María Oneto	Assistant General Auditor
Ignacio Martín Rial	Assistant General Auditor
Anibal Guillermo Kohlhuber	Assistant General Auditor

Pursuant to Law 24,156 on Financial Administration and Argentine Public Sector Control Systems, the General Auditing Office of Argentina is the governing authority of the State's internal control system.

Auditors

Bértora conducted the audit of AySA for the fiscal year ended December 31, 2016. Roberto Quian y Asociados conducted the audit of AySA during the 2015 fiscal year.

The table below specifies the partners vested with signing authority, in charge of the audit of AySA for the fiscal years ended December 31, 2015 and 2016, respectively.

Financial statement of:	Partner with signing authority	Accounting firm:	Council, Volume N° and Page N° of enrollment:
December 31, 2016	Horacio F. Mollo	Bértora y Asociados	C.P.C.E.C.A.B.A. V 47- P 146
December 31, 2015	Roberto J. Quian	Roberto Quian y Asociados	C.P.C.E.C.A.B.A. V 22 P 216

On November 13, 2017, our board of directors passed a resolution approving the engagement of Pistrelli, Henry Martin y Asociados S.R.L. (a member Firm of Ernst & Young Global) as our independent accountants going forward.

Managers

The Managers of AySA's different areas, as of the date of this offering memorandum, are identified below:

Name	Position
José Figiacone	General Manager and Investment Manager
Cora Graciela Anderson	Manager of the Southwest Region
Luis Julio Vicente Aversano	Manager of Human Resources
Guillermo Horacio Avila	Large Ducts Manager
Laura Elena Bacha	Major Works Manager
Alejandro Alberto Barrio	Manager of Technique and Technological Development
Normando Roque Birolo	Manager of Financial International Credit Organisms
Fabian Ricardo Borro	General Manager of Logistic Support
Fernando Emilio Calatroni	Planning Manager
Marcelo Carlos Canepa	Manager of the North Region
Pablo Ricardo Careaga	Manager of the West Region
Mariana Carriquiriborde	Sustainability Manager
Sergio Guillermo Cordoni	Adjunct Manager of Financial International Credit Organisms
Omar Jorge Falvino	Purchasing and Warehouse Manager

Jorge Horacio Fernandez Ripoll	Financial Economic Manager
Pablo Antonio Garcia	Regional Restructuring
Oscar Ruben Garcia	Tariff Regime & Financial Economic Regulations Manager
Ruben Gabriel Kucher	Commercial Manager
Guillermo Ricardo Lopez Fontana	Manager of Contracts and Control
Eugenio Macca	Manager in charge of Revising Engineering
Eduardo Enrique Martinez	District Relationships Manager
Pablo Federico Belocopitow	Manager of Administration, Finance and Purchases
Diego Javier Muniz	Press Manager
Daniel Mario Navello	Logistics and Asset Control Manager
Maria Silvina Perriello	Manager of Institutional Relations
Oscar Alberto Raffa	Manager of Plants and Establishments
Carlos Manuel Ramallo	Network Manager
Ariel Edgardo Rodriguez	General Management
Rodolfo Jose Rojas	Community Development Manager
Gustavo Adrián Rubiños	Building and Operational Infrastructure Manager
Raul Ernesto Santonja	Manager of Regional Operations
Claudio Marcelo Stori	Manager of the Southeast Region
Christian Javier Taylor	Technical Planning and Energy Manager
Hector Dario Vaccaro	Manager of Maintenance and Workshops
Emilio Villanueva	Regulatory Planning Manager
Claudio Wendler	Information Technology Manager
Federico Zambra	Manager of the City of Buenos Aires Region
Danilo Adrian Zanata	Water manager
Daniel Sergio Perez	Sanitation Manager
Pedro Orlando Rondinelli	Adjunct Manager of Plants and Establishments
Eduardo Villegas Contte	Internal Audit and Information Manager
Luis E. Pereyra Lucena	Legal Affairs Manager
Marcela C. Alvarez	Riachuelo System Manager

JOSE FIGIACONE, was born on March 15, 1939. He has served as General Manager and Investment Manager of our Company since October 2017. Between 1993 and 2006 he served as Procurement and Investments Manager in Aguas Argentinas. Previously, he served as Chief Operations Officer for Techint S.A. (1986-1992). He is currently serving as General Manager and Investment Manager. He is a civil engineer.

CORA GRACIELA ANDERSON, was born on January 20, 1961. She has served as General Manager of our Company since August 2010. She currently serves as Manager of the Southwest Region. She is a chemical engineer graduated from the *Universidad de Buenos Aires*. She specialized her studies in sanitary engineering at the same university, and completed the Intensive Program on Business Management at the *Universidad Austral*.

LUIS JULIO VICENTE AVERSANO, was born on November 1, 1952. He has served as General Manager of our Company since 2006. He currently serves as Manager of Human Resources. He has more than 40 years of experience working for important companies. He worked at Aguas Argentinas since 1999, and served there as Manager of Human Resources from 2000 to 2003. He is an Accountant graduated from the *Universidad de Belgrano*. He obtained an Executive MBA at the University of Michigan, and specialized his studies on Leadership at the Levinson Institute, in Boston.

GUILLERMO HORACIO AVILA, He has served as General Manager of our Company since 2017. He currently serves as Large Ducts Manager. He started his career in OSN, in 1983, and then continued in Aguas Argentinas. He is an engineer in environmental safety graduated from the *Universidad de la Marina Mercante*, and has a degree in safety and hygiene from *Universidad de Moron*.

LAURA ELENA BACHA, was born on December 5, 1960. She has served as a General Manager of our company since 2013. She currently serves as Major Works Manager. She started her career in OSN, in 1987, and served Water Manager in Aguas Argentinas between 1999 and 2002. She then served as Regional Technical Manager between 2002 and 2006. Since the formation of our Company, she served as Manager in different areas. She is a civil engineer graduated from the *Universidad Catolica Argentina*, and port engineer graduated from *Universidad de Buenos Aires*.

ALEJANDRO ALBERTO BARRIO was born on July 19, 1966. He has served as a General Manager since the year 2006. He is currently Manager of Technique and Technological Development. He started working in Aguas Argentinas in 1993. There he served as Water Manager in the year 2000 and Manager of the Central Lab in the year 2003. He is a construction engineer graduated from the *Universidad Nacional de La Plata*.

NORMANDO ROQUE BIROLO, was born on January 6, 1956. He has served as a General Manager of our Company since 2009. He is currently serving as Manager of Financial International Credit Organisms. Throughout his career he became sector specialist at the *BID*, having supervised 18 operations through which *BID* lent money to Argentina and its provinces. He is a civil engineer graduated from the *Universidad de Rosario*. He obtained an MBA from the *Universidad de Belgrano*, and a postgraduate degree in sanitary engineering.

FABIAN RICARDO BORRO, was born on September 26, 1961. He has served as a General Manager of our Company since 2010. He is currently serving as a General Manager of Logistic Support. He also serves as Manager of Logistic Support.

FERNANDO EMILIO CALATRONI, was born on March 25, 1970. He has served as a General Manager of our Company since 2013. He is currently serving as Planning Manager. He served as Water Manager from 2008 to 2009, and as Manager of the Southwest Region from 2009 to 2013. He is a hydraulic engineer graduated from the *Universidad Nacional de La Plata*, and a civil Engineer, also from *Universidad Nacional de La Plata*. He obtained a postgraduate degree for the Intensive Program in Business Management from the *Universidad Austral*, in Water Management, from *Grupo Agbar y Fundación Politécnica de Cataluña*, and in Assessment of Environmental Impacts, from the *Facultad Latinoamericana de Ciencias Ambientales*.

MARCELO CARLOS CANEPA, was born on October 10, 1957. He has served as a General Manager of our Company since 2016. He is currently serving as Manager of the North Region. He worked for Aguas Argentinas since 1993, and got to serve as Technical Manager of the West Region. He is an architect graduated from the *Universidad de Buenos Aires*.

PABLO RICARDO CAREAGA, was born on March 1, 1964. He has served as a General Manager of our Company since 2016. He is currently serving as Manager of the West Region, and served as Commercial Manager of the West Region from 2006 to 2016. He is a publicity designer graduated from the *Fundación de Altos Estudios en Ciencias Comerciales*.

MARIANA CARRIQUIRIBORDE, was born on July 16, 1968. She has served as General Manager of our Company since 2014. She currently serves as Sustainability Manager, and used to serve as Chief of

Environmental Studies. She is an architect graduated from the *Universidad de Buenos Aires*. She obtained a Doctorate degree in Urbanism from the *Universidad Politécnica de Cataluña*.

SERGIO GUILLERMO CORDONI, was born on September 6, 1968. He has served as Manager Director of our Company since 2017. He is currently serving as Adjunct Manager of Financial International Credit Organisms. He is a chemical engineer graduated from the *Universidad Nacional de Córdoba*, and an Industrial Scientist, from the same university.

OMAR JORGE FALVINO, was born on October 5, 1961. He has served as a General Manager of our Company since 2010. He is currently serving as Purchasing and Warehouse Manager. He started his career in OSN in 1985, continued working for Aguas Argentinas, and then for AySA, where he served as Manager from 2006 to 2010. He is an accountant graduated from the *Universidad Austral*, and obtained a postgraduate degree for the Intensive Program on Business Management from the same university. He also obtained a postgraduate degree in Economic Regulation from *Universidad Católica Argentina*.

JORGE HORACIO FERNANDEZ RIPOLL, He has served as General Manager of our Company since 2012. He is currently serving as Financial Economic Manager. He started his career in Aguas Argentinas as an Auditor in 1998, and was then named Manager of Planning and Control when AySA was created. He has a degree in Business Management from the *Universidad del Salvador*. He obtained a Masters degree in Financial Direction from the *ISEAD Business School*.

PABLO ANTONIO GARCIA, was born on July 18, 1954. He has served as General Manager of our Company since 2009. He is currently serving as Regional Restructuring Manager. Working in Augas Argentinas, Pablo served as Manager in several departments. He has a degree in Business Management from the *Universidad Católica Argentina*, and has graduated as an accountant from the same university. He has a postgraduate degree from the Program of Executive Management from the *IAE*.

OSCAR RUBEN GARCIA, was, born on January 24, 1958. He has served as General Manager of our Company since 2012. He is currently serving as Tariff Regime & Financial Economic Regulations Manager. He started working at OSN in 1976, and since 1996 he served as Manager for several departments at Aguas Argentinas and later AySA. He has a degree in Information Systems, from the *Universidad Nacional de Luján*.

RUBEN GABRIEL KUCHER, was, born on May 6, 1954. He has served as General Manager for our Company since 2006. He is currently serving as Commercial Manager. He started working at OSN in 1985, and then became Commercial Planning Manager in Aguas Argentinas. He has a degree in Economics from the *Universidad de Buenos Aires*.

GUILLERMO RICARDO LOPEZ FONTANA, he has served as General Manager of our Company since 2017. He is currently serving as Manager of Contracts and Control. He started working at Aguas Argentinas in 2004. He is an accountant graduated from the *Universidad Nacional de La Plata*, and has a Masters degree in business management from the same university.

EUGENIO MACCA, was born on May 1, 1962. He has served as General Manager of our Company since 2016. He is currently serving as Manager in charge of Revising Engineering. He started working at Aguas Argentinas in 2000, as Manager of Assets and Monitoring, and once in AySA he served as manager for several areas. He is a civil engineer graduated from *Universidad Católica Argentina*, obtained a postgraduate degree for the Intensive Program on Business Management from the *IAE*, and a Masters degree in Business Management from the *Universidad del CEMA*.

EDUARDO ENRIQUE MARTINEZ, was born on March 4, 1953. He has served as General Manager of our Company since 2017. He is currently serving as District Relationships Manager. He started working at OSN in 1983, serving as Chief Technician and then obtained several management positions. He is an architect graduated from the *Universidad de Buenos Aires*.

PABLO FEDERICO BELOCOPITOW, was born on February 22, 1961. He joined our Company on January 2, 2018 and currently serves as Manager of Administration, Finance and Purchases. Before working at AySA, he served as CFO at Wal-Mart Argentina (2009-2017), as Vice-president of Audits at Wal-Mart Japan (2005-2009), as Regional Manager of Audits for China, Korea, Argentina and Brazil, at Wal-Mart Stores Inc. USA (2003-2005), and as Managers of Audits at Wal-Mart Argentina (2000-2003). He is a Public

Accountant, graduated from the Universidad de Buenos Aires. He obtained a postgraduate degree in finance from the Universidad de Buenos Aires, and obtained an MBA from the University of San Diego.

DIEGO JAVIER MUNIZ, was born on January 13, 1964. He has served as General Manager of our Company since 2011. He is currently serving as Press Manager. Before joining AySA, he served as Accounts Manager at firms such as Personally, Porter Novelly & Asociados. He has a degree in Journalism from the *Universidad Católica Argentina*.

DANIEL MARIO NAVELLO, was born on December 24, 1958. He has served as General Manager of our Company since 2017. He is currently serving as Logistics and Asset Control Manager. He worked at AySA as Chief of Human Resources of the City of Buenos Aires Region, and Coordinator of Human Resources of Regional Operations. He is an accountant graduated from the *Universidad de Buenos Aires*, and completed the Executive Formation Program from the *Universidad Austral*.

MARIA SILVINA PERRIELLO was born on March 23, 1976. She has served as General Manager of our Company since 2013. She is currently serving as Manager of Institutional Relations. She also served as Chief of Budget and Publicity of the Institutional Relations Department, from 2009 to 2011, and as Chief of Control, from 2001 to 2009.

OSCAR ALBERTO RAFFA, was born on February 3, 1954. He has served as Manager Director of our Company since 2010. He is currently serving as Manager of Plants and Establishments. He started working at OSN in 1975, and continued his career in Aguas Argentinas. Since 2007 he served as Maintenance Manager at AySA. He is an electronic engineer graduated from the *Universidad Tecnológica Nacional*, and obtained a postgraduate degree in Strategy and Innovation for Executive Management from the *UCA-ESADE (Barcelona)*.

CARLOS MANUEL RAMALLO, was born on February 16, 1959. He has served as General Manager of our Company since 2016. He is currently serving as Network Manager. He is a civil engineer graduated from the *Universidad Católica Argentina*.

ARIEL EDGARDO RODRIGUEZ, was born on May 8, 1972. He has served as General Manager of our Company since 2016. He is currently assigned to serve for the General Management. He also served as Manager throughout his career at AySA in several other areas. He is an accountant graduated from the *Universidad del Salvador*. He obtained a postgraduate degree for the Intensive Program in Business Management from the *IAE Universidad Austral*.

RODOLFO JOSE ROJAS, was born on April 23, 1961. He has served as General Manager of our Company since 2011. He is currently serving as Community Development Manager. He worked at different firms in the construction industry and joined AySA in 2006, where he became Manager of Community Promotion in 2008. He is an architect graduated from *Universidad de Buenos Aires*, and obtained a Masters degree in Metropolitan Environment Operations from the same university.

GUSTAVO ADRIAN RUBIÑOS, was born on November 9, 1962. He has served as General Manager of our Company since 2016. He is currently serving as Building and Operational Infrastructure Manager. He served as manager in several areas at Aguas Argentinas from 1998 and 2006, and continued as Manager of Special Projects at AySA until 2006. He is an engineer graduated from the *Universidad de Buenos Aires*, and completed the Intensive Program of Business Management from the *Universidad Austral*.

RAUL ERNESTO SANTONJA, was born on August 23, 1958. He has served as General Manager of our Company since 2013. He is currently serving as Manager of Regional Operations. He started working as technician at Aguas Argentinas in 1983 and became Regional Manager in 2000. He is an architect graduated from the *Universidad de Buenos Aires*, and obtained a postgraduate degree in Business Management from the *Universidad Austral*.

CLAUDIO MARCELO STORI was born on October 31, 1960. He has served as General Manager of our Company since 2013. He is currently serving as Manager of the Southeast Region. He started working at OSN in 1988, and became Manager of Technical Operation of the Southern Region since 2002. At AySA, he was named Manager of the West Region from 2009 to 2013. He is a civil engineer from the *Universidad de Moron*.

CHRISTIAN JAVIER TAYLOR was born on August 16, 1971. He has served as General Manager of our Company since 2017. He is currently serving as Technical Planning and Energy Manager. He joined Aguas Argentinas in 1996. In 2006, he was named Network Manager. He is a civil engineer and a hydraulic engineer graduated from the *Universidad de la Plata*. Among several other degrees, he completed the Intensive Program on Business Management from the *IAE*.

HECTOR DARIO VACCARO, ID was born on October 20, 1961. He has served as General Manager of our Company since 2017. He is currently serving as Manager of Maintenance and Workshops. He has previously worked as Maintenance Operations Manager from 2008 to 2017. He has a degree in Hygiene and Work Safety from the *Fraternidad de Agrupaciones Santo Tomas de Aquino*, and obtained a degree in Asset Management from the *UTN*.

LILIANA ESTER VERGER, was born on August 22, 1955. She has served as General Manager of our Company since 2017. She is currently serving as Engineer and Projects Manager. She started working at OSN in 1983 as Project Engineer, and continued her career at Aguas Argentinas, where she became Chief of Sewage and Plants Projects. Since 2007 she became Manager of Civil Projects. She is a civil engineer from the *Universidad de Buenos Aires*, and obtained a degree in Sanitary Engineering from the same university.

EMILIO VILLANUEVA, was born on November 20, 1963. He has served as General Manager of our Company since 2016. He is currently serving as Regulatory Planning Manager. He is a civil engineer graduated from the *Universidad de Buenos Aires*, and obtained a degree for the Intensive Program in Business Management from the *IAE*.

CLAUDIO WENDLER, was born on January 2, 1973. He has served as General Manager of our Company since October 2015. He is currently serving as Information Technology Manager. He has previously served at Accenture as Regional Manager for Latin America. He is an engineer on information systems, from the *Universidad Tecnológica Nacional*, and obtained an MBA from the *Universidad Torcuato Di Tella*.

FEDERICO ZAMBRA was born on April 28, 1965. He has served as General Manager since 2010. He is currently serving as Manager of the City of Buenos Aires Region. He joined Aguas Argentinas in 1998, as Manager of Commercial Improvements and then became Manager of several other areas until 2006 when he was named as Manager of the Western Region until 2008. He was then named Manager of BID Loans, until 2010. He is an architect graduated from the *Universidad de Buenos Aires*, and obtained a degree for the Intensive Program in Business Management from the *IAE*.

DANILO ADRIAN ZANATA, was born on August 20, 1968. He has served as General Manager of our Company since 2015. He is currently Water manager, and previously served as Manager of Improvements and Maintenance and as Chief of the Belgrano Plant. He is an electronic engineer from the *Universidad Tecnológica Nacional*, and obtained a degree in Sanitary Engineering Specialization from the *Universidad Nacional Tres de Febrero*.

DANIEL SERGIO PEREZ, was born on December 22, 1963. He has served as General Manager of our Company since November, 2017. He is currently serving as Sanitation Manager, and has previously served as Manager of Plants and Establishments. He is a Chemical Engineer graduated from the *Universidad Tecnológica Nacional*, and obtained an MBA from the *Universidad Tres de Febrero*. PEDRO ORLANDO RONDINELLI, was born on July 6, 1960. He has served as General Manager of our company since 2008. He is currently Adjunct Manager of Plants and Establishments. He worked at Aguas Argentinas as Supervisor and Coordinator, and from 2006 to 2007 he served as Large Ducts Manager. He studied Analysis of Systems Applied to Business, at the *Instituto Superior del Profesorado Incorporado a la Enseñanza*.

EDUARDO VILLEGAS CONTTE, was born on November 22, 1955. Mr. Villegas Contte joined our Company on December 1, 2017 serving as Internal Audit and Information Manager. He has a broad experience in the finance and control areas in regulated companies. He was the CFO in MetroGAS for more than twelve years(2002-2013). He is a Certified Public Accountant graduated from Universidad de Buenos Aires with Postgraduate Studies in Finance and Management at Kellogs Bussines School, NorthWestern University.

LUIS E. PEREYRA LUCENA, born on November 28, 1957. Mr. Pereyra Lucena has served as legal Director to the Company since November 2017. He also discharged duties as lawyer at Aguas Argentinas

(1994-1997) and Legal Adviser to Aguas Cordobesas (1997– 2007). Mr. Pereyra Lucena also served as lawyer at Banco Hipotecario. He has an extensive track record in legal aspects of water and sewer companies. He is a lawyer graduated from Universidad de Buenos Aires.

Compensation:

Pursuant to the General Companies Law, if the fees of the members of the Board of Directors are not fixed by the Company's bylaws, the shareholders' meeting shall fix such compensation. The maximum fee amount, including fees payable for technical and administrative duties, may not exceed 25% of profits obtained. When one or more directors discharge special or technical-administrative duties and the fiscal year did not show profits or same are insufficient, shareholders may approve payment of compensation in excess of such limit.

Members of the Board of Directors, General Managers and members of the senior management received compensation amounting, in the aggregate, to Ps.410.2 million, without including social security contributions for their services rendered in the year ending December 31, 2016. Members of the Supervisory Committee received compensation amounting, in the aggregate, to Ps.7.7 million for their services rendered in the year ending December 31, 2016.

PRINCIPAL SHAREHOLDERS

Principal Shareholders

Class of Shares

As of December 31, 2016, our capital stock amounted to Ps.150,000,000, divided into 150,000 common, registered, non-endorsable shares of a par value of Ps.1,000 each and entitled to one vote per share. 135,000 Class A shares are held by the Federal Government and 15,000 Class B shares are held by the Company's employees pursuant to the Employee Stock Ownership Plan. Class A shares are held by the Ministry of Interior, Public Works and Housing.

The table below shows the composition of our share capital:

Shareholder	Type of Share	Equity Interest %	Number of shares
Federal Government	Class A	90	135,000
Employee Stock Ownership Plan	Class B	10	15,000
Total		100%	150,000

As of the date of this offering memorandum, there are no differences in voting rights between Class A and Class B shareholders. There are no agreements that, upon becoming effective, may modify the control of the Company.

100% of the Company's shares are held by local holders. AySA does not pay dividends to its shareholders but it does make distributions to employees participating in the Employee Stock Ownership Plan as described below.

See "*Information about the Company - Structure and Organization of the Company*" of this offering memorandum for further information about the Company.

Employee Stock Ownership Plan

The Employee Stock Ownership Plan extends to all members of AySA's personnel who have executed the General Transfer and Voting Trust Agreement. Once AySA's workers become a party to such agreement, they become Class B shareholders.

A weighted formula is used in order to determine the amount of Class B Shares to be allocated to each worker in any particular year. Such formula takes into consideration three key elements: salary, years of service with AySA and family social contributions. Family social contributions are calculated taking into account the number of relatives that compose the employee's primary group. The formula weighs each of such components in the following way: salary 60%, years of service 20% and family social contributions 20%.

Notwithstanding the Company's operating results, AySA's workers receive a yearly distribution in relation to their shareholdings. The amount distributed does not correspond to AySA's operating results in any fiscal year. Such amount is the product of a negotiated agreement, which is reviewed every year, and may amount up to 2% of the total amount paid by AySA as wages (including social contributions), according to the collective bargaining agreement. Such amount is distributed among the Class B shareholders in the following way: 50% of such total aggregate amount is distributed in equal shares among all Class B shareholders and the remaining 50% is distributed pro rata to each Class B shareholder in accordance with the formula described above.

The total amount allocated by virtue of the Employee Stock Ownership Plan was Ps.35,398 million, Ps.26,675 million and Ps.20,905 million for 2016, 2015 and 2014, respectively, which were paid to workers within the first quarter of each year, pursuant to the stipulations of the Collective Bargaining Agreement. Such amount may be adjusted on an annual basis by mutual agreement of the parties, regardless of the economic results of AySA.

Up to 10% of the aggregate amount to be distributed among the Class B shareholders may be allocated to a reserve fund for the repurchase of shares that belong to Class B shareholders who retire or cease working at AySA. Such shares are paid at their nominal value until the book value thereof may be determined.

Related Party Transactions

Transactions and Balances with Shareholders

As of December 31, 2016 and 2015, the main balances were as follows:

Shareholder	2016	2015
Ministry of Interior, Public Works and Housing		
- Purchases of Fixed Assets and other assets (in millions of Ps)	(34,877.0) ⁽¹⁾	(24,519.8) ⁽²⁾
- Other Payables (in millions of Ps.)	(23.7)	(24.1)
- Other Current Receivables (in millions of Ps.)	-	29.3

Notes:-

- (1) It refers to accumulated transfers from the National Treasury made for the construction and/or purchases of fixed assets in an amount of Ps. 36,489.5 million, net of Ps.1,612.5 million for transfer allocation.
- (2) It refers to accumulated transfers from the National Treasury made for the construction and/or purchases of fixed assets, in an amount of Ps.25,644.7 million, net of Ps 1,124.8 million for transfer allocation.

As of the date of this offering memorandum, AySA has not entered into any loan agreements with (i) any parties that, either directly or indirectly, exercise control over the corporate business; (ii) directors and their relatives; (iii) companies in which the parties referred to in (i) above may have a controlling interest that allows them, either directly or indirectly, to have an influence on AySA's business.

Experts and advisors' interest

None of the experts and/or advisors holds a number of shares in the Company that could be regarded as significant for such persons. No expert and/or advisor has a significant economic interest in AySA.

DESCRIPTION OF THE NOTES

The following is a summary of the material provisions of the Notes and the indenture governing the Notes. Because this is a summary, it may not contain all the information that is important to you. Where reference is made to particular provisions of the Notes or the indenture, such provisions are qualified in their entirety by reference to the provisions of the Notes or the indenture, as applicable. You should read the indenture in its entirety. The holders of the Notes will be entitled to the benefits of, be bound by and be deemed to have notice of all the provisions of the indenture. Copies of the indenture may be obtained by requesting them from the Issuer and, for so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market of such exchange, at the office of Banque Internationale à Luxembourg, the listing agent.

In this Description of the Notes, “Issuer” refers only to Agua y Saneamientos Argentinos S.A. and any successor obligor on the Notes. You can find the definitions of certain terms used in this description under “—Certain Definitions.”

The Notes will be issued under an indenture to be dated as of February 1, 2018 between the Issuer and U.S. Bank, National Association, as trustee, registrar, transfer agent and principal paying agent.

Basic Terms of Notes

The Notes will:

- be issued in an original aggregate principal amount of U.S.\$500,000,000;
- be issued as *obligaciones negociables simples no convertibles* in accordance with the Negotiable Obligations Law;
- mature on February 1, 2023 at a repayment price of 100%, unless earlier redeemed in accordance with the terms of the Notes (see “—Optional Redemption” below);
- bear interest commencing on the Issue Date at the rate set forth on the cover of this offering memorandum, payable semiannually in arrears on each February 1 and August 1, commencing on August 1, 2018, to holders of record on the day (whether or not a business day) immediately preceding the interest payment date; and
- bear interest on overdue principal and overdue interest, at 1% per annum higher than the rate otherwise applicable to the Notes.

Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date to, but excluding, the relevant interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The issue of the Notes was approved by the Issuer’s shareholders on November 16, 2017, and by its board of directors on November 16, 2017, by delegation of authority granted by its shareholders on the same date.

The Issuer will maintain a paying agent and a registrar, each with an office in the Borough of Manhattan, New York City. Initially, the trustee will act as registrar, transfer agent and principal paying agent for the Notes. The Issuer may change the registrar, transfer agent and paying agent, without notice to holders. If a holder of Notes in an aggregate principal amount of at least U.S.\$1,000,000 has given wire transfer instructions to the Issuer to make a payment of respect of the holder’s Notes to a bank account in New York City, the Issuer will make all principal, premium, if any, and interest payments (including Additional Amounts) in

respect of those Notes in accordance with those instructions. All other payments on the Notes will be made at the office or agency of the paying agent in New York City unless the Issuer elects to make interest payments by check mailed to the registered holders at their registered addresses.

The Issuer has applied to the Luxembourg Stock Exchange for the Notes to be admitted to the Euro MTF Market. See “—Listing” below. In the event that the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, so long as the Notes are listed on such exchange and if the rules of such exchange so require, the Issuer will also maintain a listing agent, a registrar, a transfer agent and a paying agent in Luxembourg.

Additional Notes

Subject to the covenants described below, the Issuer may issue additional notes under the indenture having the same terms in all respects as the Notes, or in all respects except with respect to the initial issuance price and interest paid or payable on or prior to the first interest payment date after the issuance of such notes. The Notes offered hereby and any additional notes would be treated as a single class for all purposes under the indenture, including with respect to redemptions, and will vote together as one class on all matters with respect to the Notes.

Ranking

The Notes will constitute “*obligaciones negociables simples no convertibles*” under the Negotiable Obligations Law, and will be entitled to the benefits set forth therein and subject to the procedural requirements thereof. Under the terms of Article 29 of the Negotiable Obligations Law, notes constituting negotiable obligations grant their holders access to summary judgment judicial proceedings. The common depositary will be able to deliver, in accordance with Law No. 26,831 (the “Argentine Capital Markets Law”), certificates in respect of the notes represented by any global note in favor of any beneficial owner subject to certain limitations set out in the indenture. These certificates enable beneficial owners to institute suit before any competent court in Argentina, including summary judgment proceedings, to obtain any overdue amount under the Notes.

The Notes will:

- be general, unsecured and unsubordinated obligations of the Issuer;
- rank equally in right of payment with all existing and future unsecured and unsubordinated obligations of the Issuer (except those obligations preferred by operation of Argentine law, including without limitation labor and tax claims);
- rank senior in right of payment to all existing and future subordinated indebtedness of the Issuer, if any;
- rank junior in right of payment to all existing and future secured obligations of the Issuer, to the extent of the value of the assets securing such obligations; and
- rank junior in right of payment to all existing and future indebtedness and other obligations of any Subsidiary of the Issuer.

Additional Amounts

All payments of principal, premium, if any, and interest in respect of the Notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“Taxes”) imposed, levied, collected, withheld or

assessed by or within Argentina or by or within any political subdivision thereof or any authority therein or thereof having power to tax, any jurisdiction in which the Issuer (including any successor entity) is then incorporated, engaged in business or resident for tax purposes or any other jurisdiction through which payments are made in respect of the Notes (each, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law. In the event of any such withholding or deduction of Taxes by a Relevant Jurisdiction, the Issuer will pay to holders such additional amounts (“Additional Amounts”) as will result in the receipt by each holder of the net amount that would otherwise have been receivable by such holder in the absence of such withholding or deduction, except that no such Additional Amounts will be payable:

(a) in respect of any Taxes that would not have been so withheld or deducted but for the existence of any present or former connection (including, without limitation, a permanent establishment in the Relevant Jurisdiction) between the holder or beneficial owner of the note (or, if the holder or beneficial owner is an estate, nominee, trust, partnership, corporation or other business entity, between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, the holder or beneficial owner) and an authority with the power to levy or otherwise impose or assess a Tax, other than the mere holding or ownership of such note or beneficial interest therein or the receipt of payments or the enforcement of rights thereunder;

(b) in respect of any Taxes that would not have been so withheld or deducted if the note had been presented for payment within 30 days after the Relevant Date (as defined below) to the extent presentation is required (except to the extent that the holder would have been entitled to Additional Amounts had the note been presented for payment on the last day of such 30-day period);

(c) in respect of any Taxes that would not have been so withheld or deducted but for the failure by the holder or the beneficial owner of the note to (i) make a customary declaration of non-residence, or any other claim or filing for exemption, to which it is entitled or (ii) comply with any customary certification, identification, information, documentation or other reporting requirement concerning its nationality, residence, identity or connection with the Relevant Jurisdiction; *provided* that (x) such declaration or compliance was required by applicable law, regulation, administrative practice or an applicable treaty as a precondition to exemption from all or part of such Taxes and (y) the Issuer has given the holders at least 30 days prior notice that they will be required to comply with such requirements;

(d) in respect of any estate, inheritance, gift, value added, sales, use, excise, transfer, personal property or similar taxes, duties, assessments or other governmental charges;

(e) in respect of any Taxes that are payable other than by deduction or withholding from payments on the Notes;

(f) in respect of any payment to a holder of a note that is a fiduciary or partnership (including an entity treated as a partnership for tax purposes) or any Person other than the sole beneficial owner of such payment or note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or note would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual holder of such note; or

(g) in respect of any combination of clauses (a) through (f) above.

“Relevant Date” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in New York City, New York by the trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect has been given to the holders in accordance with the indenture.

All references to principal, premium, if any, and interest in respect of the Notes will be deemed also to refer to any Additional Amounts which may be payable as set forth in the indenture or in the Notes.

Notwithstanding the foregoing, the limitations on the Issuer's obligations to pay Additional Amounts set forth in clause (c) will not apply if the provision of any certification, identification, information, documentation or other reporting requirement described in such clause (c) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a note than comparable information or other reporting requirements imposed under U.S. tax law, regulations and administrative practice (such as an applicable IRS Form W-8 or W-9).

Upon written request from the trustee, the Issuer will furnish to the trustee documentation reasonably satisfactory to the trustee evidencing payment of any Taxes so deducted or withheld. Copies of such documentation will be made available by the trustee to holders upon written request to the trustee.

The Issuer will promptly pay when due any present or future stamp, issue, registration, court or similar documentary taxes or any other excise or property taxes, charges or similar levies, including interest and penalties, that arise in any jurisdiction from the execution, delivery or registration of each note or any other document or instrument referred to herein or therein, excluding any such taxes, charges or similar levies imposed by any jurisdiction other than a Relevant Jurisdiction, except those resulting from or required to be paid in connection with, the enforcement of such Notes after the occurrence and during the continuance of a Default with respect to the Notes. The Issuer will also pay and indemnify the holders and the trustee from and against all court taxes or other taxes and duties, including interest and penalties, paid by any of them in any jurisdiction in connection with any action permitted to be taken by the holders or the trustee to enforce the Issuer's obligations under the Notes.

In the event that the Issuer pays any Argentine personal asset tax in respect of the outstanding Notes, the Issuer has agreed to waive any right it may have under Argentine law to seek reimbursement from the holders or direct owners of the Notes of any such amounts paid.

Optional Redemption

Optional Redemption with a Make-Whole Premium

At any time prior to February 1, 2021, the Issuer will have the right, at its option, to redeem the Notes, in whole but not in part, at a redemption price equal to (A) 100% of the principal amount of such Notes, plus accrued and unpaid interest (including Additional Amounts, if any) to the date of redemption, plus (B) the excess, if any, of (1) the sum of the present values at such redemption date of the remaining scheduled payments of principal and interest on the Notes if the Notes were to be called on the 2021 Call Date (defined below) discounted to the redemption date for the Notes on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 50 basis points, less accrued interest to the redemption date, over (2) 100% of the principal amount of the Notes (subject to the rights of holders of the Notes on the record date preceding the redemption date to receive interest due on the succeeding interest payment date).

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of maturity of February 1, 2021.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by the Issuer.

“Comparable Treasury Price” means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if the Issuer obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Reference Treasury Dealer” means Citigroup Global Markets Limited, Deutsche Bank Securities Inc. or HSBC Securities (USA) Inc. or any of their respective affiliates which are primary United States government securities dealers and not less than one other leading primary United States government securities dealer in New York City reasonably designated by the Issuer; *provided* that if any of the foregoing cease to be a primary United States government securities dealer in New York City (a “Primary Treasury Dealer”), the Issuer will substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Issuer, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference Treasury Dealer at 3:30 pm New York City time on the third Business Day preceding such redemption date.

Optional Redemption without a Make-Whole Premium

At any time and from time to time on or after February 1, 2021 (the “2021 Call Date”), the Issuer may, at its option, redeem the Notes in whole or in part, at the redemption prices, expressed as percentages of principal amount, set forth below, plus accrued and unpaid interest thereon (including Additional Amounts), if any, to the applicable redemption date, if redeemed during the 12 month period beginning on February 1 of the years indicated below:

<u>Year</u>	<u>Percentage</u>
2021	103.313%
2022	101.656%
2023 and after	100.000%

Optional Redemption upon a Tax Event

The Notes may be redeemed, in whole but not in part, at the Issuer’s option, subject to applicable Argentine laws, at a redemption price equal to 100% of the outstanding principal amount of the Notes, plus accrued and unpaid interest (including Additional Amounts, if any) to the redemption date, if the Issuer has or will become obligated to pay Additional Amounts in respect of interest received on the Notes as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of any Relevant Jurisdiction, or any change in the official application, administration or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction) in any Relevant Jurisdiction, if such change or amendment occurs on or after the later of the date of the indenture and the date the Relevant Jurisdiction became a Relevant Jurisdiction and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; *provided* that no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Issuer would be obligated to pay Additional Amounts. Prior to the giving of notice of redemption of Notes pursuant to the indenture, the Issuer will deliver to the trustee an Officers’ Certificate to the effect that the Issuer is or at the time of the redemption will be entitled to effect such a redemption pursuant to the indenture, and setting forth in reasonable detail the circumstances giving

rise to such right of redemption. The Officers' Certificate will be accompanied by a written opinion of recognized counsel in the Relevant Jurisdiction, independent of the Issuer, to the effect, among other things, that:

(i) the Issuer is, or is expected to become, obligated to pay Additional Amounts as a result of a change or amendment, as described above;

(ii) the Issuer cannot avoid payment of Additional Amounts by taking reasonable measures available to the Issuer; and

(iii) all governmental approvals necessary for the Issuer to effect the redemption have been obtained and are in full force and effect.

Selection and Notice

Notice of any redemption will be delivered at least 30 but not more than 60 days before the redemption date to holders of Notes to be redeemed at their respective registered addresses. For so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of such exchanges so require, the Issuer will cause notices of redemption to also be published as described in “—Notices” below.

Notes called for redemption will become due on the date fixed for redemption. The Issuer will pay the redemption price for the Notes together with accrued and unpaid interest thereon (including Additional Amounts, if any) through the date of redemption. On and after the redemption date, interest will cease to accrue on the Notes as long as the Issuer has deposited with the paying agent funds in satisfaction of the applicable redemption price pursuant to the indenture. Upon redemption of the Notes by the Issuer, the redeemed Notes will be cancelled.

If fewer than all of the Notes are being redeemed, the trustee will select the Notes to be redeemed in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg. In the case of definitive Notes, upon surrender of any note redeemed in part, the holder will receive a new note equal in principal amount to the unredeemed portion of the surrendered note. Any notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent. Notes called for redemption become due and payable at the redemption price on the redemption date (subject to the satisfaction of any conditions precedent included in the notice of redemption), and, commencing on the redemption date, Notes redeemed will cease to accrue interest, unless payment is improperly withheld.

The Issuer may acquire Notes by means of the redemption provisions above or by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with the applicable securities laws, so long as such acquisition does not otherwise breach the terms of the indenture.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Suspension of Certain Covenants

If at any time after the Issue Date (i) the Notes are rated Investment Grade by at least two of the Rating Agencies and (ii) no Default has occurred and is continuing under the indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a “Covenant Suspension Event”), then, beginning on that day, the Issuer and its Restricted Subsidiaries will not be subject to the covenants in

the indenture specifically listed under the following captions in this “Description of the Notes” section of this information memorandum (the “Suspended Covenants”):

- (1) “—Certain Covenants—Limitation on Debt;” and
- (2) “—Certain Covenants—Future Guarantors.”

In the event that the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the “Reversion Date”) the condition set forth in clause (i) of the first paragraph of this section is no longer satisfied, then the Issuer and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants with respect to future events. Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period). The Issuer shall promptly give the trustee written notice of any Covenant Suspension Event. In the absence of such notice, the trustee shall assume the Suspended Covenants apply and are in full force and effect. The Issuer shall give the trustee written notice of any occurrence of a Reversion Date not later than five (5) Business Days after such Reversion Date. After any such notice of the occurrence of a Reversion Date, the trustee shall assume the Suspended Covenants apply and are in full force and effect.

On each Reversion Date, all Debt Incurred during the Suspension Period prior to such Reversion Date will be deemed to be Debt Incurred pursuant to clause (b)(5) under “—Certain Covenants—Limitation on Debt.”

There can be no assurance that the Notes will ever achieve or maintain a rating of Investment Grade from the Rating Agencies.

Certain Covenants

The indenture contains covenants including, among others, the following:

Ranking

The Issuer will ensure that the Notes constitute “*obligaciones negociables simples no convertibles en acciones*” under the Negotiable Obligations Law, and will at all times (a) be entitled to the benefits set forth therein and subject to the procedural requirements thereof and (b) constitute the Issuer’s general, unsecured and unsubordinated obligations and rank *pari passu*, without any preferences among them, with all the Issuer’s other present and future unsecured and unsubordinated obligations (other than obligations preferred by statute or by operation of Argentine law, including, without limitation, labor and tax claims).

Limitation on Debt

(a) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Debt unless (i) immediately prior to the Incurrence of such Debt and after giving pro forma effect thereto any two of the Rating Agencies confirm in writing that the ratings of the Notes will not be lower than the ratings of the Notes immediately prior to such Incurrence, *provided* that the ratings of the Notes cannot fall in any event below the ratings assigned to the Notes by such Rating Agencies on the Issue Date, (ii) the Stated Maturity of any such Debt Incurred exceeding U.S.\$300 million in aggregate principal amount does not fall before the Stated Maturity of the Notes, (iii) the Incurrence of such Debt has been authorized by the Secretary of Finance of the Ministry of Finance of Argentina, the Ministry of Interior, Public Works and Housing and/or any other applicable Argentine governmental authority and (iv) no Default or Event of Default shall have occurred and

be continuing; *provided further* that the principal amount of Debt that may be Incurred pursuant to this paragraph will not exceed U.S.\$3.5 billion principal amount outstanding at any time in the aggregate.

(b) Notwithstanding the foregoing, the Issuer and, to the extent provided below, any Restricted Subsidiary may Incur the following (“Permitted Debt”):

(1) Debt of the Issuer or any Restricted Subsidiary owed to the Issuer or any Restricted Subsidiary so long as such Debt continues to be owed to the Issuer or a Restricted Subsidiary and which, if the obligor is the Issuer, is subordinated in right of payment to the Notes;

(2) Debt of the Issuer pursuant to the Notes (other than additional notes);

(3) Debt (“Permitted Refinancing Debt”) constituting an extension or renewal of, replacement of, or substitution for, or issued in exchange for, or the net proceeds of which are used to repay, redeem, repurchase, refinance or refund, including by way of defeasance (all of the above, for purposes of this clause, “refinance”) then outstanding Debt in an amount not to exceed the principal amount of the Debt so refinanced, plus accrued and unpaid interest premiums, fees and expenses related to such refinancing; *provided* that:

(A) in case the Debt to be refinanced is Subordinated Debt, the new Debt, by its terms or by the terms of any agreement or instrument pursuant to which it is outstanding, is expressly made subordinate in right of payment to the Notes at least to the extent that the Debt to be refinanced is subordinated to the Notes,

(B) the new Debt does not have a Stated Maturity prior to the Stated Maturity of the Debt to be refinanced, and the Average Life of the new Debt is at least equal to the remaining Average Life of the Debt to be refinanced,

(C) in no event may Debt of the Issuer be refinanced pursuant to this clause by means of any Debt of any Restricted Subsidiary, and

(D) solely Debt Incurred pursuant to clauses (b)(1), (4), (5) and (8) may not be refinanced pursuant to this clause;

(4) Hedging Agreements of the Issuer or any Restricted Subsidiary entered into in the ordinary course of business for the purpose of limiting risks associated with the business of the Issuer and such Restricted Subsidiary and not for speculation;

(5) Debt consisting of letters of credit, banker’s acceptances, performance bonds, appeal bonds, surety bonds, bid bonds, customs bonds and other similar bonds and reimbursement obligations Incurred by the Issuer or any Restricted Subsidiary in the ordinary course of business securing the performance of contractual, franchise or license obligations in connection with or to secure statutory, regulatory or similar obligations, or as required by applicable governmental requirements in connection with the operations of the Issuer or any Restricted Subsidiary (in each case, other than for an obligation for borrowed money);

(6) Debt of the Issuer or any Restricted Subsidiary outstanding on the Issue Date;

(7) Debt of the Issuer or any Restricted Subsidiary, which may include Capital Leases, Incurred on or after the Issue Date no later than 180 days after the date of purchase or completion of construction or improvement of property for the purpose of financing or refinancing all or any part of the purchase price or cost of construction or improvement, provided that the principal amount of any Debt incurred pursuant to this clause may not exceed at any time outstanding (a) U.S.\$20 million (or the equivalent in other

currencies) less (b) the aggregate outstanding amount of Permitted Refinancing Debt incurred to refinance Debt Incurred pursuant to this clause;

(8) Debt arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds or Debt in respect of netting services, automatic clearinghouse arrangements, overdraft protections and similar arrangements in connection with deposit accounts, in each case in the ordinary course of business;

(9) Debt of the Issuer or any Restricted Subsidiary Incurred on or after the Issue Date that is Guaranteed by the Republic of Argentina (“Sovereign-Guaranteed Debt”); provided that simultaneously with the Incurrence of such Sovereign-Guaranteed Debt, the Republic of Argentina executes and delivers a supplemental indenture providing for the Guarantee of payment of the Notes by the Issuer, which Guarantee will be senior to or *pari passu* with the Republic of Argentina’s Guarantee of such Sovereign-Guaranteed Debt; and

(10) Debt of the Issuer or any Restricted Subsidiary Incurred on or after the Issue Date not otherwise permitted in an aggregate principal amount at any time outstanding not to exceed U.S.\$150 million.

(c) Notwithstanding any other provision of this covenant, for purposes of determining compliance with this covenant, increases in Debt solely due to fluctuations in the exchange rates of currencies will not be deemed to exceed the maximum amount that the Issuer or a Restricted Subsidiary may Incur under this covenant. For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Debt, the U.S. dollar-equivalent principal amount of Debt denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Debt was Incurred; *provided* that if such Debt is Incurred to refinance other Debt denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Debt does not exceed the principal amount of such Debt being refinanced. The principal amount of any Debt Incurred to refinance other Debt, if Incurred in a different currency from the Debt being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Debt is denominated that is in effect on the date of such refinancing.

(d) In the event that an item of Debt meets the criteria of more than one of the types of Debt described in this covenant, the Issuer, in its sole discretion, will classify such item of Debt and will only be required to include the amount and type of such Debt in one of such clauses and the Issuer will be entitled to divide and classify an item of Debt in more than one of the types of Debt described in this covenant, and may change the classification of an item of Debt (or any portion thereof) to any other type of Debt described in this covenant at any time.

(e) For purposes of determining compliance with, and the outstanding principal amount of, any particular Debt Incurred pursuant to and in compliance with this covenant:

- (1) the outstanding principal amount of any item of Debt will be counted only once;
- (2) the amount of Debt issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with Argentine GAAP; and
- (3) Guarantees of, or obligations in respect of letters of credit or similar instruments relating to, Debt which is otherwise included in the determination of a particular amount of Debt will not be included.

Future Guarantors

The Issuer will not permit any of its Restricted Subsidiaries to Incur Debt in an aggregate principal amount at any time outstanding not to exceed U.S.\$5 million (or its equivalent in other currencies) unless such Restricted Subsidiary (a “Note Guarantor”), within 30 days of such Incurrence, provides a Guarantee in respect of the Notes by executing and delivering to the Trustee a supplemental indenture, which Note Guarantee (a “Note Guarantee”) shall rank senior in right of payment to, or equally in right of payment with, such Restricted Subsidiary’s other Debt.

The Note Guarantees will be automatically and unconditionally released (and thereupon shall be terminated and discharged and of no further force and effect) upon:

(1) a sale, assignment, transfer, conveyance or other disposition (including by way of consolidation or merger) of the applicable Note Guarantor or the sale or disposition of all or substantially all the assets of the applicable Note Guarantor to a Person other than the Issuer or a Restricted Subsidiary thereof, to the extent such sale or disposition is otherwise permitted by the Indenture;

(2) the designation in accordance with the Indenture of the applicable Note Guarantor as an Unrestricted Subsidiary or the applicable Note Guarantor otherwise ceases to be a Restricted Subsidiary in accordance with the Indenture;

(3) defeasance or discharge of the Notes, as provided in “—Defeasance and Discharge;” or

(4) upon the release or discharge of all Indebtedness of that Subsidiary that would result in the creation of such Note Guarantee pursuant to that covenant, except a discharge or release by or as a result of payment under such Note Guarantee.

Upon any occurrence giving rise to a release of a Note Guarantee as specified above, the Trustee upon receipt of an Officer’s Certificate from the Issuer and an Opinion of Counsel each stating that all conditions precedent to such release have been satisfied, will execute any document reasonably required in order to evidence or effect such release and termination in respect of such Note Guarantee.

Anti-Layering

Neither the Issuer nor any Restricted Subsidiary will Incur any Debt that is subordinated in right of payment to other Debt of the Issuer or a Restricted Subsidiary unless such Debt is also subordinated in right of payment to the Notes on substantially identical terms. This does not apply to distinctions between categories of Debt that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Debt.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, Incur or permit to exist any Lien of any nature whatsoever on any of its properties or assets, whether owned at the Issue Date or thereafter acquired, other than Permitted Liens, without effectively providing that the Notes are secured on an equal and ratable basis with (or, if the obligation to be secured by the Lien is subordinated in right of payment to the Notes, prior to) the obligations so secured for so long as such obligations are so secured.

Maintenance of Ratings

The Issuer shall, for so long as any Notes are outstanding, use commercially reasonable efforts to maintain ratings on the Notes from at least two Rating Agencies.

Reports to Holders

The Issuer will furnish or cause to be furnished to the trustee in electronic form (for distribution only upon the request of any holder that desires to receive the applicable reports, information or documents):

(1) as soon as they are available, but in any event within 70 calendar days after the end of each of the first, second and third fiscal quarters of the Issuer, copies of the unaudited consolidated financial statements of the Issuer and its Subsidiaries in respect of the relevant period (including a profit and loss account, balance sheet and cash flow statement), in English, setting forth in each case in comparative form the figures for the corresponding quarter in, and year-to-date portion of, the previous years, prepared in accordance with Argentine GAAP, together with a certificate signed by the person then authorized to sign financial statements on behalf of the Issuer to the effect that such financial statements are true in all material respects and present fairly in all material respects in accordance with Argentine GAAP, the consolidated financial position of the Issuer as of the end of, and the results of its operations for, the relevant quarterly period, subject to normal year-end adjustments;

(2) as soon as they are available, but in any event within 120 calendar days after the end of each fiscal year of the Issuer, copies of the audited consolidated financial statements of the Issuer and its Subsidiaries, audited by an internationally recognized firm of independent public accountants, in respect of such fiscal year (including a profit and loss account, balance sheet and cash flow statement), in English, setting forth in each case in comparative form the figures for the previous year prepared in accordance with Argentine GAAP and audited by a member firm of an internationally recognized firm of independent accountants; and

(3) without duplication, English language versions or summaries of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) the Issuer with the Luxembourg Stock Exchange or any other stock exchange on which the Notes may be listed (in each case, to the extent that any such report or notice is generally available to its security holders or the public);

provided that in the case of (3) such reports or notices will be deemed to have been delivered on the date such reports or notices are posted by the Luxembourg Stock Exchange on its website, and notice thereof has been provided to the trustee, it being understood that the trustee shall have no responsibility to determine if any documents have been filed.

Delivery of such reports, information and documents to the trustee is for informational purposes only and the trustee's receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's or any other Person's compliance with any of its covenants under the indenture or the Notes (as to which the trustee is entitled to rely exclusively on Officers' Certificates).

In addition, within the time period prescribed above, the Issuer will make such information and such reports available by posting such information and reports on its website.

Reports to Trustee

The Issuer will deliver to the trustee:

(1) within 90 days after the end of each fiscal year a certificate stating that the Issuer has fulfilled its obligations under the indenture or, if there has been a Default, specifying the Default and its nature and status; and

(2) as soon as possible and in any event within 15 days after a responsible officer of the Issuer becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Issuer proposes to take with respect thereto.

Additional Covenants

Line and Conduct of Business

The Issuer will not, and will not permit any of its Restricted Subsidiaries, to engage in any business other than a Related Business, except to an extent that so doing would not be material to the Issuer and its Restricted Subsidiaries, taken as a whole.

Compliance with Laws

The Issuer will, and will cause each of its Restricted Subsidiaries to, comply (i) with all applicable laws, rules, regulations, orders and directions of any government agency having jurisdiction over the Issuer or its Restricted Subsidiaries' business, including but not limited to, all applicable environmental and social laws and regulations and all applicable Argentine exchange controls; and (ii) with all material obligations, covenants and conditions contained in any of Issuer or its Restricted Subsidiaries' contractual obligations, except, with respect to this provision (ii), where the failure to do so could not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

Payment of Taxes and Other Claims

The Issuer will, and will cause each of its Restricted Subsidiaries to, pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all taxes, assessments and governmental charges levied or imposed upon the Issuer or any of its Restricted Subsidiaries, and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien upon the property of the Issuer or the property of any of its Restricted Subsidiaries; *provided* that the Issuer will not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claims where failure to do so would not, individually or in the aggregate, have a Material Adverse Effect on the Issuer or its Restricted Subsidiaries' condition, financial or otherwise, earnings, operations or business, taken as a whole, or the amount, applicability or validity of which is being contested in good faith by appropriate proceedings.

Maintenance of Office or Agency

The Issuer will maintain in each of the City of Buenos Aires and in each place of payment specified for the Notes, an office or agency where the Notes may be presented or surrendered for payment, registration of transfer or exchange and where notices and demands to or upon the Issuer in respect of the Notes and the indenture may be served.

Maintenance of Existence

The Issuer will, and will cause each of its Restricted Subsidiaries to, (a) maintain in effect its corporate existence and all registrations necessary therefor and (b) take all reasonable actions to maintain all rights, privileges, titles to property, franchises and similar entitlements necessary or desirable in the normal conduct of its and its Restricted Subsidiaries' business, activities or operations; *provided* that this covenant will not require the Issuer to maintain any such right, privilege, title to property, franchise or similar entitlement, or to preserve the corporate existence of any Restricted Subsidiary, if the Issuer's Board of Directors determines in good faith that (i) the maintenance or preservation thereof is no longer necessary or desirable in the conduct of the Issuer and its Subsidiaries' business taken as a whole and (ii) the loss thereof is not, and will not be, adverse in any material respect to the holders of the Notes.

Maintenance of Property

The Issuer will, and will cause each of its Restricted Subsidiaries to, cause all tangible properties used or useful in the conduct of the Issuer and its Restricted Subsidiaries' business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements and improvements thereof, all as in the Issuer's judgment may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; *provided* that this covenant will not prevent the Issuer from discontinuing the operation or maintenance of any such properties if such discontinuance is, as determined by the Issuer's Board of Directors in good faith, necessary or desirable in the conduct of the Issuer and its Restricted Subsidiaries' business taken as a whole and not adverse in any material respect to the holders of the Notes.

Maintenance of Insurance

The Issuer will, and will cause each of its Restricted Subsidiaries to, keep at all times all of their properties which are of an insurable nature insured with financially sound and reputable insurers against loss, damage or risks as the Issuer or such Restricted Subsidiary deems reasonable and prudent, to the extent that property of similar characteristics is usually so insured by corporations similarly situated and owning like properties in accordance with good business practice and industry practices.

Maintenance of Books and Records

The Issuer will, and will cause each of its Restricted Subsidiaries to, maintain books, accounts and records in accordance with applicable Argentine GAAP.

Licenses and Other Permits

The Issuer will, and will cause each of its Restricted Subsidiaries to, (a) obtain and maintain in force (or where appropriate, promptly renew) all licenses, permits, registrations, approvals, authorizations, or consents necessary or advisable for carrying out its business and operations generally, and (b) perform and observe all the conditions and restrictions contained in, or imposed on, the Issuer and each of its Restricted Subsidiaries by, any such licenses, permits, registrations, approvals, authorizations, or consents, except where failure to do so could not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

Notices

Notices to holders of Notes will be mailed to them at their registered addresses.

For so long as any Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish all notices to holders in English in a leading newspaper having a general circulation in Luxembourg (which currently is expected to be the *Luxemburger Wort*); or if such Luxembourg publication is not practicable, the Issuer may publish notices to holders via the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>, *provided* that such method of publication satisfies the rules of such exchange.

Notices will be deemed to have been given on the date of mailing or of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Default and Remedies

Events of Default

An "Event of Default" occurs if:

(1) the Issuer defaults in the payment when due of the principal of or premium, if any, on any note when the same becomes due and payable at maturity, upon acceleration or redemption, or otherwise;

(2) the Issuer defaults in the payment of interest (including any Additional Amounts) on any note when the same becomes due and payable at maturity, upon acceleration or otherwise, and the default continues for a period of 30 days;

(3) the Issuer or a Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement of the Issuer or a Restricted Subsidiary in the indenture or under the Notes, and the default or breach continues for a period of 60 consecutive days after written notice to the Issuer by the trustee or to the Issuer and the trustee by the holders of 25% or more in aggregate principal amount of the Notes;

(4) there occurs with respect to any Debt of the Issuer or any of its Restricted Subsidiaries having an outstanding principal amount of U.S.\$50 million (or the equivalent in other currencies) or more in the aggregate for all such Debt of all such Persons (i) an event of default that results in such Debt being due and payable prior to its scheduled maturity or (ii) failure to make a principal payment when due and such defaulted payment is not made, waived or extended within the applicable grace period;

(5) one or more final and non-appealable judgments or orders for the payment of money are rendered against the Issuer or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final and non-appealable judgment or order (or 30 consecutive days, in the event that an enforcement proceeding is commenced upon the entry of such judgment or order) that causes the aggregate amount for all such final and non-appealable judgments or orders outstanding and not paid or discharged against all such Persons to exceed U.S.\$50 million (or the equivalent in other currencies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(6) a distress, attachment, execution, seizure before judgment or other legal or extrajudicial process is levied, enforced on or against any part of the property, assets or revenues of the Issuer or any of its Restricted Subsidiaries, which, if executed or consummated, would have a Material Adverse Effect on the Issuer's ability to make scheduled principal and interest payments on the Notes, unless (a) such distress, attachment, execution, seizure before judgment or other legal or extrajudicial process is discharged or stayed within 60 days of notice to the Issuer or such Restricted Subsidiary, as the case may be, or (b) if such distress, attachment, execution, seizure before judgment or legal or extrajudicial process shall not have been discharged or stayed within such 60-day period, the Issuer or such Restricted Subsidiary, as the case may be, shall have contested in good faith by appropriate proceedings such distress, attachment, execution, seizure before judgment or legal process; provided that if such distress, attachment, execution, seizure before judgment or legal process shall not have been discharged or stayed within 90 days of notice to the Issuer or such Restricted Subsidiary, as the case may be, the Issuer or such Restricted Subsidiary shall have posted a bond or other appropriate collateral which shall have substituted such distress, attachment, execution, seizure before judgment or other legal or extrajudicial process within such time period;

(7) The Issuer or any of its Restricted Subsidiaries shall, after the Issue Date:

- (i) make a general assignment for the benefit of its creditors,
- (ii) be adjudicated bankrupt or insolvent, or
- (iii) (A) file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors pursuant to a *concurso preventivo de acreedores*, (B)

seek approval of its creditors for an *acuerdo preventivo extrajudicial* or similar arrangement impairing the Notes through any means, including the distribution of an offering circular or similar disclosure materials to creditors in connection with such *acuerdo preventivo extrajudicial* or similar arrangement, (C) file for court endorsement of an *acuerdo preventivo extrajudicial* or similar arrangement impairing the Notes, (D) apply for or consent to the appointment (in a similar court proceeding) of a receiver, trustee, liquidator or the like for itself or its property or (E) make a similar court filing seeking to take advantage of any applicable insolvency law;

(8) after the Issue Date and without its application, approval or consent, a proceeding shall be instituted in any court of competent jurisdiction, seeking in respect of the Issuer or any of its Restricted Subsidiaries adjudication in bankruptcy, reorganization, dissolution, winding up, liquidation, a composition or arrangement with creditors, the appointment of a trustee, a receiver, liquidator or the like of the Issuer or any of its Restricted Subsidiaries or of all or substantially all of the assets thereof or other like relief in respect of the Issuer or any of its Restricted Subsidiaries under any applicable bankruptcy or insolvency law, and either (i) such proceeding shall not be actively contested by the Issuer or such Restricted Subsidiary in good faith, or (ii) any final order, judgment or decree shall be entered by any court of competent jurisdiction to effect any of the foregoing;

(9) any condemnation, seizure, compulsory purchase or expropriation, or taking into custody or control, by any governmental authority or agency of assets or Capital Stock of the Issuer or any of its Restricted Subsidiaries which, in the aggregate, would be likely to have a Material Adverse Effect upon the business and results of operations of the Issuer and its Restricted Subsidiaries taken as a whole;

(10) it becomes unlawful for the Issuer or any of its Restricted Subsidiaries to perform any of their obligations under the indenture or the Notes, or any payment obligations of the Issuer or any Restricted Subsidiary thereunder ceases to be valid, binding or enforceable (other than in accordance with the terms of the indenture);

(11) the indenture for any reason ceases to be in full force and effect in accordance with its terms or the binding effect or enforceability thereof shall be contested by the Issuer, or the Issuer shall deny that it has any further liability or obligation thereunder or in respect thereof;

(12) the Concession is terminated or amended by any governmental authority, which amendment, in the aggregate, would be likely to have a Material Adverse Effect upon the business and results of operations of the Issuer and its Restricted Subsidiaries taken as a whole;

(13) the federal government of Argentina ceases to “beneficially own” (as such term is used in Rules 13d-3 under the Exchange Act), directly or indirectly, at least 90% of the total voting power of the Capital Stock of the Issuer; or

(14) for any fiscal year, the federal budget of Argentina shall fail to provide transfers to the Issuer sufficient to, when added to the Issuer’s revenue from tariffs, meet all its operating expenses, including the servicing of its debts, including the Notes or otherwise in each case, for such fiscal year.

The trustee shall not be deemed to have notice of any Default or Event of Default (other than a payment default) unless written notice of any event which is in fact such a default is received by a responsible officer of the trustee at the corporate trust office of the trustee, and such notice references the Notes and the Indenture.

Consequences of an Event of Default

If an Event of Default, other than a default described under (7), (8), (10), (12) or (13) occurs and is continuing under the indenture, the trustee or the holders of at least 25% in aggregate principal amount of the

Notes then outstanding, by written notice to the Issuer (and to the trustee if the notice is given by the holders), may, and the trustee at the request of such holders shall, declare the principal of and accrued interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal and interest will become immediately due and payable. If a default occurs as described under (7), (8), (10), (12) or (13) the principal of and accrued interest on the Notes then outstanding will become immediately due and payable without any declaration or other act on the part of the trustee or any holder.

The holders of a majority in principal amount of the outstanding Notes by written notice to the Issuer and to the trustee may waive all past Defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest (including Additional Amounts) on the Notes that have become due solely by the declaration of acceleration, have been cured or waived,
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction, and
- (3) the Issuer has paid to the trustee all sums paid or advanced by the trustee and the reasonable compensation, expenses, disbursements and advances of the trustee, its agents and counsel incurred in connection with such Event of Default.

Except as otherwise provided in “—Consequences of an Event of Default” or “—Amendments and Waivers—Amendments with Consent of Holders,” the holders of a majority in principal amount of the outstanding Notes may, by written notice to the trustee, waive an existing Default and its consequences. Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

The holders of a majority in principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee. However, the trustee may refuse to follow any direction that conflicts with law or the indenture, that may involve the trustee in personal liability, or that the trustee determines in good faith may be unduly prejudicial to the rights of holders of Notes not joining in the giving of such direction, and may take any other action it deems proper that is not inconsistent with any such direction received from holders of Notes.

A holder may not institute any proceeding, judicial or otherwise, with respect to the indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the indenture or the Notes, unless:

- (1) the holder has previously given to the trustee written notice of a continuing Event of Default;
- (2) holders of at least 25% in aggregate principal amount of outstanding Notes have made written request to the trustee to institute proceedings in respect of the Event of Default;
- (3) holders have offered to the trustee indemnity and/or security reasonably satisfactory to the trustee against any costs, liabilities or expenses to be incurred in compliance with such request;
- (4) the trustee for 60 days after its receipt of such notice, request and offer of indemnity and/or security has failed to institute any such proceeding; and

(5) during such 60-day period, the holders of a majority in aggregate principal amount of the outstanding Notes have not given the trustee a direction that is inconsistent with such written request;

provided, that a holder of a note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such note (and Additional Amounts, if any) on or after the respective due dates expressed in such note.

Notwithstanding anything to the contrary, the right of a holder of a note to receive payment of principal of or interest on its note on or after the Stated Maturities thereof, or to bring suit for the enforcement of any such payment on or after such dates (including any “*acción ejecutiva individual*” pursuant to Article 29 of the Negotiable Obligations Law), may not be impaired or affected without the consent of that holder. To that effect, any beneficial owner of global notes will have the right to obtain evidence of its beneficial ownership interest in a global note in accordance with Section 129 of the Argentine Capital Markets Law (including for initiating summary proceedings (*acción ejecutiva*) in the manner provided by the Negotiable Obligations Law), and for such purposes, such beneficial owner will be treated as the owner of that portion of the global note which represents its beneficial ownership interest therein.

If any Default occurs and is continuing and is known to a responsible officer of the trustee with direct responsibility for the administration of the indenture, the trustee will send notice of the Default to each holder within 90 days after it occurs, unless the Default has been cured; provided that, except in the case of a default in the payment of the principal of or interest on any note, the trustee may withhold the notice if and so long as the board of directors, the executive committee or a trust committee of directors of the trustee in good faith determine that withholding the notice is in the interest of the holders.

A Default under the Notes, unless cured or waived, could trigger a default under certain of the Issuer’s existing or future debt agreements.

Currency Indemnity

This is an international debt issuance transaction in which the specification of U.S. dollars and payment in New York City is of the essence, and the Issuer’s obligations under the Notes and the indenture to the trustee and the holders of the Notes to make payment in U.S. dollars shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any other currency or in another place except to the extent that on the Business Day following receipt of any sum adjudged to be so due in the judgment currency the payee may in accordance with normal banking procedures purchase U.S. dollars in the amount originally due with the judgment currency. If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due under the Notes and the indenture in U.S. dollars into another currency (in this paragraph called the “judgment currency”), the rate of exchange shall be that at which, in accordance with normal banking procedures, such payee could purchase such U.S. dollars in New York, New York with the judgment currency on the Business Day immediately preceding the day on which such judgment is rendered. The Issuer’s obligation in respect of any such sum due under the Notes and the indenture shall, notwithstanding the rate of exchange actually applied in rendering such judgment, be discharged only to the extent that on the Business Day following receipt by the relevant payee of any sum adjudged to be due under the Notes and the indenture in the judgment currency the relevant payee may, in accordance with normal banking procedures, purchase and transfer dollars to New York City with the amount of the judgment currency so adjudged to be due (giving effect to any set-off or counterclaim taken into account in rendering such judgment). Accordingly, the Issuer hereby, as a separate obligation and notwithstanding any such judgment, agrees to indemnify each of the holders of the Notes and the trustee against, and to pay on demand, in U.S. dollars, the amount by which the sum originally due to the holders of the Notes or the trustee in U.S. dollars under the Notes and the indenture exceeds the amount of the U.S. dollars so purchased and transferred.

The Issuer agrees that, notwithstanding any restriction or prohibition on access to the foreign exchange market (*Mercado Único y Libre de Cambios*, or “MULC”) in Argentina, any and all payments to be made under the Notes and the indenture will be made in U.S. dollars. Nothing in the Notes and the indenture shall impair any of the rights of the holders of the Notes or the trustee or justify the Issuer in refusing to make payments under the Notes and the indenture in U.S. dollars for any reason whatsoever, including, without limitation, any of the following: (i) the purchase of U.S. dollars in Argentina by any means becoming more onerous or burdensome for the Issuer than as of the date hereof and (ii) the exchange rate in force in Argentina increasing significantly from that in effect as of the date hereof. The Issuer waives the right to invoke any defense of payment impossibility (including any defense under Section 1091 of the Argentine Civil and Commercial Code), impossibility of paying in U.S. dollars (assuming liability for any force majeure or act of God), or similar defenses or principles (including, without limitation, equity or sharing of efforts principles).

In the event that, on any payment date in respect of Notes denominated in U.S. dollars, any restriction (including *de facto* restrictions) or prohibition to access the MULC in Argentina exists, the Issuer will seek to pay all amounts payable under the Notes in U.S. dollars either (i) by purchasing at market price securities of any series of U.S. dollar-denominated Argentine sovereign bonds or any other securities or private or public bonds issued in Argentina, and transferring and selling such instruments outside Argentina for U.S. dollars, to the extent permitted by applicable law, or (ii) by any other reasonable means permitted by law in Argentina, in each case, on such payment date. All costs and taxes payable in connection with the procedures referred to in (i) and (ii) above shall be borne by the Issuer.

Amendments and Waivers

Amendments without Consent of Holders

The Issuer and the trustee, upon the trustee’s receipt of an Officers’ Certificate confirming compliance with the requirements of the indenture, may amend or supplement the indenture or the Notes without notice to or the consent of any noteholder:

- (1) to cure any ambiguity, defect or inconsistency in the indenture or the Notes in a manner that is not materially adverse to the rights of the holders of Notes;
- (2) to evidence and provide for the acceptance of an appointment by a successor trustee under the indenture;
- (3) to provide for any Guarantee of the Notes, to secure the Notes or to confirm and evidence the release, termination or discharge of any Guarantee of or Lien securing the Notes when such release, termination or discharge is permitted by the indenture;
- (4) to provide for or confirm the issuance of additional notes;
- (5) to make any other change that does not materially or adversely affect the rights of any holder;
- (6) to conform any provision of the indenture or the Notes to this “Description of the Notes;”
- (7) to add further covenants, restrictions, conditions or provisions as are for the benefit of the noteholders; or
- (8) to surrender any right or power conferred upon the Issuer.

Amendments with Consent of Holders

(a) Except as otherwise provided in “—Default and Remedies—Consequences of an Event of Default” or paragraph (b), the Issuer and the trustee upon the trustee’s receipt of an Officer’s Certificate and an Opinion of Counsel confirming compliance with the requirements of the indenture and the Notes may amend the indenture and the Notes with the written consent of the holders of a majority in principal amount of the outstanding Notes, at a meeting of holders of Notes as set forth below, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Issuer or a Restricted Subsidiary with any provision of the indenture or the Notes.

(b) Notwithstanding the provisions of paragraph (a), without the unanimous consent of the holders affected, an amendment, supplement or waiver may not:

(1) reduce the principal amount of or change the Stated Maturity of any installment of principal of any note,

(2) reduce the rate of or change the Stated Maturity of any interest payment on any note,

(3) reduce the amount payable upon the redemption of any note or change the time of any mandatory redemption or, in respect of an optional redemption, the times at which any note may be redeemed or, once notice of redemption has been given, the time at which it must thereupon be redeemed,

(4) make any note payable in money other than that stated in the note or change the place at which any note is payable,

(5) impair the right of any holder of Notes to receive any principal payment or interest payment on such holder’s Notes, on or after the Stated Maturity thereof, or to institute suit for the enforcement of any such payment,

(6) make any change in the percentage of the principal amount of the Notes required for amendments or waivers, or modify any provisions of the indenture relating to meetings of holders of the Notes (except to increase any such percentage or to provide that certain other provisions of the indenture cannot be modified or waived without the consent of the holder of each note adversely affected thereby),

(7) modify or change any provision of the indenture affecting the ranking of the Notes in a manner adverse to the holders of the Notes,

(8) make any change in the provisions of the indenture described under “—Additional Amounts” that adversely affects the rights of any holder or amend the terms of the Notes in a way that would result in a loss of exemption from any applicable taxes, or

(9) modify or change the governing law of the Notes or the applicable jurisdiction for actions in connection with the indenture.

It is not necessary for noteholders to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof.

Neither the Issuer nor any of its Subsidiaries or Affiliates may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the indenture or the Notes unless such consideration is offered to be paid or agreed to be paid to all holders of the Notes that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to the consent, waiver or amendment.

The trustee shall not be obligated to enter into any amendment which affects its own rights, duties or immunities under the indenture.

Meetings of Holders

A meeting of the holders of Notes may be called by the Issuer's Board of Directors or supervisory committee (*órgano de fiscalización*) the trustee or upon the request of the holders of at least 5% in principal amount of the outstanding Notes. If a meeting is held pursuant to the written request of holders of Notes, such meeting will be convened within 40 days from the date such written request is received by the Issuer.

Meetings of holders of the Notes will be held in accordance with the Negotiable Obligations Law. Meetings may be ordinary or extraordinary. Any proposed amendment to the terms and conditions of the Notes shall be dealt with at an extraordinary meeting. Meetings of holders will be held in the City of Buenos Aires, Argentina; *provided*, however, that the Issuer, the noteholders or the trustee may determine to hold any such meetings simultaneously in New York City by any means of telecommunication which permit the participants to hear and speak to each other and such simultaneous meeting shall be deemed to constitute a single meeting for purposes of the quorum and voting percentages applicable to such meeting. In any case, meetings shall be held at such time and at such place as the Issuer, the holders of the Notes or the trustee shall determine. Any resolution passed at a meeting shall be binding on all holders, as the case may be (whether present or not at such meeting).

If a meeting is being held pursuant to a request of the holders of the Notes, the agenda for the meeting shall be as determined in the request and such meeting shall be convened within 40 days from the date such request is received by the trustee or the Issuer, as the case may be.

Notice of any meeting of holders of Notes (which will include the date, place and time of the meeting, the agenda there for and the requirements for attendance) shall be given as set forth under “—Notices” not less than 10 nor more than 30 days prior to the date fixed for the meeting and will be published at the Issuer's expense for five Business Days in Argentina in the Official Gazette of Argentina (*Boletín Oficial*), in a newspaper of general circulation in Argentina, and on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>) (as long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require) or such other informative systems of the markets in which the Notes are listed as is applicable. Meetings of holders may be simultaneously convened for two dates, in case the initial meeting were to be adjourned for lack of quorum. However, for meetings that include in the agenda items requiring unanimous approval by the holders or the amendment of any of the terms and conditions of the Notes, notice of a new meeting resulting from adjournment of the initial meeting for lack of quorum will be given not less than eight days prior to the date fixed for such new meeting and will be published for three Business Days in the Official Gazette of Argentina, a newspaper of general circulation in Argentina, and on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>) (as long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require) or such other informative systems of the markets in which the Notes are listed, as is applicable.

To be entitled to vote at a meeting of holders, a person shall be (i) a holder of one or more Notes as of the relevant record date or (ii) a person appointed by an instrument in writing as proxy by such a holder of one or more Notes. The quorum at any ordinary meeting called to adopt a resolution will be persons holding or representing a majority in aggregate principal amount of the outstanding Notes and at any reconvened adjourned ordinary meetings will be any person(s) present at such reconvened adjourned meeting.

The quorum at any extraordinary meeting called to adopt a resolution will be persons holding or representing at least 60% in aggregate principal amount of the outstanding Notes and at any reconvened adjourned extraordinary meeting will be persons holding or representing at least 30% in aggregate principal amount of the outstanding Notes. At a meeting or a reconvened adjourned meeting duly convened and at which

a quorum is present, any resolution to modify or amend, or to waive compliance with, any provision of the Notes (other than the provisions referred to in the fourth preceding paragraph) will be validly passed and decided if approved by the persons entitled to vote a majority in aggregate principal amount of the Notes then outstanding represented and voting at the meeting. Any instrument given by or on behalf of any holder of a note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such note. Any modifications, amendments or waivers to the indenture or to the Notes will be conclusive and binding upon all holders of Notes whether or not they have given such consent or were present at any meeting, and on all Notes.

The trustee will designate the record date for determining the holders of Notes entitled to vote at any meeting and the Issuer will provide notice to holders of Notes in the manner set forth herein. The holder of a note may, at any meeting of holders of Notes at which such holder is entitled to vote, cast one vote for each U.S. dollar in principal amount of the Notes held by such holder in which such Notes are denominated.

For the purposes of clarification, holders of Notes may take such actions outside of Argentina in any other manner permitted by New York law (such as via written consent); however, no such action will be valid under Argentine law until it has been ratified by a meeting of holders (or their representatives) held in the City of Buenos Aires in accordance with the Negotiable Obligations Law as described above. As a result, the ability of holders to take actions under the indenture and/or the Notes, including actions after the occurrence of a Default, will be affected by these requirements.

For purposes of the above, any note authenticated and delivered pursuant to the indenture will, as of any date of determination, be deemed to be “outstanding,” except:

- (i) Notes theretofore canceled by the trustee or delivered to the Issuer or the trustee for cancellation;
- (ii) Notes that have been called for redemption or tendered for repurchase in accordance with their terms or which have become due and payable at maturity or otherwise and with respect to which monies sufficient to pay the principal thereof and any premium, interest, Additional Amounts or other amount thereon have been deposited with the trustee; or
- (iii) Notes in lieu of or in substitution for which other Notes have been authenticated and delivered;

provided, however, that in determining whether the holders of the requisite principal amount of outstanding Notes are present at a meeting of holders of Notes for quorum purposes or have consented to or voted in favor of any notice, consent, waiver, amendment, modification or supplement under the indenture, Notes owned directly or indirectly by the Issuer or any of the Issuer’s Affiliates, including any Restricted Subsidiary, will be disregarded and deemed not to be outstanding.

Promptly after the execution by the Issuer and the trustee of any supplement or amendment to the indenture, the Issuer will give notice thereof to the holders of the Notes issued under the indenture, setting forth in general terms the substance of such supplement or amendment. If the Issuer fails to give such notice to the holders of the Notes within 15 days after the execution of such supplement or amendment, the trustee will give notice to the holders at the Issuer’s expense. Any failure by the Issuer or the trustee to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such supplement or amendment.

In the event that the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market or listed on any other securities exchange, such meetings of holders and notices thereof will also comply with the applicable rules of the Luxembourg Stock Exchange or such other securities exchange, as applicable.

Defeasance and Discharge

The Issuer may discharge its obligations under the Notes and the indenture by irrevocably depositing in trust with the trustee money or U.S. Government Obligations sufficient to pay principal of and interest on the Notes to maturity or redemption and in accordance with “—Currency Indemnity”, subject to meeting certain other conditions.

The Issuer may also elect to:

(1) discharge most of its obligations in respect of the Notes and the indenture, not including obligations related to the defeasance trust or to the replacement of Notes or its obligations to the trustee (“legal defeasance”) or

(2) discharge its obligations under most of the covenants (and the events listed in clauses (3), (4) and (5) under “—Default and Remedies—Events of Default” will no longer constitute Events of Default (“covenant defeasance”) by irrevocably depositing in trust with the trustee money or U.S. Government Obligations sufficient to pay principal of and interest on the Notes to maturity or redemption and by meeting certain other conditions, including, in either event, delivery to the trustee of either a ruling received from the Internal Revenue Service or an Opinion of Counsel to the effect that the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would otherwise have been the case. The defeasance would in each case be effective when 123 days have passed since the date of the deposit in trust.

Trustee, Registrar, Paying Agent and Transfer Agent for the Notes

U.S. Bank, National Association is the trustee under the indenture. The corporate trust office of the trustee is at 100 Wall Street, Suite 1600, New York, NY 10005. The trustee will initially act as registrar and New York paying agent and transfer agent. In the event that the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, for so long as the Notes are listed on such exchange, the Issuer will also maintain a paying agent in Luxembourg. The Issuer may change the registrar, paying agents or transfer agents without prior notice to the holders of the Notes, and the Issuer or any of its Subsidiaries may act as registrar, paying agent or transfer agent. Any change in respect of such agents will be published in accordance with “—Notices”.

Except during the continuance of an Event of Default, the trustee need perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee. In case an Event of Default has occurred and is continuing, the trustee shall exercise those rights and powers vested in it by the indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. No provision of the indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity and/or security satisfactory to it against any loss, liability or expense.

The indenture contains limitations on the rights of the trustee, should it become a creditor of any obligor on the Notes, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee is permitted to engage in other transactions with the Issuer and its Affiliates; *provided* that if it acquires any conflicting interest it must eliminate the conflict within 90 days.

Governing Law, Consent to Jurisdiction, Currency Conversion and Service of Process

The Negotiable Obligations Law governs the requirements for the Notes to qualify as *obligaciones negociables* thereunder while such law, together with Argentine Law No. 19,550, as amended, the Argentine Capital Markets Law and other applicable Argentine laws and regulations, govern the capacity and corporate authorization of the Issuer to execute and deliver the Notes and certain matters in relation to meetings of holders. As to all other matters, the indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

The Issuer will submit to the non-exclusive jurisdiction of the New York State and U.S. federal courts located in the Borough of Manhattan, New York City with respect to any action that may be brought in connection with the indenture or the Notes and has irrevocably appointed Cogency Global Inc. as agent for service of process.

Claims against the Issuer for the payment of principal, premium, if any, or interest or other amounts payable in respect of the Notes (including Additional Amounts) must be made within five years, in the case of principal, and four years, in the case of interest, from the due date for payment thereof.

Waiver of Immunity

To the extent that the Issuer or any of its properties, assets or revenues may have or may hereafter become entitled to, or have attributed to the Issuer, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from setoff or from counterclaim from Argentina, New York State, U.S. federal court or other applicable jurisdiction, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution of judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any such court in which proceedings may at any time be commenced, with respect to the obligations and liabilities of the Issuer, or any other matter under or arising out of or in connection with, the Notes or the indenture, the Issuer irrevocably and unconditionally waives or will waive such right, and agrees not to plead or claim any such immunity and consents to such relief and enforcement; *provided* that if the Argentine courts determine that any of the Issuer's properties located in Argentina is necessary for the provision of an essential public service, such property might not be subject to attachment, whether preliminarily or in aid of execution.

Listing

The Issuer has applied to list the Notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. If the admission of the Notes to the Luxembourg Stock Exchange and trading on the Euro MTF Market of the Luxembourg Stock Exchange would, in the future, require the Issuer to publish financial information either more regularly than it would otherwise be required to, or requires the Issuer to publish separate financial information, or if the listing, in the judgment of the Issuer, is unduly burdensome, the Issuer may seek an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, stock exchange and/or quotation system. If such alternative admission to listing, trading and/or quotation of the Notes is not available to the Issuer or is, in the Issuer's commercially reasonable judgment, unduly burdensome, an alternative admission to listing, trading and/or quotation of the Notes may not be obtained.

Certain Definitions

"Additional Amounts" has the meaning set forth under "—Additional Amounts" above.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common

control with”) with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Argentine Capital Markets Law” means the Argentine Capital Markets Law No. 26,831, as amended.

“Argentine GAAP” means generally accepted accounting principles in Argentina, as included in the technical resolutions issued by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas*, as in effect from time to time.

“Average Life” means, with respect to any Debt, the quotient obtained by dividing (i) the sum of the products of (x) the number of years from the date of determination to the dates of each successive scheduled principal payment of such Debt and (y) the amount of such principal payment by (ii) the sum of all such principal payments.

“Bankruptcy Law” means the Argentine Insolvency and Bankruptcy Law No. 24,522, as amended, or any other applicable bankruptcy, insolvency or other similar law now or hereafter in effect.

“Board of Directors” means, with respect to any Person, the board of directors or similar governing body of such Person or any duly authorized committee thereof.

“Board Resolution” means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the trustee.

“Business Day” means a day other than a Saturday, Sunday or any day on which banking institutions are authorized or required by law to close in New York City, New York or Buenos Aires, Argentina.

“Capital Lease” means, with respect to any Person, any lease of any property which, in conformity with Argentine GAAP, is required to be capitalized on the balance sheet of such Person.

“Capital Stock” means, with respect to any Person, any and all shares of stock of a corporation, partnership interests or other equivalent interests (however designated, whether voting or non-voting) in such Person’s equity, entitling the holder to receive a share of the profits and losses, and a distribution of assets, after liabilities, of such Person.

“Concession” means the concession over drinking water and sewage services awarded to AySA on March 21, 2006, through a binding instrument later ratified by Resolution No.170 of the former Ministry of Federal Planning, Public Investment and Services on February 23, 2010, as may be amended, modified or extended.

“Control” means, when used with respect to any specified person, the right or power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “Controlling” and “Controlled” have meanings correlative to the foregoing. With respect to any entity that is publicly listed, the person (or group of persons) directly or indirectly having the highest percentage of ownership of (or control over the voting of) Capital Stock of such entity will be deemed to have "Control" over such entity unless such percentage is less than 10%.

“Corrupt Practices Laws” means, to the extent applicable with respect to any person: (a) the United States Foreign Corrupt Practices Act of 1977 (Pub. L. No. 95-213, §§101-104), as amended, and (b) any other law applicable to such person and/or any of its Subsidiaries relating to bribery, kick-backs or similar activities.

“Debt” means, with respect to any Person, without duplication:

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments, excluding obligations in respect of trade letters of credit or bankers' acceptances issued in respect of trade payables to the extent not drawn upon or presented, or, if drawn upon or presented, the resulting obligation of the Person is paid within 10 Business Days;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services which are recorded as liabilities under Argentine GAAP, excluding any kind of trade payables or certificates arising in the ordinary course of business of such Person including in connection with the development or construction of public private projects (*participación público privada*) in which such Person may be involved;
- (5) all obligations of such Person as lessee under Capital Leases;
- (6) all Debt of other Persons Guaranteed by such Person to the extent so Guaranteed;
- (7) all Debt of other Persons secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person; and
- (8) all obligations of such Person under Hedging Agreements.

The amount of Debt of any Person will be deemed to be:

- (A) with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation;
- (B) with respect to Debt secured by a Lien on an asset of such Person but not otherwise the obligation, contingent or otherwise, of such Person, the lesser of (x) the fair market value of such asset on the date the Lien attached and (y) the amount of such Debt;
- (C) with respect to any Debt issued with original issue discount, the face amount of such Debt less the remaining unamortized portion of the original issue discount of such Debt;
- (D) with respect to any Hedging Agreement, the net amount payable if such Hedging Agreement terminated at that time due to default by such Person; and
- (E) otherwise, the outstanding principal amount thereof.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

“Fitch” means Fitch Inc. and its successors.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii)

entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part; *provided* that the term “Guarantee” does not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Agreement” means (i) any interest rate swap agreement, interest rate cap agreement or other agreement designed to protect against fluctuations in interest rates, or (ii) any foreign exchange forward contract, currency swap agreement or other agreement designed to protect against fluctuations in foreign exchange rates.

“Incur” means, with respect to any Debt or Capital Stock, to incur, create, issue, assume or Guarantee such Debt or Capital Stock. If any Person becomes a Restricted Subsidiary on any date after the date of the indenture, the Debt and Capital Stock of such Person outstanding on such date will be deemed to have been Incurred by such Person on such date for purposes of “—Certain Covenants—Limitation on Debt.” The accretion of original issue discount or payment of interest in kind will not be considered an Incurrence of Debt.

“Investment Grade” means BBB- or higher by S&P, Baa3 or higher by Moody’s and BBB- or higher by Fitch, or the equivalent of such ratings by another Rating Agency.

“Issue Date” means the date on which the Notes are originally issued under the indenture.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or Capital Lease).

“Material Adverse Effect” means, a material adverse effect on (a) the condition (financial or otherwise), operations, performance, business, properties or prospects of the Issuer and its Restricted Subsidiaries taken as a whole, (b) the rights and remedies of the trustee, or the holders of the Notes, as applicable under the indenture or the Notes, (c) the Issuer’s ability to pay any amounts under the Notes or the indenture or the Issuer’s ability to perform its other payment obligations under the Notes or the indenture or (d) the legality, validity or enforceability of the indenture or the Notes.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Negotiable Obligations Law” means the Argentine Negotiable Obligations Law No. 23,576, as amended by Law No. 23,962, as further amended from time to time.

“Officers’ Certificate” means, with respect to any Person, a certificate signed by two officers of such Person, one of whom is the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer, or by any other officer and either an assistant treasurer or an assistant secretary of such Person.

“Opinion of Counsel” means a written opinion of counsel, who may be an employee of or counsel for the Issuer (except as otherwise provided in the indenture), obtained at the expense of the Issuer, or the surviving or transferee Person or a Restricted Subsidiary, and who is reasonably acceptable to the trustee.

“Permitted Liens” means:

- (1) Liens existing on the Issue Date;
- (2) Liens securing the Notes;
- (3) pledges or deposits under worker’s compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts or leases, or to secure

public or statutory obligations, surety bonds, customs duties and the like, or for the payment of rent, in each case incurred in the ordinary course of business and not securing Debt;

(4) Liens imposed by law, such as carriers', vendors', warehousemen's and mechanics' liens, in each case for sums not yet due or being contested in good faith and by appropriate proceedings;

(5) Liens in respect of taxes and other governmental assessments and charges which are not yet due or which are being contested in good faith and by appropriate proceedings;

(6) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the proceeds thereof;

(7) survey exceptions, encumbrances, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property, not interfering in any material respect with the conduct of the business of the Issuer and its Restricted Subsidiaries;

(8) licenses or leases or subleases as licensor, lessor or sublessor of any of its property, including intellectual property, in the ordinary course of business;

(9) customary Liens in favor of trustees and escrow agents, and netting and setoff rights, banker's liens and the like in favor of financial institutions and counterparties to financial obligations and instruments, including Hedging Agreements;

(10) Liens on assets pursuant to merger agreements, stock or asset purchase agreements and similar agreements in respect of the disposition of such assets;

(11) options, put and call arrangements, rights of first refusal and similar rights relating to Investments in joint ventures, partnerships and the like;

(12) judgment liens, and Liens securing appeal bonds or letters of credit issued in support of or in lieu of appeal bonds, so long as no Event of Default then exists as a result thereof;

(13) Liens on property of a Person at the time such Person becomes a Restricted Subsidiary of the Issuer, provided such Liens were not created in contemplation thereof and do not extend to any other property of the Issuer or any Restricted Subsidiary;

(14) Liens on property at the time the Issuer or any of the Restricted Subsidiaries acquires such property, including any acquisition by means of a merger or consolidation with or into the Issuer or a Restricted Subsidiary of such Person, provided such Liens were not created in contemplation thereof and do not extend to any other property of the Issuer or any Restricted Subsidiary;

(15) Liens securing Debt or other obligations of a Restricted Subsidiary to the Issuer;

(16) Liens securing Hedging Agreements so long as such Hedging Agreements relate to Debt for borrowed money that is, and is permitted to be under the indenture, secured by a Lien on the same property securing such Hedging Agreements;

(17) extensions, renewals or replacements of any Liens referred to in clauses (1), (2) or (13) in connection with the refinancing of the obligations secured thereby, provided that such Lien does not extend to any other property and, except as contemplated by the definition of "Permitted Refinancing Debt," the amount secured by such Lien is not increased; and

(18) other Liens securing obligations in an aggregate principal amount not exceeding U.S.\$30 million at any time.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity, including a government or political subdivision or an agency or instrumentality thereof.

“Public External Indebtedness” has the meaning set forth in the Republic of Argentina’s Annual Report for Foreign Governments and Political Subdivisions filed on form 18-K with the U.S. Securities and Exchange Commission.

“Rating Agencies” means S&P, Moody’s and Fitch; provided, that if either S&P, Moody’s or Fitch shall cease issuing a rating on the Notes for reasons outside the control of the Issuer, the Issuer may select a “nationally recognized statistical rating organization” registered under Section 15E of the Exchange Act, selected by the Issuer as a replacement agency for S&P, Moody’s or Fitch, as the case may be.

“Related Business” means the businesses conducted by the Issuer on the Closing Date and any business related, incidental, ancillary or complementary to the businesses of the Issuer on the Closing Date as described in the offering memorandum related to the Notes, including, but not limited to, municipal water and water treatment services, and related projects and investments.

“Restricted Subsidiary” means any Subsidiary of the Issuer.

“Reversion Date” has the meaning set forth under “—Suspension of Certain Covenants.”

“S&P” means Standard & Poor’s Ratings Services and its successors.

“Stated Maturity” means (i) with respect to any Debt, the date specified as the fixed date on which the final installment of principal of such Debt is due and payable or (ii) with respect to any scheduled installment of principal of or interest on any Debt, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Debt, not including any contingent obligation to repay, redeem or repurchase prior to the regularly scheduled date for payment.

“Subordinated Debt” means any Debt of the Issuer which is subordinated in right of payment to the Notes, pursuant to a written agreement to that effect.

“Subsidiary” means with respect to any Person, any corporation, association or other business entity of which more than 50% of the outstanding Voting Stock is owned, directly or indirectly, by, or, in the case of a partnership, the sole general partner or the managing partner or the only general partners of which are, such Person and one or more Subsidiaries of such Person (or a combination thereof). Unless otherwise specified, “Subsidiary” means a Subsidiary of the Issuer.

“Suspended Covenants” has the meaning set forth under “—Suspension of Certain Covenants.”

“Suspension Period” has the meaning set forth under “—Suspension of Certain Covenants.”

“U.S. Government Obligations” means obligations issued or directly and fully guaranteed or insured by the United States of America or by any agent or instrumentality thereof, provided that the full faith and credit of the United States of America is pledged in support thereof.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

BOOK-ENTRY; DELIVERY AND FORM

Notes sold in offshore transactions in reliance on Regulation S will be represented by a permanent global note in fully registered form without interest coupons (the “Global Note”) and will be registered in the name of a nominee of a common depository for Euroclear and Clearstream, Luxembourg and deposited with a common depository for Euroclear or Clearstream, Luxembourg. The Notes will be subject to certain restrictions on transfer as described in “Notice to Investors”.

Upon issuance of the Global Notes, Euroclear and Clearstream, Luxembourg will credit, on each of its internal systems, the respective principal amount of the individual beneficial interests represented by such Global Notes to the accounts of persons who have accounts with Euroclear or Clearstream, Luxembourg. Ownership of beneficial interests in the Global Note will be limited to persons who have accounts with Euroclear or Clearstream, Luxembourg (“Clearing System Participants”) or persons who hold interests through Clearing System Participants. Ownership of beneficial interests in the Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg, or indirectly through organizations that are participants in such systems.

So long as the common depository is the registered owner or holder of a Global Note, the common depository will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indenture and the Notes. Except in the limited circumstances described below under “— Individual Definitive Notes,” owners of beneficial interests in a Global Note will not be entitled to have any portions of such Global Note registered in their names, will not receive or be entitled to receive physical delivery of Notes in individual definitive form and will not be considered the owners or holders of the Global Note (or any Notes represented thereby) under the Indenture or the Notes. In addition, no beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with Euroclear or Clearstream, Luxembourg’s applicable procedures (in addition to those under the Indenture).

Payments of the principal of and interest on the Global Note will be made to the common depository, as the registered owner thereof. None of us, the trustee, any of our respective agents or the initial purchasers will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We anticipate that the common depository, upon receipt of any payment of principal or interest in respect of a Global Note representing any Notes held by the common depository, will immediately credit Euroclear and Clearstream in amounts proportionate to their respective beneficial interests in the principal amount of the Global Note. We also expect that payments by the Clearing Systems to Clearing System Participants and by Clearing System Participants to owners of beneficial interests in the Global Note held through such Clearing System Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such Clearing Systems and Clearing System Participants.

Transfers between Clearing System Participants will be effected in accordance with Euroclear or Clearstream, Luxembourg’s procedures. Transfers between accountholders in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Euroclear and Clearstream, Luxembourg have advised that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more Clearing System Participants to whose account or accounts with Euroclear or Clearstream, Luxembourg interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such Clearing System Participant(s) has or have given such direction. However, in the limited circumstances described below, Euroclear or Clearstream, Luxembourg will exchange the Global Note for individual definitive Notes bearing a restrictive legend, which will be distributed to its participants. Holders of indirect interests in the global Notes through Clearing System Participants have no direct rights to enforce such interests while the Notes are in global form.

The giving of notices and other communications by Euroclear or Clearstream, Luxembourg to Clearing System Participants, by Clearing System Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a Global Note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

None of us, the placement agents or the trustee will have any responsibility for the performance of Euroclear or Clearstream, Luxembourg or their respective participants, indirect participants of their respective obligations under the rules and procedures governing their operations.

Individual Definitive Notes

If (1) Euroclear or Clearstream, Luxembourg or any successor to Euroclear or Clearstream, Luxembourg notifies us in writing that it is unwilling or unable to continue as a depository for a Global Note, or if any time it is no longer eligible to act as such, and a successor depository is not appointed by us within 90 days or (2) the trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the noteholders under the Notes and the trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the trustee to obtain possession of the Notes, we will issue individual definitive Notes in registered form in exchange for the Global Note. Upon receipt of such notice from the trustee, we will use our reasonable best efforts to make arrangements with Euroclear or Clearstream, Luxembourg, as the case may be, for the exchange of interests in the Global Note for individual definitive Notes and cause the requested individual definitive Notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to holders. Persons exchanging interests in a Global Note for individual definitive Notes will be required to provide the registrar with written instruction and other information required by us and the registrar to complete, execute and deliver such individual definitive Notes. Individual definitive Notes delivered in exchange for the Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by Euroclear and Clearstream, Luxembourg.

TAXATION

General

The following summary contains a description of the material Argentine federal tax consequences of the purchase, ownership and disposition of the Notes by certain non-Argentine resident holders.

This summary is based upon federal tax laws of Argentina as in effect on the date of this offering memorandum, all of which are subject to change. This summary does not purport to be a comprehensive description of all the Argentine federal income tax considerations that may be relevant to a decision to purchase, hold or dispose of the Notes. The summary does not address any tax consequences under the laws of any state, municipality or locality of Argentina or the United States or the laws of any taxing jurisdiction other than the federal laws of Argentina.

Prospective investors should consult their own tax advisors as to the Argentine tax consequences of the purchase, ownership and disposition of Notes, including, in particular, the effect of any foreign (non-Argentine), state or local tax laws.

Argentina has also entered into or is negotiating several other double taxation treaties with various countries that may have an impact on the tax treatment of the purchase, ownership or disposition of Notes. Prospective purchasers of Notes should consult their own tax advisors as to the tax consequences, if any, of the application of any such treaties.

Argentine Federal Tax Considerations

General

The following is a general summary of the principal Argentine federal income tax consequences of the acquisition, ownership and disposition of the Notes by holders that are not residents of Argentina, for Argentine federal tax purposes, and that do not hold such Notes through a permanent establishment in Argentina, for tax purposes, to which income under the Notes is attributable; for purposes of this summary, each such holder is referred to as a foreign holder.

This summary is based on the Argentine federal income tax law (*Ley de Impuesto a las Ganancias*) and regulations in effect on the date of this offering memorandum, all of which are subject to change, possibly with retroactive effect, or to new or different interpretations, which could affect the continued validity of this general summary.

This summary does not address all of the Argentine tax consequences that may be applicable to specific holders of the Notes and does not purport to be a comprehensive description of all the Argentine tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. In particular, this summary does not describe any tax consequences arising under the laws of any state, locality, municipality or taxing jurisdiction other than certain federal laws of Argentina.

Potential investors should consult with their own tax advisors regarding the particular consequences of the purchase, ownership or disposition of the Notes under the federal laws of Argentina or any other jurisdiction or under any applicable double taxation treaty.

Income Tax

Interest payments

Except as described below, interest payments on the Notes for individuals and non-resident persons will be exempt from Argentine income tax, provided that such notes are issued in accordance with the Argentine Negotiable Obligations Law and therefore qualify for tax-exempt treatment pursuant to section 20 subsection w) of the Income Tax Law . Pursuant to Section 36 of the Argentine Negotiable Obligations Law, interest on the Notes will be exempt if the following conditions (the “Section 36 Conditions”) are met:

- (a) That the Notes be distributed by public offering, and, to such end, be authorized by the CNV. In the case of the Notes, such condition is deemed fulfilled on account of the Notes having been authorized by the Federal Government's Executive Branch (Ministry of Finance).
- (b) The issuer guarantees that the funds to be obtained from the placement of the Notes shall be applied to (i) investments in physical assets located in Argentina, (ii) to be added to working capital in Argentina, (iii) to refinancing liabilities, and/or (iv) to making capital contributions to the issuing company's subsidiaries and affiliates, and the proceeds are in turn to be applied exclusively for the purposes specified above, as established in the resolution that decided the issuance and made known to the public by means of a prospectus.
- (c) The issuer must provide evidence, at the time and in the manner prescribed by regulation, as to the use of the proceeds of the offering made hereby for any of the purposes described in sub-section (b) above.

Such exemption shall apply to the extent that purchasers of the Notes are not residents of countries deemed as "non-cooperative" or that the funds used for the acquisition of the Notes were not originated in such jurisdictions.

The Income Tax Law defines non-cooperative countries as those countries that have not signed a treaty with Argentina allowing the exchange of information or a treaty for the avoidance of double taxation with an exchange of information clause.

If the issuer does not comply with Section 36 Conditions, the issuer will be liable for payment of the corresponding tax on the Notes' interest. In such case, the following tax rates shall apply:

- Argentine legal entities: 35% over net income
- Resident individuals: 15% over net income
- Foreign Beneficiaries: 13,5% over the interest amount.

Executive Order No. 1076, dated July 2, 1992 (as amended by Executive Order No. 11578, dated July 15, 1992, both ratified by Act No. 24,307, dated December 30, 1993) eliminated the Argentine income tax exemption described above for tax-payers subject to tax adjustment for inflation rules pursuant to Title VI of the Argentine Income Tax Act. Those subjects to such law include corporations, sociedades en comandita por acciones y en comandita simple, limited liability companies, civil associations and foundations, those entities and organizations referred to in Article 1 of Law No. 22,016, trust constituted in accordance with Law No. 24,441 (as amended and regulated) (except those where the trustor is also the beneficiary, which do not apply in the case of financial trust or when the trustor/beneficiary is a foreign entity), investments funds not contemplated by the first paragraph of Article 1 of Law No. 24,083, sole proprietorships and individuals carrying on certain business activities in Argentina, and other entities not specifically included in the fourth category of the Income Tax Law (hereinafter, the "Holders of Title VI"). As a result of this executive order, interest paid to Holders of Title VI is not exempt.

The payment of the tax contemplated in the above paragraph must be paid directly by Holders of Title IV to the extent the withholding regime described herein does not apply. In the event that the issuer is not regulated by the provisions of the Argentine Financial Entities Act, and the beneficiaries of interest payments are also not financial institutions regulated by the provisions of the Argentine Financial Entities Act, applicable income tax must be withheld and paid by the issuer. Such withholding in such case, which is up to 35% of the amount of the interest paid, must comply with the tax laws in force in Argentina. Such withholding will be regarded as a payment on account of such tax by the beneficiary of such payment.

In respect of foreign beneficiaries of any such interest payments (contemplated in Title V of the Income Tax Law, which includes individuals, undivided estates and legal entities resident in foreign countries who receive income from Argentina ("Foreign Beneficiaries"), such Foreign Beneficiaries are not subject to Article 21 of the Income Tax Law nor Article 106 of Law No. 11,683, which establish that tax exemptions do not apply when, as a result of the application of an exemption, revenue that would have been collected by Argentina tax authority would be collected instead by a foreign tax authority.

As a result of the above, so long as the Section 36 Conditions are complied with, interest on the Notes will be exempt from income taxes in respect of individuals and undivided estates resident in Argentina and Foreign Beneficiaries.

Capital Gains

Argentine residents, undivided estates located in Argentina and Foreign Beneficiaries without a permanent establishment in Argentina are not subject to income tax on capital gains derived from the purchase, sale or other disposition of the Notes, in accordance with the exemption contemplated by Article 20 subsection w) of the Income Tax Law. As a result of Decree no. 1,076, dated July 2, 1992, Holders of Title VI of the Income Tax Law are subject to income tax on capital gains derived from the purchase, sale or other disposition of the Notes as prescribed by Argentine tax regulations. Holders of Title VI that sell negotiable obligations must determine, as of the end of the respective year, the gain obtained from such sale and pay the corresponding tax.

Foreign Beneficiaries are not subject to Article 21 of the Income Tax Law nor Article 106 of Law No. 11,683, which establish 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.

Value-added Tax

If Notes are issued pursuant to the terms and obligations discussed in the previous section, the financial transactions and services related to the issuance, subscription, placement, transfer, amortization, interest and settlement thereof and the respective guarantees shall also be exempt from value-added tax. Furthermore, interest payments made in respect of the Notes will also be exempt from any VAT to the extent the Notes are issued pursuant to a public offering authorized by the Executive Branch (Ministry of Finance).

Personal Assets Tax

Pursuant to Law No. 23,966 (the "PAT Law") as amended by Law No.27,260, published in the Official Gazette on July 22, 2016, the personal assets tax for the years 2018 and thereafter applies a rate of 0.25% on the value of assets that exceed Ps.1,050,000.

Foreign domiciled individuals and undivided estates located abroad shall only be subject to taxation over the assets located in Argentina. The tax is levied on a surrogate based in Argentina, who is either subject to Minimum Presumed Income tax, or an undivided state or an individual based in Argentina who administrates and/or can dispose of the good. The surrogate may then claim the payment of the tax from the foreign domiciled individual or undivided state. The applicable rate payable by these taxpayers is 0.25% for 2018 and thereafter.

Notwithstanding the foregoing, Section 26 of the PAT Law prescribes that certain assets such as the Notes are excluded from taxation via a surrogate. Therefore, although assets held by foreign domiciled individuals and undivided states are technically subject to PAT, the PAT Law does not establish a mechanism for paying the tax corresponding to the Notes.

Presumed Minimum Income Tax

Notes held by Argentine entities shall pay tax equal to 1.0% of the total value of such holdings located in Argentina or abroad as of their respective year-ends if its value exceeds the amount of Ps.200,000. In the event that a taxpayer owns assets located abroad, this amount will be increased by the amount resulting from multiplying AR\$200,000 by a percentage that represents the taxable assets located abroad, as compared to the taxpayer's total assets.

This tax will only be owed if the income tax determined for any fiscal year does not equal or exceed the amount owed under it. Pursuant to Law No. 25,063, income tax assessed for a particular fiscal year is considered as a payment on account of this tax. If the income tax which may be deducted on account of this tax is insufficient so that such tax must be paid in a certain fiscal year, it will be possible to acknowledge this tax as a credit toward income tax owed in the immediately following ten fiscal years. In the case of local

financial entities regulated by the law on financial entities, leasing entities and insurance companies, the assessable tax base will be 20% of the value of assessable assets.

In respect of such tax, negotiable obligations that are listed on exchanges or markets will be valued in accordance with the last negotiated value thereof at the end of fiscal year. Non-negotiable obligations will be valued at cost, increasing, as applicable, with interest and exchange rate differences that have accrued to the applicable date.

In general, individuals and undivided estates domiciled and located in Argentina and individuals or legal entities that do not have a permanent establishment in Argentina, subject to certain exceptions, are not subject to the tax for their investments in the Notes, whether issued pursuant to a public offering or a private offering. Such persons and entities are only subject to the tax to the extent that they establish a domicile or presence in the country for commercial activities. The ownership of the Notes is not considered to be sufficient to establish such a permanent establishment.

This tax has been abrogated by Law No.27,260, passed by the Argentine Congress on June 29, 2016, as of fiscal periods commencing on January 1, 2019.

Turnover Tax

This tax is levied on gross income earned from an activity during the year and it is applied by each of the provincial jurisdictions. Below is the tax treatment applicable in the two most relevant jurisdictions.

Buenos Aires City Tax Code, Section 179(1), second paragraph, sets forth that revenues from any transaction on notes issued in accordance with Law 23,576, the interest collected and updates accrued and the selling price in case of a transfer, shall be exempt provided the income tax exemption is applicable.

The province of Buenos Aires Tax Code sets forth a similar exemption in Section 207 (c), second paragraph.

Considering the autonomous authority vested in each provincial jurisdiction in connection with tax matters, any potential effects derived from these transactions must be analyzed, in addition to the tax treatment established by other provincial jurisdictions. Potential investors must consider the turnover tax impact depending on the local jurisdictions involved.

System of collection and Control over Credits on Bank Accounts

Different tax authorities (for example Corrientes, Córdoba, Tucumán, Buenos Aires, and Salta among others) have established a regime to ensure the collection of turnover tax denominated SIRCRES. The collection regime contemplates the withholding of certain credits on deposit in bank accounts maintained with Argentine financial entities. The collection regime generally applies to taxpayers included in a list provided by the local tax authorities of each jurisdiction involved.

Such rates may vary between the various provinces with the highest current amount being 5%.

Collections made under these regimes shall be considered as a payment on account of the respective turnover tax.

Investors should consider any tax consequences relating to such turnover tax that may be applicable to them.

Stamp Tax

Stamp tax is a local tax applicable on contracts of an onerous character that are formalized pursuant to public and/or private instruments that are executed in the provinces or the Autonomous City of Buenos Aires or the ones executed outside a provincial jurisdiction but with effects in said jurisdiction.

Argentine Negotiable Obligations Law, Section 35, sets forth that corporate bond holders shall not be subject to federal stamp tax. Such law admits the possibility of requesting the provinces to grant a similar exemption in their respective jurisdictions. This request has been accepted only by some jurisdictions.

In the province of Buenos Aires, Section 297 (46) sets forth an exemption for acts, contracts and transactions, including money delivered and received related to the issuance, subscription placement or transfer of Notes, as well as any capital stock increase made to issue shares to be delivered as a result of corporate bond conversions, issued in accordance with the system of Laws No. 23,576 and 23,962. The Tax Code of the City of Buenos Aires sets forth a similar exemption in Section 470 (53).

Tax on Bank Debits and Credits in Argentine bank accounts

Law No. 25,413 establishes, with certain exceptions, a tax levied upon debits and credits on bank accounts held at Argentine financial institutions and on other transactions that are used as a substitute for the use of bank accounts. The general tax rate is 0.6% for each debit and credit (although in certain cases an increased rate of 1.2% and a reduced rate of 0.075% may apply).

Pursuant to Decree No. 534/2004, 34% of the tax paid on credits levied at the 0.6% tax rate and 17% of the tax paid on transactions levied at the 1.2% tax rate will be considered as a payment on account of income taxes, tax on assets or the special contribution over the capital of cooperative associations.

The credit of such amounts as a payment on account will be carried out, with no distinction, against income tax, tax on assets or the special contribution over the capital of cooperative associations. The exceeding amount will not be subject to compensation with other taxes or transfer in favor of third parties, being able to be transferred, until its exhaustion, to other fiscal periods of the above-mentioned taxes.

Certain exceptions to this tax apply based on the type of taxpayer and intended use of the accounts. For example, debits and credits in banking accounts opened by foreign legal entities in accordance with Communication "A" 3250 of the Argentina Central Bank and used exclusively for the purpose of making financial investments in Argentina are exempted from this tax in accordance with section 10, paragraphs) of Decree 380/2001.

In case Holders receive payments in local bank checking accounts, such tax may apply.

Court Tax

In the event that it becomes necessary to institute enforcement proceedings in relation to the Notes in Argentina, a court tax (currently at a rate of 3.0%) will be imposed on the amount of any claim brought before the Argentine courts sitting in the City of Buenos Aires.

Other taxes

On the provincial level, the province of Buenos Aires ("province of Bs. As.") established a Free Transmission of Goods Tax ("FTGT") (Law No. 14,044 modified by Law No. 14,200) -as from January 1, 2011- which main characteristics are:

- The FTGT comprehends enrichments from all free transmission of goods, including inheritance, legacies, donations, etc.
- Individuals and legal entities are subject to the FTGT.
- Tax payers domiciled in the province of Bs. As. are subject to the FTGT over goods located in and out of the province of Bs. As., and tax payers domiciled in other provinces other than the province of Bs. As. are subject to the FTGT over the free enrichment of goods located in the province of Bs. As.
- Notes –such as the Notes- issued by an entity domiciled in the province of Bs. As. are considered as located in the province of Bs. As.

- Transfers of goods are exempted from the FTGT when the total amount of goods transferred is equal or less than Ps.50,000 (Ps. 200,000 if the transference is to parents, children or spouse).
- The tax rates have been set between 4% to 21.92% according to the tax base and the degree of kinship involved.

The free transfer of notes may be subject to this tax if it meets the thresholds above.

The province of Entre Ríos in 2013, pursuant to Law No. 10.197 imposed a tax on the free transfer of assets, which would apply if the beneficiary of such transfer is domiciled in such province or if the transferred assets are located within such province. The taxable base and rates relating to such tax are similar to those applicable for the FTGT in Decree No. 2554/2014 (published on the Official Gazette of the province on October 24, 2014) and its amendments established that free transfers of assets whose value is equal to or less than Ps.60,000 (or Ps.250,000 in respect of parents, children or spouses) are exempt.

Potential investors must consider the tax on the free transfer of assets impact depending on the local jurisdictions involved.

Double Taxation Treaties

Argentina has entered into tax treaties with several countries. At present, there is no double taxation treaty between Argentina and United States.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of Notes. Prospective purchasers of Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

AySA intends to offer the Notes to the Initial Purchasers named below.

Subject to the terms and conditions contained in a purchase agreement among AySA and the Initial Purchasers, AySA has agreed to sell to the Initial Purchasers, and the Initial Purchasers have severally agreed to purchase from AySA, the entire principal amount of the Notes in the proportions set out below:

Initial Purchaser	Principal Amount of Notes
Citigroup Global Markets Limited	U.S.\$159,575,000
Deutsche Bank Securities Inc.	U.S.\$159,575,000
HSBC Securities (USA) Inc.	U.S.\$159,575,000
Crédit Agricole Corporate and Investment Bank.....	U.S.\$21,275,000
Total	U.S.\$500,000,000

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 AySA that they propose initially to offer the Notes at the price listed on the cover page of this offering memorandum.

AySA has agreed to indemnify the Initial Purchasers and their affiliates against certain liabilities, including, without limitation, 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.

AySA expects that delivery of the Notes will be made against payment for the Notes on February 1, 2018, which will be the fifth business day following the date of the pricing of the Notes. Purchasers of the Notes who wish to trade the Notes on the date of this offering memorandum or the next succeeding business days 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. The Initial Purchasers will not offer or sell the Notes except 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 "—Transfer Restrictions."

New Issue of Notes

The Notes, which will be issued on February 1, 2018, are a new issue of securities. There is no established trading market for the Notes. The Initial Purchasers have advised AySA 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. 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, AySA'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 AySA 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 AySA 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 respective affiliates are full-service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services.

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 AySA. They have received and will receive customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of AySA or AySA's affiliates. To the extent that certain of the Initial Purchasers or their affiliates have a lending relationship with AySA now or in the future, they would routinely hedge their credit exposure to AySA consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in AySA's securities, including potentially, the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Transfer Restrictions

Notice to Prospective Investors in the European Economic Area

This offering memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for AySA or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive, in each case, in relation to such offer. Neither AySA nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for AySA or the Initial Purchasers to publish a prospectus for such

offer. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Notice to Prospective Investors in the United Kingdom

Each Initial Purchaser has represented and agreed that:

- it has 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 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to AySA; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the Notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the Notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the Notes with a view to distribution. Any such investors will be individually approached by the Initial Purchasers from time to time.

Notice to Prospective Investors in Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

The contents of this offering memorandum have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this pricing supplement and the accompanying offering memorandum, you should obtain independent professional advice.

Notice to Prospective Investors in Japan

The Notes offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “Financial Instruments and Exchange Act”). The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
- to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than U.S.\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- where no consideration is or will be given for the transfer; or
- where the transfer is by operation of law.

Notice to Prospective Investors in Brazil

The offering of the Notes described in this offering memorandum will not be carried out by any means that would constitute a public offering in Brazil under Law No. 6,385, of December 7, 1976, as amended, and under CVM Rule (*Instrução*) No. 400, of December 29, 2003, as amended. The offering and sale of the Notes

have not been and will not be registered with the *Comissão de Valores Mobiliários* in Brazil. Any public offering of the Notes in Brazil, as defined under Brazilian laws and regulations, requires prior registration with the CVM under Law No. 6,385, dated of 7 December 1976, as amended, and CVM Instruction No. 400, dated 29 December 2003, as amended. Therefore, the Notes may not be issued, distributed, offered, placed or negotiated in the Brazilian capital markets, except in circumstances which do not constitute a public offering, distribution, placement or negotiation in the Brazilian capital markets, as well as any documents relating to the offering of the Notes and any information contained in those documents, may not be distributed to the public in Brazil nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil.

Notice to Prospective Investors in Chile

The offering of the Notes will begin on January 18, 2018 and is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the “SVS”). The Notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the Notes are not subject to the supervision of the SVS. As with all unregistered securities, the issuer of the Notes is not required to disclose public information about the Notes in Chile. The Notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

La oferta de los valores comienza el 18 de enero del 2018 y está acogida a la NCG 336 de la superintendencia de Valores y Seguros de Chile (la “SVS”). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.

TRANSFER RESTRICTIONS

The Notes have not been registered and will not be registered under the Securities Act, any U.S. state securities laws or the laws of any other jurisdiction, 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 transactions exempt from, or not subject to, registration under the Securities Act and the securities laws of any other jurisdiction. Accordingly, the Notes are being offered and sold only outside of the United States, to certain persons, other than U.S. persons, in offshore transactions in reliance on Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of Notes (other than the Initial Purchasers in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- (a) it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is a non-U.S. person that is outside the United States;
- (b) it acknowledges that the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any U.S. state or any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons;
- (c) it understands and agrees that Notes initially offered outside the United States pursuant to Regulation S will be represented by a global note;
- (d) it will not resell or otherwise transfer any of such Notes except (a) to us, (b) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (c) pursuant to another exemption from registration under the Securities Act (if available) or (d) pursuant to an effective registration statement under the Securities Act;
- (e) it agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes;
- (f) it acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement or in respect of Notes sold or transferred pursuant to Regulation S) the holder of such Notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;
- (g) it acknowledges that the Trustee, Co-Registrar or Transfer Agent for the Notes will not be required to accept for registration the transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;
- (h) it acknowledges that we, the Initial Purchasers and their affiliates and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify us and the Initial Purchasers; and
- (i) if it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legend

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

“This legend may be removed solely at the direction of the issuer.” This note has not been registered under the U.S. Securities act of 1933, as amended (the “Securities Act”), or any other securities laws. The holder hereof, by purchasing this note, agrees that neither this note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration. The foregoing legend may be removed from this note after 40 days beginning on and including the later of (a) the date on which the notes are offered to persons other than distributors (as defined in Regulation S under the Securities Act) and (b) the original issue date of this note.”

The resale restriction periods may be extended, in our discretion, in the event of one or more issuances of additional Notes, as described under “Description of the Notes”. The above legends (including the restrictions on resale specified thereon) may be removed solely at our direction.

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global Notes and certificated Notes, see “Description of the Notes.”

GENERAL INFORMATION

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, The ISIN number for the Notes is as follows:

	<u>ISIN Number</u>	<u>Common Code</u>
Regulation S Global Notes	XS1763161012	176316101

Listing

We have applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of such exchange. This offering memorandum will be available, free of charge, on the Luxembourg Stock Exchange website www.bourse.lu.

Available Information

Copies of our incorporation documents, the Indenture, as may be amended or supplemented from time to time, our published Audited Annual Financial Statements and any published Unaudited Interim Financial Statements will be available at our principal executive offices, as well as at the offices of the trustee, registrar, paying agent and transfer agent, as such addresses are set forth in this offering memorandum. We believe the auditor's reports included herein have been accurately reproduced.

Authorization

We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes, such as authorization N°IF-2017-28091714-APN-MF issued by the Ministry of Finance, on November 13, 2017, and Decree 920-E/2017 issued by the Ministry of Interior, Public Works and Housing, on November 24, 2017.

No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no material adverse change in the financial position or prospects of our company since December 31, 2016.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN ARGENTINE GAAP AND IFRS

As of January 1, 2012, International Financial Reporting Standards (“IFRS”) became mandatory in Argentina for entities whose debt or equity instruments are listed on a domestic stock exchange, or have obtained authorization to do so by the Comisión Nacional de Valores (“CNV”).

All other entities outside such scope or exempted from IFRS mandatory application may adopt IFRS or Argentine GAAP. However, IFRS could not be applied by these other entities without the approval from the appropriate corporate regulatory agency.

Our financial statements included in this offering memorandum have been prepared in accordance with Argentine GAAP as AySA is not under CNV regulations and its corporate regulatory agency (Inspección General de Justicia) has not adopted IFRS.

The main differences between IFRS and Argentine GAAP that may impact our 2016 financial statements are referred below:

Financial statements presentation

Financial statement presentation and disclosures under Argentine GAAP may significantly differ as compared to IFRS, as follows:

- Under IFRS, current and non-current assets and liabilities should be presented as separate classifications in the statement of financial position (usually non-current items are presented before current items), except when a presentation based on liquidity would provide information that is reliable and more relevant (in that case, all assets and liabilities current and non-current assets and liabilities). Under Argentine GAAP, current and non-current assets should be presented by their decreasing liquidity and current and non-current liabilities, by their nature.
- Other comprehensive income recognized under IFRS may have similarities with certain items of deferred income recognized under Argentine GAAP. However, under IFRS such items are presented in the statement of comprehensive income, but as a separate component of equity under Argentine GAAP, as the statement of comprehensive income does not exist under Argentine GAAP. Unlike IFRS only a statement of income is required.
- Complementary information through notes and other related disclosures under IFRS are significantly more detailed and comprehensive as compared to Argentine GAAP.

Recognition and measurement of assets

Valuation principles under IFRS may also differ significantly as compared to Argentine GAAP, for example, as follows:

- Inventories. Under Argentine GAAP, current values (for example, replacement or reproduction cost) are mandatorily applied, being the cost model exceptionally applied, basically when current values cannot be objectively determined. Holding gains or losses are directly recognized in profit and loss, when incurred. Conversely, under IFRS inventories are generally measured by the cost model, with certain exceptions where fair values are applied (for example, agricultural assets).

Properties, plant and equipment. An entity that first adopts IFRS may choose to measure an item of property, plant and equipment on the transition date at its fair value and use this fair value as its deemed cost as from such date. After initial recognition, IFRS permits property, plant and equipment to be measured by using the cost model or the revaluation model. If the revaluation model is adopted, any increase in the carrying value of the asset should be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Such revaluation surplus may be maintained in equity, or transferred directly to retained earnings when the asset is derecognized (retired or disposed of) or as the asset is used (depreciated). The revaluation model is also permitted under Argentine GAAP.

- Intangibles. After initial recognition, IFRS permit intangibles to be measured by using the cost model or the revaluation model, as it is described above for properties, plant and equipment. However, use of

the revaluation model should be extremely rare for intangibles. The revaluation model is prohibited under Argentine GAAP.

Financial instruments

Presentation, recognition, measurement and disclosures of financial instruments under IFRS may be significantly different as compared to Argentine GAAP. Some of the relevant issues to be considered are:

- On initial recognition, financial assets and liabilities under IFRS are measured at their fair value (normally the transaction price which means the fair value of the consideration given or received) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. However, if part of the consideration given or received is for something other than the financial instrument, the fair value of the financial instrument is estimated, using a valuation technique. On initial recognition, financial assets and liabilities are categorized into one of four categories: (1) financial assets or liabilities at fair value through profit and loss; (2) held-to-maturity investments; (3) loans and receivables; and (4) available-for-sale financial assets. Under Argentine GAAP, financial assets and liabilities are measured by considering cash prices (for sales or purchases of goods and services), or consideration given or received (for financial transactions). If such cash prices are not determinable, discounted values of estimated future cash flows are used. Argentine GAAP does not require any category designation for initial recognition and measurement of financial instruments. Furthermore, available for sale financial assets categorized under IFRS do not exist under Argentine GAAP.

- Subsequent measurement of financial assets under IFRS depends on the designated category upon initial recognition. Thus, held-to-maturity investments and loans and receivables are measured at amortized cost, using the effective interest method; and financial assets at fair value through profit and loss and available-for-sale financial assets are measured at fair value, without any deduction for transaction costs it may occur on sale or other disposal. Also, investments in equity instruments that do not have a listed price on active markets and whose fair value cannot be reliably determined are measured at cost. Under Argentine GAAP, financial assets are measured by considering their probable destination. Financial assets held for trading are measured at net realizable values, determined by their discounted values using market interest rates at the measurement date, net of disposition costs; and other financial assets are measured at discounted values using the original interest rates of the transaction. Investments held for trading quoted in active markets are measured at cash market prices, net of disposition costs. Investments held to maturity, if certain conditions are met, are measured at discounted values using the original interest rates of the transaction. Exceptionally, under Argentine GAAP certain financial assets may be measured at their undiscounted amounts, if particular market conditions do not permit the determination of market interest rates.

- Financial liabilities under IFRS are subsequently measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss, which are measured at fair value. However, a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, is measured at cost. IFRS also establish particular measurement rules for other financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts, and commitments to provide a loan at a below-market interest rate. Under Argentine GAAP, financial liabilities are measured by considering their probable settlement in advance: if such condition is met, financial liabilities are measured at discounted values using the interest rate a creditor would accept in such settlement in advance; otherwise, financial liabilities are measured at discounted values using the original interest rates of the transaction. Exceptionally, under Argentine GAAP certain financial liabilities may be measured at their undiscounted amounts, if particular market conditions do not permit the determination of market interest rates.

- Under IFRS, changes in fair values are recognized in profit and loss for financial assets and liabilities at fair value through profit and loss, but in other comprehensive income for available-for-sale financial assets, except for impairment losses and foreign exchange gains and losses until such available for sale financial assets are derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. However, interest calculated using the

effective interest method is always recognized in profit or loss. For financial assets and financial liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process. Argentine GAAP follow similar rules for the recognition of profits and losses derived from financial assets and liabilities, except for the fact that available-for-sale financial assets and other comprehensive income do not exist under Argentine GAAP.

- Under Argentine GAAP, financial assets and liabilities to related parties originated in financial and non-commercial transactions, including those agreed upon without interest or even with an interest rate below market are measured according to contractual clauses (they may be nominal values). Under IFRS, the general rule applies and such financial assets and liabilities are generally measured at amortized cost by computing market interest rates.

- Derecognition of financial assets under IFRS is ruled by the risks and rewards concept and the control concept. Under IFRS, an entity should derecognize a transferred asset only if substantially all risks and rewards have been transferred. If not, the entity should continue to recognize the transferred asset. However, if the entity has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred asset, the entity should derecognize the transferred asset, only if it has not retained control on such asset. If the entity has retained control, the entity should continue recognizing the asset to the extent of its continuing involvement in such transferred asset. On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed), and (ii) any cumulative gain or loss allocated in other comprehensive income, shall be recognized in profit or loss. Derecognition rules of financial assets under Argentine GAAP are far simpler as they do not consider the control concept nor the continuing involvement concept. This may cause that certain financial assets derecognized (and their related profit and loss recognized) under Argentine GAAP may not necessarily be derecognized under IFRS.

- Under IFRS, a financial liability shall be removed from the statement of financial position when, and only when, it is extinguished (i.e.: when the obligation specified in the contract is discharged or cancelled or expires). The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including non-cash assets transferred or liabilities assumed, shall be recognized in profit and loss. As derecognition rules of financial liabilities under Argentine GAAP are far simpler, this may cause different interpretations resulting in a different timing for derecognition (and recognition of the related profit and loss) of the same financial instrument under both professional bodies.

- Under IFRS, an exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss. According to IFRS, the terms are substantially different if the discounted present value of the cash flows under the new terms, discounted using the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Under Argentine GAAP, rules for accounting the effects of the extinguishment of an original financial liability and the recognition of a new one are rather similar, except for the following: (i) to determine whether the 10% indicator is met, cash flows under the new terms shall be discounted using a market interest rate at the time of the extinguishment; and (ii) extinguishment of financial liabilities with related parties shall be accounted for by considering the contractual terms, which means not recognizing any profit or loss derived from the extinguishment.

- Financial instruments disclosures requirements under IFRS are far more extensive and comprehensive than Argentine GAAP.

Provisions and contingent liabilities

Under IFRS, the amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Such best estimate is the amount that an entity

would rationally pay to settle the obligation at the end of the reporting period, or to transfer it to a third party at that time. Due to the uncertainties surrounding the amount to be recognized as a provision, the estimates of outcome and financial effects shall be determined by the use of judgment, past experience and, in some cases, reports from independent experts. IFRS states that where the provision being measured involves a large population of items, the obligation shall be estimated by weighing all possible outcomes by their associated probabilities (the so-called “expected value”). Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range shall be used. In similar circumstances, although Argentine GAAP does not specifically define the concept of “best estimate” prescribed by IFRS, the usual practice has been to recognize provisions by the lower amount within the range of possible outcomes. For recognition of contingent liabilities, the “more-likely-than-not” rule applied under IFRS (probability higher than 50%) does not apply under Argentine GAAP, which require the recognition only when such contingent liabilities are “highly probable” (probability significantly higher than 50%). Thus, there may be contingent liabilities not recorded under Argentine GAAP that should be recorded under IFRS.

Employee benefits

Under IFRS, all short-term employee benefits expected to be paid in exchange for employee services rendered during the accounting period shall be recognized by their undiscounted amounts, as liabilities (accrued expenses) after deducting any amount already paid, and expenses unless another Standard requires or permits the inclusion of the benefits in the cost of an asset. Long-term employee benefits other than post-employment benefits shall be recognized at the present value of the obligations minus the fair value of plan assets, if any, out of which the obligations are to be settled directly, both measured at the end of the reporting period. Under Argentine GAAP, all short and long term employee benefits other than post-employment benefits shall be recognized by their discounted amounts at the end of the reporting period. Similar criteria for IFRS and Argentine GAAP, respectively, shall be applied to measuring termination benefits.

Service concession arrangements

Under IFRS, specific rules are applied on the accounting by operators for public-to-private service concession arrangements, when certain conditions are met: (i) the grantor controls or regulates what services the operation must provide with the infrastructure, to whom it must provide them, and at what price; and (ii) the grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement. Under such rules, the infrastructure built or acquired by the operator on behalf of the grantor for the purposes of the concession, is not recognized as property, plant and equipment. Recognition and measurement of the arrangement consideration received by the operator from the grantor may include (i) a financial asset, if the operator has the unconditional contractual right to receive cash or another financial asset from the grantor; (ii) an intangible asset, for the contractual right (a license) the operator receives from the grantor, to charge users of the public service; or (iii) both. Argentine GAAP has no rules for accounting service concession arrangements.

Government grants

Under IFRS there are specific rules to account for government grants. Unlike IFRS, Argentine GAAP has no guidance.

Revenue recognition

In general, revenue recognition issues do not appear when comparing IFRS vs. Argentine GAAP. Although IFRS rules are more detailed than Argentine GAAP, fundamentals are the same.

Events after the reporting period

Under IFRS, negotiations held before the reporting date whose favorable final outcome occurred during the evaluation period for subsequent events, as well as events of default occurred after the reporting date, but during such evaluation period for subsequent events, should not be considered for the current or non-current classification of debts as of the reporting date. Under Argentine GAAP, such subsequent events should be considered as adjusting entries for the purposes of their consideration upon preparing and presenting the financial statements.

LEGAL MATTERS

Certain legal matters in connection with this offering are being passed upon for us by Baker & McKenzie LLP, our special U.S. counsel, and for the Initial Purchasers by Linklaters LLP, special U.S. counsel to the Initial Purchasers. Certain matters relating to the validity of the Notes will be passed upon for us by Cabanellas Etchebarne Kelly, our special Argentine counsel, and for the Initial Purchasers by Salaverri, Burgio & Wetzler Malbrán, special Argentine counsel to the Initial Purchasers.

INDEPENDENT ACCOUNTANTS

The financial statements as of and for the year ended December 31, 2016, included in this offering memorandum, have been audited by Bértora & Asociados S.R.L., independent accountants, as stated in their report appearing herein. The financial statements as of and for the year ended December 31, 2015, have been audited by Roberto Quian & Asociados, independent accountants, with their address at 168 25 de Mayo, floor 6th, Buenos Aires, and whose report is dated August 17, 2016. Such report contains qualifications and emphasis-of-a-matter paragraphs to which we refer and investors should familiarize themselves with them. See Risk Factors, *“Our auditors for the fiscal year ended December 31, 2015 have included a qualification and a paragraph of emphasis in their report to our Audited Financial Statements for the year ended December 31, 2015.”*

AGUA Y SANEAMIENTOS S.A.
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INDEPENDENT AUDITORS' REPORT

To the Chairman and Directors of

Agua y Saneamientos Argentinos S.A.

Legal domicile: Tucumán 752, 20th floor.

City of Buenos Aires

C.U.I.T. (Argentine taxpayer identification number): 30-70956507-5

Report on the Financial Statements

We have audited the accompanying financial statements of Agua y Saneamientos Argentinos S.A. (hereinafter AySA), which include the Statement of Financial Position as of December 31, 2016, the Statement of Operations, the Statement of Changes in Shareholders' Equity and the Statement of Cash Flow for the fiscal year then ended, as well as a Summary of Significant Accounting Policies and other explanatory information disclosed in Notes 1 to 22 and Exhibits I to VIII.

The figures and other information for the fiscal year ended December 31, 2015 are an integral part of the financial statements mentioned above and are disclosed for the purpose of being exclusively construed in connection with the figures and the information for the current fiscal year.

Board of Directors' Responsibility in relation to the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the accompanying financial statements, in conformity with Argentine professional accounting standards and the internal control deemed necessary to allow preparing the financial statements free from material misstatements.

Auditor's Responsibility

Our responsibility consists in expressing an opinion on the accompanying financial statements based on our audit. We have conducted our audit in accordance with the auditing standards established in Technical Resolution No. 37 of the Argentine Federation of Professional Councils in Economic Sciences. Such standards require that we meet the ethical requirements, as well as that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatements.

An audit entails applying procedures to obtain judgmental evidence about the figures and the information disclosed in the financial statements. The procedures selected rely on the auditor's judgment, including the assessment of risks of material misstatements in the financial statements. Upon making such risk assessments, the auditor considers the relevant internal control for the Company's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate according to the circumstances and not to express an opinion on the effectiveness of the Company's internal control. An audit also includes assessing the adequacy of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Management, as well as assessing the overall financial statement presentation.





We consider that the judgmental evidence we have obtained provides a sufficient and adequate basis for our audit opinion.

Grounds for the Qualified Opinion

1. The Company discloses as Other Noncurrent Receivables a receivable amounting to Ps. 286.816 million from Aguas de Zárate S.A.P.E.M., which arises from the agreements signed between AySA and the municipality of Zárate described in detail in Note 20. We have not obtained sufficient and adequate judgmental evidence as to the recoverability of the above-mentioned amount and, therefore, we have been unable to determine whether these amounts should be adjusted.
2. The Company discloses in the "Receivables from services" account the amounts related to tax users for Ps. 270.165 million, as to which we have not obtained sufficient and adequate judgmental evidence regarding their recoverability and, therefore, we have been unable to determine whether this amount should be adjusted.
3. The Tax Credits account in Noncurrent Assets includes the VAT - Tax Return - 1st paragraph balance amounting to Ps. 4,353.562 million, which has been measured at its discounted value according to the estimate of its use based on future cash flows, resulting in a net value of Ps. 2,993.910 million. Such estimate has been based on projected income and costs for the next five years, the main variable of which, the annual tariff increases for the 2018/2021 period, are not validated by the Enforcement Authority (Under-Secretary of Water Resources) and the 2018/2021 Investment Plan does not have its funding approved. Therefore, no sufficient judgmental evidence has been obtained to verify the values used in such valuation.
4. The application of the transfers received from the Argentine Government to fund current expenses is disclosed as last line of the Statement of Income, instead of disclosing the transactions with owners in the Statement of Changes in Shareholders' Equity, although the final value of shareholders' equity is not affected because of being a reclassification between accounts that are part thereof.

Qualified Opinion

In our opinion, except for the possible effects that may derive from the limitations described in points 1. to 3. of the preceding paragraph, and except for the effects arising from the matters mentioned in point 4. of such paragraph, the accompanying financial statements fairly present, in all material respects, the financial position of Agua y Saneamientos Argentinos S.A. as of December 31, 2016, as well as the results of operations, changes in shareholders' equity and cash flow for the fiscal year then ended, in conformity with Argentine professional accounting standards.



Emphasis Paragraph

Without changing our opinion, we highlight the following:

1. During this fiscal year, the Company received transfers from the Argentine Government to fund its current expenses amounting to Ps. 5,092.240 million and transfers from the Argentine Government and Other Sources to fund capital disbursements amounting to Ps. 10,844.826 million, accumulating current Ps. 18,329.10 million and Ps. 36,489.487 million for capital expenditures for the 2006/2016 period. The whole current amount and Ps. 1,612.522 million for capital expenditures have been charged to profit & loss. Such transfers contributed to the necessary funding for the Company's activities, resulting in a profit, but they do not achieve balancing the working capital deficit disclosed by the financial statements at year-end. In addition, the accumulated losses have used up the capital stock and reserves. No negative shareholders' equity has been reached due to the effect of such transfers from the Argentine Government. Considering the foregoing, the Company's capacity to finance its operations, maintain services, recover investments in assets, settle liabilities, execute and complete work plans is dependent on the adjustment of tariff levels, the provisions set forth in the Regulatory Framework and the Binding Agreement (economic and financial balance of the concession - Note 6.1) and/or the maintenance of funds contributed by the Argentine Government (Shareholders) and/or those obtained from other sources of financing.
2. The collective actions brought by Consumer Organizations for uncertain amounts, where the system of interest on late payment applied by AySA is challenged, which arises from the regulatory framework of the concession (Law No. 26,221), claiming their inconsistency with the provisions set forth in the Consumer Advocacy Law (LDC, as per its initials in Spanish) and requesting the refund to each of the affected users of collections in excess of the cap allowed by the LDC, plus interest and a 25% fine. In this respect, the Company estimated and booked a provision at year-end for Ps. 453.03 million. Until the final judgment, the universe of affected users or the period of time of the claim will not be determined. In addition, the merits of the case are limited to determining and specifying the scope of federal regulations, the interpretation of which is the key issue of the litigation, which implies that the matter may be finally solved at the Argentine Supreme Court of Justice.
3. The Company has receivables from Aguas Argentinas S.A. amounting to Ps. 76.175 million, which were claimed under the framework of such company's reorganization proceedings. To this reporting date, Ps. 18.2 million were allowed claims. The remaining receivable of Ps. 57.9 million was requested to be excluded from the bankruptcy estate. This action has low likelihood of success according to the opinion of the Company's legal advisors. It is estimated that it will be asserted as unsecured claim.



Notwithstanding what is stated in the preceding paragraph, and in relation to the likelihood of the credit recovery, if this is not sustained at court, the recognition of these credits for the Concession Grantor will be required, being considered a matter inherent to the temporary system arising from the service takeover, as mentioned in Note 12.II.c to the financial statements. Therefore, according to the criterion disclosed above, the Company has not booked any provision in this regard.

Other Matters

The financial statements for the fiscal year ended December 31, 2015 were audited by other professionals, who issued their qualified report due to the lack of judgmental evidence as to the recoverability of receivables from Aguas de Zarate S.A.P.E.M. on August 17, 2016.

Report on Other Legal and Regulatory Requirements

- a) The financial statements as of December 31, 2016 arise from accounting records kept, in their formal respects, in accordance with legal regulations in force.
- b) According to the Company's accounting records, the accrued liabilities as of December 31, 2016 owed to the Argentine Integrated Social Security System for employer and employee contributions amounted to Ps. 422,770,319.17, none of which was due and payable as of that date.
- c) We have applied the procedures on prevention of asset laundering and financing of terrorist activities, set forth in the related professional standards issued by the Professional Council in Economic Sciences of the City of Buenos Aires.

City of Buenos Aires, November 13, 2017

BERTORA Y ASOCIADOS S.R.L.
C.P.C.E.C.A.B.A. Vol. 1 Fo. 117

Horacio F. Mollo (Partner)
Certified Public Accountant - U.B.A
C.P.C.E.C.A.B.A. Vol. 47 - Fol. 146



AGUA Y SANEAMIENTOS ARGENTINOS SOCIEDAD ANONIMA

752 Tucumán St. – 20th floor – Buenos Aires

FISCAL YEARS No. 11 AND 10

STARTED ON JANUARY 1ST, 2016 AND JANUARY 1ST, 2015

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 AND 2015

Main activity of the Company: Provision of drinking water and sanitation services in the Autonomous City of Buenos Aires and seventeen districts of the Province of Buenos Aires and all territorial expansions and other modifications it may have in the future (Note 1.III.).

Date of registration with the Public Registry of Commerce: April 25, 2006.

Term of duration of the Company: 99 years.

Registration number with the Superintendency of Corporations: 6195

CAPITAL COMPOSITION (Note 5)

(Stated in Argentine pesos)

Class of shares	Subscribed, registered and paid-in
Non-transferable registered common shares of 1,000 pesos nominal value and the right to one vote each	150,000,000

José Luis Inglese
Chairman

Signed for identification purposes jointly with
our report dated 11-13-17
AUDIT COMMITTEE

Silvana Gentile
Auditor

Signed for identification purposes jointly with our
report dated 11-13-17
NATIONAL AUDIT OFFICE

Marcelo Fernando Palacios
C.P.A.- University of Buenos Aires
License C.P.C.E.C.A.B.A. T° 183 – F° 107

Signed for identification purposes jointly with
our report dated 11-13-17
BERTORA Y ASOCIADOS S.R.L.
License C.P.C.E.C.A.B.A. T° 1 – F° 117

Horacio F. Mollo (Partner)
C.P.A.- University of Buenos Aires
License C.P.C.E.C.A.B.A. T° 47 – F° 146



STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2016 AND 2015

(Stated in thousands of Argentine pesos – Note 2)

CURRENT ASSETS	2016	2015	CURRENT LIABILITIES
Cash and banks (Note 3.a)	1,013,687	107,402	Payables (Note 3.f)
Investments (Note 3.b) (ANNEX)	1,411,617	2,525	Borrowings (Notes 3.k y 21.II)
Receivables from services (Note 3.c)	1,213,543	332,651	Salaries and social security contributions (Note 3.g)
Other receivables (Note 3.d)	874,308	1,494,346	Tax liabilities (Note 3.h)
Tax credits (Note 3.h)	141,545	348,878	Other liabilities (Note 3.i)
Other assets (Note 3.e)	363,568	283,672	Provisions (ANNEX III)
Total current assets	5,018,268	2,569,474	Total current liabilities
 NON-CURRENT ASSETS			 NON-CURRENT LIABILITIES
Receivables from services (Note 3.c)	169,463	119,060	Tax liabilities (Note 3.h)
Other receivables (Note 3.d)	580,461	444,940	Borrowings (Notes 3.k y 21.II)
Tax credits (Note 3.h)	2,993,910	2,432,309	Other liabilities (Note 3.i)
Fixed assets (ANNEX I)	30,251,649	22,721,412	Other debts (Note 3.j)
Intangible assets (ANNEX II)	210,745	180,842	Provisions (ANNEX III)
Total non-current assets	34,206,228	25,898,563	Total non-current liabilities
			Total liabilities
Total assets	39,224,496	28,468,037	SHAREHOLDERS' EQUITY (as per respective statement)
			Total liabilities and shareholders' equity

The accompanying Notes 1 to 22 and supplementary statements (ANNEXES I to VIII) are an integral part of these financial statements.

José Luis Inglese
Chairman

Signed for identification purposes jointly with
our report dated 11-13-17
AUDIT COMMITTEE

Silvana Gentile
Auditor

Signed for identification purposes jointly with our
report dated 11-13-17
NATIONAL AUDIT OFFICE

Marcelo Fernando Palacios
C.P.A.- University of Buenos Aires
License C.P.C.E.C.A.B.A. T° 183 – F° 107

Signed for identification purposes jointly with
our report dated 11-13-17
BERTORA Y ASOCIADOS S.F.
License C.P.C.E.C.A.B.A. T° 1 –

Horacio F. Mollo (Partner)
C.P.A.- University of Buenos Aires
License C.P.C.E.C.A.B.A. T° 47 –



STATEMENT OF INCOME
FOR THE YEARS ENDED ON DECEMBER 31, 2016 AND 2015

(Stated in thousands of Argentine pesos – Note 2)

	<u>2016</u>	<u>2015</u>
Income from services (Note 3.l)	7,903,503	2.816.574
Operating expenses (ANNEX V)	<u>(5,061,411)</u>	<u>(3,361,121)</u>
Gross (Loss)	2,842,092	(544,547)
Marketing expenses (ANNEX V)	(1,130,221)	(739,206)
Administrative expenses (ANNEX V)	(4,716,388)	(3,024,360)
Other operating income (ANNEX V)	<u>(727,096)</u>	<u>(419,487)</u>
Operating (Loss)	(3,731,613)	(4,727,600)
Other Income (Expenses), net (ANNEX V)	(23,470)	11,656
Financial and holding results (Note 3.m)		
- From Assets	637,226	60,456
- From Liabilities	<u>(1,541,546)</u>	<u>(1,688,242)</u>
Income before the Application of Transfers from the National State	(4,659,403)	(6,343,730)
Application of Transfers from the National State (ANNEX VIII)	5,092,240	3,000,000
Net income for the year	<u>432,837</u>	<u>(3,343,730)</u>

The accompanying Notes 1 to 22 and supplementary statements (ANNEXES I to VIII) are an integral part of these financial statements.

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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED ON DECEMBER 31, 2016 AND 2015**

(Stated in thousands of Argentine pesos – Note 2)

	2016						Total
	Owners' contributions	Transfers (ANNEX VIII)		Retained earnings			
	Capital	Works	Current expenses	Legal reserve	Special reserve	Unappropriated results	
Balances at the beginning of year	150,000	24,519,816	-	746	14,181	(5,821,075)	18,863
Transfers from the National State (Note 14.b.)	-	10,844,826	5,092,240	-	-	-	15,937
Applications of Transfers from the National State (ANNEX VIII)	-	(487,677)	(5,092,240)	-	-	-	(5,579)
Net income for the year	-	-	-	-	-	432,837	432
Balances at year-end	150,000	34,876,965	-	746	14,181	(5,388,238)	29,653

The accompanying Notes 1 to 22 and supplementary statements (ANNEXES I to VIII) are an integral part of these financial statements.

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**STATEMENT OF CASH-FLOW
FOR THE YEARS ENDED ON DECEMBER 31, 2016 AND 2015**

(Stated in thousands of Argentine pesos – Note 2)

	<u>2016</u>	<u>2015</u>
Cash changes		
- Cash at the beginning of year (1)	109,927	970,028
- Cash at year-end (1)	2,425,304	109,927
Net increase (decrease) in cash	<u>2,315,377</u>	<u>(860,101)</u>
Causes of cash changes:		
Operating activities		
- Net income for the year	432,837	(3,343,730)
- Adjustments to reach the net cash-flow from operating activities:		
- Increase in provisions for contingencies	268,733	183,878
- Increase in provisions for doubtful debtors	326,133	102,960
- Increase in provisions for obsolescence of materials	315	567
- Increase in provisions for tax credits	76,452	21,128
- Net increase in provisions for other credits	14,004	5,452
- Depreciation of fixed assets and amortization of intangible assets	582,194	411,896
- Depreciation of works performed with transfers from the National State	(487,675)	(368,650)
- Depreciation of works performed through trusts	(405)	(404)
- Increase in provisions for benefits of collective bargaining agreements	381,596	203,864
- Discount on credits	220,985	591,327
- Application of transfers from the National State for current expenses	(5,092,240)	(3,000,000)
- Changes in operating assets and liabilities:		
- (Increase) in receivables from services	(1,255,220)	(191,050)
- (Use) of provision for doubtful debtors	(2,208)	(2,249)
- Decrease (Increase) in other receivables	470,512	(1,096,647)
- (Increase) in other assets	(80,210)	(76,941)
- (Increase) in tax credits	(717,474)	(750,645)
- (Decrease) increase in payables	(663,530)	1,879,691
- Increase in advances from clients	181,765	6,369
- Increase in salaries and social security contributions	90,134	541,342
- Increase in other liabilities	6,619	261
- (Decrease) in provisions for benefits of collective bargaining agreements	(119,009)	(79,566)
- (Use) of provisions for contingencies	(14,259)	(17,655)
Net cash-flow generated by (used in) operating activities	<u>(5,379,951)</u>	<u>(4,978,802)</u>
Investment activities		
- Increase in fixed assets and intangible assets	(8,142,506)	(5,596,479)
- Residual value after discharge of fixed assets	172	27
- Decrease in government securities and trust funds	-	310
Net cash-flow generated by (used in) investment activities	<u>(8,142,334)</u>	<u>(5,596,142)</u>
Financing activities		
- Transfers from the National State (Note 14.b.)	15,937,065	8,808,156
- Borrowings	(99,403)	906,687
Net cash-flow generated by (used in) financing activities	<u>15,837,662</u>	<u>9,714,843</u>
Net cash increase (decrease)	<u>2,315,377</u>	<u>(860,101)</u>

(1) Includes Cash and Banks plus temporary investments.

The accompanying Notes 1 to 22 and supplementary statements (ANNEXES I to VIII) are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 AND 2015

(Figures stated in thousands of pesos, except where expressly indicated otherwise)

1. General Conditions for the Provision of Drinking Water and Sanitation Services

1.1. Start of Activities of Agua y Saneamientos Argentinos (AySA)

On March 21, 2006, the National Executive Branch of Government (“PEN”), by Decree No. 303, decided to rescind, due to the Concessionaire’s fault, the Concession Contract for the provision of drinking water and sanitation services subscribed between the National State and the company Aguas Argentinas S.A., in accordance with the provisions of clauses 14.3.1 and 14.3.2 of said agreement (Decree PEN No. 767/93).

Consequently, the National State temporarily reassumed the operation and provision of such service, and, therefore, the former Ministry of Federal Planning, Public Investment and Services, through the Secretariat of Public Works, undertook the duty of continuing with such service and preserving jobs, as well as the protection of the assets involved in the provision of services up to the organization and start-up of the company that would be in charge of such services.

On the same date, through Decree PEN No. 304, the National State decided to constitute AySA as a company responsible for providing drinking water and sanitation services in the Autonomous City of Buenos Aires and in 17 districts of the Greater Buenos Aires area.

AySA was organized as a Joint-Stock Company under its own Bylaws and the provisions of Chapter II, Article V, sections 163 through 307 of Law No. 19550, as it was considered that a Joint-Stock Company is the most appropriate type of organization to guarantee an efficient management of the service.

On the other hand, on March 2, 2007, Law No. 26221 was published in the Official Gazette to enact the Regulatory Framework, which was subsequently regulated through Decree 763/2007.

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On February 25, 2010, Resolution No. 170/2010 issued by the former Ministry of Federal Planning, Public Investment and Services, was published in the Official Gazette. Such resolution approved a model of Binding Instrument between the National State and AySA.

The aforementioned Binding Instrument establishes the aspects detailed in the Regulatory Framework and in Law 26100, as amended. Its purpose, in addition to the provisions in the cited rules, is to guarantee the availability of the resources necessary to achieve the goals and objectives of the Plans for the Improvement, Operation, Expansion and Maintenance of Services (PMOEM), and to promote transparency in the management of the Concession and access to information on plans and results.

It should also be noted that by Decree PEN No. 13/2015, certain sections of the Law of Ministries (Law No. 22520) were replaced, among them, sections 1 (that creates the Ministry of the Interior, Public Works and Housing, among others, and eliminates the Ministry of Planning), 5 and 17. Therefore, the duties assigned by section 20 subsection a) of the Regulatory Framework approved by Law 26221 to the former Ministry of Federal Planning, Public Investment and Services, have been undertaken by the Ministry of the Interior, Public Works and Housing.

Specific aspects of the Binding Instrument are detailed in the pertinent sections.

1.II. Purpose and scope of the service

The public service which is the purpose of the Company is defined as raw water collection and purification; transport, distribution and commercialization of drinking water; collection, transport, treatment, disposal and commercialization of sewage, also including industrial wastewater that the current system allows to be dumped into the sanitation system, and its surveillance.

AySA may carry out supplementary activities necessary for the fulfillment of its goals and objectives, either of its own, related and/or complementary to them, such as the study, design, construction, renewal, enlargement, and exploitation of works for the provision of drinking water

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and urban sanitation, and surveillance of industrial wastewater, as well as the exploitation, finding and use of groundwater and surface water.

To such effects, it may have branches and subsidiaries and participate in other companies and/or associations whose purposes are related and/or supplementary to its own.

Excluded from its activities are the power of surveillance over internal sanitary installations and the activities for the control of pollution and preservation of water resources beyond the control of discharges into its own facilities; AySA keeps the right to require from the Competent Authority the preservation of its sources of supply.

In addition, and related to its main activity, AySA may enter into agreements with natural or artificial persons for the provision of goods and services under conditions of freedom of prices and quality, provided that such agreements do not imply the power of monopoly conferred to it by the Regulatory Framework or jeopardize public health. The fulfillment of these activities shall in no aspect be in detriment to the users of the regulated service. For this purpose, AySA shall record such activities completely separated from income and expenses related to regulated activities.

1.III. Scope of Application

The territorial scope of application of the Concession originally covered the Autonomous City of Buenos Aires and the districts of Almirante Brown, Avellaneda, Ezeiza, Esteban Echeverría, La Matanza, Lanús, Lomas de Zamora, Morón, Quilmes, San Fernando, San Isidro, San Martín, Tres de Febrero, Tigre and Vicente López, with respect to drinking water and sanitation services; the districts of Hurlingham and Ituzaingó, with respect to drinking water service; and joint sanitation services for the districts of Berazategui and Florencio Varela.

By Resolution MPFIPyS No. 1669 dated October 15, 2012, the former Ministry of Federal Planning, Public Investment and Services approved the agreement subscribed between the Municipality of Escobar and Agua y Saneamientos Argentinos S.A, recognizing the whole

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territory of the district of Escobar as a Regulated Area in relation to drinking water supply and sanitation services provided by AySA.

On the other hand, by Resolution No. 655/16, the Ministry of the Interior, Public Works and Housing ratified the Memorandum of Agreement subscribed on May 12, 2016 between the Ministry of Infrastructure and Public Services of the Province of Buenos Aires, the Secretariat of Public Works, and the Under-Secretariat of Water Resources of the Nation, the latter two depending upon the Ministry of the Interior, Public Works and Housing, by means of which, the former assigned its own jurisdiction and responsibility to the National State for the provision of drinking water and sanitation services in the districts of José C. Paz, Moreno, Merlo, Malvinas Argentinas, Florencio Varela, San Miguel, Presidente Perón and Escobar.

On July 5, 2016, the Ministry of Infrastructure and Services of the Province of Buenos Aires, the Secretariat of Public Works, and the Under-Secretariat of Water Resources mentioned above also subscribed a Supplementary Memorandum by means of which the first clause of the Memorandum of Agreement subscribed on May 12, 2016 was amended to establish the assignment by the Province of Buenos Aires to the National State of drinking water supply and sanitation services in the districts of José C. Paz, Moreno, Merlo, Malvinas Argentinas, Florencio Varela, San Miguel, Presidente Perón and Escobar (up to then operated by the company Aguas Bonaerenses Sociedad Anónima), thereby establishing that such service will be provided by AySA.

By means of section 1 of Law No. 14830 enacted by the Honorable Legislature of the Province of Buenos Aires, the above-mentioned Memorandum of Agreement and the Supplementary Memorandum were approved.

By Resolution No. 425 E- 2016, the Ministry of the Interior, Public Works and Housing also ratified the aforementioned Supplementary Memorandum subscribed on July 5, 2016, and approved the incorporation of the districts of José C. Paz, Moreno, Merlo, Malvinas Argentinas, Florencio Varela, San Miguel, Presidente Perón and Escobar to the service provided under the Regulatory Framework for the Concession to provide Drinking Water and Sanitation Services operated by AySA.

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In this regard, and with the aim of making a reasonable and smooth transfer of the services assigned, AySA is currently in the process of undertaking such services gradually.

In this way, AySA has taken effective possession and operation of the services transferred in connection with the districts of Escobar (11/23/2016), San Miguel (12/14/2016), José C. Paz (12/14/2016), Malvinas Argentinas (12/14/2016), Presidente Perón (02/15/2017), Moreno (03/16/2017) and Merlo (05/22/17), while the effective possession of the services in the district of Florencio Varela is in principle programmed for next months.

Finally, we underline that by Resolution No. 682 dated 05/17/16, the Ministry of the Interior, Public Works and Housing approved the Agreement subscribed on 09/10/2015 between the Municipality of Pilar and Agua y Saneamientos Argentinos S.A, thereby recognizing the totality of the district of Pilar as an integral part of the Regulated Area for the provision of drinking water and sanitation services by AySA. Such Agreement provides that the systems would be incorporated by stages, and establishes 01/01/2017 as the time limit for the provision of services by other operators in the area. This explicitly and implicitly depends upon prior technical, commercial and environmental surveys of existing services.

Due to questions not attributable to AySA, such technical, commercial and environmental surveys have not been completed because the Municipality has not provided the necessary information and documentation. In a meeting held on December 1, 2016 by the Municipality of Pilar, the Secretariat of Public Works of the Ministry of the Interior, Public Works and Housing, and AySA, who coincided on the need to make an orderly transfer of the information, documentation, sample taking, among other questions, as a basic condition for the effective transfer of the services to AySA, the parties agreed to postpone for a minimum term of one year the effective taking of possession of such services by this Concessionaire.

This situation has been informed to the Under-Secretariat of Water Resources of the Nation by Note No. 282.951/16.

Notes No. 284624/16 and 286678/17 have been sent to the Municipality of Pilar requesting them to inform on the actions they have carried out in order to put the above-mentioned aspects into practice and, therefore, be able to move forward in the reformulation of the pertinent Agreements. No answer has been received from them up to date.

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1.IV. Main characteristics

The main characteristics established by the Regulatory Framework and the Binding Instrument for the provision of services by AySA are listed below. They must be understood within the framework defined in section 1.I of this note.

– **Term:** The term of validity is 20 years as from the date on which the Concessionaire will start providing the services, that is, March 21, 2006. Such term may be extended by joint agreement between the parties.

– **Nature of the concession:** The exploitation of the services is granted under a gratuitous concession to AySA. This means that the Company is exempted from the payment of a fee for the whole term of the concession.

– **Applicable rules:** Applicable rules for the provision of the services are as follows:

- Decrees No. 304/06 and 373/06 issued by the National Executive Branch.
- Law No. 26100 and regulations thereof, Law 13577, as amended, shall be supplementarily applied.
- The Regulatory Framework enacted by Law 26221, regulated by Decree 763/2007.
- The Binding Instrument, the Approved Plans and their amendments.
- The rules issued by the National Executive Branch and the former Ministry of Federal Planning, Public Investment and Services, currently Ministry of the Interior, Public Works and Housing as per Decree PEN No. 13/2015.

– **Granting Authority:** The Concession of the service is granted by the National Executive Branch.

– **Regulatory Framework Authority:** The authorities having jurisdiction within the Regulatory Framework are:

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- The Ministry of Federal Planning, Public Investment and Services who, with the participation of the Secretariat of Public Works, will issue explanatory and supplementary rules, approve action plans and budgets and participate in all the acts provided for in applicable rules. As from December 10, 2015, these functions are under the responsibility of the Ministry of the Interior, Public Works and Housing.
- The Enforcement Authority is exercised by the Under-Secretariat of Water Resources (“SSRH”), that will be in charge of the relationship between the Concessionaire and the National State and will define policies, plans and programs related to the service, and will exercise the power of surveillance, regulation and control.
- The Planning Agency (“APLA”) that will be in charge of coordinating the planning of expansion and improvement works related to the service, controlling the elaboration of projects, the development of works, environmental impact assessments and their communication, and establishing quality goals. It may approve, at the request of AySA, the request for expansion works, provide or make access to information available to the population, design and put expansion works into practice according to the availability of economic resources and, in general, to participate in all technical and operating matters having an effect on the action plans (Note 9).
- Ente Regulador de Agua y Saneamiento (Water and Sanitation Regulatory Agency) (“ERAS”), will be in charge of controlling compliance with the Concessionaire’s obligations established by the Regulatory Framework and the Binding Instrument, especially with reference to the provision of the service, the design and control of the accounting that will regulate the Concession, the relationship with users, and the content of the rates established by the Enforcement Authority and the invoices issued by the Concessionaire. It will control the quality of the service, the protection of the community’s interests, and the control, surveillance and verification of compliance with standards of quality and internal installations within the regulated area to be applied by users (Note 10).

– **Obligation to provide the service:** Services shall be provided or be made available to all real estates, whether inhabited or not, included in the area of concern, according to the Regulatory Framework, which will be applied free of charge to the public fire service, including fire departments.

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– **Conditions for the provision of the service:** The public drinking water and sanitation service will be provided in such a way as to ensure its continuity, regularity, quality and generality, in such a way as to guarantee an efficient service to users and the protection of the environment under the terms of the Regulatory Framework and the technical regulations to be issued.

– **Plan for the Improvement, Operation, Expansion, and Maintenance of the Services (“PMOEM”):** The purpose of the PMOEM is to ensure the maintenance, improvement, performance and operation throughout the area regulated by the systems necessary for the provision of the service. The PMOEM will be approved by the Enforcement Authority and will be reviewed and evaluated annually and every five years (Note 8).

– **Transfer of assets:** All assets used to provide the service and to develop supplementary activities were transferred by the Granting Authority to AySA, who received the possession but not the ownership thereof (Note 7).

– **Credits, Other Assets, Debts and Other Rights and Obligations:** These items held under title before the taking of possession by AySA are incumbent to the former Concessionaire or to the National State, as applicable (Note 12).

– **Personnel:** All the personnel who worked for the former Concessionaire and who continued working at AySA keep their rights and obligations. However, this does not prevent the Company from making modifications, either by means of legislation, labor agreements, individual agreements or decisions by the competent authority, provided the legislation in force is abided by at all times.

– **Economic and Rate Structure:** The economic structure of the Concession will be based on the determination of operating, investment, maintenance, administration and commercial costs. It will be understood that the Concession is in a situation of economic and financial balance if the rates for the services provided allow the Company to recover the costs associated to such services, including those mentioned in this paragraph (Note 6).

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1.V. New Authorities

By means of Special Class A Shareholders' Meetings held on January 19 and April 13, 2016, and Class B Shareholder's Meetings held on January 29, 2016, AySA's current Board of Directors was approved. Mr. José Luis Inglese was appointed as Chairman of the Board, and in such capacity, he signs these Financial Statements.

2. Basis of presentation of financial statements

I. Applicable Professional Rules

These financial statements are stated in thousands of Argentine pesos and were prepared in accordance with Argentine accounting rules of presentation and valuation contained in the Technical Resolutions issued by the Argentine Federation of Professional Councils of Economic Science ("FACPCE"), as approved by the Professional Council of Economic Sciences of the Autonomous City of Buenos Aires ("CPCECABA").

Such rules establish that financial statements must be stated in constant currency. The methodology of adjustment and the need to put it into practice arise from the requirements of Technical Resolutions (RT) No. 6 and No. 17, later amended by RT No. 39, adopted by the CPCECABA on April 16, 2014.

As of the date of these financial statements, the parameter established by RT 39 for the application of inflation adjustments is not evidenced, for which reason they are stated at historical values.

These financial statements are shown in comparison to the previous year ended on December 31, 2015.

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Accounting estimates

The preparation of financial statements as of a determined date requires the Company's Board to make estimates and evaluations affecting the amount of assets and liabilities recorded and contingent at such date, as well as income and expenses recorded during the year.

The Board makes estimates in order to be able to calculate as of the date of the financial statements, for instance, the recoverable value of assets, the provision for bad debts, the provision for contingencies, etc.

II. Valuation and exposure criteria

The main valuation and presentation criteria used for the preparation of these financial statements were as follows:

a) Cash and banks: In national currency, at nominal value.

b) Investments: Government Securities and Mutual Investment Funds, at current values.

c) Receivables from services: They have been valued at cash price. They include services and other rates invoiced and not collected, and those accrued and not invoiced up to the closing date. Services and other rates accrued and not invoiced were determined by means of estimates made on the basis of historical series of actual data and verified through invoices issued after the closing date. The total amount of receivables from services is net of a provision for doubtful debts and invoice adjustments, as described in subsection j) of this note.

d) Other receivables, except prepaid expenses, and liabilities, except other liabilities, benefits from collective bargaining agreements and provisions:

- In national currency: They have been valued on the basis of the best possible estimate of the sum to be collected or paid, as applicable.

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- Tax credits have been valued, for the most part, at their discounted value using the rate estimated upon the closing date, in accordance with their estimated use, based on the best estimate of future cash-flow.
- Shareholders' credits and debts have been valued at their nominal value.

e) Prepaid expenses: At their nominal value.

f) Other assets:

- Materials, spare parts and chemical supplies: At replacement cost not to exceed their recoverable value. The total amount of materials and spare parts is net of a provision for obsolescence, as described in subsection j) of this note.
- Advances to suppliers:
 - o In national currency: at nominal value.
 - o In foreign currency: at nominal value in foreign currency converted at the exchange rate in force on the closing date for the settlement of such transactions. Exchange rate differences were allocated to results for the year.

g) Fixed assets and intangible assets:

At acquisition cost plus direct internal labor costs related to the construction of new infrastructure works, as well as financial costs generated by the indebtedness for the execution of works the construction of which extends along time, less the pertinent depreciations accrued as of December 31, 2016 and 2015, respectively.

During this fiscal year, AySA incurred the amount of 192,558 pesos for direct internal labor costs, while for the year ended on December 31, 2015 it incurred the amount of 142,161 pesos for the same reason.

Depreciation of fixed assets was calculated by the straight-line method on the basis of the estimated useful life of each homogeneous group of assets. The valuation of fixed assets, as a whole, does not exceed their recoverable value.

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h) Income tax and minimum presumptive income tax:

Through the enactment of the General Budget Law for the year 2014, No. 26895 (BO 22-10-13), section 34, the company has been exempted from the Income Tax and the Minimum Presumptive Income Tax.

In addition, the second paragraph of the above-mentioned section has exempted AySA from the payment of income tax and minimum presumptive income tax debts incurred up to the date on which the aforementioned law came into force. Such exemption includes principal, compensatory and/or punitive interests, and/or those provided for in section 168 of Law No. 11683, fines and other penalties related to such taxes, whichever their nature may be.

As to both types of taxes, the Company, the Federal Administration of Public Revenues (AFIP) has recognized the exemption. This can be verified on their web site.

At the same time, the Company has submitted a request to AFIP for the recovery of the Minimum Presumptive income Tax for fiscal years 2006 to 2013 for a total of 175 million pesos; AFIP, by Resolution No. 15/2015 (DVREGN) approved the reimbursement of the balances for the years 2009 to 2013, for an amount of 159.8 million pesos, of which 41.5 million pesos were related to the Tax on Bank Credits, which is not refundable in cash.

During the month of January 2017, AFIP made bank transfers to this Company for an amount of 118.3 million pesos, which represent the total amount refundable in cash for the tax periods claimed, as detailed in the preceding paragraph. AFIP also credited to the current tax account the amount of the Tax on Bank Credits. Such amount must be used as allowed by the respective law.

Additionally, interest has been collected for the amount of 20 million pesos as compensation for the time elapsed from the date of presentation up to the effective payment of the principal recovered.

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i) Other liabilities – Collective bargaining agreement benefits:

This item includes certain benefits recognized by collective bargaining agreements for AySA's personnel who, due to ordinary retirement or for years of service, become finally entitled to them. The amount of the benefit accrued as of December 31, 2016 and 2015 was determined on the basis of the best possible estimate of the sum payable discounted at the rate estimated on the closing date through an actuarial calculation at such date, based on the number of working personnel on each closing date that may be entitled to such benefits, and recognizing the pertinent charges according to actuarial profit and loss recognition criteria established by professional accounting standards.

Such actuarial calculation was made by an independent professional, who prepared it according to the provisions of Technical Resolution 23 of the CPCECABA and who calculated an annual salary increase rate of 2% and an annual actual discount rate of 4.5% for the year ended on December 31, 2016 and of 8.9% for the year ended on December 31, 2015.

j) Provisions:

Deducted from assets:

- For doubtful debts and invoice adjustments: this provision has been set aside to regularize and adjust the valuation of receivables from services. The amount of the provision was estimated on the basis of the users (except fiscal) who have debts older than two years.
- For obsolescence of materials and spare parts: this provision has been set aside to adjust the value of materials and spare parts to their recoverable value.
- For tax credits and other receivables: the amount of this provision was estimated on the basis of an individual analysis of the amounts to be collected.

Included in liabilities:

- For contingencies: this provision has been set aside for potential claims and/or lawsuits and other contingent risks and/or disputes related to the interpretation of the legislation in force, the materialization of which depends on the occurrence or not of future events. The assessment of contingent liabilities is made by the Board of Directors and their

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legal advisors, and is based on available data. For the calculation of amounts, the probability of occurrence has been taken into account.

If the evaluation of the contingency shows that the occurrence of a loss is probable and the amount can be estimated, a liability is recorded in provisions on the basis of the best possible estimate of the sum to be paid.

If the potential loss is not probable, but reasonably possible, or it is probable but its amount cannot be estimated, the nature of the contingent liability and an estimate of the possibility of occurrence are shown in the notes to the financial statements.

Remote contingencies are not shown in the financial statements, except if they involve guarantees, in which case they are included in the notes to the financial statements and their nature is indicated (Note 17).

k) Shareholders' equity accounts: They are valued at their original value.

l) Income statement accounts:

- Accounts that include monetary operations were computed at their nominal value.
- Charges for consumption of non-monetary assets, valued at cost, were computed at their nominal value.
- Financial results are broken down into those generated by assets and those generated by liabilities, and include holding results.
- Operating, marketing and administrative expenses are net of direct costs recorded, as described in detail in subsection g) of this section.

m) Statement of Cash-Flow

In order to prepare the Statement of Cash-Flow, AySA has opted for the use of the indirect method, according to the provisions of professional accounting standards in force, detailed in section I of this note, and considering Cash and Banks, and Temporary Investments as funds.

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3. Detail of main items

Certain items in the financial statements as of December 31, 2016 and 2015 are as follows:

	2016	2015
a) Cash and banks:		
Cash	1,355	1,084
Banks	<u>1,012,332</u>	<u>106,318</u>
	<u>1,013,687</u>	<u>107,402</u>
b) Investments: (ANNEX VII)		
Current:		
Mutual Investment Funds	1,409,429	-
Other investments	<u>2,188</u>	<u>2,525</u>
	<u>1,411,617</u>	<u>2,525</u>
c) Receivables from services: (Note 16)		
Current:		
Receivables from users	1,540,049	441,580
Less: Provision for doubtful debts and invoice adjustments (ANNEX III)	<u>(326,506)</u>	<u>(108,929)</u>
	<u>1,213,543</u>	<u>332,651</u>
Non-current:		
Receivables from users	512,222	355,472
Less: Provision for doubtful debts and invoice adjustments (ANNEX III)	<u>(342,759)</u>	<u>(236,412)</u>
	<u>169,463</u>	<u>119,060</u>
d) Other receivables:		
Current:		
Advances to suppliers	12,692	19,877
Prepaid expenses	11,586	10,246
Insurance to be accrued	371	75
Expenses to be re-invoiced	-	28,895
Sundry receivables	314,657	538,657
Miscellaneous	9,758	16,570
Credits with Nación Fideicomisos S.A. (Note 19)	10,435	9,626
Credits with the National State (Note 14.b)	500,000	876,996
Commissions to be accrued on BNDES loan (ANNEX IV)	36,913	31,704
Less: Provision for other credits (ANNEX III)	<u>(22,104)</u>	<u>(38,300)</u>

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	<u>874,308</u>	<u>1,494,346</u>
Non-current:		
Credits with Aguas Argentinas S.A.(Note 12.II)	76,175	76,175
Commissions to be accrued on BNDES loan (ANNEX IV)	189,057	161,372
Debtors in process of litigation	3,638	-
Advance to suppliers	11,973	12,761
Aguas de Zárate SAPEM (Note 20)	286,816	189,640
Miscellaneous	<u>12,802</u>	<u>4,992</u>
	<u>580,461</u>	<u>444,940</u>
e) Other assets:		
Current:		
Materials, spare parts and chemical supplies (*)		
- Stock at the beginning of year	267,218	163,304
- Purchases	1,248,235	776,342
- Consumptions:		
Chemical supplies (ANNEX V)	(906,479)	(652,991)
Materials for repair and maintenance of fixed assets (ANNEX V)	(64,456)	(41,801)
Materials for works	(661,048)	(338,514)
- Holding result	436,086	360,878
- Stock at the end of year	<u>319,556</u>	<u>267,218</u>
Less: Provision for obsolescence of materials and spare parts (ANNEX III)	(1,967)	(1,901)
	<u>317,589</u>	<u>265,317</u>
Advances to suppliers	45,979	18,355
	<u>363,568</u>	<u>283,672</u>
(*) Includes 38,054 and 31,185 in third parties' warehouses as of December 31, 2016 and 2015 respectively.		
f) Payables:		
Current:		
Suppliers and contractors	2,991,135	3,654,665
Advances from clients	<u>260,800</u>	<u>79,035</u>
	<u>3,251,935</u>	<u>3,733,700</u>
g) Salaries and social security contributions:		
Provision for vacations	632,604	458,688
Provision for Employee Stock Ownership Plan ("PPA")	39,563	29,289
Withholdings and social security contributions to be paid on salaries	368,383	450,075
Miscellaneous	3,470	15,834
	<u>1,044,020</u>	<u>953,886</u>

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h) Tax credits / liabilities:

Current assets:

VAT – Income Tax Return 1st paragraph (Note 21 II)	-	175,733
VAT – Income Tax Return 2nd paragraph	6,173	4,131
Turnover tax	17,091	9,256
Tax credit – Minimum Presumptive Income Tax (Note 2.h.)	118,281	159,758
Miscellaneous	122,652	47,464
Less: Provision for tax credits (ANNEX III)	(122,652)	(47,464)
	<u>141,545</u>	<u>348,878</u>

Non-current assets:

VAT – Income Tax Return 1st paragraph	4,353,562	3,570,976
Less: Discount on tax credits	(1,359,652)	(1,138,667)
	<u>2,993,910</u>	<u>2,432,309</u>

Current liabilities:

Municipal taxes and contributions to be paid	27,170	17,464
Turnover tax to be paid	25,995	33,298
SICORE (Withholding Control System)	122,811	188,521
Miscellaneous	9,302	15,957
	<u>185,278</u>	<u>255,240</u>

Non-current liabilities:

Municipal taxes and contributions to be paid	8,482	4,291
	<u>8,482</u>	<u>4,291</u>

i) Other liabilities:

Current:

Collective bargaining agreement benefits	144,536	23,539
Agreement with Municipalities	9,634	3,013
	<u>154,170</u>	<u>26,552</u>

Non-current:

Benefit from collective bargaining agreement	402,545	260,956
Performance bond from Directors	40	40
	<u>402,585</u>	<u>260,996</u>

j) Other payables:

Non-current:

Debt to the National State (Notes 4 and 12.I)		
- Trust	26,410	26,410
Less: Trust application	(2,722)	(2,317)
	<u>(2,722)</u>	<u>(2,317)</u>

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	<u>23,688</u>	<u>24,093</u>
Other		
- Consumptions invoices and not accrued by AySA (Note 12.I)	9,389	9,389
Miscellaneous	<u>686</u>	<u>686</u>
	<u>10,075</u>	<u>10,075</u>
	<u>33,763</u>	<u>34,168</u>
k) Loans:		
Current:		
ANSES loan	164,929	204,925
BNDES loan (ANNEX IV)	<u>1,000,201</u>	<u>997,276</u>
	<u>1,165,130</u>	<u>1,202,201</u>
Non-current:		
ANSES loan	167,159	282,196
BNDES loan (ANNEX IV)	<u>2,269,622</u>	<u>2,216,917</u>
	<u>2,436,781</u>	<u>2,499,113</u>
l) Income from services (Note 14.a)		
Gross income from services	9,029,973	3,909,379
Effect of Resolution SSRH 44/2011, as amended	<u>(1,126,470)</u>	<u>(1,092,805)</u>
	<u>7,903,503</u>	<u>2,816,574</u>
m) Financial and holding results:		
Generated by assets:		
Interest collected from clients	180,288	88,568
Holding results	596,748	360,878
Other financial income - Net	(210,992)	(589,287)
Exchange rate difference	<u>71,182</u>	<u>200,297</u>
	<u>637,226</u>	<u>60,456</u>
Generated by liabilities:		
Lost interests	(277,011)	(98,762)
Other financial expenses - Net	(77,499)	(26,469)
Exchange rate difference	<u>(1,187,036)</u>	<u>(1,563,011)</u>
	<u>(1,541,546)</u>	<u>(1,688,242)</u>

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4. Balances with Shareholders

The main balances as of December 31, 2016 and 2015 are:

Shareholder	2016	2015
Ministry of the Interior, Public Works and Housing (see Note 5)		
- Acquisition of fixed assets and other assets (ANNEX VIII)	(34,876,965)	(24,519,816)
- Other payables - (Note 3.j)	(23,688)	(24,093)
- Other current receivables	-	29,253

(1) This is related to accumulated transfers from the National Treasury for the construction and/or acquisition of fixed assets for the amount of 36,489,487, net of 1,612,522 for the application of transfers (Note 14.b).

(2) This is related to accumulated transfers from the National Treasury for the construction and/or acquisition of fixed assets for the amount of 25,644,661, net of 1,124,845 for the application of transfers (Note 14.b).

5. Capital

AySA's initial capital, as established by Decree PEN No. 304/06 and the bylaws amounts to one hundred and fifty million Argentine pesos (\$150,000,000) represented by one hundred and fifty thousand (150,000) non-transferable registered common shares of one thousand pesos (\$1,000) nominal value each and with the right to one (1) vote each, of which one hundred and thirty-five thousand (135,000) shares are Class A and fifteen thousand (15,000) are Class B shares.

As from December 10, 2015, Class A shares, representing 90% of the Company's capital, which according to Decrees PEN No. 304/06 and 373/06 belong to the National State and the ownership of which was exercised by the former Ministry of Federal Planning, Public Investment and Services, were transferred to the Ministry of the Interior, Public Works and Housing, for which reason, their ownership is currently exercised by the latter. The remaining 10% of the

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capital, Class B shares, are held by AySA's workers through an Employee Stock Ownership Plan.

AySA's capital is represented as follows:

Type of shares	Subscribed and registered shares of capital	
	Paid-in	Total
Non-transferable (Decree 373/06):		
. Class A	135,000	135,000
. Class B	15,000	15,000
	<u>150,000</u>	<u>150,000</u>

6. Economic and Rate Structure

The main aspects of the economic and rate structure detailed below are those arising from the Regulatory Framework established by Law 26221 and from the Binding Instrument established by Resolution 170/2010 of the Ministry of Planning (Note 1.IV).

6.1. Economic structure. Economic and financial balance

The economic structure is based on the determination of operating, maintenance, administrative and commercial costs.

It will be understood that the Concession is in an economic and financial balance if the services provided allow the Company to recover the costs associated to them, including operating, investment, and tax and financial costs, if any, taken into account in the plans approved and efficiently carried out.

The Concessionaire may require, when the reasons established by the Regulatory Framework and the Binding Instrument are present, the adoption of measures aimed at re-establishing the economic balance.

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In order to substantially advance in the regulatory aspect, and within the framework of the rate structure established by Resolution SSRH 62/2016, the Concessionaire is currently in the process of requesting the Enforcement Authority for a detailed regulation of sections 70, 71 and 72 of the Regulatory Framework.

6.II. Economic Reviews

Five-year reviews:

The review process will start one year before the end of the five-year period and shall be completed on time to guarantee the effective application of decisions and commitments involved in the review in connection with rates, costs, and the PMOEM, from the first day of the new five-year period.

Annual reviews:

The purpose of annual reviews is to adjust income to operating and investment costs in order to ensure compliance with the PMOEM.

Every time AySA considers that facts, circumstances or actions have occurred which have an influence on the plans, work programs or actions to be developed, it may require the Enforcement Authority's intervention to analyze the effects and proposals to minimize or solve them.

Even though no unexpected or extraordinary circumstances or events of force majeure or Acts of God have occurred, which shall be analyzed by the same Enforcement Authority, an annual review shall at least be made in order to determine the normal development of duly approved plans and possible adjustments.

6.III. Rate structure

General principles

The rate structure must comply with the universality of the service, that is, all the inhabitants in the regulated area must have access to drinking water and sanitation services.

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C.P.A.- University of Buenos Aires
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In this sense, the rate structure shall comply with the following general principles:

- a) It shall be uniform for the same type of service according to the serviced area.
- b) It shall be aimed at a rational and efficient use of the services provided and of the resources involved for an effective and normal service provision.
- c) It shall have a constant balance between offer and demand of services. AySA shall not voluntarily restrict the offer of services.
- d) It shall take into account health and social purposes directly linked to the provision or operation of the services.
- e) It shall allow rate values applied to some segments of users to balance the economic cost of operation, as well as other groups of users in the system.
- f) The rate structure shall be focused on achieving the universalization of the service.

Rate structure

Rate structure provided for in the Regulatory Framework and in the Binding Instrument classifies users according to their category (residential, non residential and vacant lot), the area where the property is located, and the services provided to it. The basic rate system established by the Regulatory Framework is made up of a metered consumption system and a fixed rate system.

The metered consumption rate system shall be obligatorily applied to the users included in the non-residential category that may be metered, condominium property buildings subdivided as per Law No. 13512, and sales of water en bloc according to the respective plans approved. For the other categories and cases, it will be at the option of AySA or the user. This option may be exercised only once and at any time within the Concession period.

Scope, validity and values

All real estates, whether occupied or vacant, facing or adjoining drinking water distribution pipes or domestic or industrial trunk sewers, shall be included in the rate structure.

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Rates and prices are those established by the Regulation for the Application of Rate Structures as approved by the Enforcement Authority through Resolution SSRH No. 45/2010.

During the month of December 2011, and within the framework of the policies for the review of subsidies to public services promoted by the National Government, the Enforcement Authority issued Resolutions SSRH Nos. 44, 45, 46 and 1, establishing the Company's level of subsidies, their mode of calculation and presentation in invoices, jointly with the first instructions related to the interruption of such subsidies for certain groups of users. In February 2012, the Enforcement Authority issued Resolution SSRH No. 3/2012 by means of which it extended the cancellation of subsidies to a new group of users.

In the month of December 2015, after reiterating the request for modification of the "K" coefficient to values consistent with the closing of 2013, a new proposal was submitted with the purpose of taking the value of the Modification Coefficient (K) from 5.1138, calculated on the basis of the results for 2012, to 9.1883 (+79.7%), calculated on the basis of the results for 2014.

During the months of January and February 2016, the Company jointly with the Government analyzed a new rate alternative aimed at reducing the gap between the Company's income and operating costs. As a result of this process, on March 31, 2016, an important rate modification was approved by means of Resolution SSRH 62/2016. Such resolution established an increase in the modification coefficient "K" of 216.66%, which changed from 5.1138 to 16.1937. In addition, a reduction in the scheme of generalized subsidies was established, promoting the Social Rate (targeted subsidy) and maintaining for only one year a discount of 25% for the users who received a 50% subsidy in their bills. On the other hand, the prices of certain special services such as connection, disconnection, cut off/restriction of service, and meter installation were also updated.

At present, AySA, following the Enforcement Authority's instructions, has submitted a new rate adjustment proposal which basically consists in an adjustment in the Modification Coefficient (K) of 23%; therefore, it would be 19,9183, jointly with a program for the gradual elimination of the 25% discount to Non-Residential users. On the other hand, in the aforementioned proposal, a re-balance between fixed and variable charges is also introduced, a modification that gives a

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greater preponderance to the latter charges in order to take care of the resource and improve the allocation of the rate system. Such proposal, as established by Resolution DI-2017-8-APN-SSRH#MI issued by the Under-Secretariat of Water Resources, has been presented at a Public Hearing held on April 6 and 7, 2017. It was approved by Resolution SSRH 19-E/2017 and came into force on May 3. The estimate is that the level of accrued income before taxes will reach 12,700 million pesos during 2017.

Social rate

The Rate Structure provides for the implementation of a social rate that allows low income sectors of population to have drinking water and sanitation services.

Since the social rate scheme in force had been applied by the former concessionaire, and considering the need to harmonize the scheme of subsidies and maintenance of subsidies, the Enforcement Authority, on September 1, 2014, issued Resolution SSRH No. 16/2014 by means of which it approved a new social rate regulation. This new regulation updates the requirements to have access to the benefit and extends it to the requests for connection (subsidy for access) and to the debts accumulated due to inability to pay, taking into consideration users' economic problems.

During 2016, the Enforcement Authority, through Resolution SSRH 161/2016, approved a new scheme for the Community Rate component (basically aimed at public welfare entities) with the purpose of taking due care of the economic problems undergone by this segment.

Exemptions and subsidies

AySA shall comply with and assume the discounts established by section 71 subsections a) and b) of O.S.N. (National Water Resources) Organic Law, in conformity with the regulations issued by the Enforcement Authority, as well as the service to fire stations within the framework of Decree N° 607/90.

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Invoicing, collection, and cut of services

AySA is entitled to invoice and collect all the services provided by it, according to the rates and prices in force and shall communicate to users, within the term and manners established, all the elements that allow them to calculate the rates and prices invoiced, according to their category and the collection arrangement they are subject to.

In addition, AySA shall invoice and collect, with express indication of the concept, a sum or percentage indicated by the Enforcement Authority, aimed at supporting the operation of the Regulatory Entity and the Planning Agency.

AySA is empowered to restrict or cut the services provided, depending on the category of the users, due to delay in the payment of invoices, without prejudice to late payment charges and interest, abiding by the guidelines established by the Regulatory Framework, the Binding Instrument and other applicable rules.

7. Assignment of fixed assets

The assets used for the fulfillment of the service and the development of supplementary activities that were used by Aguas Argentinas S.A. were transferred by the National State to AySA, who received the possession, but not the ownership thereof. Among such assets, we can mention water distribution networks and water wells; water-treatment plants (General San Martín, General Belgrano and Dique Luján); 16 pumping stations; the sanitation network; wastewater treatment plants (Northern Wastewater Treatment Plant, South-Western Wastewater Treatment Plant, and main pumping stations at Wilde and Boca-Barracas) and sewage pumping wells; and other facilities, machinery and equipment, among others. The inventory of the assets received at the beginning of operations by AySA was sent to the SSRH by note 4295 dated July 14, 2006 and was included in Chapter VII of the Binding Instrument. These assets were incorporated into AySA's estate at the beginning of the Concession at zero value.

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During fiscal years 2014 and 2013, the Under-Secretariat of Water Resources transferred to AySA four works carried out by the Executive Committee of the Environment and Matanza-Riachuelo Water Basin Management Plan (CEMR) within the framework of the BID Loan No. 1059/OC-AR, for their incorporation into the set of assets used for the service and their respective operation, which were added to the estate of the Company at zero value.

AySA will undertake the administration and appropriate maintenance of the assets used for the service that it will receive or acquire to incorporate into the service; such assets shall be properly used and kept in good state of maintenance according to the characteristics of each type of asset and the needs of the service.

AySA shall be responsible to the National State and third parties for the correct administration and disposal of the assets used for the service, as well as for all the obligations inherent in their operation, administration, acquisition and construction within the scope established by the regulations in force and the plans approved.

On the other hand, AySA shall undertake the payment of all taxes, rates or contributions on such assets.

According to the responsibilities and obligations arising from the Regulatory Framework and the Binding Instrument on such assets, AySA has taken an insurance coverage on them for a total insured amount of USD 2,284 million (Note 15). Such amount takes into account the replacement value of the fixed assets that AySA uses for operation, in order to establish the amounts of principal in the insurance policies.

The assets used in the provision of services, acquired or constructed by AySA and the improvements made on assets received are recorded in the accounting and fully depreciated along their estimated useful life.

On the other hand, by means of note No. 52755/07 dated December 27, 2007, AySA informed the Enforcement Authority that, according to the criteria defined by the Regulatory Framework for the elaboration of the Plan for the Improvement, Operation, Expansion and Maintenance of

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Services (“PMOEM”), every payment of funds aimed at ensuring the maintenance, improvement, performance and operation of the systems necessary to provide the service granted to this Concessionaire is considered as an investment.

The criteria defined in the Regulatory Framework were adopted to align the Concessionaire’s accounting with the PMOEM, and consequently, with all the information issued for regulatory purposes, thus ensuring a transparent and efficient control system.

In this sense, the SSRH, by means of note No.363/08 dated February 15, 2008, informed AySA about the report submitted by the ERAS, which takes note of the information transmitted by AySA and does not object to the criteria adopted by AySA, and considers it is necessary that the competent authority regulates or issues a resolution to formalize it.

On the other hand, in each annual General Shareholders’ Meeting, with the presence of a representative of the former Ministry of Federal Planning, Public Investment and Services, the financial statements for each fiscal year where the aforementioned criteria were included have been approved.

Consequently, all the operations included in these criteria are recorded under Fixed Assets. The general guidelines of such criteria were included in the Binding Instrument mentioned in note 1.

Finally, upon termination of the Concession, all fixed assets, either transferred to AySA or acquired or constructed during its term of duration, shall be returned, free of charge, to the National State.

8. Plan for the Improvement, Operation, Expansion and Maintenance of the Services (“PMOEM”)

At the request of the Planning Agency (APLA) from the year 2014 we have been working on the updating of the Plan for the Expansion and Improvement of Drinking Water and Sanitation

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services. This Plan was subdivided in five-year periods, specifically focusing on the 2014-2018 five-year period and was approved by the SSRH.

The following background was taken into account:

- Expansion and Improvement Master Plan (version 63, approved by Resolution No. 4/10 issued by the SSRH).
- Follow-up report of the Expansion and Improvement Plan for the period 2008-2013, closing date on 12-31-2013.
- Information from the Administrative and Technical Areas of the Departments involved in Expansion and Improvement Investments.
- Meetings for the exchange of information and priorities with the Advisory Committee of the APLA, where the particular situation of each district was analyzed.

The Expansion and Improvement Plan for Drinking Water and Sanitation services (Version 67B) has been approved by Resolution No. 24 issued by the APLA.

During the course of the year, agreements have been signed for the plan of works in each Municipality.

On the other hand, new districts in the Province of Buenos Aires are being incorporated to AySA Concession, with the pertinent municipal agreements related to the plan of works.

Consequently, a process for the review and updating of the Master Plan has been started to incorporate these agreements and take into account this change of scope.

Purposes

The purposes of the Master Plan for the Expansion and Improvement of Drinking Water and Sanitation services are as follows:

- Define a program of works, investments and incorporation of inhabitants.

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- Ensure the production, transportation and distribution of drinking water for the area served and its expansion.
- Ensure the disposal and transportation of effluents in the area served and its expansion.
- Guarantee the quality of a sustainable service along time.
- Ensure a comprehensive operation of the drinking water supply and effluent disposal system.
- Improve the environmental conditions in general.

Expansion Plan

The plan for the expansion of drinking water and sanitation services must include the appropriate operation of existing installations and the necessary alignment with new works.

The Master Plan shows the works and investments programmed for the period 2014-2018, and attaches a summary of inhabitants to be incorporated by District and Investments by Source of Financing (partial or total).

In the agreements signed with the Municipalities, the plan of works has been updated and reviewed, identifying the totality of the works necessary for the expansion of drinking water and sanitation services and specifying them as primary and secondary works, with location maps, dates scheduled in the calls for public tender, and the total estimated investment in each case.

These agreements consist in the technical guideline of AySA's work plan and will be later incorporated to a new version of the Master Plan.

9. Planning Agency

The Planning Agency ("APLA") will undertake a comprehensive planning coordination of expansion and improvement works, will control the elaboration of projects, the development of the works, environmental impact assessments and their communication, and establish quality goals. At the request of AySA, it may approve requests for expansion works, provide or make

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access to information available to the population, design and decide the performance of expansion works according to the availability of economic resources, and, in general, participate in all matters of a technical or operating nature that may affect action plans.

It will have jurisdiction over the whole regulated area and beyond it where there are installations operated by AySA for the provision of the service or connections related to the system which is the purpose of the Concession or in areas where the service may be expanded.

The Planning Agency will be managed and administered by a Board of Directors made up of three members: one of them will be the Under-Secretariat of Water Resources of the former Ministry of Federal Planning, Public Investment and Services, and the other two will be appointed by the National Executive Branch, upon the proposal of the Province of Buenos Aires and the Government of the Autonomous City of Buenos Aires, respectively.

10. Water and Sanitation Regulatory Agency (“ERAS”)

ERAS will be in charge of overseeing compliance with the obligations undertaken by AySA as established in the Regulatory Framework and in the Concession Agreement, especially those related to the provision of the service and the design and control of AySA’s accounting, the relationship with users and the content of the rates established by the Enforcement Authority and the invoices issued by AySA.

It shall control the quality of the service and protect the interests of the community, and shall be responsible for the control, surveillance and verification of compliance with standards of quality and internal installations within the regulated area to be applied by users.

It will have jurisdiction over the whole regulated area and beyond it where there are installations operated by AySA for the provision of the service or connections related to the system which is the purpose of the Concession.

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C.P.A.- University of Buenos Aires
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ERAS will be managed and administered by a Board of Directors made up of three members appointed by the National Executive Branch, two of them upon the proposal of the Province of Buenos Aires and the Government of the Autonomous City of Buenos Aires.

11. Non-compliance, Responsibility and Penalties

The Regulatory Framework establishes a system of penalties to be applied to AySA and the members of the Board of Directors or other members of AySA, when fraud or gross negligence is attributed to them for an act or omission implying non-compliance with specific obligations related to the provision of drinking water and/or sanitation services.

There are two types of penalties which are not exclusive:

- To be applied to AySA, for acts affecting the provision of the service.
- To be applied to the members of AySA, for acts affecting users, third parties, the Company's assets or entailing the culpable non-compliance with plans and goals undertaken.

By Note No. 18/2014, the Under-Secretariat of Water Resources of the Nation informed AySA that the "Procedure for the Application of Penalties to the Concessionaire Agua y Saneamientos Argentinos Sociedad Anónima (AySA) and its members", had been issued under Resolution SSRH No. 22/2013.

As of the date of issuance of these financial statements, AySA has submitted notes No. 214707/14, 215602/14, 222724/14, 223234/14, 223235/14, 252088/15 and 272558/16 to question the scope of the terms in the above-mentioned note.

12. Credits, Other Assets, Debts, Rights and Obligations upon taking possession

12.I. Assets and Liabilities at the start of operations

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C.P.A.- University of Buenos Aires
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At the start of operations, AySA undertook the administration and maintenance of the assets used to provide the service, which, jointly with those to be acquired and/or constructed, must be returned free of charge to the National State, once the Concession comes to an end.

Among the assets mentioned above, there was mainly a stock of materials, spare parts and chemical supplies in warehouses as of March 21, 2006 for an amount of 16,344 (including 1,895 as advances to suppliers for materials and supplies, net of a provision for 462 for obsolescence; advances to suppliers of fixed assets for the amount of 2,401, among others, and the balance deposited under trust for the execution of works for the amount of 23,688 and 24,093 as of December 31, 2016 and 2015, respectively (Note 3.j).

As of December 31, 2006, the aforementioned assets, except for the trust balance, were incorporated to AySA's estate and as a balancing entry, a liability to the National State was initially recorded; this situation will be subject to the regulations to be established.

On December 27, 2007 AySA, by note No. 52.755/07, informed the Under-Secretariat of Water Resources that since these assets have been allocated to provide the service and that upon termination of the Concession the existence of similar assets will not entitle AySA to collect any sum in their regard, but that they will be transferred to the National State, or to whom the latter may appoint, free of charge, they have been eliminated from liabilities, based on the interpretation of section 117 of the Regulatory Framework included in section 6 of Law 26221 for an amount of 24.871.

In turn, the SSRH, by note No.363/08 dated February 15, 2008 informed AySA of the report prepared by ERAS, which takes note of AySA's presentation, and does not object to the criterion adopted by AySA.

Finally, this criterion was ratified in ANNEX VI to the Binding Instrument, that establishes that the assets detailed in AySA's note No. 52.755/07 mentioned above, have been transferred to the Concessionaire free of charge and will be incorporated into its assets.

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On the other hand, AySA has recorded liabilities originated by the portion accrued as of March 21, 2006 for the services related to the metered consumption that were not actually provided by AySA, and which as of December 31, 2016 and 2015 amount to 9,389 (Note 3.j).

12.II. Pending litigations with the company Aguas Argentinas S.A. (AASA)

12.II.a. Liabilities to the personnel

As a consequence of the enactment of Decree PEN No. 304/06 (Note 1.IV), which among other objectives guarantees the continuity of the service and the maintenance of jobs, AySA incorporated the personnel that worked for the former Concessionaire. In this way, and in compliance with the objectives mentioned, and particularly with the provisions of section 7 of the above decree, AySA had to pay the salaries accrued up to the enactment of such decree, without prejudice to the fact that AASA was solely liable for such payment.

At the same time, and to safeguard its own interests, AySA has filed labor-related proofs of claim to AASA's insolvency proceedings for the amount of 22 million pesos, which were admitted by the court in conformity with section 36 of the Insolvency and Bankruptcy Law (hereinafter referred to as "LCQ"), even though AySA's request for such claims to be treated as priority claims was rejected by the judge.

On April 12, 2006, AySA filed an incidental proceeding for review in connection with such request, but as of the date of these financial statements, the court's decision is still pending.

We must underline that due to the nature of the matter involved and since there is only one possible classification (it is a priority claim or it is not), we are waiting for the court's decision. In case it is not favorable, we will file an appeal.

In relation to such incidental proceeding, AASA has contested it by virtue of the amount admitted as unsecured claim in the resolution under section 36 LCQ for the amount of 22 million pesos (7.4 million cash and 14.6 million conditional as of the date on which the proof of claim was filed in September 2006).

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C.P.A.- University of Buenos Aires
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Therefore, the sum of 3.8 million pesos is contested as excessive and recognizes a maximum of 18.2 million pesos.

Therefore, AySA's Department of Human Resources has verified and reformulated the calculation of the original claim filed by AySA according to AASA's proposal (79 days, Sections 152/162 of the Labor Contract Law, etc.) for the sum of 18.4 million pesos and has updated the claim as of September 30, 2007 which amounts to 16.1 and 2.3 million pesos as conditional claim subject to subsequent materialization.

After successive presentations and as the pertinent payments were made, on October 16, 2008 the last updating of the amounts paid was made. As of September 30, 2008 they amounted to 17.4 million pesos.

On September 17, 2008, AySA was notified that evidentiary proceedings would be opened and an accounting examination by an expert would be produced.

As a relevant fact, AASA presented a request for the suspension of these proceedings until Federal Court No. 8, Court Clerk's Office No. 15, decides the question submitted through court file "AASA vs. ENA on Administrative Contract", since it holds that the questions posed by AySA are the effect and consequence of the rescission of contract by Decree PEN 303/06.

The judge issued a judgment admitting the issue raised by AASA and the opinion of the Trustee, and decided to suspend this incidental proceeding until the case "AASA vs. ENA on Administrative Contract" pending at the Federal Court of Claims No. 8, Court Clerk's Office No. 15 is resolved.

We have appealed such decision and our appeal has been admitted by the Trial Court. On November 1, 2012, the Court of Appeals in Commercial Matters, Room A, declared that the decision was not appealable, according to the provisions of section 285 LCQ, which establishes that no decision is appealable save for the judgment that puts an end to the incidental proceeding.

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As of the date of these financial statements, no final judgment has been pronounced.

12.II.b. Services provided by AySA and invoiced by AASA

AySA has also started an incidental proceeding for the exclusion from the insolvency assets and subsidiary claim verification for 57,969, for services invoiced and collected by AASA but actually provided by AySA as from the start of its operations.

In addition, an exception for lack of plaintiff's legal standing raised by AASA has been answered. AASA holds that the National State is the holder of the claim presented. The opening of evidentiary proceedings has been requested on November 15, 2007.

On February 15, 2008, the judge decided to admit the exception for lack of plaintiff's legal standing. Such decision was appealed by AySA and duly founded. The effect of this was that on March 23, 2009, Room A of the Court of Appeals in Commercial Matters admitted the foundations presented by AySA and declared the nullity of the judgment dated February 15, 2008, ordering the prosecution of the case and the production of evidence, and postponed the final decision on the question of plaintiff's legal standing and the matter at issue (the exclusion from the insolvency assets and the subsidiary claim verification) to the pertinent procedural stage.

As of the closing date of these financial statements, evidence has been produced in the incidental proceedings. The accounting examination by the expert offered in October 2011 has concluded. It was verified that AASA issued invoices for services actually provided by AySA for 57.6 million pesos; as of October 2010, date on which the accounting expert examination was made, 52.3 million pesos were collected by AASA. This amount does not include charges for late payment; the Trustee's final report necessary to render judgment is still pending.

Once the evidence was produced and in view of the request presented by AySA for the issuance of the Trustee's final report before judgment is pronounced, AASA has filed a petition for the stay of this proceeding until the question raised before Federal Court No. 8, Court Clerk's

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Office No. 15 “AASA vs. ENA on Administrative Contract” is resolved, alleging that the issues raised by AySA are the effect and consequence of the rescission of the contract by Decree PEN 303/06, a petition similar to the one filed in the court record related to liabilities to the personnel.

The judge in the insolvency proceedings admitted AASA’s petition and the Trustee’s opinion, and has ordered to stay this incidental proceeding until the case “AASA vs. ENA on Administrative Contract” pending at the Federal Court of Claims No. 8, Court Clerk’s Office No. 15 is resolved. Therefore, as of December 31, 2016, the incidental proceeding is stayed.

It must be underlined that the action has a low probability of success in connection with the claim for exclusion, while it is reasonable to expect that the subsidiary verification request submitted will be successful, since this is not a priority claim but an unsecured claim.

In the opinion of AySA’s Directors, there is no doubt that AySA is entitled to the amounts unduly appropriated by the former Concessionaire.

Without prejudice to this, if it were finally decided that AySA is not entitled to such credit, or if although entitlement were recognized to it, but the exclusion from the insolvency proceeding liabilities were not granted, AySA will start the necessary steps through the National State itself to obtain the recognition of the amounts for services actually provided by AySA and collected by AASA, this question being considered as inherent to the transitional scheme arisen upon taking possession of the service, without prejudice to the fact that the exclusive responsible for the payment of such amounts is AASA.

Consequently, the financial statements reflect the credits and liabilities described in the above paragraphs.

12.II.c. AASA’s Insolvency Proceedings – General Considerations

After the rescission of AASA’s Concession contract, decided by Decree PEN No. 303/06, the former concessionaire filed Insolvency Proceedings.

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In relation to these proceedings, AASA has submitted a proposal for an arrangement with creditors. On December 19, 2007, the court decided not to approve it and granted AASA a 30-day term in order to guarantee and improve the proposal submitted. Upon the expiry of the term granted, AASA has presented a new proposal, which was approved by the judge on April 11, 2008. The proposal is addressed to the whole body of unsecured creditors whose claims have been verified or declared to be admissible. Such proposal consists in:

- (i) The payment of the amount of five thousand pesos or the amount equivalent to the claim verified and/or declared to be admissible, if it were lower to such amount.
- (ii) The payment, on cash, of the equivalent to 20% (measured in pesos) calculated on the difference, if any, between the amount of the unsecured claim which has been verified or declared to be admissible, and the payment of the sum mentioned in item (i) above.
- (iii) And, at a later time, the offer to unsecured creditors of a payment referred to as "Additional Contingent Payment", equivalent to 20% of the claim verified and/or declared to be admissible, calculated on the difference, if any, between the amount of the claim and the payments mentioned in items (i) and (ii) above. All of this subject to what the debtor designates "Surplus Cash", which will be determined on the basis of the debtor's annual financial statements from the year in which the approval takes place, inclusive, up to the end of the term of validity of the offer made (15 years).

Within this context, and as mentioned in item a) of this note, as of the date of issue of these financial statements three incidental proceedings are still pending at the Court, namely:

- a) the proceeding for the exclusion of the insolvency assets and subsidiary verification started by AySA;
- b) the proceeding for the review of AySA's claim started by the insolvent party (labor claims); and
- c) the proceeding for review filed by AySA in connection with priority claims.

Without prejudice to the court's approval, as to the probability of final recovery of the claim, in case it does not succeed in court, the Concessionaire will require the Grantor to recognize AySA's credits for the services actually provided, since this question is inherent to the

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transitional scheme that came into being upon taking possession of the service, without prejudice to the fact that AASA is solely responsible for the payment of such amounts.

13. Employee Stock Ownership Plan

Ten per cent of Agua y Saneamientos Argentinos S.A.'s capital, in favor of its workforce within the provisions of the Business Organizations Law 19550, corresponds to 15,000 Class B shares representing \$ 15,000,000 (fifteen million pesos).

The Stock Ownership Plan covers all workers who subscribe the General Transfer Agreement and the Stock Syndication Agreement. The members of the Company's personnel under employment contract are entitled to such subscription.

In order to determine the annual distribution to each worker, two components are taken into account: 50% is a fixed amount for all workers and 50% is the result of the shareholding of each worker.

The total amount to be distributed by virtue of such shareholding for the year 2016 is \$33,628,008 (thirty-three million, six hundred and twenty-eight thousand, and eight pesos), which will be paid to the personnel within the first four-month period in 2017. Such amount may be adjusted on an annual basis by joint agreement between the parties, independently of the economic result of the Company, and up to an amount equivalent to 2% of the total payroll and contributions. From the total amount to be distributed, 10% may be withheld in order to form a Repurchase Fund to guarantee the purchase of shares from shareholding workers whose relationship with the Company is terminated.

14. Resources

a. Income from the invoicing of accrued services

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The measures adopted in relation to rates, as detailed in note 6 to these financial statements have implied an important re-composition of income from sales by the Company. In the current fiscal year, accrued sales have amounted to 9,030 million pesos, broken down as follows:

Categories	2016	2015
Non-metered service	4,355.3	1,879.7
Metered service	3,073.1	1,265.1
Debit/credit notes	(17.1)	(4.4)
Total General Accrued Sales	7,411.3	3,140.4
Special services and other sales	131.4	50.1
Other charges (1)	1,487.2	718.9
Accrued Sales	9,029.9	3,909.4
Effect of Resolution SSRH 44/2011, as amended	(1,126.4)	(1,092.8)
Total (Note 3.m)	7,903.5	2,816.6

(1) Includes not regulated income (laboratory analysis) for 0.4 and 0.6 respectively.

b. Transfer from the National State (ANNEX VIII)

Through Administrative Decision No.10 issued by the Presidency of the Cabinet of Ministers, the amounts of the budget approved by Law No. 27198 were distributed. The budget included transfers for current expenditures amounting to 3,800 million pesos and for capital expenditures amounting to 5,000 (Source 11 includes transfers for cancellation of loans) and 1,585 (Source 22) million pesos, totalizing capital investments for 6,585 million pesos without taking into account subsequent budget modifications.

As to source 22, transfers are related to budgeted credits, the amount of which are within the purview of the Coordination Unit of Externally Financed Programs and Projects under the jurisdiction of the former Ministry of Federal Planning (Program 94) for the loans granted by the Inter-American Development Bank (2048/OC-AR) and (2613/OC-AR) and the Andean Promotion Corporation (CFA-8083) (CFA-8591) and (CFA-9301) and within the purview of the Secretariat of Environment and Sustainable Development under the Presidency of the Cabinet of Ministers (Program 44) in the case of the loan granted by the World Bank (7706-AR).

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Amendments to AySA's budget for the year 2016, Source 1.1., are detailed below:

- By means of Resolution No. 165 dated August 31, 2016, the budget commitment for the third quarter of 2016 was increased by M\$ 400, for Capital Expenditures.
- As per Necessity and Urgency Decree (DNU) 975/16 dated September 2, 2016, AySA's budget assignment was increased by M\$ 3,692, of which M\$ 1,292 are for Current Expenditures and M\$ 2,400 are for Capital Expenditures.
- Administrative Decision (DA) No.1605 dated September 30, 2016: AySA's budget assignment is increased by M\$ 500 for Capital Expenditures.

Consequently, transfers for the year 2016 are as detailed below (figures are stated in millions of pesos):

Transfers for Current Expenditures (Source 11)	3,800.0
Increase (DNU 975/16)	1,292.2
Current Expenditures (Source 11) (A)	5,092.2
Transfers for Capital Expenditures (Source 11)	5,000.0
Increase (Res. 165/16)	400.0
Increase (DNU 975/16)	2,400.0
Increase (DA 1605/16)	500.0
Capital Expenditures (Source 11) (B)	8,300.0
Capital Expenditures (Source 22) (C)	2,544.8
Total Transfers from the National State (A+B+C)	15,937.1

Without considering "Transfers of Capital (Source 22) (C)", during 2016, 12,892.2 million pesos were received out of the 13,392.2 million pesos of the budget approved for the year; the balance of 500 million pesos pending to be transferred is accrued in the current year, and it has been shown in these financial statements as an amount

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receivable from the National State (note 3.d to the financial statements). As of the date of these financial statements, such balance has been fully received.

Consequently, as detailed in ANNEX VIII, from the beginning of the Concession, accrued transfers from the National State and Other Sources are as follows:

(Figures are stated in millions of pesos)

<u>Year</u>	<u>Capital</u>	<u>Current</u>	<u>Total</u>
2006	25.0	-	25.0
2007	216.0	-	216.0
2008	655.0	300.0	955.0
2009	997.0	403.4	1,400.4
2010	1,258.6	780.0	2,038.6
2011	2,550.7	1,344.5	3,895.2
2012	3,778.9	1,691.4	5,470.3
2013	4,356.5	2,800.0	7,156.5
2014	5,998.8	2,917.6	8,916.4
2015	5,808.1	3,000.0	8,808.1
2016	10,844.8	5,092.2	15,937.1
Total	36,489.4	18,329.1	54,818.5

Since these transfers for works are not reimbursable and must be applied to the acquisition and/or construction of assets to be used for the service, and taking into account that upon termination of the Concession such assets must be returned to the National State free of charge, AySA has opted for recording them as an income provided that acquisition or construction costs of the assets are recognized in the result for the year.

In this sense, and until such recognition is made, the unused balance is recorded as a deferred income in shareholders' equity.

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In connection with transfers for current expenditures, following the same criterion as that used for transfers for works, they are recorded in AySA' shareholders' equity and applied to the result for the year in which such expenditures are incurred.

c. External sources

In addition to item 21.II with regard to the financing of Large Works, various entities have been resorted to for the financing of the Master Plan execution. The current situation with each of them is detailed below:

Inter-American Development Bank ("BID")

a. BID Loan 2048/OC-AR

On November 5, 2008, the BID's Board approved a financing program for AySA, to be used for the execution of works for an amount of USD 900 million, of which the Bank will finance USD 720 million, and the remaining part will be financed by a local contribution.

The financing is granted under a Conditional Credit Line Agreement for Investment Projects (CCLIP AR-X1013), in three tranches. The first tranche amounts to USD 250 million, of which USD 200 millions are financed by the BID.

By Decree No. 685/2009 dated June 9, 2009, published in the Official Gazette on June 10, 2009, the Conditional Credit Line Model Agreement to be subscribed between the Republic of Argentina and the BID for the amount of USD 720 million was approved; a Model Agreement for a BID Loan to be subscribed between both parties for the amount of USD 200 million was approved, and the Ministry of Economy and Public Finance was authorized to subscribe them. In turn, AySA was appointed as the Executing Entity of the Program.

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On August 25, 2009, the Loan Contract was signed between the BID and the Republic of Argentina at the Government House.

On November 10, 2009, a Financial Assistance and Execution Agreement was signed between the Republic of Argentina, represented by the Ministry of Planning, Public Investment and Services and AySA, by means of which the Republic of Argentina shall assign to AySA in its capacity as executing entity of the Drinking Water and Sanitation Program in the Metropolitan Area of the City of Buenos Aires and the Greater Buenos Aires area, a non-reimbursable contribution to be used for the execution of such program.

In the year 2016, the execution of Tranche I (BID Loan 2048/OC-AR) was continued, and disbursements were totally made. A total accumulated of 200 million dollars were then available.

b. BID Loan 2613/OC-AR

On November 2, 2011, the BID's Board approved the Second Tranche of the Conditional Credit Line (Project AR-L1122) for USD 250 million, of which USD 200 million will be financed by the Bank.

By Decree No. 931/2012 dated June 21, 2012, published in the Official Gazette on June 29, 2012, Model Loan Agreement BID AR-L1122 to be subscribed between the Republic of Argentina and the BID was approved, the Ministry of Economy and Public Finance being authorized to subscribe it. In turn, AySA was appointed as the Executing Entity of the Program.

On August 21, 2012, Loan Agreement BID 2613/OC-AR was signed. It was aimed at executing the Second Drinking Water and Sanitation Program in the Metropolitan Area of the City of Buenos Aires and the Greater Buenos Aires area.

On April 9, 2013, a Financial Assistance and Execution Agreement was signed between the former Ministry of Federal Planning, Public Investment and Services and AySA, by means of which the Ministry would assign to AySA, in its capacity as entity executing the Second Program, a non-reimbursable contribution to be used for the execution thereof.

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In the year 2016, the execution of Tranche II (BID Loan 2613/OC-AR) was continued. As of December 31, 2016, a total of 163.5 million dollars has been disbursed.

The works included in the tranche are: Construction of Access Chambers to Underground Rivers, Rehabilitation and Renewal of Drinking Water Networks, Rehabilitation and Optimization of Water Treatment Plant in General San Martín, Expansion of the Water Treatment Plant in Hurlingham, Construction of the last stage of the Western Trunk Sewer and Primary Associated Sewers in Tigre, and Construction of Sanitation Networks in the Districts of Ituzaingó, Hurlingham and Morón.

c. BID Loan 3733/OC-AR

On September 9, 2016, the BID's Board approved the Third Tranche of the Conditional Credit Line (Project AR-L1195) for USD 400 million, of which USD 320 million will be financed by the Bank.

On December 31, 2016, the publication of the Decree approving the Model Loan Contract and the Financial Assistance and Execution Model Agreement to be signed between AySA y the Ministry of the Interior, Public Works and Housing was still pending.

The works included in this loan are: Renewal and Rehabilitation of Drinking Water Networks for the control of Non-Revenue Water, works at the Water Treatment Plant of General San Martín, Metering and Consumption, Expansion of the Third Module of the Northern Water Treatment Plant, and Construction of Sanitation Networks in the Municipalities of Ituzaingó, Hurlingham, Morón and Escobar.

Andean Promotion Corporation ("CAF")

Steps were taken to obtain a loan for a total of USD 275 million for the execution of works by AySA, which will be under the responsibility of the National Government. The financing is made

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up of a swap for USD 213 million which was applied to works already executed or in progress by AySA between the years 2008 and 2009 (including Paraná de las Palmas and Berazategui) plus USD 62 million for works to be executed during the period 2009/12.

On July 26, 2009, the President of the Cabinet of Ministers decided to give his favorable opinion for the start of steps for the preparation of an operation under a Sectorial Broad Approach Loan for a financing amount of up to USD 275 million, which was informed through a note to the representative director of the CAF in our country.

On November 3, 2009, a Loan Model Contract was approved through Decree 1644/2009. On November 19, 2009, Loan Contract CFA 5738/09 for USD 275 million was signed.

On December 31, 2012, the totality of the loan was disbursed.

On March 4, 2011, a contract was signed to finance three modules of AySA's A+T Program and a tranche of the duct transporting water to Barrio Cruz del Sur in the district of La Matanza, for a total amount of USD 200,000.

On December 31, 2013, 100% of a Non-Reimbursable Cooperation was disbursed and the final closing report was delivered.

On February 6, 2013, loan agreement CFA 8083/13 "Basic Drinking Water Works Program – AySA - First Stage" for USD 42 million to finance the provision of drinking water in the South-Western zone of the Greater Buenos Aires area. It is currently being executed and as of December 31, 2016, 53% of the loan has been disbursed.

CAF's Board, in its meeting held on March 5, 2013, approved a loan to support the financing of the "Basic Drinking Water Works Program 2012-2015 AySA (Stage 1)", for an amount of up to USD 120,5 million. In turn, it was approved by Decree PEN 271 dated March 6, 2014 (CFA Loan 8591/14). The purpose of this loan is to partially finance the First Section of the Southern Underground River, the Southern Pumping Station and additional works to connect to the existing network.

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During the course of 2016, Conditions Precedent were complied with and, consequently, on December 20, 2016 the first disbursement of the Loan was requested.

Finally, on November 27, 2014, the President of the Cabinet of Ministers gave priority to a new loan operation, CAF 9301, for USD 120 million to finance the Expansion of General Belgrano Plant and complementary works (132kV Power Station). Such operation was approved by CAF on March 10, 2015 when the first Board of Directors for the entity was appointed. It was approved by Decree PEN No. 2270/15 on November 2, 2015. The Loan Contract was signed on March 9, 2016.

As of December 31, 2016, Conditions Precedent established by the contract are being complied with.

World Bank (“BIRF”)

By Decree PEN No. 684/09 dated June 9, 2009, a BIRF Loan Model Contract for an amount of up to USD 840 million was approved. It will be allocated to partially finance a Sustainable Development Project for a Matanza-Riachuelo Basin, of which USD 630 million are allocated to the components to be executed by AySA. In the year 2012, by decision of the National Government, the sum of USD 115 million was cancelled. An amount of USD 515 million will be allocated to finance the above-mentioned works.

The decree appoints the Ministry of the Environment and Sustainable Development of the Nation as the Executing Entity for the Sustainable Development Project of Matanza-Riachuelo, Basin. It is empowered to carry out the operations and contracts necessary for the execution of the project.

The Loan finances the following works:

- Lot 1: Left Bank Trunk Sewer, Low Coastline Road Trunk Sewer Diversion and Supplementary Works. Under way from January 15, 2015.

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- Lot 3: Riachuelo Plant Sewage Outlet Pump. Under way from January 15, 2015.
- South-Western Sewage Sludge Treatment Plant. The work is under way from March 2015.

As of December 31, 2016, 160 million dollars were received from the Bank for the payment of work certificates of Lots 1 and 3 and the South-Western Sewage Sludge Treatment Plant and the consultancy contracts for the inspection of works at Lots 1 and 3.

15. Insurance contracts

As of December 31, 2016 and 2015, AySA keeps insurance coverage required by the Regulatory Framework, with the purpose of protecting its assets, commercial operations and personnel, according to the following detail:

Risk covered	Capital Insured		Maximum compensation per event	
	2016 (1)	2015 (1)	2016 (1)	2015 (1)
Civil Liability	-	-	40,000	40,000
Assets	2,284,000 (2)	1,796,000 (2)	150,000	120,000
Occupational accidents and professional illnesses	-	-	(3)	(3)
Mandatory life insurance	-	-	33 (4)	20 (4)

(1) Figures stated in thousands of US dollars.

(2) Includes any material damage (fire, theft, weather events, etc.) on the materials and fixed assets of the Company, taking into account the estimated value of the assets used for the provision of the service.

(3) Maximum limit per person and per event according to the legislation in force.

(4) Maximum compensation per person stated in thousands of pesos.

Insurance companies included in AySA's coverage program are first-line insurers and re-insurers and guarantee an adequate technical support and financial soundness for the risks covered.

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As to the fleet of vehicles, a mandatory Civil Liability insurance has been contracted, and the damages to the units are absorbed by AySA through self-insurance. As regards new works and according to bid specifications, they are insured against the risks associated to their execution.

Insurance contracting does not reduce AySA's liability, since it is directly responsible for all the obligations established in the regulations in force over and above any insured responsibility.

16. Delayed payment of invoices for services

Even though from taking of possession, AySA has had an improvement in collection indexes, it has recorded a "Provision for doubtful debts and invoice adjustments", which was estimated as explained in note 2.II.j.

As of December 31, 2016 and 2015, receivables from services according to their situation amount to:

Status Report	2016	2015
Ordinary credits	296,432	79,536
Delinquent debtors	1,359,723	541,144
Pre-litigation status	288,174	116,723
Litigation status	107,942	59,649
Total	2,052,271	797,052
Provision for doubtful debts and invoice adjustments (ANNEX III)	(669,265)	(345,341)
Balance (Note 3.c)	<u>1,383,006</u>	<u>451,711</u>

17. Legal matters

a. Pending lawsuits against AySA

As of the date of issuance of these financial statements, there are 420 pending claims; 403 of them are cases against AySA, which as of December 31, 2016 total an amount of \$200,024 and USD 518. In the other 17 cases, AySA is the plaintiff.

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On the other hand, there are also 175 pending labor actions; AySA is co-defendant in 159 of them for an amount of 39,228, while in the other 16 cases it has been sued for 9,129; there are also 4,292 administrative claims for damages by third parties for a total amount of 79,746.

The financial statements include an estimate by AySA's Board on the economic impact that could derive from the judicial decision in the above cases, also including court costs and expenses.

The main claims are as follows:

a. A lawsuit brought by Distribuidora S.R.L. in which AySA is co-defendant jointly with the Municipality of Lanús, the Volunteer Firemen Department, and Aguas Argentinas S.A. for an amount of 35,000; in the opinion of AySA's Board, the judgment would not result in an unfavorable decision.

b. Lawsuits brought by Associations of Consumers (Proconsumer and ADUCC) in which the interest applied for late payment established by Law 26221 (Regulatory Framework) is contested, alleging its incompatibility with the provisions of Consumers Law (hereinafter, the LDC) and requesting the reimbursement of the amounts collected with respect to the maximum percentage allowed by the LDC, jointly with the pertinent interests and a fine equivalent to 25% of the amount claimed.

Both lawsuits have a similar purpose and claim, even though the lawsuit brought by ADDUC extends the universe of represented users to include non-residential users, except those who make use of the water service provided by AySA as an input for their industrial processes.

AySA has answered both claims within the term established by law and has presented previous motions (in ADDUC court file) for lack of jurisdiction of the court, joinder of claims, lis pendens by joinder, and finally the relation of this claim to Proconsumer's lawsuit, with the purpose of unifying the claims, the evidence, and also the judgment to be rendered.

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The matter of lack of jurisdiction was favorably admitted, and the Federal Court in Civil and Commercial Matters remitted the ADUCC case to the Court of Claims, who declared it was competent to hear the case and also accepted the joinder of both claims.

The main and sole question on which the case is based is to determine the scope of federal rules, as their interpretation is the core of this litigation. AySA objected to the performance of the expert evidence before the judgment and asked it to be conducted once the judgment is final and non-appealable as regards such interpretation.

AySA held that: 1) a final judgment about the interpretation aspect is essential; 2) if the judgment rejects the action, as requested by AySA, an expert evidence is unnecessary, useless and abstract; 3) if the final judgment is unfavorable to AySA, it will have to establish the scope and to determine to whom it must be applied, as established by Section 54, as well as the timeline for the expert evidence to be produced.

On November 12, 2012, the Court ordered the opening of discovery proceedings, and resolved on the pertinent measures to be taken, admitting the objection raised by AySA to the production of the accounting expert evidence at this stage and decided that it should be produced after the judgment, if so resolved.

The Court decided that the only evidence to be produced at that time was the information evidence. In the case of AySA, requests for information were addressed to ERAS, APLA, SSRH and BCRA, and were answered as of December 31, 2013.

The same stance was adopted by the Court in relation to plaintiffs' evidence. It ordered the production of the information evidence and the issuance of communications to the Office for Consumer Protection under the Government of the City of Buenos Aires, to the Under-Secretariat of Consumer Protection depending upon the Secretariat of Domestic Commerce, and to the ERAS.

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AySA holds the inapplicability of the LDC, in view of the specificity of Law No. 26221 (including the late payment scheme), since it maintains that, as a general principle, section 18 of the Regulatory Framework governs. Law No. 26221 specifically states: CONCESSION SYSTEM: The services to be supplied by the Concessionaire are granted under Concession. Its legal scheme is that established in the Regulatory Framework, the Concession Contract, and Decrees No. 303/06, 304/06 and 373/06, the latter two ratified by Law No. 26100 and its regulatory norms. Law No. 13577, as amended, shall be supplementarily applied.

In particular, section 36 of the above-referred annex establishes the scheme of surcharges and interests for late payment, of a compensatory and punitive nature, in order to recover the costs incurred by the Concessionaire by reason of the steps to be taken to recover the amounts owed, clearly establishing that “... 8. *this scheme for late payment is a legal rule of specific application, for which reason it shall be applied every time users are late in the payment of their obligations*”.

In addition, AySA has indicated that it is clear from the amended section 3 of the LDC that its “provisions are incorporated into general and special rules applicable to consumption relationships”.

Therefore, it can be affirmed that the service provided by AySA is a typical case in which the State, by means of a specific authority (ERAS, APLA, etc.), takes control of the activity which is ruled by a special regulation and that, consequently, it has not been “replaced” or repealed.

In consequence, this special set of rules is applicable to the case, and therefore, the Consumer Protection law is not applicable to aspects specifically regulated by Law No. 26221, which has a social philosophy for the support of the system by joining the effort and collaboration of all those who benefit from the service. There is no conflict of laws, but integration with a view to achieving harmony, as mentioned in section 3 of the LDC.

The peculiarities of each lawsuit are basically referred to two aspects:

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- 1) The universe of users included: While Proconsumer restricted the claim to residential users, the Association for the Protection of Users' and Consumers' Rights (ADDUC), the Union of Users and Consumers, and Consumidores Libres Cooperativa Limitada de Provisión de Servicios de Acción Comunitaria extend the universe of users represented and also reaches non-residential users, except those who make use of drinking water as an input for their industrial processes.
- 2) The date from which the plaintiffs seek to make their claim valid: Proconsumer holds that it should be made valid from three years prior to the filing of the claim (October 7, 2010), that is, from October 7, 2007, up to the date of effective compliance with the judgment. However, ADDUC and the other associations stated that the period starts from the date on which Law No. 26361 came into force, that is, April 15, 2008.

Both questions must be resolved as part of this litigation.

We also point out that on May 14, 2014 AySA alleged the lapsing of the action. It had a favorable decision by the Trial Court on October 31, 2014.

The plaintiff appealed the above resolution and stated the legal basis for the appeal and on December 10, 2014 AySA replied it. On February 12, 2015, Room II of the Federal Court of Appeals in Administrative Claims dismissed the appeal filed by the plaintiff, who then filed a Federal Extraordinary Appeal, which was denied on April 7, 2015 by the above-mentioned Room. The plaintiff then appealed to the Supreme Court of Justice by filing a motion for reconsideration of dismissal ("Recurso de Queja") on the basis of the denial of the Federal Extraordinary Appeal. The latter appeal has not been resolved up to date.

Beyond the above considerations, due to questions of prudence and taking into account the subject matter of the claim and the aspects mentioned, that cause a permanent change in the resulting amount, on the closing date of these financial statements, we have made provision for the sum of 453,032 (plus costs and expenses), on the basis of the estimates made by this Company.

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b. “Beatriz Mendoza et al vs. National State and others”

This is an action for damages caused by the environmental pollution of the Matanza-Riachuelo Basin, in which the Supreme Court of Justice of the Nation (“CSJN”), on July 8, 2008, rendered a decision ordering the Basin Authority appointed by Law No. 26168 (“ACUMAR”), among other matters, to comply with a program designated Comprehensive Environmental Cleaning-up Plan for the Matanza – Riachuelo Basin.

AySA was not included in the decision made by the CSJN, which determined the joint responsibility of the National State, the Province of Buenos Aires and the Autonomous City of Buenos Aires in the execution of said Plan. In its decision, the Supreme Court delegated the execution of the judgment to the Federal Court of Quilmes. Among the actions connected with the environmental cleaning-up of the basin, AySA is related to two aspects: (1) provision of drinking water and sanitation services to the inhabitants who are located in the basin area under its jurisdiction; and (2) waste dumped by establishments and plants into Matanza-Riachuelo watercourse.

In connection with the first aspect, AySA submitted to the Court the Water and Sanitation Master Plan approved by the Enforcement Authority, the SSRH, and therefore, “its obligations” are related to the execution of the works planned. The SSRH has also been informed which resources are necessary to carry out the Investment Plan.

As to the second aspect, although Law No. 26221 authorizes AySA to dump sewage with secondary treatment, the company, through the cleaning-up component of the BIRF Loan 7706-AR is converging the expansion goals established by the PEN with the environmental objective established by SAyDS / ACUMAR in the area of the Matanza-Riachuelo River, which was validated by the Justice.

In the month of September 2009, AySA presented to ACUMAR the progress report on the Master Plan for Matanza-Riachuelo River Basin that had to be sent to the Federal Court of the First Instance of Quilmes.

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In December 2012, the same Court decided that two courts would be in charge of the execution of the judgment: the Federal Court in Criminal and Correctional Matters No. 12 will be in charge of controlling the contracts entered into or to be entered into within the framework of the plan of works for the provision of drinking water and sanitation (under the responsibility of AySA, ABSA and ENHOSA) and waste treatment (under the responsibility of CEAMSE), as well as the execution of the budget. All the other responsibilities attributed in the decision by the CSJN, will temporarily remain under the jurisdiction of the Federal Court in Criminal and Correctional Matters No. 2 of Morón.

18. Matanza-Riachuelo Basin

Project for the Cleaning of Banks – Matanza-Riachuelo Basin

In compliance with the instructions issued by the CSJN (note 17.b.), dated December 7, 2009, AySA and ACUMAR signed a Framework Agreement for the Cleaning of Banks Project – Comprehensive Plan for Matanza-Riachuelo Basin, through which AySA carries out the cleaning works of the river banks and their subsequent maintenance in order to establish an environmental corridor, cleaning and refuse collection in areas where such services are inadequate, and the cleaning of some areas of the Matanza-Riachuelo River and its tributaries.

The above actions and works are carried out with the help of the different Municipalities located in the area of the Matanza-Riachuelo Basin and in the Autonomous City of Buenos Aires, favoring the participation of Work Cooperatives. In turn, ACUMAR bound itself to finance the Project in its entirety.

Finally, by note No. 139754/11 dated March 21, 2011, AySA informed to ACUMAR that by virtue of the agreement subscribed with that Authority, as from April 1, 2011, it will undertake all contractual obligations and responsibilities assigned to AySA in the above-mentioned Agreement.

The execution of the works for the Cleaning of River Banks, which is the purpose of the Agreement with ACUMAR, has generated current expenditures for 144.4 million pesos. From

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the date of signature of the Agreement, AySA has received transfers for 114.2 million pesos. There is a remaining credit in favor of AySA for 30.2 million pesos, which was adjusted in the current year. Due to the fact that the expenses incurred exceeded the amount of the above-mentioned Agreement (120 million pesos), by Note No.184988/12 dated December 10, 2012, AySA requested for an additional amount of approximately 25 million pesos.

By note 233499/14 dated December 9, 2014, AySA has requested the amount owed once more. However, due to the fact that during the year 2014 no transfers were received from ACUMAR in relation to the Agreement for the Cleaning of River Banks, that the credit with ACUMAR was mostly originated in 2011, and that as of this date no answer has been received in relation to the claims submitted, the credit has been adjusted in the current year, without prejudice to the continuation of the claims.

Works carried out in the area of Matanza-Riachuelo Basin

The works carried out in the area of Matanza-Riachuelo Basin during the year 2016 and accumulated as of the closing of this year (figures stated in thousands of pesos) are as follows:

Investments	Period between 01/01/16 and 12/31/16		Accumulated as of 12/31/16
	Without VAT	With VAT (a)	With VAT (a)
Maintenance and Improvement and Other Investments	232,578	281,419	1,515,334
Water and Sanitation + Labor	103,342	108,857	881,968
Expansion Works	967,930	1,171,195	5,563,315
Works under ACUMAR – Fiorito-Lanús Agreement	415,969	503,323	1,366,300
Subtotal of AySA's Investments	1,719,819	2,064,794	9,326,917
Berazategui	42,986	52,014	930,118
Dock Sud Plant	38,542	46,636	288,056
Berazategui Sewage Outlet Plant	939	1,136	1,211
Berazategui Pumping Station	-	-	179
LaFerrere Plant	1,092	1,321	1,321
El Jagüel Plant	315	381	381
Subtotal Large Works	83,874	101,488	1,221,266
BID Program Works	3,523	4,263	485,329

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CAF Program Works	53,370	64,578	746,449
BIRF Program Works	1,313,503	1,589,339	2,928,696
Subtotal International Sources Works	1,370,396	1,658,180	4,160,474
TOTAL INVESTMENTS	3,174,089	3,824,462	14,708,657

(a) 21% VAT was applied to all items, except transfers to Municipalities.

Framework Agreement for the Financing of Sewage Treatment Plants

On December 27, 2011, a Framework Agreement was signed between Matanza-Riachuelo Basin authority and AySA in order to finance a Project for the installation of the Sewage Treatment Plants “Fiorito” and “Lanús”, the execution of which will be undertaken by AySA.

On December 29, 2014, an Addendum to the Framework Agreement was signed for the financing of the aforementioned Sewage Treatment Plants. By this agreement, the parties have agreed that ACUMAR will finance this Project up to a total of 411 million pesos, an amount which may be applied to the payment of work certificates for additional or excess contractual items and/or re-determination of prices. AySA commits to complete the works by financing the sums exceeding the above-mentioned amount.

AySA rendered account to ACUMAR for a total amount of 411 million pesos (from the beginning of the works up to December 31, 2016).

During fiscal year 2016, the amount of 50.9 million pesos was received from ACUMAR, thus making a total of 142.8 million pesos received from the beginning of the works.

19. Trust for the Administration of Berazategui Sewage Treatment Plant and Paraná de Las Palmas – AySA / Nación Fideicomisos S.A. Water Treatment Plant

On September 19, 2008, Nación Fideicomisos S.A. (NF S.A.) and AySA subscribed a Letter of Agreement to carry out the implementation, structuring and financing of the works “Berazategui Sewage Treatment Plant” and “Paraná de Las Palmas Water Treatment Plant”.

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AySA started the public bidding procedures for the above works, which were pre-assigned to UTE Construções e Comércio Camargo Correa Argentine Branch – Esuco S.A., and UTE Constructora Norberto Odebrecht S.A. Argentine Branch – Benito Roggio e Hijos S.A. – José Cartellone Construcciones Civiles S.A.- Supercimiento S.A., respectively, who, within their respective tenders, include an improvement offer consisting in a proposal for the partial financing of each work through a Loan granted by the National Bank of Economic and Social Development (BNDES).

On November 10, 2008, Nación Fideicomisos S.A., as Trustee, and AySA, as Settlor (and also Beneficiary of the Trust), subscribed an Administration Trust Agreement, the purpose of which is to cancel the obligations undertaken by AySA with its Contractors for the execution of works; on the other hand, to request for the Trustee’s advice and collaboration with the Settlor in order to obtain the benefits of the advanced reimbursement of the Value-Added Tax (VAT) in the procedures carried out before the Banco de la Nación Argentina (BNA) so that the latter grants a bridge loan to advance the VAT reimbursements once the works are included in the pertinent scheme; and before the BNA and the Central Bank of the Republic of Argentina (BCRA) to facilitate BNDES’ grant of the credit line offered in the Contractors’ proposals.

On May 14, 2009, a First Addendum to the Contract was signed. It introduces changes consisting of: additions in the definition of “Trust Expenses” (section 1, subsection 1.1); conceptual change in the paragraph “Assets under Trust” (section 2, subsection 2.2), item referred to a Mutuum Contract with ANSES; additions to the paragraph “Order of Preference” (section 3, subsection 3.5.1), item referred to bank expenses and commissions.

The addendum also contains a detail of the applications of the first disbursement made by ANSES to AySA under the Mutuum Contract entered into by said parties. Such detail shows that the Settlor has deposited the sum of 191,618 in the Trust Accounts, in accordance with the Trust Agreement.

On October 1, 2009, the Second Addendum to the Contract was signed. It introduces modifications consisting in additions to the definition of “Disbursements” (section 1, subsection

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1.1); addition of an item in the paragraph entitled "Recipients of Disbursements" (section 3, subsection 3.4); additions to the paragraph entitled "Order of Preference" (section 3, subsection 3.5.1), item referred to the payment of work certificates; amendment to the First Addendum consisting in additions to the paragraph entitled "Assets under Trust" (section 2, subsection 2.2), item referred to the funds obtained from the Mutuum Contract with ANSES.

As of the date of issuance of these financial statements, the Financial Statements of the above-mentioned trust as of December 31, 2016, audited by Estudio Federal (Martinez, Vales y Gonzalez S.C.) are available.

The movements occurred up to December 31, 2016 in the Trust account are as follows:

Item	2016	2015
Funds received (net of expenses and payments made by AySA)	4,242,332	3,797,314
Payments to contractors and fees	(4,217,646)	(3,787,688)
Account balance	24,686	9,626
Net Result for the Trust	-	-
Payment orders recorded and not charged	(14,251)	-
Final balance (Other Credits – Note 3.d.)	10,435	9,626

20. Agreement with the Municipality of Zárate

On November 16, 2012 an Agreement was signed between AySA and the Municipality of Zárate, by means of which the parties commit to take the necessary steps so that AySA has a participation in the current provider of drinking water and sanitation services in the district of Zárate, Aguas de Zárate S.A.P.E.M, ("AZ"), with a shareholding of 39%, currently owned by the Municipality.

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On December 6, 2012, the Honorable City Council of Zárate ratified the above Agreement by means of Resolution No. 4099, which was promulgated on December 12, 2012 by Decree No. 819 issued by the Mayor of the Municipality of Zárate.

The General Regular Shareholders' Meeting held on October 23, 2015 decided not to make use of the possibility established by the first clause of the above-mentioned agreement, that is, the participation in the share capital of AZ.

On the other hand, on April 16, 2013, an agreement was signed between AZ and AySA with the purpose of defining the scope of the Operation and Technical Assistance that AySA should fulfill as responsible party in the operating conditions of the service. Such agreement was ratified by Resolution No. 4127 of the Honorable City Council of the district of Zárate on May 23, 2013.

The agreement describes the tasks assigned to the Concessionaire that should be executed within a term of 24 months computed from May 1, 2013. According to its ninth clause, it has been automatically reprogrammed as from May 1, 2015.

By the minutes of the Board of Directors' meeting held on October 8, 2015, the Board was informed and, subsequently, the Regular Shareholders' Meeting held on October 23, 2015, that through an agreement dated September 21, 2015 signed between AySA and the Municipality of Zárate, the former commits to carry out the works described in Annex I to the agreement, for an amount of 259.4 million pesos in favor of AZ, and the Municipality commits to take the necessary steps to obtain the funds and pay the works.

Subsequently, the Municipality of Zárate signed an agreement with the National Water Works Entity ("ENHOSA"), which, by means of an Assistance Program for Health Risk Areas ("PROARSA") devoted to "strengthen and improve the provision, operation and maintenance of drinking water and sanitation services" projects, grants funds to the Municipality of Zárate for 259.4 million pesos, depending upon the availability of budgetary items.

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On March 30, 2016, AySA's Board of Directors decided to rescind the agreement with AZ under the terms of the ninth clause of the agreement dated April 16, 2013, which was made effective on June 2, 2016.

In addition, such minutes of the Board gave instructions to AySA's General Management to carry out all necessary actions before ENHOSA and the Municipality of Zárate to make effective the agreement signed between them and thus try to collect the credit from AZ, which as of December 31, 2016 and 2015 amounted to 286,816 and 189,640, respectively (Note 3.d).

On the other hand, on September 28, 2016, a Framework Cooperation and Technical Assistance Agreement was signed with the Municipality of Zárate, by means of which the Municipality committed to spare no effort in taking the necessary steps to obtain the financing and payment of the total amounts owed, as well as the future amounts to be accrued for the tasks and works executed and under way up to their completion.

This Framework Agreement also provides for the Municipality's cooperation and technical assistance to AySA, as requested, in aspects related to the provision of drinking water and sanitation services within the jurisdiction of Zárate, for which purpose a specific document will be signed for each type of assistance.

21. Large Works: Contracting and Financing

I. Contracting:

Along 2008, bids for the execution of works were called in relation to Paraná de las Palmas Drinking Water Treatment Plant and Berazategui Sewage Treatment Plant. Tenders including a financing proposal through the BNDES (National Development Bank of Brazil) for assets and services of Brazilian origin were received.

At the end of August 2008, AySA's Board of Directors pre-awarded Paraná de las Palmas Plants to Unión Transitoria de Empresas (UTE) – Constructora Norberto Odebrecht Argentine

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Branch – Benito Roggio e Hijos S.A. – José Cartellone Construcciones Civiles S.A. – Supercemento S.A., and Berazategui Plant to Unión Transitoria de Empresas (UTE) – Construccoes Camargo Correa Sucursal Argentina – ESUCO S.A., in both cases depending upon financing approval by BNDES.

On November 10, 2008, the contracts for the execution of both works by the respective pre-awardees were signed: Paraná de las Palmas Plant for an amount of 2,775 million pesos plus VAT, and Berazategui Plant for an amount of 482 million pesos plus VAT.

The estimated value of the contracts as of December 2016, including the re-determination of prices and contractual addenda approved plus exchange rate variation amounts to approximately 7,200 million pesos for Paraná de las Palmas Plant and 940 million pesos for Berazategui Plant.

Both works have been completed and are currently in operation.

II. Financing:

On September 19, 2008, the former Ministry of Federal Planning, Public Investment and Services (MINPLAN), the Ministry of Economy and Production (MECON), the National Social Security Administration (ANSES), the Bank of the Argentine Nation (BNA), Nación Fideicomisos S.A., and AySA subscribed a Letter of Commitment in order to implement and structure the financing of Paraná de las Palmas Water Treatment Plant and Berazategui Sewage Treatment Plant, the Comprehensive Left Bank Trunk Sewer, the Coastline Trunk Sewer, Treatment Plants, Diversion and Supplementary Works, Treatment Plants, Sewage Outlet Pipes and Interceptors, for a total amount of \$ 6,163 million including VAT.

Financing by ANSES

On December 3, 2007, AySA and the National Social Security Administration subscribed a Mutuum Contract for 890 million pesos for the execution of Paraná de las Palmas Water Treatment Plant and Berazategui Sewage Outlet Plant works.

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This financing was granted in pesos for a 10-year term, including 2-year grace period for principal and interest, at BADLAR rate + 300 basis points.

On January 7, 2008, ANSES made a first disbursement of 590 million pesos, with restricted availability up to compliance with the conditions required by ANSES. During the unavailability period the debt did not accrue interest. The funds were deposited in a specific account with Banco Nación and the return generated by the investment was periodically capitalized. This increased the total disbursement of the first tranche to 624 million pesos when the funds were made freely available.

On August 21, 2008, by means of Resolution No. 776 issued by the former Ministry of Federal Planning, Public Investment and Services the mutuum contract signed between ANSES and AySA was approved.

On September 26, 2008, by a note to Banco de la Nación Argentina, ANSES communicated that the conditions necessary for AySA to freely dispose of the funds related to the mutuum contract had been complied with.

On April 7, 2009, ANSES made the second disbursement for an amount of 266 million pesos, which was deposited in the trust account. In this way, the total amount of 890 million pesos of the financing line was completed.

At the end of 2010, the totality of the funds disbursed by ANSES had been used.

The debt balance of the financing as of December 31, 2016 amounts to 332 million pesos, including accrued interests.

During 2016, debt service payments were recorded, with transfers from the National State, for a total amount of 265 million pesos, including maturities of principal for 146 million pesos and of interest for 119 million pesos.

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Financing by the National State

At the end of 2010 the totality of the loan by ANSES had been fully applied; therefore, the payments of local certifications for Paraná de las Palmas and Berazategui Plants started to be financed through Capital Transfers by the National State. At the end of December 2016, a total need of 3,769 million pesos was accumulated.

Advanced Reimbursement of the VAT Credit

In connection with the Advanced Reimbursement of the VAT credit, by virtue of the provisions of Law 26360, regulated by Decree 726/2009, dated July 7, 2009, Note AySA No. 94302/09 was presented to the Under-Secretariat of Water Resources, requesting for the incorporation of Paraná de las Palmas and Berazategui Plants works to the Promotion System of Investments in Capital Assets and Infrastructure Works. By Resolution No. 1174 dated August 6, 2010, Paraná de las Palmas and Berazategui works were declared Critical Works.

In turn, AySA, on August 24, 2010, by note No. 125274/10 and complementary notes formally requested for the advanced reimbursement of the VAT credit benefit.

On March 22, 2011, by Resolution 316/11 issued by the Ministry of Planning, AySA was granted the advanced reimbursement of the VAT credit benefit for Paraná de la Palmas and Berazategui works for the amount of 533 million pesos and 101 million pesos, respectively.

Subsequently, and complying with the provisions established by RG 2885 (AFIP), requests were submitted to the Under-Secretariat of Water Resources, as competent body, for the approval of the documentation related to the Project.

As a result, up to December 2015, requests for a total of 633.1 million pesos have been approved, and therefore, almost the totality of the benefit for 634.3 million pesos has been granted. The Under-Secretariat of Water Resources is in charge of communicating this situation

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to AFIP. Consequently, the pertinent requests for the Recovery of Credit Balances have been made and approved by AFIP.

In turn, up to December 31, 2015, AFIP has reimbursed 457.4 million pesos. Through different resolutions, in the month of March 2016, AFIP approved the reimbursement of the remaining 175.7 million to complete the benefit granted. The amount was finally collected in the months of September and October 2016.

Financing by BNDES

Financing conditions:

- Total amount of up to 370 million U.S. dollars (Paraná de las Palmas and Berazategui).
- Financing currency: U.S. dollar.
- Interest rate: LIBOR at 5 years plus a spread of 259 basis points.
- Export credit insurance: 1.6% on each disbursement.
- Financing term: 12 years, including a grace period for principal equivalent to the term of the execution of the work.
- Financing included in the Agreement for the Payment of Reciprocal Credits between Argentina and Brazil (CCR).

In addition, the opening of the pertinent Letters of Credit at the BNA have the following costs: opening of the documentary credit 0.95% only once on the total credit line, bills of exchange guarantee 0.75% semiannually on the balance of bills of exchange owed, and securities lending 0.35% semiannually on the available credit line.

In April 2009, letters of credit were opened at the BNA to import goods and services of Brazilian origin within the framework of the National Development Bank of Brazil financing of Paraná de las Palmas Plant works, and in November 2009 letters of credit were opened for Berazategui Plant.

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As of December 31, 2016, letters of credit for 358 million dollars have been issued in relation to both works.

During 2016, the BNDES debt service was paid, including principal, interests and BNA expenses for an amount equivalent to 950 million pesos, financed through transfers by the National State. As of the closing of the year, unpaid principal and interests amount to 333 million pesos.

22. Officially Approved Books

AySA's Inventory and Balance, and Journal Books have been officially approved. However, the latter book is kept on magnetic media, for which reason AySA has duly requested authorization from the Superintendency of Corporations ("IGJ"); such authorization was granted on October 9, 2007 under No. 6687. The presentations established by Resolution 7/05 of the IGJ as to the annual review and updating of the system used have also been made. The IGJ has issued formal inquiries in this regard, and they have been answered by the Company. As of the date of issuance of these financial statements, they are being replied by IGJ.

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ANNEX I

DETAIL OF FIXED ASSETS
FOR THE YEARS ENDED ON DECEMBER 31, 2016 AND 2015
(Stated in thousands of pesos – Note 2)

Main account	2016					2015				
	Original value	Depreciations				Original value	Depreciations			
	At the beginning of the year	Increases	Transfers	Decreases	At the end of the year	Accumulated at the beginning of the year	Annual rate	Increases	Decreases	Accumulated at the end of the year
Water distribution network and water wells	3,245,502	458,341	487,693	35	4,191,501	331,999	2% - 33%	121,568	3	453,567
Plant of chemical products	22,956	-	26,302	-	49,258	10,761	2% - 12.5%	6,431	-	17,522
Water treatment plants	1,578,368	1	3,152,053	139	4,730,283	81,785	2% - 20%	76,176	11	159,960
Water pumping plants	213,830	2,408	93,611	7	309,842	24,757	2% - 20%	9,989	3	30,746
Sanitation cleaning-up network	4,112,754	165,444	913,187	-	5,191,385	226,162	2% - 20%	131,665	-	357,827
Sewage effluents treatment plant	1,440,948	553	616,765	-	2,058,266	42,573	2% - 20%	43,492	-	86,065
Sewage effluents pumping plant	332,757	2	207,969	-	540,728	33,830	2% - 20%	16,858	-	50,688
Facilities	98,859	2,398	77,705	-	178,962	5,481	10% - 20%	4,118	-	11,369
Machinery	270,463	74,770	4,321	254	349,300	178,883	10% - 33%	26,876	211	305,970
Furniture and furnishings	34,376	21,000	8	-	55,384	8,034	10%	4,698	-	12,732
Computing equipment	114,183	52,436	56	20	166,655	75,713	20% - 33%	27,851	14	103,578
Vehicles	361,709	31,798	(16,925)	1,727	374,855	136,381	20% - 33%	59,220	1,727	138,108
Land and property	287,509	2,690	214,022	-	504,221	10,952	-	10,510	-	21,462
Works in progress	10,362,380	6,938,285	(5,321,150)	-	11,979,515	-	-	-	-	11,979,515
Advance to suppliers	1,412,129	319,776	(455,617)	-	1,276,288	-	-	-	-	1,276,288
Total 2016	23,888,723	8,069,902	-	2,182	31,956,443	1,167,311		539,452	1,969	33,664,715
Total 2015	18,344,233	5,545,534	-	1,044	23,888,723	788,967		379,292	948	24,677,928

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ANNEX II

**DETAIL OF INTANGIBLE ASSETS
FOR THE YEARS ENDED ON DECEMBER 31, 2016 AND 2015
(Stated in thousands of pesos – Note 2)**

Main account	2016										
	Original Value							Depreciations			Accumulated at the end of the year
	At the beginning of the year	Increases	Transfers	Decreases	At the end of the year	Accumulated at the beginning of the year	Annual rate	Increases	Decreases		
Software	178,737	33,236	39,115	-	251,088	81,864	20% - 33%	42,742	-	-	
Works in progress	83,811	39,382	(39,047)	-	84,146	-	-	-	-	-	
Advance to suppliers	158	27	(68)	-	117	-	-	-	-	-	
Total 2016	262,706	72,645	-	-	335,351	81,864		42,742	-	-	
Total 2015	211,690	51,016	-	-	262,706	49,260		32,604	-	-	

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**ANNEX III
DETAIL OF PROVISIONS
FOR THE YEARS ENDED ON DECEMBER 31, 2016 AND 2015
(Stated in thousands of pesos – Note 2)**

Item	Year	Balances at the beginning of the year		Increases	Transfers	Decreases and recoveries		Balance of
Deducted from current assets:								
- For doubtful debts and invoice adjustments	2016	108,929	(1)	219,786	-	(2)	(2,209)	
	2015	72,932	(1)	38,245	-	(2)	(2,248)	
- For obsolescence of materials and spare parts	2016	1,901	(3)	71	-	(2)	(5)	
	2015	1,334	(3)	567	-	-	-	
- For tax credits	2016	47,464	(3)	75,188	-	-	-	
	2015	26,336	(3)	21,128	-	-	-	
- For other credits	2016	38,300	(4)	14,004	-	(2)	(30,200)	
	2015	32,847	(4)	5,453	-	-	-	
Deducted from non-current assets:								
- For doubtful debts and invoice adjustments	2016	236,412	(1)	106,347	-	-	-	
	2015	171,697	(1)	64,715	-	-	-	
Included in current liabilities:								
- For contingencies	2016	4,064	(3)	1,573	12,634	(2)	(14,257)	
	2015	2,000	-	-	19,720	(2)	(17,656)	
Included in non-current liabilities:								
- For contingencies	2016	630,158	(3)	267,160	(12,634)	-	-	
	2015	466,000	(3)	183,878	(19,720)	-	-	

(1), (3) and (4) Charge for the year allocated to "Commercialization expenses", "Other operating results" and "Other net (income) expenditures in the statement of income, respectively.
(2) It corresponds to the use during the year.

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ANNEX IV
ASSETS AND LIABILITIES IN FOREIGN CURRENCY AS OF DECEMBER 31, 2016 AND 2015
(Stated in thousands of pesos – Note 2)

ITEM	Type and amount of foreign currency	Exchange rate	Local currency	Foreign currency	2015
CURRENT ASSETS:					
- Other receivables: - Advance to suppliers	U.S. dollars	30 (1)	15.7900	473	4 (1)
- Prepaid expenses	U.S. dollars	554 (1)	15.7900	8,743	463 (1)
- Commissions to be accrued	U.S. dollars	2,338 (1)	15.7900	36,913	2,450 (1)
- Insurance to be accrued	U.S. dollars	1 (1)	15.7900	23	-
- Other assets: - Materials	U.S. dollars	14,640 (1)	15.7900	231,167	17,051 (1)
	Euros	1,148 (1)	16.6253	19,083	1,497 (1)
- Advance to suppliers	U.S. dollars	391 (1)	15.7900	6,181	218 (1)
	Euros	112 (1)	16.6253	1,859	10 (1)
	Pounds sterling	29 (1)	19.4722	562	-
TOTAL CURRENT ASSETS:				305,004	
NON-CURRENT ASSETS:					
- Other receivables - Commissions to be accrued	U.S. dollars	11,973 (1)	15.7900	189,057	12,471 (1)
- Miscellaneous	U.S. dollars	-	-	-	2 (1)
- Fixed and intangible assets - Advance to suppliers	U.S. dollars	3,170 (1)	15.7900	50,059	4,992 (1)
	Euros	27,379 (1)	16.6253	455,180	28,568 (1)
	Australian dollars	-	-	-	3 (1)
TOTAL NON-CURRENT ASSETS				694,296	
TOTAL ASSETS:				999,300	
CURRENT LIABILITIES:					
- Payables: - Suppliers and contractors	U.S. dollars	25,564 (2)	15.8900	406,217	33,998 (2)
	Euros	6,305 (2)	16.7703	105,737	2,759 (2)
	Swiss francs	-	-	-	33 (2)
	Pounds sterling	35 (2)	19.6432	683	125 (2)
- Borrowings- Principal	U.S. dollars	59,033 (2)	15.8900	938,039	69,209 (2)
- Interests	U.S. dollars	3,912 (2)	15.8900	62,162	7,269 (2)
TOTAL CURRENT LIABILITIES				1,512,838	
NON-CURRENT LIABILITIES:					
- Borrowings - Principal	U.S. dollars	142.833 (2)	15,8900	2,269,622	170.009 (2)
TOTAL NON-CURRENT LIABILITIES				2,269,622	
TOTAL LIABILITIES:				3,782,460	

1) At buying exchange rate / (2) At selling exchange rate.

José Luis Inglesse
Chairman

Signed for identification purposes jointly with
our report dated 11-13-17
AUDIT COMMITTEE

Silvana Gentile
Auditor

Signed for identification purposes jointly with our
report dated 11-13-17
NATIONAL AUDIT OFFICE

Marcelo Fernando Palacios
C.P.A.- University of Buenos Aires
License C.P.C.E.C.A.B.A. T° 183 – F° 107

Signed for identification purposes
our report dated 11-13-
BERTORA Y ASOCIADOS
License C.P.C.E.C.A.B.A. T° 1

Horacio F. Mollo (Partne
C.P.A.- University of Buenos
License C.P.C.E.C.A.B.A. T° 47



ANNEX V
INFORMATION REQUIRED BY SEC. 64, PARAGRAPH I, SUBSEC. B OF LAW 19550
FOR THE YEARS ENDED ON DECEMBER 31, 2016 AND 2015
(Stated in thousands of pesos – Note 2)

Items	2016					TOTAL
	Operating costs	Commercialization costs	Administrative costs	Other operating results	Other net (income) expenses	
Salaries and social security contributions	2,509,835	500,609	2,279,346			5,289,790
Depreciation of fixed assets	481,148	29,199	29,105			539,452
Application of transfers from the National State and trust depreciation (1)	(405,145)	(48,260)	(34,675)			(488,080)
Amortization of intangible assets	8,548	21,371	12,823			42,742
Repair and maintenance of fixed assets (2)	699,257	5,501	763,104			1,467,862
Energy and fuel	718,374	155	88,202			806,731
Consumption of chemical supplies	906,479					906,479
Fees and remuneration for services	14,425	19,020	87,206			120,651
Remuneration for directors and auditors			16,787			16,787
Provision for contingencies					268,733	268,733
Provision for write-down of materials					315	315
Advertising and external institutional communication		50,582				50,582
Bank commissions for collections		40,342	1,663			42,005
Third parties' work and services	18,402	91,276	424,969			534,647
Rents	22,978	2,335	239,421			264,734
Taxes, rates and contributions	34,067	899	691,938	76,452		803,356
Distribution and correspondence	291	74,922	1,581			76,794
Communications	1	4	26,986			26,991
Reward to retiring personnel				381,596		381,596
Provision for doubtful debts and invoice adjustments		325,991				325,991
Other supplies	20,778	11,461	21,300			53,539
Other net (income) expenses	171				23,470	23,641
Other expenses	31,802	4,814	66,632			103,248
Total 2016	5,061,411	1,130,221	4,716,388	727,096	23,470	11,658,586
Total 2015	3,361,121	739,206	3,024,360	419,487	(11,656)	

(1) Includes trust depreciations for \$405 and \$ 404, for the years ended on December 31, 2016 and 2015 respectively.

(2) Includes the consumption of materials for \$ 64,456 and \$ 41,801, for the years ended on December 31, 2016 and 2015 respectively (Nota 3 e.)

José Luis Inglesé
Chairman

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Silvana Gentile
Auditor

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Horacio F. Mollo (Partne
C.P.A.- University of Buenos
License C.P.C.E.C.A.B.A. T° 47



ANNEX VI

**BREAKING DOWN OF RECEIVABLES AND PAYABLES BY EXPIRATION TERMS
AS OF DECEMBER 31, 2016**

(Stated in thousands of pesos – Note 2)

Term	Assets Receivables (1)	Liabilities Payables (1)
With maturity date:		
- Overdue:		
- Up to three months	684,234	67,044
- From three to six months	389,245	263,197
- From six to nine months	148,666	634
- From nine to twelve months	51,137	1,241
- From one to two years	192,520	1,898
- From two to three years	114,161	527
- From three to four years	43,778	1,820
- From four to five years	34,420	-
- From over five years	140,994	-
Total overdue	1,799,155	336,361
- To be due:		
- At three months	1,077,012	4,313,780
- Between three and six months	16,723	486,320
- Between six and nine months	12,990	485,270
- Between nine and twelve months	12,111	178,803
- Between one and two years	172,848	799,553
- Between two and three years	486,003	684,311
- Between three and four years	1,117,597	661,766
- Between four and five years	1,426,400	361,423
- Beyond five years	367,885	340,796
Total to be due	4,689,569	(2) 8,312,022
Total with maturity date	6,488,724	8,648,383

(1) No provisions are included

(2) Approximately 38% accrues interest at a variable rate and the rest does not accrue interest.

The average interest rate at the end of the year amounts to approximately 10.9% nominal per year.

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License C.P.C.E.C.A.B.A. T° 1 – F° 117

Horacio F. Mollo (Partner)
C.P.A.- University of Buenos Aires
License C.P.C.E.C.A.B.A. T° 47 – F° 146



ANNEX VII

**DETAIL OF INVESTMENTS
AS OF DECEMBER 31, 2016 AND 2015**

(Stated in thousands of pesos – Note 2)

Type of investment	Entity	Share	Share value	Return	Total
Mutual investment fund					
FCI FBA Savings account in Pesos	Banco BBVA Francés	22,779	8,809	40%	200,661
FCI FIMA Savings account in Pesos Class C	Banco Galicia	15,127	13,257	33%	200,540
FCI FIMA Premium Class B	Banco Galicia	53,731	2,792	-	150,000
FCI Santander Supergestión MIX VI Class B	Banco Santander Rio	21,565	4,651	35%	100,292
FCI MAF Pesos Plus	Banco Mariva	33,461	2,995	27%	100,221
FCI MAF Money Market Class B	Banco Mariva	25,872	1,933	-	50,000
FCI Macro - Pionero Savings account Income	Banco Macro	19,043	5,265	31%	100,259
FCI Comafi - RJ Delta Savings Class B	Banco Comafi	9,073	5,511	-	50,000
FCI Patagonia - Lombard Capital	Banco Patagonia	19,989	5,017	36%	100,291
FCI Gainvest Mixed Income Fund	INTL Gainvest S.A.	40,550	3,786	23%	153,504
FCI Macro Pionero in Pesos	Banco Macro	17,058	2,931	-	50,000
FCI Megainver Fund Savings account	Megainver Sociedad Gte de FCI S.A	55,877	2,750	24%	153,661
Total mutual investment funds 2016					1,409,429
Total mutual investment funds 2015					-
Other Investments					
		Capital		Return	Total
	Public Securities	2,188		-	2,188
Total other investments 2016		2,188		-	2,188
Total other investments 2015		2,525		-	2,525
Total investments 2016				-	1,411,617
Total investments 2015				-	2,525

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Chairman

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Horacio F. Mollo (Partner)
C.P.A.- University of Buenos Aires
License C.P.C.E.C.A.B.A. T° 47 – F° 146



ANNEX VIII

**DETAIL OF TRANSFERS TO THE NATIONAL STATE
AS OF DECEMBER 31, 2016 AND 2015**

(Stated in thousands of pesos – Note 2)

	Works								C 2
	2016							2015	
	Values transferred			Applications					
Main account	At the beginning of the year	Increases	At the end of the year (a)	At the beginning of the year	Increases	At the end of the year (b)	Net resulting amount (a-b)	Net resulting amount (a-b)	Inc
Transfers (Note 14)	25,644,661	10,844,626	36,489,487	1,124,845	487,677	1,612,522	34,876,965	19,080,310	5,0
Total 2016	25,644,661	10,844,626	36,489,487	1,124,845	487,677	1,612,522	34,876,965	-	5,0
Total 2015	19,836,505	5,808,156	25,644,661	756,195	368,650	1,124,845		24,519,816	

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Horacio F. Mollo (Partner)
C.P.A.- University of Buenos Aires
License C.P.C.E.C.A.B.A. T° 47 –



FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 AND 2015

RATIFICATION OF LITHOGRAPHED SIGNATURES

“We hereby ratify our lithographed signatures appearing on the preceding pages, from page No. 1 to page No. 80 of the financial statements as of December 31, 2016 and 2015 pertaining to AGUA Y SANEAMIENTOS ARGENTINOS SOCIEDAD ANONIMA”.

José Luis Inglese
Chairman

Signed for identification purposes jointly with
our report dated xx-xx-17
AUDIT COMMITTEE

Silvana Gentile
Auditor

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Argentina - Executive Branch
2017 - Year of Renewable Energies

Resolution

Number: RESOL-2017-920-APN-MI

CITY OF BUENOS AIRES

Friday, November 24, 2017

Re: File No. EX-2017-29517376- -APN-DMENYD#M on Authorization to AYSA S.A.

HAVING REGARD TO File No. EX-2017-29517376- -APN-DMENYD#M of the registry of this Ministry Decree No. 304 dated March 22, 2006, Decree No. 13 dated December 10, 2015, as amended, Decree No. 212 dated December 22, 2015, as amended, Laws Nos. 26.221 and 26.100 and Resolution No. 170 dated February 25, 2010 of the former MINISTRY OF FEDERAL PLANNING, PUBLIC INVESTMENT AND SERVICES and

WHEREAS:

Section 1 of Decree No. 304/06, ratified by Law No. 26.100, provided for the creation of the company AGUA Y SANEAMIENTOS ARGENTINOS SOCIEDAD ANÓNIMA within the scope of the PUBLIC WORKS SECRETARIAT reporting to the former MINISTRY OF FEDERAL PLANNING, PUBLIC INVESTMENT AND SERVICES, under the provisions of Companies Law No.19.550 —1984 consolidated text— as amended.

Decree No. 13/15 amended Ministries Law No. 22.520 (consolidated text pursuant to Decree No. 438/92), as amended, and transferred the powers in connection with the national hydric policy from the former MINISTRY OF FEDERAL PLANNING, PUBLIC INVESTMENT AND SERVICES to the MINISTRY OF THE INTERIOR, PUBLIC WORKS AND HOUSING.

In addition, section 3 of Decree No. 212/15 replaced paragraph xii, Annex III to section 3 of Decree No. 35 dated February 21, 2002, as amended and supplemented – Decentralized Agencies-, corresponding to the MINISTRY OF THE INTERIOR, PUBLIC WORKS AND HOUSING, AGUA Y SANEAMIENTOS ARGENTINOS SOCIEDAD ANÓNIMA currently operating within the scope of the UNDERSECRETARIAT OF HYDRIC RESOURCES of the PUBLIC WORKS SECRETARIAT of this Ministry.

Therefore, section 2 of Law No. 26.221 provided that the provision of drinking water and sewage collection services is deemed to be a public service and that AGUA Y SANEAMIENTOS ARGENTINOS SOCIEDAD ANÓNIMA will act as concession holder, under the provisions of section 1 of Decree No. 304/06.

Likewise, section 6 of Law No. 26.221 approved the Regulatory Framework for the provision of drinking water and sewerage services of as set forth by Decree No. 304/06.

Section 1 of Resolution No. 170/10 of the former MINISTRY OF FEDERAL PLANNING, PUBLIC INVESTMENT AND SERVICES approved the form of "Binding Instrument executed by the FEDERAL GOVERNMENT and the Company AGUA Y SANEAMIENTOS ARGENTINOS SOCIEDAD ANONIMA (AySA)" which, as an Annex, is an integral part thereof.

As aforesaid and to ensure an efficient administration of resources and thus finance the works contemplated in the Services Improvement, Operation, Expansion and Maintenance Plan, approved by section 1 of Resolution No. 24 dated August 20, 2015 of the PLANNING AGENCY and those required for the improvement and/or expansion of the provision of the drinking water and sewage collection services in the areas under concession, those included in Decree No. 304/06 and those subsequently included, AGUA Y SANEAMIENTOS ARGENTINOS SOCIEDAD ANÓNIMA requested from this Ministry an authorization to obtain financing through the creation of a Global Program and/or through the execution of an Indenture to issue ONE (1) or more series of negotiable obligations or debt securities.

As stated by AGUA Y SANEAMIENTOS ARGENTINOS SOCIEDAD ANÓNIMA, the required financing shall be obtained through a short, medium and/or long term, subordinated or unsubordinated, secured or unsecured public offer of simple negotiable obligations and/or debt securities as provided for in Laws Nos. 23.576 and 24.156, as amended, and other applicable provisions, under the modality of ONE (1) or more public credit transactions for up to a maximum outstanding amount at any time during the effective term of the Global Program and/or of the indenture of ONE BILLION UNITED STATES DOLLARS (US\$1,000,000,000), or its equivalent in other currencies.

Paragraph d) of subsection II of section 22 of the Regulatory Framework approved by section 6 of Law No. 26.221 provides that AGUA Y SANEAMIENTOS ARGENTINOS SOCIEDAD ANÓNIMA shall not incur debt or take loans without this Ministry's express authorization, except in the ordinary course of business.

As provided for in subsection a) of section 4 of the Regulatory Framework approved by section 6 of Law No. 26.221, its objectives include the efficient provision of drinking water and/or sewerage services, which is deemed to take place to the extent that the Concession Contract is performed as well as the approved plans with the allocated resources, carrying out the best regulatory practices, minimizing costs and developing a prudent administration.

It is in the FEDERAL GOVERNMENT's prime interest to ensure the normal economic and financial operation of AGUA Y SANEAMIENTOS ARGENTINOS SOCIEDAD ANÓNIMA, to ensure the ongoing provision of the drinking water and sewage collection public service, allowing such investments as are necessary within the areas under concession and the performance of such financial undertakings as have been assumed to such effect and of the provisions of the aforementioned subsection a) of section 4 of the Regulatory Framework approved by section 6 of Law No. 26.221; therefore, AGUA Y SANEAMIENTOS ARGENTINOS SOCIEDAD ANÓNIMA is hereby authorized to obtain the requested financing.

In addition, the UNDERSECRETARIAT OF HYDRIC RESOURCES reporting to the PUBLIC WORKS SECRETARIAT of this Ministry is the Enforcement Authority of the Regulatory Framework approved by section 6 of Law No. 26.221, as set forth in subsection b) of section 20 thereof, and has the power to fulfill and enforce such Regulatory Framework and the public service Concession Contract and to verify compliance thereof by the concession holder, as set forth in subsection a) of section 21 of the aforementioned Regulatory Framework.

As provided for in the above whereas paragraph, it is deemed advisable to instruct the UNDERSECRETARIAT OF HYDRIC RESOURCES, reporting to the PUBLIC WORKS SECRETARIAT, take all actions deemed relevant within its powers with a view to performing as and when due the financial

commitments assumed by AGUA Y SANEAMIENTOS ARGENTINOS SOCIEDAD ANÓNIMA upon obtaining the authorization hereby granted, thus seeking to make effective a prudent administration under the terms of the aforementioned subsection a) of section 4 of the Regulatory Framework approved by section 6 of Law No. 26.221.

The LEGAL MATTERS DEPARTMENT reporting to the COORDINATION UNDERSECRETARIAT of the Ministry has acted accordingly.

This resolution is made pursuant to the powers granted by paragraph d) of subsection II of section 22 of the Regulatory Framework approved by section 6 of Law No. 26.221 and by section 2 of the Rules of Administrative Procedures. Decree No. 1759/72 - 2017 consolidated text.

Therefore,

THE MINISTER OF THE INTERIOR, PUBLIC WORKS AND
HOUSING RESOLVES AS FOLLOWS:

SECTION 1.- To authorize AGUA Y SANEAMIENTOS ARGENTINOS SOCIEDAD ANÓNIMA to obtain financing for up to a maximum amount of ONE BILLION UNITED STATES DOLLARS (US\$1,000,000,000), or its equivalent in other currencies.

SECTION 2.- To instruct the UNDERSECRETARIAT OF HYDRIC RESOURCES reporting to the PUBLIC WORKS SECRETARIAT of the MINISTRY OF THE INTERIOR, PUBLIC WORKS AND HOUSING to take all necessary actions, within its powers, to fulfill as and when due the financial commitments assumed by AGUA Y SANEAMIENTOS ARGENTINOS SOCIEDAD ANÓNIMA pursuant to the authorization granted by section 1 hereof.

SECTION 3.- : It is hereby ordered that further notice hereof be given as appropriate and that this decree be published, reported to the National Board of Official Registries and, in due course, made a matter of record.

Digitally signed by FRIGERIO Rogelio
Date: 2017.11.24 12:49:54 ART
Location: Ciudad Autónoma de Buenos Aires

Rogelio Frigerio
Minister
Ministry of the Interior, Public Works and Housing

ISSUER

Agua y Saneamientos Argentinos S.A.

Tucumán 752, 20th Floor,
Ciudad Autónoma de Buenos Aires
Argentina

**TRUSTEE, CO-REGISTRAR, PRINCIPAL PAYING AGENT
AND TRANSFER AGENT**

U.S. Bank National Association

100 Wall street, 16th Floor
New York, New York 10005
United States of America

LUXEMBOURG LISTING AGENT

Banque Internationale à Luxembourg

69, route d'Esch, Office PLM – 101F
L-2953 Luxembourg

ISSUER'S COUNSEL

As to New York Law

Baker & Mckenzie LLP

452 5th Avenue
New York, New York 10018
United States

As to Argentine Law

Cabanellas Etchebarne Kelly

Av. Eduardo Madero 900 C1106ACV
Ciudad Autónoma de Buenos Aires
Argentina

GLOBAL COORDINATORS AND JOINT BOOKRUNNERS' COUNSEL

As to New York Law

Linklaters LLP

1345 Avenue of the Americas
New York, New York 10105
United States

As to Argentine Law

Salaverri, Burgio & Wetzler Malbrán

Av. del Libertador 602, 3rd Floor (C1001ABT)
Ciudad Autónoma de Buenos Aires
Argentina

ISSUER'S INDEPENDENT ACCOUNTANTS

Bértora y Asociados S.R.L.

Bernardo de Irigoyen 330, 3rd Floor - C1072AAH
Ciudad Autónoma de Buenos Aires
Argentina