



The Province of Buenos Aires

(A Province of Argentina)

Offers to Exchange

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|--|------------|---|
| <ul style="list-style-type: none">• Step-Up Long Term Par Bonds due 2035,• Step-Up Medium Term Par Bonds due 2020, and• Discount Bonds due 2017
(collectively, the “New Bonds”), | For | <ul style="list-style-type: none">• USD Zero Coupon Notes due 2002,• USD 12.50% Notes due 2002,• Euro 7.875% Notes due 2002,• Euro 9% Notes due 2002,• Euro 10.25% Notes due 2003,• Yen 4.25% Notes due 2003,• USD 12.75% Notes due 2003,• SFr 7.75% Notes due 2003,• Euro 10.375% Notes due 2004,• Euro 9.75% Notes due 2004,• Euro 10% Notes due 2004,• Euro 10.75% Notes due 2005,• Euro 10.625% Notes due 2006,• USD FRNs Notes due 2006,• USD 13.75% Notes due 2007, and• USD 13.25% Notes due 2010
(collectively, the “Existing Bonds”). |
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The Province of Buenos Aires (the “Province”) is offering to exchange newly issued New Bonds for all of its outstanding Existing Bonds (the “Offer”). The aggregate principal amount of all Existing Bonds outstanding as of the date of this offering memorandum is approximately U.S.\$2.7 billion.

The New Bonds will be issued pursuant to a trust indenture that contains collective action clauses regarding future modifications to the terms of the New Bonds that differ from those applicable to the Existing Bonds. Under these clauses, modifications to reserve matters specified in the indenture, including modifications to payment and other key terms, may be made to the New Bonds with the consent of the holders of at least 85% of the aggregate principal amount outstanding of the New Bonds and at least 66-2/3% in aggregate principal amount outstanding of each series of New Bonds.

Application has been made to list the New Bonds on the Luxembourg Stock Exchange and for the New Bonds to trade on the regulated market of the Luxembourg Stock Exchange. Application will be made to list the New Bonds on the Buenos Aires Stock Exchange and the Argentine *Mercado Abierto Electrónico*.

The Offer expires at 4:00 P.M., Central European Time, on December 16, 2005, unless extended or terminated earlier (the “Expiration Date”). You must tender your Existing Bonds in the manner described in this offering memorandum on or prior to the Expiration Date in order to be eligible to participate in the Offer.

An investment in the New Bonds involves a high degree of risk. You should carefully consider the “Risk Factors” beginning on page 21 of this offering memorandum before you make a decision to tender your Existing Bonds.

The New Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or with any securities regulatory authority of any state or other jurisdiction of the United States. The New Bonds are being offered only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in the United States in transactions exempt from the registration requirements of the Securities Act and to persons outside the United States in reliance on Regulation S of the Securities Act. Prospective purchasers of New Bonds are hereby notified that sellers of the New Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For the description of certain restrictions on offers, sales or transfers of the New Bonds, see “Transfer Restrictions.” This offering memorandum constitutes a prospectus for the purposes of Directive 2003/71/CE.

Citigroup

October 28, 2005

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NOTICES

This offering memorandum contains important information that should be read carefully before any decisions are made with respect to the Offer. The Province is furnishing the offering memorandum to you solely for use in the context of the Offer. You should rely only on the information contained in this offering memorandum. No person has been authorized to give any information or to make any representations with respect to the matters described in this offering memorandum other than those contained herein or therein and, if given or made, such information or representations must not be relied upon as having been authorized by us or the dealer manager.

The Province, having taken all reasonable care to ensure that such is the case, confirms that the information contained in this offering memorandum is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. Notwithstanding the foregoing, the information provided in this offering memorandum that relates to the Republic of Argentina and its economy is based upon publicly available information, and the Province does not make any representation or warranty with respect thereto.

The information contained herein is as of the date hereof and subject to change, completion or amendment without notice. The delivery of this offering memorandum shall not under any circumstances create any implication that the information contained herein is correct as of any time subsequent to the date hereof, or that there has been no change in the information set forth herein or in any attachments hereto or in the affairs of the Province or any of its agencies or political subdivisions since the date hereof.

In making an investment decision regarding acceptance of the Offer, you must rely on your own examination of the Province and of the terms of the Offer and the New Bonds to be delivered in the Offer, including, without limitation, the merits and risks involved. The Offer is being made on the basis of this offering memorandum. Any decision to tender Existing Bonds in the Offer must be based solely on the information contained herein. All references in this document to the Offer Website are inserted as inactive textual references to

the “uniform resource locators” or “URLs” and are for informational reference only. Information on the Offer Website is not incorporated by reference in this offering memorandum.

None of the Province, the dealer manager, the information agent, the exchange agent, the trustees or fiscal agents under the trust indentures or fiscal agency agreements, as the case may be, for the Existing Bonds, the trustee under the indenture for the New Bonds, any paying agent for the New Bonds or any of their delegates or agents makes any recommendation in connection with the Offer. You should not construe the contents of this offering memorandum as investment, legal or tax advice. You should consult your own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of an exchange of your Existing Bonds for any New Bonds to be issued and delivered pursuant to the Offer. We make no representation to you regarding the legality of a tender of your Existing Bonds in exchange for New Bonds issued and made available pursuant to the Offer under appropriate legal investment or similar laws. You must make your own decision as to whether to tender your Existing Bonds and, if so, the principal amount to tender.

Notwithstanding anything in this offering memorandum to the contrary, we and each prospective investor (and any employee, representative or other agent of ours or any prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this offering memorandum and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure. However, any such information relating to the tax treatment or tax structure is required to be kept confidential to the extent necessary to comply with any applicable federal or state securities laws.

Neither the U.S. Securities and Exchange Commission, any state securities commission nor any other U.S. regulatory authority has approved or disapproved the New Bonds, nor have any of the foregoing authorities 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.

For further information relating to the Offer, please call or e-mail the dealer manager or the information agent at the telephone numbers or the e-mail addresses set forth on the back cover of this offering memorandum. To obtain hard copies of this offering memorandum, please contact the information agent.

The distribution of this offering memorandum or any part of it and the offering, sale and delivery of the New Bonds in certain jurisdictions may be restricted by law. Persons who receive this offering memorandum are required to inform themselves about and to observe any such restrictions. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy any New Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. For a description of certain further restrictions on offers, sales and deliveries of the New Bonds and on the distribution of this offering memorandum and any other offering material relating to the New Bonds, see “Jurisdictional Restrictions.”

The New Bonds are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration thereunder or exemption therefrom. See “Transfer Restrictions.”

FOR NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

ENFORCEMENT OF CIVIL LIABILITIES

The Province is a political subdivision of a sovereign state. Consequently, it may be difficult for investors to obtain or realize in the United States or elsewhere upon judgments against the Province. To the fullest extent permitted by applicable law, the Province will irrevocably submit to the non-exclusive jurisdiction of any New York state or U.S. federal court sitting in The City of New York, Borough of Manhattan, and any appellate court thereof, in any suit, action or proceeding arising out of or relating to the bonds or the Province's failure or alleged failure to perform any obligations under the bonds, and the Province will irrevocably agree that all claims in respect of any such suit, action or proceeding may be heard and determined in such New York state or U.S. federal court. The Province will irrevocably waive, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of any suit, action or proceeding and any objection to any proceeding whether on the grounds of venue, residence or domicile. To the extent that the Province has or hereafter may acquire any sovereign or other immunity from jurisdiction of such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise), the Province will, to the fullest extent permitted under applicable law, including the U.S. Foreign Sovereign Immunities Act of 1976, irrevocably waive such immunity in respect of any such suit, action or proceeding. However, under the U.S. Foreign Sovereign Immunities Act of 1976, it may not be possible to enforce in the Province a judgment based on such a U.S. judgment, and under the laws of Argentina any attachment or other form of execution (before or after judgment) on the property and revenues of the Province will be subject to the applicable provisions of the Code of Civil and Commercial Procedure of Argentina. See "Description of New Bonds—Governing Law" and "—Submission to Jurisdiction."

DEFINED TERMS AND CONVENTIONS

Certain Defined Terms

All references in this offering memorandum to:

- the “Province,” “we,” “our” and “us” are to the issuer,
- “Banco Provincia” are to Banco de la Provincia de Buenos Aires,
- the “Central Bank” are to the Central Bank of the Republic of Argentina,
- “Argentina” are to the Republic of Argentina, and
- the “federal government” are to the non-financial sector of the central government of Argentina, excluding the Central Bank.

The terms set forth below have the following meanings for purposes of this offering memorandum:

- *Gross domestic product*, or GDP, is a measure of the total value of final products and services produced in Argentina or the Province, as the case may be, in a specific year.
- *Exports* are calculated based upon statistics reported to Argentina’s customs agency upon departure of goods originated in the Province on a free-on-board (FOB) basis.
- The *rate of inflation* or *inflation rate* provides an aggregate measure of the rate of change in the prices of goods and services in the economy. The inflation rate is generally measured by the rate of change in the consumer price index or CPI, between two periods unless otherwise specified. The annual percentage rate of change in the CPI as of a particular date is calculated by comparing the index as of that date against the index as of the date 12 months prior. The CPI is calculated on a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households using a monthly averaging method. The federal government also compiles statistics on the wholesale price index, or WPI. The annual percentage rate of change in the WPI as of a particular date is calculated by comparing the index as of that date against the index as of the date 12 months prior. The WPI is based on a basket of goods and services that reflects the pattern of consumption of Argentine retailers. The CPI measures changes in the price level of goods and services to the final consumer and therefore tends to reflect changes in the cost of living in Argentina. While the WPI also provides a measure of inflation, it is more limited in scope since it measures changes in the price of goods and services paid by retailers and not the end consumers.
- *Coeficiente de Estabilización de Referencia*, or CER, is a unit of account adopted on February 3, 2002, the value in pesos of which is indexed to consumer price inflation. The nominal amount of a CER-based financial instrument is converted to a CER-adjusted amount, and interest on the financial instrument is calculated on the CER-adjusted balance.
- *Coeficiente de Variación Salarial*, or CVS, is a unit of account used from October 1, 2002, through March 31, 2004, the value in pesos of which was determined based on changes in an index of public and private sector wages. The nominal amount of a CVS-based financial instrument is converted to a CVS-adjusted amount, and interest on the financial instrument is calculated on the CVS-adjusted balance.
- The *Conurbano Bonaerense* is an industrialized and heavily populated urban area surrounding the City of Buenos Aires. The scope and coverage of this area are defined by federal government agencies to represent a diverse demographic sample of Argentina’s urban population based upon selected socio-economic variables for use in the development and implementation of national public policies. The area consists of several municipalities of the Province that surround the City of Buenos Aires and does not include the City of Buenos Aires. Approximately 63% of the Province’s population resides within the *Conurbano Bonaerense*.

- The *unemployment rate* represents the percentage of the Province's labor force that has not worked a minimum of one hour with compensation or 15 hours without compensation during the week preceding the date of measurement. The *labor force* refers to the sum of the population of the four main urban centers of the Province (La Plata, Bahía Blanca, Mar del Plata and the *Conurbano Bonaerense*) that has worked a minimum of one hour with compensation or 15 hours without compensation during the week preceding the date of measurement plus the population that is unemployed but actively seeking employment.
- The *underemployment rate* represents the percentage of the Province's labor force that has worked fewer than 35 hours during the week preceding the date of measurement and seeks to work more.
- *Patacones* are quasi-currency treasury bonds issued by the Province in 2001 and 2002 to finance its fiscal deficits during Argentina's economic crisis.
- *Boconba* are bonds that the Province began to issue in 1991 to claimants who have prevailed in legal actions brought against the Province or its municipalities in satisfaction of their legal claims. The terms of these bonds vary depending on the dates on which the events giving rise to a claimant's legal action occur. These bonds were originally denominated in pesos or dollars at the option of the claimant. The dollar-denominated *Boconba* were converted to CER-adjusted pesos at a rate of Ps.1.40 per U.S.\$1.00 as part of the pesification process in 2002. *Boconba* issued after the pesification process are denominated in pesos.
- *Eurobonds* are bonds issued by the Province in the international capital markets since 1995, including securities issued under the Province's U.S.\$3.2 billion Euro Medium-Term Note program ("EMTN Program") established in 1998. All of the Existing Bonds are Eurobonds.
- *Boden* are bonds that the federal government began to issue in 2002 to compensate individuals and financial institutions affected by some of the emergency measures adopted by the federal government during the recent economic crisis.
- *Bogar* are bonds issued by the federally administered *Fondo Fiduciario para el Desarrollo Provincial* (Provincial Development Fund) in order to restructure debt obligations of Argentina's provinces, including the Province. The Province indirectly guarantees payments on these bonds, up to an amount equal to 15% of the federal tax co-participation revenues to which it is entitled, through an assignment to the Provincial Development Fund of such portion of those revenues. Although the federal government instructs the trustee of the Provincial Development Fund to make any remaining payments due on these bonds, the Province has an obligation to reimburse the Provincial Development Fund for any amounts paid on these bonds.

Currency of Presentation

Unless otherwise specified, references in this offering memorandum to "dollars," "U.S. dollars," "U.S.\$" and "\$" are to the currency of the United States of America, references to "euros" or "€" are to the currency of the European Union, references to "pesos" and "Ps." are to Argentine pesos, references to "Swiss francs" and "Sfr." are to the currency of Switzerland and references to "yen" and "¥" are to the currency of Japan.

The Province publishes most of its economic indicators and other statistics in pesos. From April 1, 1991 through January 6, 2002, the amounts presented to reflect economic indicators were the same in dollars and in pesos due to the fixed one-to-one dollar/peso exchange rate that prevailed during this period. 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.

During the period from January 6, 2002, through February 11, 2002, the following two separate peso-dollar exchange rates were in place:

- the official rate, set at Ps.1.40 per U.S. dollar, used for export transactions, selected imports and capital payments, and

- the unofficial rate (or market exchange), a floating rate that applied to all other transactions.

Since February 2002, the peso floats against other currencies, although the Central Bank purchases or sells U.S. dollars on the currency exchange market on a regular basis in order to minimize fluctuations in the value of the peso. The table below sets forth nominal exchange rate figures:

Nominal Exchange Rates (pesos per U.S. dollar)

	Average	Period-end
2000	1.00	1.00
2001	1.00	1.00
2002	3.07	3.36
2003	2.95	2.94
2004	2.94	2.98
January	2.89	2.93
February	2.93	2.92
March	2.89	2.86
April	2.83	2.84
May	2.92	2.96
June	2.96	2.96
July	3.00	2.98
August	3.01	3.00
September	2.99	2.98
October	2.97	2.97
November	2.95	2.94
December	2.97	2.98
2005		
January	2.94	2.92
February	2.92	2.94
March	2.85	2.92
April	2.90	2.91
May	2.89	2.89
June	2.88	2.89
July	2.87	2.86
August	2.89	2.91
September	2.91	2.91

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.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All annual information presented in this offering memorandum is based upon January 1 to December 31 periods, unless otherwise indicated. Totals in some tables in this offering memorandum may differ from the sum of the individual items in those tables due to rounding.

Unless otherwise stated, prices and figures are stated in current values of the currency presented.

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

Certain information presented in this offering memorandum relating to the national economy of Argentina is included only for the purpose of providing context for the information presented relating to the economy of the Province. General information relating to the national economy of Argentina can be found in the Registration Statement of the Republic of Argentina, dated January 27, 2005, on file with the U.S. Securities and Exchange Commission. Such information may only be accurate as of the date indicated therein, however, and the Province makes no representation regarding the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS

This offering memorandum may contain forward-looking statements, which are statements that are not historical facts, including statements about the Province's beliefs and expectations. These statements are based on the Province's current plans, estimates and projections. Therefore you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made. The Province undertakes no obligation to update any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties, including, but not limited to, those set forth in "Risk Factors" in this offering memorandum. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. The information contained in this offering memorandum identifies important factors that could cause such differences. Such factors include, but are not limited to:

- adverse domestic factors, such as increases in inflation, high domestic interest rates and exchange rate volatility. Each of these factors could lead to lower economic growth;
- adverse external factors, such as changes in international prices (including commodity prices) for goods produced within the Province, high international interest rates and recession or low economic growth in Argentina's trading partners. Changes in international prices and recession or low economic growth in Argentina's trading partners could decrease the value of exports from the Province, induce a contraction of the Province's economy and, indirectly, reduce tax revenues and other public sector revenues and adversely affect the Province's accounts; and
- other adverse factors, such as climatic or political events, international or domestic hostilities and political uncertainty.

SUMMARY

The following constitutes a summary of the main characteristics and risks associated with the Province and the New Bonds. This summary does not purport to be complete and must be read as an introduction to this offering memorandum. Any decision to invest in the New Bonds should be based on a consideration of this offering memorandum as a whole, including the risks described under "Risk Factors." Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area, no civil liability will attach to the Province in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this offering memorandum. Where a claim relating to the information contained in this offering memorandum is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Selected Economic Information (in billions of pesos unless otherwise indicated)

	For the year ended as of December 31,				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003⁽¹⁾</u>	<u>2004⁽¹⁾</u>
ECONOMY					
Real GDP (in billions of 1993 pesos)	93.6	88.8	79.4	88.1	96.7
Rate of change from prior year	(2.0)%	(5.0)%	(10.6)%	10.9%	9.9%
Provincial GDP as a % of National GDP	34.4%	34.9%	34.9%	35.9%	36.1%
Nominal GDP	97.9	93.8	109.1	135.0	161.6
Inflation (as measured by CPI)	(0.7)%	(1.5)%	41.0%	3.7%	6.1%
Unemployment rate ⁽²⁾	16.7%	20.8%	20.4%	17.8%	14.9%
PUBLIC SECTOR FINANCES					
Total Revenues	8.7	7.7	9.4	11.2	14.9
As a % of GDP	9.0%	8.4%	8.8%	8.7%	9.7%
Total Expenditures (excluding interest expenses)	10.3	11.4	9.9	10.9	14.1
As a % of GDP	10.7%	12.5%	9.3%	8.5%	9.2%
Primary fiscal balance ⁽³⁾	(1.7)	(3.8)	(0.5)	0.3	0.8
As a % of GDP	(1.7)%	(4.1)%	(0.5)%	0.2%	0.5%
Total Surplus (Deficit) ⁽⁴⁾	(2.0)	(4.4)	(0.8)	(0.2)	0.2
As a % of GDP	(2.1)%	(4.8)%	(0.8)%	(0.2)%	0.3%
Overall financial result	(0.1)	(1.4)	1.6	0.2	0.5
As a % of GDP	(0.1)%	(1.5)%	1.5%	0.1%	0.3%
PUBLIC SECTOR DEBT					
Peso-denominated debt	0.6	2.1	14.9	16.1	17.2
Foreign currency denominated debt ⁽⁴⁾	6.4	8.8	11.8	11.3	12.0
Total debt ⁽⁵⁾	6.9	10.9	26.8	27.4	29.2
Total debt (in billions of U.S.\$) ⁽⁵⁾	6.9	10.9	7.9	9.3	9.8
Debt as a % of GDP ⁽⁵⁾	7.2%	11.9%	25.0%	21.3%	19.0%
Debt as a % of total revenues ⁽⁵⁾	80.1%	141.8%	284.0%	244.6%	196.0%

(1) Preliminary data.

(2) As of October of each of 2000, 2001 and 2002, and for the second half of each of 2003 and 2004.

(3) Excluding interest payments and net borrowings (repayments).

(4) Excluding net borrowings (repayments).

(5) Excluding past due interest payments.

Sources: Provincial Office of Statistics; Ministry of Economy of the Province; Federal Ministry of Economy and Production.

The Province

Introduction

General

The Province is the largest of the 23 provinces of Argentina, with a population of approximately 13.8 million inhabitants. It is located in the central-eastern part of the country, in a region known as the “Pampas”. The capital of the Province is the city of La Plata.

Provincial Government, Political Parties and Recent Political History

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

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

Historically, the two largest and most traditional political parties in Argentina have been the *Partido Justicialista*, or the PJ Party and the *Unión Cívica Radical*, or the UCR Party, which have broad-based support across the country, followed by *Afirmación para una República Igualitaria*, or the ARI Party, and *Recrear para el Crecimiento*, or the Rebuild for Growth Party. Recently, however, former members of the PJ Party led by the President of Argentina, Néstor Kirchner, and the Governor of the Province, Felipe Solá, formed a new rival political party known as *Frente para la Victoria*, or Front for Victory, which obtained the most votes in the national and provincial legislative elections held in October 2005. The current terms of the President of Argentina and the Governor of the Province both expire in December 2007.

The Provincial Economy

Overview

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

In 1991, the federal legislature enacted the Convertibility Law, which established a fixed exchange rate of the peso and the dollar at Ps.1.00 per U.S.\$1.00 in order to stabilize the inflation rate. Although the Convertibility regime and other free-market initiatives of the federal government temporarily achieved price stability, increased the efficiency and productivity of the economies of Argentina and the Province and attracted significant foreign investment to Argentina, including the Province, the dependence of Argentina’s economy on the in flow of foreign capital increased its vulnerability to external shocks, led to over-reliance on certain economic sectors, and restricted the Central Bank’s ability to provide credit.

During the second half of 2001, the Province, along with all of Argentina, entered a state of severe economic crisis. During the months leading up to the onset of the crisis, the Province took measures intended to brace its economy for the impending crisis, including the issuance of *Patacones*, a provincial quasi-currency bond. As a consequence of this highly unstable political and economic situation, the Province’s real GDP declined in 2001 and 2002 and its unemployment rate increased.

In 2002, the federal government abandoned the Convertibility regime in response to Argentina's economic crisis, which resulted in the peso losing significant value, compulsorily and unilaterally froze bank deposits and converted dollar-denominated deposits held by Argentine banks to pesos. The period was marked by a total absence of any domestic and external credit.

The Province's economy began to stabilize in the third quarter of 2002 as a result of favorable adjustments in Argentina's foreign trade balance and an expansionary federal monetary policy. During 2003 and 2004, the Argentine economic recovery broadened and accelerated and the Province experienced growth in its GDP, employment rates and wages.

Principal Sectors of the Economy

The Province has a diversified economy. The most significant of the Province's economic production sectors are manufacturing, real estate and other business activities, wholesale and retail commerce, transportation, storage and communications, education, health and social services, agriculture, livestock, hunting and forestry, and construction.

The Province's manufacturing sector is the single largest contributor to provincial GDP. The manufacturing sector is highly diversified and, historically, food and beverage production and chemicals have been the most significant contributors to production within this sector. Manufacturing activity within the Province registered relative increases in most production areas during 2004 and 2003 as compared to 2003 and 2002 levels, respectively.

Public Sector Finances

Overview

The Province recorded primary balance deficits (excluding interest expense) every year from 2000 through 2002, as Argentina's economic recession, which began in 1998, deepened and Argentina entered a state of severe economic crisis in 2001. The Province's primary balance deficit declined in 2002 and the Province recorded primary balance surpluses in each of 2003 and 2004, despite an increase in the Province's expenditures during this period, as Argentina's economic recovery, which began in the second half of 2002, broadened and accelerated.

The Province's fiscal policy since 2000 has focused on preserving its financial liquidity, particularly during the 2001-2002 national economic crisis, and on reducing its fiscal deficits and improving its financial position, particularly following the crisis.

Main Sources of Revenues

Approximately 90% of the Province's revenues are derived from taxes, either federal or provincial. On average, from 2000 to 2004, provincial tax collections represented 48% of total revenues, while federal tax transfers represented 40% of such revenues.

The federal government is required by law to transfer to a federal co-participation fund 100% of all revenues from consumption taxes levied on various non-basic goods, 89% of value-added tax revenues, 64% of income tax revenues and 30% of financial transactions tax revenues. Under the federal tax co-participation law, 15% of all funds eligible for co-participation are allocated to the federal social security system. The balance of these funds is distributed among the federal government, the City of Buenos Aires and the provinces, with 41.6% of the balance being allocated to the federal government for its other needs and for transfers to the City of Buenos Aires and 57.4% being allocated to the provinces to be shared among them according to percentages set forth in the federal tax co-participation law. The Province is currently entitled to 21.7% of the funds allocated to the provinces. Although the Province has repeatedly requested an increase in the funds allocated to the provinces under the tax co-participation regime to ensure that each province is able to offer essential public services to its population, its efforts to increase its allocation of tax co-participation funds have met with little success.

Historically, the main source of the Province's revenues has been the collection of the following five main provincial taxes: (i) a gross revenues tax, which is the single largest source of provincial tax revenue, (ii) a real estate tax, (iii) a tax on automobiles registered in the Province, (iv) a stamp tax levied on several categories of agreements and transactions entered into within its territory and (v) an energy tax.

The Province also derives non-tax revenues from various sources, including transfers of net profits or surpluses from such provincial entities as the Institute of Lotteries and Casinos and the Loan Recovery Trust, fees collected by the provincial judicial system, and interest accrued on the Province's deposits with Banco Provincia.

Composition of Expenditures

The Province's expenditures are allocated to education, health programs, social programs, municipalities, investments in public infrastructure and services, police, courts, prisons and general provincial administration. Combined spending on education, health programs, social programs and police, courts and prisons accounts for approximately 70% of the Province's total expenditures.

The Province's expenditures are classified as current and capital expenditures. Current expenditures consist of costs of personnel, goods and services and current transfers. Personnel expenditures comprise the largest component of the Province's total expenditures, representing approximately one half of total expenditures in each year since 2000. Capital expenditures include real direct investment, loans and capital contributions to provincial enterprises and loans and transfers to municipalities for public works.

Fiscal Result

The Province achieved primary and overall fiscal surpluses in each of 2003 and 2004 after registering an overall fiscal surplus (despite a primary fiscal deficit) in 2002, and registering primary and overall fiscal deficits in each of 2000 and 2001. The trend of these results has followed Argentina's economic crisis, beginning in 2001, and subsequent economic recovery, beginning in the second half of 2002 and continuing through 2004.

In 2004, the Province's primary surplus registered a 129.5% increase, to Ps.758 million, from Ps.330 million in 2003, while the overall financial surplus increased by 163.0%, to Ps.543 million, from Ps.206 million in 2003, reflecting the improvement of the Province's primary balance.

In the six-month period ended June 30, 2005, the Province's primary surplus decreased by approximately Ps.634 million, or 62.9%, to Ps.375 million compared to Ps.1.0 billion during the same period in 2004. This decline in the primary balance resulted from a 32.2% increase in total expenditures (mainly due to a 32.7% increase in personnel expenditures) during the first six months of 2005, compared to the same period in 2004, despite an 18.8% increase in total revenues during the same period. The Province recorded an overall fiscal deficit of Ps.378 million during the six-month period ended June 30, 2005 (despite a total surplus of Ps.135 million during this period), compared to an overall fiscal surplus of Ps.1.3 billion during the same period in 2004. The overall fiscal deficit in the first six months of 2005 was due to Ps.514 million in net repayments during this period, compared to Ps.372 million in net borrowings during the same period in 2004.

The 2005 Budget

Pursuant to the constitution of the Province, the executive branch must submit a draft budget law for each upcoming year during the prior year. The budget represents an estimation of future revenues and also constitutes an authorization of, and a limit on, expenditures and indebtedness by the Province for the budgeted period. The provincial legislature has broad powers to amend or reject the draft budget law submitted by the executive branch.

The executive branch of the Province submitted its proposed budget for 2005 to the legislature, which the legislature approved after amending it to eliminate the executive branch's authority subsequently to make certain key modifications, which authority had been contained in prior budgets in the past two decades. Because of this amendment, the Governor vetoed the 2005 budget approved by the provincial legislature and, as provided by the provincial constitution, the effectiveness of the 2004 provincial budget was automatically extended through 2005.

The 2004 budget contains a provision authorizing the executive branch to modify the amount and allocation of expenditures within the limits of actual revenues received, which would allow the executive branch to adjust the 2004 budget as necessary to match anticipated expenditures in 2005. As a result, the executive branch has modified the extended 2004 budget on several occasions during 2005 to reflect the Province's actual revenues and expenditures during this period. A small group of provincial legislators from the UCR Party, however, has challenged the legality of the extension of this power before a provincial court, and a decision is still pending in the Supreme Court of the Province. If the Supreme Court were to rule in favor of the legislators, the legal status of the expenditures already incurred in 2005 in excess of the amounts provided in the 2004 budget would remain unclear and the executive branch would no longer be able to adjust the 2004 budget to reflect the Province's operating needs in 2005.

The AF 2005

In June 2005, the Province and the federal government entered into the *Acuerdo de Asistencia Financiera 2005* (2005 Financial Assistance Agreement or AF 2005), which sets forth the Province's projected revenues, expenditures and financing requirements for 2005 that were included in the 2005 budget, as adjusted to reflect actual results for the first quarter of 2005 and updated macroeconomic assumptions and projections for the remainder of the year. The Province believes that the AF 2005 contains the most recent budgetary assumptions and fiscal targets for 2005, although it does not constitute an authorization under provincial law to expend monies, which requires legislative approval. As a result, the Province may only take these actions within the limits of the 2004 budget, subject to the Governor's amendment powers that are currently under dispute before the Supreme Court.

The AF 2005 forecasts a decrease in the primary balance, to a surplus of Ps.337 million, as compared to the actual primary balance in 2004, and the Province expects to finance a projected Ps.359 million overall financial deficit with the previous year's surplus.

Public Sector Debt

Overview

Prior to 2001, the Province financed the vast majority of its needs through the domestic and international capital markets and through loans from multilateral, bilateral and commercial lenders, including Banco Provincia. As of December 31, 2000, the total outstanding indebtedness of the Province amounted to approximately U.S.\$6.9 billion, of which 41.4% was owed to domestic and international bondholders, 34.8% to Banco Provincia and 12.7% to multilateral creditors. During the economic crisis of 2001, however, the Province was unable to access these sources of financing and, since then, the federal government has become the Province's largest creditor and its main source of financing. As of December 31, 2004, the total outstanding indebtedness of the Province amounted to approximately U.S.\$9.8 billion, of which 56.5% was owed to the federal government, 32.2% to international bondholders and, to a lesser extent, domestic bondholders and 8.5% to multilateral creditors. At June 30, 2005, the federal government held 60.0% of the Province's total outstanding indebtedness, bondholders held 29.1% and multilateral creditors held 8.3%. Together, these three creditor groups held approximately 97.4% of the Province's total outstanding indebtedness as of June 30, 2005.

Evolution of Debt: 2000-2004

Because of the economic crisis, the Province suspended principal and interest payments on its indebtedness with effect as of December 31, 2001. The Province eventually adopted the federal government's policy of rescheduling debt obligations under a sustainable development plan.

Beginning in mid-2002, the Province took part in a debt restructuring process implemented by the federal government, in which the federal government issued *Bogar*. Pursuant to this restructuring process, approximately half of the Province's indebtedness was converted into long-term debt owed to the federal government. As of December 31, 2004, the aggregate principal amount outstanding of *Bogar* issued in exchange for debt of the Province equaled approximately Ps.11.7 billion.

In October 2002, in accordance with provincial Law No. 12,973, the Province mandated the pesification of all dollar-denominated provincial and municipal debt obligations governed by Argentine law at a rate of Ps.1.4 per one U.S. dollar, but provided creditors with the alternative option to exchange such debt obligations for a new dollar-denominated provincial bond known as the Law No. 12,973 Bond.

Also in 2002, the federal government created the *Programa de Financiamiento Ordenado* (Orderly Financing Program), or PFO, as part of a broader initiative to assist the provinces and the City of Buenos Aires, pursuant to which the federal government signed bilateral fiscal agreements with a number of provinces, including the Province, in 2002, 2003 and 2004. Among other things, the PFO agreement for 2004 provides for the restructuring of the Province's indebtedness to the federal government that resulted from the federal government's payments from 2002 through 2004 of certain debt obligations to multilateral lenders on behalf of the Province.

In 2003, the Province participated in the *Programa de Unificación Monetaria* (Monetary Unification Program), or PUM, pursuant to which various federal and provincial quasi-currency instruments were redeemed and withdrawn from circulation, including *Patacones* issued by the Province, and holders were compensated in pesos using the proceeds of the issuance of federal government bonds, known as *Boden 2011*. Approximately 99% of the aggregate outstanding principal amount of *Patacones* were redeemed in exchange for *Boden 2011*. The Province is required to reimburse the federal government for any payments made by the federal government in respect of *Boden 2011* issued in exchange for *Patacones*. As of December 31, 2004, the aggregate outstanding principal amount of *Boden 2011* issued in exchange for *Patacones* was approximately Ps.2.5 billion.

Debt Denominated in Foreign Currencies

The Province has issued various types of debt securities in different currencies in the international capital markets since 1995, including securities issued under its U.S.\$3.2 billion euro medium-term note program ("EMTN Program") established in 1998. Since January 2002, the Eurobonds have been subject to the suspension of payments declared by the Province. As of December 31, 2004, the aggregate outstanding principal amount of Eurobonds denominated in dollars was equal to approximately U.S.\$682.9 million, the aggregate outstanding principal amount of Eurobonds denominated in euro was equal to approximately €1,529.2 million, the aggregate outstanding principal amount of Eurobonds denominated in yen was equal to approximately ¥2,080.0 million and the aggregate outstanding principal amount of Eurobonds denominated in Swiss francs was equal to approximately Sfr.268.3 million. The aggregate outstanding principal amount of Eurobonds as of December 31, 2004, expressed in U.S. dollars, was equal to approximately U.S.\$3.0 billion.

The World Bank and the IADB have extended several credit facilities to the Province, under which the latest final maturity occurs in 2022. In most cases, these facilities are extended to the federal government, which makes the proceeds available to the relevant provincial agencies or entities. As of December 31, 2004, the Province had obtained 24 such multilateral credit facilities, and the outstanding principal amount owed to the World Bank and the IADB totaled U.S.\$837 million. In January 2005, the World Bank extended the Province an additional direct loan, conditioned upon the Province's achievement of specific fiscal benchmarks and its successful completion of a comprehensive provincial infrastructure project, in a total amount equal to U.S.\$200 million, with an option for the Province to increase the total loan amount by an additional U.S.\$150 million.

Member states of the OECD have extended loans or credit facilities to the Province for various purposes. The Province is currently in default on these loans and credit facilities, which have not been serviced since December 2001. The Province has authorized the federal government to conduct negotiations on its behalf to restructure these loans and facilities.

Banco Provincia

Banco Provincia is the oldest bank in Latin America, the second largest bank in Argentina in terms of total deposits and the third largest in terms of assets, with deposits of Ps.13.0 billion (representing 10.0% of the total deposit base of Argentina) and total assets of Ps.21.0 billion at June 30, 2005. The Province is the sole owner of Banco Provincia.

Banco Provincia is a self-administered public institution (*entidad autárquica*) governed by a board of directors appointed by the Governor of the Province with the approval of the provincial Senate. Banco Provincia acts as the financial agent of the Province and collects provincial taxes and duties on the Province's behalf.

The Province guarantees all deposits and other liabilities of Banco Provincia. However, creditors of Banco Provincia that seek to enforce the guarantee must exhaust all legal remedies against Banco Provincia before requesting payment from the Province under the guarantee.

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

At June 30, 2005, the assets of Banco Provincia totaled approximately Ps.21.0 billion, representing a 46.9% increase as compared to its total assets of Ps.14.3 billion at December 31, 2000. As a result of the measures adopted by the federal government in 2002 and 2003, Banco Provincia's asset structure has changed with respect to periods preceding the crisis, which has resulted primarily in a larger exposure to the Argentine public sector and, particularly, the federal government. At June 30, 2005, Banco Provincia's exposure to the public sector totaled approximately Ps.12.2 billion, accounting for approximately 58.1% of its total assets at that date.

Historically, Banco Provincia's main source of funds has been deposits. In recent years, however, Banco Provincia has increasingly relied on other sources of funds, including financing from the Central Bank, as a result of Argentina's economic crisis. Consequently, the proportion of total liabilities represented by deposits has declined from 73.1% at December 31, 2000, to 58.7% at December 31, 2004, while liabilities from financial brokerage activities increased from 21.4% of total liabilities at December 31, 2000 to 38.8% of total liabilities at December 31, 2004. At December 31, 2004, deposits totaled Ps.11.7 billion. At June 30, 2005, deposits represented 65.5% of total liabilities.

Banco Provincia is required to repay the amount of any temporary financial assistance received on or before March 28, 2003 from the Central Bank (which amounts to Ps.4.4 billion) in 70 monthly and equal installments in CER-adjusted pesos. At June 30, 2005, Banco Provincia's total outstanding indebtedness to the Central Bank in connection with temporary financial assistance was equal to approximately Ps.4.2 billion. The Central Bank is entitled to extend this repayment schedule to up to 120 months. In June 2003, Banco Provincia requested such an extension of the repayment schedule of its temporary financial assistance obligations. To date, however, no extension has been approved and Banco Provincia has been making installment payments of principal and interest on these obligations in accordance with the initial 70-month schedule since March 2004.

The Offer

The Offer The Province is inviting holders of Existing Bonds to tender their Existing Bonds for cancellation in exchange for newly issued New Bonds on the terms and subject to the conditions set forth in this offering memorandum and the related electronic letter of transmittal.

The Early Tender Deadline for the Offer is 4:00 P.M., Central European Time, on December 2, 2005, unless the Province in its sole discretion extends it.

The Offer expires at 4:00 P.M., Central European Time, on December 16, 2005, unless the Province in its sole discretion extends it or terminates it earlier. We refer to the date on which the Offer expires as the “Expiration Date.”

Offering Restrictions; Eligible Holders

You are not eligible to receive or review this offering memorandum or to participate in the Offer unless you have previously completed and returned to the Province or the information agent a letter of eligibility in the form we have previously distributed, and:

- 1) you are a qualified institutional buyer as defined in Rule 144A under the Securities Act and are participating in the Offer for your account or for the account of a qualified institutional buyer; or
- 2) you either:
 - are not in the United States (as contemplated by Rule 903(a)(1) of Regulation S under the Securities Act); or
 - are a dealer or other professional fiduciary organized, incorporated, or (if an individual) resident in the United States holding a discretionary account or similar account (other than an estate or trust) for the benefit or account of a non-U.S. person (as contemplated by Rule 903(a)(1) of Regulation S under the Securities Act); and
- 3) your receipt and review of the offering memorandum, and your participation in the Offer, is otherwise permitted under the laws and regulations of any other jurisdiction applicable to you.

We refer to holders of Existing Bonds who meet the foregoing criteria as “eligible holders.”

For a description of certain restrictions on resale or transfer of the New Bonds, see “Transfer Restrictions” in this offering memorandum.

Italian Residents

Holders of Existing Bonds who are Italian residents should not use this document as a source of information or for instructions on how to tender their Existing Bonds. A separate document describing the terms of the Offer, including the appropriate procedures for Italian residents wishing

to participate in the Offer, has been prepared in the Italian language and the Offer has been registered with the *Commissione Nazionale per le Società e la Borsa* (“Consob”) for such Italian residents.

**Existing Bonds; Principal Amount
Currently Outstanding**

The Existing Bonds eligible to participate in the Offer, and the principal amount currently outstanding are:

Existing Bonds	Amount Outstanding
USD Zero Coupon due 2002	USD 63,403,000
USD 12.50% due 2002	USD 111,004,000
EUR 7.875% due 2002	EUR 78,171,000
EUR 9% due 2002	EUR 99,259,000
EUR 10.25% due 2003	EUR 294,990,000
JPY 4.25% due 2003	JPY 2,080,000,000
USD 12.75% due 2003	USD 80,333,000
CHF 7.75% due 2003	CHF 267,050,000
EUR 10.375% due 2004	EUR 296,242,000
EUR 9.75% due 2004	EUR 173,785,000
EUR 10% due 2004	EUR 97,927,000
EUR 10.75% due 2005	EUR 309,986,000
EUR 10.625% due 2006	EUR 147,541,000
USD FRNs due 2006	USD 43,750,000
USD 13.75% due 2007	USD 119,416,000
USD 13.25% due 2010	USD 263,479,000

See “Terms of Offer” for clearing reference numbers for each series of Existing Bonds.

Consideration to Be Received

If you are an eligible holder, you may exchange your Existing Bonds for any of the following New Bonds, in the amounts described below:

- Long Term Par Bonds, denominated in U.S. dollars or euro;
- Medium Term Par Bonds, denominated in U.S. dollars or euro (subject to a pro rata allocation, as described below under “—Allocation of Medium Term Par Bonds”); or
- Discount Bonds, denominated in U.S. dollars or euro (subject to a pro rata allocation, as described below under “—Allocation of Discount Bonds”).

The principal amount of New Bonds that you will receive in exchange for your Existing Bonds is as follows (depending on the New Bonds you elect to receive):

- an amount of Long Term Par Bonds equal to the aggregate of (i) 100% of the principal amount of your Existing Bonds and (ii) an additional amount calculated by reference to accrued and unpaid interest with respect to these Existing Bonds, such aggregate amount being adjusted by the applicable currency exchange rate to convert such amount into U.S. dollars or euro, as appropriate; or
- subject to the pro rata allocation described below, an amount of Medium Term Par Bonds equal to the aggregate of (i) 100% of the

principal amount of your Existing Bonds and (ii) an additional amount calculated by reference to accrued and unpaid interest with respect to these Existing Bonds, such aggregate amount being adjusted by the applicable currency exchange rate to convert such amount into U.S. dollars or euro, as appropriate; or

- subject to the pro rata allocation described below, an amount of Discount Bonds equal to the aggregate of (i) the percentage of the principal amount of your Existing Bonds specified in the table below and (ii) an additional amount calculated by reference to accrued and unpaid interest with respect to these Existing Bonds, such aggregate amount being adjusted by the applicable currency exchange rate to convert such amount into U.S. dollars or euro, as appropriate. The percentages set forth in the table below will not apply to the additional amount specified in (ii) of the preceding sentence, which you will receive in full.

Percentage of Principal Amount of Existing Bonds Used to Determine Amount of Discount Bonds Received

Existing Bonds	Percentage
USD Zero Coupon due 2002	42%
USD 12.50% due 2002	39%
EUR 7.875% due 2002	41%
EUR 9% due 2002	42%
EUR 10.25% due 2003	39%
JPY 4.25% due 2003	41%
USD 12.75% due 2003	39%
CHF 7.75% due 2003	42%
EUR 10.375% due 2004	39%
EUR 9.75% due 2004	40%
EUR 10% due 2004	40%
EUR 10.75% due 2005	39%
EUR 10.625% due 2006	40%
USD FRNs due 2006	42%
USD 13.75% due 2007	39%
USD 13.25% due 2010	39%

Annex A to this offering memorandum contains sample calculations related to the determination of amounts of New Bonds to be issued in exchange for the cancellation of tendered Existing Bonds.

Limit on Issuance of Medium

Term Par Bonds

The Province will issue, in respect of the Offer, Medium Term Par Bonds up to a maximum aggregate U.S. dollar-equivalent principal amount of U.S.\$750,000,000.

Limit on Issuance of Discount

Bonds.....

The Province will issue, in respect of the Offer, Discount Bonds up to a maximum aggregate U.S. dollar-equivalent principal amount of U.S.\$500,000,000.

No Limit on Issuance of Long**Term Par Bonds.....**

There is no limit on the issuance of Long Term Par Bonds in respect of the Offer.

Allocation – General

For purposes of implementing the allocation process of the Medium Term Par Bonds and the Discount Bonds, for each tendering holder's account that tenders an Existing Bond whose principal amount exceeds U.S.\$50,000, euro 40,000, Swiss francs 60,000 or yen 5,000,000, as the case may be (each a "U.S.\$50,000 equivalent"), the principal amount of this Existing Bond will be split by your custodian into the following two components and tendered separately:

- one component will comprise the principal amount of this Existing Bond equal to U.S.\$50,000 equivalent; and
- the other component will comprise the principal amount of this Existing Bond in excess of U.S.\$50,000 equivalent.

All tenders electing to receive either Medium Term Par Bonds or Discount Bonds will be considered to be in one of the following two categories:

- "basket A," which will consist of all tenders whose principal amount is up to and including U.S.\$50,000 equivalent (including the U.S.\$50,000 equivalent component of an Existing Bond whose principal amount exceeds U.S.\$50,000 equivalent, as described above); and
- "basket B," which will consist of all such tenders not in "basket A."

No tendering holder's account can submit more than U.S.\$50,000 equivalent of any series of Existing Bonds in basket A.

Allocation of Medium Term Par**Bonds.....**

The Province will allocate the maximum aggregate principal amount of Medium Term Par Bonds among eligible holders that elect to receive Medium Term Par Bonds in the following order of priority:

- *First, among early tenders within basket A.* Eligible holders who tender their Existing Bonds prior to the Early Tender Deadline (whom we refer to as "early-tender holders") and whose tender is in basket A, will be entitled to receive Medium Term Par Bonds in exchange for their tendered Existing Bonds. If such allocation exceeds the maximum aggregate principal amount of Medium Term Par Bonds, the Province will allocate this maximum amount among these early-tender holders on a pro rata basis.
- *Second, among late tenders within basket A.* If, after the first allocation, the Province has not allocated in full the maximum aggregate principal amount of Medium Term Par Bonds, holders who tender their Existing Bonds after the Early Tender Deadline (whom we refer to as "late-tender holders") and whose tender is in basket A, will be entitled to receive Medium Term Par Bonds in

exchange for their tendered Existing Bonds. If such allocation exceeds the remainder of Medium Term Par Bonds available after the first allocation, the Province will allocate this remainder among these late-tender holders on a pro rata basis.

- *Third, among early tenders within basket B.* If, after the first and second allocation, the Province has not allocated in full the maximum aggregate principal amount of Medium Term Par Bonds, early-tender holders whose tender is in basket B will be entitled to receive Medium Term Par Bonds in exchange for their tendered Existing Bonds. If such allocation exceeds the remainder of Medium Term Par Bonds available after the first and second allocations, the Province will allocate this remainder among these early-tender holders on a pro rata basis.
- *Fourth, among late tenders within basket B.* If, after the first, second and third allocation, the Province has not allocated in full the maximum aggregate principal amount of Medium Term Par Bonds, late-tender holders whose tender is in basket B will be entitled to receive Medium Term Par Bonds in exchange for their tendered Existing Bonds. If such allocation exceeds the remainder of Medium Term Par Bonds available after the first, second and third allocations, the Province will allocate this remainder among these late-tender holders on a pro rata basis.

If the demand for Medium Term Par Bonds exceeds the principal amount of Medium Term Par Bonds available in the Offer, Existing Bonds not exchanged for Medium Term Par Bonds as a result of the allocation described above will be exchanged for Long Term Par Bonds in the same currency as requested for the Medium Term Par Bonds in an amount calculated as described above under “Consideration to be Received.”

Allocation of Discount Bonds

The Province will allocate the maximum aggregate principal amount of Discount Bonds among eligible holders that elect to receive Discount Bonds in the following order of priority:

- *First, among early tenders within basket A.* Eligible holders who tender their Existing Bonds prior to the Early Tender Deadline (whom we refer to as “early-tender holders”) and whose tender is in basket A, will be entitled to receive Discount Bonds in exchange for their tendered Existing Bonds. If such allocation exceeds the maximum aggregate principal amount of Discount Bonds, the Province will allocate this maximum amount among these early-tender holders on a pro rata basis.
- *Second, among late tenders within basket A.* If, after the first allocation, the Province has not allocated in full the maximum aggregate principal amount of Discount Bonds, holders who tender their Existing Bonds after the Early Tender Deadline (whom we refer to as “late-tender holders”) and whose tender is in basket A, will be entitled to receive Discount Bonds in exchange for their tendered Existing Bonds. If such allocation exceeds the remainder of Discount Bonds available after the first allocation, the Province will allocate this remainder among these late-tender holders on a

pro rata basis.

- *Third, among early tenders within basket B.* If, after the first and second allocation, the Province has not allocated in full the maximum aggregate principal amount of Discount Bonds, early-tender holders whose tender is in basket B will be entitled to receive Discount Bonds in exchange for their tendered Existing Bonds. If such allocation exceeds the remainder of Discount Bonds available after the first and second allocations, the Province will allocate this remainder among these early-tender holders on a pro rata basis.
- *Fourth, among late tenders within basket B.* If, after the first, second and third allocation, the Province has not allocated in full the maximum aggregate principal amount of Discount Bonds, late-tender holders whose tender is in basket B will be entitled to receive Discount Bonds in exchange for their tendered Existing Bonds. If such allocation exceeds the remainder of Discount Bonds available after the first, second and third allocations, the Province will allocate this remainder among these late-tender holders on a pro rata basis.

If the demand for Discount Bonds exceeds the principal amount of Discount Bonds available in the Offer, Existing Bonds not exchanged for Discount Bonds as a result of the allocation described above will be exchanged for Long Term Par Bonds in the same currency as requested for the Discount Bonds, in an amount calculated as described above under “Consideration to Be Received.”

**Determination of Additional
Amount**

In determining the total consideration for the Offer, the Province has determined an additional amount of New Bonds that you will receive in exchange for your Existing Bonds, calculated by reference to accrued and unpaid interest with respect to these Existing Bonds. This additional amount, before being adjusted by the applicable currency exchange rate to convert such amount into U.S. dollars or euro, as appropriate, is set forth in the table below for each series of Existing Bonds and is equal to the sum of:

- past due interest, if any, on the principal amount of your Existing Bonds up to and including December 31, 2001, determined at the stated rate of interest for these Existing Bonds (except for the USD FRNs due 2006, for which a rate of 13.75% will be used), without compounding; and
- additional interest on the principal amount of your Existing Bonds computed at 2.00% per annum from and including January 1, 2002 (except for the USD Zero Coupon due 2002, which shall be from and including March 11, 2002), up to but excluding December 1, 2005, without compounding.

**Amount Per 1,000 Principal Amount of Existing Bonds
Used to Determine Additional Amount of New Bonds Received**

Existing Bonds	Past Due Interest	Additional Interest	Total
USD Zero Coupon due 2002	USD 0.00	USD 74.44	USD 74.44
USD 12.50% due 2002	USD 36.81	USD 78.33	USD 115.14
EUR 7.875% due 2002	EUR 36.97	EUR 78.33	EUR 115.30
EUR 9% due 2002	EUR 28.85	EUR 78.33	EUR 107.18
EUR 10.25% due 2003	EUR 94.36	EUR 78.33	EUR 172.69
JPY 4.25% due 2003	JPY 4.01	JPY 78.33	JPY 82.34
USD 12.75% due 2003	USD 53.13	USD 78.33	USD 131.46
CHF 7.75% due 2003	CHF 14.64	CHF 78.33	CHF 92.97
EUR 10.375% due 2004	EUR 88.73	EUR 78.33	EUR 167.06
EUR 9.75% due 2004	EUR 64.11	EUR 78.33	EUR 142.44
EUR 10% due 2004	EUR 49.32	EUR 78.33	EUR 127.65
EUR 10.75% due 2005	EUR 89.53	EUR 78.33	EUR 167.86
EUR 10.625% due 2006	EUR 49.80	EUR 78.33	EUR 128.13
USD FRNs due 2006	USD 35.52	USD 78.33	USD 113.85
USD 13.75% due 2007	USD 44.31	USD 78.33	USD 122.64
USD 13.25% due 2010	USD 33.86	USD 78.33	USD 112.19

Tendering Existing Bonds If your Existing Bonds are held in the name of a custodian or other securities intermediary, such as a broker, dealer, bank, trust company or trustee, you must contact such custodian or other securities intermediary and instruct it to tender your Existing Bonds on your behalf. You should contact your custodian or other securities intermediary well in advance of the Early Tender Deadline or Expiration Date, since your custodian may have earlier deadlines by which it must receive your instructions in order to have adequate time to submit your tender on time.

For more information on tendering your Existing Bonds, please see “Tender Procedures.”

Withdrawal Rights..... Any tender may be withdrawn for any reason, at any time prior to 4:00 P.M., Central European Time, on December 2, 2005, the “Withdrawal Deadline.”

For more information about the conditions for withdrawal, see “Terms of the Offer—Withdrawal Rights.”

Processing Fee The dealer manager will pay a processing fee for processing the tender of Existing Bonds, to certain banks and financial institutions that tender such Existing Bonds and who are direct participants in the Designated Clearing Systems. This processing fee will be paid only with respect to (i) tenders in basket A and (ii) tenders not in basket A of a series of Existing Bonds submitted from a tendering holder’s account that owns a principal amount of this series of Existing Bonds that is not more than one million U.S. dollars, one million euro, one million Swiss francs or 100 million yen, as the case may be. This processing fee will be an amount equal to 0.05% of the principal amount of the Existing Bonds in respect of which a request for the processing fee is made and will be paid only with respect to Existing Bonds that are ultimately accepted for exchange. This processing fee will be paid in U.S. dollars only, with non-U.S. dollar amounts being converted to U.S. dollars at the currency exchange rates specified under “Currency Exchange Rates.”

Income Tax Consequences	Please see the section entitled “Taxation” for important information regarding the possible tax consequences to bondholders that tender Existing Bonds pursuant to the Offer.
Dealer Manager	Citigroup Global Markets, Inc.
Information Agent	Bondholder Communications Group
Exchange Agent	Citibank, N.A., London Branch
Luxembourg Exchange Agent	Dexia Banque Internationale à Luxembourg S.A.
Risk Factors.....	Before deciding to tender your Existing Bonds in the Offer in exchange for the New Bonds, you should read carefully all of the information contained in this offering memorandum, including, in particular, the risk factors described under “Risk Factors.” These risks include: • Risks of not participating in the Offer, including: – Existing Bonds that are not tendered may remain in default indefinitely; and – The market for Existing Bonds may become illiquid, which may adversely affect their market value; • Risks of participating in the Offer, including: – The Province has broad discretion to limit, cancel or amend the terms of the Offer, which may affect the timing of the Offer and the ability of holders of Existing Bonds to sell their bonds; – Holders of Existing Bonds who do not participate in the Offer may attempt to prevent consummation of the Offer by seeking an injunction or pursuing other legal remedies; – Payments to holders of New Bonds may be attached, enjoined or otherwise challenged by holders of Existing Bonds that declined to participate in the Offer or by other creditors of the Province; – By tendering Existing Bonds pursuant to the Offer, holders will renounce and waive significant rights and interests, including the right to bring claims in litigation; – The Offer may be prorated if demand for Medium Term Par Bonds or Discount Bonds exceeds the maximum aggregate principal amount that the Province intends to issue, in which case the type of New Bonds you receive at settlement may differ from that which you elect to receive; and – Holders may experience delays and other difficulties in tendering Existing Bonds and in holding New Bonds through clearing systems other than the Designated Clearing Systems; • Risks relating to owning New Bonds, including: – There is no established trading market for the New Bonds; – Resales of New Bonds in the United States and certain other jurisdictions will be limited; and

- It may be difficult for holders to obtain or enforce judgments against the Province; and
- Risk relating to the Province, including:
 - The Province’s economic performance is subject to general economic conditions in Argentina and to decisions and measures adopted by the federal government;
 - The recent economic and financial crisis produced significant social and political tensions, which could worsen and have a material adverse effect on Province’s economic growth and its ability to service its public debt;
 - The Province is currently relying on the federal government to finance its fiscal deficit and, if such or other financing becomes unavailable, it could once again default on its debt;
 - The Province’s private sector remains significantly burdened by the impact of the recent economic crisis, which could have a material adverse effect on the Province’s economic growth and its ability to service its debt;
 - Fluctuations in the value of the peso could have a material adverse effect on the Province’s economy and its ability to service its debt obligations;
 - Unfavorable modifications of the federal tax co-participation regime may materially adversely affect the Province’s public finances and its ability to meet its debt service obligations;
 - Liquidity or other problems faced by Banco Provincia may have an adverse effect on the Province’s economic growth and cause the Province to incur unbudgeted expenditures;
 - Increased personnel expenditures in response to labor unrest could have a material adverse effect on the Province’s ability to service its debt, including the New Bonds;
 - The recent division of the governing political party may jeopardize the adoption and implementation of necessary fiscal and administrative measures;
 - The Province’s 2005 budget has not been and may not be approved, which could limit the provincial government’s ability to effectively manage the Province’s public sector in 2005; and
 - Any revisions to the Province’s official financial or economic data resulting from a subsequent review of such data by the relevant provincial bodies could reveal a different economic or financial situation in the Province, which could affect your evaluation of the Offer or the market value of the New Bonds.

The New Bonds

Common Terms

Indenture	The New Bonds are being issued under a trust indenture.
Ranking	The New Bonds of all series are direct, unconditional, unsecured and unsubordinated obligations of the Province, ranking, except as otherwise provided by law, <i>pari passu</i> , without any preference, among themselves and with all other present and future unsecured and unsubordinated Indebtedness (as defined in “Negative Pledge Covenant”) from time to time outstanding of the Province.
Withholding Tax and Additional Amounts	The Province will make payments in respect of the New Bonds without withholding or deduction for or on account of any present or future taxes, duties, levies, or other governmental charges withheld or assessed by Argentina or the Province (each, a “Relevant Jurisdiction”) or any authority in a Relevant Jurisdiction of whatever nature except as set forth in “Description of New Bonds—Additional Amounts.”
Negative Pledge Covenant	The New Bonds are subject to a negative pledge. See “Description of New Bonds—Negative Pledge Covenant.”
Collective Action Clauses	The New Bonds will be issued pursuant to a trust indenture that contains collective action clauses with provisions regarding future modifications to the terms of the New Bonds that differ from those applicable to the Existing Bonds. Under those provisions, modifications affecting reserve matters specified in the indenture, including modifications to payment and other key terms, may be made to any series of New Bonds with the consent of the holders of 75% of the aggregate principal amount outstanding of that series, and to all series of New Bonds with the consent of the holders of 85% of the aggregate principal amount outstanding of all series of New Bonds and 66-2/3% in aggregate principal amount outstanding of each series of New Bonds. See “Description of New Bonds—Meetings, Amendments and Waivers.”
Further Issues	The Province may from time to time create and issue additional bonds ranking <i>pari passu</i> with the New Bonds and having the same terms and conditions as any series of such New Bonds, or the same except for the amount of the first payment of interest on such additional bonds; provided that, in the event of any reopening of the Offer, in the case of the Discount Bonds and the Medium Term Par Bonds, the amount of additional bonds to be issued shall be limited to the maximum aggregate principal amount permitted to be issued in each such series. The Province may also consolidate the additional bonds to form a single series with any outstanding series of New Bonds.
Governing Law	New York
Denomination	The New Bonds will be issued in denominations of one unit of the currency in which they are denominated and integral multiples thereof.
Form and Settlement	The Province will issue each series of New Bonds in the form of one or more fully permanent global securities in fully registered form, without interest coupons attached, which will be registered in the name of a common depository of Euroclear and Clearstream, Luxembourg and which will be deposited on or before the Settlement Date with that common depository. See “Description of New Bonds—Registration and Book-Entry System.”

You may hold a beneficial interest in the global securities through Euroclear or Clearstream, Luxembourg as applicable, directly as a participant in one of those systems or indirectly through financial institutions that are participants in any of those systems. As an owner of a beneficial interest in the global securities, you will generally not be entitled to have your New Bonds registered in your name, will not be entitled to receive certificates in your name evidencing the New Bonds and will not be considered the holder of any New Bonds under the indenture for the New Bonds.

Listing Application has been made to list the New Bonds on the Luxembourg Stock Exchange and for the New Bonds to trade on the regulated market of the Luxembourg Stock Exchange. Application will be made to list the New Bonds on the Buenos Aires Stock Exchange and the Argentine *Mercado Abierto Electrónico*.

Transfer Restrictions..... The New Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and will be subject to restrictions on transferability and resale. The New Bonds will be new securities, and there is no established market for such bonds. See “Transfer Restrictions.”

Rights Upon Future Offers Under the terms of the New Bonds, if following the expiration of the Offer until December 31, 2015, the Province voluntarily makes an offer to purchase or exchange or solicits consents to amend any Existing Bonds not tendered or accepted pursuant to the Offer, the Province has agreed that it will take all steps necessary, including making any required filings, so that each holder of New Bonds will have the right, for a period of at least 30 days (or any longer period of time that it is offered to any other holders) following the announcement of such offer, to exchange any of such holder's New Bonds for (as applicable):

- the consideration in cash or in kind, if any, received in connection with such purchase, amendment or exchange offer, as the case may be, or
- securities having terms substantially the same as those resulting from such amendment process,

in each case in accordance with the terms and conditions of such purchase, exchange offer or amendment process. For this purpose, such New Bonds will be treated as though they were Existing Bonds that are in the same currency as such New Bonds.

Taxation..... For a discussion of the Argentine, Luxembourg, German and United States federal tax consequences associated with the New Bonds, see “Taxation” in this offering memorandum. Investors should consult their own tax advisors in determining the federal, state, local and any other tax consequences to them in any relevant jurisdiction of tendering Existing Bonds in the Offer and of owning and disposing of New Bonds.

The New Bonds

Financial Terms

The table set forth below presents a summary description of certain financial terms of the New Bonds, and should be read in conjunction with the more detailed description of the New Bonds appearing elsewhere in this offering memorandum.

Series of New Bonds	Starting Date for Amortization of Principal
Step-Up Long Term Par Bonds	November 15, 2020
Step-Up Medium Term Par Bonds	November 1, 2017
Discount Bonds	October 15, 2012

Principal of each series of New Bonds will be paid semiannually in equal installments starting on the dates indicated in the above table and ending on the maturity date of each series. The total amount of installment payments, including the final installment paid on the corresponding maturity date, will be equal to 100% of the principal amount of each series of New Bonds.

Step-Up Long Term Par Bonds	Interest Rate until November 15, 2007	Interest Rate from November 16, 2007 until November 15, 2009	Interest Rate from November 16, 2009	Maturity
EUR Step-Up Long Term Par Bonds	2.00%	3.00%	4.00%	May 15, 2035
USD Step-Up Long Term Par Bonds	2.00%	3.00%	4.00%	May 15, 2035

Step-Up Medium Term Par Bonds	Interest Rate until November 1, 2009	Interest Rate from November 2, 2009 until November 1, 2013	Interest rate from November 2, 2013 until November 1, 2017	Interest rate from November 2, 2017	Maturity
EUR Step-Up Medium Term Par Bonds	1.00%	2.00%	3.00%	4.00%	May 1, 2020
USD Step-Up Medium Term Par Bonds	1.00%	2.00%	3.00%	4.00%	May 1, 2020

Discount Bonds	Interest Rate	Maturity
USD Discount Bonds	9.25%	April 15, 2017
EUR Discount Bonds	8.50%	April 15, 2017

Based on standard market practice, the yield to maturity of your New Bonds will be the yield (or discount rate) that, when used to calculate the present value of all future payments of principal and interest that are scheduled to be paid on such New Bonds (taking into account the interest rates and the payment dates set forth above), results in a present value of your New Bonds equal to the purchase price that you consider you have paid for such New Bonds by tendering Existing Bonds in the Offer.

SUMMARY TIME SCHEDULE FOR THE OFFER

The following summarizes the anticipated time schedule for the Offer assuming, among other things, that the Expiration Date is not extended. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this offering memorandum. All references are to Central European time unless otherwise noted.

<u>Date</u>	<u>Action</u>
November 7, 2005	<i>Commencement Date of the Offer</i>
4:00 P.M., on December 2, 2005	<i>Early Tender Deadline</i> Unless the Province in its sole discretion extends such date and time for the Offer in respect of the Existing Bonds.
4:00 P.M., on December 16, 2005 ..	<i>Expiration Date and Time</i> Unless the Province extends or terminates the Offer earlier in its sole discretion. After this time, you may no longer submit an electronic letter of transmittal or Bond Instruction. <i>The clearing systems and custodians for the Existing Bonds may in accordance with their normal procedures establish earlier deadlines for the receipt of the Bond Instruction from their participants, as described under “Tender Procedures—Procedures for Submitting Electronic Letters of Transmittal.”</i>
On or around December 21, 2005, or as soon as practicable thereafter	<i>Announcement Date</i> Unless it has terminated the Offer earlier, the Province will announce on this date or as soon as possible thereafter the results of the Offer. The Announcement Date may be postponed by the Province for any reason, including if the Offer is extended.
January 12, 2006, or as soon as practicable thereafter	<i>Settlement Date</i> Unless the Offer is extended, in which case a new Settlement Date will be announced, settlement of the Offer will commence on this date, which will be when the Province deposits the New Bonds with the common depository that will hold the New Bonds on behalf of Euroclear and Clearstream, Luxembourg.

RISK FACTORS

An investment in the New Bonds involves a significant degree of risk. Before deciding to tender your Existing Bonds in exchange for the New Bonds, you should read carefully all of the information contained in this offering memorandum, including, in particular, the following risk factors. In addition, because the Province is a political subdivision of Argentina, the Province's economic performance and public finances are significantly affected by national events and conditions, such as the recent national economic crisis, and by decisions taken by the federal government, such as the declaration of an economic and financial state of emergency. As a result, you should also carefully consider the information made public by Argentina, including in Argentina's registration statements and other documents on file with the U.S. Securities and Exchange Commission, in respect of which the Province makes no representation regarding the accuracy and completeness of such information.

Risks of Not Participating in the Offer

Existing Bonds that are not tendered may remain in default indefinitely.

As of December 31, 2004, the Province was in default on approximately U.S.\$3.0 billion of its public indebtedness (excluding approximately U.S.\$1.3 billion in past-due interest payments). The Province has announced that it has no intention of resuming payment on any bonds eligible to participate in an exchange offer (or another concurrent restructuring transaction) that are not tendered or otherwise restructured as part of such transaction. Consequently, if you elect not to tender your Existing Bonds in exchange for New Bonds there can be no assurance that you will receive any future payments in respect of your Existing Bonds. In addition, because the Province is a political subdivision of a sovereign entity, it may be difficult for you or the trustee or fiscal agent in respect of your Existing Bonds to obtain or enforce judgments of courts in the United States or elsewhere against the Province in respect of your Existing Bonds.

If the Offer is completed, the trading market for Existing Bonds may become illiquid, which may adversely affect their market value and the ability of holders to sell Existing Bonds.

The principal amount of Existing Bonds that will remain outstanding after the exchange is consummated may be significantly reduced, depending on the overall level of participation in the Offer. Consequently, the trading market, if any, for Existing Bonds outstanding after the Offer could become limited or nonexistent. In addition, most of the Existing Bonds currently are listed for trading on the Luxembourg Stock Exchange, the Frankfurt Stock Exchange, the Buenos Aires Stock Exchange and the Argentine *Mercado Abierto Electrónico*. In connection with or after the Offer, the Province will seek to delist the Existing Bonds from one or more of these exchanges. A delisting may adversely affect the trading market for the Existing Bonds, which in turn could have a material adverse effect on the trading price for those Existing Bonds. As a result, if you elect not to participate in the Offer it may be difficult for you to trade your Existing Bonds and the market value of your Existing Bonds may be adversely affected.

Risks of Participating in the Offer

The Province has broad discretion to complete, limit, cancel, extend or amend the terms of the Offer, which may affect the timing for completion of the Offer and the ability of holders of the Existing Bonds to transfer or sell their bonds.

The terms of the Offer allow the Province to terminate or extend the Offer past the originally scheduled expiration date, to withdraw or amend the Offer in one or more jurisdictions, and to reject valid tenders of Existing Bonds, in each case at the Province's sole discretion. Accordingly, the Province cannot provide any assurance that the exchange of Existing Bonds for New Bonds pursuant to the Offer will be completed in any particular jurisdiction, or at all. Even if the Offer is consummated, the Province cannot assure holders of Existing Bonds that the Offer will be completed in accordance with the time schedule and terms set forth in this offering memorandum due to potential legal proceedings or other reasons. Accordingly, holders participating in the Offer may have to wait longer than expected to receive their New Bonds, during which time those holders will not be able to effect transfers of their Existing Bonds tendered pursuant to the Offer.

Holders of Existing Bonds who do not participate in the Offer may attempt to prevent consummation of the Offer by seeking an injunction or pursuing other legal remedies.

The Province may be subject to efforts by hold-out (i.e., non-participating) holders of Existing Bonds to enjoin or otherwise prevent the consummation of the Offer. Recently, for example, non-participating creditors initiated legal proceedings to enjoin separate exchange offers by the Province of Mendoza and the Republic of Argentina, including by attempting unsuccessfully to seize securities tendered to Argentina pursuant to its separate exchange offer on the theory that such securities were assets of Argentina. Although the courts ultimately did not restrain these exchange offers, the legal proceedings succeeded in delaying their consummation. The Province cannot assure you that hold-out creditors will not take actions that may, or that a court will not, enjoin, impede or delay the Offer. The Province intends to oppose vigorously any efforts to challenge the Offer, but can offer no assurances of success.

Payments to holders of New Bonds may be attached, enjoined or otherwise challenged by holders of Existing Bonds that declined to participate in the Offer or by other creditors of the Province.

In recent years, various investors have used litigation against sovereign debtors to target payments made by sovereigns to, among others, bondholders that have agreed to a debt restructuring by accepting new securities in an exchange offer. As noted below, the Province is a defendant in various suits by bondholders in the United States, Germany and Switzerland, some of which have resulted in judgments against the Province. There can be no assurance that a creditor pursuing similar or different arguments or strategies will not be able to interfere with payments made pursuant to the completion of the Offer or subsequently under any New Bonds issued in connection with the Offer.

By tendering Existing Bonds pursuant to the Offer, holders will renounce and waive significant rights and interests, including the right to bring claims in litigation.

Holders tendering any Existing Bonds in exchange for New Bonds pursuant to the Offer will renounce and waive significant rights and interests, including the right to bring claims (as members of a class action or individually) in connection with the Offer and their tendered Existing Bonds. Holders will, in effect, abandon any proceedings against the Province relating to their tendered Existing Bonds, waive their right to enforce any judgment against the Province obtained in any such proceedings and waive all rights awarded and any assets attached for their benefit through any prejudgment attachment ordered by any court in connection with their tendered Existing Bonds. See “Terms of the Offer—Representations, Warranties and Undertakings Relating to Tenders of Existing Bonds” for the full acknowledgments, representations, warranties and undertakings that holders will be deemed to make as a condition to their participation in the Offer.

The Offer may be prorated if demand for Medium Term Par Bonds or Discount Bonds exceeds the maximum aggregate principal amount that the Province intends to issue, in which case the type of New Bonds you receive at settlement may differ from that which you elect to receive.

The Province intends to issue, in respect of the Offer, up to a maximum of U.S.\$750 million (or its equivalent in euro) of Medium Term Par Bonds and U.S.\$500 million (or its equivalent in euro) of Discount Bonds. In the event that you elect to receive Medium Term Par Bonds or Discount Bonds in exchange for your Existing Bonds, and demand for the type of New Bond elected by you exceeds the maximum amount of such New Bond that the Province intends to issue, you may receive Long Term Par Bonds, as described under “Terms of the Offer—Limitation on Issuance and Allocation of New Bonds.”

You may experience delays, inconvenience and other difficulties in tendering Existing Bonds and in holding New Bonds if you hold Existing Bonds through clearing systems other than the Designated Clearing Systems.

You may only tender Existing Bonds or hold New Bonds through “Designated Clearing Systems,” which are:

- Clearstream, Luxembourg;

- Euroclear;
- Clearstream, AG; and
- SIS.

If you hold Existing Bonds through DTC or any other clearing system which is not a Designated Clearing System, you must follow special procedures, described herein, in order to tender your Existing Bonds and to receive New Bonds. See “Terms of the Offer—The Designated Clearing Systems.” You are required to make yourself aware of the applicable procedures and deadlines, and you may experience delays, inconvenience or other difficulties in tendering your Existing Bonds and in holding your New Bonds through the Designated Clearing Systems instead of through your present clearing system. We cannot assure you that you will succeed in tendering Existing Bonds if you hold such Existing Bonds in a clearing system other than a Designated Clearing System.

Risks Relating to Owning New Bonds

There is no established trading market for the New Bonds, and the price at which the New Bonds will trade in the secondary market is uncertain.

The New Bonds will be new issues of securities with no established trading market. The Province does not know the extent to which investor interest will lead to the development of an active trading market for the New Bonds or how liquid that market may become. If the New Bonds are traded after their initial issuance, they may trade at a price lower than their principal amount, depending upon prevailing interest rates, the market for similar securities and general economic conditions in the United States, Argentina, the Province and elsewhere.

The Province cannot assure you that a trading market for the New Bonds will develop or that the price at which the New Bonds will trade in the secondary market will be sustainable. If an active market for any series of the New Bonds fails to develop or continue, this failure could harm the trading price of the New Bonds.

The ability of holders to transfer New Bonds in the United States and certain other jurisdictions will be limited.

The New Bonds issued pursuant to this Offer will not be registered under the Securities Act and, therefore, may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act and applicable U.S. state securities laws. Offers and sales of the New Bonds may also be subject to transfer restrictions in other jurisdictions. You should consult your financial or legal advisors for advice concerning applicable transfer restrictions in respect of the New Bonds.

Any investment in securities of a sovereign issuer in an emerging market, such as the New Bonds, involves significant risks.

The Province is an emerging market economy, and investing in securities of emerging markets issuers generally involves risks, including, among others, political, social and economic instability that may affect economic and fiscal results. Instability in Argentina, the Province and in other Latin American and emerging market countries has been caused by many different factors, including, among others, the following:

- high interest rates;
- devaluation or depreciation of the currency;
- inflation;
- exchange controls;
- wage and price controls;
- changes in governmental, economic, tax or other policies; and
- the imposition of trade barriers.

Any of these factors, as well as volatility in the markets for securities similar to the New Bonds, may adversely affect the liquidity of, and trading market for, the New Bonds.

It may be difficult for you to obtain or enforce judgments against the Province.

The Province is a political subdivision of a sovereign entity. Consequently, while the Province has irrevocably submitted to the jurisdiction of U.S. state or federal courts sitting in the Borough of Manhattan, The City of New York, with respect to New Bonds, which are governed by New York law, it may be difficult for holders of New Bonds or the trustee in respect of the New Bonds to obtain or enforce judgments of courts in the United States or elsewhere against the Province. See “Enforcement of Civil Liabilities.”

Risk Factors Relating to the Province

The Province is a political subdivision of Argentina and, as a result, the Province’s economic performance is subject to general economic conditions in Argentina and to decisions and measures adopted by the federal government, which it does not control.

Because the Province is a political subdivision of Argentina, the Province’s economic performance and public finances are subject to general economic conditions in Argentina and may be significantly affected by national events, such as the recent national economic crisis, and by decisions and measures adopted by the federal government, including those related to inflation, monetary policy and taxation. The Province does not control any of these events or decisions. Moreover, because a significant part of the national population resides in the Province’s territory and the Province’s economy represents a significant part of the national economy, the Province and the federal government have established close political and economic ties (including significant financing provided by the federal government to the Province), which may lead the Province to adopt economic decisions or measures that are in line with those adopted by the federal government. The interests of the Province may not always be aligned with those of the federal government or other Argentine provinces. As a result, the Province cannot assure you that economic decisions or measures adopted by the federal government will not have an adverse effect on the Province’s economy and its ability to service its outstanding debt.

The Province’s economy may not continue to grow at current rates or may contract in the future, which could have a material adverse effect on public finances and on the market price of the New Bonds.

The economy of the Province, in line with the economy of Argentina, has experienced significant volatility in recent decades, including numerous periods of low or negative growth and high and variable levels of inflation and devaluation. The Province’s economy has grown since the peak of the most recent economic crisis during the second half of 2001 and the first half of 2002. However, the Province can offer no assurance that its economy will continue to grow at current rates, or at all, in the future.

Economic growth is dependent on a variety of factors, including (but not limited to) international demand for provincial exports, the stability and competitiveness of the peso against foreign currencies, confidence among provincial consumers and foreign and domestic investors and their rates of investment in the Province, the willingness and ability of businesses to engage in new capital spending and a stable and relatively low rate of inflation. In most cases, these factors are outside our control. If the Province’s economic growth slows, stops or contracts, our revenues may decrease materially, the market price of New Bonds may be adversely affected and our ability to service our public debt, including the New Bonds, may be impaired.

The recent economic and financial crisis produced significant social and political tensions, which could worsen in the event of another shock and have a material adverse effect on Province’s economic growth and its ability to service its public debt.

During the height of its recent economic crisis, Argentina experienced significant social and political turmoil, evidenced by street demonstrations, strikes, increased rates of crime and the rapid succession of four interim administrations between President De la Rúa’s resignation in December 2001 and President Duhalde’s appointment in January 2002. Despite the continuing economic recovery, these increased social and political tensions continue

and are exacerbated by high levels of poverty and unemployment. Organized picketers, or “piqueteros,” in the Province continue to employ street demonstrations and other disruptive tactics to oppose government policies. There can be no assurance that the significant domestic instability evident during 2001 and 2002 will not reemerge in response to an internal or external shock. Such instability could have a material adverse effect on the Province’s economic growth and its ability to service its public debt, including the New Bonds.

The Province is currently relying on the federal government to finance its fiscal deficit and expects to continue to rely on the federal government for the near future. If the federal government does not renew financing or if the Province is unable to secure financing elsewhere, it could once again default on its debt service obligations.

The Province’s primary fiscal balance (which excludes interest payments) has in recent periods been, and may continue to be, insufficient to meet the Province’s debt service obligations. During the recent economic crisis, the Province defaulted on a significant part of its debt obligations and, as a result, has been unable since then to obtain financing from private domestic and international lenders, including capital markets investors.

During this period, the Province has relied on the federal government for financing and other financial support, including the assumption by the federal government of a significant portion of the Province’s outstanding debt obligations. As a result, the federal government is currently the Province’s largest creditor, and the Province is, and in the near future will continue to be, dependent on the federal government for financing and other support. Absent the federal government’s express assumption of certain debt obligations of the Province, however, Argentina is not liable for the debt or other obligations of the Province. In the future, the federal government may not be able or willing to extend financing and other financial support to the Province, and, if at that time the Province is not able or willing to access the international or domestic capital markets, the Province’s ability to service its debt obligations, including the New Bonds, may be adversely affected.

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

The devaluation of the peso created pressures on the domestic price system that generated high rates of inflation in 2002 before substantially stabilizing in 2003 and remaining stable in 2004. In 2005, however, inflation rates have begun to increase. In addition, in response to the economic crisis in 2002, the federal government granted the Central Bank greater control over monetary policy than was available to it under the previous monetary regime, known as the “Convertibility” regime, including the ability to print currency, to make advances to the federal government to cover its anticipated budget deficit and to provide financial assistance to financial institutions with liquidity problems. The Province cannot assure you that inflation rates will remain stable in the future. Significant inflation could have a material adverse effect on the Province’s economic growth and its ability to service its public debt, including the New Bonds.

The Province’s economy remains vulnerable to external shocks that could be caused by significant economic difficulties of Argentina’s major regional trading partners or by more general “contagion” effects, which could have a material adverse effect on the Province’s economic growth and its ability to service its public debt.

A significant decline in the economic growth of any of Argentina’s major trading partners, such as Brazil, could adversely affect Argentina’s balance of trade and, consequently, the Province’s economic growth. Brazil is the Province’s largest export market. A decline in Brazilian demand for imports could have a material adverse effect on the Province’s economic growth. In addition, because international investors’ reactions to the events occurring in one emerging market country sometimes appear to follow a ‘contagion’ phenomenon, in which an entire region or investment class is disfavored by international investors, Argentina, including the Province, could be adversely affected by negative economic or financial developments in other emerging market countries. In the past, the Province has been adversely affected by such contagion effects on a number of occasions, including following the 1994 Mexican financial crisis, the 1997 Asian financial crisis, the 1998 Russian financial crisis, the 1999 devaluation of the Brazilian real and the 2001 collapse of Turkey’s fixed exchange rate regime. The Province cannot assure you that similar events in the future will not have an adverse effect on its economic growth and its ability to service its public debt, including the New Bonds.

The Province may also be affected by conditions in countries with developed economies, such as the United States, that are significant trading partners of Argentina or have influence over world economic cycles. For

example, if interest rates increase significantly in developed economies, including the United States, Argentina's emerging markets trading partners, such as Brazil, could find it more difficult and expensive to borrow capital and refinance existing debt, which could adversely affect economic growth in those countries. Decreased growth on the part of Argentina's trading partners could have a material adverse effect on the markets for the Province's exports and, in turn, adversely affect the Province's economic growth.

The Province's private sector remains significantly burdened by the impact of the recent economic crisis, which could have a material adverse effect on the Province's economic growth and its ability to service its debt.

During the height of Argentina's economic crisis during the first half of 2002, political and economic uncertainty and the federal government's emergency economic measures led to the virtual paralysis of private sector activity. Since that time many companies have ceased operations or entered into bankruptcy or reorganization proceedings. The recovery of the private sector is predicated in part on economic growth and in part on the ability of many private sector companies to restructure their own defaulted debt obligations with domestic and international creditors and gain access to financing. If the private sector fails to recover fully, the Province's economic growth could be adversely affected, unemployment could increase, and the Province could be forced to incur additional expenses associated with maintaining the stability of certain sectors of the economy, jeopardizing the Province's public finances and its ability to service its debt, including the New Bonds.

The federal government may fail to meet the performance criteria under its International Monetary Fund lending program or other multilateral lending programs, which can have adverse consequences for the Province.

Until Argentina regains regular access to the international private capital markets, official multilateral sources such as the IMF will likely remain Argentina's primary source of foreign capital. If the IMF determines that the federal government has not met the performance criteria under its stand-by program, including the treatment of the holdout creditors in Argentina's recent debt restructuring, the IMF may withhold disbursement under this program indefinitely. This suspension of IMF disbursements could also interfere with the federal government's and the Province's ability to obtain financing from other multilateral financial institutions, which may have an adverse effect on the Province's economic growth and public finances.

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

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

A modification of the federal tax co-participation regime in a manner that is unfavorable to the Province may have a material adverse effect on the Province's public finances and its ability to meet its debt service obligations.

Transfers from the federal government under the federal tax co-participation regime represent a significant part of the Province's revenues. Because the amount of transfers received by the Province under this regime is lower than the amount of co-participated tax revenues collected by the federal government within the Province's territory, the Province has requested that this regime be modified to follow more equitable distribution principles. However, a modification of this regime is subject to the consent of all of the provinces of Argentina, the City of Buenos Aires and the federal government. As a result, the Province cannot assure you that this regime will be modified in a way that is not unfavorable to the Province, which could have a material adverse effect on the Province's public finances and its ability to meet its debt service obligations, including in respect of the New Bonds.

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

Banco Provincia is one of the largest financial institutions in Argentina and a major source of financing for consumers and businesses in the Province. During Argentina's recent economic crisis, Banco Provincia's liquidity was significantly reduced as a result of the run on deposits and its inability to attract new deposits following the federally-mandated freeze on deposits, as well as the increase in its portfolio of non-performing loans. Although Banco Provincia's liquidity has improved during the past two years due to Argentina's economic recovery, if Banco Provincia were to experience further liquidity or other problems, the amount of financing available to the private sector might be reduced, which could adversely affect the Province's economic growth.

In addition, following the crisis, Banco Provincia's asset portfolio reflects a substantial exposure to debt instruments of the federal government. These assets are recorded at their technical value, which is calculated according to regulations of the Central Bank, as opposed to their market value. The quality of Banco Provincia's public-sector assets is therefore currently subject to a certain degree of impairment, and may further reduce the liquidity and solvency of Banco Provincia. If these assets were carried at their market value, Banco Provincia would have recorded negative total net equity at December 31, 2004.

Finally, the Province, pursuant to law, is the guarantor of all liabilities of Banco Provincia, including deposits and indebtedness. While Banco Provincia's deposits are also guaranteed by the federal deposit insurance system, Banco Provincia's indebtedness does not benefit from any other guarantee, and, as result, the Province could be required to make payments to Banco Provincia's creditors if Banco Provincia fails to meet its payment obligations to these creditors.

In the past, the Province has made contributions and provided support to, and entered into transactions with Banco Provincia to ensure the solvency of Banco Provincia. The Province cannot assure you that it will not be required to provide further financial or other support to Banco Provincia, which could lead to substantial unbudgeted expenditures and liabilities, undermine the Province's public finances and adversely affect its ability to service its debt obligations, including the New Bonds.

Increased personnel expenditures in response to labor unrest could have a material adverse effect on the Province's ability to service its debt, including the New Bonds.

From the elimination of the Convertibility regime in February 2002 until July 2004, the salaries and wages of the Province's public employees remained constant in nominal terms and have declined in real terms as a result of a 56% increase in inflation (as measured by Argentina's consumer price index) during that period. In response to pressure from labor unions to increase public employee salaries, the Province adopted measures in 2004 to increase public employees' salaries. Despite these measures, labor unions are insisting upon further salary and wage increases, which could lead to social instability, including strikes and other measures. A greater allocation of the Province's revenues to personnel expenditures in response to pressure from organized labor could reduce the amounts allocated to debt service, which could have a material adverse effect on the Province's ability to service its debt, including the New Bonds.

The recent division of the governing political party may jeopardize the adoption and implementation of necessary fiscal and administrative measures.

Until recently, the Governor of the Province and a majority of the members of the Province's legislature belonged to the *Partido Justicialista*, or PJ Party. Disputes between opposing factions within the PJ Party, however, resulted in the formation by the faction led the President of Argentina and by the Governor of the Province of a separate political party known as *Frente para la Victoria*, or Front for Victory. As a consequence of these disputes, the provincial legislature, where PJ Party loyalists opposed to the Governor currently represent the largest block, recently limited the executive power's ability to adopt several fiscal and administrative measures, including by refusing to grant the Governor the power to, among others, reallocate expenditures in the Province's 2005 budget without legislative approval, a practice that had been customary since the 1980s. If these disputes continue or worsen, the Province could experience difficulties in adopting or implementing necessary measures or actions for the normal administration of the Province.

The Province's 2005 budget has not been and may not be approved, which could limit the provincial government's ability to effectively manage the Province's public sector in 2005.

The Province's executive branch submitted its proposed provincial budget for 2005 to the legislature in December 2004. In January 2005, the provincial legislature approved the 2005 budget after amending it to delete a provision granting the executive branch the power to modify, among others, the amount and allocation of budget expenditures within specific parameters, as had been the case in prior annual budgets in the past two decades. Because of this amendment, the Governor vetoed the 2005 budget approved by the provincial legislature and the effectiveness of the 2004 provincial budget was automatically extended through 2005 as provided by the provincial constitution. The 2004 budget contains a provision authorizing the executive branch to modify the amount and allocation of expenditures, within the limits of actual revenue received, which would allow the executive branch to adjust the 2004 budget as necessary to match anticipated expenditures in 2005. As a result, the executive branch has modified the extended 2004 budget on several occasions during 2005 to reflect the Province's actual revenues and expenditures to date. A small group of provincial legislators from the *Union Cívica Radical*, or UCR Party, however, has challenged the legality of the extension of this power before a provincial court, and a decision on this matter is now pending in the Supreme Court of the Province, which has exclusive jurisdiction over the matter. If the Supreme Court were to rule in favor of the legislators, the legal status of the expenditures already incurred in 2005 in excess of the amounts provided in the 2004 budget would be unclear and the executive branch would no longer be able to adjust the 2004 budget to reflect the Province's operating needs in 2005, which could limit its ability to effectively manage the Province's public sector during this period.

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

Holders of Existing Bonds have initiated lawsuits against the Province in the United States, Germany and Switzerland for failure to make payments. In the United States, eight individual lawsuits have been filed since March 2002 for a total principal amount of U.S.\$1.4 million and €201,000, plus interest, including one lawsuit that was filed following the Province's public announcement of the tentative terms of the Offer. One plaintiff has obtained two judgments against the Province totaling approximately U.S.\$1.4 million for principal and interest. The total amount claimed in bondholder proceedings against the Province in Germany is €470,000, plus interest, and in Switzerland Sfr.400,000, plus interest. The Province can give no assurance that further litigation will not result in even more substantial judgments against the Province. Present or future litigation could result in the attachment or injunction of assets of the Province that it intends for other uses, and could have a material adverse effect on the Province's public finances and on the market price of the New Bonds.

Any revisions to the Province's official financial or economic data resulting from a subsequent review of such data by the Provincial Office of Statistics, the General Accounting Office of the Province or any other provincial entity could reveal a different economic or financial situation in the Province, which could affect your evaluation of the Offer or the market value of the New Bonds.

Certain financial, economic and other information presented in this offering memorandum may subsequently be materially revised to reflect new or more accurate data as a result of the review by the Provincial Office of Statistics, the General Accounting Office or any other provincial entities of the Province's official financial and economic data and statistics. These revisions could reveal that the Province's economic and financial condition as of any particular date are materially different from those described in this offering memorandum. These differences could affect your evaluation of the Offer or the market value of the New Bonds.

TERMS OF THE OFFER

The Province is inviting owners of Existing Bonds, also referred to as “holders,” to tender, on the terms and subject to the conditions of this offering memorandum and the related electronic letter of transmittal, Existing Bonds in exchange for New Bonds. Each such tender for exchange is referred to as a “tender.” The terms of each series of New Bonds are described under the heading “Description of New Bonds.”

Holders of Existing Bonds who are Italian residents should not use this document as a source of information or for instructions on how to tender their Existing Bonds. A separate document describing the terms of the Offer, including the appropriate procedures for Italian residents wishing to participate in the Offer, has been prepared in the Italian language and the Offer has been registered with the Commissione Nazionale per le Società e la Borsa (“Consob”) for such Italian residents.

Purpose of the Offer

The purpose of the Offer is to restructure the outstanding indebtedness of the Province in the form of Existing Bonds that are currently in default, by cancelling the Existing Bonds in consideration for the issuance of New Bonds. The table below sets forth the series of Existing Bonds eligible to participate in the Offer, and the principal amount outstanding of each series.

Existing Bonds	ISIN Numbers	Amount Outstanding
USD Zero Coupon due 2002	XS0125903772	USD 63,403,000
USD 12.50% due 2002	US11942XAA37 US11942WAA53	USD 111,004,000
EUR 7.875% due 2002	XS0088755375	EUR 78,171,000
EUR 9% due 2002	XS0116709113	EUR 99,259,000
EUR 10.25% due 2003	XS0123127507	EUR 294,990,000
JPY 4.25% due 2003	XS0111764295	JPY 2,080,000,000
USD 12.75% due 2003	US11942XAP06 US11942WAP23	USD 80,333,000
CHF 7.75% due 2003	CH0005243701	CHF 267,050,000
EUR 10.375% due 2004	XS0124395129	EUR 296,242,000
EUR 9.75% due 2004	DE0003040408	EUR 173,785,000
EUR 10% due 2004	XS0113550213	EUR 97,927,000
EUR 10.75% due 2005	DE0004528450	EUR 309,986,000
EUR 10.625% due 2006	DE0003138806	EUR 147,541,000
USD FRNs due 2006	XS0136347183	USD 43,750,000
USD 13.75% due 2007	US11942XAQ88 US11942WAQ06	USD 119,416,000
USD 13.25% due 2010	US11942XAD75 US11942WAD92	USD 263,479,000

All of the Existing Bonds are currently listed on the Luxembourg Stock Exchange, except for the CHF 7.75% Bond due 2003 and the EUR 10.625% Bond due 2006.

Consideration

If you are an eligible holder (as defined below under “Offering Restrictions; Eligible Holders”), you may exchange your Existing Bonds for any of the following New Bonds, in the amounts described below:

- Long Term Par Bonds, denominated in U.S. dollars or euro;

- Medium Term Par Bonds, denominated in U.S. dollars or euro (subject to a pro rata allocation, as described below under “—Pro Rata Allocation”); or
- Discount Bonds, denominated in U.S. dollars or euro (subject to a pro rata allocation, as described below under “—Pro Rata Allocation”).

If, upon tendering your Existing Bonds, you fail or incorrectly designate the type of New Bonds you wish to receive (Long Term Par Bonds, Medium Term Par Bonds or Discount Bonds), you will be deemed to have elected to receive Long Term Par Bonds.

Annex A to this offering memorandum contains sample calculations related to the determination of amounts of New Bonds to be issued in exchange for the cancellation of tendered Existing Bonds.

Estimate of Maximum Amount of New Bonds to be Issued

Assuming a 100% level of participation in the Offer and that requests for Medium Term Par Bonds and Discount Bonds reach the maximum amount set for the issuance of such New Bonds (as described below under “—Limit on and Allocation of New Bonds”), and using the same exchange rates used in connection with the calculation of the aggregate principal amount of the Existing Bonds, the Province estimates that the aggregate principal amount of New Bonds that would be issued pursuant to the Offer is approximately U.S.\$2.6 billion. This estimate is based on the sum of the outstanding principal amount of the Existing Bonds (i.e., approximately U.S.\$2.7 billion) and the additional amount calculated by reference to accrued and unpaid interest with respect to the Existing Bonds as described below (i.e., approximately U.S.\$392 million), which results in approximately U.S.\$3.1 billion to be exchanged for New Bonds pursuant to the Offer. Because only a specified percentage of the principal amount of Existing Bonds will be exchanged for Discount Bonds as described below under “—Amount of Discount Bonds,” the Province deducted from this total amount the net difference between the portion of the principal amount of Existing Bonds (i.e., approximately U.S.\$1.1 billion) that would be exchanged for Discount Bonds (assuming the maximum amount of Discount Bonds is issued) less the maximum principal amount of Discount Bonds to be issued pursuant to the Offer (U.S.\$500 million) for purposes of estimating the aggregate principal amount of New Bonds. The Province has performed this calculation for the sole purpose of providing an indicative estimate of the aggregate principal amount of New Bonds that will be issued pursuant to the Offer on the basis of the above assumptions. The Province makes no representation or warranty regarding the reasonableness or completeness of these assumptions and the Province’s estimates or assumptions do not, and will not be deemed to, constitute predictions or forecasts of the matters covered by those assumptions or estimates. The Province advises you that the aggregate principal amount of New Bonds actually issued pursuant to the Offer will depend on a number of factors and variables that the Province cannot control or predict, including the actual level of participation in the Offer, the series and principal amount of Existing Bonds actually tendered, the consideration options selected by tendering holders (such as, for example, the currency in which New Bonds will be requested) and the prevailing exchange rates at the time of calculation of such consideration. The Province cannot guarantee that the aggregate principal amount of New Bonds actually issued pursuant to the Offer will not be different from the above estimates.

Amount of Long Term Par Bonds

The amount of Long Term Par Bonds that you will receive in exchange for your Existing Bonds will be equal to the aggregate of (i) 100% of their principal amount and (ii) an additional amount (as described below) calculated by reference to accrued and unpaid interest with respect to these Existing Bonds, such aggregate amount being adjusted by the applicable currency exchange rate to convert such amount into U.S. dollars or euro, as appropriate.

Amount of Medium Term Par Bonds

Subject to the pro rata allocation described below, the amount of Medium Term Par Bonds that you will receive in exchange for your Existing Bonds will be equal to the aggregate of (i) 100% of their principal amount and (ii) an additional amount (as described below under “—Determination of Additional Amount”) calculated by

reference to accrued and unpaid interest with respect to these Existing Bonds, such aggregate amount being adjusted by the applicable currency exchange rate to convert such amount into U.S. dollars or euro, as appropriate.

Amount of Discount Bonds

Subject to the pro rata allocation described below, the amount of Discount Bonds that you will receive in exchange for your Existing Bonds will be equal to the aggregate of (i) the percentage of their principal amount specified in the table below and (ii) an additional amount (as described below under “—Determination of Additional Amount”) calculated by reference to accrued and unpaid interest with respect to these Existing Bonds, such aggregate amount being adjusted by the applicable currency exchange rate to convert such amount into U.S. dollars or euro, as appropriate. The percentages set forth in the table below will not apply to the additional amount specified in (ii) of the preceding sentence, which you will receive in full.

Percentage of Principal Amount of Existing Bonds Used to Determine Amount of Discount Bonds to be Received	
Existing Bonds	Percentage
USD Zero Coupon due 2002	42%
USD 12.50% due 2002	39%
EUR 7.875% due 2002	41%
EUR 9% due 2002	42%
EUR 10.25% due 2003	39%
JPY 4.25% due 2003	41%
USD 12.75% due 2003	39%
CHF 7.75% due 2003	42%
EUR 10.375% due 2004	39%
EUR 9.75% due 2004	40%
EUR 10% due 2004	40%
EUR 10.75% due 2005	39%
EUR 10.625% due 2006	40%
USD FRNs due 2006	42%
USD 13.75% due 2007	39%
USD 13.25% due 2010	39%

Limit on and Allocation of New Bonds

The Province will issue, in respect of the Offer, Medium Term Par Bonds up to a maximum aggregate U.S. dollar-equivalent principal amount of U.S.\$750,000,000.

The Province will issue, in respect of the Offer, Discount Bonds up to a maximum aggregate U.S. dollar-equivalent principal amount of U.S.\$500,000,000.

There is no limit on the issuance of Long Term Par Bonds in respect of the Offer.

For purposes of implementing the allocation process of the Medium Term Par Bonds and the Discount Bonds, for each tendering holder’s account that tenders an Existing Bond whose principal amount exceeds U.S.\$50,000, euro 40,000, Swiss francs 60,000 or yen 5,000,000, as the case may be (each a “U.S.\$50,000 equivalent”), the principal amount of this Existing Bond will be split by your custodian into the following two components and tendered separately:

- one component will comprise the principal amount of this Existing Bond equal to U.S.\$50,000 equivalent; and

- the other component will comprise the principal amount of this Existing Bond in excess of U.S.\$50,000 equivalent.

All tenders electing to receive either Medium Term Par Bonds or Discount Bonds will be considered to be in one of the following two categories:

- “basket A,” which will consist of all tenders whose principal amount is up to and including U.S.\$50,000 equivalent (including the U.S.\$50,000 equivalent component of an Existing Bond whose principal amount exceeds U.S.\$50,000 equivalent, as described above); and
- “basket B,” which will consist of all such tenders not in “basket A.”

No tendering holder’s account can submit more than U.S.\$50,000 equivalent of any one series of Existing Bonds in basket A.

Allocation of Medium Term Par Bonds

The Province will allocate the maximum aggregate principal amount of Medium Term Par Bonds among eligible holders that elect to receive Medium Term Par Bonds in the following order of priority:

- *First, among early tenders within basket A.* Eligible holders who tender their Existing Bonds prior to the Early Tender Deadline (whom we refer to as “early-tender holders”) and whose tender is in basket A, will be entitled to receive Medium Term Par Bonds in exchange for their tendered Existing Bonds. If such allocation exceeds the maximum aggregate principal amount of Medium Term Par Bonds, the Province will allocate this maximum amount among these early-tender holders on a pro rata basis (as described below under “—Pro Rata Allocation”).
- *Second, among late tenders within basket A.* If, after the first allocation, the Province has not allocated in full the maximum aggregate principal amount of Medium Term Par Bonds, holders who tender their Existing Bonds after the Early Tender Deadline (whom we refer to as “late-tender holders”) and whose tender is in basket A, will be entitled to receive Medium Term Par Bonds in exchange for their tendered Existing Bonds. If such allocation exceeds the remainder of Medium Term Par Bonds available after the first allocation, the Province will allocate this remainder among these late-tender holders on a pro rata basis (as described below under “—Pro Rata Allocation”).
- *Third, among early tenders within basket B.* If, after the first and second allocation, the Province has not allocated in full the maximum aggregate principal amount of Medium Term Par Bonds, early-tender holders whose tender is in basket B will be entitled to receive Medium Term Par Bonds in exchange for their tendered Existing Bonds. If such allocation exceeds the remainder of Medium Term Par Bonds available after the first and second allocations, the Province will allocate this remainder among these early-tender holders on a pro rata basis (as described below under “—Pro Rata Allocation”).
- *Fourth, among late tenders within basket B.* If, after the first, second and third allocation, the Province has not allocated in full the maximum aggregate principal amount of Medium Term Par Bonds, late-tender holders whose tender is in basket B will be entitled to receive Medium Term Par Bonds in exchange for their tendered Existing Bonds. If such allocation exceeds the remainder of Medium Term Par Bonds available after the first, second and third allocations, the Province will allocate this remainder among these late-tender holders on a pro rata basis (as described below under “—Pro Rata Allocation”).

If the demand for Medium Term Par Bonds exceeds the principal amount of Medium Term Par Bonds available in the Offer, Existing Bonds not exchanged for Medium Term Par Bonds as a result of the allocation described above will be exchanged for Long Term Par Bonds in the same currency as requested for the Medium Term Par Bonds, in an amount calculated as described above under “—Amount of Long Term Par Bonds.”

Allocation of Discount Bonds

The Province will allocate the maximum aggregate principal amount of Discount Bonds among eligible holders that elect to receive Discount Bonds in the following order of priority:

- *First, among early tenders within basket A.* Eligible holders who tender their Existing Bonds prior to the Early Tender Deadline (whom we refer to as “early-tender holders”) and whose tender is in basket A, will be entitled to receive Discount Bonds in exchange for their tendered Existing Bonds. If such allocation exceeds the maximum aggregate principal amount of Discount Bonds, the Province will allocate this maximum amount among these early-tender holders on a pro rata basis (as described below under “—Pro Rata Allocation”).
- *Second, among late tenders within basket A.* If, after the first allocation, the Province has not allocated in full the maximum aggregate principal amount of Discount Bonds, holders who tender their Existing Bonds after the Early Tender Deadline (whom we refer to as “late-tender holders”) and whose tender is in basket A, will be entitled to receive Discount Bonds in exchange for their tendered Existing Bonds. If such allocation exceeds the remainder of Discount Bonds available after the first allocation, the Province will allocate this remainder among these late-tender holders on a pro rata basis (as described below under “—Pro Rata Allocation”).
- *Third, among early tenders within basket B.* If, after the first and second allocation, the Province has not allocated in full the maximum aggregate principal amount of Discount Bonds, early-tender holders whose tender is in basket B will be entitled to receive Discount Bonds in exchange for their tendered Existing Bonds. If such allocation exceeds the remainder of Discount Bonds available after the first and second allocations, the Province will allocate this remainder among these early-tender holders on a pro rata basis (as described below under “—Pro Rata Allocation”).
- *Fourth, among late tenders within basket B.* If, after the first, second and third allocation, the Province has not allocated in full the maximum aggregate principal amount of Discount Bonds, late-tender holders whose tender is in basket B will be entitled to receive Discount Bonds in exchange for their tendered Existing Bonds. If such allocation exceeds the remainder of Discount Bonds available after the first, second and third allocations, the Province will allocate this remainder among these late-tender holders on a pro rata basis (as described below under “—Pro Rata Allocation”).

If the demand for Discount Bonds exceeds the principal amount of Discount Bonds available in the Offer, Existing Bonds not exchanged for Discount Bonds as a result of the allocation described above will be exchanged for Long Term Par Bonds in the same currency as requested for the Discount Bonds, in an amount calculated as described above under “—Amount of Long Term Par Bonds.”

Pro Rata Allocation

If it is necessary to allocate any New Bonds on a pro rata basis, a proration factor will be used for purposes of this particular allocation, to determine the portion of your Existing Bonds that will be exchanged for the series of New Bonds you elected to receive. To determine the proration factor, the Province will determine the aggregate U.S. dollar-equivalent principal amount of the relevant New Bonds that would be required to satisfy the exchange with respect to all Existing Bonds validly tendered for purposes of this particular allocation. This aggregate principal amount will be divided into the aggregate principal amount of the relevant New Bonds to be allocated, and the resulting fraction will be the approximate proration factor.

In the event of proration of your tender of Existing Bonds, the principal amount of your Existing Bonds will be multiplied by the applicable proration factor, and the resultant amount will be rounded down to the nearest whole number. This portion of your Existing Bonds will be exchanged for the series of New Bonds you elected to receive, in an amount calculated in accordance with the terms of the Offer. The balance of your tendered Existing Bonds will be exchanged for Long Term Par Bonds, in an amount and currency calculated in accordance with the terms of the Offer.

Timing of Pro Rata Allocation

We will not determine whether the Medium Term Par Bonds or the Discount Bonds have been oversubscribed until after the Expiration Date. When we make this determination, we will announce whether the Medium Term Par Bonds or the Discount Bonds have been oversubscribed and any required pro rata allocation. You will not be able to withdraw your tender of Existing Bonds at the time we make the determination even if it may affect the New Bonds that you will receive.

Determination of Additional Amount

In determining the total consideration for the Offer, the Province has determined an additional amount of New Bonds that you will receive in exchange for your Existing Bonds, calculated by reference to accrued and unpaid interest with respect to these Existing Bonds. This additional amount, before being adjusted by the applicable currency exchange rate to convert such amount into U.S. dollars or euro, as appropriate, is set forth in the table below for each series of Existing Bonds and is equal to the sum of:

- past due interest, if any, on the principal amount of your Existing Bonds up to and including December 31, 2001, determined at the stated rate of interest for these Existing Bonds (except for the USD FRNs due 2006, for which a rate of 13.75% will be used), without compounding; and
- additional interest on the principal amount of your Existing Bonds computed at 2.00% per annum from and including January 1, 2002 (except for the USD Zero Coupon due 2002, which shall be from and including March 11, 2002) up to but excluding December 1, 2005, without compounding.

Amount Per 1,000 Principal Amount of Existing Bonds Used to Determine Additional Amount of New Bonds Received			
Existing Bonds	Past Due Interest	Additional Interest	Total
USD Zero Coupon due 2002	USD 0.00	USD 74.44	USD 74.44
USD 12.50% due 2002	USD 36.81	USD 78.33	USD 115.14
EUR 7.875% due 2002	EUR 36.97	EUR 78.33	EUR 115.30
EUR 9% due 2002	EUR 28.85	EUR 78.33	EUR 107.18
EUR 10.25% due 2003	EUR 94.36	EUR 78.33	EUR 172.69
JPY 4.25% due 2003	JPY 4.01	JPY 78.33	JPY 82.34
USD 12.75% due 2003	USD 53.13	USD 78.33	USD 131.46
CHF 7.75% due 2003	CHF 14.64	CHF 78.33	CHF 92.97
EUR 10.375% due 2004	EUR 88.73	EUR 78.33	EUR 167.06
EUR 9.75% due 2004	EUR 64.11	EUR 78.33	EUR 142.44
EUR 10% due 2004	EUR 49.32	EUR 78.33	EUR 127.65
EUR 10.75% due 2005	EUR 89.53	EUR 78.33	EUR 167.86
EUR 10.625% due 2006	EUR 49.80	EUR 78.33	EUR 128.13
USD FRNs due 2006	USD 35.52	USD 78.33	USD 113.85
USD 13.75% due 2007	USD 44.31	USD 78.33	USD 122.64
USD 13.25% due 2010	USD 33.86	USD 78.33	USD 112.19

Currency Denomination of the New Bonds

Each of the Long Term Par Bonds, Medium Term Par Bonds and Discount Bonds will be issued in two separate currencies, one denominated in U.S. dollars and the other denominated in euro. In your tender you must specify the currency for your election of New Bonds. If you fail to or incorrectly designate the currency in which you want your New Bonds to be denominated, you will be deemed to have elected to receive your New Bonds in the same currency as your tendered Existing Bonds, except that if your tendered Existing Bonds were originally

denominated in Swiss francs you will be deemed to have elected to receive your New Bonds in euro, and if your tendered Existing Bonds were originally denominated in yen, you will be deemed to have elected to receive your New Bonds in U.S. dollars.

Currency Exchange Rates

The currency exchange rates used to determine the consideration specified above under “—Consideration,” and the limit on the issuance and proration (if any) of Medium Term Par Bonds and Discount Bonds, will be the currency exchange rates displayed on the Reuters screen “1FED” after 4:00 P.M., Central European Time, on the Expiration Date, which screen displays the 10:00 A.M. (New York City time) mid-point fixing of the Federal Reserve Bank of New York.

Rounding; Denominations; Calculations

Existing Bonds may be tendered and will be accepted for exchange only in the minimum denomination and the integral multiple in excess of such minimum denomination that are set forth in the terms of such Existing Bonds. The New Bonds will be issued in denominations of one unit of the currency in which such New Bonds are denominated and in integral multiples thereof.

The amount of New Bonds that you will receive with respect to a specific tender will be determined pursuant to the calculations described above, and the resultant amount will be rounded down to the nearest whole number. No cash will be paid in lieu of any principal amount of New Bonds not received as a result of rounding down.

Rounding related to proration is discussed above under “—Pro Rata Allocation.”

Offering Restrictions; Eligible Holders

You are not eligible to receive or review this offering memorandum or to participate in the Offer unless you have previously completed and returned to the Province or the information agent a letter of eligibility in the form we have previously distributed, and:

- 1) you are a qualified institutional buyer in the United States as defined in Rule 144A under the Securities Act and are participating in the Offer for your account or for the account of a qualified institutional buyer; or
- 2) you either:
 - are not in the United States (as contemplated by Rule 903(a)(1) of Regulation S under the Securities Act); or
 - are a dealer or other professional fiduciary organized, incorporated, or (if an individual) resident in the United States holding a discretionary account or similar account (other than an estate or trust) for the benefit or account of a non-U.S. person (as contemplated by Rule 903(a)(1) of Regulation S under the Securities Act); and
- 3) your receipt and review of the offering memorandum, and your participation in the Offer, is otherwise permitted under the laws and regulations of any other jurisdiction applicable to you.

We refer to holders of Existing Bonds who meet the foregoing criteria as “eligible holders.”

For a description of certain restrictions on resale or transfer of the New Bonds, see “Transfer Restrictions” in this offering memorandum.

Representations, Warranties and Undertakings Relating to Tenders of Existing Bonds

By validly tendering Existing Bonds in the Offer, the holder and beneficial owner (as defined below) of those Existing Bonds, and (if applicable) the relevant direct participant on such holder's behalf, will acknowledge, represent and warrant to the Province, the dealer manager, the information agent, the exchange agent and the Luxembourg exchange agent, among other things, that:

- it has received and reviewed this offering memorandum in its entirety;
- it has tendered the Existing Bonds pursuant to the Offer for the purpose of their cancellation and accepts the Offer in respect of such Existing Bonds, subject to the terms and conditions of the Offer as set forth in this offering memorandum;
- subject to and effective upon exchange by the Province of the Existing Bonds tendered pursuant to the Offer, it irrevocably (subject to the withdrawal rights granted hereunder) and unconditionally sells, assigns and transfers to or upon the order of the Province or its nominee all right, title, interest in and to the Existing Bonds tendered by it in the Offer, and such exchange will be deemed to constitute full performance by the Province of all of its obligations under such Existing Bonds, such that thereafter it shall have, now or in the future, no contractual or other rights or claims in law or in equity with respect to its tendered Existing Bonds against the Province (or its affiliates), the trustee or fiscal agent, as the case may be, of the Existing Bonds, or any of their agents, officials, officers, employees or advisors;
- it irrevocably waives any and all rights with respect to its tendered Existing Bonds against the Province (and its affiliates), the trustee or fiscal agent, as the case may be, in respect of the Existing Bonds, and any of their agents, officials, officers, employees or advisors, and discharges and releases any of the foregoing from any and all claims such holder may have, now or in the future, arising out of or related to the Existing Bonds tendered, including, without limitation, any claims arising from any existing, past or continuing defaults and their consequences in respect of such Existing Bonds (such as any claim that such holder is entitled to receive accrued interest or any other payment with respect to Existing Bonds tendered, other than as expressly provided for in this offering memorandum and the electronic letter of transmittal);
- it irrevocably waives any and all rights with respect to the Offer against the Province (and its affiliates), the trustee for the New Bonds, the dealer manager, the exchange agent, the Luxembourg exchange agent, the information agent, and any of their agents, officials, officers, employees or advisors, and discharges and releases any of the foregoing from any and all claims such holder may have, now or in the future, arising out of or related to the Offer, other than as expressly provided for in this offering memorandum and the letter of transmittal;
- all authority conferred or agreed to be conferred pursuant to its representations, warranties and undertakings and all of its obligations shall be binding upon its successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives and shall not be affected by, and shall survive, its death or incapacity;
- it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of its participation in the Offer and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the Province, the dealer manager, the information agent, the exchange agent, the Luxembourg exchange agent, the trustee and/or fiscal agent of the Existing Bonds or any other person in respect of such taxes and payments;
- it constitutes and appoints the exchange agent as its true and lawful agent and attorney-in-fact (with full knowledge that the exchange agent also acts as our agent) with respect to all Existing Bonds tendered, with full power of substitution, to (a) present such Existing Bonds and all evidences of

transfer and authenticity to us, or upon our order, (b) present such Existing Bonds for transfer or cancellation, as necessary, (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Existing Bonds and (d) receive on behalf of such holder and beneficial owner the New Bonds issued upon and in exchange for the cancellation of the Existing Bonds;

- it constitutes and appoints the exchange agent as its true and lawful agent and attorney-in-fact, with full power of substitution, and provides an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) deemed necessary in the opinion of such attorney and agent in relation to Existing Bonds tendered thereby in favor of the Province or such other person or persons as the Province may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's opinion and/or the certificate(s) and other document(s) of title relating to such Existing Bonds' registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance and settlement of the Offer;
- it is a person for whom it is lawful to participate in the Offer under applicable securities laws, it has full power and authority to submit the electronic letter of transmittal, and has full power and authority to tender, sell, assign and transfer Existing Bonds tendered by it;
- it is, and will remain until the Offer is settled, an eligible holder, as defined in "—Offering Restrictions";
- it has good and marketable title to all Existing Bonds being tendered by it, free and clear of all liens, charges, claims, encumbrances, interests, rights of third parties and restrictions of any kind;
- it will not sell, pledge, hypothecate or otherwise encumber or transfer any Existing Bonds tendered from the date of tender and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
- it holds, and will hold, until the time of cancellation for the purpose of settlement, the Existing Bonds it has tendered blocked in the clearing system through which such securities are held and, in accordance with the requirements of such clearing system and by the deadline established by such clearing system, has taken all steps necessary to authorize the blocking of its tendered Existing Bonds with effect on and from the date its Bond Instruction (as defined below under "Tender Procedures – Procedures for Submitting Your Bond Instruction") is received, has authorized any transfers of the Existing Bonds by the clearing systems in furtherance of cancellation and settlement and, pending any such transfers relating to cancellation and settlement of such Existing Bonds, it will not instruct or effect any transfers of such Existing Bonds;
- its Existing Bonds are not the subject of any proceedings against the Province (or its affiliates), the trustee or fiscal agent, as the case may be, in respect of the Existing Bonds, or any of their agents, officials, officers, employees or advisors before any court or arbitral tribunal (including claims for payment of past due interest, principal or any other amount sought in connection with its tendered Existing Bonds or for compensation of lawyers' costs and court fees), except that, to the extent that its tendered Existing Bonds are the subject of such proceedings, such holder agrees to abandon the proceedings if and to the extent that cancellation of the Existing Bonds and settlement occur pursuant to the terms of the Offer;
- to the extent that it has obtained a judgment from any court or arbitral tribunal with respect to its tendered Existing Bonds against the Province (or its affiliates), the trustee or fiscal agent, as the case may be, in respect of the Existing Bonds, or any of their agents, officials, officers, employees or advisors (including judgments requiring any of the foregoing to make payments of past due interest, principal or any other amount sought in connection with its tendered Existing Bonds or for compensation of lawyers' costs and court fees), it hereby irrevocably waives the right to enforce such

judgment against the Province (and its affiliates), the trustee or fiscal agent, as the case may be, in respect of the Existing Bonds, and any of their agents, officials, officers, employees or advisors if and to the extent that cancellation of the Existing Bonds and settlement occur pursuant to the terms of the Offer;

- it hereby irrevocably waives all rights awarded and any assets attached for its benefit through any pre-judgment attachment ordered by any court against the Province (and its affiliates), the trustee or fiscal agent, as the case may be, in respect of the Existing Bonds, or any of their affiliates, agents, officials, officers, employees or advisors, in connection with its tendered Existing Bonds (including claims for payment of past due interest, principal or any other amount sought in connection with its tendered Existing Bonds or for compensation of lawyers' costs and court fees) if and to the extent that cancellation of the Existing Bonds and settlement occur pursuant to the terms of the Offer;
- in evaluating the Offer and in making its decision whether to participate therein by tendering its Existing Bonds, it has made its own independent appraisal of the matters referred to herein and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to such holder by the Province, the dealer manager, the exchange agent, the information agent or any other person, other than those contained in this offering memorandum (as supplemented prior to the Expiration Date);
- the tendering of its Existing Bonds pursuant to the Offer shall constitute an undertaking to execute any further documents, authorize any transfers of the Existing Bonds relating to the cancellation and settlement of the Offer and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in this offering memorandum;
- the terms and conditions of the Offer shall be deemed to be incorporated in, and form a part of, the electronic letter of transmittal which shall be read and construed accordingly; and
- the Province, the dealer manager, the exchange agent, the Luxembourg exchange agent and other persons will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements, and agrees that if any of the acknowledgments, representations, warranties and agreements deemed to have been made by it by its acquisition of the New Bonds is no longer accurate, it will promptly notify the Province and withdraw its tender of Existing Bonds.

The representations, warranties and agreements of a person tendering Existing Bonds shall be deemed to be repeated and reconfirmed on and as of the Expiration Date and on and as of the Settlement Date.

For purposes of this offering memorandum, the "beneficial owner" of any Existing Bonds shall mean any person or entity that exercises sole investment discretion with respect to such Existing Bonds.

Tender Procedures

General

If your Existing Bonds are held in the name of a custodian or other securities intermediary, such as a broker, dealer, bank, trust company or trustee, you must contact such custodian or other securities intermediary and instruct it to tender your Existing Bonds on your behalf. You should contact your custodian or other securities intermediary well in advance of the Early Tender Deadline or Expiration Date, since your custodian may have earlier deadlines by which it must receive your instructions in order to have adequate time to submit your tender on time.

A form of paper acceptance notice that you may use to send your instructions to your custodian is included in Annex B to this offering memorandum. This form may not be used to submit tenders directly to the exchange agent, which will only accept notices in electronic form. You should check with your custodian before using the

paper acceptance notice included in Annex B to this offering memorandum, since your custodian may require you to deliver your instructions in another manner.

These procedures are not to be used for Existing Bonds held by Italian residents. A separate document, prepared in the Italian language, is available. The procedures provided in this separate document, along with any instructions provided by the coordinator for the Italian Offer (which is Citibank, N.A., Milan branch), must be followed to tender Existing Bonds held by Italian residents.

If you desire to tender pursuant to the Offer, an electronic letter of transmittal using the Offer Website and a related Bond Instruction must be submitted by you or on your behalf. **Only direct participants in the Designated Clearing Systems (as defined below) may submit the electronic letter of transmittal and Bond Instruction.** This direct participant and the related Designated Clearing System will establish procedures and deadlines to assure that your tender is received by the exchange agent on or prior to the Early Tender Deadline or the Expiration Date, as the case may be. You are required to make yourself aware of these deadlines and procedures.

By submitting a tender in the Offer, the direct participant in the Designated Clearing System and the tendering holder on whose behalf it is acting, will be deemed to have made the representations and warranties set forth above under “–Representations, Warranties and Undertakings Relating to Tenders of Existing Bonds” to the Province, the dealer manager, the information agent, the exchange agent and the Luxembourg exchange agent, and they will be deemed to have read and agreed to be bound by the terms and conditions of the Offer contained in this offering memorandum and the electronic letter of transmittal.

We believe all Existing Bonds are held in book-entry form. If you hold Existing Bonds in physical form, please contact the exchange agent specified on the back cover of this offering memorandum for assistance in tendering your Existing Bonds.

If you have any questions regarding the process by which you can tender Existing Bonds, you may contact the information agent at the phone number listed on the back cover of this offering memorandum.

The Designated Clearing Systems

The Province has designated the following clearing systems as “Designated Clearing Systems” for purposes of the Offer:

- Clearstream, Luxembourg;
- Euroclear;
- Clearstream AG; and
- SIS.

In particular, Existing Bonds may not be tendered through DTC and the Offer and the New Bonds will not be made eligible in DTC’s system.

If you wish to tender Existing Bonds held through any other clearing system, you must arrange to either (i) transfer the Existing Bonds to one of the Designated Clearing Systems or (ii) have such other clearing system submit a tender on your behalf through a Designated Clearing System (assuming such other clearing system is capable of doing so). This process will take additional time. You are required to make yourself aware of the procedures and deadlines of this other clearing system in tendering your Existing Bonds, and we cannot assure you that you will succeed in tendering your Existing Bonds that are held through this other clearing system.

For the risks involved in tendering Existing Bonds and holding New Bonds through a Designated Clearing System if you hold Existing Bonds through DTC or any other clearing system that is not a Designated Clearing System, see “Risk Factors—You may experience delays, inconvenience and other difficulties in tendering Existing

Bonds and in holding New Bonds if you hold Existing Bonds through clearing systems other than the Designated Clearing Systems.”

New Bonds will be delivered to the account within the Designated Clearing System from which the Existing Bonds were tendered, except in the case of Clearstream AG. For tendered Existing Bonds held at Clearstream AG, the New Bonds will be credited to the direct participant's corresponding account at Clearstream, Luxembourg, in accordance with information provided by Clearstream AG.

Special Procedure Related to the Allocation of Medium Term Par Bonds and Discount Bonds

The Province has established the following tender procedure for purposes of implementing the allocation of New Bonds, as described under “— Limits on and Allocation of New Bonds.” This procedure applies only to holders that elect to receive Medium Term Par Bonds or Discount Bonds.

As fully described in the section “— Limits on and Allocation of New Bonds,” for tenders electing to receive either Medium Term Par Bonds or Discount Bonds:

- each tender will be considered to be in either basket A or basket B; and
- for each tendering holder's account that tenders an Existing Bond whose principal amount exceeds U.S.\$50,000 equivalent, the custodian will split out the first U.S.\$50,000 equivalent and tender it in basket A, and tender the balance in basket B.

To the extent possible, for each series of Existing Bonds, the custodian will aggregate all basket A tenders and all basket B tenders from various holder accounts, and either (i) submit these basket A and basket B tenders to an intermediate custodian, or (ii) indicate in the related electronic letter of transmittal whether the aggregate amount tendered consists of tenders in basket A or in basket B, as the case may be.

Failure to indicate whether a tender is in basket A or basket B will result in a determination of the applicable basket based on the aggregate principal amount of the tender and the definitions of basket A and basket B.

None of the Province, the dealer manager, the information agent, the exchange agent or the Luxembourg exchange agent will be responsible for any failure by any such custodian to comply with this procedure. Additionally, the dealer manager and the Province may request further information to confirm the eligibility of each custodian basket A or basket B submission.

List of Tender Elections

Below is a complete list of the options for each tender that are available in the Offer. In order to properly tender your Existing Bonds, you must indicate:

- which of the six series of New Bonds you wish to receive (based on type and currency);
- whether you wish to receive the Regulation S form or the Rule 144A form of New Bond (depending on whether you are exchanging your Existing Bonds pursuant to Regulation S or are a qualified institutional buyer as defined in Rule 144A); and
- for tenders electing to receive Medium Term Par Bonds or Discount Bonds, whether the amount being tendered consists of tenders in basket A or basket B.

New Bond Election	Form	Basket
EUR Long Term Par Bond EUR Long Term Par Bond	Regulation S Rule 144A	
USD Long Term Par Bond USD Long Term Par Bond	Regulation S Rule 144A	
EUR Medium Term Par Bond EUR Medium Term Par Bond EUR Medium Term Par Bond EUR Medium Term Par Bond	Regulation S Regulation S Rule 144A Rule 144A	Basket A Basket B Basket A Basket B
USD Medium Term Par Bond USD Medium Term Par Bond USD Medium Term Par Bond USD Medium Term Par Bond	Regulation S Regulation S Rule 144A Rule 144A	Basket A Basket B Basket A Basket B
EUR Discount Bond EUR Discount Bond EUR Discount Bond EUR Discount Bond	Regulation S Regulation S Rule 144A Rule 144A	Basket A Basket B Basket A Basket B
USD Discount Bond USD Discount Bond USD Discount Bond USD Discount Bond	Regulation S Regulation S Rule 144A Rule 144A	Basket A Basket B Basket A Basket B

Procedures for Submitting Electronic Letters of Transmittal

In order to submit a tender, you must submit, or arrange to have submitted on your behalf, a duly completed electronic letter of transmittal via the Offer Website. Only direct participants in the Designated Clearing Systems may access the Offer Website and submit electronic letters of transmittal. Access to the Offer Website may be obtained only by e-mailing: ***bondexchange.requests@citigroup.com***

You may incur certain costs in connection with submitting the letter of transmittal electronically and receiving delivery of documents in electronic form (for example, online time and printing) and have possible risks of system outages and other technical failures. You should be aware that none of the Province, the dealer manager nor the exchange agent assumes any responsibility for technical or other difficulties you may encounter in submitting your electronic letter of transmittal. The Province reserves the right to reject any electronic letter of transmittal not received in the appropriate form.

If you encounter technical difficulties in submitting your electronic letter of transmittal, you may contact the dealer manager in New York at 1 800 558 3745 (if calling in the U.S.) or +1 212 723 6108 (collect), or in London at +44 20 7986 9009. Neither the Province nor the dealer manager can assure you, however, that you will be assisted successfully.

Reference Code

To assist the exchange agent in matching your electronic letter of transmittal with your Bond Instruction, you must include a code that we refer to as a “Reference Code” in both your electronic letter of transmittal and the corresponding Bond Instruction. This Reference Code, which may consist of up to 16 characters and numbers, will provide the exchange agent with an additional piece of information that it will use in conjunction with other

information, such as the ISIN identifier and your direct participant account number, to reconcile your electronic letter of transmittal with your Bond Instruction.

We strongly urge you to use the reference you receive from your Designated Clearing System in the confirmation of your Bond Instruction, as the Reference Code in your electronic letter of transmittal. In this case, your Bond Instruction will automatically have the Reference Code in it.

If you do not use the reference you receive from your Designated Clearing System in the confirmation of your Bond Instruction, you must create your own Reference Code. We suggest you use a number that starts with your direct participant account number and ends with a sequential number that you choose. For example, if your participant account number is 93201, then you might use 93201001 as the Reference Code. In this case, you must enter this Reference Code in your Bond Instruction before submitting it.

Each electronic letter of transmittal must contain the same Reference Code as the Bond Instruction relating to it. The Province, in its sole discretion, may consider invalid any electronic letter of transmittal submitted without such Reference Code, or with a Reference Code that does not match the Reference Code in the corresponding Bond Instruction.

Procedures for Submitting Your Bond Instruction

“Bond Instruction” means:

- instructions to:
 - block any attempt to transfer your Existing Bonds on or prior to the Settlement Date; and
 - debit your account in respect of all of your Existing Bonds, or in respect of such lesser portion of your Existing Bonds as are accepted for exchange by the Province, upon receipt of and in accordance with instructions provided by the exchange agent on behalf of the Province;subject to the automatic withdrawal of the instruction in the event that the Offer is terminated;
- an irrevocable authorization to disclose the name of the direct participant and information about the foregoing instructions; and
- a confirmation that the direct participant is concurrently submitting an electronic letter of transmittal with respect to your Existing Bonds through the Offer Website.

The Bond Instruction must contain the same Reference Code as the electronic letter of transmittal relating to it (as described above under “—Reference Code”). Any Bond Instruction without such Reference Code may be deemed not to have been validly delivered.

Your Bond Instruction must be delivered to and received by the Designated Clearing Systems in accordance with their normal procedures and on or prior to their deadlines applicable to the Offer, but in no event later than the Expiration Date. You are responsible for making yourself aware of all procedures and deadlines established by the Designated Clearing Systems.

To the extent that your Bond Instruction cannot for any reason be promptly and unmistakably reconciled with the related electronic letter of transmittal, this electronic letter of transmittal may be deemed not to have been properly submitted and your tender may be deemed not to be valid.

Effectiveness of Tenders

For your tender of Existing Bonds to be effective, your electronic letter of transmittal and your related Bond Instruction must be received by the exchange agent no later than the Expiration Date. You are responsible for

arranging the valid and timely delivery of your tender. None of the Province, the dealer manager, the information agent, the exchange agent or the Luxembourg exchange agent will be responsible for the submission of tenders by:

- holders (or brokers, dealers, banks, trust companies, trustees or other custodians on their behalf) to direct participants in a Designated Clearing System;
- direct participants (whether on their own behalf or on behalf of holders who are not direct participants) to the Designated Clearing Systems and the Offer Website; or
- the Designated Clearing Systems to the exchange agent.

Delivery of documents to a custodian, direct participant or clearing system (including the Designated Clearing Systems) does not constitute delivery to the exchange agent or the Luxembourg exchange agent and is not sufficient for an effective tender. The Province can offer no assurance that any custodian, direct participant or clearing system (including the Designated Clearing Systems) will follow the procedures outlined above for purposes of effecting your tender of Existing Bonds, as these procedures are entirely within such parties' discretion.

Irregularities

All questions regarding the validity, form and eligibility, including time of receipt or revocation or revision, of any tender of Existing Bonds, including any electronic letter of transmittal, will be determined by the Province in its sole discretion, which determination will be final and binding. The Province reserves the absolute right to reject any and all tenders and letters of transmittal not timely made or in proper form or for which any corresponding agreement by the Province to exchange would, in the opinion of the Province's counsel, be unlawful. The Province reserves the absolute right to waive any of the conditions of the Offer or defects in tenders and letters of transmittal. None of the Province, the dealer manager, the information agent, the exchange agent or the Luxembourg exchange agent shall be under any duty to give notice to you, as the tendering holder, of any irregularities in any tender or electronic letter of transmittal, nor shall any of them incur any liability for the failure to give such notice.

Withdrawal Rights

Any tender may be withdrawn for any reason, at any time prior to 4:00 P.M., Central European Time, on December 2, 2005, the "Withdrawal Deadline." If, subsequent to the Withdrawal Deadline, the Province modifies the terms of the Offer in a manner that it deems to be material, it will extend the Withdrawal Deadline and holders who have previously tendered Existing Bonds will have the right to withdraw those Existing Bonds. If the Province extends the Withdrawal Deadline, it will be extended for a specific period of time.

Procedures for Withdrawal of Tenders

The direct participant acting on your behalf may withdraw your tender by doing so on the Offer Website. The applicable Designated Clearing System will release to this direct participant the Existing Bonds you wish to withdraw, upon request by the direct participant to such Designated Clearing System, and to the extent that the exchange agent can identify the Bond Instruction related to your withdrawn tender.

Any Existing Bond properly withdrawn will be deemed to be not validly tendered for purposes of the Offer. However, such Existing Bond may be tendered again, pursuant to the terms of the Offer.

The Province can offer no assurance that any custodian, direct participant or clearing system (including the Designated Clearing Systems) will follow the procedures necessary to withdraw your tender, as these procedures are entirely within such parties' discretion.

Early Tender Deadline; Term of Offer

For purposes of the Offer, the term “Early Tender Deadline” means 4:00 P.M., Central European Time, on December 2, 2005, unless the Province in its sole discretion extends such date and time, in which case the Early Tender Deadline means the latest date and time to which the Early Tender Deadline is extended.

For purposes of the Offer, the term “Expiration Date” means 4:00 P.M., Central European Time, on December 16, 2005, unless the Province in its sole discretion extends it or terminates it earlier, in which case the Expiration Date means the latest date and time to which the Offer is extended.

Termination and Amendments

At any time before the Province announces on the Announcement Date the acceptance of any tenders (in the manner specified below under “—Acceptance of Tenders”), the Province may, in its sole discretion and to the extent permitted by the applicable laws, rules and regulations of each jurisdiction in which the Offer is being made:

- terminate the Offer, including with respect to tenders submitted prior to the time of the termination;
- extend the Offer past the originally scheduled Expiration Date;
- withdraw the Offer from any one or more jurisdictions; or
- amend the Offer from time to time in any manner, including amendments in any one or more jurisdictions.

Any change in the consideration offered to holders of Existing Bonds pursuant to the Offer will be paid to all holders whose Existing Bonds have previously been tendered and not withdrawn pursuant to the Offer. There can be no assurance that the Province will exercise its right to extend, terminate or amend the Offer.

Acceptance of Tenders

The Province has not conditioned its acceptance of tenders or the consummation of the Offer on any minimum level of participation by holders of Existing Bonds. The Province reserves the right not to accept tenders in its sole discretion.

If the Province elects to accept tenders of Existing Bonds submitted pursuant to the Offer, it will, at or around 3:00 P.M., Central European Time, on December 21, 2005, or as soon as practicable thereafter (the “Announcement Date”), announce by press release issued to Bloomberg News and the Reuters News Service, which we refer to as the “news services,” by publication in a newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or the *Tageblatt*), by publication in a newspaper with general circulation in Germany (which is expected to be the *Börsen-Zeitung* or the *Frankfurter Allgemeine Zeitung*) and through publication in the form and manner required in Argentina and certain other jurisdictions outside the United States:

- the approximate aggregate principal amount of Existing Bonds duly tendered and accepted by the Province for exchange and cancellation,
- the approximate aggregate principal amount of New Bonds of each series to be issued in the Offer upon cancellation of tendered Existing Bonds, and
- information concerning the proration, if any, of Medium Term Par Bonds and Discount Bonds.

You may obtain such information by contacting the information agent. In addition, the Province will notify the Luxembourg Stock Exchange, the Buenos Aires Stock Exchange and the *Mercado Abierto Electrónico* of the results of the Offer, and, subject to applicable law, will publish the results of the Offer as described below under “—

Notices and Publication.” The Province may also publish information concerning tenders in certain jurisdictions prior to the Announcement Date, in the manner and to the extent required in those jurisdictions.

The Announcement Date may be postponed by the Province for any reason, including if the Offer is extended. Once the Province has announced the acceptance of tenders on the Announcement Date as provided above, the Province’s acceptance will be irrevocable. Tenders, as so accepted, shall constitute binding obligations of the submitting holders and the Province to settle the exchange, in the manner described under “— Settlement” below.

If the Province terminates the Offer without accepting any tenders, all tenders shall automatically be deemed rejected.

If the Province terminates the Offer without accepting any tenders, or does not accept your tender, it will instruct the exchange agent to instruct the Designated Clearing System through which such tenders were submitted to unblock such Existing Bonds held in the direct participant’s account at such clearing system.

Notices and Publication

The Province will promptly announce any extension, amendment or termination of the Offer by publishing notices in compliance with the regulations of the Luxembourg Stock Exchange, the Buenos Aires Stock Exchange and the *Mercado Abierto Electrónico* or through such other means of announcement as the Province deems appropriate, and by publication of such announcement in a newspaper with general circulation in Germany (which is expected to be the *Börsen-Zeitung* or the *Frankfurter Allgemeine Zeitung*). It will, in all cases, be sufficient means of announcement to provide such notice to the exchange agent and the Designated Clearing Systems. You may obtain all such information by contacting the information agent. The Province will announce any such extension of the Expiration Date no later than 3:00 P.M., Central European Time, on the business day following the date of the previously scheduled Expiration Date.

Notification in Luxembourg

On or prior to the commencement of the Offer in Luxembourg and in addition to the notices described elsewhere in this offering memorandum, the Province will give notice in the *Luxemburger Wort* of such commencement setting forth:

- the period of time during which holders of such Existing Bonds may exchange such Existing Bonds for New Bonds;
- the Luxembourg exchange agent for the Offer; and
- the ability of holders of Existing Bonds to receive documentation relating to such offers from the Luxembourg exchange agent.

After the Offer is completed, the Province will notify the Luxembourg Stock Exchange and provide publication in an authorized newspaper of:

- the amount of each series of the Existing Bonds exchanged in the Offer;
- the amount of New Bonds of each series issued in the Offer;
- the day upon which the Offer was closed; and
- the ISIN numbers and the Common Codes for each series of the New Bonds.

Settlement

The settlement of the Offer will commence on the date when the Province deposits the New Bonds with the common depositary that will hold the New Bonds on behalf of Euroclear and Clearstream, Luxembourg (the “Settlement Date”). Credit of the New Bonds to the accounts of tendering holders is expected to take several days after the Settlement Date. The Province expects the Settlement Date for the Offer to be on or around January 12, 2006, which is four weeks after the Expiration Date, or as soon as practicable thereafter, unless the Offer is extended, in which case a new Settlement Date, if necessary, will be announced by press release.

In connection with the settlement, if the Province has accepted your tender, you, as the beneficial owner, must have delivered to the Province good and marketable title to your Existing Bonds, free and clear of all liens, charges, claims, encumbrances, interests, rights of third parties and restrictions of any kind for purposes of cancellation of the Existing Bond.

If the Province accepts your tender, the exchange agent will take any and all actions necessary or desirable to complete the transfer and cancellation of Existing Bonds in consideration of the issuance of New Bonds, including transferring your Existing Bonds from your account to the account of the exchange agent. The Province will authorize the transfer of the New Bonds to the accounts of tendering holders within the Designated Clearing Systems only upon cancellation of all Existing Bonds tendered in the Offer.

The determination by the Province of the exchange ratios and any other calculation or quotation made with respect to the Offer shall be conclusive and binding on you, absent manifest error.

Processing Fee

The dealer manager will pay a processing fee for processing the tender of Existing Bonds, to certain banks and financial institutions that tender such Existing Bonds and who are direct participants in the Designated Clearing Systems. This processing fee will be paid only with respect to (i) tenders in basket A and (ii) tenders not in basket A of a series of Existing Bonds submitted from a tendering holder’s account that owns a principal amount of this series of Existing Bonds that is not more than one million U.S. dollars, one million euro, one million Swiss francs or 100 million yen, as the case may be. This processing fee will be an amount equal to 0.05% of the principal amount of the Existing Bonds in respect of which a request for the processing fee is made and will be paid only with respect to Existing Bonds that are ultimately accepted for exchange. This processing fee will be paid in U.S. dollars only, with non-U.S. dollar amounts being converted to U.S. dollars at the currency exchange rates specified under “Currency Exchange Rates.”

Direct participants may aggregate individual tenders for which they request a processing fee and submit this aggregate amount as a single tender. The dealer manager has the right to request additional information to verify the eligibility of these individual tenders and has the right to reject the request for a processing fee if it is not satisfied as to the eligibility of the individual tenders.

The request for the processing fee must be made in the corresponding electronic letter of transmittal by the processor. No processing fee will be paid in respect of any Existing Bonds for which no request is provided. If information is incomplete or if the dealer manager is unable to verify the processor’s eligibility, then no such fee shall be paid. The processing fee will be paid by credit of the fee to the account to which the New Bonds are credited of the applicable direct participant in a Designated Clearing System. The exchange agent will deliver the processing fee on behalf of the dealer manager. If, 30 days after the Settlement Date the exchange agent, after making a reasonable effort, is unable, for whatever reason, to deliver a processing fee (including a direct participant’s inability or unwillingness to receive the processing fee), then such direct participant shall forfeit its right to such processing fee and the exchange agent will return it to the dealer manager.

The dealer manager will not pay any processing fee until it has received its fee from the Province for acting as dealer manager in the Offer.

No person in the United States may receive the processing fee unless such person is a member of the National Association of Securities Dealers, Inc. or a bank legally authorized to receive such fees.

Agents of the Province; Other Fees and Expenses

Exchange Agent

Citibank, N.A. has been appointed as the exchange agent for the Offer. All correspondence in connection with the Offer should be sent or delivered by each holder of Existing Bonds, or a beneficial owner's commercial bank, broker, dealer, trust company or other nominee, to the exchange agent at the address and facsimile number set forth on the back cover page of this offering memorandum.

Luxembourg Exchange Agent

Dexia Banque Internationale à Luxembourg S.A. is the Luxembourg exchange agent for the Offer. The Province will maintain such an agency until completion or termination of the Offer. In Luxembourg, all services in connection with the Offer, including but not limited to acceptance of the Offer, delivery of letters of transmittal and withdrawal of bonds tendered, are available through the Luxembourg exchange agent. You may contact the Luxembourg exchange agent for assistance in relation to the Offer.

Copies of this offering memorandum will be available at the office of the Luxembourg exchange agent until completion or termination of the Offer. The address and facsimile numbers of the Luxembourg exchange agent are set forth on the inside back cover page of this offering memorandum.

Information Agent

Bondholder Communications Group has been appointed as the information agent for the Offer and will receive customary compensation for its services. Questions concerning tender procedures and requests for additional copies of this offering memorandum should be directed to the information agent at the address and telephone numbers set forth on the back cover page of this offering memorandum. Holders of Existing Bonds may also contact their commercial bank, broker, dealer, trust company or other nominee for assistance concerning the Offer.

Dealer Manager

The Province has retained Citigroup Global Markets, Inc. and its affiliates to act as dealer manager in connection with the Offer. The Province will pay a fee to the dealer manager for soliciting acceptances of the Offer. This fee will be largely based on the aggregate principal amount of the Existing Bonds exchanged in the Offer. The obligations of the dealer manager to perform these functions are subject to certain conditions. The Province has agreed to indemnify the dealer manager against certain liabilities, including certain liabilities under U.S. federal securities laws. Questions regarding the terms of the Offer may be directed to the dealer manager at the address or telephone number set forth on the back cover page of this offering memorandum.

Other Fees and Expenses

The dealer manager will bear its expenses of soliciting tenders of the Existing Bonds. The principal solicitation is being made by telephone, e-mail and electronically; additional solicitations may, however, be made by facsimile transmission or in person by the dealer manager or the information agent, as well as by officers and other employees of the Province.

You will not be responsible for the payment of any fees or commissions to the exchange agent, the Luxembourg exchange agent, the trustees or the fiscal agent for the Existing Bonds, the trustee for the New Bonds or the dealer manager. If you are a direct participant in a Designated Clearing System who is exchanging Existing Bonds, you will not be obligated to pay Argentine transfer taxes with respect to that tender, if any. If you hold

Existing Bonds through a broker, dealer, commercial bank or financial institution, you should consult with that institution as to whether it will charge any fees for performing services in connection with the Offer.

Market for the Existing Bonds and New Bonds

All Existing Bonds tendered and accepted pursuant to the Offer will be cancelled. Accordingly, the aggregate principal amount of each series of Existing Bonds will be reduced substantially if the Offer is consummated. This is likely to adversely affect the liquidity and market value of any Existing Bonds not tendered pursuant to the Offer. Existing Bonds not exchanged pursuant to the Offer will remain outstanding. To the extent permitted and practicable under the rules of the relevant stock exchanges, following consummation of the Offer, the Province will seek to discontinue the listing of Existing Bonds on the various stock exchanges in which such series are currently listed, including (but not limited to) the Luxembourg Stock Exchange, the Buenos Aires Stock Exchange, the *Mercado Abierto Electrónico* and the Frankfurt Stock Exchange. The delisting of any series of Existing Bonds may exacerbate the adverse effect of the reduction in outstanding Existing Bonds.

Each series of New Bonds is a new issue of securities with no established trading market. The Province has applied to list each series of the New Bonds on the regulated market of the Luxembourg Stock Exchange and will apply to list each series of New Bonds on the Buenos Aires Stock Exchange and the Argentine *Mercado Abierto Electrónico*. However no assurance can be given as to the liquidity of the trading market for any series of the New Bonds. The price at which each series of New Bonds will trade in the secondary market is uncertain.

Governing Law and Jurisdiction

Each electronic letter of transmittal submitted in a jurisdiction in which the Offer is being extended on the basis of this offering memorandum will be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. By submitting an electronic letter of transmittal, you (and the direct participant on your behalf) irrevocably and unconditionally agree for the benefit of the Province, the dealer manager, the information agent, the exchange agent and the Luxembourg exchange agent that the New York state or U.S. federal courts sitting in the Borough of Manhattan, The City of New York, are to have jurisdiction to settle any disputes which may arise out of or in connection with the Offer or any of the documents referred to in this offering memorandum and that, accordingly, any suit, action or proceedings arising out of or in connection with the foregoing may be brought in such courts.

Terms of Offer; Methodology; No Recommendation

In defining the financial terms of the Offer, the Province has observed certain principles of debt sustainability and inter-creditor equity. Still, emerging from the most serious economic crisis in its history, the Province seeks to achieve the debt relief it considers necessary to create the basis for future fiscal stability and long-term debt sustainability. The Province has calculated exchange ratios for each series of Existing Bonds in as equitable a manner as it deemed practicable in view of the complexity of the financial and other considerations relevant to these calculations. The Province has also designed the terms of the New Bonds in a manner that it believes balances the Province's economic needs and constraints with the various preferences of investors, and it has sought to provide equitable access to the New Bonds by investors.

Nonetheless, the calculation of the exchange ratio between each type of Existing Bonds and the New Bonds, the interest rates of the New Bonds and the currency conversion rates are based, at least in part, on criteria determined by the Province representing one of several possible approaches and methodologies. The Province has thus made determinations about methodology, calculations and other parameters of the Offer that are necessarily subjective in nature. Moreover, the Province can offer no assurance that the rate of its economic growth will meet current assumptions or that the Province will achieve long-term debt sustainability. Consequently, you should independently make an assessment of the terms of the Offer.

None of the Province, the dealer manager, the information agent, the exchange agent, the Luxembourg exchange agent or any Designated Clearing System expresses any opinion regarding:

- the fairness of the terms of the Offer;
- the accuracy or fairness of the values that result from the methodology for calculations and the setting of other parameters of the Offer; or
- whether you should participate in the Offer by tendering your Existing Bonds or refrain from doing so.

In addition, no one has been authorized by the Province to make any recommendation of any kind regarding your participation in the Offer or regarding any term, or the fairness or value of any aspect of the Offer.

Repurchases of Existing Bonds that Remain Outstanding; Subsequent Exchange Offers

The Province reserves the right, in its absolute discretion, to purchase, exchange, offer to purchase or exchange, or enter into a settlement in respect of any Existing Bonds that are not exchanged pursuant to the Offer (in accordance with their respective terms) and, to the extent permitted by applicable law, purchase or offer to purchase Existing Bonds in the open market, in privately negotiated transactions or otherwise. Any such purchase, exchange, offer to purchase or exchange or settlement will be made in accordance with applicable law. The terms of any such purchases, exchanges, offers or settlements could differ from the terms of the Offer. Holders of New Bonds will be entitled to participate in any purchase, exchange or offer to purchase or exchange, voluntarily made by the Province that is extended to or agreed with holders of Existing Bonds which were not exchanged pursuant to the Offer as described below under “Description of New Bonds – Rights Upon Future Offers.”

THE PROVINCE OF BUENOS AIRES

General

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

With approximately 13.8 million inhabitants according to the 2001 national census, the Province’s population represents 38.1% of the total population of Argentina and is almost equal to the combined population of the seven next-highest populated provinces of the country. Approximately 63% of the Province’s population is concentrated in the *Conurbano Bonaerense*. The City of Buenos Aires is the capital of Argentina and has an estimated population of 2.8 million people. It is not part of the Province and constitutes a politically autonomous jurisdiction.

Constitutional Framework and Relationship between Federal and Provincial Governments

The Argentine federal constitution sets forth a division of powers between the federal and provincial governments. Each province has its own constitution, which establishes its governmental structure and provides for the election of a provincial Governor and Vice Governor and a provincial legislative branch. The provinces have general jurisdiction over matters of purely provincial or local concern, including, among others:

- health and education,
- provincial police and courts, and
- the borrowing of money on its own credit, subject to a federal approval and control mechanism.

The jurisdiction of the federal government is limited to those matters that are expressly delegated to it by the federal constitution. These areas include, among others:

- the regulation of trade and commerce,
- the issuance of currency,
- the regulation of banks and banking activities,
- national defense and foreign affairs, and
- customs and the regulation of shipping and ports.

The federal government does not guarantee, nor is it responsible for, the financial obligations of any province.

Under the Argentine federal system, each province retains significant responsibility for the rendering of public services and other functions within its territory that require public expenditure, while relying primarily on a centralized tax-collection system run by the federal government as a source of public revenues. This centralized system, which is called the federal tax co-participation regime, dates back to 1935, when the provinces agreed to delegate their constitutional power to collect several categories of taxes to the federal government in exchange for transfers of a portion of the related tax revenues. This coordinated taxation regime has been amended several times, and currently the “shared” or “co-participated” taxes include income tax, value-added tax, a tax on financial

transactions and several specific excise taxes levied on consumption. See “Public Sector Finances—Federal Tax Co-Participation Regime.”

Provincial Government

Executive Branch

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

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

Legislative Branch

The legislative branch of the Province is composed of two bodies: the Senate and the House of Representatives. The Vice Governor serves as President of the Senate. The members of both bodies are elected to four-year terms by popular vote. Half of the members of each of these bodies face election every two years. The most recent elections took place in October 2005, in which half of the members of the legislature were elected. See “—Political Parties.”

Judicial Branch

The judicial branch of the Province consists of trial courts, courts of appeals and the Supreme Court, which have jurisdiction over civil, commercial, administrative, labor, family and criminal matters within the Province. The Governor appoints Supreme Court justices with the Senate’s approval. The Governor appoints other judges from a list of candidates proposed by the *Consejo de la Magistratura* (the Counsel of Magistrates), with the approval of the Senate. Judges serve for life and can be removed only by impeachment proceedings. Argentina also has a federal judiciary which has jurisdiction over federal matters within the territory of the Province.

Other Agencies

The provincial constitution provides for the existence of four provincial agencies that are not part of any of the three branches of government: the *Contaduría General de la Provincia* (the General Accounting Office), the *Tribunal de Cuentas* (the Audit Tribunal), the *Tesorería General* (the General Treasury) and the *Fiscalía de Estado* (Attorney General’s office).

The Province’s General Accounting Office prepares and keeps the books and records of the Province and prepares the Province’s annual financial statements, which are subject to the approval of the Province’s Audit Tribunal. The General Accounting Office also advises the executive branch on matters relating to the Province’s finances, controls the collection of revenues and authorizes expenditures. The Audit Tribunal examines the books and records of the Province, its public enterprises and its municipalities.

The Province’s General Treasury makes payments that have been approved by the General Accounting Office and manages the Province’s bank accounts, all of which are with Banco Provincia.

The Attorney General represents the Province in any lawsuits that could affect the Province’s assets and reviews any governmental contracts, settlements, laws or decrees that call for the use of public funds. The Attorney General also has the authority to challenge in court any provincial laws or decrees that he or she considers unconstitutional. The Attorney General is appointed for life by the Governor, with the approval of the Senate, and may be removed from office only through an impeachment proceeding. The current attorney general was appointed in the 1980s by a prior administration controlled by the UCR Party.

Municipalities

There are 134 municipalities located within the Province, several of which are more populous than some Argentine provinces. Each municipality has its own government, which is responsible for providing basic local services, such as sanitation, public lighting and road maintenance. Some municipal governments also supplement provincial public health and social welfare services.

Municipalities finance their activities through revenues derived from services rendered, such as garbage collection, health and hygiene inspections of businesses, and through funds transferred by the Province. Pursuant to provincial law, the Province's municipalities are entitled to receive, in the aggregate, 16.14% of the taxes collected by the Province (other than energy taxes and a small portion of real estate tax collections) and of the federal co-participation payments received by the Province. The overall percentage of funds transferred by the Province to its municipalities and the portion of such funds to be allocated to each municipality are defined by the provincial legislature and may also be changed by it. See "Public Sector Finances—Expenditures—Current Transfers."

In addition, several municipalities are entitled to collect certain provincial taxes. In 1988, the Province established a decentralized municipal tax collection program in order to improve municipal administration. This program, which was modified in 2003, entrusts participating municipal governments with the collection of a number of taxes within their corresponding municipalities, such as rural real estate taxes, certain gross revenues taxes and certain automobile taxes. A portion of the revenues from these taxes is transferred to the Province based on allocation criteria that vary for each tax. Also, a portion of these revenues is allocated to funds to provide public services within the corresponding municipality, such as the maintenance of rural roads and schools.

Political Parties

Traditionally, the two largest political parties in Argentina have been the PJ Party and the UCR Party, which have broad-based support across the country. In 2005, however, a faction within the provincial PJ Party led by the President of Argentina and the Governor of the Province formed a separate provincial political party known as the Front for Victory. See "—Recent Political History."

The following are Argentina's principal political parties:

- *Partido Justicialista*, or the PJ Party, which evolved from former President Juan Perón's efforts in the 1940s to expand the role of labor in the political process;
- *Unión Cívica Radical*, or the UCR Party, founded in 1890;
- *Frente para la Victoria*, or Front for Victory, formed in 2005 by former members of the PJ Party under the leadership of the current President of Argentina;
- *Afirmación para una República Igualitaria*, or Affirmation for an Equitable Republic (which we refer to as the ARI Party), founded in 2001 by former UCR party leaders; and
- *Recrear para el Crecimiento*, or the Rebuild for Growth Party, founded in 2002 by Ricardo López Murphy, a former Minister of Defense and former Minister of Economy and Infrastructure during the De la Rúa administration.

The tables below show, by political party, the composition of the provincial legislature:

Party Composition of the House of Representatives 2003-2005

Parties	Number of Seats
PJ Party	36
Front for Victory	20
UCR Party	19
ARI Party	4
Other	13
Total	92

Source: Legislature of the Province.

Party Composition of the Senate 2003-2005

Parties	Number of Seats
PJ Party	27
UCR Party	10
Front for Victory	7
Other	2
Total	46

Source: Legislature of the Province.

Prior to the formation of Front for Victory, the mayors of 75 of the Province's municipalities were members of the PJ Party. Approximately 60 of those mayors are now members of Front for Victory, while the mayors of 43 of the Province's municipalities are members of the UCR Party, approximately 15 mayors remain members of the PJ party, two are members of the ARI Party and the rest are members of local parties that are active at the municipal level.

Following the provincial legislative elections held in October 2005, in which the lists of candidates proposed by the Front for Victory obtained the most votes, the Province anticipates that members of the Front for Victory will hold a significantly greater number of seats in both the provincial House of Representatives and the provincial Senate when the newly-elected members of the legislature take office in December 2005, than those currently held by members of this political party. See "Recent Political History."

Recent Political History

In October 1999, Dr. Fernando De la Rúa of the UCR Party took office as President of Argentina under a political coalition. From 1999 through 2002, Argentina's economy contracted significantly and poverty and unemployment reached record levels. The administration of President De la Rúa was unable to restore economic growth. In December 2001, the federal government imposed restrictions on the withdrawal of bank deposits to safeguard the viability of the banking system. These restrictions triggered widespread social unrest that resulted in the resignation of President De la Rúa. As a result of his resignation, the political coalition through which he was elected was dissolved in 2002. De la Rúa was succeeded by four interim presidents: Ramón Puerta, Adolfo Rodríguez Saa, Eduardo Camaño and Eduardo Duhalde, who governed until the national presidential elections of May 2003. Nestor Kirchner was elected President of the Republic in the May 2003 elections and took office in December of that year. Pres. Kirchner is a member of the PJ Party, and his current term expires in December 2007.

The current Governor of the Province, Mr. Felipe Solá took office in January 2002 as a member at that time of the PJ Party, following the resignation of Dr. Carlos Ruckauf from the office in the midst of Argentina's political and economic crisis. Governor Solá was re-elected in September 2003 along with current Vice Governor María Graciela Gianettasio. Their current term expires in December 2007.

Former president Eduardo Duhalde is the leader of the provincial PJ Party. In December 2004, however, Governor Solá formed an opposition faction within the provincial PJ Party, leading to increasingly divisive disputes within the provincial PJ Party between supporters of Mr. Duhalde and of Governor Solá. As a result of these disputes, in January 2005 Governor Solá vetoed the Province's 2005 budget law after the provincial legislature, which is controlled by supporters of Mr. Duhalde, amended the Governor's proposed bill to eliminate the Governor's power to make a number of specific modifications to the budget during the course of the year, as had been the case in prior annual budgets in the past two decades.

Pursuant to the provincial constitution, the effectiveness of the Province's 2004 budget has been automatically extended pending the adoption of a budget for 2005. Because the 2004 budget contained a provision authorizing the Governor to modify the budget, including the amount and allocation of expenditures within the limits of actual revenue received, the Governor has modified the extended 2004 budget on several occasions during 2005 to reflect the Province's actual revenues and expenditures during this period. A group of provincial legislators, however, has challenged the legality of the extension of this power before a provincial court, and a decision is now pending in the Supreme Court of the Province, which has exclusive jurisdiction over the matter. See "Public Sector Finances—The 2005 Budget."

Disagreements within the ranks of the PJ Party grew deeper over the course of 2005, at both the national and provincial levels. Following a dispute involving the list of candidates for the provincial legislature and the provincial representatives in the national legislature that the PJ Party intended to present in the 2005 national and provincial legislative elections, President Kirchner and Governor Solá together founded Front for Victory as a political party separate from the PJ Party. The lists of candidates presented by Front for Victory in these elections obtained a greater number of votes than any other political party at both the national and provincial levels. In the Province, Front for Victory's list of candidates to the provincial Senate obtained approximately 40.80% of total votes, followed by the UCR Party with approximately 10.19% and the PJ Party with approximately 9.74%, while Front for Victory's list of candidates for the provincial House of Representatives obtained 42.65% of total votes, followed by the PJ Party with approximately 14.05% and the ARI Party with approximately 8.52%. Front for Victory achieved similar results in the national legislative elections. The newly-elected members of the provincial legislature are expected to take office on December 10, 2005.

THE PROVINCIAL ECONOMY

Introduction

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

The Convertibility Regime and Economic Performance through the 1990s

In 1991, the federal legislature enacted the Convertibility Law, which established a fixed exchange rate based on what is generally known as a currency board. The goal of this system was to stabilize the inflation rate by requiring that Argentina's monetary base be fully backed by the Central Bank's gross international assets. This restrained the Central Bank's ability to effect changes in the monetary supply by issuing additional pesos and fixed the exchange rate of the peso and the dollar at Ps.1.00 per U.S.\$1.00.

The Convertibility regime and the other free-market initiatives of the federal government, temporarily achieved price stability, increased the efficiency and productivity of the economies of Argentina and the Province and attracted significant foreign investment to Argentina, including the Province. At the same time, Argentina's monetary policy was tied to the flow of foreign capital into the Argentine economy, which increased the vulnerability of the economy to external shocks and led to over-reliance on certain economic sectors. In addition, related measures restricted the Central Bank's ability to provide credit, particularly to the public sector.

From the time that the Convertibility regime was implemented in 1991 through early 1995, the Province experienced real GDP growth as Argentina recorded decreased inflation, real growth in GDP and net inflows of foreign capital. In 1995, however, both the Province and Argentina experienced an economic downturn triggered by the devaluation of Mexico's currency in December 1994.

From 1996 through 1998, despite the Asian financial crisis in 1997, both the Province and Argentina experienced renewed economic growth. This growth slowed in 1998, however, as a result of the Russian financial crisis and the devaluation of Brazil's currency, which led to the widespread withdrawal of investors' funds from emerging markets, increased interest rates and a decline in exports to Brazil, the Province's principal export market. The Province's economy continued to contract through 2000, despite an increase in exports, due primarily to the recovery of the Brazilian economy in 2000, which offset lower domestic demand and investment.

Economic Crisis

During the second half of 2001, the Province, along with all of Argentina, entered a state of severe economic crisis, due to the various external shocks that had occurred since the last quarter of 1997. Domestic structural barriers to economic growth also contributed to the crisis, including the rigidity of the Convertibility regime, which limited the federal government's ability to adjust Argentina's monetary policy in order to stimulate the economy.

During the months leading up to the onset of the economic crisis, the Province took measures intended to brace its economy for the impending crisis, including the declaration in July 2001 of an official state of administrative, economic and financial emergency in the Province. This declaration permitted the Province to implement policies intended to slow the decline in its financial liquidity, such as the issuance of *Patacones*, a provincial quasi-currency bond, to pay its suppliers and employees, and to limit provincial expenditures.

As a consequence of this highly unstable political and economic situation, the Province's real GDP declined in 2001 by 5.0% as compared to 2000. Moreover, in October 2001, the four main urban areas of the Province registered a weighted average unemployment rate of 20.8%, as compared to 16.7% in October 2000, while the percentage of individuals in the *Conurbano Bonaerense* living below the poverty line increased to 43.2% in October 2001, from 35.0% in 2000. See "—Economically Active Population and Employment" and "—Poverty."

In 2002, in response to Argentina's economic crisis, the federal government abandoned the Convertibility regime, which resulted in the peso losing significant value, both against foreign currencies and in terms of purchasing power, depreciating by 74.2% against the U.S. dollar during the first half of 2002. Related measures implemented by the federal government in late 2001 and 2002 included the compulsory and unilateral freezing of bank deposits, which came to be known as the "corralito," and the conversion into pesos of dollar-denominated deposits held by Argentine banks at specific rates. The period was marked by a total absence of any domestic and external credit. As the measures adopted by the federal government exacerbated the Province's economic crisis in 2002, the Province experienced a further decline in real GDP of 10.6%, as compared to 2001. Similarly, unemployment and poverty rates increased further within the Province, as the weighted average unemployment rate in the four main urban areas of the Province initially rose to 24.0% in May 2002 before dropping back to 20.4% in October 2002, while the percentage of individuals in the *Conurbano Bonaerense* living below the poverty line increased to 64.4% in October 2002. See "—Economically Active Population and Employment" and "—Poverty."

Economic Recovery

Despite the destabilizing effects of the devaluation of the peso and various other emergency measures adopted by the Province and the federal government in response to the crisis, the Province's economy began to stabilize in the third quarter of 2002 as a result of favorable adjustments in Argentina's foreign trade balance and an expansionary federal monetary policy.

During 2003, the Argentine economic recovery broadened and accelerated, as increased production gave rise to higher employment rates and wages. The Province's real GDP registered a 10.9% increase in 2003, as compared to 2002. In addition, the weighted average unemployment rate of the four main urban areas of the Province was 17.8% during the second half of 2003, as compared to 21.2% during the first half of that year, while the percentage of individuals in the *Conurbano Bonaerense* living below the poverty line decreased to 53.5% during the second half of 2003, as compared to 61.3% during the first half of that year. See "—Economically Active Population and Employment" and "—Poverty."

Argentina's economic recovery continued during 2004, reflecting continued increases in economic activity and liquidity. Preliminary figures indicate that the Province's real GDP increased by 9.9% in 2004, as compared to 2003. In addition, during the second half of 2004, the four main urban areas of the Province registered a weighted average unemployment rate of 14.9%, as compared to 17.8% during the second half of 2003, while the percentage of individuals in the *Conurbano Bonaerense* living below the poverty line declined to 44.4% during the second half of 2004. See "—Economically Active Population and Employment" and "—Poverty."

Gross Domestic Product

The Province's Office of Statistics has published GDP figures in constant 1993 prices and current pesos through 2004. The following table shows the evolution of GDP, per capita GDP and contribution to national GDP for the periods indicated:

Gross Domestic Product (2000-2004)

	2000	2001	2002	2003 ⁽⁴⁾	2004 ⁽⁴⁾
GDP (in millions of 1993 constant pesos) ⁽¹⁾	93,574	88,849	79,432	88,053	96,749
GDP (in millions of current pesos) ⁽¹⁾	97,884	93,810	109,118	134,996	161,563
Real GDP growth (in percentage).....	(2.0)	(5.0)	(10.6)	10.9	9.9
Population (inhabitants) ⁽²⁾	13,698,683	13,827,203	13,956,870	14,087,754	14,219,864
GDP per capita (in current pesos).....	7,146	6,784	7,818	9,583	11,362
Provincial GDP/National GDP ⁽³⁾ (in percentage)	34.4	34.9	34.9	35.9	36.1

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

(2) Calculated based on the rate of population growth according to the 2001 census, as published by the *Instituto Nacional de Estadística y Censos* (the National Institute of Statistics and Census, or INDEC).

(3) Calculated on the basis of current peso figures.

(4) Preliminary figures.

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

Principal Sectors of the Economy

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

- Manufacturing, which accounted for 25.1% of the Province's total GDP in 2004;
- Real Estate and Other Business Activities, which accounted for 16.5% of the Province's total GDP in 2004;
- Wholesale and Retail Commerce, which accounted for 13.0% of the Province's total GDP in 2004;
- Transportation, Storage and Communications, which accounted for 10.9% of the Province's total GDP in 2004;
- Education, Health and Social Services, comprising the Education sector and the Social Services and Health sector, which collectively accounted for 7.7% of the Province's total GDP in 2004;
- Construction, which accounted for 5.7% of the Province's total GDP in 2004; and
- Agriculture, Livestock, Hunting and Forestry, which accounted for 4.9% of the Province's total GDP in 2004.

The following table shows the evolution of the Province's GDP by economic sector for 2000 through 2004, in 1993 constant pesos:

Gross Domestic Product by Sector (2000-2004)⁽¹⁾
(in millions of pesos, at constant 1993 prices)

Sector	2000		2001		2002		2003 ⁽²⁾		2004 ⁽²⁾	
Manufacturing.....	21,574	25.5%	19,292	23.9%	16,830	22.9%	19,865	24.6%	22,072	25.1%
Real estate and other business activities.....	14,954	17.7	14,767	18.3	14,371	19.5	14,163	17.5	14,539	16.5
Wholesale and retail commerce.....	11,029	13.0	10,233	12.7	8,420	11.4	10,039	12.4	11,423	13.0
Transportation, storage and communications.....	8,639	10.2	8,652	10.7	8,007	10.9	8,489	10.5	9,626	10.9
Education, social services and health	5,994	7.0	6,168	7.6	6,195	8.4	6,254	7.7	6,751	7.7
Construction.....	4,258	5.0	4,085	5.1	3,141	4.3	4,278	5.3	5,016	5.7
Other Services.....	4,120	4.9	4,104	5.1	3,941	5.4	4,337	5.4	4,630	5.3
Agriculture, livestock, hunting and forestry.....	4,049	4.8	4,104	5.1	3,905	5.3	4,078	5.1	4,272	4.9
Public administration, defense and social security.....	3,316	3.9	3,184	3.9	3,089	4.2	3,138	3.9	3,195	3.6
Electricity, gas and water.....	2,212	2.6	2,248	2.8	2,269	3.1	2,321	2.9	2,473	2.8
Hotels and restaurants.....	2,108	2.5	1,945	2.4	1,677	2.3	1,778	2.2	1,901	2.2
Financial services.....	2,223	2.6	1,887	2.3	1,663	2.3	1,856	2.3	1,885	2.1
Fishing and related services.....	76	0.1	102	0.1	106	0.1	104	0.1	114	0.1
Mining, petroleum and gas	71	0.1	47	0.1	32	0.0	48	0.1	60	0.1
Total.....	84,572	100.0%	80,816	100.0%	73,648	100.0%	80,749	100.0%	87,957	100.0%

(1) Considered in terms of producer's prices, excluding taxes.

(2) Preliminary figures.

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

The following table shows the evolution of the participation of the Province's GDP in the national GDP by economic sector for 2000-2004 in millions of pesos:

Participation of Provincial GDP in National GDP by Sector (2000-2004)⁽¹⁾
(in millions of pesos, at constant 1993 prices)

Sector	2000			2001			2002			2003 ⁽²⁾	
	Provincial GDP	National GDP	Provincial GDP/ National GDP	Provincial GDP	National GDP	Provincial GDP/ National GDP	Provincial GDP	National GDP	Provincial GDP/ National GDP	Provincial GDP	National GDP
Manufacturing	21,574	43,855	49.2%	19,292	40,627	47.5%	16,830	36,176	46.5%	19,865	41,952
Real Estate and other business activities	14,954	40,451	37.0	14,767	39,441	37.4	14,371	37,238	38.6	14,163	38,702
Wholesale and retail commerce	11,029	36,387	30.3	10,233	33,514	30.5	8,420	27,325	30.8	10,039	30,861
Transportation, storage and communications	8,639	23,522	36.7	8,652	22,446	38.5	8,007	20,664	38.7	8,489	22,363
Education, social services and health	5,944	22,158	26.8	6,168	22,471	27.4	6,195	22,400	27.7	6,254	23,016
Construction	4,258	14,284	29.8	4,085	12,627	32.4	3,141	8,410	37.4	4,278	11,300
Other services	4,120	15,635	26.3	4,104	15,485	26.5	3,941	13,960	28.2	4,337	14,610
Agriculture, livestock, hunting and forestry	4,049	14,567	27.8	4,104	14,612	28.1	3,905	14,370	27.2	4,078	15,382
Public administration, defense and social security	3,316	14,367	23.1	3,184	14,131	22.5	3,089	14,004	22.1	3,138	14,158
Electricity, gas and water	2,212	7,325	30.2	2,248	7,407	30.4	2,269	7,182	31.6	2,321	7,681
Hotels and restaurants	2,108	7,236	29.1	1,945	6,708	29.0	1,677	6,152	27.3	1,778	6,522
Financial services	2,223	9,033	24.6	1,887	8,940	21.1	1,663	8,087	20.6	1,856	7,716
Fishing and related services	76	424	18.0	102	536	19.0	106	433	24.5	104	438
Mining, petroleum and gas	71	4,880	1.5	47	5,107	0.9	32	4,916	0.7	48	5,099
Total GDP	84,572	254,125	33.3%	80,816	244,052	33.1%	73,648	221,317	33.3%	80,749	239,800

(1) Considered in terms of producers' prices, excluding taxes.

(2) Preliminary data.

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

Manufacturing

The Province's manufacturing sector is highly diversified and manufactured products include refined petroleum products, cereals and food products, steel, chemicals, electrical machinery, aluminum, piping, automobiles and automobile parts, oil drilling tools and equipment, computer printers, cement, pharmaceuticals and textiles. Historically, food and beverage production and chemicals have been the most significant contributors to production within this sector.

The manufacturing sector is the single largest contributor to provincial GDP, representing approximately 25.1% of total provincial GDP in 2004. The Province's 2004 manufacturing output of Ps.22.1 billion in constant pesos represents 47.0% of the country's total manufacturing output. Between 2000 and 2004, manufacturing output decreased from 25.5% to 25.1% of total real provincial GDP.

All areas of manufacturing were severely affected by the economic recession. In 2002, the output of the Province's manufacturing sector decreased to Ps.16.8 billion, from Ps.21.6 billion in 2000.

In 2003, manufacturing activity within the Province registered an output of Ps.19.9 billion, representing an 18.0% increase as compared to 2002 levels. This growth was attributable to an increase both in domestic consumption and in exports, as economic activity started to recover following the crisis, leading to increased investment in the manufacturing sector, which enabled certain manufacturing sub-sectors to operate at full capacity. Chemical and metal manufacturing registered the most significant production increases in 2003.

In 2004, manufacturing activity within the Province registered an output of Ps.22.1 billion, representing a 11.1% increase as compared to 2003 levels, with the automobile and food production industries registering the most significant increases as compared to 2003 levels.

Real Estate and Other Business Activities

The Real Estate and Other Business Activities sector encompasses a wide range of services rendered to businesses and individuals. It includes real estate transactions carried out by owners and through intermediaries, leases of machinery and equipment without operating personnel, computer services, research and development and other business and professional services.

Real estate transactions, including sales and rentals, account for the vast majority of the Province's total sector production. The contribution of real estate transactions and other business activities to provincial GDP decreased from 17.7% in 2000 to 16.5% in 2004. Total production in this sector in 2004 was equal to approximately Ps.14.5 billion in constant pesos and represents 36.0% of Argentina's total output in this sector in 2004.

Measured in real terms, the Province's total production within this sector decreased from approximately Ps. 15.0 billion in 2000 to approximately Ps. 14.0 billion in 2003. This decrease reflected decreased demand in the Province's real estate market, which resulted from the lack of available credit following the abandonment of the Convertibility regime.

In 2004, the Province's total production within this sector increased to Ps. 14.5 billion in 2004, as the increasing availability of credit stimulated demand. Despite the Province's recent improved general economic performance, however, this sector has not yet recovered to 2000 production levels, nor has its contribution to the Province's overall GDP returned to pre-recession levels.

Wholesale and Retail Commerce

Approximately half of this sector's total production typically derives from retail and wholesale sales of food, beverages and tobacco, as well as wholesale sales of agricultural products. Wholesale and retail commerce in the Province accounted for 13.0% of provincial GDP and contributed 32.6% of Argentina's production within this sector in 2004, with production totaling Ps.11.4 billion in constant pesos.

Commercial activity within the Province decreased from Ps.11.0 billion in 2000 to Ps.8.4 billion in 2002 due to the reduction in consumer purchasing power that resulted from the economic recession.

The Province's commercial production totaled approximately Ps.10.0 billion in 2003, representing a 19.2% increase as compared to 2002 levels, and Ps.11.4 billion in 2004, representing a 13.8% increase as compared to 2003 levels. This growth was attributable to higher disposable income levels during this period resulting from higher levels of employment and increased salaries.

Transportation, Storage and Communications

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

Telecommunications and freight land transportation together typically account for a vast majority of the Province's production within this sector. This sector's contribution to total provincial GDP increased from 10.2% in 2000 to 10.9% in 2004. With production totaling Ps.9.6 billion in 1993 constant pesos in 2004, this sector accounted for 38.0% of Argentina's total production in this sector in 2004.

In 2003, transportation activity registered growth of 6.0%, as compared to 2002. In 2004, transportation activity registered growth of 13.4%, as compared to 2003. This increase resulted from growth in industrial production associated with the Province's economic recovery, as well as increases in the rates charged by providers of freight transportation and communications services during this period.

Education, Health and Social Services

The Province records production from these services in two sectors: (i) education and (ii) health and social services. Education typically represents slightly more than one half of total provincial GDP derived from education, health and social services. In aggregate, education, health and social services contributed Ps.6.8 billion (in constant pesos) to provincial GDP in 2004, accounting for approximately 7.7% of the Province's total real GDP in 2004 and 28.5% of total Argentine GDP derived from education, health and social services in 2004.

Public education typically accounts for a majority of the Province's total GDP derived from education services. Education services contributed Ps.3.9 billion (in constant 1993 pesos) to total provincial GDP in 2004, accounting for approximately 4.4% of the Province's total real GDP in 2004, up from 3.9% in 2000.

Private health services typically account for a majority of total provincial GDP derived from social and health services. Social services and health services contributed Ps.2.9 billion (in constant pesos) to total provincial GDP in 2004, representing approximately 3.3% of total provincial GDP in 2004, up from 3.1% in 2000.

Construction

Housing construction typically accounts for approximately half of the Province's total production in this sector. Construction totaled Ps.5.0 billion in constant pesos in 2004, representing approximately 5.7% of provincial GDP and 34.3% of total Argentine construction output. Between 2000 and 2004, this sector registered an increase, from 5.0% of total real provincial GDP in 2000 to 5.7% of total real provincial GDP in 2004.

As a result of the economic recession, the Province's construction output decreased from Ps.4.3 billion in 2000 to Ps.3.1 billion in 2002. In 2003, construction in the Province grew by approximately 36.2% in real terms, to Ps.4.3 billion. This growth was primarily the result of an increase in the construction of small buildings, particularly in areas frequented by tourists. In 2004, construction in the Province grew approximately 17.2%. This growth resulted primarily from an increase in public works and, to a lesser extent, from increased private sector construction.

Agriculture, Livestock, Hunting and Forestry

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

The main activities that compose this sector are cereals and oil-producing crops, which, together with livestock and dairy products, typically account for most of the Province's production within this sector. Corn, soy beans, wheat and sunflower are the most widely produced crops. Argentina is the worldwide leader in the production of crop-derived oils, accounting for 15.8% of total world production, with a share of approximately 50% of the world commercial market for crop-derived oils. The Province is Argentina's main producer of crop-derived oils, with 65% of Argentina's sunflower mills located in the Province. The Province is also Argentina's main producer of corn (accounting for approximately 33% of the country's total corn production in the 2004 harvest) and of wheat (accounting for approximately 63% of the country's total 2004 wheat production).

With a total output of Ps.4.3 billion in constant pesos, agriculture, livestock, hunting and forestry together accounted for 4.9% of the Province's GDP in 2004 and represented 28.2% of total Argentine production in this sector. From 2000 to 2004, the contribution of agriculture, livestock, hunting and forestry production to total real Provincial GDP has remained relatively constant at 4.8%, despite fluctuations to as high as 5.3% in 2002.

Following the devaluation of the peso, this sector became more competitive internationally. The sector was buoyed by favorable global economic conditions, including increased international commodities prices. From 2001 through 2004, for example, the price of soybeans rose 78.2%, the price of wheat 27.5% and the price of corn 48.4% in the international markets. In 2003, this sector experienced growth of approximately 4.4% as compared to 2002 levels, due primarily to growth in livestock production. In 2004, this sector experienced growth of 4.8% as compared to 2003 levels, due primarily to growth in the production of cereals, oil-producing crops and fodder. The Province's 2004 production within the agriculture and livestock sector reached its highest levels since 1993.

Exports Originating in the Province

In Argentina, information relating to exports is collected and released by *Instituto Nacional de Estadística y Censos* (the National Institute of Statistics and Census, or INDEC), and is based mainly on data collected in connection with the issuance of shipping permits by the Argentine Federal Customs Bureau. Since 1995, export data has also been collected in connection with the export of goods that require no such permits, such as energy. The most recent published information available is for 2004. Provincial exports include exports of all goods produced within the territory of the Province, either by growth, extraction or collection, and all goods processed or elaborated completely in the Province, including those made entirely from raw materials produced outside of the Province and transformed within the Province into a different product (as classified under the Mercosur rules).

In the period from 2000 to 2004, the value of provincial exports increased 35.7%, from U.S.\$9.6 billion in 2000 to U.S.\$13.1 billion in 2004. In 2000, the Province's exports accounted for 10.4% of the Province's GDP and 36.5% of Argentina's total exports. In 2004, exports represented 25.1% of provincial GDP and 37.9% of Argentina's total exports.

Classification of Main Exported Items

In 2004, manufactured goods of industrial origin accounted for approximately 46.2% of total provincial exports and manufactured goods of agricultural origin accounted for approximately 22.3%. The balance consists of exports of primary products, which consist mainly of agricultural products, and fuel and electrical energy. Manufactured goods of industrial origin exported by the Province in 2004 accounted for approximately 63.3% of Argentina's total exports of these goods, and provincial exports of manufactured goods of agricultural origin accounted for approximately 24.4% of Argentina's total exports of these goods. The Province's exports of primary products equaled approximately 27.9% of national exports of such products in 2004, and the Province's exports of electrical energy and fuel represented approximately 35.7% of such products' national exports.

The following table sets forth the breakdown of the Province's exports by product category for 2000 through 2004:

Exports by Product Category ⁽¹⁾ (in millions of U.S. dollars and %)											
		2000		2001		2002		2003		2004	
Primary products:											
Cereals		U.S.\$1,185	12.3%	U.S.\$1,254	12.4%	U.S.\$948	10.3%	U.S.\$891	8.7%	U.S.\$1,287	9.8%
Seeds and oilseeds		194	2.0	295	2.9	283	3.1	417	4.1	449	3.4
Fish		70	0.7	80	0.8	48	0.5	59	0.6	58	0.4
Honey		46	0.5	37	0.4	56	0.6	77	0.8	58	0.4
Vegetables		17	0.2	19	0.2	16	0.2	22	0.2	28	0.2
Animals		11	0.1	15	0.1	7	0.1	8	0.1	9	0.1
Fruit		4	0.0	8	0.1	8	0.1	8	0.1	17	0.1
Other		13	0.1	6	0.1	5	0.1	5	0.0	7	0.1
Total		1,540	16.0	1,715	17.0	1,370	14.8	1,486	14.6	1,914	14.6
Manufactured goods of agricultural origin:											
Hides and skins		543	5.6	437	4.3	377	4.1	390	3.8	441	3.4
Oils and fats		487	5.1	478	4.7	528	5.7	609	6.0	737	5.6
Meat		389	4.0	178	1.8	295	3.2	367	3.6	634	4.8
Residues		231	2.4	262	2.6	227	2.5	263	2.6	273	2.1
Processed fish		139	1.4	163	1.6	142	1.5	151	1.5	196	1.5
Mill products		127	1.3	120	1.2	103	1.1	80	0.8	85	0.6
Dairy products		85	0.9	71	0.7	64	0.7	52	0.5	97	0.7
Vegetable and fruit products		55	0.6	53	0.5	46	0.5	40	0.4	1	0.0
Other		297	3.1	247	2.4	248	2.7	330	3.2	451	3.4
Total		2,353	24.4	2,007	19.9	2,030	22.0	2,282	22.4	2,915	22.3
Manufactured goods of industrial origin:											
Transportation equipment		1,177	12.2	1,353	13.4	981	10.6	810	7.9	1,259	9.6
Chemicals		877	9.1	940	9.3	887	9.6	1,128	11.0	1,485	11.4
Metals		867	9.0	950	9.4	1,052	11.4	1,009	9.9	1,095	8.4
Machinery and related equipment		464	4.8	482	4.8	370	4.0	379	3.7	474	3.6
Plastics		401	4.2	517	5.1	518	5.6	567	5.6	792	6.1
Textiles		246	2.6	216	2.1	167	1.8	167	1.6	201	1.5
Paper goods		128	1.3	115	1.1	108	1.2	132	1.3	169	1.3
Rubber		128	1.3	111	1.1	130	1.4	119	1.2	138	1.1
Others		390	4.0	437	4.3	394	4.3	401	3.9	428	3.3
Total		4,679	48.5	5,120	50.7	4,607	49.9	4,710	46.1	6,041	46.2
Fuel and energy:											
Fuel		906	9.4	1,019	10.1	1,126	12.2	1,642	16.1	2,075	15.9
Electrical energy		97	1.0	138	1.4	31	0.3	8	0.1	25	0.2
Other		66	0.7	93	0.9	64	0.7	80	0.8	115	0.9
Total		1,069	11.1%	1,249	12.4	1,222	13.2	1,730	16.9	2,214	16.9
TOTAL		U.S.\$9,640	100%	U.S.\$10,092	100%	U.S.\$9,229	100%	U.S.\$10,208	100%	U.S.\$13,084	100%

(1) Measured on a FOB basis.

Source: Provincial Office of Statistics and INDEC.

Destination of Exports

In 2004, exports to Brazil, the United States, Chile, China, Mexico, Uruguay, The Netherlands, Spain, Italy and Paraguay together accounted for 68.4% of total exports originated within the Province. During the period from 1993 through 2000, the main export destination of the Province was Mercosur, increasing its participation by 32.6% during such period. Nevertheless, beginning in 2000, the participation of Mercosur decreased while the participation of other smaller destinations increased. Between 2000 and 2004, the relative participation of exports to Mercosur decreased from 44.1% to 31.2% of the Province's total export market, respectively. The Province's other key export markets include the European Union and NAFTA countries.

Among the countries that have increased their participation in the Province's total export market between 2000 and 2004 are China, whose relative participation increased from 2.1% in 2000 to 4.1% in 2004, Mexico, whose participation increased from 1.2% to 5.0% during the same period, and The Netherlands, which grew from 1.7% in 2000 to 3.1% in 2004. On the other hand, among the countries that have decreased their participation in the Province's total exports between 2000 and 2004 is Brazil, whose participation went from 35.8% to 25.8%, respectively.

The following table sets forth the breakdown of the Province's exports by geographic destination for 2000-2004:

Geographic Distribution of Exports (2000-2004)
(in millions of U.S. dollars and %)

	2000		2001		2002		2003		2004	
	U.S.\$	%	U.S.\$	%	U.S.\$	%	U.S.\$	%	U.S.\$	%
Brazil	3,456	35.8	3,602	35.7	2,732	29.6	2,746	26.9	3,375	25.8
United States	1,253	13.0	1,153	11.4	1,090	11.8	1,303	12.8	1,640	12.5
Chile	586	6.1	604	6.0	704	7.6	908	8.9	1,123	8.6
China	199	2.1	312	3.1	292	3.2	520	5.1	534	4.1
México	112	1.2	268	2.7	386	4.2	453	4.4	648	5.0
Uruguay	467	4.8	443	4.4	290	3.1	335	3.3	422	3.2
Netherlands	164	1.7	201	2.2	329	3.6	320	3.1	409	3.1
Spain	186	1.9	176	1.7	231	2.5	259	2.5	253	1.9
Italy	177	1.8	201	2.0	216	2.3	242	2.4	261	2.0
Paraguay	332	3.4	274	2.7	177	1.9	237	2.3	283	2.2
Germany	201	2.1	99	1.0	174	1.9	226	2.2	218	1.7
Peru	145	1.5	168	1.7	201	2.2	171	1.7	225	1.7
United Kingdom	78	0.8	105	1.0	131	1.4	123	1.2	128	1.0
Canada	111	1.1	86	0.9	79	0.9	117	1.2	92	0.7
Bolivia	128	1.3	140	1.4	166	1.8	111	1.1	139	1.1
Egypt	76	0.8	86	0.8	108	1.2	110	1.1	221	1.7
Colombia	64	0.7	88	0.9	84	0.9	106	1.0	145	1.1
South Africa	71	0.7	97	1.0	83	0.9	93	0.9	217	1.7
Arab Emirates	53	0.5	51	0.5	39	0.4	85	0.8	95	0.7
Puerto Rico	32	0.3	41	0.4	53	0.6	81	0.8	66	0.5
Other	1,749	18.1	1,896	18.8	1,666	18.0	1,652	16.2	2,591	19.8
total	9,640	100.0	10,092	100.0	9,229	100.0	10,198	100.0	13,084	100.0

Source: Provincial Office of Statistics and INDEC.

Economically Active Population and Employment

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

The EPH is conducted in the four main urban areas within the territory of the Province, the largest of which is the *Conurbano Bonaerense*.

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

- the *Conurbano Bonaerense*, which contains approximately 63% of the Province's population,
- the metropolitan area of La Plata, which contains approximately 4% of the Province's population,
- Mar del Plata, which contains approximately 4% of the Province's population, and
- Bahía Blanca, which contains approximately 2% of the Province's population.

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

In 1997, the Province implemented the following three social programs to address unemployment:

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

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

In 1998 and 1999, however, economic recession further aggravated the unemployment rates experienced in prior years. The Province's average unemployment rate (measured as the weighted average of the unemployment rates in the four main urban areas) increased from 16.7% in October 2000 to 20.8% in October 2001 and 24.0% in May 2002, as the economic crisis caused a decline in the Province's overall economic activity. By October 2002, however, the Province's average unemployment rate declined to 20.4% due in large part to the implementation of a number of provincial and federal employment programs designed to reduce unemployment. In 2003, the average unemployment rate decreased from 21.2% during the first six months of that year to 17.8% during the second six months of that year. In 2004, the average unemployment rate decreased further from 16.3% during the first six months of that year to 14.9% during the second six months of that year, representing the Province's lowest average unemployment rate since 2000. This decline in unemployment during 2003 and 2004 reflects the Province's economic recovery during this period, during which demand for labor in the industrial, commercial (including hotels and restaurants) and construction sectors experienced significant increases.

The following tables set forth employment figures for the periods indicated:

Labor Participation Rate of the Main Urban Centers of the Province ⁽¹⁾
(as a % of total population)

		Conurbano Bonaerense	La Plata	Bahía Blanca	Mar del Plata
2000	May	43.8	44.7	40.3	43.9
	October	43.1	45.6	41.2	47.2
2001	May	43.4	44.1	42.6	43.6
	October	42.3	44.2	41.1	46.2
2002	May	42.1	44.1	41.2	45.7
	October	43.5	43.4	40.3	45.4
2003⁽²⁾	First Half	46.3	45.9	47.5	49.8
	Second Half	46.3	48.7	46.9	46.6
2004⁽²⁾	First Half	45.9	48.8	47.2	49.6
	Second Half	47.2	48.6	47.7	48.3
2005⁽²⁾	First Half	45.5	47.2	46.4	49.0

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

(2) Corresponds to information obtained by the new methodology applied since the first half of 2003.

Source: INDEC.

Unemployment Rate of the Main Urban Centers of the Province ⁽¹⁾
(as a % of economically active population)

		Conurbano Bonaerense	La Plata	Bahía Blanca	Mar del Plata	Weighted Average
2000	May	17.9	14.8	16.5	14.6	17.5
	October	16.5	15.6	17.0	20.8	16.7
2001	May	18.7	16.8	16.7	19.0	18.6
	October	21.0	16.3	20.3	22.8	20.8
2002	May	24.2	22.1	22.3	24.6	24.0
	October	21.0	15.3	18.0	17.9	20.4
2003⁽²⁾	First Half	21.8	17.4	18.0	17.3	21.2
	Second Half	18.2	14.5	14.7	16.3	17.8
2004⁽²⁾	First Half	16.4	16.4	17.1	13.4	16.3
	Second Half	15.2	12.0	15.0	12.8	14.9
2005⁽²⁾	First Half	15.2	12.8	11.6	12.5	14.8

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

(2) Corresponds to information obtained by the new methodology applied since the first half of 2003.

Source: INDEC.

Underemployment Rates of the Main Urban Centers of the Province ⁽¹⁾
(in percentages)

		Conurbano Bonaerense	La Plata	Bahía Blanca	Mar del Plata
2000	May	11.0	8.6	6.1	11.1
	October	10.6	10.2	6.9	11.0
2001	May	10.6	10.8	9.2	10.7
	October	12.2	9.3	8.6	9.3
2002	May	14.2	11.3	7.8	11.6
	October	16.1	11.3	9.9	11.7
2003⁽²⁾	First Half	14.6	6.8	10.9	9.3
	Second Half	13.6	11.1	11.0	9.3
2004⁽²⁾	First Half	12.6	9.1	10.5	8.8
	Second Half	11.9	9.3	7.5	8.5
2005⁽²⁾	First Half	10.6	10.5	8.2	7.9

(1) Calculated by dividing the portion of the population working 25 hours or less per week and with the intent to work more by the economically active population.

(2) Corresponds to information obtained by the new methodology applied since the first half of 2003.

Source: INDEC.

Poverty

Because the Province's only source of data relating to poverty consists of statistics compiled by INDEC as part of the EPH, the following discussion relates primarily to poverty in the *Conurbano Bonaerense*. In 2003, INDEC adopted the new continuous EPH methodology.

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

Based on the percentage of individuals recorded by INDEC to be living below the poverty line in the *Conurbano Bonaerense* in the second half of 2004, the Province estimates that approximately 42.1% of the total population of Argentina living below the poverty line during that period resided within the Province.

Rising unemployment resulting from the application of the Convertibility regime during the 1990s and the economic recession that started in 1998 led to increasingly higher levels of poverty in the Province prior to the 2001 economic crisis. This situation worsened significantly during the economic crisis, as the percentage of households living below the poverty line in the *Conurbano Bonaerense* jumped from 29.9% of total households in May 2001 to 53.5% in October 2002 and the percentage of people living below the poverty line in this area went from 39.4% of total population in May 2001 to 64.4% in October 2002.

Beginning in 2003, however, as the Province's economic recovery took hold, the number of individuals and households living below the poverty line in the *Conurbano Bonaerense* declined in each of 2003 and 2004, falling to 34.7% of total households and 44.4% of total population in the *Conurbano Bonaerense* in the second half of 2004. This decline resulted primarily from rising employment rates and higher income during this period attributable to the economic recovery.

The following table sets forth the percentage of households and the population in the *Conurbano Bonaerense* with annual incomes below the poverty line for the periods indicated:

**Poverty in the Conurbano Bonaerense
(in percentages)**

Period		Poverty	
		Households	Persons
2000	May	26.8	35.7
	October	26.9	35.0
2001	May	29.9	39.4
	October	33.3	43.2
2002	May	48.1	59.2
	October	53.5	64.4
2003 ⁽¹⁾	First Half	51.1	61.3
	Second Half	43.2	53.5
2004 ⁽¹⁾	First Half	39.8	50.9
	Second Half	34.7	44.4
2005 ⁽¹⁾	First Half	34.7	45.1

(1) Corresponds to information obtained by the new methodology applied since the first semester of 2003.
Source: INDEC.

In recent years, the federal government has increased spending on poverty reduction programs throughout Argentina, including the following social welfare programs:

- *Plan Manos a la Obra* (Hands to Work Program), which provides economic and technical support to the municipalities and various non-governmental organizations that provide training and other assistance to unemployed individuals seeking employment;
- *Plan Mayores* (Seniors' Plan), which provides stipends for individuals over 70 years of age without a pension; and
- *Plan Jefes y Jefas de Hogar* (Heads of Households Program), which provides Ps.150 per month and training to eligible unemployed heads of households with disabled or minor dependents as compensation for community service work performed.

Because a significant proportion of Argentina's population living in poverty reside within the Province, federal poverty reduction measures and programs have a more significant impact in the Province than in other Argentine provinces.

In addition to federally funded poverty reduction programs, the Province has established a series of social welfare programs intended to assist those members of its population who are most vulnerable to poverty and other socioeconomic hardship. These programs include the following:

- *Plan Vida* (Life Plan) and *Servicio Alimentario Familiar* (Family Nutrition Service) provide health services and nutritional and other basic support to pregnant or nursing mothers and newborn children;
- *Unidad de Desarrollo Infantil* (Child Development Unit) provides funding to institutions that provide social, psychological and health support services to children ages 14 and under or other social services intended to promote the integration of families within their communities;

- *Servicio Alimentario Escolar* (School Nutrition Service) provides school lunches and snacks to children throughout the Province ages 3 to 14 who lack adequate housing or who come from families with unemployed heads-of-household;
- *Plan Huertas Bonaerenses* (Buenos Aires Home Gardens Plan) provides training and supplies to low-income families to enable them to cultivate vegetable gardens as an affordable source of additional nutrition;
- *Plan Emergencia Habitacional* (Emergency Housing Plan) and *Plan Prohábitat* (Plan for Housing) provide construction materials and home construction consulting services to individuals lacking adequate housing;
- *Proyecto Adolescentes* (Adolescents Project) provides monthly grants of Ps.150 for a one-year period to eligible individuals ages 14 to 21 to enable them to participate in educational, cultural or athletic activities or to acquire training or other experience tending to improve their qualifications for employment;
- *Programa de la Tercera Edad* (Program for Senior Citizens) provides assistance payments to infirm or disabled persons over the age of 60 who do not receive social security benefits; and
- *Integración de Personas con Capacidades Diferentes* (Integration of Persons with Disabilities) provides funding and technical assistance to municipalities and non-governmental organizations that provide services for severely disabled individuals of all ages, such as day treatment centers, occupational workshops and group homes, as well as direct benefits and services for those individuals, including assistance payments, dietary support, rehabilitation and individual and family psychological services.

Environment

The constitution of the Province grants all residents of the Province the right to a clean environment. Specifically, the constitution forbids dangerous or potentially dangerous or radioactive waste to be introduced into the territory of the Province. Although the federal and provincial governments have concurrent power over environmental matters, until recently, legislation on environmental protection existed primarily at the provincial level.

Among the significant environmental issues facing Argentina and the Province are the regulation and remediation of water and air pollution and the disposal of hazardous wastes. The federal government and the Province have undertaken programs to improve drinking water and sewer services in the *Conurbano Bonaerense*. A particular area of concern is the pollution of the Río de la Plata and other of its smaller tributaries in the Buenos Aires area, including the Matanza and Reconquista rivers. Industrial air emissions, primarily in the highly populated *Conurbano Bonaerense* and other urban centers, have also become the focus of environmental improvement efforts. Argentina and the Province have obtained funding from international and multilateral organizations in order to further their environmental programs.

Federal, provincial and municipal authorities are moving towards a stricter enforcement of environmental laws. The federal government and the Province have adopted regulations requiring that certain industrial companies meet strict environmental standards comparable to those in effect in the United States and countries within the European Union. These regulations establish the general framework for environmental protection requirements, including the imposition of fines and criminal penalties for the violation thereof; however, additional regulations that are necessary to implement this legislation are only in the initial stages of their formulation. The federal government and the Province have also established a national registry of producers and conveyors of hazardous wastes to help control the risk of contamination from such waste.

Litigation

In May 1999, the Province awarded a concession to Azurix Buenos Aires (“Azurix”), a subsidiary of Enron, for the provision of water and wastewater services in 48 of the Province’s 134 municipalities. In January 2001, Azurix alleged that the Province had failed to comply with certain provisions of the concession and, following several months of unsuccessful negotiations, in October 2001 Azurix renounced the concession agreement and filed a request for arbitration against the federal government with the International Centre of Settlement of Investment Disputes (ICSID) on the grounds that Argentina had violated the 1991 Treaty Concerning the Reciprocal Encouragement and Protection of Investment between the Republic of Argentina and the United States of America (the “BIT”) and seeking compensation for its alleged damages and requesting the adoption by Argentina of all necessary measures to avoid further damages to its investment. In December 2001, Azurix also initiated a separate legal proceeding against the Province before the Supreme Court of Provincial Justice seeking the formal rescission of the concession and U.S.\$525 million in legal damages resulting from the loss of its investment. In March 2002, the Province revoked Azurix’s concession and declared a public sanitary and social emergency in the 48 municipalities that were subject to the concession and assumed the provision of water and wastewater services in these municipalities through the newly-created *Agua Bonaerenses S.A.*, which is jointly owned by the Province (90%) and its employees (10%). Both the arbitration proceedings and the legal proceedings before the Province’s Supreme Court are pending.

Bondholders have initiated lawsuits against the Province in the United States, Germany and Switzerland relating to the Province’s default on its public external debt obligations. In the United States, eight individual lawsuits have been filed since March 2002 seeking repayment of approximately U.S.\$1.4 million and €201,000 in bonds issued by the Province that were subject to the suspension of payments announced in January 2002. These suits are pending in the United States District Court for the Southern District of New York (which we refer to as the “District Court”) before Judge Thomas P. Griesa. As of the date of this offering memorandum, judgment has been entered against the Province in two cases (brought by the same plaintiff) for matured principal and interest in a total amount of approximately U.S.\$1.4 million. The Province appealed the ruling entered by the District Court in the action for matured principal and interest, which the United States Court of Appeals for the Second Circuit subsequently affirmed in July 2005. The plaintiff in that case, along with other judgment creditors of Argentina, has sought post-judgment execution discovery concerning the existence of commercial property of Argentina, the Province and their agencies and instrumentalities. The Province last responded to this discovery on July 2, 2004 and has not received any response from the judgment creditor concerning the discovery. There are also six individual lawsuits pending in the District Court in which no judgment has been entered; motions for summary judgment are pending in three of these suits. The total principal amount claimed by the plaintiffs in these six actions is U.S.\$424,000 and €201,000.

The total principal amount claimed in bondholder proceedings against the Province in Germany is €470,000, plus interest, and in Switzerland Sfr.400,000, plus interest. The Province answered the Swiss complaint on July 4, 2005. The Zurich District Court has acknowledged receipt of the Province’s answer and ordered the plaintiff to submit its reply by October 31, 2005.

Provincial Enterprises

The Province participates in the provincial economy through various enterprises, including Banco Provincia, one of the largest banking and financial services companies in Argentina. Until the end of the 1980s, these provincial enterprises, which ranged from manufacturing and industrial companies to financial services companies, constituted an important part of the economy of the Province. During the 1990’s, however, in the context of the free-market reforms adopted by the federal government during this period, the Province privatized most of its enterprises, substantially reducing its participation in the private sector. Banco Provincia, which historically has been and continues to be the Province’s most important provincial enterprise, was not privatized during this period, and the Province currently has no plans to privatize all or any portion of this enterprise. See “Banco Provincia.”

Institute of Lotteries and Casinos

On January 1, 1996, the provincial Institute of Lotteries and Casinos, formerly a part of the general administration of the Province, began operating as a self-administered public institution (*entidad autárquica*). As a result, the Province no longer consolidates the results of the Institute in its consolidated financial statements. The Institute is required to transfer its annual net profits to the Province each year, which are recorded as revenues in the financial statements of the Province.

The Institute operates lottery activities within the Province, as well as casinos, racetracks and certain other gaming activities. The Institute also regulates the sale of lottery tickets by authorized agents and a number of private bingo and slot machine operators. The Institute collects revenues generated by all these activities, which constitute an important source of non-tax revenues for the Province.

There are currently no plans for the privatization of the provincial Institute of Lotteries and Casinos.

Loan Recovery Trust

In 2001, pursuant to a provincial law enacted to improve Banco Provincia's balance sheet, Banco Provincia transferred to the Province approximately Ps.1.9 billion in non-performing loans in exchange for a bond issued by the Province to Banco Provincia in a principal amount equal to the face value of the loans, less approximately Ps.600 million in allowances for loan losses. Banco Provincia subsequently exchanged the Ps.1.3 billion bond for *Bogar* in the provincial debt exchange. See "Public Sector Debt—Debt Denominated in CER-adjusted Pesos—Provincial Debt Exchange (*Bogar*)."

In order to recover the transferred loans, the Province created, by provincial statute, the Loan Recovery Trust, a provincial *entidad autárquica* (self-administered public entity). The Loan Recovery Trust is required to transfer all of its profits, calculated as amounts recovered on the transferred loans less the trust's expenses, to the Province for purposes of funding a portion of the payments due by the Province to the federal government in respect of *Bogar*. As of June 30, 2005, the Province had received Ps.294.8 million from the Loan Recovery Trust.

Río Santiago Shipyard

In June 1994, the federal government transferred the Río Santiago shipyard to the Province in anticipation of its privatization. Despite the loss-generating nature of the shipyard, the Province accepted the transfer and has been subsidizing the operations of the shipyard in order to preserve an important source of employment for the city of Ensenada. This subsidy amounted to approximately Ps.31.6 million in 2000, Ps.39.5 million in 2001, Ps.53.1 in 2002, Ps.41.6 million in 2003 and Ps.58.6 million in 2004.

The Province is currently working to improve the shipyard's performance, mainly through greater utilization of excess capacity. The shipyard recently signed contracts to build ships for the Government of Venezuela, which the Province believes will improve the shipyard's economic performance. The Province is now focused on transforming the Río Santiago shipyard into a profitable state-owned enterprise and does not have any current plans to privatize this enterprise.

Ferrobaires

From August through December 1993, the federal government and the Province entered into three separate agreements pursuant to which the federal government delegated to the Province the operation of passenger railway routes within the Province's territory. The Province operates this service through Ferrobaires, a provincial agency within the purview of the provincial Ministry of Infrastructure, Housing and Public Services. The principal activity of Ferrobaires is the operation of a passenger railway service between the cities of Buenos Aires and Mar del Plata, the most important coastal city in Argentina.

Due to the difficult conditions affecting the provincial rail transportation sector, Ferrobaires has taken several measures since February 2002 to improve its condition, including policies to reduce costs, recover

equipment, improve operating performance and reopen various service lines. In March 2004, the Province issued Decree No.315 inviting private sector companies, in the context of the provincial private initiative regime, to present non-binding proposals analyzing the problems afflicting the Province's rail transportation sector and offering operational solutions to optimize Ferrobaires' performance. The Province received several proposals to operate the provincial rail system, which are currently under review by a commission comprised of representatives of the Province and the federal government. The commission may accept one or more of these proposals. In this case, the Province will hold a public tender to select a private company to implement the proposal and operate the provincial rail system. In accordance with the provincial private initiative regime, companies whose proposals in this initial phase are accepted by the commission will enjoy certain benefits in the subsequent public tender in respect of other competing companies.

PUBLIC SECTOR FINANCES

Scope and Methodology

The public sector of the Province consists of the general administration of the Province, provincial agencies that carry out specific functions delegated to them, such as the *Instituto de Previsión Social* (Social Security Institute, or “IPS”) and the *Instituto Obra Médico Asistencial* (Institute for Medical Service), and provincial *entidades autárquicas* (self-administered public institutions), including provincial enterprises such as Banco Provincia, the Institute of Lotteries and Casinos and the Loan Recovery Trust. The general administration of the Province comprises the institutions of the executive, legislative and judicial branches of the government of the Province, including provincial ministries and certain agencies within the provincial government.

The Province’s budgets and accounts reflect the consolidated results of the institutions and agencies that comprise the general administration of the Province. The Province does not consolidate the results of its municipalities, provincial enterprises and other agencies that do not participate in the general administration of the Province. Under provincial law, however, the Province is required to transfer a portion of its tax revenues to its municipalities, and certain provincial enterprises and agencies are required to transfer their profits or surpluses to the Province. The Province records transfers to these unconsolidated entities (including contributions, loans and advances to provincial enterprises) as expenditures, and transfers from these entities as revenues.

The Province maintains its books and records in pesos and prepares its budgets and statements of revenues and expenditures in accordance with accounting principles set forth in the provincial Accounting Law No. 7,764. These accounting principles differ materially from generally accepted accounting principles, or GAAP, in Argentina and in other jurisdictions, including the United States, but are generally in line with the accounting principles followed by other Argentine provinces. The principal features of the Province’s accounting principles are:

- revenues are not accounted for on an accrual basis, but are recognized in the period in which they are received;
- expenditures are accounted for on an accrual basis and not when paid;
- capital investments are carried at cost, without reduction for depreciation or amortization, and, accordingly, the Province does not record any charges for depreciation or amortization in its accounts;
- capital expenditures and investments in tangible assets are not capitalized, but are expensed in the period in which they are incurred;
- construction contracts are expensed using the percentage of completion method; and
- revenues, expenditures and public debt are not adjusted for inflation in the Province’s accounts.

The financial records and statements of the Province are prepared and examined by the *Contaduría General de la Provincia* (the General Accounting Office of the Province) and approved by the provincial *Tribunal de Cuentas* (the Audit Tribunal). As of the date of this offering memorandum, however, the Audit Tribunal has not approved the Province’s financial statements for the fiscal year ended December 31, 2004. The Audit Tribunal is required by provincial law to render a decision with respect to these financial statements by April 2006.

Overview of Provincial Accounts

The Province recorded primary balance deficits (excluding interest expenses) every year from 2000 through 2002, as Argentina’s economic recession, which began in 1998, deepened and Argentina entered a state of severe economic crisis in 2001. The Province’s primary balance deficit declined in 2002 and the Province recorded primary balance surpluses in each of 2003 and 2004 as Argentina’s economic recovery, which began in the second half of 2002, broadened and accelerated, despite an increase in the Province’s expenditures during this period.

The Province's fiscal policy since 2000 has focused on preserving the financial liquidity of the Province, particularly during the 2001-2002 national economic crisis, and on reducing its fiscal deficits and improving its financial position, particularly following the crisis.

Economic Emergency Act

In July 2001, the provincial legislature passed the *Ley de Emergencia Económica* (Economic Emergency Act), which declared a one-year administrative, economic and financial state of emergency in the Province. This law had two main objectives:

- to authorize the Province to issue quasi-currency instruments (*Patacones* and *Bocanoba*) to pay amounts owed to suppliers and salaries to public employees, and
- to establish a progressive wage scale reduction for public employees earning the highest salaries to reduce the expenditures of the Province.

The *Patacones* were exchanged for pesos under the *Programa de Unificación Monetaria* (Monetary Unification Program or "PUM") in December 2003 and the *Bocanoba* were redeemed at maturity in July 2004. See "Public Sector Debt."

Fiscal Responsibility Law

In August 2004, the federal congress adopted the *Ley de Responsabilidad Fiscal* (Fiscal Responsibility Law), which became effective on January 1, 2005, and will apply to the 2006 budgets prepared in 2005 and subsequent budgets. The Fiscal Responsibility Law sets forth general rules of fiscal behavior and transparency for Argentina's national, provincial and municipal public sectors. On January 13, 2005, the Province adopted into provincial law the operative provisions of the Fiscal Responsibility Law. As a result of this law:

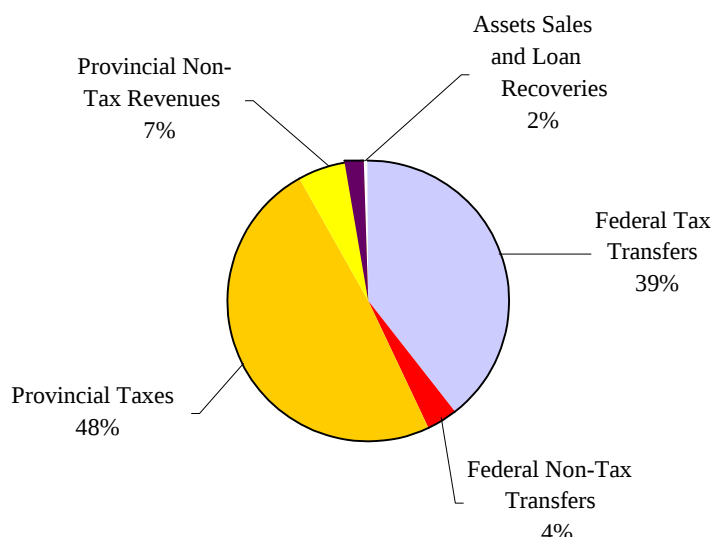
- the Province is required to prepare annual fiscal programs for each upcoming year setting forth specific fiscal policies, targets and projections;
- the growth rate of the Province's public expenditures (excluding interest payments, expenditures financed by certain multilateral institutions and certain infrastructure investments) may not exceed the federal government's projections for the Province's nominal GDP growth rate;
- proceeds from new borrowings or from the sale of provincial assets will not be available to finance current expenditures, except for any refinancing on more favorable terms;
- the Province will have to maintain a balanced budget; and
- the Province may not incur debt service obligations in excess of 15% of its current revenues (net of transfers to its municipalities) and, if the Province fails to comply with this limit, it must implement a transition plan to reduce debt service levels to permitted levels, which must include a freeze on new borrowings (except for refinancings on more favorable terms and financing granted by multilateral agencies or national programs).

Main Sources of Revenues

Approximately 90% of the Province's revenues are derived from taxes, either federal or provincial. On average, during the period from 2000 to 2004, provincial taxes represented 48% of total revenues, while federal tax transfers represented 40% of such revenues.

The following chart sets forth, by source, the Province's revenues for the year ended December 31, 2004:

Total Revenues for the Year Ended December 31, 2004
(Total = Ps.14.9 billion)



Source: Ministry of Economy of the Province.

Federal Tax Co-Participation Regime

Under the federal constitution, both the federal and provincial governments are authorized to levy taxes. In 1935, the federal and provincial governments entered into a coordinated tax arrangement (also called “tax co-participation”) pursuant to which the federal government agreed to collect certain taxes on an exclusive basis and to distribute a portion of those tax revenues among the provinces. In exchange, the provincial governments agreed to limit the types of taxes they collected. This coordinated taxation regime has been extended and modified several times since its inception. Currently, the “shared” or “co-participated” taxes are income taxes, value-added taxes and several excise taxes levied on consumption.

The federal tax co-participation law that was enacted in 1988 currently governs the tax co-participation system. Under this law, the federal government is currently required to transfer 100% of revenues from consumption taxes levied on various non-basic goods (such as cigarettes and alcohol), 89% of value-added tax revenues, 64% of income tax revenues and, as from February 2002, 30% of financial transactions tax revenues to a federal co-participation fund created for this purpose.

Under the federal tax co-participation law, approximately 41.6% of these funds is withheld by the federal government for its own needs and for transfers to the City of Buenos Aires (which until 1996 was under the administration of the federal government) and approximately 1% is retained in a special reserve for emergency situations and financial difficulties of the provinces. The remaining 57.4% of these funds is allocated to the provinces to be shared among them according to percentages set forth in the 1988 law, which were established following negotiations among the federal government and the provinces and which do not reflect any objective distribution criteria. Under this law, the Province is entitled to 21.7% of the funds allocated to the provinces. The Province's use of these federal tax co-participation payments is discretionary, subject to transfers it is required by provincial law to make to its municipalities.

In 1992 and 1993 the federal and provincial governments entered into two agreements (the “Fiscal Pacts”) that amended the tax revenue distribution system set forth in the 1988 tax co-participation law. Pursuant to the

Fiscal Pacts, the federal government is authorized to withhold 15% of all funds eligible for co-participation prior to their allocation to the provinces, and to apply such funds towards the federal social security system. The Fiscal Pacts also authorize the federal government to withhold a further Ps.43.8 million per month prior to allocation, and to distribute such funds on a fixed basis among all provinces, other than the Province. The balance of the funds subject to the co-participation regime is distributed among the federal government, the special reserve and the provinces in accordance with the percentages set forth in the 1988 tax co-participation law, as described above. Under the Fiscal Pacts, the federal government guaranteed that the portion of that balance that was to be distributed among the provinces would always be equal to at least Ps.740.0 million per month, regardless of any shortfalls in actual tax collection. Any such shortfall would be covered with funds from the federal government, for which the federal government would then be entitled to reimbursement when tax collection exceeded the minimum guaranteed amount of co-participation funds. In recent years, however, the monthly amount to be allocated among the provinces has been approximately three times the guaranteed amount or more, rendering the guarantee irrelevant.

The provinces, in turn, undertook to implement tax reforms that include the gradual replacement of provincial gross revenues taxes with more economically neutral taxes, generally aimed at consumption, and the repeal of provincial stamp taxes on certain transactions, as well as certain taxes on the transfer of fuels, gas and electricity. The federal government agreed to waive its right to be reimbursed for any shortfall payments made to the provinces that are in compliance with their tax reform obligations under the Fiscal Pact of 1993. Several of these tax reform obligations are still pending implementation.

The 1994 amendments to the federal constitution granted constitutional recognition to the tax co-participation system (which until then was only reflected in federal laws and in agreements among the federal government and the provinces) and established an allocation of taxing powers between the federal government and the provinces as follows:

- federal and provincial governments are both authorized to levy taxes on consumption and other indirect taxes;
- the federal government may also levy direct taxes (such as income taxes) in exceptional cases;
- taxes collected by the federal government (except those collected for specific purposes) are to be shared between the federal and provincial governments;
- the federal government has the exclusive right to levy taxes on foreign trade, which are excluded from the tax co-participation regime; and
- the provinces retain all taxing and other powers that are not expressly delegated to the federal government in the federal constitution.

In addition, the 1994 amendments to the federal constitution provided that the federal tax co-participation system would be revised to provide for the distribution of funds among the federal government and the provinces on the basis of objective distribution criteria. The 1994 amendments originally provided that the revised tax co-participation system would have to be approved by the end of 1996. However, because the amendments did not specify the criteria on which the new distribution system should be based, differences between the federal government and the provinces and among the provinces on the appropriate criteria have prevented an agreement to date.

Between 1999 and 2002, the federal government, the provinces and the City of Buenos Aires entered into several agreements with a goal towards approving a new federal tax co-participation system and encouraging the provinces and the City of Buenos Aires to approve policies aimed at reducing their budget deficits, limiting public expenditures, imposing limits on the level of indebtedness and ensuring fiscal transparency. Pursuant to these agreements, in 2000 the federal government committed to transfer to the provinces a fixed monthly amount, regardless of the actual amount of tax revenues collected by the federal government. However, as a result of the economic crisis in 2001, the federal government was unable to meet its payment obligations in that year and, in November 2001, the federal government and the provinces agreed that unpaid differences in favor of the provinces would be cancelled by the Provincial Development Fund using federal treasury notes called *Letras de Cancelación*

de Obligaciones Provinciales (LECOPS). In addition, the parties agreed that transfers to the provinces would be reduced by 13%. These measures, however, were insufficient to overcome the crisis and, in February 2002, the federal government and the provinces agreed to abandon the system of fixed monthly transfers and to return to the prior tax co-participation regime that had been established under the 1988 federal tax co-participation law. Thus, pursuant to the agreement entered into on February 27, 2002 by the federal government, the provinces and the City of Buenos Aires, ratified by Law N° 25,570 and effective as of May 3, 2002 (the “2002 Agreement”), it was agreed, among other things, that:

- 30.0% of the revenues from the federal tax on financial transactions created during 2001 would be added to the aggregate of federal tax revenues available for distribution to the provinces;
- the obligation of the federal government to make monthly transfers to the provinces would terminate;
- the provinces would work towards achieving a balanced budget by 2003; and
- the signatories would agree, prior to December 31, 2002, upon the terms of a new federal tax co-participation system that was based on the guidelines established by the 2002 Agreement.

The 2002 Agreement had an expiration date of December 31, 2002, yet it provided for automatic one-year renewals.

The Province has repeatedly requested an increase in the funds allocated to the provinces under the tax co-participation regime to ensure that each province is able to offer essential public services to its population. In addition, the Province has requested that the allocation of funds among the provinces follow objective criteria, such as population and the amount of taxes collected within each provincial territory, as set forth in the 1994 amendments to the federal constitution. According to INDEC, approximately 38% of the total population of Argentina resides in the Province and, according to the Ministry of Economy of the Province, approximately 37% of total federal tax revenues are collected within the Province. The Province, however, is entitled to only 21.7% of distributable revenues pursuant to the 1988 law, which resulted in per capita revenues of Ps.321 for the Province in 2003 (based on the 2001 national census) as compared to an average of Ps.547 per capita for the other provinces.

As of the date of this offering memorandum, the Province has not made significant progress in its efforts to increase its allocation of tax co-participation funds. Despite recent efforts by the Province, the federal government and the other provinces have not shown any interest in modifying the federal tax co-participation regime.

Other Federal Tax Transfers

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

- *School Transfers.* The federal government is required to transfer an annual fixed sum (Ps.411 million) to the Province as partial compensation for provincial expenditures incurred in the administration of the public schools within the provincial territory following the delegation of these administrative responsibilities to the Province in November 1994. The federal government, however, has failed to pay the full amount in every year since 1999. The Province has not been successful in obtaining the payment of the balance owed by the federal government.
- *Conurbano Fund.* In July 1996, the federal congress modified the *Fondo para Obras de Carácter Social*, which was originally established in 1992 and is also known as the Conurbano Fund. Under the modified system, the federal government is required to transfer to this fund an annual amount equal to 10% of all federal income tax revenues (up to a maximum amount of Ps.650 million). The Province uses these funds to finance hospitals, schools, roads and other infrastructure projects and various social welfare programs in the *Conurbano Bonaerense*.
- *Housing Fund.* The federal government is required to transfer 42% of revenues from the federal tax on fuels to the *Fondo Nacional de la Vivienda* (the National Housing Fund or FONAVI) for purposes of funding the

construction of low-income housing around the country. Under current federal law, the Province is entitled to 14.5% of the funds transferred to FONAVI.

- *Highway Fund.* The federal government is required to transfer 14% of revenues from the federal tax on fuels to the *Fondo de Vialidad* (the Highway Fund). The Highway Fund distributes these funds to the provinces on the basis of road construction and maintenance expenditures of each province, as well as other factors that include population size and fuel consumption.
- *LECOPS Transfers.* In September 2001, the federal government agreed to issue, through the Provincial Development Fund, on behalf of the Province, new quasi-currency bonds known as LECOPS in exchange for the Province's commitment to remove *Patacones* from circulation. Pursuant to a series of subsequent agreements between the federal government and the Province, the federal government committed to compensate the Province for unpaid federal co-participation tax transfers accrued between July 1, 2001, and February 28, 2002, and other amounts owed to the Province, through the assumption of an equal amount of the Province's obligations under the LECOPS issued on its behalf. Accordingly, the Province recorded the amount of its LECOPS debt obligations assumed by the federal government in each of 2001 and 2002 under "Other Federal Tax Transfers." The amount of LECOPS transferred was Ps.70 million in 2001 and Ps.437 million in 2002.

Federal Contributions

The Province records other, non-refundable payments or transfers from the federal government as federal contributions. These contributions consist primarily of fees paid by the federal government to the provincial Institute of Lotteries and Casinos for the operation of national lottery and other gaming activities within the territory of the Province and discretionary transfers to the provinces, known as *Aportes del Tesoro Nacional*, to meet special or emergency needs or to finance certain expenditures of national interest.

In addition, pursuant to a 1999 agreement among the federal government and the provinces, the federal government offered to assume responsibility for provincial pension obligations within the national pension system and agreed to fund deficits in any provincial pension systems that were not transferred to it. Because the Province elected not to transfer its pension system to the federal government, it is entitled to receive transfers from the federal government from time to time to finance deficits in the provincial pension system. In exchange, the Province committed to harmonize its social security system with the federal social security system. The federal government did not make any transfers from 2000 through 2003, but transferred Ps.300 million in 2004 as compensation for deficits recorded by the provincial pension system during those years. The Province anticipates that the federal government will transfer Ps.550 million to the Province in 2005 as compensation for deficits recorded by the provincial pension system in previous years. Because the Province has provisionally funded these deficits using general provincial revenues, there are no restrictions on the Province's use of such transferred amounts.

Provincial Tax Revenues

Historically, the main source of the Province's revenues has been the collection of provincial taxes. The Province currently collects the following five main taxes:

- *Gross Revenues Tax.* The gross revenues tax is the single largest source of provincial tax revenue. Gross revenues of most commercial or business activities carried out within the jurisdiction of the Province are taxed at fixed rates that range from 1% for primary economic activities (such as agriculture) to 3.5% for service activities.
- *Real Estate Tax.* The real estate tax is determined by applying a tax assessment on the appraised value (a percentage of the market value) of urban and rural real estate located in the Province. All real estate owned by federal, provincial and municipal governments, religious temples, non-profit organizations, universities, historical monuments, public libraries, health care organizations and free social assistance and fire fighting services, among others, are exempt from the real estate tax. The Province has delegated to a number of municipalities the right to collect real estate taxes in rural areas in order to increase efficiency in the administration and collection of this tax. See "The Province of Buenos Aires—Municipalities."

- *Automobile Tax.* The Province charges a tax on automobiles registered in the Province. The rate of this tax is determined taking into consideration the model, year, type, category and appraised value of the vehicle, and is set forth annually in a provincial tax law. The appraised value of each vehicle is calculated as a percentage of the valuation determined by an insurance company controlled by Banco Provincia as of January 1 of each year.
- *Stamp Tax.* The Province levies a stamp tax on several categories of agreements and transactions entered into within its territory or that have effects in the Province and that are documented in private or public instruments. The rate of this tax ranges from 0.1% to 4% of the value of the underlying agreement or transaction, depending on the subject of the transaction.
- *Energy Tax.* The Province levies a tax on the companies that distribute electricity within its territory, either by means of a concession of the federal or the provincial government. The rate of this tax is 0.6% on the gross revenues attributable to the sale of electricity to final consumers. Companies that are subject to the energy tax are exempt from the gross revenues tax, the stamp tax, the automobile tax and the real estate tax. A significant portion of the revenues derived from this tax is allocated to service payments on provincial debt incurred with the federal government in connection with the construction of the *Comandante Luis Piedrabuena* power plant, which has since been privatized.

Tax Amnesty Plans. Historically, the Province has experienced difficulties in collecting taxes, particularly from 1998 through 2002 as the economic recession and crisis reduced the provincial tax base. During this time, reduced disposable income levels made it difficult for taxpayers to meet their obligations for taxes that are not linked to income, such as real estate and automobile taxes, and the Province experienced difficulties in tax administration, which limited tax compliance and collections. Tax compliance rates tend to vary by tax category, ranging from as low as 65% in the case of the gross revenues tax and real estate taxes to approximately 80% in the case of the automobile tax and the stamp tax during the recession and crisis. Since the beginning of the Province's economic recovery in 2002, however, increased disposable income levels have led to an improvement in provincial tax collection rates. The Province has established several tax amnesty and incentive plans for the collection of overdue taxes since 2002, which, along with other efforts of the Province to strengthen tax enforcement, have provided significant additional funds to the Province in recent periods. These programs provide attractive features to taxpayers, including discounts on the interest rate applicable to past-due tax obligations and flexible payment plans. In 2004, the Province launched two new tax amnesty programs, the *Plan de Sinceridad Fiscal* (Fiscal Sincerity Plan) and the *Plan Aguinaldo* (Year-End Bonus Plan). Pursuant to these plans, taxpayers are able to satisfy past-due tax liabilities at a discount and under payment schedules tailored to each taxpayer's financial situation. During the first months of 2005, the Province launched new tax amnesty programs with similar benefits, which remained in effect until July 2005. After July 2005, the Province launched new tax amnesty programs with substantially smaller interest discounts than those granted in the first seven months of 2005.

Provincial Non-Tax Revenues

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

- transfers of net profits or surpluses from unconsolidated provincial agencies and enterprises, including the provincial Institute of Lotteries and Casinos and the Loan Recovery Trust (see "The Provincial Economy—Provincial Enterprises");
- fees collected by the provincial judicial system; and
- interest accrued on the Province's deposits with Banco Provincia.

Revenues from Asset Sales and Loan Recoveries

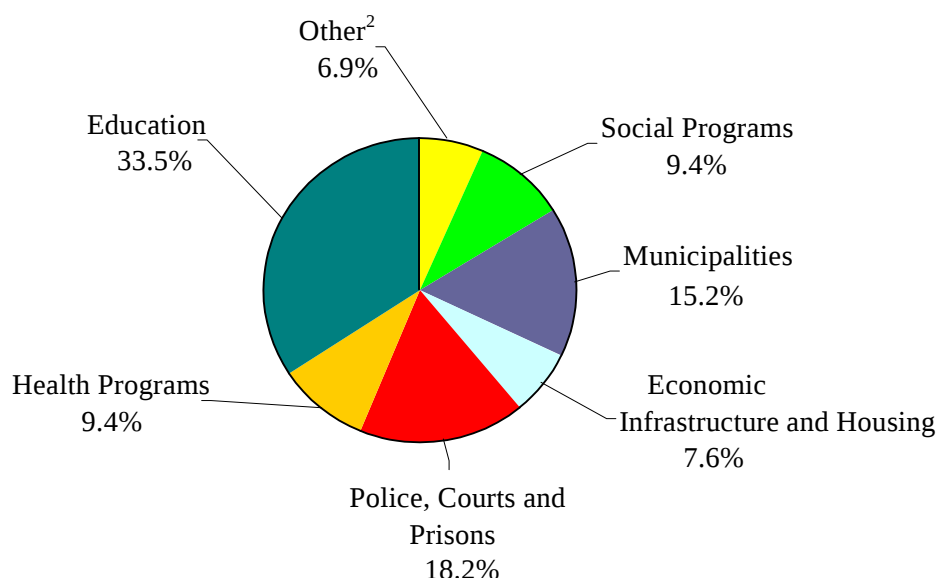
The Province records revenues from repayments on loans made by it to municipalities and from proceeds from the sale of assets. These revenues have historically represented a small portion of the Province's total revenues, though the proceeds from the occasional sale of a significant financial or physical asset has increased this portion in certain years.

Composition of Expenditures

The Province's expenditures are classified as current and capital expenditures. Current expenditures consist of costs of personnel, goods and services and current transfers, which are net payments made by the Province to its municipalities in accordance with a provincial tax co-participation regime and to unconsolidated provincial agencies and enterprises. Capital expenditures include real direct investment, loans and capital contributions to provincial enterprises and loans and transfers to municipalities for public works.

The Province's expenditures consist of spending on education, health programs, social programs, municipalities, investments in public infrastructure and services, police, courts and prisons, and general provincial administration. Combined spending on education, health programs, social programs and police, courts and prisons accounts for approximately 70% of the Province's total expenditures (excluding interest expenses). The following chart sets forth the composition of the Province's expenditures for the year ended December 31, 2004:

Total Expenditures (Excluding Interest Expenses) for the Year Ended December 31, 2004
(Total = Ps.14.1 billion¹)



(1) Excluding debt service.

(2) Includes expenses of the provincial legislature and the general administration.

Source: Ministry of Economy of the Province.

Current Expenditures

Personnel. Personnel expenditures, which consist mainly of wages and other benefits paid to employees of the general administration of the Province, make up the largest component of the Province's total expenditures, representing approximately one half of total expenditures (excluding interest expenses) in each year since 2000.

Provincial Employees (2000-2004)
(number of employees)

	2000		2001		2002		2003		2004	
Education.....	177,573	57.2%	206,459	60.2%	206,461	60.2%	206,467	60.3%	205,260	59.0%
Security.....	55,777	18.0	56,407	16.5	56,622	16.5	56,961	16.6	59,784	17.2
Health and Social Aid.....	40,140	12.9	40,155	11.7	41,227	12.0	41,457	12.1	42,043	12.1
Justice	13,465	4.3	15,151	4.4	15,171	4.4	15,390	4.5	15,619	4.5
Other	23,498	7.6	24,536	7.2	23,365	6.8	22,330	6.5	25,046	7.2
Total	310,454	100.0%	342,709	100.0%	342,847	100.0%	342,606	100.0%	347,753	100.0%

Source: Ministry of Economy of the Province.

Personnel expenditures include contributions made by the Province to the provincial pension system and the provincial medical insurance programs for its employees, but do not include direct transfer payments by the Province to cover any pension system deficits. These current deficit transfers are recorded under “Current Transfers” in the Province’s accounts. Provincial public employees contribute to, and receive benefits from, IPS. Employees of Banco Provincia and members of the provincial police force are covered by separate pension systems.

Goods and Services. The Province purchases a wide variety of goods and services from the private sector in connection with the provision of education, health, security and other public services, and the administration and general maintenance of the provincial government.

Current Transfers. Pursuant to provincial law, the Province is required to transfer to its municipalities 16.14% of the funds received by the Province under the federal tax co-participation regime and of the provincial tax revenues collected by the Province, except for those relating to energy taxes and a portion of the real estate tax. These transfers to municipalities typically represent more than one half of the total current transfers made by the Province. The balance represents transfers to finance, among others, deficits of the provincial police retirement and pension fund, various social programs, subsidies for private schools and health-related scholarships. However, pursuant to provincial law, the Province is entitled to withhold a portion of amounts to be transferred to the municipalities to capitalize a special fund for social programs.

The Province’s pension system functions on a “pay-as-you-go” basis, meaning that it does not maintain funds that are invested to meet future pension obligations. Instead, it receives stipulated contributions from employees and from the Province on behalf of its employees and uses those funds as needed to meet current payment obligations to beneficiaries. If required payments exceed the funds contributed to the pension system by employees and by the Province on behalf of the employees, the Province is required by provincial law to cover the deficit.

Capital Expenditures

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

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

Transfers for Public Works. Under the *Programa para el Fortalecimiento de los Municipios* (Program for the Strengthening of Municipalities, or PFM), the Province allocates loan proceeds received through the federal

government from multilateral organizations, such as the World Bank, to municipalities for purposes of public works. Recipient municipalities must eventually reimburse the PFM for the amount of such transfers and the PFM, in turn, repays borrowed amounts to the multilateral lenders through the federal government.

Evolution of Fiscal Results: 2000-2005

The following tables set forth the Province's revenues and expenditures for the periods indicated:

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

	For the year ended December 31,						For the six-month period ended June 30,		
	2000	2001	2002	2003	2004*	2004 ⁽¹⁾	2004	2005	2005 ⁽¹⁾
Current Revenues									
Federal Tax Co-Participation ...	Ps. 2,327	Ps. 2,049	Ps. 1,876	Ps. 2,803	Ps. 4,346	U.S.\$1,459	Ps. 2,176	Ps. 2,658	U.S.\$ 920
Other Federal Tax Transfers ⁽²⁾ ..	1,489	1,458	1,636	1,490	1,477	496	1,109	1,119	388
Federal Contributions	31	19	161	136	573	192	84	123	43
Total Federal Transfers	3,847	3,525	3,673	4,429	6,396	2,147	3,369	3,900	1,350
Provincial Taxes.....	4,049	3,565	4,298	5,681	7,158	2,403	3,421	4,116	1,425
Provincial Non-Tax Revenues ⁽³⁾⁽⁴⁾	659	518	617	1,006	1,065	357	325	435	151
Total Provincial Revenues.....	4,708	4,083	4,915	6,687	8,222	2,760	3,746	4,551	1,576
Total Current Revenues.....	8,555	7,608	8,588	11,116	14,619	4,907	7,114	8,452	2,926
Current Expenditures									
Personnel ⁽²⁾	5,461	5,642	5,298	5,425	6,611	2,219	3,032	4,160	1,441
Goods and Services	1,153	1,211	1,091	1,384	1,651	554	718	905	313
Current Transfers ⁽²⁾	2,943	2,752	2,945	3,517	4,507	1,513	2,041	2,645	916
Miscellaneous ⁽⁵⁾	10	—	—	—	8	3	—	2	1
Total Current Expenditures	9,568	9,606	9,334	10,326	12,777	4,289	5,791	7,712	2,670
Current Account Balance	(1,013)	(1,997)	(747)	790	1,842	618	1,324	739	256
Revenues from Asset Sales and Loan Recoveries ⁽⁴⁾	103	87	882	150	237	79	38	43	15
Capital Expenditures									
Capital Investments.....	304	197	69	214	734	246	160	166	57
Loans and Capital Contributions.....	279	1,538	374	114	270	90	83	72	25
Transfers for Public Works	156	106	167	283	317	106	110	170	59
Total Capital Expenditures.....	740	1,841	610	610	1,320	443	353	408	141
Total Revenues.....	8,657	7,695	9,469	11,266	14,855	4,987	7,152	8,495	2,941
Total Expenditures	10,308	11,447	9,945	10,935	14,097	4,732	6,144	8,121	2,812
Primary Balance ⁽⁶⁾	(1,650)	(3,752)	(476)	330	758	254	1,009	375	130
Interest Expense ⁽⁵⁾⁽⁷⁾	(384)	(640)	(293)	(471)	(449)	(151)	(68)	(239)	(83)
Total Surplus (Deficit)	(2,035)	(4,392)	(769)	(141)	309	104	941	136	47
Net Borrowings (Repayments) ⁽⁸⁾⁽⁹⁾									
Borrowings.....	2,232	3,275	2,877	699	1,392	467	416	311	108
Repayments ⁽⁵⁾	(301)	(365)	(476)	(351)	(1,158)	(389)	(44)	(824)	(285)
Total, Net	1,931	2,910	2,402	347	234	79	372	(514)	(178)
Overall Financial Result ⁽¹⁰⁾	Ps. (104)	Ps. (1,482)	Ps. 1,633	Ps. 206	Ps. 543	U.S.\$ 182	Ps. 1,313	Ps. (378)	U.S.\$ (131)

* Subject to approval by the provincial Audit Tribunal.

- (1) Peso amounts for the year ended December 31, 2004 have been translated into U.S. dollars solely for the convenience of the reader at a rate of Ps.2.979 per one U.S. dollar, which was the rate published by the Central Bank on December 31, 2004. Peso amounts for the six months ended June 30, 2005 have been translated into U.S. dollars solely for the convenience of the reader at a rate of Ps.2.888 per one U.S. dollar, which was the rate published by the Central Bank on June 30, 2005.
- (2) Excludes transfers from the *Fondo de Incentivo Docente* (Teachers' Incentive Fund), which are made to cover certain expenditures for education personnel, as well as the corresponding expenditures made with funds received from the Teachers' Incentive Fund.
- (3) Excludes revenues recognized by the General Accounting Office when accrued expenditures are not effectively disbursed. See "—Scope and Methodology."
- (4) Revenues from the Loan Recovery Trust (Law No. 12,726) are recorded under "asset sales and loan recoveries," except for loan repayments made using provincial bonds, which are recorded as repayments of provincial debt. The General Accounting Office records these revenues (including loan repayments made using provincial bonds) as "non-tax revenues."
- (5) Excludes exchange losses on foreign currency debt service, which are recorded by the General Accounting Office under "miscellaneous" due to the booking of the underlying debt at an exchange rate of Ps.1.0 to U.S.\$1.0. Actual debt service payments are included as "interest expense" and "repayments," as applicable.
- (6) Does not reflect adjustments made by the General Accounting Office relating to revenues earmarked for specific expenditures that are realized in future periods. These revenues are reallocated from the period in which the revenues are received to the period in which the related expenditures are made. The General Accounting Office reallocated Ps.160 million in revenues from 2003 to 2004 and Ps.852 million in revenues from 2004 to 2005. The amount of revenues reallocated in each of 2000, 2001 and 2002 was not material.
- (7) Excludes interest payments on debt subject to the suspension of debt payments from December 31, 2001.
- (8) Excludes payments to multilateral institutions made by the federal government for the Province. See "Public Sector Debt—Orderly Financing Program (PFO)."
- (9) Borrowings and repayments of debt with a maturity of more than one year.
- (10) Excludes surplus from prior periods, as applicable.

Source: Ministry of Economy of the Province.

Fiscal Results
(in millions of constant pesos) ⁽¹⁾

	For the year ended December 31,					For the six months ended June 30,	
	2000	2001	2002	2003	2004*	2004	2005
Current Revenues							
Federal Tax Co-Participation	Ps. 3,432	Ps. 3,055	Ps. 2,222	Ps. 2,927	Ps. 4,346	Ps. 2,361	Ps. 2,658
Other Federal Tax Transfers ⁽²⁾	2,196	2,173	1,938	1,556	1,477	1,202	1,119
Federal Contributions.....	46	28	190	142	573	91	123
Total Federal Transfers	5,674	5,256	4,351	4,625	6,396	3,654	3,900
Provincial Taxes.....	5,972	5,315	5,091	5,931	7,158	3,711	4,116
Provincial Non-Tax Revenues ⁽³⁾⁽⁴⁾	973	772	731	1,051	1,065	352	435
Total Provincial Revenues	6,945	6,087	5,822	6,982	8,222	4,064	4,551
Total Current Revenues.....	12,619	11,343	10,172	11,607	14,619	7,718	8,452
Current Expenditures							
Personnel ⁽²⁾	8,056	8,412	6,276	5,664	6,611	3,289	4,160
Goods and Services	1,701	1,806	1,293	1,445	1,651	779	905
Current Transfers ⁽²⁾	4,341	4,103	3,489	3,672	4,507	2,215	2,645
Miscellaneous ⁽⁵⁾	15	—	—	—	8	—	2
Total Current Expenditures	14,113	14,322	11,057	10,782	12,777	6,282	7,712
Current Account Balance	(1,494)	(2,978)	(885)	825	1,842	1,436	739
Revenues from Asset Sales and Loan Recoveries ⁽⁴⁾	151	129	1,044	156	237	41	43
Capital Expenditures							
Capital Investments.....	449	293	81	223	734	173	166
Loans and Capital Contributions...	412	2,294	443	119	270	91	72
Transfers for Public Works	230	158	198	295	317	119	170
Total Capital Expenditures.....	1,092	2,745	723	637	1,320	383	408
Total Revenues.....	12,770	11,473	11,216	11,763	14,855	7,759	8,495
Total Expenditures	15,204	17,067	11,780	11,418	14,097	6,665	8,121
Primary Balance ⁽⁶⁾	(2,434)	(5,594)	(563)	345	758	1,094	375
Interest Expense ⁽⁵⁾⁽⁷⁾	(567)	(955)	(347)	(492)	(449)	(73)	(239)
Total Surplus (Deficit)	(3,001)	(6,549)	(911)	(147)	309	1,021	136
Net Borrowings (Repayments) ⁽⁸⁾⁽⁹⁾							
Borrowings.....	3,293	4,884	3,408	729	1,392	451	311
Repayments ⁽⁵⁾	(444)	(545)	(563)	(367)	(1,158)	48	(824)
Total, Net	2,848	4,339	2,845	363	234	404	(514)
Overall Financial Result ⁽¹⁰⁾	Ps. (153)	Ps. (2,210)	Ps. 1,934	Ps. 215	Ps. 543	1,425	Ps. (378)

*Subject to approval by the provincial Audit Tribunal.

- (1) Constant peso values for all annual periods are calculated on the basis of the annual average CPI for 2004, while constant peso values for the six-month periods are calculated on the basis of the average CPI for the first six months of 2005.
- (2) Excludes transfers from the *Fondo de Incentivo Docente* (Teachers' Incentive Fund), which are made to cover certain expenditures for education personnel, as well as the corresponding expenditures made with funds received from the Teachers' Incentive Fund.
- (3) Excludes revenues recognized by the General Accounting Office when accrued expenditures are not effectively disbursed. See "—Scope and Methodology."
- (4) Revenues from the Loan Recovery Trust (Law No. 12,726) are recorded under "asset sales and loan recoveries," except for loan repayments made using provincial bonds, which are recorded as repayments of provincial debt. The General Accounting Office records these revenues (including loan repayments made using provincial bonds) as "non-tax revenues."
- (5) Excludes exchange losses on foreign currency debt service, which are recorded by the General Accounting Office under "miscellaneous" due to the booking of the underlying debt at an exchange rate of Ps.1.0 to U.S.\$1.0. Actual debt service payments are included as "interest expense" and "repayments," as applicable.
- (6) Does not reflect adjustments made by the General Accounting Office relating to revenues earmarked for specific expenditures that are realized in future periods. These revenues are reallocated from the period in which the revenues are received to the period in which the related expenditures are made. The General Accounting Office reallocated Ps.160 million in revenues from 2003 to 2004 and Ps.852 million in revenues from 2004 to 2005. The amount of revenues reallocated in each of 2000, 2001 and 2002 was not material.
- (7) Excludes interest payments on debt subject to the suspension of debt payments from December 31, 2001.
- (8) Excludes payments to multilateral institutions made by the federal government for the Province. See "Public Sector Debt—Orderly Financing Program (PFO)."
- (9) Borrowings and repayments of debt with a maturity of more than one year.
- (10) Excludes surplus from prior periods, as applicable.

Source: Ministry of Economy of the Province.

The following tables set forth the composition of the Province's tax revenues (including federal tax transfers) for the periods indicated:

Composition of Tax Revenues
(in millions of pesos)

	For the year ended December 31,					For the six months ended June 30,	
	2000	2001	2002	2003	2004*	2004	2005
Federal Tax Transfers							
Federal Tax Co-Participation	Ps. 2,327	Ps. 2,049	Ps. 1,876	Ps. 2,803	Ps. 4,346	Ps. 2,176	Ps. 2,658
School Transfers	404	380	251	368	368	184	184
Conurbano Fund.....	650	626	637	650	650	650	650
FONAVI	128	101	72	82	80	40	42
Highway Fund.....	71	65	52	55	56	27	26
LECOPS Transfers ⁽¹⁾	—	70	437	—	—	—	—
Others.....	235	216	186	335	324	208	216
Total Federal Tax Transfers.....	3,815	3,507	3,512	4,293	5,824	3,285	3,777
Provincial Taxes							
Gross Revenues Tax	2,031	1,791	2,085	3,106	4,142	1,969	2,448
Real Estate Tax	661	588	632	805	1,019	438	656
Automobile Tax	398	364	327	369	403	198	277
Stamp Tax	315	303	295	425	509	234	305
Energy Tax.....	220	201	210	203	208	80	91
Tax Amnesty Plans	424	318	748	773	877	502	339
Total Provincial Taxes	4,049	3,565	4,298	5,681	7,158	3,421	4,116

*Subject to approval by the provincial Audit Tribunal.

- (1) Reflects the amount of the Province's LECOPS debt obligations assumed by the federal government. See "—Main Sources of Revenues—Other Federal Tax Transfers."

Source: Ministry of Economy of the Province.

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

	For the year ended December 31,					For the six months ended June 30,	
	2000	2001	2002	2003	2004*	2004	2005
Federal Tax Transfers							
Federal Tax Co-Participation	Ps. 3,432	Ps. 3,055	Ps. 2,222	Ps. 2,927	Ps. 4,346	Ps. 2,361	Ps. 2,658
School Transfers.....	596	567	297	384	368	199	184
Conurbano Fund.....	959	933	755	679	650	705	650
FONAVI.....	189	150	86	86	80	43	42
Highway Fund	105	97	61	57	56	30	26
LECOPS Transfers ⁽²⁾	—	104	518	—	—	—	—
Others	347	322	221	350	324	225	216
Total Federal Tax Transfers	5,628	5,228	4,160	4,483	5,824	3,563	3,777
Provincial Taxes							
Gross Revenues Tax.....	2,996	2,671	2,470	3,243	4,142	2,136	2,448
Real Estate Tax.....	975	876	749	841	1,019	475	656
Automobile Tax.....	586	543	387	385	403	214	277
Stamp Tax	465	452	350	444	509	253	305
Energy Tax	325	299	249	212	208	87	91
Tax Amnesty Plans.....	625	474	886	807	877	545	339
Total Provincial Taxes	5,972	5,315	5,091	5,931	7,158	3,711	4,116

*Subject to approval by the provincial Audit Tribunal.

(1) Constant peso values for all annual periods are calculated on the basis of the annual average CPI for 2004, while constant peso values for the six-month periods are calculated on the basis of the average CPI for the first six months of 2005.

(2) Reflects the amount of the Province's LECOPS debt obligations assumed by the federal government. See "—Main Sources of Revenues—Other Federal Tax Transfers."

Source: Ministry of Economy of the Province.

Fiscal Result of 2001 as Compared to Fiscal Result of 2000

Primary Balance. In 2001, the Province's primary deficit increased by a total of Ps.2.1 billion, or 127.4%, to Ps.3.8 billion from Ps.1.7 billion in 2000, primarily as a result of an 11.0% increase in total expenditures (excluding interest expenses) and an 11.1% decline in total revenues.

Total Revenues. In 2001, the Province's total revenues decreased by 11.1%, to Ps.7.7 billion from Ps.8.7 billion in 2000, primarily as a result of an 8.4% decrease in total federal transfers, to Ps.3.5 billion from Ps.3.8 billion in 2000, and a 12% decline in provincial tax revenues, to Ps.3.6 billion from Ps.4.0 billion in 2000. The decrease in total federal transfers was mainly attributable to a decline in federal tax co-participation payments due to reduced tax collections as economic activity decreased, while the decrease in provincial tax revenues was attributable primarily to the following:

- an 11.8% decrease in gross revenues tax collections, to Ps.1.8 billion from Ps.2.0 billion in 2000, due to an overall decline in business activities amid deteriorating economic conditions;
- an 11.1% decrease in revenues from real estate taxes, to Ps.588 million from Ps.661 million in 2000; and
- a 25% decline in revenues derived from provincial tax amnesty plans, to Ps.318 million from Ps.424 million in 2000.

Provincial non-tax revenues decreased by 21.5% in 2001, to Ps.518 million from Ps.659 million in 2000.

Total Expenditures. In 2001, total expenditures (excluding interest expenses) increased 11.0%, to Ps.11.4 billion from Ps.10.3 billion in 2000. This increase in total expenditures reflected the following:

- a 148.8% increase in capital expenditures, to Ps.1.8 billion from Ps.740 million in 2000, resulting primarily from a 450.5% increase in loans and capital contributions, to Ps.1.5 billion from Ps.279 million in 2000. This increase reflects the transfer to the Province of Banco Provincia's non-performing loan portfolio for Ps.1.3 billion. See "The Provincial Economy—Provincial Enterprises—Loan Recovery Trust"; and
- a 3.3% increase in personnel expenditures, to Ps.5.6 billion, from Ps.5.5 billion in 2000.

These increases were partially offset by:

- a 35.2% decrease in capital investments, to Ps.197 from Ps.304 million in 2000, due in large part to the suspension of a number of infrastructure projects as a result of worsening economic conditions in the Province;
- a 32.1% decrease in transfers for public works, to Ps.106 million from Ps.156 million in 2000, due both to the municipalities' reluctance to incur additional dollar-denominated indebtedness during the economic crisis and to the Province's unwillingness to transfer additional amounts despite having previously agreed with certain municipalities to do so; and
- a 6.5% decrease in current transfers, to Ps.2.8 billion, from Ps.2.9 billion in 2000.

Overall Financial Result. The overall deficit of the Province increased to Ps.1.5 billion in 2001, from Ps.104 million in 2000. This increase was more pronounced than the increase in the primary deficit due to a 66.6% increase in interest payments, to Ps.640 million, from Ps.384 million in 2000, despite a 50.7% increase in the Province's net borrowings, to Ps.2.9 billion, from Ps.1.9 billion in 2000.

Fiscal Result of 2002 as Compared to Fiscal Result of 2001

Primary Balance. The Province's primary deficit declined in 2002 by a total of Ps.3.3 billion, or 87.3%, to Ps.476 million, from Ps.3.8 billion in 2001, primarily as a result of a 23.1% increase in total revenues and a 13.1% reduction in total expenditures (excluding interest expense).

Total Revenues. In 2002, total revenues increased by 23.1%, to Ps.9.5 billion from Ps.7.7 billion in 2001. This increase was attributable primarily to:

- an increase of revenues from asset sales and loan recoveries, to Ps.882 million in 2002, from Ps.87 million in 2001, reflecting proceeds of Ps.860 million from the sale of U.S. treasury bonds to Banco Provincia pursuant to a debt offsetting agreement. In 1999, the Province pledged to Banco Provincia zero-coupon U.S. Treasury Bonds, maturing in 2024 and 2025, with an aggregate nominal value of U.S.\$1.9 billion, as collateral for two restructured loans originally extended by Banco Provincia to the former provincial electric utility company and the provincial highway authority. Because these two debt obligations were tendered for *Bogar* in the provincial debt exchange, the Province and Banco Provincia entered into a Debt Offsetting Agreement in November 2002 pursuant to which the collateral was released and Banco Provincia acquired these U.S. treasury bonds from the Province for Ps.1.0 billion, their market value at February 4, 2002. In exchange, Banco Provincia agreed to cancel certain debt and other obligations of the Province to Banco Provincia and certain debt obligations of the Province to third parties guaranteed by Banco Provincia, in a total amount of Ps.860 million. The Debt Offsetting Agreement also provided for Banco Provincia's transfer to the Province of certain claims against the municipalities as well as certain real properties;
- a 20.5% increase in provincial tax revenues to Ps.4.3 billion, from Ps.3.6 billion in 2001, consisting of the following:

- a 16.4% increase in gross revenues tax collections, to Ps.2.1 billion from Ps.1.8 billion in 2001;
- a 135.2% increase in revenues derived from provincial tax amnesty plans, to Ps.748 million from Ps.318 million in 2001, due in large part to an increase in taxpayer disposable income levels; and
- a 7.6% increase in revenues from real estate taxes, to Ps.632 million from Ps.588 million in 2001; and
- a 4.2% increase in total federal transfers to the Province, to Ps.3.7 billion, from Ps.3.5 billion in 2001, despite an 8.4% decrease in federal tax co-participation transfers, to Ps.1.9 billion, from Ps.2.0 billion in 2001. This decrease resulted from the federal government’s acceptance of federal bonds in satisfaction of tax payments, which were not transferred to the provinces under the federal tax co-participation regime. See “Public Sector Debt—Debt Offsetting Agreement and Supplemental 2004 PFO Agreement.”

Total Expenditures. In 2002, the Province’s total expenditures (excluding interest expense) declined by 13.1%, to Ps.9.9 billion from Ps.11.4 billion in 2001, primarily as a result of a 66.9% decrease in capital expenditures and, to a lesser extent, a 2.8% reduction in current expenditures. These decreases, which resulted directly from the economic crisis, reflect the following:

- a 75.7% decrease in loans and capital contributions, to Ps.374 million, from Ps.1.5 billion in 2001 (reflecting a return to normal levels following an atypical high in 2001), and a 65% decline in capital contributions, to Ps.69 million, from Ps.197 million in 2001, which were partly offset by a 57.5% increase in transfers for public works, to Ps.167 million, from Ps.106 million in 2001, due to the resumption of certain municipal infrastructure projects that had been suspended during the crisis.
- a 6.1% decrease in expenditures on personnel, to Ps.5.3 billion, from Ps.5.6 billion in 2001, due to reductions of the salaries and benefits of certain employees in response to the crisis, and a 9.9% decrease in spending on goods and services, to Ps.1.1 billion, from Ps.1.2 billion in 2001, which were partly offset by a 7.0% increase in current transfers, to Ps.2.9 billion, from Ps.2.8 billion in 2001, reflecting increased provincial tax transfers to the municipalities due to increased tax collections.

Overall Financial Result. In 2002, the Province recorded an overall financial surplus of Ps.1.6 billion, compared to an overall financial deficit of Ps.1.5 billion in 2001, reflecting the decline in the Province’s primary balance deficit, and a 54.2% decrease in interest expense, to Ps.293 million, from Ps.640 million in 2001, attributable to the suspension of interest payments on the Province’s public debt, despite a 17.5% decline in the Province’s net borrowings, to Ps.2.4 billion, from Ps.2.9 billion in 2001.

Fiscal Result of 2003 as Compared to Fiscal Result of 2002

Primary Balance. In 2003, the Province recorded a primary surplus for the first time since 1993. This surplus was equal to Ps.330 million, compared to a primary deficit of Ps.476 million in 2002. This increase resulted from a 19.0% increase in total revenues, which was partly offset by a 10.0% increase in total expenditures (excluding interest expense).

Total Revenues. In 2003, total revenues increased by 19.0%, to Ps.11.3 billion from Ps.9.5 billion in 2002. This increase was attributable in large part to:

- a 32.2% increase in provincial tax revenues, to Ps.5.7 billion, from Ps.4.3 billion in 2002, due to increased taxpayer liquidity amid the Province’s economic recovery and increased taxpayer compliance that resulted from improvements in provincial tax law enforcement. Tax revenue increases included the following:
 - a 49.0% increase in gross revenues tax collections, attributable to the growth in the Province’s overall tax base during its general economic recovery;

- a 27.4% increase in revenues from real estate taxes, due partly the appreciation of real property in the Province and changes in the valuations of certain agricultural properties, which increased the tax base, and partly to the Province's delegation to the municipalities of the authority to collect this tax; and
- a 43.9% increase in revenues from stamp taxes, reflecting the increase in real property values as well as an extension of the stamp tax to certain agricultural transactions;
- a 20.6% increase in total federal transfers, to Ps.4.4 billion, from Ps.3.7 billion in 2002, due to a 49.4% increase in federal tax co-participation transfers, which was partially offset by a combined 9.5% decline in other federal transfers; and
- a 63.1% increase in provincial non-tax revenues, to Ps.1.0 billion, from Ps.617 million in 2002, attributable mainly to increased revenues from the Institute of Lotteries and Casinos, which resulted mainly from fees charged for the operation of slot machines starting in 2003, and to revenues from the Loan Recovery Trust.

The increase in total revenues was offset partly by an 83.0% decline in revenues from asset sales and loan recoveries in 2003, reflecting a return to normal levels following the one-time sale of U.S. treasury bonds to Banco Provincia in 2002.

Total Expenditures. In 2003, the Province's total expenditures (excluding interest expense) increased by 10.0%, to Ps.10.9 billion, from Ps.9.9 billion in 2002, as a result of a 10.6% increase in current expenditures, to Ps.10.3 billion from Ps.9.3 billion in 2002. The increase in current expenditures reflects the following:

- a 19.4% increase in current transfers, to Ps.3.5 billion from Ps.2.9 billion in 2002, (including a 39.0% increase in transfers to the municipalities, to Ps.1.3 billion from Ps.963 million in 2002) reflecting increases in the municipalities' allocation of co-participated tax revenues in proportion with increases in overall tax revenues, as well as increased spending on social programs intended to reduce unemployment;
- a 26.8% increase in spending on goods and services, to Ps.1.4 billion from Ps.1.1 billion in 2002, representing a return to normal spending levels following an atypical low in 2002 attributable to the economic crisis; and
- a 2.4% increase in personnel expenditures, to Ps.5.4 billion from Ps.5.3 billion in 2002, due to the adoption of a minimum salary for public employees, which had the practical effect of increasing the salaries of approximately 20% of the Province's employees.

Overall Financial Result. In 2003, the Province recorded an overall financial surplus of Ps.206 million, compared to an overall financial surplus of Ps.1.6 billion in 2002, as a result of the improvement in the Province's primary balance as well as a 60.8% increase in interest expense, to Ps.471 million, from Ps.293 million in 2002, attributable to the normalization of interest payments on certain domestic bonds, which had been suspended during the crisis, a decline in new borrowing, and an 85.5% decline in net borrowings, to Ps.347 million, from Ps.2.4 billion in 2002.

Fiscal Result of 2004 as Compared to Fiscal Result of 2003

Primary Balance. The Province's primary balance continued to improve during 2004, with a 129.5% increase in the primary surplus, to Ps.758 million, from Ps.330 million in 2003. This increase resulted from a 31.9% increase in total revenues, which was partly offset by a 28.9% increase in total expenditures (excluding interest expense).

Total Revenues. In 2004, total revenues increased by 31.9%, to Ps.14.9 billion, from Ps.11.3 billion in 2003. This increase, which resulted largely from an overall increase in tax revenues due to the ongoing economic recovery and the Province's efforts to promote tax compliance, reflects the following:

- a 26.0% increase in provincial tax revenues, to Ps.7.2 billion, from Ps.5.7 billion in 2003, reflecting continued improvements in tax enforcement, as well as:
 - a 33.4% increase in gross revenues tax collections, reflecting the continuation of the Province's economic recovery;
 - a 26.5% increase in revenues from real estate taxes, reflecting the continued appreciation of real property and the increased payment capacity of taxpayers as economic conditions continued to improve; and
 - a 13.5% increase in revenues derived from provincial tax amnesty plans; and
- a 44.4% increase in total federal transfers, to Ps.6.4 billion, from Ps.4.4 billion in 2003, due to:
 - a 55.0% increase in federal tax co-participation transfers, reflecting the continuation of Argentina's economic recovery and increased consumption; and
 - a 320.7% increase in other federal contributions, reflecting primarily a Ps.300 million transfer to finance a deficit in the provincial pension system as well as a Ps.114 million transfer to fund federal social programs administered by the Province.

Total Expenditures. In 2004, the Province's total expenditures (excluding interest expense) increased by 28.9%, to Ps.14.1 billion from Ps.10.9 billion in 2003, reflecting the following increases in primary expenditures:

- a 21.9% increase in personnel expenditures, to Ps.6.6 billion, from Ps.5.4 billion in 2003, reflecting the following measures intended to increase the compensation of public employees:
 - the restoration in February 2004 of the salaries of public employees (which had been progressively reduced beginning in July 2001 pursuant to the Economic Emergency Law) to their June 2001 levels, as well as increases in public employee pension benefits and the monthly salaries of the Province's lowest-paid public employees; and
 - the implementation in July 2004 of:
 - o a further increase in the monthly salaries of the Province's lowest-paid employees,
 - o a retroactive increase in family dependent benefits paid to provincial employees, the accrual of which was suspended in 2001, in order to reinstate the rate at which this benefit would have accrued absent such a freeze and to compensate provincial employees accordingly, and
 - o a further increase in family dependent benefits in order to make this benefit commensurate with that offered to federal employees;
- a 28.1% increase in current transfers, to Ps.4.5 billion, from Ps.3.5 billion in 2003 (including a 34% increase in transfers to the municipalities, to Ps.1.8 billion from Ps.1.3 billion in 2003), reflecting continued increases in the municipalities' allocation of co-participated tax revenues in proportion with increases in overall tax revenues and continued increased spending on social programs intended to reduce unemployment;

- a 19.3% increase in spending on goods and services, to Ps.1.7 billion, from Ps.1.4 billion in 2003; and
- a 116.5% increase in capital expenditures, resulting in large part from a 243.5% increase in real direct investments to Ps.734 million, from Ps.214 million in 2003, reflecting primarily the resumption of a number of infrastructure projects that had been suspended during the crisis as well as increased spending on new school construction, law enforcement and penal institutions.

Overall Financial Result. In 2004, the overall financial surplus increased by 163.0%, to Ps.543 million, from Ps.206 million 2003, reflecting the improvement of the Province's primary balance, a 4.7% decline in interest expense, to Ps.449 million, from Ps.471 million in 2003, and a 32.5% decline in the Province's net borrowings, to Ps.234 million, from Ps.347 million in 2003.

Fiscal Result of the Six-Month Period ended June 30, 2005, as Compared to Fiscal Result of the Six-Month Period ended June 30, 2004

Primary Balance. In the six-month period ended June 30, 2005, the Province's primary surplus decreased by approximately Ps.634 million, or 62.9%, to Ps.375 million from Ps.1.0 billion in the same period in 2004, reflecting a 32.2% increase in total expenditures (excluding interest expenses) that was partially offset by an 18.8% increase in total revenues.

Total Revenues. In the six-month period ended June 30, 2005, the Province's total revenues increased by 18.8%, to Ps.8.5 billion from Ps.7.2 billion in the same period in 2004, due in large part to a 20.3% increase in provincial tax revenues, to Ps.4.1 billion from Ps.3.4 billion in the first half of 2004, and a 15.8% increase in total federal transfers, to Ps.3.9 billion from Ps.3.4 billion in the first half of 2004. These increases in total federal transfers and provincial tax revenues are mainly attributable to increased tax collections resulting from an overall increase in economic activity.

Total Expenditures. In the six-month period ended June 30, 2005, the Province's total expenditures (excluding interest expense) increased 32.2%, to Ps.8.1 billion from Ps.6.1 billion in the same period in 2004. This increase in total expenditures reflected the following:

- a 37.2% increase in personnel expenditures, to Ps.4.2 billion, from Ps.3.0 billion in the first half of 2004, resulting directly from the implementation in July 2004 of:
 - an increase in the monthly salaries of the Province's lowest-paid employees,
 - a retroactive increase in family dependent benefits paid to provincial employees, the accrual of which was suspended in 2001, in order to reinstate the rate at which this benefit would have accrued absent such a freeze and to compensate provincial employees accordingly, and
 - a further increase in family dependent benefits in order to make this benefit commensurate with that offered to federal employees; and
- a 29.6% increase in current transfers, to Ps.2.6 billion from Ps.2.0 billion in the first half of 2004, reflecting the distribution to the Province's municipalities of increased provincial tax revenues.

Overall Financial Result. The Province recorded an overall financial deficit of Ps.378 million in the six-month period ended June 30, 2005 (despite a total surplus of Ps.136 million during this period), from a surplus of Ps.1.3 billion in the same period in 2004. This deficit was due to Ps.514 million in net repayments during this period, compared to Ps.372 million in net borrowings in the first half of 2004.

The 2005 Budget

Overview of Budget Process

Pursuant to the constitution of the Province, the executive branch must submit a draft budget law for each upcoming year to the provincial legislature by August 31 of the prior year, though submissions typically occur towards the end of each year. The budget represents an estimation of future revenues during the period covered by the budget based on projections and estimates regarding Argentina's and the Province's economy, revenues and expenditures and inflation. The budget also constitutes an authorization of, and a limit on, expenditures and indebtedness by the Province during that period. The provincial legislature has broad powers to amend or reject the draft budget law submitted by the executive branch.

The 2005 Budget

The executive branch of the Province submitted its proposed budget for 2005 to the legislature in December 2004. In January 2005, the provincial legislature approved the 2005 budget after amending it to delete a provision granting the executive branch the power to modify, among other things, the amount and allocation of budget expenditures within specific parameters, as had been the case in prior budgets in the past two decades. The provincial legislature, however, did not make any modifications to the anticipated revenues or the allocation of expenditures in the 2005 budget. Because of this amendment, the Governor vetoed the 2005 budget approved by the provincial legislature and, as provided by the provincial constitution, the effectiveness of the 2004 provincial budget was automatically extended through 2005.

The 2004 budget contains a provision authorizing the executive branch to modify the amount and allocation of expenditures, within the limits of actual revenue received, which would allow the executive branch to adjust the 2004 budget as necessary to match anticipated expenditures in 2005. As a result, the executive branch has modified the extended 2004 budget on several occasions during 2005 to reflect the Province's actual revenues and expenditures during this period. A small group of provincial legislators from the UCR Party, however, has challenged the legality of the extension of this power before a provincial court, and a decision is still pending in the Supreme Court of the Province, which has exclusive jurisdiction over this matter. If the Supreme Court were to rule in favor of the legislators, the legal status of the expenditures already incurred in 2005 in excess of the amounts provided in the 2004 budget would remain unclear and the executive branch would no longer be able to adjust the 2004 budget to reflect the Province's operating needs in 2005.

The AF 2005

In June 2005, the Province and the federal government entered into the *Acuerdo de Asistencia Financiera 2005* (2005 Financial Assistance Agreement or AF 2005), which is the successor to the *Programa de Financiamiento Ordenado* (Orderly Financing Program or PFO) for 2002, 2003 and 2004. See "Public Sector Debt—Debt Denominated in CER-adjusted Pesos—Orderly Financing Program (PFO)." Under the AF 2005, as was the case under the PFO, the federal government agrees to provide, through the Provincial Development Fund, financial assistance to the Province in exchange for various commitments from the Province in respect of its fiscal policies in accordance with the Fiscal Responsibility Law. The AF 2005 sets forth the Province's projected revenues, expenditures and financing requirements for 2005 that were included in the 2005 budget, as adjusted to reflect actual results for the first quarter of 2005 and updated macroeconomic assumptions and projections for the remainder of the year. Although the Province believes that the AF 2005 contains the most recent budgetary assumptions and fiscal targets for 2005, the AF 2005 is a bilateral agreement with the federal government and does not constitute an authorization under provincial law to expend monies, which requires legislative approval. As a result, the Province may only take these actions within the limits of the 2004 budget, subject to the Governor's amendment powers that are currently under dispute before the Supreme Court.

The following table sets forth the Province's budgeted and actual revenues and expenditures for 2004 and the projected revenues and expenditures for 2005 set forth in the AF 2005.

Actual and Projected Revenues and Expenditures (2004-2005)
(in millions of pesos, except for percentages)

	2004			AF 2005
	Budget	Actual	Variation	
Current Revenues				
Federal Tax Co-Participation	Ps. 3,281	Ps. 4,346	32.5%	Ps. 5,140
Other Federal Tax Transfers.....	1,518	1,477	(2.7%)	1,558
Federal Contributions	595	573	(3.8%)	985
Total Federal Transfers	5,395	6,396	18.6%	7,683
Provincial Taxes	6,634	7,158	7.9%	8,352
Provincial Non-Tax Revenues.....	748	1,065	42.4%	1,082
Total Provincial Revenues	7,382	8,222	11.4%	9,434
Total Current Revenues.....	12,776	14,619	14.4%	17,117
Current Expenditures				
Personnel	6,012	6,611	10.0%	8,395
Goods and Services	1,362	1,651	21.3%	1,751
Current Transfers	4,313	4,507	4.5%	5,114
Miscellaneous.....	64	8	(88.0%)	—
Total Current Expenditures	11,751	12,777	8.7%	15,260
Current Account Balance.....	1,025	1,842	79.6%	1,856
Revenues from Asset Sales and Loan Recoveries	258	237	(8.4%)	261
Capital Expenditures				
Capital Investments	304	734	141.5%	1,181
Loans and Capital Contributions	143	270	88.0%	210
Transfers for Public Works	367	317	(13.8%)	389
Total Capital Expenditures.....	815	1,320	62.1%	1,780
Total Revenues	13,035	14,855	14.0%	17,378
Total Expenditures.....	12,566	14,097	12.2%	17,041
Primary Balance	469	758	61.6%	337
Interest Expense ⁽¹⁾	(464)	(449)	(3.2%)	(621)
Total Surplus (Deficit).....	5	309		(284)
Net Borrowings (Repayments) ⁽²⁾				
Borrowings.....	1,051	1,392	32.4%	1,651
Repayments	(1,064)	(1,158)	8.8%	(1,726)
Total Net Borrowings (Repayments).....	(13)	234		(75)
Overall Financial Result	Ps. (8)	Ps. 543		Ps. (359)

(1) Includes only interest payments on debt not subject to the suspension of debt payments.

(2) Borrowings and repayments of debt with a maturity of more than one year.

Source: Ministry of Economy of the Province.

AF 2005 Projected Fiscal Result as Compared to Fiscal Result of 2004

Primary balance. In 2004, the Province's primary balance exceeded the budgeted figure by approximately 61.1%. This relative increase reflects an actual 14.0% increase in total revenues, which was partly offset by a 12.2% increase in total expenditures (excluding interest expense). The AF 2005 forecasts a decrease in the primary balance, to a surplus of Ps.337 million, as compared to the actual primary balance in 2004.

Total revenues. In 2004, actual total revenues exceeded the budgeted figure by 14.0%, due in large part to the following:

- a 7.9% increase in provincial tax revenues, to Ps.7.2 billion, as compared to the budgeted figure of Ps.6.6 billion, as a result of the continued increase in economic activity and continued improvements in tax enforcement, including the following:
 - a 5.9% increase in gross revenues tax collections;
 - a 7.7% increase in revenues from real estate taxes; and
 - a 29.0% increase in revenues derived from provincial tax amnesty plans; and
- an 18.6% increase in total federal transfers, to Ps.6.4 billion, as compared to the budgeted figure of Ps.5.4 billion. This increase can be attributed mainly to a 32.5% increase in federal tax co-participation transfers, reflecting increased federal tax collections corresponding to increased economy activity and consumption, which was partially offset by a decline in other federal transfers.

The increase in total revenues foreseen in the AF 2005, as compared to actual revenues for 2004, reflects the following:

- a 27.5% increase in gross revenues tax collection in 2005 as compared to actual 2004 figures;
- a 19.8% increase in stamp tax collections;
- a 13% increase in automobile tax and energy tax collections;
- an 8.8% decrease in revenues derived from provincial tax amnesty plans;
- an 18.3% increase in federal tax co-participation transfers, reflecting projected increases in federal tax collections; and
- a 72.1% increase in federal contributions, attributable mainly to an increase in transfers to finance the provincial social security system to an estimated Ps.550 million in 2005, as compared to Ps. 300 million actually received in 2004.

Total expenditures. In 2004, the Province's actual total expenditures (excluding interest expense) of Ps.14.1 billion exceeded the budgeted figure of Ps.12.6 billion by 12.2%, due to the following:

- a relative 10.0% increase in personnel expenditures to Ps.6.6 billion, from the Ps.6.0 billion projected in the 2004 budget, reflecting the increase in public salaries in July 2004, which were not contemplated in the 2004 budget.
- a relative 21.3% increase in spending on goods and services, to Ps.1.7 billion from the Ps.1.4 billion projected in the 2004 budget, in order to improve the essential public services provided by the Province;

- a relative 4.5% increase in current transfers to Ps.4.5 billion, from the Ps.4.3 billion projected in the 2004 budget, reflecting the higher transfers made to the municipalities in accordance with the increase in the national and provincial tax collection;
- a 62.1% increase in total capital expenditures, due to higher-than-anticipated tax collections.

The increase in total expenditures foreseen in the AF 2005, as compared to actual expenditures for 2004, reflects the following:

- a projected 27% increase in personnel expenditures to Ps.8.4 billion in 2005, from Ps.6.6 billion in 2004, reflecting both the public salary increases implemented in 2004 and planned salary increases totaling Ps.500 in 2005, as well as a 50% increase in family dependent benefits commensurate with increases in the federal family dependent benefit;
- a projected 6% increase in goods and services,
- a projected 13.5% in current transfers, including a 7.0% increase in transfers to the municipalities (to Ps 2.1 billion); and
- a projected 34.8% increase in total capital expenditures, to Ps.1.8 billion, attributable mainly to a projected 60.9% increase in direct real investment to Ps.1.2 billion, financed through disbursements from a new World Bank credit line as well as a federal housing construction and improvement program.

Overall financial result. In 2004, the Province registered an overall financial surplus of Ps.543 million, reflecting an increase in the Province's primary balance that resulted from greater increases in total revenues than in total expenditures relative to 2003 figures and reflecting interest expenses that were 3.2% less than budgeted. In 2005, the Province expects to finance a projected Ps.359 million overall financial deficit with the previous year's surplus.

PUBLIC SECTOR DEBT

General

Prior to 2001, the Province financed the vast majority of its needs through the domestic and international capital markets and through loans from multilateral, bilateral and commercial lenders, including Banco Provincia. As of December 31, 2000, the total outstanding indebtedness of the Province amounted to U.S.\$6.9 billion, of which 41.4% was owed to domestic and international bondholders, 34.8% to Banco Provincia and 12.7% to multilateral creditors. During the economic crisis of 2001, however, the Province was unable to access these sources of financing and, since then, the federal government has become the Province's largest creditor and its main source of financing. As of December 31, 2004, the total outstanding indebtedness of the Province amounted to U.S.\$9.8 billion (using the exchange rates of that date), of which 56.5% was owed to the federal government, 32.2% to international and, to a lesser extent, domestic bondholders, and 8.5% to multilateral creditors. Argentina is not liable for the debt or other obligations of the Province.

Evolution of Debt: 2000-2005

In July 2001, in anticipation of Argentina's developing economic crisis, the Province implemented a number of emergency economic measures, including the issuance of two new debt instruments to enable the Province to meet its financial obligations at a time of unprecedented illiquidity in the Argentine financial system and to enable it to continue providing essential public services, such as health, education and security services. These instruments consisted of:

- a quasi-currency treasury bond, known as *Patacones*, used to meet certain short-term provincial payment obligations (See “—Debt Denominated in CER-adjusted Pesos—Monetary Unification Program (*Boden 2011*)”); and
- a debt cancellation bond, known as *Bocanoba*, issued to compensate contractors and suppliers of the Province for unpaid debts in connection with the provision of various essential goods and services. These bonds, issued in an original aggregate principal amount equal to approximately U.S.\$138 million, were originally denominated in dollars with a semi-annual interest rate of 6% and were scheduled to mature on July 25, 2004. As part of the pesification process, the *Bocanoba* were converted to CER-adjusted pesos at a rate of Ps.1.4 per U.S.\$1, and their interest rate was reduced to 4% per annum. On July 25, 2002, the Province suspended interest payments on the *Bocanoba*. As of July 25, 2004, however, the Province had redeemed the principal of this bond and paid all accrued interest amounts, including past-due interest, plus interest accruing on such interest amounts at a rate of 2% per annum. The redemption amount of this bond was equivalent to approximately U.S.\$19.3 million, which was substantially less than its original aggregate principal amount because the Province accepted *Bocanoba* as payment of certain provincial taxes.

By the end of 2001, Argentina's economic crisis had sharply reduced provincial revenues and, consequently, impaired the Province's ability to service its debt obligations. The Province's foreign currency-denominated debt burden proved especially unsustainable as a result of both the devaluation of the peso and the inability of the Province to access the international capital markets. Because of the crisis, the Province suspended payments of principal and interest on its indebtedness with effect as of December 31, 2001. The Province eventually adopted the federal government's policy of rescheduling debt obligations under a sustainable development plan.

In mid-2002, as the national economy began to show signs of recovery, the Province took part in a debt restructuring process implemented by the federal government, in which the Provincial Development Fund issued *Bogar*. See “—Debt Denominated in CER-adjusted Pesos—Provincial Debt Exchange (*Bogar*).” Pursuant to this restructuring process, approximately half of the Province's indebtedness was converted into long-term debt owed to the federal government with lower interest rates. Although all provincial indebtedness was eligible to participate in this exchange offer, only 10% of the Province's Eurobonds were exchanged pursuant to this restructuring process, and a substantial portion of this debt remains outstanding.

In October 2002, in accordance with federal law, the Province mandated the conversion into pesos (“pesification”) of all dollar-denominated provincial and municipal debt obligations governed by Argentine law at a rate of Ps.1.4 per one U.S. dollar, but provided creditors with the alternative option to exchange such debt obligations for a new dollar-denominated provincial bond known as the Law No. 12,973 Bond.

Also in 2002, the federal government created the *Programa de Financiamiento Ordenado* (Orderly Financing Program), or PFO as part of a broader initiative to provide financial assistance to the provinces and the City of Buenos Aires. Pursuant to this program, in 2002, 2003 and 2004, the federal government signed bilateral fiscal agreements with a number of provinces, including the Province. (See “—Debt Denominated in CER-adjusted Pesos—Orderly Financing Program (PFO)”.) The PFO agreement for 2004 also provides for the restructuring of the Province’s indebtedness to the federal government that resulted from the federal government’s payments on behalf of the Province from 2002 through 2004 of certain debt obligations to multilateral lenders.

In 2003, the Province participated in the PUM, pursuant to which various federal and provincial quasi-currency instruments were redeemed and withdrawn from circulation, including *Patacones* issued by the Province. (See “—Monetary Unification Program (*Boden* 2011).”)

In 2004, the Province authorized the federal government to negotiate on its behalf with members of the Organization for Economic Co-operation and Development (OECD) in connection with the restructuring of certain of the Province’s debt obligations to bilateral lenders that were suspended with effect as of December 31, 2001. (See “—Debt Denominated in Foreign Currencies—Bilateral Lending and Credit Facilities.”)

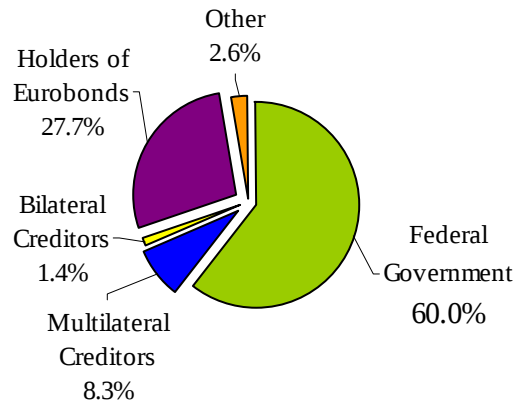
At June 30, 2005, the total outstanding indebtedness of the Province amounted to approximately U.S.\$ 9.9 billion (using the exchange rates as of that date), representing a 0.9% increase as compared to U.S.\$9.8 billion at December 31, 2004 (using the exchange rates as of that date). This increase mainly reflects a 3.9% increase in debt denominated in CER-adjusted pesos (held primarily by the federal government), due to the inflation registered during the first six months of 2005, the incurrence of new debt denominated in CER-adjusted pesos during the first half of 2005 and an appreciation of the peso compared to the U.S. dollar during this period.

The composition of the Province’s total outstanding indebtedness remained relatively constant at June 30, 2005 compared to December 31, 2004. At June 30, 2005, the federal government held 60.0% of the Province’s total outstanding indebtedness, bondholders held 29.1% and multilateral creditors held 8.3%. Together, these three creditor groups held approximately 97.4% of the Province’s total outstanding indebtedness at June 30, 2005.

The following chart sets forth the composition of the Province's public sector debt as of June 30, 2005:

***Total Provincial Public Indebtedness by Creditor Group
(at June 30, 2005)***

Ps. 28.6 billion



Source: Ministry of Economy of the Province.

As of June 30, 2005, approximately 60% of the Province's total outstanding indebtedness consisted of obligations denominated in CER-adjusted pesos, approximately 38% consisted of obligations denominated in foreign currencies and approximately 2% consisted of obligations denominated in pesos.

The following table sets forth, by creditor, the Province's total performing and non-performing public indebtedness at the dates indicated:

Total Performing and Non-Performing Public Debt by Creditor (2000-2004)
(in millions of U.S. dollars)⁽¹⁾

	As of December 31,				
	2000	2001	2002	2003	2004
Performing Debt:					
Federal Government					
Provincial Debt Exchange (<i>Bogar</i>)	U.S.\$ —	U.S.\$ —	U.S.\$3,149	U.S.\$3,770	U.S.\$3,918
Orderly Financing Program	—	—	141	428	753
Monetary Unification Program (<i>Boden</i> 2011).....	—	—	—	878	854
Other	330	818	—	1	16
Total Federal Government	330	818	3,290	5,077	5,541
Multilateral loans.....	881	981	934	884	837
Bonds:					
Peso-denominated Bonds ⁽²⁾	278	1,097	872	150	96
Foreign currency-denominated Bonds					
Eurobonds.....	2,576	2,626	0	0	0
Other	17	133	0	41	41
Total Foreign Currency-denominated Bonds	2,593	2,760	0	41	41
Total Bonds	2,871	3,856	872	192	137
Banco Provincia ⁽³⁾	2,414	4,440	0	—	17
Commercial Banks	—	234	—	—	—
Bilateral Debt	96	90	—	—	—
Other Debt	344	493	146	129	109
Total Performing Debt	6,935	10,911	5,242	6,282	6,641
Non-Performing Debt:					
Domestic Bonds ^{(4) (5)}	—	—	79	17	—
Principal Arrears.....	—	—	7	3	—
Interest Arrears	—	—	3	2	—
Total Nonperforming Domestic Bonds (including arrears)	—	—	89	22	—
Eurobonds ⁽⁴⁾	—	—	1,981	1,854	1,234
Principal Arrears.....	—	—	556	1,029	1,790
Interest Arrears	—	—	424	808	1,250
Total Nonperforming Eurobonds (including arrears).....	—	—	2,961	3,691	4,274
Bilateral Debt ⁽⁴⁾	—	—	62	82	63
Principal Arrears.....	—	—	29	57	77
Interest Arrears	—	—	8	18	29
Total Nonperforming Bilateral Debt (including arrears).....	—	—	99	157	169
Total Non-Performing Debt (including arrears)	—	—	3,149	3,870	4,443
Total Gross Public Debt Including Arrears	U.S.\$6,935	U.S.\$10,911	U.S.\$8,391	U.S.\$10,150	U.S.\$11,084

(1) Using exchange rates in effect at December 31 of each year.

(2) Includes bonds denominated in pesos and CER-adjusted pesos.

(3) Includes bonds held by Banco Provincia in aggregate principal amounts equal to approximately U.S.\$463 million in 2000 and U.S.\$1.9 billion in 2001. Banco Provincia tendered these bonds for *Bogars* in the Provincial Debt Exchange. See “—Debt Denominated in CER-adjusted Pesos—Provincial Debt Exchange (*Bogar*).”

(4) Does not include past due principal or interest payments.

(5) Domestic Bonds consist primarily of peso-denominated bonds, except for approximately U.S.\$1 million in interest arrears corresponding to 2002, which are denominated in U.S. dollars.

Source: Ministry of Economy of the Province.

The following table sets forth, by creditor, the Province's total outstanding indebtedness at the dates indicated:

Total Gross Debt by Creditor (2000-2004) ⁽¹⁾
(in millions of U.S.\$)

	At December 31,											
	2000			2001			2002		2003		2004	
Federal Government	U.S.\$	330	4.8%	U.S.\$	818	7.0%	U.S.\$3,290	41.3%	U.S.\$5,077	54.5%	U.S.\$5,541	56.5%
Bondholders		2,871	41.4		3,856	35.3	3,495	43.9	3,094	33.2	3,161	32.2
Multilateral Creditors.....		881	12.7		981	9.0	934	11.7	884	9.5	837	8.5
Bilateral Creditors.....		96	1.4		90	0.8	91	1.1	139	1.5	140	1.4
Banco Provincia ⁽²⁾		2,414	34.8		4,440	40.7	0	0.0	—	—	17	0.2
Commercial Banks.....		—	—		234	2.1	—	—	—	—	—	—
Other		344	5.0		493	4.5	146	1.8	129	1.4	109	1.1
Total.....	U.S.\$	6,935	100.0%	U.S.\$	10,911	100.0%	U.S.\$7,956	100.0%	U.S.\$9,322	100.0%	U.S.\$9,805	100.0%
Exchange rate ⁽³⁾		1.00			1.00		3.37		2.94		2.98	
CER ⁽³⁾		n/a			n/a		1.41		1.46		1.54	

(1) Excluding interest arrears.

(2) Includes bonds held by Banco Provincia in aggregate principal amounts equal to approximately U.S.\$463 million in 2000 and U.S.\$1.9 billion in 2001. Banco Provincia tendered these bonds for *Bogars* in the Provincial Debt Exchange. See “—Debt Denominated in CER-adjusted Pesos—Provincial Debt Exchange (*Bogar*).”

(3) Exchange rate and CER used to calculate public debt totals for the end of each period.

Source: Ministry of Economy of the Province.

The following table sets forth, by currency, the Province's total outstanding indebtedness at the dates indicated:

Total Gross Debt by Currency (2000-2004) ⁽¹⁾
(in millions of U.S.\$)

	At December 31,												
	2000		2001		2002		2003		2004				
CER-adjusted pesos ..	U.S.\$	—	—%	U.S.\$	--	—%	U.S.\$3,408	42.8%	U.S.\$5,213	55.9%	U.S.\$5,578	56.9%	
U.S.\$		4,479	64.6		7,394	67.8		1,744		1,697	18.2	1,645	16.8
Euro ⁽²⁾		965	13.9		1,509	13.8		1,636		1,961	21.0	2,096	21.4
Other ⁽³⁾		1,492	21.5		2,008	18.4		1,168		452	4.8	485	4.9
Total	U.S.\$	6,935	100.0%	U.S.	10,911	100.0%	U.S.\$7,956	100.0%	U.S.\$9,322	100.0%	U.S.\$9,805	100.0%	
Exchange rate		1.00		1.00		3.37		2.94		2.98			
CER		n/a		n/a		1.41		1.46		1.54			

(1) Excluding interest arrears.

(2) Following the introduction of the euro in 1999, debts owed in a variety of European currencies were converted to euro.

(3) Figures include Swiss franc, peso and provincial quasi-currency (*Patacones*).

Source: Ministry of Economy of the Province.

The following table sets forth information on the Province's public debt by type of interest rate:

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

	As of December 31,									
	2000		2001		2002		2003		2004	
Fixed rate ⁽²⁾	U.S.\$4,677	67%	U.S.\$6,330	58%	U.S.\$3,496	44%	U.S.\$3,139	34%	U.S.\$3,248	33%
Fixed rate + CER adjustment ⁽³⁾	—	—	—	—	3,295	41	5,081	55	5,528	56
Variable rate	2,259	33	4,581	42	1,165	15	1,103	12	1,029	10
IADB and World Bank	731	11	827	8	788	10	737	8	706	7
LIBOR	117	2	1,444	13	119	1	167	2	155	2
<i>Tasa Encuesta</i> ⁽⁴⁾	1,072	15	1,756	16	35	0	28	0	45	0
Other	339	5	555	5	223	3	172	2	124	1
 Total Gross Public Debt.....	 U.S.\$6,935	 100%	 U.S.\$10,911	 100%	 U.S.\$7,956	 100%	 U.S.\$9,322	 100%	 U.S.\$9,805	 100%

(1) Excluding interest arrears.

(2) Consists primarily of Eurobonds.

(3) Consists primarily of CER-adjusted debt owed to the federal government.

(4) Consists primarily of debt owed to commercial banks. The applicable *Tasa Encuesta* is the local Argentine interest rate applied to deposits in savings accounts denominated in pesos pursuant to Central Bank Communication "A" 1828, Point 1, of April 25, 1991.

Source: Ministry of Economy of the Province.

The following table sets forth information on the Province's public debt by term of the dates indicated:

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

	As of December 31,									
	2000		2001		2002		2003		2004	
Short-term ⁽²⁾	U.S.\$1,165	17%	U.S.\$1,262	12%	U.S.\$ 141	2%	U.S.\$ 126	1%	U.S.\$ 107	1%
Medium-term and long-term ⁽³⁾	5,770	83	9,649	88	7,815	98	9,197	99	9,698	99
 Total Gross Public Debt...	 U.S.\$6,935	 100%	 U.S.\$10,911	 100%	 U.S.\$7,956	 100%	 U.S.\$9,322	 100%	 U.S.\$9,805	 100%

(1) Excluding interest arrears.

(2) Debt with original maturity of one year or less.

(3) Debt with original maturity of more than one year.

Source: Ministry of Economy of the Province.

The following table sets forth the Province's total outstanding indebtedness at the dates indicated:

Total Outstanding Indebtedness

	At December 31, 2004 ⁽¹⁾			At June 30, 2005 ^{*(1)}		
	Outstanding Principal			Outstanding Principal		
	(in millions of pesos)	(in millions of U.S. dollars) ⁽²⁾	Maturity	(in millions of pesos)	(in millions of U.S. dollars) ⁽²⁾	
Debt in CER-adjusted Pesos ⁽³⁾						
Provincial Debt Exchange (<i>Bogar</i>) ⁽⁴⁾	Ps. 11,671	U.S.\$3,918	2018	Ps. 12,160	U.S.\$ 4,206	
Monetary Unification Program						
(<i>Boden</i> 2011) ⁽⁵⁾	2,545	854	2011	2,476	857	
Orderly Financing Program 2004 ⁽⁶⁾	1,163	391	2008	1,232	426	
Orderly Financing Program 2003	551	185	2007	487	168	
Supplement Agreement OFP 2004	313	105	2008	331	115	
Orderly Financing Program 2002	217	73	2006	173	60	
Financial Assistance 2005.....	n/a	n/a	2013	242	84	
PYMES Bonds (Law No. 12,421)	137	46	2015/2020/2025	145	50	
Other	19	6	2007	13	4	
Total Debt in CER-adjusted Pesos	Ps. 16,617	U.S.\$5,578		Ps. 17,258	U.S.\$ 5,970	
Debt in Pesos						
Social Security Treasury Notes ⁽⁷⁾	Ps. 318	U.S.\$ 107	2005	Ps. 318	U.S.\$ 110	
<i>Boconba</i>	83	28	2007/2017	55	19	
<i>Patacones</i> ⁽⁸⁾	53	18	2005/2006	53	18	
Others	96	32	2011/2012	108	37	
Total Debt in Pesos	Ps. 550	U.S.\$ 185		Ps. 534	U.S.\$ 185	
Debt in Foreign Currencies						
Eurobonds ⁽⁹⁾						
Euro.....	-	U.S.\$2,084	n/a	-	U.S.\$ 1,834	
Dollar	-	683	n/a	-	683	
Swiss franc.....	-	237	n/a	-	208	
Yen.....	-	20	n/a	-	19	
Total Eurobonds.....	-	3,024		-	2,744	
Multilateral loans (IADB-World Bank)	-	837	2022	-	821	
Bilateral loans						
Dollar	-	84	n/a	-	85	
Yen.....	-	43	n/a	-	40	
Euro.....	-	12	n/a	-	11	
Total bilateral loans.....	-	140		-	136	
Law No. 12,973 Bond	-	41	2012	-	43	
Total Debt in Foreign Currencies	-	U.S.\$4,042		-	U.S.\$ 3,744	
Total Indebtedness	-	U.S.\$9,805		-	U.S.\$ 9,898	

* Preliminary figures.

(1) Excluding interest arrears.

(2) Non-dollar-denominated debt has been translated into U.S. dollars for purposes of this table using the exchange rates in effect on December 31, 2004 and June 30, 2005, as applicable.

(3) CER-peso debt amounts include accumulated CER, which was equal to 1.54 as of December 31, 2004 and 1.63 as of June 30, 2005.

(4) Reflects amounts owed to the federal government following the issuance of *Bogar* by the Provincial Development Fund to creditors of the Province. See "—Debt Denominated in CER-adjusted Pesos—Provincial Debt Exchange (*Bogar*)."

(5) Reflects amounts owed to the federal government following the issuance of *Boden* to redeem quasi-currency bonds issued by the Province. See "—Debt Denominated in CER-adjusted Pesos—Monetary Unification Program (*Boden*)."

(6) Includes cash disbursements made by the federal government during 2004 (capitalized as of December 31, 2004 pursuant to OFP 2004) and the refinancing of 2004 debt services of multilateral loans paid by the Federal Government on the behalf of the Province, for a total amount at nominal value of Ps.1,081 million.

(7) Represents notes issued by the Province to the IPS. The Province is obligated by law to consolidate this entity in its financial statements beginning no later than January 1, 2007, at which time these notes will cease to appear as consolidated indebtedness.

(8) Information provided by Banco de la Provincia de Buenos Aires.

(9) These bonds, which have various originally scheduled maturities, remain subject to the Province's suspension of payments of interest and principal.

Source: Ministry of Economy of the Province.

Debt Denominated in CER-adjusted Pesos

Provincial Debt Exchange (Bogar)

In August 2002, the federal government issued a decree setting forth procedures for the restructuring of debt obligations of all provinces, including the Province, and the terms and conditions of *Bogar* to be issued by the Provincial Development Fund to provincial creditors. In this manner, the Province was able to benefit from the more favorable terms of the *Bogar* compared to its then outstanding debt obligations, including longer maturities (2018), change of currency to pesos, lower interest rates (2%) and repayment in more installments (156, after a 36-month grace period). The Province indirectly guarantees payments on *Bogar* up to an amount equal to 15% of the co-participation revenues to which it is entitled.

In 2003, the Province and the federal government entered into two agreements for the exchange of debt of the Province amounting to approximately Ps.7.5 billion for an equivalent amount of *Bogar*. The first of these two agreements, which was signed in April 2003, related to debt of the Province held by financial and banking entities as well as a portion of outstanding provincial bonds. The second agreement, signed in July 2003, related to all remaining provincial bonds. In April 2004, the Province entered into an additional agreement with the federal government, pursuant to which the Province, acting on behalf of several of its municipalities, exchanged municipal debt amounting to approximately Ps.34 million for an equivalent amount of *Bogar*. In the context of these exchanges, Banco Provincia tendered Ps.1.3 billion in provincial bonds it had received in July 2001 in connection with the transfer of a portion of its loan portfolio to the Province pursuant to Law No. 12,726. See “The Provincial Economy—Provincial Enterprises—Loan Recovery Trust.”

The federal government is entitled to withhold up to 15% of federal tax co-participations transfers to the Province to cover 98% of payments made under the *Bogar* issued in these three exchanges, and up to 100% of those transfers to cover the remaining 2% of payments.

As of December 31, 2004, the aggregate principal amount of *Bogar* issued for the Province’s debt tendered in these exchanges amounted to approximately Ps.11.7 billion (including accumulated CER as of that date). Although payments of principal on the *Bogar* first became due in March 2005, the federal government has, since June 2003, withheld a portion of its tax co-participation payments to the Province in order to cancel interest accrued since October 2002.

Monetary Unification Program (Boden 2011)

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

In March 2003, the federal government implemented a program, known as the *Programa de Unificación Monetaria* (Monetary Unification Program, or PUM), for the redemption of various federal and provincial quasi-currency instruments, including the *Patacones* issued by the Province. The redemption of *Patacones* took place throughout 2003 by one of the following two means:

- Provincial tax authorities accepted *Patacones* in satisfaction of provincial tax obligations; or
- The federal government redeemed *Patacones* and compensated holders with pesos by issuing bonds, known as *Boden 2011*, to the Central Bank.

As of December 31, 2003, which was the deadline established by the federal government for the quasi-currency redemption process, 99% of the aggregate outstanding principal amount of Ps.2.7 billion of *Patacones* had been redeemed in exchange for *Boden 2011*. The Province is required to reimburse the federal government for any payments made by the federal government in respect of *Boden 2011* issued in exchange for *Patacones*. The federal government is entitled to withhold the amount of any reimbursement payments due by the Province from federal tax co-participation transfers to be made to the Province. As of December 31, 2004, the aggregate outstanding principal amount of *Boden 2011* was approximately Ps.2.5 billion.

Orderly Financing Program (PFO)

In February 2002, the federal government, the provinces, including the Province, and the City of Buenos Aires signed a national agreement on financial relations and foundations of the federal tax co-participation system, pursuant to which the provinces committed to reduce their respective fiscal imbalances and to achieve orderly finances. Under this agreement, the federal government committed to providing financial assistance to the provinces under the PFO, pursuant to which the federal government has signed bilateral fiscal agreements with a number of provinces, including the Province. Under these bilateral agreements:

- the federal government provides loans from the Provincial Development Fund to provinces that agree to adopt spending controls and other administrative reforms. These loans may be used by the provinces to, among other things, reduce fiscal deficits;
- the provinces agree to comply with all financial conditions to which the federal government is subject under its financing arrangements with multilateral lending institutions; and
- the provinces commit to:
 - not incur any new public indebtedness except in connection with debt restructuring processes approved by the federal government;
 - not issue any new quasi-currency debt instruments;
 - reduce their non-financial indebtedness (e.g., trade receivables or other receivables);
 - establish monthly or quarterly fiscal targets; and
 - guarantee loan repayments by assigning to the federal government their rights to receive federal tax co-participation payments under the agreement.

The Province signed bilateral PFO agreements with the federal government in each year from 2002 through 2004. Pursuant to these agreements, the Province borrowed Ps.295.0 million from the Provincial Development Fund in 2002, Ps.510.5 million in 2003 and Ps.707.1 million in 2004. The terms and conditions of each of these loans include the following:

- the principal amount is adjusted by CER and amortized in 36 consecutive monthly installments following a 12-month grace period;
- interest accrues at fixed annual interest rates determined on the basis of annual levels of fiscal deficit reduction ranging from 2% to 3%; and
- interest is payable monthly and interest accrued during the year of disbursement is capitalized until December 31 of that year.

The PFO agreements also provide for the refinancing of provincial debt obligations to multilateral lenders. Under such arrangements, the federal government repays multilateral lenders on behalf of the Province. Although the Province is obligated to repay the federal government for these payments on terms substantially similar to those

of the 2004 PFO, the Province did not reimburse the federal government for amounts paid to multilateral lenders on its behalf in each of 2002, 2003 and 2004. In respect of payments made by the federal government in each of 2002 and 2003, the federal government and the Province have agreed to set off the Province's repayment obligation by past-due federal tax co-participation transfers owed to the Province. See "—Debt Offsetting Agreement and Supplemental 2004 PFO Agreement." In respect of payments made by the federal government to multilateral lenders in 2004, the Province will repay the federal government in accordance with the 2004 PFO terms described above, except for interest, which will accrue at a rate of 4% per annum.

Debt Offsetting Agreement and Supplemental 2004 PFO Agreement

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

Following the execution of the debt offsetting agreement in June 2004, the federal government and the Province agreed to enter into a supplemental agreement to the 2004 PFO agreement (the "Supplemental PFO Agreement"), pursuant to which the parties will revise their mutual debt obligations for 2002 and 2003 that were not included in the debt offsetting agreement, taking into account the net Ps.35.0 million owed by the federal government to the Province pursuant to the June 2004 debt offsetting agreement. Although the Supplemental PFO Agreement has yet to be signed, the Province estimates that it will result in a net amount owed by the Province to the federal government of approximately Ps.284.9 million, as of December 31, 2003. The Province expects to pay this amount to the federal government in accordance with the terms of loans made to the Province under the 2004 PFO agreement, except for interest, which will accrue at a rate of 4% per annum.

PyMEs Bond

In May 2000, the Province implemented a financial support program for small- and medium-sized businesses ("PyMEs") in financial difficulties with outstanding bank loans from Banco Provincia. Through this program, an eligible PyME could extend the term of its loans to 15, 20 or 25 years by purchasing zero-coupon dollar-denominated provincial bonds issued by the Province ("PyMEs Bonds") and depositing these bonds at Banco Provincia as collateral for its loans. At maturity, the Province would redeem PyMEs Bonds collateralizing the principal amount of the loans, which would be cancelled. Participating PyMEs may be excluded from this program in the event of two consecutive payment defaults on their loans. In this case, the PyMEs Bonds that serve as collateral for the defaulted loans will be redeemed by the Province at their then-current value.

At December 31, 2004, the aggregate nominal amount of outstanding PyMEs Bonds was Ps.137 million, which, if all participating PyMEs were to be excluded and all PyMEs Bonds redeemed on December 31, 2004, would require the Province to pay approximately Ps.12 million to Banco Provincia on that date.

Debt Consolidation Bond (Boconba 11,192)

In 1991, the Province issued bonds to a number of claimants who had prevailed in legal actions brought against the Province or its municipalities prior to April 1, 1991, in satisfaction of their legal claims. These bonds, known as *Boconba 11,192*, have 16-year maturities and were denominated in either pesos or dollars at the option of the claimant. *Boconba 11,192* denominated in dollars accrue interest at a rate based on LIBOR and those denominated in pesos accrue interest at the *Tasa Encuesta*. The applicable *Tasa Encuesta* is the local Argentine interest rate applied to deposits in savings accounts denominated in pesos pursuant to Central Bank Communication "A" 1828, Point 1, of April 25, 1991. In exchange for payments that the Province makes on any *Boconba* issued for obligations of its municipalities, the Province withholds a corresponding amount of funds from provincial tax co-participation transfer to be made to the relevant the municipalities.

As a result of the pesification process, the outstanding principal amount of dollar-denominated *Boconba* 11,192 were converted into CER-adjusted pesos at the exchange rate of Ps.1.4 per U.S.\$1, and the interest rate was fixed at 4%. Holders of dollar-denominated *Boconba* 11,192 had the option to exchange those bonds for a new dollar-denominated floating-rate provincial bond with a 10-year maturity. Under this option, original obligations for the payment of interest and principal would be rescheduled. See “—Debt Denominated in Foreign Currencies— Law No. 12,973 Bond.”

Boconba 11,192 in an aggregate principal amount equal to Ps.95.8 million (consisting of Ps.91.6 million of peso-denominated *Boconba* 11,192 and Ps.4.2 million of pesified *Boconba* 11,192) were exchanged for *Bogar* pursuant to the provincial debt exchange.

The Province suspended payments on both peso-denominated and pesified *Boconba* with effect as of December 31, 2001. The Province resumed payments on peso-denominated *Boconba* in August 2003 and on pesified *Boconba* in February 2005.

The Province estimates that, as of December 31, 2004, the aggregate outstanding principal amount of *Boconba* 11,192 was equal to approximately Ps.79.2 million, consisting of Ps.11.6 million in pesified *Boconba* 11,192 and P.67.6 million in *Boconba* 11,192 originally denominated in pesos.

Debt Denominated in Pesos

Social Security Treasury Notes

From 1996 to 2002, the IPS registered surpluses equal, in the aggregate, to approximately Ps.474 million. The Province retained these surplus amounts to finance its deficits and, in exchange, issued notes to the IPS (Social Security Treasury Notes) representing the Province’s financial obligation to the IPS in respect of retained surplus amounts. Although the Province records these notes as short-term debt because they have a one-year maturity, the unredeemed portion of these notes is automatically renewed every 365 days pursuant to provincial law.

In order to cover operating deficits of the IPS resulting from increased expenditures associated with an early retirement program implemented in 2001, the Province redeemed approximately Ps.104 million of Social Security Treasury Notes in 2003 and Ps.51 million in 2004. The Province anticipates that the remaining Social Security Treasury Notes will be redeemed by 2008. However, the Province is obligated under the Fiscal Responsibility Law to consolidate the results of the IPS in its financial statements beginning no later than January 1, 2007, from which time these notes will be recorded as debt for purposes of the Province’s consolidated financial statements.

As of December 31, 2004, the aggregate outstanding amount of Social Security Treasury Notes was approximately Ps.318 million.

Debt Consolidation Bond (Boconba 12,836)

In 2001, the Province established procedures for the consolidation of the Province’s obligations to claimants who have prevailed in legal actions brought against the Province or its municipalities arising from events that occurred from April 1, 1991 through November 30, 2001. These procedures permit the issuance by the Province of a bond (“*Boconba* 12,836”) in an aggregate original principal amount equivalent to 15% of the revenues of the Province.

Boconba 12,836 were issued in November 2001 with a 16-year maturity. They are denominated in pesos and accrue interest at the *Tasa Encuesta*. Accrued interest is capitalized during the 72-month period immediately following the interest date and payable monthly thereafter. Principal amounts (including capitalized interest) will be payable in 120 consecutive monthly installments, beginning on December 30, 2007.

As of December 31, 2004, the aggregate outstanding principal amount of these bonds was equal to approximately Ps.15.6 million.

On October 26, 2004, the Supreme Court of Argentina declared this debt consolidation process inapplicable because it differed from the national debt consolidation regime in the following respects:

- it provided no cash payment option;
- the provincial bonds have a longer maturity than the national debt consolidation bond; and
- the aggregate amount of the provincial bonds is capped.

The provincial legislature is currently considering proposed legislation modifying the provincial debt consolidation process to align its terms with those of the national debt consolidation process.

Federal Trust Fund for Regional Infrastructure

In 1997, the federal government created the *Fondo Fiduciario Federal de Infraestructura Regional* (the Federal Trust Fund for Regional Infrastructure or “FFFIR”) to finance provincial infrastructure projects and other public works in order to promote regional economic development and to increase national economic productivity. The Province has entered into four agreements with the FFFIR for a total amount of approximately Ps.74.5 million to finance the improvement of public roadways and the renovation and expansion of a port within the Province. As of December 31, 2004, the Province had received approximately Ps.44.5 million under these agreements and the aggregate outstanding amount was equal to approximately Ps.41.4 million.

Fund for the Transformation of the Provincial Public Sectors

In 1993, the federal government created the *Fondo para la Transformación del Sector Público* (Fund for the Transformation of the Provincial Public Sectors, or FTSP) for the purpose of extending loans to finance tax reforms, personnel restructuring and improvements of public sector functions. In 2003, the FTSP extended the Province a Ps.6 million 10-year loan, which is secured by federal co-participation tax revenues owed to the Province, for purposes of investments in public health, security and education services.

Banco Municipal de La Plata Bond

Pursuant to provincial law, in December 2004 the Province issued a Ps.50 million 8-year provincial bond to Banco Provincia to compensate Banco Provincia for its acquisition of the liabilities of Banco Municipal de la Plata in connection with Banco Provincia’s acquisition of Banco Municipal de la Plata. See “Banco Provincia—Acquisitions and Divestitures—Banco Municipal de La Plata.” Under this arrangement, the Province will make payments on these bonds using provincial tax co-participation payments to which the municipality of La Plata is entitled. If payments on these bonds exceed such co-participated amounts, the municipality of La Plata will be required to reimburse the Province for the excess paid by the Province from its own resources.

The first payments on the bond were completely funded from the provincial tax co-participation payments to which the municipality of La Plata was then entitled. The Province anticipates, based on current and estimated future provincial tax co-participation payments, that these amounts will be sufficient to fund future payments of principal and interest on these bonds.

Debt Denominated in Foreign Currencies

Eurobonds

The Province has issued various types of debt securities in different currencies in the international capital markets since 1995, including securities issued under its U.S.\$3.2 billion euro medium-term note program (“EMTN Program”) established in 1998.

Although Eurobonds were eligible to be tendered for *Bogar* under the provincial debt exchange, only 10% of the aggregate principal amount of outstanding Eurobonds were tendered. Since January 2002, the Eurobonds have been subject to the suspension of payments declared by the Province.

As of December 31, 2004,

- the aggregate outstanding principal amount of Eurobonds denominated in dollars was equal to approximately U.S.\$682.9 million, with maturities ranging from March 2002 to March 2010,
- the aggregate outstanding principal amount of Eurobonds denominated in euro was equal to approximately €1,529.2 million, with maturities ranging from July 2002 to July 2006,
- the aggregate outstanding principal amount of Eurobonds denominated in yen was equal to approximately ¥2,080.0 million, with a maturity in May 2003, and
- the aggregate outstanding principal amount of Eurobonds denominated in Swiss francs was equal to approximately Sfr.268.3 million, with a maturity in October 2003.

Multilateral Loans

The International Bank for Reconstruction and Development (“World Bank”) and the Inter-American Development Bank (“IADB”) have extended several credit facilities to finance various projects in the Province such as road construction, water and wastewater infrastructure and public administration, education and health reforms. The latest final maturity under these credit facilities occurs in 2022. In most cases, these facilities are extended to the federal government, which makes the proceeds available to the relevant provincial agencies or entities.

As of December 31, 2004, the Province had obtained 24 multilateral credit facilities, of which four are direct loans to the Province with the federal government acting as guarantor, and the remaining 20 are subsidiary lending arrangements through credit facilities extended to the federal government. Under the subsidiary lending arrangements, the federal government is the direct obligor rather than the guarantor, and the Province has a subsidiary obligation to reimburse the federal government for repayments made under the facilities. Under either arrangement, the Province’s obligation to reimburse the federal government for any payments made to multilateral lenders (whether as a direct obligor or as a guarantor) is secured by a portion of the federal tax co-participation transfers to which the Province is entitled. In addition, the proceeds of four credit facilities extended by the IADB and the World Bank have been made available to the municipalities through further subsidiary lending arrangements.

As of December 31, 2004, the outstanding principal amount owed to the World Bank and the IADB totaled U.S.\$837 million.

In March 2005, the World Bank extended the Province an additional direct loan, in a total amount equal to U.S.\$200 million, with an option for the Province to increase the total loan amount by an additional U.S.\$150 million. This additional loan amount is conditioned upon the Province’s achievement of specific fiscal benchmarks and its successful completion of the first stage of a comprehensive provincial infrastructure project, consisting of improvements to the Province’s water supply, urban drainage systems and public highways, which is to be financed with the proceeds of the loan.

Bilateral Lending and Credit Facilities

Member states of the OECD have extended loans or credit facilities to the Province for various purposes. These loans or facilities include:

- bilateral loans from the governments of Italy and Spain;

- credit facilities provided by Credit Lyonnais and guaranteed by COFACE, the French export import agency; and
- financing obtained from the Export-Import Bank of Japan (“JEXIM”) and the Japan Bank for International Cooperation (“JBIC”), both of which are agencies of the government of Japan.

All of these credit facilities have been extended to the Province to finance equipment imports necessary for essential public services.

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

The Province is currently in default on these loans and credit facilities, which have not been serviced since December 2001. The Province has authorized the federal government to conduct negotiations on its behalf to restructure these loans and facilities, which it anticipates will occur after the restructuring of its Eurobonds.

Law N° 12,973 Bond

In 2002, following the pesification of dollar-denominated provincial and municipal debt obligations governed by Argentine law, the Province provided holders of such debt instruments with the option to exchange these obligations for a new dollar-denominated bond with a 10-year maturity, known as the Law No. 12,973 Bond. Pursuant to this option, all of the outstanding *Caja de Profesionales* bonds (issued by the Province in 2000), 29.6% of outstanding *Boconba* and less than one percent of outstanding *Bocanoba* were exchanged for Law No. 12,973 Bonds. As of December 31, 2004, the aggregate outstanding principal amount of the Law No. 12,973 Bond was Ps.123 million.

BANCO PROVINCIA

Overview

Banco Provincia was founded in 1822 and is the oldest bank in Latin America. It is also the second largest bank in Argentina in terms of total deposits and the third largest in terms of assets, with deposits of Ps.13.0 billion (representing 10.0% of the total deposit base of Argentina) and total assets of Ps.21.0 billion at June 30, 2005. The Province is the sole owner of Banco Provincia.

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

In accordance with Banco Provincia's charter approved by Provincial decree-law N° 9,434/79, the Province guarantees all deposits and other liabilities of Banco Provincia. However, because the specific nature, scope and procedural aspects of the Province's obligations under the guarantee are not expressly defined under provincial decree-law, the Province believes that the guarantee is an indirect and subsidiary obligation of the Province under general provincial legal principles. As a result, creditors of Banco Provincia that seek to enforce the guarantee must exhaust all legal remedies against Banco Provincia before requesting payment from the Province under the guarantee.

Banco Provincia is one of the largest providers of general, commercial and retail banking services in Argentina, with corporate offices in the cities of La Plata and Buenos Aires and a local retail network of 359 branch offices located throughout the provincial territory and in the City of Buenos Aires. Banco Provincia also offers trade finance and international products through its network of foreign offices in Brazil, Uruguay, Panama, Chile, Spain, the United States (New York) and the Cayman Islands, in cooperation with approximately 150 correspondent banks around the world.

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

Regulatory Framework

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

Banco Provincia has also been a participant in the *Fondo de Garantía para los Depósitos* (the Deposit Insurance Fund or FGD) since 1997. The FGD is a bank deposit insurance system created by federal law in 1995 and managed by *Seguros de Depósitos S.A.* (SEDESA), a company jointly owned by the federal government (through the Central Bank) and a trust established by the financial institutions that participate in the system. The deposit insurance system covers all peso and foreign currency deposits held in demand deposit accounts, savings accounts and time deposits, subject to various limitations and exceptions. Coverage under the deposit insurance system is limited to Ps.30,000 per depositor.

The FGD is financed with monthly contributions to FGD or monthly loans to SEDESA by participating financial institutions. As a result, Banco Provincia contributes a fixed amount equal to 0.015% of its average daily deposits, measured on a monthly basis, and a variable amount determined on the basis of the quality of its assets. The variable contribution amount cannot exceed 100% of the fixed contribution amount.

Selected Financial Information

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

	As of December 31,					As of
	2000	2001	2002	2003	2004	June 30,
						2005
Balance Sheet Data	<i>(in millions of pesos)</i>					
Assets						
Cash and due from banks ⁽¹⁾	621	220	437	1,791	1,528	1,717
Government and corporate securities ⁽²⁾	1,494	2,071	6,106	9,533	9,927	10,504
Net loans	8,160	6,923	8,150	3,396	4,223	4,927
Other receivables from financial brokerage activities	2,387	1,400	4,534	3,094	2,566	1,329
Property, equipment and miscellaneous assets	446	426	906	867	822	807
Other assets ⁽³⁾	1,153	1,066	1,341	2,238	1,980	1,673
Total assets	14,261	12,106	21,474	20,919	21,046	20,957
Liabilities						
Deposits	9,498	6,095	7,826	10,207	11,693	13,005
Liabilities from financial brokerage activities	2,776	4,052	10,160	9,037	7,720	6,455
Miscellaneous liabilities	106	61	55	45	36	55
Provisions	42	29	406	157	134	123
Subordinated loans ⁽⁴⁾	491	488	—	—	—	—
Items for which classification is pending	85	216	184	401	337	201
Total Liabilities	12,998	10,941	18,631	19,847	19,920	19,839
Total Net Equity	1,263	1,165	2,843	1,072	1,126	1,118
Total Net Equity and Liabilities	14,261	12,106	21,474	20,919	21,046	20,957
Income Statement Data						
Financial Income	1,201	1,052	5,249	1,003	1,418	915
Financial Expenditure	(732)	(782)	(3,682)	(1,649)	(838)	(551)
Provision for loan losses	(163)	(76)	(990)	(205)	(9)	(44)
Net Income from Services	360	336	365	304	291	158
Monetary gain (loss) on financial brokerage activities	—	—	360	108	—	—
Administrative Expenses	(681)	(654)	(856)	(780)	(763)	(426)
Monetary gain (loss) on administrative expenses	—	—	21	—	—	—
Net income (loss) on financial brokerage activities	(15)	(124)	467	(1,219)	100	52
Net miscellaneous income	25	26	(672)	(444)	(38)	22
Monetary gain (loss) on other operations	—	—	(136)	2	—	—
Net Income (loss)	10	(98)	(341)	(1,661)	62	74

(1) Includes Ps.954 million in Banco Provincia's peso and dollar current accounts at the Central Bank in 2003 and Ps.1,084 million in 2004, as compared to Ps.26 million in those accounts in 2002.

(2) Includes *Boden* 2012 received from the federal government in 2002 and *Bogar* received in connection with the Provincial Debt Exchange in 2003 equal, as of June 30, 2005, to Ps.1.3 billion and Ps.8.0 billion, respectively. See "Public Sector Debt—Debt Denominated in CER-adjusted Pesos—Provincial Debt Exchange (*Bogar*)."

(3) Includes intangible assets, investments in other entities, various other loans and asset items for which classification is pending.

- (4) Represents U.S. treasury bonds (recorded at market value) held by Banco Provincia as collateral for two subordinated loans extended by Banco Provincia to the Province's electricity utility and highway authority. Banco Provincia assumed the ownership of these bonds pursuant to the Debt Offsetting Agreement entered into in November 2002 between the Province and Banco Provincia. See "—Funding and Liquidity—Debt Offsetting Agreement."

Source: Banco Provincia.

Impact of Measures Adopted During the Economic Crisis

Restrictions on Deposit Withdrawals

As Argentina's economic crisis deepened and speculation of a potential devaluation mounted in 2001, confidence in the banking sector began to erode, triggering a significant run on deposits during that year. By December 31, 2001, Banco Provincia's total deposits (peso and dollar) had declined 35.8% from December 31, 2000 levels. To reduce the threat of a collapse of the banking sector, in December 2001 and February 2002 the federal government imposed strict limits on bank withdrawals.

The restrictions imposed by the *corralito* and the *corralón* shielded banks from further massive withdrawals and reduced capital flight. However, these restrictions also led to a severe reduction in all commercial and financial activities in the country, greatly aggravating the economic downturn and sparking increased social unrest and a political crisis that ended President De La Rúa's administration.

Pesification

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

As of June 30, 2005, Banco Provincia had recorded *Boden* 2007 that it is entitled to receive at a technical value (according to Central Bank regulations) of Ps.226 million, and had received *Boden* 2012 with a technical value of Ps.1.3 billion.

The different exchange rates applied to the conversion of foreign-currency denominated deposits and loans, resulting in a substantial decrease of banks' assets relative to their liabilities, caused banks to suffer heavy losses. This exchange rate disparity, along with increases in the banks' bad-loan portfolios and the decline in value of their substantial holdings of federal government debt, left much of the sector virtually insolvent.

Easing of Restrictions During Economic Recovery

As the demand for pesos recovered in the fall of 2002, easing the pressure of capital flight from the Argentine economy and its banking system, the federal government was able to lift all restrictions on withdrawals of demand deposits in November 2002. Similarly, in April 2003, depositors were permitted to withdraw their term deposits.

Some depositors chose not to withdraw their deposits in order to preserve the original value of the account in its original currency in hopes of pursuing a lawsuit against the federal government and the financial institutions. Restrictions on withdrawals are no longer in effect.

Consolidated Assets

As a result of the measures adopted by the federal government in 2002 and 2003, Banco Provincia's asset structure has changed with respect to periods preceding the crisis, which has resulted primarily in a larger exposure to the Argentine public sector and, particularly, the federal government.

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

Public Sector Exposure of Banco Provincia

	At December 31, 2004	At June 30, 2005
	<i>(in millions of pesos)</i>	
Government Securities	9,749	10,376
<i>Bogar</i>	7,687	8,000
<i>Boden</i> 2012.....	1,262	1,266
Par Brady Bonds ⁽¹⁾	192	--
Discount Brady Bonds ⁽¹⁾	40	--
Dollar-denominated Discount Bonds.....	—	194
Euro-denominated Discount Bonds.....	—	16
Peso-denominated Discount Bonds.....	—	19
Banco Municipal de La Plata Bonds.....	—	54
Central Bank <i>Letras</i>	402	746
Central Bank <i>Notas</i>	57	61
Other.....	109	21
Other Receivables from Financial Brokerage Activities	785	491
<i>Boden</i> 2007.....	442	226
<i>Boden</i> 2012.....	15	15
Central Bank.....	184	180
Par Brady Bonds ⁽¹⁾	144	—
Dollar-denominated Discount Bonds.....	—	70
Public Sector Loans	1,073	1,067
Province of Buenos Aires and Municipalities.....	430	430
National Guaranteed Loans.....	594	618
Other Loans.....	49	19
Other Assets	249	252
<i>Bogar</i> ⁽²⁾	174	179
<i>Boden</i> 2012 ⁽²⁾	75	73
Total	11,856	12,187

(1) Par and Discount Brady Bonds were tendered in January 2005 pursuant to the federal government's exchange offer in exchange for U.S.\$83.5 million in cash and new dollar-denominated federal discount bonds governed by New York law. As of June 30, 2005, the aggregate principal amount of the new discount bonds received in exchange for Par and Discount Brady Bonds was U.S.\$30.2 million.

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

Source: Banco Provincia.

Bogar are recorded at their technical value in Banco Provincia's financial statements, which is calculated as the residual value of the security plus accrued interest. In September 2004, the Province established the *Fondo de Sostén del Valor de los Bonos Garantizados (Bogar)* (Fund to Support the Value of the Guaranteed Bonds (*Bogar*)) pursuant to provincial law to provide an additional stream of cash flows to Banco Provincia in respect of the *Bogar* as from 2004 until the maturity of the *Bogar*. In accordance with provincial law, Banco Provincia offset the amount that the Province was obligated to transfer to it in 2004 by allocating to its capitalization Ps.50 million of Banco Provincia's net profit of Ps.62 million for 2004, and the Province will transfer to the fund an additional Ps.168 million in 2007, Ps.156 million in 2008, Ps.144 million in each year from 2009 through 2015 and Ps.120 million in

2016. In exchange, Banco Provincia is required by law to transfer to the Province a portion of its net income in an amount equal to the cash flows provided and to be provided by the fund each year. As a result of the additional cash flows provided by the fund, the technical value of the *Bogar* held by Banco Provincia matches their present value as of December 31, 2004.

Loan Portfolio

The following table shows the loan portfolio of Banco Provincia by type of client at the indicated dates:

Loan Portfolio of Banco Provincia by Client Type

	At December 31,					At June 30,
	2000	2001	2002	2003	2004	2005
	<i>(in millions of pesos)</i>					
Public ⁽¹⁾	2,397	3,049	5,100	1,067	1,073	1,067
Financial ⁽²⁾	202	146	319	237	147	278
Private ⁽³⁾	7,029	3,977	3,361	2,796	3,705	4,182
Total	9,628	7,172	8,780	4,100	4,925	5,527
Allowances ⁽³⁾	(1,468)	(249)	(630)	(704)	(702)	(600)
Total Net Loans	<u>8,160</u>	<u>6,923</u>	<u>8,150</u>	<u>3,396</u>	<u>4,223</u>	<u>4,927</u>

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

(2) Includes loans provided to other banking and financial institutions.

(3) Reflects the transfer of Banco Provincia's non-performing loan portfolio to the Province in 2001, as described below.

Source: Banco Provincia.

Banco Provincia's portfolio of loans before the allowance for loan losses fell by 25.5% at December 31, 2001, compared to its December 31, 2000 level, due primarily to a sharp decline in loans to the private sector. This decline is attributable primarily to the transfer by Banco Provincia to the Province of its portfolio of non-performing loans (in accordance with the classification rules of the Central Bank) in exchange for bonds issued by the Province. See "The Provincial Economy—Provincial Enterprises—Loan Recovery Trust."

The portfolio of loans before the allowance for loan losses grew by 22.4% at December 31, 2002 compared to its December 31, 2001 level (despite a 15.5% drop in loans to the private sector), due primarily to the 67.3% increase in the peso value of loans to the public sector at December 31, 2002, as compared to December 31, 2001, that resulted from the pesification of such loans at a rate of Ps.1.4 per U.S.\$1.

The 15.5% decrease in loans to the private sector from December 31, 2001, to December 31, 2002, resulted largely from the following:

- the near absence of new loan origination during that period attributable to Argentina's economic crisis; and
- the increased collection by Banco Provincia of outstanding loans and credits during that period through various debt-cancellation plans intended to address the liquidity crisis affecting Argentina's entire financial system.

As a result of the pesification of public sector loan obligations (at a rate of Ps.1.4 per U.S.\$1), the CER and CVS adjustments of pesified loan obligations, the decrease in lending to the private sector and the transfer of the non-performing loan portfolio to the Province, the composition of Banco Provincia's loan portfolio changed dramatically in 2001 and 2002, compared to 2000, as the proportion of loans to the public sector grew from 24.9% of the total gross loan portfolio at December 31, 2000 to 58.1% of the total gross loan portfolio at December 31, 2002.

Banco Provincia experienced a 53.3% decline in its portfolio of gross loans in 2003, as compared to 2002, reflecting primarily the transfer of its portfolio of public sector loans in the context of the provincial debt exchange program implemented by the federal government. See “Public Sector Debt—Debt Denominated in CER-adjusted Pesos—Provincial Debt Exchange (*Bogar*).”

In 2004, Banco Provincia’s gross loan portfolio increased by 20.1% from its December 31, 2003 level, reflecting primarily a 32.5% increase in loans to the private sector at December 31, 2004 compared to December 31, 2003 levels. The increase in private sector loans was due mainly to an increase in lending to individuals through flexible consumer loans, particularly in the second half of the year, as Argentina’s economic recovery accelerated. Approximately 170,000 consumer loans were granted in an aggregate amount of Ps.751 million in 2004.

In addition, Banco Provincia entered into two agreements with the Province in 2004 to provide credit assistance to the industrial and manufacturing sector and the agricultural sector at subsidized rates. Under these programs, known as *Fuerza Pyme* and *Fuerza Campo*, the Province subsidizes a portion of the interest that Banco Provincia charges to businesses in these sectors, effectively reducing the interest rate for borrowers. Under the “*Fuerza Pyme*” program, Banco Provincia expects to lend approximately Ps.300 million in 2005 to finance working capital and the purchase of capital goods by small and mid-sized companies in these sectors. The “*Fuerza Campo*” program contemplates credit assistance of about Ps.100 million in 2005, mainly to restock cattle in the Province.

Sources of Funds

Historically, Banco Provincia’s main source of funds has been deposits, particularly from the private sector. However, as a result of Argentina’s economic crisis, Banco Provincia has increasingly relied on other sources of funds, including financing from the Central Bank. See “—Impact of Measures Adopted During the Economic Crisis.” As a result of the crisis, the proportion of total liabilities represented by deposits declined from 73.1% at December 31, 2000 to 58.7% at December 31, 2004, while other liabilities, comprising mainly temporary financing mechanisms offered by the Central Bank during the crisis and financing provided by foreign banks, increased from 21.4% of total liabilities at December 31, 2000 to 38.8% of total liabilities at December 31, 2004. At June 30, 2005, deposits represented 65.5% of total liabilities.

Deposits

The table below shows the evolution, by sector, of Banco Provincia’s total deposits.

Evolution of Deposits at Banco Provincia

	At December 31,					At June 30,
	2000	2001	2002	2003	2004	2005
	<i>(in millions of pesos)</i>					
Non-Financial Public Sector.....	1,139	862	1,378	2,523	4,410	5,195
Financial Sector.....	21	75	45	86	60	72
Non-Financial Private Sector.....	8,338	5,158	6,403	7,598	7,223	7,738
Checking Accounts ⁽¹⁾	535	715	861	1,228	1,635	1,764
Savings Accounts.....	1,087	1,114	600	919	1,498	1,834
Fixed-term deposits.....	6,479	2,937	2,053	3,246	2,959	3,256
Other ⁽²⁾	177	352	2,255	1,705	1,034	783
Accrued interest, adjustments and quotation differences payable ⁽³⁾	60	40	634	500	97	101
Total	9,498	6,095	7,826	10,207	11,693	13,005

(1) Non-interest bearing accounts.

(2) As from December 31, 2002, this caption includes deposits rescheduled pursuant to the “*corralón*.”

(3) As from December 31, 2002, this caption includes CER adjustment on rescheduled deposits.

Source: Banco Provincia.

Despite the measures taken in late 2001 and early 2002 to preserve the liquidity of Argentine banks, Argentine financial institutions, including Banco Provincia, continued to experience a decline in deposits during this period attributable mainly to expedited judicial decisions (“*amparos*”) ordering the return of deposits denominated in foreign currencies and the swaps of deposits for federal bonds established by the federal government. Beginning in the second half of 2002, however, Banco Provincia’s deposits significantly increased in a macroeconomic context of greater confidence as a result of stabilization of inflation. At June 30, 2005, deposits totaled Ps.13.0 billion.

Judicial Decisions (Amparos)

As of June 30, 2005, Banco Provincia had refunded Ps.1.9 billion to depositors seeking the original value of their deposits from their financial institutions pursuant to judicial orders finding that the restrictions on bank withdrawals were unconstitutional. Because Banco Provincia was required to return these deposits using currency exchange rates in effect on the date of refund, in accordance with Central Bank rules, Banco Provincia has recorded in aggregate Ps.766 million as “Intangible Assets” for the difference between the refund amounts stated in the judicial orders and the deposit balance booked at the conversion rate of U.S.\$1 to Ps.1.40, adjusted for CER. This amount is amortized over a 60-month period and, at June 30, 2005, the outstanding balance of these intangible assets amounted to Ps.450 million.

Compensation of Depositors

To compensate depositors for the pesification and rescheduling of their deposits, during the course of 2002 and 2003 the federal government gave depositors the option of exchanging their rescheduled deposits for various kinds of financial instruments issued by the federal government.

If a depositor chose to receive these financial instruments in exchange for his or her deposits, the financial institution was required to purchase the corresponding amount of the relevant financial instruments from the federal government and deliver them to the depositor. Financial institutions were allowed to pay for these financial instruments with specific types of assets (securities or loans to the public sector) or through funds provided by the Central Bank under a temporary financial assistance mechanism secured by the same types of assets. Under this exchange program, Banco Provincia purchased, in the aggregate, U.S.\$666 million in dollar-denominated *Boden* (*Boden* 2005, *Boden* 2006, *Boden* 2012 and *Boden* 2013) and Ps.6.4 million in peso-denominated *Boden* (*Boden* 2007).

In April 2003, the federal government lifted emergency restrictions on deposit withdrawals, offering the remaining depositors (who had not elected to receive financial instruments in exchange for their rescheduled deposits) the option to withdraw these deposits in whole or in part. At June 30, 2005, rescheduled deposits held by Banco Provincia amounted to Ps.489 million.

Financing from the Central Bank

During the crisis, the Central Bank used its power to provide temporary financial assistance to Argentine financial institutions to address the liquidity shortages of these institutions resulting from the run and subsequent freeze on deposits and the asymmetric pesification of financial assets and liabilities. Banco Provincia is required to repay the amount of any temporary financial assistance received on or before March 28, 2003 (which amounts to Ps.4.4 billion) in 70 monthly and equal installments in CER-adjusted pesos. At June 30, 2005, Banco Provincia’s total outstanding indebtedness to the Central Bank in connection with temporary financial assistance was equal to approximately Ps.4.0 billion (of which Ps.457 million consisted of adjustments for CER). The outstanding amounts accrue interest at a 3.5% annual rate and are secured by an aggregate amount of guaranteed loans received under the federal debt exchange program and *Bogar* equal to 125% of the outstanding amount.

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

Banco Provincia has been making installment payments of principal and interest on its temporary financial assistance obligations in accordance with the initial 70-month schedule.

External Indebtedness

The table below shows, by source, the amounts of foreign currency financing provided by financial institutions outside of Argentina to Banco Provincia.

Foreign Currency Financing Provided to Banco Provincia

Source	As of December 31,					As of
	2000	2001	2002	2003	2004	June 30,
			(in millions of U.S. dollars)			2005
Euro-certificates of deposit (short-term).....	54	—	—	—	—	—
Trade finance (short-term).....	439	129	134	115	13	3
Overnight and short-term funds.....	603	196	142	125	9	8
Interbank lines (medium-term).....	6	3	—	—	—	—
Secured financing (short-term) ⁽¹⁾	645	591	558	570	425	21
Secured financing (medium-term).....	59	—	—	—	—	—
Floating rate interest bonds (long-term) ⁽²⁾	19	16	13	12	7	6
U.S. Commercial Papers.....	100	40	26	25	14	13
Medium-Term Financing.....					113	78
Total	1,925	975	873	847	581	129

(1) Financing obtained through repurchase transactions in which U.S. Treasury Bonds are used as collateral.

(2) Net present value of obligations for a U.S.\$122 million notional principal amount.

Source: Banco Provincia.

As a result of the cancellation or restructuring of various financial and commercial liabilities of Banco Provincia during the period following the economic crisis, Banco Provincia's external indebtedness decreased by approximately 93.3% between December 2000 and June 2005.

Debt Offsetting Agreement

In November 2002, the Province and Banco Provincia entered into a Debt Offsetting Agreement pursuant to which the parties set off reciprocal debt obligations in an amount equal to approximately Ps.1.0 billion. See "Public Sector Finances—Evolution of Fiscal Results: 2000-2004—Fiscal Result of 2002 as Compared to Fiscal Result of 2001."

Other liabilities

Banco de Inversión y Comercio Exterior S.A. ("BICE") has extended several loans to Banco Provincia to provide financing for various investment projects by clients of Banco Provincia. In July 2003, in order to reduce the interest rates and extend the terms of these loans, Banco Provincia and BICE entered into an agreement to restructure Banco Provincia's outstanding indebtedness to BICE, a portion of which is secured by *Bogar* and *Boden* through a collateral trust. The agreement provides that Banco Provincia will repay amounts owed to BICE in line with the average life of the collateral assets. However, in July 2004, Banco Provincia prepaid a portion of such debt and, at June 30, 2005, the aggregate amount of debt owed by Banco Provincia to BICE amounted to Ps.263 million.

Liquidity and Financial Position

The table below shows Banco Provincia's liquidity ratios at the indicated dates:

Liquidity Ratios

	At December 31,					At June 30,
	2000	2001	2002	2003	2004	2005
	<i>(in percentages)</i>					
Cash and cash equivalents / Deposits	6.54	3.61	5.58	17.55	13.07	13.20
Net Loans / Assets	57.22	57.19	37.95	16.24	20.07	23.51

Source: Banco Provincia.

The table below shows Banco Provincia's capital adequacy ratios at the indicated dates:

Capital Adequacy Ratios

	At December 31,					At June 30,
	2000	2001	2002	2003	2004	2005
	<i>(in percentages)</i>					
Net Equity / Assets	8.86	9.62	13.24	5.12	5.35	5.33
Net Equity / Loans	15.48	16.83	34.88	31.56	26.67	22.68

Source: Banco Provincia.

The national crisis had a strong effect on the whole Argentine financial system, including Banco Provincia, with a significant reduction in the number of transactions and overall turnover. As a result, Banco Provincia recorded net losses every year from 2001 through 2003. The net losses recorded in 2003, which included adjustments for prior years, prevented Banco Provincia from complying with certain technical ratios required by the Central Bank in that year. In 2004, Banco Provincia implemented a short-term plan to reduce financial costs and non-wage expenses, increase income through the adoption of an aggressive commercial policy for services and loans and significantly increase loan recoveries. This plan began to produce results in May 2004, as Banco Provincia began to record monthly profits, and allowed Banco Provincia to record net income in 2004.

Acquisitions and Divestitures

Banco Municipal de La Plata

In April 2003, Banco Provincia agreed with Banco Municipal de La Plata and the Municipality of La Plata to take over a portion of the assets and liabilities of Banco Municipal de La Plata. The Municipality of La Plata has agreed to compensate Banco Provincia for any losses that it may incur as a result of this acquisition. The Central Bank has authorized Banco Provincia to acquire the 18 operating branches of Banco Municipal de La Plata. See "Public Sector Debt—Banco Municipal de La Plata Bond."

DESCRIPTION OF NEW BONDS

This section of this offering memorandum is only an overview of the material provisions of the New Bonds and the trust indenture. The Province urges you to read the trust indenture for a complete description of the Province's obligations and your rights as a holder of the New Bonds. The Province has filed, or will file, copies of the trust indenture at the offices of the trustee, the Luxembourg listing agent and the Luxembourg exchange agent, where they will be made available to you free of charge.

The New Bonds will be issued pursuant to a trust indenture between the Province and The Bank of New York as trustee.

General

The New Bonds will be issued in three series (each, a "series"):

- Step-Up Long Term Par Bonds, or the "Long Term Par Bonds;"
- Step-Up Medium Term Par Bonds, or the "Medium Term Par Bonds;" and
- Discount Bonds.

Basic Terms Common to New Bonds

The New Bonds will:

- pay interest and principal to persons in whose names the New Bonds are registered at the close of business on the fifteenth calendar day preceding the corresponding payment date;
- not be redeemable before maturity (although they may amortize as described below) at the option of the Province or repayable at the option of the holder and not be entitled to the benefit of any sinking fund. The Province may at any time, however, purchase New Bonds and hold or resell them or surrender them to the trustee for cancellation;
- be direct, unconditional, unsecured and unsubordinated obligations of the Province;
- be represented by one or more registered New Bonds in global form;
- be available in definitive form only under certain limited circumstances. See "—Registration and Book-Entry System;"
- be issued in denominations of one unit of the currency in which your New Bonds are denominated and in integral multiples thereof; and
- represent a claim to their full principal at maturity (plus accrued and unpaid interest) or upon earlier acceleration in accordance with their terms.

As used herein, "payment date" means (i) in respect of a Long Term Par Bonds, May 15 and November 15 of each year, (ii) in respect of Medium Term Par Bonds, May 1 and November 1 of each year, and (iii) in respect of Discount Bonds, April 15 and October 15 of each year.

Based on standard market practice, the yield to maturity of your New Bonds will be the yield (or discount rate) that, when used to calculate the present value of all future payments of principal and interest that are scheduled to be paid on such New Bonds (taking into account the interest rates and the payment dates described in this offering memorandum), results in a present value of your New Bonds equal to the purchase price that you consider you have paid for such New Bonds by tendering Existing Bonds in the Offer.

Basic Terms of the Long Term Par Bonds

The Long Term Par Bonds will:

- be denominated in U.S. dollars or euro;
- accrue interest on their outstanding principal amount from December 1, 2005 at a rate of 2.00% per year until November 15, 2007, at a rate of 3.00% per year from November 16, 2007 until November 15, 2009, and thereafter interest on the Long Term Par Bonds will accrue at a rate of 4.00% per year, payable semi-annually in arrears on May 15 and November 15 of each year, computed on the basis of a 360-day year comprised of twelve 30-day months;
- provide for principal to be paid semiannually, beginning November 15, 2020; and
- have a final maturity date of May 15, 2035.

Basic Terms of the Medium Term Par Bonds

The Medium Term Par Bonds will:

- be denominated in U.S. dollars or euro;
- be issued in a maximum aggregate principal amount of \$750,000,000 (with the actual aggregate principal amount issued to depend on the aggregate principal amount of Existing Bonds validly tendered and accepted in exchange for Medium Term Par Bonds in the Offer);
- accrue interest on their outstanding principal amount from December 1, 2005 at a rate of 1.00% per year until November 1, 2009, at a rate of 2.00% per year from November 2, 2009 through November 1, 2013, at a rate of 3.00% per year from November 2, 2013 through November 1, 2017, and thereafter interest on the Medium Term Par Bonds will accrue at a rate of 4.00% per year, payable semi-annually in arrears on May 1 and November 1 of each year, computed on the basis of a 360-day year comprised of twelve 30-day months;
- provide for principal to be paid semiannually, beginning November 1, 2017; and
- have a final maturity date of May 1, 2020.

Basic Terms of the Discount Bonds

The Discount Bonds will:

- be denominated in U.S. dollars or euro;
- be issued in a maximum aggregate principal amount of \$500,000,000 (with the actual aggregate principal amount issued to depend on the aggregate principal amount of Existing Bonds validly tendered and accepted in exchange for Discount Bonds in the Offer);
- accrue interest on their outstanding principal amount from December 1, 2005 at a rate of 9.25% per year in the case of the U.S. dollar-denominated Discount Bonds and 8.50% per year in the case of the euro-denominated Discount Bonds, payable semi-annually in arrears on April 15 and October 15 of each year, computed on the basis of a 360-day year comprised of twelve 30-day months;
- provide for principal to be paid semiannually, beginning October 15, 2012 and

- have a final maturity date of April 15, 2017.

Payment

The trustee will make payments to the common depositary for Euroclear or Clearstream, Luxembourg, or its nominee, as the registered owner of such New Bonds, which will receive the funds for distribution to the holders of such New Bonds.

Holders of New Bonds will be paid in accordance with the procedures of the relevant clearing system and its direct participants, if applicable. Neither the Province nor the trustee shall have any responsibility or liability for any aspect of the records of, or payments made by, the relevant clearing system or its nominee or direct participants, or any failure on the part of the relevant clearing system or its direct participants in making payments to holders of the New Bonds from the funds they receive. Notwithstanding the foregoing, the Province's obligations to make payments of principal and interest on the New Bonds shall not have been satisfied until such payments are received by registered holders of the New Bonds.

If any date for an interest or principal payment is not a business day, the Province will make the payment on the next business day. Such payments will be deemed to have been made on the due date, and no interest on the New Bonds will accrue as a result of the delay in payment.

As used herein, "business day" means:

- with respect to U.S. dollar-denominated New Bonds, any day that is not a Saturday or Sunday, and that is not a day on which banking or trust institutions are authorized generally or obligated by law, regulation or executive order to close in New York City or Buenos Aires;
- with respect to euro-denominated New Bonds, any day that is not a Saturday or Sunday, and that is not a day on which banking or trust institutions are authorized generally or obligated by law, regulation or executive order to close in Buenos Aires, and that is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (the "TARGET" system), or any successor system, is open for business.

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

Paying Agents and Transfer Agents

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

Registration and Book-Entry System

The New Bonds will be represented by interests in one or more permanent global securities in fully registered form, without interest coupons attached, which will be registered in the name of a nominee of a common depositary of Euroclear and Clearstream, Luxembourg and which will be deposited on or before the Settlement Date with that common depositary. Financial institutions, acting as direct and indirect participants in either Euroclear or Clearstream, Luxembourg, will represent your beneficial interests in the global security. These financial institutions

will record the ownership and transfer of your beneficial interests through book-entry accounts, eliminating the need for physical movement of securities.

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

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

In sum, you may elect to hold your beneficial interests in the New Bonds:

- in Europe, through Euroclear or Clearstream, Luxembourg;
- in Argentina, through *Caja de Valores*; or
- through organizations that participate in such systems.

As an owner of a beneficial interest in the global securities, you will generally not be considered the holder of any New Bonds under the trust indenture.

Definitive Securities

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

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

In connection with the exchange of interests in a global security for securities in definitive form under any of the conditions described above, such global security will be deemed to be surrendered to the trustee for cancellation, and the Province will execute, and will instruct the trustee to authenticate and deliver, to each beneficial owner identified by the relevant clearing system, in exchange for its beneficial interest in such global security, an equal aggregate principal amount of definitive securities.

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

The Luxembourg Stock Exchange will be informed before the Province issues definitive securities. If the Province issues definitive securities, it will publish notices in a newspaper with general circulation in Luxembourg (which the Province expects to be the *Luxemburger Wort* or the *Tageblatt*) announcing procedures for payments of principal and interest in respect of or transfer of definitive securities in Luxembourg.

When you surrender New Bonds for transfer or exchange for New Bonds of a different authorized form and denomination, the trustee or the transfer agent, as the case may be, will authenticate and deliver to you New Bonds of the appropriate form and denomination and of the same aggregate principal amount as the New Bonds that you are surrendering. You will not be charged a fee for the registration of transfers or exchanges of New Bonds. However, you may be charged for any stamp, tax or other governmental or insurance charges that must be paid in connection with the transfer, exchange or registration of transfer of New Bonds. The Province, the trustee and any other agent appointed by the trustee or the Province may treat the person in whose name any New Bond is registered as the owner of such New Bond for all purposes.

If any New Bond of a series becomes mutilated, destroyed, stolen or lost, you can replace it by delivering the New Bond of that series or evidence of its loss, theft or destruction to the trustee. The Province and the trustee may require you to sign an indemnity under which you agree to pay the Province, the trustee or any other agent appointed by the trustee for any losses they may suffer relating to the New Bond that was mutilated, destroyed, stolen or lost. The Province and the trustee may also require you to present other documents or proof. After you deliver these documents, if neither the Province nor the trustee has notice that a bona fide purchaser has acquired the New Bond that you are exchanging, the Province will execute, and the trustee will authenticate and deliver to you, a substitute New Bond with the same terms as the New Bond you are exchanging. You will be required to pay all expenses and reasonable charges associated with the replacement of this definitive security.

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

Ranking

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

Rights Upon Future Offers

Under the terms of the New Bonds, if following the expiration of the Offer until December 31, 2015, the Province voluntarily makes an offer to purchase or exchange or solicits consents to amend any Existing Bonds not tendered or accepted pursuant to the Offer, the Province has agreed that it will take all steps necessary, including making any required filings, so that each holder of New Bonds will have the right, for a period of at least 30 days (or any longer period of time that it is offered to any other holders) following the announcement of such offer, to exchange any of such holder's New Bonds for (as applicable):

- the consideration in cash or in kind, if any, received in connection with such purchase, amendment or exchange offer, as the case may be, or
- securities having terms substantially the same as those resulting from such amendment process,

in each case in accordance with the terms and conditions of such purchase, exchange offer or amendment process. For this purpose, such New Bonds will be treated as though they were Existing Bonds that are in the same currency as such New Bonds.

Further Issuances

Under the terms of the trust indenture, the Province may from time to time, without the consent of the holders of the New Bonds, create and issue additional bonds ranking *pari passu* with the New Bonds and having the same terms and conditions as any series of such New Bonds, or the same except for the amount of the first payment of interest on such additional bonds; provided that, in the event of any reopening of the Offer, in the case of the Discount Bonds and the Medium Term Par Bonds, the amount of additional bonds to be issued shall be limited to the maximum aggregate principal amount permitted to be issued in each such series. The Province may also consolidate the additional bonds to form a single series with any outstanding series of New Bonds. In order for the Province to consolidate additional bonds to form a single series, any such additional bonds, however, may not have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the relevant series of such New Bonds have as of the date of the issuance of such additional bonds.

Additional Amounts

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

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

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

All references in this offering memorandum to principal of or interest on the New Bonds will include any additional amounts payable by the Province in respect of such principal or interest.

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

Negative Pledge Covenant

The Province has agreed that, subject to the exceptions described below, it will not, for so long as any New Bond remains outstanding or any amount payable by the Province under the indenture shall remain unpaid, incur, issue or assume any Indebtedness secured by a Lien on any property or assets of the Province without making effective provision to secure the New Bonds equally and ratably (or prior to) such Indebtedness for so long as such Indebtedness shall be so secured, unless, after giving effect thereto, the aggregate amount then outstanding of all such Indebtedness so secured would not exceed 8% of the Province’s annual revenues for the fiscal year most recently ended prior to the incurrence of the Lien.

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

- (a) any Lien in existence on the date of the indenture;

- (b) any Lien upon bank accounts, deposits or proceeds thereof (or arising from the existence of rights of set-off against such accounts, deposits or proceeds) securing Indebtedness of the Province incurred in connection with letters of credit issued by, or trade finance transactions with, a bank to which such Lien is granted or holding such rights, and which Indebtedness has a final maturity of not greater than 180 days from the date on which payment under such letter of credit or in connection with such trade finance transactions is due and payable;
- (c) any Lien upon any property to secure Indebtedness of the Province incurred specifically for the purpose of financing the acquisition of the property subject to such Lien;
- (d) any Lien existing on any property at the time of its acquisition to secure Indebtedness of the Province;
- (e) any Lien securing Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, provided that the property over which such Lien is granted consists solely of the assets and revenues of such project or the ownership interest therein;
- (f) any Lien securing Indebtedness incurred for the purpose of financing all or part of the cost of personal property sold or services provided to the Province;
- (g) any replacement, renewal or extension of any Lien permitted by clauses (a) through (f) above upon the same property theretofore subject to such Lien, including any replacement, renewal or extension of such Lien resulting from the refinancing (without increase in the principal amount) of the Indebtedness secured by such Lien; provided that the Province shall not be permitted to replace, renew or extend any Lien in respect of Indebtedness to the federal government unless the federal government remains the creditor;
- (h) any Lien to secure public or statutory obligations or otherwise arising by law to secure claims other than for borrowed money;
- (i) any Lien securing Indebtedness of the Province to the federal government encumbering the right of the Province to receive Co-Participation Payments, provided that the incurrence of such Indebtedness so secured will not cause the Co-Participation Secured Indebtedness Ratio to exceed 50% in any fiscal year;

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

As used herein, the term “Co-Participation Payments” means any transfers made by the federal government to the Province pursuant to federal law No. 23,548, as amended or replaced from time to time and any other law, decree or regulation governing the obligation of the federal government to distribute taxes collected by it to the Argentine provinces.

As used herein, the term “Indebtedness” means, with respect to any person, whether outstanding on the original issuance date of a series of New Bonds or at any time thereafter: (i) all indebtedness of such person for borrowed money; (ii) all reimbursement obligations of such person (to the extent no longer contingent) under or in respect of letters of credit or bankers’ acceptances; (iii) all obligations of such person to repay deposits with or advances to such person; (iv) all obligations of such person (other than those specified in clauses (i) and (ii) above) evidenced by bonds, debentures, notes or similar instruments; and (v) to the extent no longer contingent, all direct guarantees, endorsements, avals or similar obligations of such person in respect of, and all direct obligations of

such person to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of any other person specified in clause (i), (ii), (iii) or (iv) above.

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

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

Notification of Events or Conditions Under Other Indebtedness

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

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

Events of Default

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

- (a) The Province fails to pay any principal due on any series of New Bonds when due and payable for 10 days after the applicable payment date; or
- (b) The Province fails to pay any interest or additional amounts due on any series of New Bonds when due and payable for 30 days after the applicable payment date; or
- (c) The Province fails to duly perform or observe any term or obligation contained in the New Bonds of that series or the trust indenture, which failure continues unremedied for 60 days after written notice thereof has been given to the Province by the trustee; or
- (d) The Province fails to make any payment when due, after any applicable grace periods, on any of its Indebtedness (other than Excluded Indebtedness) having an aggregate principal amount greater than or equal to U.S.\$15,000,000 (or its equivalent in other currencies); or
- (e) Any Indebtedness of the Province (other than Excluded Indebtedness) having an aggregate principal amount greater than or equal to U.S.\$15,000,000 (or its equivalent in other currencies) is accelerated due to an event of default, unless the acceleration is rescinded or annulled; or

- (f) The Province declares a moratorium of payment of its Indebtedness (other than Excluded Indebtedness); or
- (g) There has been entered against the Province or a provincial agency a final judgment, decree or order by a court of competent jurisdiction from which no appeal may be or is taken for the payment of money in excess of U.S.\$15,000,000 (or the equivalent thereof in another currency or currencies) (other than a final judgment, decree or order in respect of any Excluded Indebtedness) and 90 days shall have passed since the entry of such final judgment, decree or order without it having been satisfied or stayed;
- (h) The validity of the New Bonds of any series or the trust indenture is contested by the Province;
- (i) (A) Any constitutional provision, law, regulation, ordinance or decree necessary to enable the Province to perform its obligations under the New Bonds of any series or the trust indenture, or for the validity or enforceability thereof, shall expire, is withheld, revoked or terminated or otherwise ceases to remain in full force and effect, or is modified in a manner which materially adversely affects, or may reasonably be expected to materially adversely affect, any rights or claims of any of the holders of the New Bonds of any series, or (B) any final decision by any court in Argentina having jurisdiction from which no appeal may be or is taken shall purport to render any material provision of the New Bonds of any series or any material provision of the trust indenture invalid or unenforceable or purport to prevent or delay the performance or observance by the Province of its obligations under such New Bonds or under the trust indenture, and, in each case, such expiration, withholding, revocation, termination, cessation, invalidity, unenforceability or delay shall continue in effect for a period of 90 days.

If any of the events of default described above occurs and is continuing, the holders of not less than 25% of the aggregate principal amount of the New Bonds of that series then outstanding may declare all of the New Bonds of that series then outstanding to be immediately due and payable by a notice in writing to the Province, with a copy to the trustee. Upon any declaration of acceleration, the principal of, together with accrued interest (including any additional amounts) to the date of acceleration, the affected series of New Bonds shall become immediately due and payable, without any further action or notice of any kind, unless prior to the date of delivery of such notice all events of default in respect of the New Bonds of that series have been cured.

If, at any time after New Bonds of any series shall have been declared due and payable, the Province shall pay or shall deposit with the trustee a sum sufficient to pay all matured amounts of interest and principal upon all the New Bonds of such series (with interest on overdue amounts of interest, to the extent permitted by law, and on such principal of each New Bond at the rate of interest specified in the New Bond, to the date of such payment) and the expenses, and reasonable compensation of the trustee, and any and all events of default under the New Bonds of such series, other than the non-payment of principal on the New Bonds which shall have become due solely by declaration, shall have been remedied, then, and in every such case, the holders of a majority in principal amount of the New Bonds of such series then outstanding, by written notice to the Province and to the trustee, may, on behalf of the holders of all of the New Bonds of such series, waive all defaults and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent on any subsequent default.

An event of default under one series of New Bonds will not necessarily constitute an event of default under any other series of New Bonds.

As used herein, "Excluded Indebtedness" means (i) any series of Existing Bonds and (ii) any indebtedness incurred prior to the issue date of the New Bonds under credit facilities extended or guaranteed by member states of the OECD or any agency or instrumentality thereof.

Meetings, Amendments and Waivers

The Province, or the trustee in its discretion, may call a meeting of the holders of the New Bonds of a series at any time and from time to time regarding the New Bonds of that series or the trust indenture. The trustee will determine the time and place of the meeting and will notify the holders of the time, place, purpose and requirements to attend the meeting not fewer than 30 days prior to the date fixed for the meeting.

In addition, the trustee will call a meeting of the holders of the New Bonds of a series if the holders of not less than 10% of the aggregate principal amount of the outstanding New Bonds of that series have delivered a written request to the trustee setting forth the action they propose to take.

Only holders and their proxies are entitled to vote at a meeting of holders of any series of New Bonds. Meetings are subject to first and second calls. The quorum for the first call will be persons holding or representing a majority of the outstanding New Bonds of the relevant series and, if such call fails in attaining such quorum, any number of persons holding or representing an outstanding New Bond of the relevant series will constitute a quorum for the meeting convened on the second call. Notice of the reconvening of any meeting need be given only once, but must be given not fewer than 30 days and not more than 60 days prior to the reconvened meeting. For purposes of a meeting of holders that proposes to discuss “reserved matters” (specified below), holders or proxies representing not less than 75% of the aggregate principal amount of the outstanding New Bonds of the affected series (66 2/3% of the aggregate principal amount of the outstanding New Bonds of each series in the case of reserved matters with respect to all series) will constitute a quorum. The trustee will set the procedures governing the conduct of any meeting.

The Province, the trustee and the holders may generally modify or take actions with respect to the terms of the New Bonds of a series or the trust indenture:

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

However, special requirements apply with respect to any amendment, modification, change or waiver with respect to the New Bonds of a series or the trust indenture that would:

- change the due date or dates for the payment of principal of, or any installment of interest on, the New Bonds of that series;
- reduce the principal amount of the New Bonds of that series or the interest rate thereon;
- reduce the principal amount of the New Bonds of that series that is payable upon acceleration of the maturity date;
- change the currency in which any amount in respect of the New Bonds of that series is payable;
- reduce the percentage of the aggregate principal amount of the outstanding New Bonds of that series held by holders whose vote or consent is needed to modify, amend or supplement the terms and conditions of the New Bonds of that series or the trust indenture or to make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action;
- change the definition of “outstanding” with respect to the New Bonds of that series;
- change the Province’s obligation to pay any additional amounts in respect of the New Bonds of that series as set forth under “—Additional Amounts;”

- change the governing law provision of the New Bonds of that series;
- change the courts of the jurisdiction of which the Province has submitted, the Province's obligation to appoint and maintain an agent for the service of process in New York City or the Province's agreement not to claim, and to waive irrevocably, immunity (sovereign or otherwise) in respect of any suit, actions or proceedings arising out of or relating to the trust indenture or to the New Bonds of that series;
- authorize the trustee, on behalf of all holders of the New Bonds of a series, to exchange or substitute all the New Bonds of that series for, or convert all the New Bonds of that series into, other obligations or securities of the Province or any other person;
- in connection with an exchange offer for, or offer to acquire all or any portion of, the New Bonds of that series, amend any event of default under the New Bonds of that series; or
- change the ranking of the New Bonds of that series, as described under "—Ranking."

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

Any reserved matter modification to the terms of the New Bonds of a series or to the trust indenture insofar as it affects the New Bonds of that series may generally be made, and future compliance therewith may be waived, with the consent of the holders of not less than 75% in aggregate principal amount of the New Bonds of that series at the time outstanding.

If the Province proposes any reserved matter modification to the terms of the New Bonds of all series or to the trust indenture insofar as it affects the New Bonds of all series, in either case as part of a single transaction, the Province may elect to proceed pursuant to provisions of the trust indenture providing that such reserved matter modifications may be made, and future compliance therewith may be waived, for any affected series if made with the consent of the Province and of:

- holders of not less than 85% in aggregate principal amount of the outstanding New Bonds of all series that would be affected by that reserved matter modification (taken in aggregate); and
- holders of not less than 66 2/3% in aggregate principal amount of the outstanding New Bonds of each series (taken separately).

If any reserved matter modification is sought in the context of a simultaneous offer to exchange the New Bonds for new debt securities of the Province or of any other person, the Province will ensure that the relevant provisions of the affected New Bonds, as amended by such reserved matter modification, are no less favorable to the holders thereof than the provisions of the new debt security being offered in the exchange, or, if more than one debt security is so offered, no less favorable than the new debt security issued having the largest aggregate principal amount.

The Province agrees that it will not issue any subsequent series of bonds under the trust indenture or reopen any existing series of New Bonds with the intention of placing any bonds with holders expected to support any modification proposed or to be proposed by the Province for approval pursuant to the modification provisions of the trust indenture or the terms of any series of bonds.

Any modification consented to or approved by the holders of the New Bonds of one or more series pursuant to the above provisions will be conclusive and binding on all holders of the New Bonds of such series (whether or not such holders have given such consent or were present at a meeting of holders at which such action was taken) and on all future holders of the New Bonds of such series (whether or not notation of such modification

is made upon the New Bonds of such series). Any instrument given by or on behalf of any holder of a New Bond in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent holders of that New Bond.

The Province and the trustee may, without the vote or consent of any holder of the New Bonds of that series, modify, amend or supplement the New Bonds of any series or the trust indenture insofar as it affects New Bonds of that series for any of the following purposes:

- to add to the Province's covenants for the benefit of the holders of the New Bonds of that series;
- to surrender any of the Province's rights or powers;
- to provide security or collateral for the New Bonds of that series;
- to modify the restrictions on, and procedures for, resale and other transfers of the New Bonds to the extent required by any change in applicable law or regulation (or the interpretation thereof) or in practices relating to the resale or transfer of restricted securities generally;
- to accommodate the issuance, if any, of New Bonds in book-entry or certificated form and matters related thereto;
- to cure any ambiguity or correct or supplement any defective provision contained in the New Bonds of that series or the trust indenture; or
- to change the terms and conditions of the New Bonds of that series or the trust indenture in any manner which the Province and the trustee may determine, so long as any such change does not, and will not, adversely affect the interests of the holders of the New Bonds of that series.

For purposes of determining whether the required percentage or percentages of holders of the New Bonds of one or more series are present at a meeting of holders for quorum purposes or have approved any amendment, modification or change to, or waiver of, the New Bonds of a series or the trust indenture insofar as it affects New Bonds of that series, or whether the required percentage or percentages of holders have delivered a written notice of acceleration of the New Bonds of that series, any New Bonds of that series owned, directly or indirectly, by or on behalf of the Province, any agency of the Province or Banco Provincia will be disregarded and deemed not to be "outstanding," except that in determining whether the trustee will be protected in relying upon any amendment, modification, change or waiver, or any notice from holders, only New Bonds of that series that the trustee knows to be so owned will be so disregarded.

The term "outstanding," when used with respect to the New Bonds, means, as of the date of determination, all New Bonds theretofore authenticated and delivered under the trust indenture, except:

- New Bonds theretofore canceled by the trustee or delivered to the trustee for cancellation;
- New Bonds, or portions thereof, for whose payment, redemption or purchase, money in the necessary amount has been theretofore deposited with the trustee or any paying agent for the holders of such new bonds; provided that if such New Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the terms of the trust indenture or provision therefor satisfactory to the trustee has been made; and
- New Bonds in exchange for or in lieu of which other New Bonds have been authenticated and delivered pursuant to the trust indenture, other than any such New Bonds in respect of which there shall have been presented to the trustee proof satisfactory to it that such New Bonds are held by a bona fide purchaser in whose hands the New Bonds are valid obligations of the Province;

provided, however, that in determining whether the holders of the requisite principal amount of outstanding New Bonds are present at any meeting for quorum purposes or have given any request, demand, direction, consent or waiver hereunder, New Bonds owned by the Province shall be disregarded and deemed not to be outstanding, except that, in determining whether the trustee shall be protected in relying upon such determination as to quorum or upon any such request, demand, direction, consent or waiver, only New Bonds which a responsible officer of the trustee actually knows to be so owned shall be so disregarded. New Bonds so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the trustee the pledgee's right so to act with respect to such New Bonds and that the pledgee is not the Province. The term "responsible officer," when used with respect to the trustee, means any officer within the office of the trustee (or any successor group), including any managing director, vice president, assistant vice president, the secretary, any assistant secretary or any other trust officer or assistant trust officer of the trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of the trust indenture; and also means, with respect to a particular matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

Prior to any vote or consent on a reserved matter modification affecting any series of New Bonds, the Province will deliver to the trustee a certificate signed by an authorized representative of the Province, specifying, for the Province and each relevant public sector instrumentality, any New Bonds of that series deemed to not be outstanding as described above or, if no New Bonds of that series are owned or controlled by the Province or any public sector instrumentality, a certificate signed by an authorized representative of the Province to that effect.

Notices

The Province will mail notices to holders of New Bonds at their registered addresses as reflected in the books and records of the trustee. The Province will consider any mailed notice to have been given five business days after it has been sent.

All notices regarding the New Bonds shall be given by publication at least once (i) in an authorized newspaper in the English language in London, (ii) in an authorized newspaper in the Spanish language in Argentina and (iii) if the New Bonds are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange shall so require, in an authorized newspaper in Luxembourg. The term "authorized newspaper" as used herein shall be deemed to mean a newspaper of general circulation customarily published on each business day, whether or not it shall be published in Saturday, Sunday or holiday editions; *La Nación* or *Ambito Financiero* in Buenos Aires, the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg are deemed to be authorized newspapers. If, by reason of the suspension of publication of any newspaper or by reason of any other cause, it shall be impracticable to give notice to the holders in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Province or by the trustee on behalf of and at the instruction of the Province shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the publication in lieu of which it is given. Neither the failure to give notice nor any defect in any notice to any particular holder shall affect the sufficiency of any notice with respect to other New Bonds. Any notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

Notwithstanding the above, until such time as any definitive New Bonds are issued, there may (provided that, in the case of New Bonds listed on a stock exchange, the stock exchange agrees), so long as the global New Bonds are held in their entirety by or on behalf of Euroclear and/or Clearstream Luxembourg, be substituted for such publication in such newspapers the delivery of the relevant notice to Euroclear and/or Clearstream Luxembourg, as appropriate, for communication by them to the holders. Any such notice shall be deemed to have been given to the holders on the seventh day after the day on which said notice was given to Euroclear and/or Clearstream Luxembourg, as appropriate. In addition, the Province shall also ensure that, so long as any of the New Bonds is represented by a global New Bond held by or on behalf of Euroclear and/or Clearstream Luxembourg, all notices regarding the New Bonds will be delivered, in writing, to Euroclear and/or Clearstream Luxembourg, as appropriate. In any event, notices with respect to the New Bonds listed on the Luxembourg Stock Exchange will be published in Luxembourg in an authorized newspaper.

Payment Procedure in the Event of Foreign Exchange Restrictions in Argentina

The Province has agreed that, in the event of any kind of foreign exchange limitation, restriction or prohibition in Argentina, such that the Province is unable to obtain the full amount of the specified currency or transfer such amounts outside of Argentina, in any date of payment in respect of the New Bonds, to the extent permitted by such restriction or prohibition, the Province will pay all such amounts then due in the specified currency by means of (i) purchasing Euro or U.S. dollar-denominated Argentine Government Bonds traded outside of Argentina or any other securities or public or private bonds issued in Argentina, with Argentine Pesos, and transferring and selling such instruments outside Argentina for the specified currency or (ii) of any other legal mechanism for the acquisition of the specified currency in any foreign exchange market. All costs, including any taxes, relative to such operations to obtain the specified currency will be borne by the Province.

Governing Law

The trust indenture and the New Bonds will be governed by, and construed in accordance with, the law of the State of New York.

Submission to Jurisdiction

Under U.S. law, the Province is a political subdivision of a sovereign state. Consequently, it may be difficult for holders of New Bonds to obtain or realize judgments from courts in the United States or elsewhere against the Province. Attachment prior to judgment or attachment in aid of execution will not be ordered by courts of Argentina or the Province with respect to public property if such property is located in Argentina and is included within the provisions of Articles 2,337 to 2,340 of the Argentine Civil Code or directly provides an essential public service. Furthermore, it may be difficult for the trustee or holders to enforce, in the United States or elsewhere, the judgments of U.S. or foreign courts against the Province.

In connection with any legal action or proceeding arising out of or relating to the New Bonds of any series (subject to the exceptions described below), the Province has agreed:

- to submit to the jurisdiction of any New York State or U.S. federal court sitting in New York City in the Borough of Manhattan and any appellate court of either thereof;
- that all claims in respect of such legal action or proceeding may be heard and determined in such New York State or U.S. federal court and the Province will waive, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding; and
- to appoint as its process agent Banco de la Provincia de Buenos Aires, New York Agency, which is presently located at 609 Fifth Avenue, New York, New York 10011, United States.

The process agent will receive, on behalf of the Province and its property, service of copies of any summons and complaint and any other process that may be served in any such legal action or proceeding brought in such New York State or U.S. federal court sitting in New York City in the Borough of Manhattan. Service may be made by mailing or delivering a copy of such process to the Province at the address specified above for the process agent.

A final non-appealable judgment in any of the above legal actions or proceedings will be conclusive and may be enforced by a suit upon such judgment in any other courts that may have jurisdiction over the Province.

In addition to the foregoing, holders of New Bonds may serve legal process in any other manner permitted by applicable law. The above provisions do not limit the right of any holder to bring any action or proceeding against the Province or its property in other courts where jurisdiction is independently established.

To the extent that the Province has or hereafter may acquire any immunity (sovereign or otherwise) in respect of its obligations under this New Bond or the trust indenture from jurisdiction of any court or from any legal

process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property (except for property of the public domain located in the Province or dedicated to the purpose of an essential public service), the Province hereby irrevocably waives such immunity in respect of its obligations under the trust indenture, and, without limiting the generality of the foregoing, the Province agrees that the waivers set forth in the trust indenture shall have the fullest scope permitted under the Foreign Sovereign Immunities Act of 1976 of the United States, as amended, and are intended to be irrevocable for purposes of such Act.

Holders may be required to post a bond or other security with the Argentine courts as a condition to the institution, prosecution or completion of any action or proceeding (including appeals) arising out of or relating to the New Bonds filed in those courts.

A judgment obtained against the Province in a foreign court may be enforced in the Supreme Court of the Republic of Argentina. Based on existing law, the Supreme Court of the Republic of Argentina will enforce such a judgment in accordance with the terms and conditions of the treaties entered into between Argentina and the country in which the judgment was issued. In the event there are no such treaties, the Supreme Court of the Republic of Argentina will enforce the judgment if it:

- complies with all formalities required for the enforceability thereof under the laws of the country in which it was issued;
- has been translated into Spanish, together with all related documents, and it satisfies the authentication requirements of the laws of Argentina;
- was issued by a competent court, according to Argentine international jurisdiction law, as a consequence of a personal action (action in personam) or a real action (action in rem) over a movable property if it has been moved to Argentina during or after the time the trial was held before a foreign court;
- was issued after serving due notice and giving an opportunity to the defendant to present its case;
- is not subject to further appeal;
- is not against Argentine public policy; and
- is not incompatible with another judgment previously or simultaneously issued by an Argentine Court.

Currency Indemnity

The Province agrees that, if a judgment or order given or made by any court for the payment of any amount in respect of any New Bond to the holders thereof is expressed in a currency (the “judgment currency”) other than the specified currency, the Province shall indemnify the relevant holders against any deficiency arising or resulting from any variation in rates of exchange between the date as of which the specified currency is notionally converted into the judgment currency for the purposes of such judgment or order and the date actual payment thereof is received (or could have been received) by converting the amount in the judgment currency into the specified currency promptly after receipt thereof at the prevailing rate of exchange in a foreign exchange market reasonably selected by such holders. This indemnity will constitute a separate and independent obligation from the other obligations contained in the New Bonds and will give rise to a separate and independent cause of action.

Concerning the Trustee

The trust indenture contains provisions relating to the obligations and duties of the trustee, to the indemnification of the trustee and to the trustee’s relief from responsibility for actions that it takes. The trustee is entitled to enter into business transactions with the Province or any of its affiliates without accounting for any profit resulting from such transactions.

TRANSFER RESTRICTIONS

The New Bonds will be subject to the following restrictions on transfer. Holders of New Bonds are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of their New Bonds. By acquiring New Bonds in the Offer, holders will acknowledge, represent and warrant to and agree with the Province and the dealer manager that:

1. it is not an affiliate (as defined in Rule 144 under the Securities Act) of the Province and it is (i) acquiring the New Bonds for its own account or for a discretionary account or an account with respect to which it exercises sole investment discretion and that it and any such account is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and is aware that it is acquiring the New Bonds in reliance on Rule 144A or (ii) acquiring the New Bonds in an offshore transaction in reliance upon Regulation S under the Securities Act;
2. the New Bonds have not been registered under the Securities Act and may not be offered or sold within the United States, except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the Securities Act;
3. it will not resell or otherwise transfer the New Bonds within two years after the original issuance of the New Bonds, except (i) to the Province, (ii) inside the United States to a qualified institutional buyer (as defined in Rule 144A) in compliance with Rule 144A under the Securities Act, (iii) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or under any other applicable exemption from the registration requirements of the Securities Act or (v) pursuant to an effective registration statement under the Securities Act;
4. the trustee reserves the right to require, in connection with any offer, sale or other transfer of New Bonds within two years after the original issuance of the New Bonds, the delivery of written certifications and/or other information satisfactory to the trustee as to compliance with the transfer restrictions referred to above;
5. it will deliver to each person to whom it transfers New Bonds, notice of any restrictions on transfer of such New Bonds;
6. Rule 144A Global Bonds will bear a legend to the following effect:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE RESOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THE FOLLOWING SENTENCES. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS NOTE, REPRESENTS, ACKNOWLEDGES AND AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES THAT IT WILL NOT RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUER, (B) IN COMPLIANCE WITH RULE 144A, UNDER THE SECURITIES ACT, TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF AVAILABLE), (D) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE UNITED STATES OR OF ANY STATE THEREIN. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE DATE THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY).”

7. the Province, the dealer manager and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements; if any of the acknowledgments, representations or warranties deemed to have been made by it by its acquisition of New Bonds are no longer accurate, it shall promptly notify the Province and the dealer manager; and
8. if it is acquiring any New Bonds as a fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, warranties and agreements on behalf of each such account.

TAXATION

The following discussion summarizes certain Argentine, Provincial, Luxembourg, German and U.S. federal income tax considerations that may be relevant to you if you exchange Existing Bonds for New Bonds. This summary is based on laws, regulations, rulings and decisions now in effect in each of these jurisdictions, including any relevant tax treaties. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisor about the tax consequences of exchanging Existing Bonds for New Bonds and holding New Bonds, including the relevance to your particular situation of the considerations discussed below, as well as of any foreign, state, local or other tax laws.

Argentine Tax Consequences

General

The following is a general summary of certain Argentine tax consequences resulting from the beneficial ownership of the New Bonds by certain holders. While this description is considered to be a correct interpretation of Argentine laws and regulations in force as of the date of this Memorandum, no assurance can be given that the courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes to such laws will not occur, which may also have retroactive effects.

The following discussion does not address tax consequences applicable to holders of the New Bonds in particular jurisdictions that may be relevant to such holder. Holders of the New Bonds are urged to consult their own tax advisors as to the overall tax consequences of the acquisition, ownership and disposition of the New Bonds in relevant jurisdictions.

Income Tax

Interest

Unless otherwise stated hereinafter, interests on the New Bonds will be exempt from Argentine Income Tax ("IT") provided they are issued pursuant to the provisions of the Negotiable Obligations Law and comply with the requirements set forth in Section 36 of such Law (which we refer to as the "conditions of Section 36"), that is:

- the New Bonds are placed through a public offer, as defined by Argentine law (in the case of debt securities issued by the Province, such public offering does not require authorization by the Comisión Nacional de Valores (the "CNV," the Argentine Securities Commission)); and
- the proceeds resulting from such placement are used by the issuer (i) as working capital in Argentina, (ii) to make investments in tangible assets located in Argentina, (iii) to refinance liabilities, and/or (iv) to make capital contributions to a controlled or affiliated company that used such contributions for the purposes stated in this paragraph.

The Province expects that the issuance of the New Bonds pursuant to the Offer will satisfy the conditions of Section 36 and the Province shall not be responsible for withholding income tax from foreign beneficiaries.

Decree No. 1076/92, as amended by Decree No. 1157/92, ratified by Law No. 24,307 (the "Decree"), however, eliminated the above exemption for holders who are subject to Title VI of the Argentine Income Tax Act (in general, entities organized or incorporated under Argentine law, Argentine branches of foreign entities, sole proprietorships and individuals who conduct certain business in Argentina (which we refer to as the "Argentine Entities")). Consequently, interest paid to Argentine Entities is subject to the IT as provided for by applicable Argentine tax law and regulations.

Capital Gains

According to article 36 of the Negotiable Obligations Law, individuals, either resident in Argentina or not, and foreign entities without a permanent establishment in Argentina, will not be subject to the payment of IT on income derived from the sale, change, conversion or other disposition of the New Bonds provided that the New Bonds are placed through a public offering.

Argentine law provides generally that tax exemptions do not apply when, as a result of the application of an exemption, revenue that would have been collected by the Argentine tax authority would be collected instead by a foreign tax authority (Articles 21 of the Income Tax Law and 106 of the Tax Proceedings Law). This principle, however, does not apply to holders who are foreign beneficiaries.

Argentine Entities are subject to the payment of IT at a rate of 35% on income derived from the sale, change, conversion or other disposition of the New Bonds.

According to article 78 of Decree No. 2284/91, foreign beneficiaries will not be subject to the payment of IT on income derived from the disposition of the New Bonds even if they are not placed through a public offering.

Article 20(w) of the Income Tax Law also exempts from IT the benefits obtained by individuals from the disposition of the New Bonds, without requiring placement through public offering. This exemption is broader than the one contained in article 36 of the Negotiable Obligations Law. However, due to the amendments to the Argentine Income Tax Law introduced by Law 25,414, Decree 493/2001, and to the subsequent abrogation of Law 25,414 by Law 25,556, it is not absolutely clear whether or not the exemption of Article 20(w) is or is not in effect. Opinion No. 351 of the National Treasury General Attorney's Office resolved most of the important issues arising from these amendments and their possible abrogation, but has not clarified this specific matter completely.

Value Added Tax (VAT)

Any financial transaction and operation related to the issuance, placement, purchase, transfer, payment of principal and/or interest or redemption of the New Bonds will be exempt from VAT provided that the conditions of Section 36 are fulfilled. The Province expects that the issuance of the New Bonds pursuant to the Offer will satisfy the conditions of Section 36.

Personal Assets Tax

Under Law No. 23,966 regarding personal assets tax ("PAT"), individuals and undivided estates (regardless of their residence or location) who are direct holders of the New Bonds shall be subject to personal assets tax on their holdings at December 31st of each year.

The personal assets tax applied to resident individuals and undivided estates is calculated on the basis of the value of assets that exceed Ps.102,300. The tax rate applicable in respect of such resident individuals and undivided estates is (i) 0.50% of the value of any assets in excess of Ps.102,300, if the total value of all assets does not exceed Ps.200,000, or (ii) 0.75% of the value of any assets in excess of Ps.102,300, if the total value of all assets exceeds Ps.200,000. The tax rate is applicable on the market value in the case of listed securities or on the purchase price plus accrued interest in the case of unlisted securities.

Foreign individuals or undivided estates are not subject to PAT on their holdings of any bond or security issued either by the Argentine Federal Government, an Argentine Province or a Municipality.

Companies and other legal entities incorporated under the laws of Argentina, as well as the branches and permanent establishments in Argentina of companies or other entities incorporated abroad, are not subject to PAT on their holdings of New Bonds.

In certain cases, assets held by companies or other entities domiciled or settled abroad (offshore entities) are presumed to be owned by individuals or undivided estates domiciled or settled in Argentina and, consequently,

are subject to the PAT. However, this presumption is not applicable when the assets are bonds or securities issued either by the Argentine Federal Government, an Argentine Province or a Municipality (such as the New Bonds).

Presumed Minimum Income Tax

The tax on presumed minimum income (the “PMIT”) is levied on the potential income from the ownership of certain income-generating assets. Corporations domiciled in Argentina as well as the branches and permanent establishments in Argentina of companies or other entities incorporated abroad, among others, are subject to the tax at the rate of 1% (0.20% in the case of financial entities subject to Law No. 21,526) applicable over the total value of their assets (including the New Bonds) above an aggregate amount of Ps.200,000, at the end of a given economic period.

This tax will only be paid if the IT determined for any fiscal year does not equal or exceed the amount owed under the PMIT. On the other hand, if the PMIT exceeds the IT owed in the same fiscal year, only the difference shall be paid as PMIT. Any PMIT paid will be applied as a credit toward IT owed in the immediately following ten fiscal years.

Tax on Debits and Credits on Bank Accounts

Law No. 25,413, as amended and regulated, establishes, with certain exceptions, a tax levied on debits from and credits to bank accounts maintained at financial institutions located in Argentina and on other transactions that are used as a substitute for the use of bank checking accounts. The general tax rate is 0.6% for each debit and credit; however increased tax rates of 1.2% and reduced rates of 0.075% may apply in certain cases. To the extent that holders of the New Bonds receive payments by utilizing local bank checking accounts, such tax may apply.

Transfer Taxes

No Argentine transfer taxes are applicable to the sale and transfer of the New Bonds.

Court Tax

In the event that it becomes necessary to institute enforcement proceedings in relation with the New Bonds (i) in the federal courts of Argentina or the courts sitting in the City of Buenos Aires, a court tax (currently at a rate of 3%) will be imposed on the amount of any claim brought before such courts; or (ii) in the courts of the Province, certain court and other taxes will be imposed on the amount of any claim brought before such courts.

Provincial Tax Consequences

The New Bonds as well as the income derived therefrom are exempt from all taxes imposed by the Province, including stamp tax and gross income tax.

In the event of the imposition of any deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges on the payment by the Province in respect of the New Bonds, the Province has undertaken to make payments of additional amounts, subject to certain limitations, as will result in receipt by the holders of the amounts that would otherwise have been receivable by them in respect of payments of such New Bonds in the absence of such withholdings or deduction (see “Description of the Notes – Additional Amounts”).

U.S. Federal Income Tax Consequences

The following discussion summarizes certain U.S. federal income tax consequences of the Offer that may be material to you if you are a U.S. Holder. You are a U.S. Holder if you are a beneficial owner of Existing Bonds or New Bonds that is a citizen or resident of the United States or a domestic corporation or otherwise subject to U.S. federal income tax on a net income basis in respect of the Existing Bonds or New Bonds. This summary does not purport to be a comprehensive description of all of the tax consequences that may be relevant to your decision to

participate in the Offer, including tax consequences that arise from rules of general application to all taxpayers or to certain classes of taxpayers or that are generally assumed to be known by investors. This summary also does not address the tax consequences to (i) persons that may be subject to special treatment under U.S. federal income tax law, such as banks, insurance companies, thrift institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, traders in securities that elect to mark-to-market and dealers in securities or currencies; (ii) persons that hold Existing Bonds or will hold New Bonds as part of a position in a “straddle” or as part of a “hedging,” “conversion” or other integrated investment transaction for U.S. federal income tax purposes; (iii) persons whose functional currency is not the U.S. dollar; (iv) persons that do not hold Existing Bonds or will not hold New Bonds as capital assets; or (v) persons that do not acquire New Bonds pursuant to the Offer.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, as of the date hereof, all of which are subject to change, possibly on a retroactive basis.

The Province has not sought any ruling from the Internal Revenue Service (the “IRS”) with respect to the statements made and the conclusions reached in this discussion, and there can be no assurance that the IRS will agree with all of such statements and conclusions. In addition, the discussion does not describe any tax consequences arising out of the laws of any state, local or foreign jurisdiction.

ALL DISCUSSIONS OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IN THIS DOCUMENT HAVE BEEN WRITTEN TO SUPPORT THE MARKETING OF THE NEW BONDS. SUCH DISCUSSIONS WERE NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES. YOU ARE URGED TO CONSULT WITH YOUR TAX ADVISORS AS TO THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO YOU OF THE OFFER, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

Consequences of Tendering Your Existing Bonds

Taxable Exchange

Under general principles of U.S. federal income tax law, a modification of the terms of a debt instrument (including an exchange of one debt instrument for another debt instrument having different terms) is a taxable event upon which gain or loss is realized only if such modification is “significant.” A modification of a debt instrument that is not a significant modification does not create a taxable event. Under applicable regulations, the modification of a debt instrument is a “significant” modification if, based on all the facts and circumstances and taking into account all modifications, other than certain specified modifications, the legal rights or obligations that are altered and the degree to which they are altered is “economically significant.” The applicable regulations also provide specific rules to determine whether certain modifications, such as a change in the timing of payments, are significant. Under these regulations, the exchange of any series of Existing Bonds for any series of New Bonds should be considered a taxable exchange, primarily because of the changes in the timing of the payments on such Bonds resulting from the exchange.

You will recognize capital gain or loss in the exchange (subject to the discussions of the market discount rules and amounts attributable to accrued but unpaid interest set forth below) in an amount equal to the difference between the amount that you realize in the exchange and your adjusted tax basis in the Existing Bonds that you tender at the time of the consummation of the Offer. Your adjusted tax basis in an Existing Bond generally will equal the amount paid therefor, increased by the amount of any market discount or OID you have previously taken into account and reduced by the amount of any amortizable bond premium previously amortized with respect to the Existing Bond. The amount that you realize in the exchange should be equal to the issue price of the New Bonds that you receive (determined for each New Bond as described below under “– Issue Price”). Any such capital gain or loss will be long-term capital gain or loss if your holding period for the Existing Bonds on the date of exchange is more than one year. Long-term capital gains of non-corporate U.S. holders are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Accrued but unpaid interest on your Existing Bonds up to December 31, 2001 (as well as a portion of the interest due subsequent to that date) will be paid to you as an additional amount of New Bonds that you will receive

in exchange for Existing Bonds. As a result, this portion of the New Bonds that you receive will be treated as received in payment of such accrued but unpaid interest for U.S. federal income tax purposes and will be taxable to you as interest income, to the extent you have not previously included such amounts in income. In addition, although a certain amount of interest accrued on your Existing Bonds after December 31, 2001 will not be paid pursuant to the Offer, it is possible that a portion of the New Bonds that you receive will be treated as received in payment of such unpaid amounts, in which case the character of the income or loss that you realize from the Offer may differ from that described herein. You should consult your own tax advisor regarding the tax consequences that would arise from any such characterization. Except with respect to New Bonds that you receive in exchange for accrued but unpaid interest, the discussion below assumes that any New Bonds that you receive will be treated as received in exchange for the Existing Bonds, not for accrued but unpaid interest.

In general, if you acquired the Existing Bonds with market discount, any gain you realize in the exchange of the Existing Bonds will be treated as ordinary income to the extent of the portion of the market discount that has accrued while you held such Existing Bonds, unless you have elected to include market discount in income currently as it accrues.

Gain or loss that you recognize on the exchange of a foreign currency-denominated Existing Bond generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which you held the Bond. If the amount of ordinary loss that you recognize in these circumstances exceeds certain specified thresholds, you may be required to comply with special rules that require that such amounts be reported to the IRS. You should consult with your tax advisor regarding the possible application of these reporting requirements.

Your initial tax basis in the New Bonds will be equal to their issue price (determined as described under “—Issue Price”). Your holding period with respect to such New Bonds will begin the day following the consummation of the Offer.

Issue Price

As discussed under “—Taxable Exchange,” the amount you realize with respect to your tender of Existing Bonds will be equal to the issue price of the New Bonds received in the exchange. Your initial tax basis in such New Bonds also will be equal to their issue price.

The issue price of a New Bond generally will be equal to the fair market value of such New Bond, determined as of the date of the exchange, if a substantial amount of the New Bonds of the relevant series is “traded on an established market” for U.S. federal income tax purposes (generally meaning that the New Bonds are listed on a major securities exchange, appear on a quotation medium of general circulation or otherwise are readily quotable by dealers, brokers or traders) during the 60-day period ending 30 days after the date of the exchange. If a substantial amount of a series of New Bonds is not “traded on an established market,” but the Existing Bonds delivered in exchange for such New Bonds are so traded, the issue price of the relevant New Bonds will be the fair market value of such Existing Bonds. The Province expects that the New Bonds will be traded on an established market for this purpose. Therefore, the Province anticipates that the issue price of the New Bonds will be their fair market value as of the date of the exchange.

Consequences of Holding the New Bonds

Qualified Stated Interest and Original Issue Discount on the New Bonds

In general, for U.S. federal income tax purposes you will include in gross income “qualified stated interest” (as defined below) payable on the New Bonds at the time that such payments are accrued or are received, in accordance with your usual method of tax accounting. If you use the cash method of tax accounting and you receive payments of interest pursuant to the terms of a New Bond in a foreign currency, the amount of interest income you realize will be the U.S. dollar value of the foreign currency payment based on the exchange rate in effect on the date you receive the payment, regardless of whether you convert the payment into U.S. dollars. If you are an accrual-method U.S. Holder, the amount of interest income you realize will be based on the average exchange rate in effect

during the interest accrual period (or with respect to an interest accrual period that spans two taxable years, at the average exchange rate for the partial period within the taxable year). Alternatively, as an accrual-method U.S. Holder, you may elect to translate all interest income on foreign currency-denominated bonds at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year, in the case of an accrual period that spans more than one taxable year) or on the date that you receive the interest payment if that date is within five business days of the end of the accrual period. If you make this election, you must apply it consistently to all debt instruments from year to year and you cannot change the election without the consent of the IRS. If you are an accrual-method U.S. Holder, you will recognize foreign currency gain or loss on the receipt of a foreign currency interest payment if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. This foreign currency gain or loss will be treated as ordinary income or loss, but generally will not be treated as an adjustment to interest income received on the New Bond.

The Long Term Par Bonds and the Medium Term Par Bonds will be issued with original issue discount (“OID”) for U.S. federal income tax purposes. The Discount Bonds also will be issued with OID if the difference between their stated principal amount and their issue price is greater than an amount equal to 0.25% of their stated principal amount multiplied by the number of full years from their issue date to their maturity date. As discussed in more detail below, you will be required to include OID on these series of New Bonds in your gross income in advance of the receipt of corresponding cash payments on such Bonds. The amount of OID with respect to these series of New Bonds will be equal to the excess of (i) the stated redemption price at maturity of the New Bonds, over (ii) the issue price of the New Bonds, determined as discussed under “Consequences of Tendering Your Existing Bonds —Issue Price.” A New Bond’s stated redemption price at maturity is the sum of all payments due under the New Bond other than payments of “qualified stated interest.”

Qualified stated interest is stated interest that is unconditionally payable in cash or in property at least annually at a single fixed rate. Accordingly, only interest payable at a rate corresponding to the initial coupon paid on the Long Term Par Bonds and Medium Term Par Bonds will be treated as qualified stated interest. As a result of this rule, interest payable at a rate of 2.00%, compounded semi-annually, should be treated as qualified stated interest on the Long Term Par Bonds, and interest payable at a rate of 1.00%, compounded semi-annually, should be treated as qualified stated interest on the Medium Term Par Bonds. All of the stated interest on the Discount Bonds will be treated as qualified stated interest. All payments or accruals of stated interest in excess of the qualified stated interest of the New Bonds will be included in the stated redemption price at maturity of the New Bonds, and thus will be taken into account as OID on such Bonds.

In general, if you hold New Bonds you will be required to include OID in gross income under a constant-yield method over the term of the New Bonds in advance of cash payments attributable to such income, regardless of whether you are a cash or accrual method taxpayer, and without regard to the timing or amount of any actual payments. Under this treatment, you will include in ordinary gross income the sum of the “daily portions” of OID on the New Bonds for all days during the taxable year that you own the New Bonds. The daily portions of OID on a New Bond are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be of any length and may vary in length over the term of the New Bonds, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. The amount of OID on a New Bond allocable to each accrual period will be determined by multiplying the “adjusted issue price” (as defined below) of the New Bond at the beginning of the accrual period by the “yield to maturity” (as defined below) of such New Bond and subtracting from that product the amount of any qualified stated interest. The “adjusted issue price” of a New Bond at the beginning of any accrual period generally will be the sum of its issue price, which includes any pre-issuance accrued interest on the New Bonds, and the amount of OID allocable to all prior accrual periods, reduced by the amount of payments made on the New Bond other than qualified stated interest. The “yield to maturity” of a New Bond will be the discount rate (appropriately adjusted to reflect the length of accrual periods) that causes the present value of all payments on the New Bond to equal the issue price of such Bond. Your initial tax basis in a New Bond, determined as described under “Consequences of Tendering Your Existing Bonds —Issue Price,” will be increased over time by the amount of OID included in your gross income and decreased by the amount of payments on the New Bonds other than payments of qualified stated interest.

If you hold a foreign currency-denominated New Bond, you should determine the U.S. dollar amount includible as OID for each accrual period by (i) calculating the amount of OID allocable to each accrual period in

the foreign currency using the constant-yield method described above and (ii) translating that foreign currency amount at the average exchange rate in effect during that accrual period (or, with respect to an interest accrual period that spans two taxable years, at the average exchange rate for each partial period). Alternatively, you may translate the foreign currency amount at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year, for an accrual period that spans two taxable years) or at the spot rate of exchange on the date of receipt, if that date is within five business days of the last day of the accrual period, provided that you have made the election described above. Because exchange rates may fluctuate, if you hold a foreign currency-denominated New Bond, you may recognize a different amount of OID income in each accrual period than would be the case if you were the holder of an otherwise-similar bond denominated in U.S. dollars. Under these rules, upon the receipt of an amount attributable to OID (whether in connection with a payment of an amount that is not qualified stated interest or the sale or retirement of the New Bond), you will recognize ordinary income or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the New Bond, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual).

If your initial tax basis in a New Bond is less than its remaining redemption amount (i.e., the total of all future payments to be made on the bond other than payments of qualified stated interest), but greater than its adjusted issue price, you will be entitled to reduce your periodic inclusions of OID to reflect the premium paid over the adjusted issue price.

Sale, Exchange or Disposition of New Bonds

You will generally recognize gain or loss on the sale, exchange or other disposition of a New Bond in an amount equal to the difference between the amount you realize on such sale, exchange or other disposition (less any accrued qualified stated interest, which will be taxable as interest income) and your tax basis in such New Bond. Except as discussed below with respect to foreign currency gain or loss, the gain or loss that you recognize on the sale, exchange or retirement of a New Bond generally will be capital gain or loss and will be long-term capital gain or loss if you have held the New Bond for more than one year on the date of disposition.

Notwithstanding the foregoing, the gain or loss that you recognize on the sale, exchange or retirement of a New Bond denominated in foreign currency generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which you held the foreign currency-denominated New Bond. This foreign currency gain or loss will not be treated as an adjustment to interest income that you receive on the New Bond.

Your initial tax basis for a New Bond denominated in a foreign currency will be the U.S. dollar value of the Bond's issue price calculated at the exchange rate in effect on the date of issue. If you sell or exchange a New Bond for foreign currency, or receive foreign currency on the retirement of a New Bond, the amount you will realize for U.S. tax purposes generally will be the dollar value of the foreign currency that you receive calculated at the exchange rate in effect on the date the foreign currency note is disposed of or retired.

Non-U.S. Holders

Subject to the discussion of backup withholding below, if you are, with respect to the United States, a nonresident alien individual or a foreign corporation (a "Non-U.S. Holder"), the interest income and gains that you derive in respect of the Existing Bonds and the New Bonds generally will be exempt from U.S. federal income taxes, including withholding tax. However, to receive this exemption you may be required to satisfy certain certification requirements (described under "Backup Withholding and Information Reporting") of the IRS to establish that you are a Non-U.S. Holder.

Even if you are a Non-U.S. Holder, you may still be subject to U.S. federal income taxes on any interest income, including OID, or other ordinary income you derive in respect of the New Securities if:

- you are an insurance company carrying on a U.S. insurance business to which such income is attributable within the meaning of the Code, or

- with respect to interest income, including OID, you have an office or other fixed place of business in the United States to which such income is attributable and the income either
 - is derived in the active conduct of a banking, financing or similar business within the United States, or
 - is received by a corporation the principal business of which is in trading stocks or securities for its own account and you are otherwise engaged in a U.S. trade or business.

If you are a Non-U.S. Holder, any gain you realize on a sale or exchange of the Eligible Securities or the New Securities generally will be exempt from U.S. federal income tax, including withholding tax, unless:

- such gain is effectively connected with the conduct of your trade or business within the United States, or
- if you are an individual, you are present in the United States for a total of 183 days or more during the taxable year in which such gain is realized and either
 - such gain is attributable to your office or fixed place of business maintained in the United States, or
 - you have a tax home in the United States.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to the accrual of OID and to payments in respect of the New Bonds within the United States if you are not a corporation, and backup withholding will apply to such payments if you fail to provide an accurate taxpayer identification number or you are notified by the IRS that you have failed to report all interest and dividends required to be shown on your federal income tax return.

Backup withholding and information reporting will not apply to payments made by the Province or any agent thereof (acting in such capacity) to you if you are a Non-U.S. Holder so long as either (i) if you are the beneficial owner, you certify to the Province or its agent, under penalties of perjury, that you are a Non-U.S. Holder and provide your name, address and certain other information or (ii) you have otherwise established an exemption, and provided that neither the Province nor its agent has actual knowledge that you are not a Non-U.S. Holder or that the conditions of any exemption are not in fact satisfied.

Backup withholding and information reporting will not apply to the sale of New Bonds effected outside the United States by a foreign office of a foreign broker, provided that such broker (i) derives less than 50 percent of its gross income for certain periods from the conduct of a trade or business in the United States, (ii) is not a controlled foreign corporation for United States federal income tax purposes and (iii) is not a foreign partnership that, at any time during its taxable year, is 50 percent or more (by income or capital interest) owned by U.S. persons or is engaged in the conduct of a U.S. trade or business. If you receive payments of such amounts outside the United States from a foreign office of any other broker, the payment will not be subject to backup withholding tax, but will be subject to information reporting requirements unless (i) you are the beneficial owner and such broker has documentary evidence in its records that you are a Non-U.S. Holder or (ii) you otherwise establish an exemption, and provided that the broker does not have actual knowledge that you are not a Non-U.S. Holder or that the conditions of any exemption are not in fact satisfied.

Luxembourg Tax Consequences

The following is a summary discussion of certain material Luxembourg tax consequences with respect to the New Bonds. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular holder of New Bonds, and does not purport to include tax considerations that arise from rules of general application or that are generally assumed to be known to holders of New Bonds. It is not

intended to be, nor should it be construed to be, legal or tax advice. This discussion is based on Luxembourg laws and regulations as they stand on the date of this prospectus and is subject to any change in law or regulations or changes in interpretation or application thereof that may take effect after such date. Prospective investors in the New Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws and regulations, including Luxembourg tax law and regulations, to which they may be subject.

Tax regime applicable to capital gains realised upon the tender of Existing Bonds

Non-residents

Non-residents (except for certain former non residents and Luxembourg permanent establishments of non residents) will not be subject to any Luxembourg taxation on the exchange of Existing Bonds.

Residents

Any capital gains realised by an individual upon the exchange of Existing Bonds held in his/her private estate will not be subject to Luxembourg taxation where the Existing Bonds tendered have been held for more than six months. Where the Existing Bonds are part of an individual's business assets or are held by capital companies (*sociétés de capitaux*), any capital gains will be subject to taxation in Luxembourg.

Withholding Tax

Under Luxembourg tax law currently in effect and except as provided for by the law of 21st June 2005 (the "2005 Law") implementing the Directive 2003/48/EC on taxation of savings income in the form of interest payments (the "EU Savings Directive"), there is no withholding tax for Luxembourg resident and non-resident holders of the New Bonds on payments of interest (including accrued but unpaid interest) and on payments received upon redemption or repayment of the principal or upon an exchange of the New Bonds.

Non-Residents

On June 3, 2003, the European Council approved the EU Savings Directive and under the related Accords with certain dependent or associated territories and certain non-EU Member States (together the "relevant States"), EU Member States will be required to provide to the fiscal authorities of another EU Member State and all the relevant States details of payments of interest or similar income made by a person within its jurisdiction to an individual resident in that other EU Member State or a State, except that Austria, Belgium and Luxembourg will instead operate a withholding system for a transitional period in relation to such payments unless during such period they elect otherwise.

Under the 2005 Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual or certain residual entities as defined by law, who as a result of an identification procedure implemented by the paying agent are identified as residents or are deemed to be residents of an EU Member State or a relevant State other than Luxembourg, will be subject to a withholding tax unless the relevant beneficiary has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her country of residence or deemed residence or has provided a tax certificate from his/her fiscal authority in the format required by law to the relevant paying agent.

Where withholding tax is applied, payments of interest and similar income will be subject to a withholding to be made by the relevant paying agent at the initial rate of 15% during the first three-year period starting 1st July, 2005, at a rate of 20% for the subsequent three-year period and at a rate of 35% thereafter.

When used in the preceding three paragraphs "interest" and "paying agent" have the meaning given thereto in the 2005 Law (or the relevant Accords). "Interest" will include accrued or capitalised interest at the sale, repayment or redemption of the New Bonds. "Paying agent" is defined broadly for this purpose and in the context of the New Bonds means any economic operator established in Luxembourg who pays interest on the New Bonds to

or ascribes the payment of such interest to or for the immediate benefit of the beneficial owner, whether the operator is, or acts on behalf of, the Issuer or is instructed by the beneficial owner to collect such payment of interest.

Payments of interest or similar income under the New Bonds to the clearing systems and payments by or on behalf of Clearstream Banking, *société anonyme*, Luxembourg, to financial intermediaries will not give rise to a withholding tax under Luxembourg law.

Residents

Although no law or regulation to that effect currently exists, on October 19, 2005 the Luxembourg government tabled a bill of law n° 5504 introducing a withholding tax of 10% on interest payments made to individual residents in Luxembourg.

Income deriving from the New Bonds

Non-Resident Holders

Non-Luxembourg holders of the New Bonds who are non-residents of Luxembourg and who do not hold the New Bonds through a permanent establishment in Luxembourg are not liable to any Luxembourg income tax, whether they receive payments of principal, payments of interest (including accrued but unpaid interest), payments received upon redemption, repurchase or exchange of the New Bonds, or realize capital gains on the sale of the New Bonds.

Resident Holders - General

Holders of the New Bonds will not become residents, or be deemed to be resident in Luxembourg by reason only of the holding of the New Bonds.

Holders of the New Bonds who are tax resident in Luxembourg, or non-resident holders of the New Bonds who have a permanent establishment or permanent representative in Luxembourg to which or to whom the New Bonds are attributable, must for income tax purposes include any interest and other income received or accrued on the New Bonds in their taxable income. They will not be liable to any Luxembourg income tax on repayment of principal.

Luxembourg Resident Individuals

Luxembourg resident individual holders of the New Bonds who do not hold New Bonds as business assets are not subject to taxation on capital gains upon the disposal of the New Bonds, unless their disposal precedes their acquisition or they are disposed of within six months of the date of their acquisition. Upon a repurchase, redemption or exchange of New Bonds, Luxembourg resident individual holders of the New Bonds must however include the portion of repurchase, redemption or exchange price corresponding to accrued but unpaid interest in their taxable income. Luxembourg resident individual holders of New Bonds who hold New Bonds as business assets are subject to tax as described in relation to “Luxembourg Resident Companies” below.

Luxembourg Resident Companies

Luxembourg resident companies (*sociétés de capitaux*), holding New Bonds, or foreign entities of the same type who have a permanent establishment or permanent representative in Luxembourg to which or to whom the New Bonds are attributable, must include in their taxable income the difference between the sale, repurchase, redemption or exchange price (including accrued but unpaid interest) and the lower of the cost or book value of the New Bonds sold, repurchased, redeemed or exchanged.

Luxembourg Companies Benefiting from a Special Tax Regime

A Luxembourg resident holder of the New Bonds that is governed by any of the following: (i) the law of 31 July 1929 on pure holding companies and (ii) the laws of 30 March 1988, 19 July 1991 and of 20 December 2002 on undertakings for collective investment will not be subject to any Luxembourg income tax in respect of interest received or accrued on the New Bonds, or on gains realised on the sale or disposal of New Bonds.

Net Wealth Tax

Luxembourg net wealth tax will not be levied on a holder of the New Bonds, unless (i) such holder is an individual Luxembourg resident or (ii) such New Bonds are attributable to an enterprise or part thereof which is carried on in Luxembourg or through a permanent establishment or a permanent representative of a non-resident company in Luxembourg. In such a case, the holder of New Bonds must take the New Bonds into account for the purposes of Luxembourg wealth tax, except if the holder of New Bonds is governed by any of the following: (i) the law of 31 July 1929 on pure holding companies; (ii) the laws of 30 March 1988, 19 July 1991 and of 20 December 2002 on undertakings for collective investment; (iii) the law of 22 March 2004 on securitisation; and (iv) the law of 15 June 2004 on the investment company in risk capital.

Other Tax Consequences

Stamp Taxes and Transfer Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the holders of the New Bonds as a consequence of the issuance of the New Bonds, nor will any of these taxes be payable as a consequence of a subsequent transfer, repurchase or redemption of the New Bonds

Gift Taxes

No estate or inheritance tax is levied on the transfer of New Bonds upon death of a holder of New Bonds in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes and no gift tax is levied upon a gift of New Bonds if the gift is not passed in front of a Luxembourg notary or recorded in a deed registered in Luxembourg. Where a holder of New Bonds is a resident for tax purposes of Luxembourg at the time of his death, the New Bonds are included in its taxable estate for inheritance tax or estate tax purposes.

Federal Republic of Germany Tax Consequences

The following is a general discussion of certain German tax consequences with respect to the exchange of Existing Bonds for New Bonds and with respect of the holding, disposition, assignment and the redemption of New Bonds. The discussion does not purport to be a comprehensive description of all of the tax considerations that are or may be relevant to holders of Existing or New Bonds. It is not intended, nor should it be construed, to be legal or tax advice. This discussion is based on German tax laws and regulations as well as the provisions of the double taxation treaty entered into between the Federal Republic of Germany and Argentina as in effect on the date of this offering memorandum. In these areas, the law may change, possibly with retroactive effect.

Eligible holders are urged to consult their tax advisors as to the tax consequences of the exchange of Existing Bonds for New Bonds and the holding, disposition, assignment and the redemption of New Bonds. Only an individual tax advice can adequately take into account the particular tax situation of each eligible holder.

Taxation of the Exchange of Existing Bonds for New Bonds

Existing Bonds Held as Private Assets of German Tax Residents

The receipt of an additional amount of New Bonds for past due interest and additional interest as defined above under “Terms of the Offer—Determination of Additional Amount” should give rise to the receipt of interest income, which constitutes taxable income from capital investments, if the Existing Bonds are held by individuals

who are tax resident in Germany (e.g., persons who have their residence or habitual abode in Germany). Income from capital investments is subject to German personal income tax (plus a 5.5% solidarity surcharge thereon). The amount of such income should be determined by the fair market value (*gemeiner Wert*) of the New Bonds received for past due interest and additional interest. The fair market value should be determined by the securities exchange price of the New Bonds on the date of the exchange (or, in case there is no securities exchange price of the New Bonds on the date of the exchange, the first available securities exchange price after such date). Since there is no official guidance on point, it cannot be excluded that the tax authorities might determine the value differently. With regard to withholding tax on such interest income, see “—Withholding Tax (*Zinsabschlagsteuer*)” below.

The receipt of New Bonds in the exchange for Existing Bonds, other than the additional amount of New Bonds for past due interest and additional interest, is only subject to German personal income tax (plus a 5.5% solidarity surcharge thereon) if the Existing Bonds can be classified as financial innovations (“**Financial Innovations**” - *Finanzinnovationen*) under Section 20(2) no. 2-4 of the German Income Tax Act (*Einkommensteuergesetz*), or if the Existing Bonds were held by the holders for less than one year (“**Private Disposition**” - *privates Veräußerungsgeschäft*).

Financial Innovations include bonds that provide for floating, variable or contingent interest rates, certain optional redemptions rights and bonds that are traded “flat”, i.e., without separately stating the accrued interest (*Stückzinsen*). According to the German tax authorities (cf. circular from the German Federal Ministry of Finance dated July 14, 2004, IV C 1 – S 2252 – 171/04), bonds, such as the Existing Bonds, are not generally considered Financial Innovations simply due to being traded “flat”, i.e., without separately stating accrued interest, as a result of the temporary or permanent payment default by the issuer after their issuance. Currently, there are two cases pending at the German Federal Tax Court (*Bundesfinanzhof*, VIII R 48/04 and VIII R 62/04) dealing, *inter alia*, with such question. In either case, a definite classification is dependant on the individual case. **Eligible holders are therefore urged to consult their tax advisors in this regard.**

If the Existing Bonds are classified as Financial Innovations, the difference between (i) the proceeds from the exchange of the Existing Bonds (i.e., the New Bonds, but exclusive of the additional amount of New Bonds received for past due interest and additional interest) and (ii) the acquisition cost of the Existing Bonds (such difference being referred to as the market yield; *Marktrendite*), less the expenses directly related to holding and exchanging the Existing Bonds, is subject to German personal income tax (plus a 5.5% solidarity surcharge thereon) as interest income. The amount of such proceeds should be determined by the fair market value (*gemeiner Wert*) of the New Bonds on the date of the exchange (see above). If Existing Bonds were issued in a currency other than Euro, the market yield must be calculated in the respective foreign currency and then converted to Euro. A foreign currency exchange gain is only taxable under the prerequisites of Private Dispositions (as described below). Alternatively, a holder may be able to prove that the market yield exceeds the yield to maturity (*Emissionsrendite*) promised by the issuer upon the issuance of the Existing Bonds, which is allocable to the holder’s holding period. In this instance, only that part of the consideration, which is attributable to the pro-rata yield to maturity, less any interest payments and accrued interest on the Existing Bonds already taxed in the hands of the holder as well as deductible income-related expenses, is subject to income tax (plus a 5.5% solidarity surcharge thereon). Whether a negative market yield can be deducted from taxable income as a loss (i.e., negative income from capital investments) is doubtful and is also a subject-matter of the cases currently pending at the German Federal Tax Court as described in the preceding paragraph. **Eligible holders are urged to consult their tax advisors in this regard.**

In computing their income from capital investments, private individual holders are entitled to a lump-sum deduction (*Werbungskosten-Pauschbetrag*) of EUR 51 (or EUR 102 for married couples filing jointly), unless a higher amount of investment income-related expenses can be established. Furthermore, income from capital investments in the amount of EUR 1,370 (or EUR 2,740 for married couples filing jointly) per calendar year is exempt from taxation (*Sparer-Freibetrag*).

Gains realized upon the exchange of the Existing Bonds, which are not classified as Financial Innovations, are subject to German personal income tax (plus a 5.5% solidarity surcharge thereon), if the Existing Bonds are exchanged for New Bonds within one year of the acquisition of the Existing Bonds (Private Disposition). If the individual holder’s aggregate gains derived from all taxable Private Dispositions are less than EUR 512 in one calendar year, the gains are exempt from income tax. Losses realized by an individual holder from the exchange of

Existing Bonds for New Bonds within such one-year period can only be taken into account to a limited extent in determining the taxable income to offset taxable gains from Private Dispositions.

The gain or loss resulting from the exchange of Existing Bonds for New Bonds is generally equal to the difference between (i) the proceeds from the exchange of the Existing Bonds (*i.e.*, the New Bonds, but exclusive of the additional amount of New Bonds received for past due interest and additional interest) and (ii) the acquisition cost of the Existing Bonds, less any income-related expenses incurred by the holder. The amount of such proceeds should be determined by the fair market value (*gemeiner Wert*) of the New Bonds (see above). The acquisition cost of the Existing Bonds generally corresponds to the amount, which the holder has expensed to acquire the Existing Bonds. Income-related expenses include in particular expenses incurred by the holder in connection with the exchange (disposition or exchange cost). **Eligible holders are urged to consult their tax advisors in this regard.**

Existing Bonds Held as Business Property of German Tax Residents

If the Existing Bonds are held as part of the business property of individuals or legal entities (e.g., corporations) that are tax resident in Germany (*i.e.*, whose residence, habitual abode, registered seat or place of management is located in Germany), income from the exchange of Existing Bonds for New Bonds and the receipt of an additional amount of New Bonds is subject to personal or corporate income tax (plus a 5.5% solidarity surcharge thereon) irrespective of the classification of the Existing Bonds as Financial Innovations and the holding period of the Existing Bonds. Losses resulting from the exchange are deductible for determining the taxable income, subject to the general limitations.

Income from the exchange of Existing Bonds for New Bonds and the receipt of an additional amount of New Bonds is subject to German trade tax if the Existing Bonds form part of the business property of a trade or business maintained in Germany.

Existing Bonds Held as Private or Business Property of German Tax Non-Resident

If the holder (individual or legal entity, such as a corporation) is only subject to personal or corporate income tax as a non-resident (*i.e.*, the holder is not a German tax resident within the meaning as described above under “—Existing Bonds Held as Private Assets of German Tax Residents” or “—Existing Bonds Held as Business Property of German Tax Residents”), income from the exchange of Existing Bonds for New Bonds and the receipt of an additional amount of New Bonds is subject to personal or corporate income tax (plus a 5.5% solidarity surcharge thereon), provided that the Existing Bonds (i) form part of the business property of a permanent establishment maintained in Germany (including a permanent representative) or are held through a fixed base maintained in Germany or (ii) are otherwise connected with income from German sources (*e.g.*, income from the letting or leasing of certain German *situs* property). In the case of (ii), however, this applies only to the extent that the income from the exchange is considered interest income for the purposes of German taxation (as explained above under “—Existing Bonds Held as Private Assets of German Tax Residents”). Losses resulting from the exchange can only be taken into account for determining the taxable income to the extent they are economically related to income from German sources, subject to the general limitations.

Income from the exchange of Existing Bonds for New Bonds and the receipt of an additional amount of New Bonds is subject to German trade tax if the Existing Bonds form part of the business property of a trade or business maintained in Germany.

Withholding Tax (Zinsabschlagsteuer)

German tax residents – If the Existing Bonds are deposited in a custodial account maintained by the holder with a German branch of a German or foreign credit institution or financial services institution (“Disbursing Agent”), a 30% withholding tax (plus a 5.5% solidarity surcharge thereon) may be levied on the interest income earned through the receipt of additional amount of New Bonds received for past due interest and additional interest on the Existing Bonds.

Furthermore, if the Existing Bonds are classified as Financial Innovations and are deposited in a custodial account maintained by the holder with a Disbursing Agent, such withholding tax may also be imposed on the positive difference between (i) the proceeds from the exchange of the Existing Bonds (*i.e.*, the New Bonds) and (ii) the cost expensed for the acquisition of the Existing Bonds, provided that the holder has had the Existing Bonds deposited since subscription, respectively, acquisition in a custodial account with the same Disbursing Agent. If the Existing Bonds were issued in a currency other than Euro, this difference must be calculated in the respective foreign currency and then converted to Euro. If the holder has not had the Existing Bonds deposited with the same Disbursing Agent since subscription, respectively, acquisition, a withholding tax of 30% (plus a 5.5% solidarity surcharge thereon) will be imposed on 30% of the proceeds from the exchange of Existing Bonds for New Bonds.

As holders do not receive actual cash payments for past due interest and additional interest on the Existing Bonds or in exchange of the Existing Bonds, holders may be obliged to provide the Disbursing Agent with the relevant amount of the withholding tax due. In case a holder does not provide the Disbursing Agent with the relevant amount of cash, the Disbursing Agent is obligated to inform the tax authorities, which will then claim the withholding tax due from the respective holder.

Withholding tax is generally not withheld if the holder is an individual who (i) holds the Existing Bonds as private assets and (ii) filed a certificate of exemption (*Freistellungsauftrag*) with the Disbursing Agent, provided that the total amount of interest income earned on the exchange of Existing Bonds for New Bonds and the receipt of the additional amount of New Bonds for past due interest and additional interest together with any other income from capital investments does not exceed the maximum amount specified in the certificate of exemption. Correspondingly, no withholding tax is withheld if the holder has submitted to the Disbursing Agent a non-assessment certificate (*Nichtveranlagungsbescheinigung*) issued by the competent tax office.

Withholding tax and solidarity surcharge can be credited against the German tax resident's personal or corporate income tax and solidarity surcharge due. If the amounts deducted exceed the liability due, the difference is refunded to the holder.

No withholding tax will be due on a gain realized in the exchange of Existing Bonds that are not classified as Financial Innovations.

German tax non-residents – German tax non-residents are generally exempt from German withholding tax and the solidarity surcharge thereon. However, if the exchange of Existing Bonds for New Bonds and/or the receipt of an additional amount of New Bonds is taxable in Germany as stated under “—Existing Bonds Held as Private or Business Property of German Tax Non-Resident” and if the Existing Bonds are deposited in a custodial account with a Disbursing Agent, withholding tax is imposed as explained above under “Withholding Tax (*Zinsabschlagsteuer*)—German tax residents”.

Holding, Disposition, Assignment and Redemption of New Bonds

German Tax Residents

Holding of New Bonds – Interest payments on New Bonds to German tax residents, including any separately stated accrued interest (*Stückzinsen*) accumulating until the disposition of New Bonds, are subject to personal or corporate income tax (plus a 5.5% solidarity surcharge thereon).

Additionally, if New Bonds are held as part of the business property of a German tax resident, for which such holder prepares a balance sheet, accrued but unpaid interest is to be included as earned interest in the taxable income. Interest is also subject to trade tax if the New Bonds form part of the business property of a trade or business maintained in Germany.

Subject to certain conditions, the double taxation treaty entered into between Germany and Argentina (the “Treaty”) entitles German tax residents to credit a notional tax in the amount of 15% of the interest derived from Argentina under the New Bonds against their German personal or corporate income tax, irrespective of whether the

interest was in fact subject to Argentine withholding tax (notional withholding tax imputation according to Art. 23(2) and (3) of the Treaty). **Eligible holders are urged to consult their tax advisors in this regard.**

Disposition, Assignment or Redemption of New Bonds – The disposition, assignment or redemption of New Bonds held as private assets and which are considered Financial Innovations are subject to taxation. In such case, the difference between (i) the proceeds from the disposition, assignment or redemption and (ii) the cost expensed for the acquisition of the New Bonds, less the directly related expenses, is generally subject to German income tax (plus a 5.5% solidarity surcharge thereon) as income from capital investments in the year of the disposal, transfer or maturity of the New Bonds. If New Bonds are issued in a currency other than Euro, this difference must be calculated in the respective foreign currency and then converted to Euro. Alternatively, a holder may be able to prove that this difference exceeds the yield to maturity promised by the issuer upon the issuance of the New Bonds, which is allocable to the holder's holding period. In this instance, only that amount of the proceeds which is attributable to the pro-rata yield to maturity, less any interest payments, accrued interest and less deductible income-related expenses is subject to income tax (plus a 5.5% solidarity surcharge thereon). **There are no clear administrative guidelines or case law on the issue of whether the New Bonds constitute Financial Innovations. Eligible holders are urged to consult their tax advisors in this regard.**

For lump-sum deductions and exemptions, see "Taxation of the Exchange of Existing Bonds for New Bonds—Existing Bonds Held as Private Assets of German Tax Residents".

Gains realized by German tax residents upon the disposition of the New Bonds, which are not classified as Financial Innovations, are – as explained above – subject to German personal income tax (plus a 5.5% solidarity surcharge thereon) only if the New Bonds (i) are disposed of within one year of their acquisition or (ii) form part of the business property of a German tax resident. In the latter case, these gains are also subject to trade tax. Gains realized by a German tax resident corporation are subject to corporate income tax (plus a 5.5% solidarity surcharge thereon) and trade tax.

German Tax Non-Residents

Interest income, including accrued interest, and gains derived from the New Bonds by a tax non-resident (*i.e.*, the holder is not a German tax resident within the meaning as described above under "Taxation of the Exchange of Existing Bonds for New Bonds—Existing Bonds Held as Private Assets of German Tax Residents" or "—Existing Bonds Held as Business Property of German Tax Residents") are in general exempt from German personal or corporate income taxation unless the New Bonds (i) form part of the business property of a permanent establishment maintained in Germany (including a permanent representative) or are held through a fixed base maintained by the holder in Germany, or (ii) are otherwise connected with income from German sources (*e.g.*, income from the letting or leasing of certain German *situs* property). In cases (i) and (ii) similar rules to those explained above under "Holding, Disposition, Assignment and Redemption of New Bonds—German Tax Residents" apply. Gains from the disposition of the New Bonds, which are not considered interest income for German tax purposes are, however, only taxable in case (i).

Withholding Tax (Zinsabschlagsteuer)

German tax residents – If the New Bonds are deposited in a custodial account maintained by the holder with a Disbursing Agent, a withholding tax will be imposed at a rate of 30% (plus a 5.5% solidarity surcharge thereon), resulting in a total withholding tax charge of 31.65% on the gross interest payments. Accrued interest (*Stückzinsen*) is also subject to withholding tax. In calculating the withholding tax, the Disbursing Agent may deduct from the withholding tax base any accrued interest paid by the holder of the New Bonds to the Disbursing Agent in the same calendar year.

Withholding tax and solidarity surcharge can be credited against the German tax resident's personal or corporate income tax and solidarity surcharge due. If the amounts deducted exceed the liability due, the difference is refunded to the holder.

If the holder is an individual and if interest on the New Bonds is paid by a credit or financial services institution or other authorized agent in any other EU Member State, the interest income is subject to the principles as set forth in the European Union Directive on the Taxation of Savings Income (*cf.* below under “European Union Directive on the Taxation of Savings Income”).

In case of a disposition, assignment or redemption of the New Bonds similar rules apply as described above under “Taxation of the Exchange of Existing Bonds for New Bonds—Existing Bonds Held as Private Assets of German Tax Residents – Withholding Tax (*Zinsabschlagsteuer*)—German tax residents”.

German tax non-residents – Tax non-residents are generally exempt from German withholding tax and the solidarity surcharge thereon. However, if the interest and/or the gains derived from the New Bonds are taxable in Germany as stated above under “Holding, Disposition, Assignment and Redemption of New Bonds—German Tax Non-Residents” and if the New Bonds are deposited in a custodial account with a Disbursing Agent, withholding tax is imposed as explained above under “Holding, Disposition, Assignment and Redemption of New Bonds – Withholding Tax (*Zinsabschlagsteuer*)—German tax residents.”

Inheritance or Gift Taxation

No estate, inheritance and gift tax with respect to the Existing and New Bonds will arise under the laws of Germany, if, in the case of estate and inheritance tax, neither the decedent nor the beneficiary, and, in the case of gift tax, neither the donor nor the donee, are tax residents or deemed to be tax residents of Germany and the Existing and New Bonds are not part of the business property, for which a permanent establishment is maintained in Germany or for which a permanent representative is appointed in Germany. Exemptions apply for certain expatriates.

Stamp Duty

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the New Bonds. Currently, net wealth tax (*Vermögensteuer*) is not levied in Germany.

European Union Directive on the Taxation of Savings Income

The Council of the European Union (the “Council”) on June 3, 2003 adopted a directive regarding the taxation of savings income (the “Directive”). Under the Directive, Member States will be required to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to an individual resident in that other Member State except that, from the date of implementation of the Directive, Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments (the ending of such transitional period being dependent upon the conclusion of agreement relating to information exchange with certain other countries and, in the case of Austria, to approval by the Austrian Parliament). The Directive has taken effect on July 1, 2005.

JURISDICTIONAL RESTRICTIONS

The distribution of the offering memorandum is restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum comes are required by the Province to inform themselves of and to observe any of these restrictions.

This offering memorandum does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. Neither the Province nor the dealer manager accepts any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

In any jurisdiction in which the Offer is required to be made by a licensed broker or dealer and in which the dealer manager or any of its affiliates is so licensed, it shall be deemed to be made by the dealer manager or such affiliate on behalf of the Province.

Argentina

No restrictions apply to the Offer.

Austria

NOTICE TO RESIDENTS OF AUSTRIA

The information in this offering memorandum is made available in Austria for the sole purpose of providing information about the securities described herein to a limited number of recipients in Austria. The information in this offering memorandum is made available on the condition that it is solely for the use of the recipient as a potential and individually selected investor and may not be passed on to any other person or reproduced in whole or in part.

The information in this offering memorandum does not constitute a public offering (*öffentliches Angebot*) to investors in Austria and must not be used in conjunction with a public offering pursuant to Austrian Capital Market Act (*Kapitalmarktgesetz*) in Austria. No prospectus pursuant to the Austrian Capital Market Act has been or will be approved (*gebilligt*) by or notified (*notifiziert*) to the Austrian Financial Market Authority (*Finanzmarktaufsichtsbehörde*) and no such prospectus has been or will be published in Austria in any way which would constitute a public offering under Austrian law (whether presently or in the future), nor has or will such prospectus be deposited with the filing office (*Meldestelle*) of Oesterreichische Kontrollbank AG.

Consequently, the New Bonds are not authorized for public offering under the Austrian Capital Markets Act and no public offers or public sales or invitation to make such an offer must be made and no advertisements must be published and no marketing materials must be made available or distributed in Austria in respect of the New Bonds. A public offering of the New Bonds in Austria without prior publishing of a prospectus according to the Austrian Capital Market Act would constitute a criminal offence under Austrian law.

Bahrain

No approval has been sought or obtained from the Bahrain Monetary Agency for the New Bonds and the Bahrain Monetary Agency assumes no responsibility for any loss whatsoever arising from reliance upon the whole or any part of the contents of this document. This document does not constitute an offer to the public in the Kingdom of Bahrain to subscribe for the New Bonds.

No offer may be made to the public in the Kingdom of Bahrain to subscribe for the New Bonds and the offer materials may not be issued, passed to or made available to the public.

Belgium

This offering memorandum has not been notified to or approved by the Belgian Banking, Finance and Insurance Commission (“*Commission bancaire, financière et des assurances*”/“*Commissie voor het Bank-, Financie- en Assurantiewezen*”) and is therefore transmitted on a purely confidential basis. Accordingly, the New Bonds may not be offered for sale, sold or marketed in Belgium by means of a public offering under Belgian law. Any offer to sell the New Bonds in Belgium will be permitted exclusively to either:

- (i) persons who each subscribe for a minimum of EUR 50,000; or
- (ii) qualified investors, acting for their own account, and listed in Article 2(1)(e) of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC.

In addition, any offer to sell or sale of the New Bonds must be made in compliance with the provisions of the Law of July 14, 1991 on consumer protection and trade practices and its implementing legislation to the extent applicable pursuant to the Royal Decree of December 5, 2000 rendering applicable to securities and financial instruments certain provisions of the Law of July 14, 1991 on consumer protection and trade practices.

Canada (Ontario and Québec Only)

Provinces

The New Bonds may only be offered to investors located in the provinces of Ontario and Québec.

Responsibility

Except as otherwise expressly required by applicable law or as agreed to in contract, no representation, warranty, or undertaking (express or implied) is made and no responsibilities or liabilities of any kind or nature whatsoever are accepted by any joint lead manager, the processing agent, the exchange agent or the Luxembourg exchange agent as to the accuracy or completeness of the information contained in the offer materials or any other information provided by the Province in connection with the Offer.

Resale Restrictions

The Offer will be made in Canada on a private placement basis only and will be exempt from the requirement that the Province prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of the New Bonds must be made in accordance with applicable securities laws that may require resales to be made in accordance with exemptions from registration and prospectus requirements. Purchasers are advised to seek legal advice prior to any resale of the New Bonds.”

Representations of Participants

Each Canadian investor who participates in the Offer will be deemed to have represented to the Province and the dealer manager that:

- the Offer was made exclusively through the offering memorandum and was not made through an advertisement of the Offer in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada,
- where required by law, the investor is participating in the Offer as principal for its own account and not as agent; and

- the investor or any ultimate investor for which such participant is acting as authorized agent is entitled under applicable Canadian securities laws to participate in the Offer without the benefit of a prospectus qualified under such securities laws, and without limiting the generality of the foregoing:
 - in the case of an investor located in Ontario who is tendering Existing Bonds through a non-Canadian dealer registered as an international dealer, the investor, or any ultimate investor for which such participant is acting as agent, is an "accredited investor", other than an individual, as that term is defined in National Instrument 45-106 – *Prospectus and Registration Exemptions* and is a person to which a dealer registered as an international dealer in Ontario may transact, and
 - in the case of an investor located in Québec who is tendering New Bonds through a non-Canadian dealer, such investor is an "accredited investor", as that term is defined in National Instrument 45-106 – *Prospectus and Registration Exemptions*.

Taxation and Eligibility for Investment

Any discussion of taxation and related matters contained in the offer materials does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to participate in the Offer. Canadian participants in the Offer should consult their own legal and tax advisers with respect to the tax consequences of participating in the Offer in their particular circumstances under relevant Canadian legislation and regulations.

Rights of Action for Damages or Rescission (Ontario Only)

Securities legislation in Ontario provides that every purchaser of securities pursuant to the offer materials shall have a statutory right of action for damages or rescission against the Province and any selling security holder in the event the offer materials contain a misrepresentation as defined in the *Securities Act* (Ontario). Ontario purchasers who purchase a security offered by the offer materials during the period of distribution are deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase. Ontario purchasers who elect to exercise a right of rescission against the Province and any selling holder on whose behalf the distribution is made shall have no right of action for damages against the Province or the selling holders, if any. The right of action for rescission or damages conferred by the statute is in addition to, and without derogation from, any other right the purchaser may have at law. Prospective Ontario purchasers should refer to the applicable provisions of the Ontario securities legislation and are advised to consult their own legal advisers as to which, or whether any, of such rights or other rights may be available to them.

Enforcement of Legal Rights

The Province is a province of the Republic of Argentina, a foreign sovereign state. Therefore, it may not be possible for Canadian investors to effect service of process within Canada upon the Province or to satisfy a judgment against the Province in Canada or to enforce a judgment obtained in Canadian courts against the Province.

Language of Documents

Each Canadian investor, by submitting an offer, acknowledges that it is such investor's express wish that all documents evidencing or relating in any way to the Offer be drawn up in the English language only. *Chaque investisseur canadien, en soumettant une offre, reconnaît que c'est à sa volonté expresse que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à l'Offre soient rédigés en anglais seulement.*"

Exchange Rate

The official rate for the euro against the Canadian dollar as reported by the Bank of Canada was approximately U.S.\$0.8549 = C\$1.00 on October 27, 2005.

Channel Islands (Jersey Only)

No advice on the merits of the purchase, sale, subscription for or underwriting of any investment referred to or described in this offering memorandum or the exercise of any rights conferred by any such investment is being given by the Province or the dealer manager.

This offering memorandum shall not be circulated in Jersey (or made available on a website accessible to residents of Jersey) unless an identical offer is, for the time being, being circulated in the United Kingdom without contravening the provisions of the Borrowing (Control and Guarantees) Act 1946 or the Financial Services and Markets Act 2000 or the Companies Act 1985 or the Public Offers of Securities Regulations, 1995 of the United Kingdom.

Denmark

Publication of prospectus pursuant to Chapter VI of the Danish Securities Trading Act will not take place in connection with the proposed offering of the New Bonds by the Province pursuant to this offering memorandum. Further, none of the exemptions from the publication requirements contained in the Danish Executive Order No. 306 of 28 April 2005 apply to the offering of the New Bonds by the Province pursuant to this offering memorandum. Therefore, the New Bonds proposed to be offered pursuant to this offering memorandum may not be offered or sold to any persons in Denmark, including any Danish qualified investors.

Further, neither this offering memorandum (and any copy of it) nor any announcement hereof may be taken or transmitted into Denmark or to any persons in Denmark nor may the New Bonds otherwise be marketed or offered for sale in Denmark. Any failure to comply with this restriction may constitute a violation of Danish securities law.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive other than Austria, Denmark, France, Germany, Ireland and Spain (each, a Relevant Member State), the dealer manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of the New Bonds to the public in that Relevant Member State prior to the publication of a prospectus in relation to New Bonds which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the New Bonds to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of New Bonds to the public” in relation to any New Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and the New Bonds to be offered so as to enable an investor to decide to purchase or subscribe the New Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

France

No offering circular (including this offering memorandum) approved (*visa*) by the French *Autorité des Marchés Financiers* has been prepared in connection with the Offer. The New Bonds may not be offered or sold, directly or indirectly, to the public in France and neither this offering memorandum or any other offer materials or information contained therein relating to the New Bonds may be released, issued or distributed or caused to be released, issued or distributed to the public in France, or used in connection with any offer in respect of the New Bonds to the public in France. The Offer shall be made in France only to qualified investors (*investisseurs qualifiés*) or members of a restricted circle of investors, acting for their own account, all as defined in Article L. 411-2, D. 411-1 and D. 411-2 of the French *Code Monétaire et Financier*. Persons into whose possession any offer materials come must inform themselves about and observe any such restrictions. The Offer does not constitute a solicitation by anyone not authorized to so act and the offer materials may not be used for or in connection with the Offer to solicit anyone to whom it is unlawful to make the Offer. Any direct or indirect resale of the New Bonds to the public in France may be made only as provided by articles L. 412-1 and L. 621-8 of the French *Code Monétaire et Financier* and applicable regulations thereunder.

Germany

The New Bonds are being offered and sold in the Federal Republic of Germany by means of a public offer under an offering memorandum admitted to publication by the *Commission de Surveillance du Secteur Financier* under the securities laws in compliance with applicable laws, rules and regulations in force in the Grand Duchy of Luxembourg. Holders in the Federal Republic of Germany should review, and make their decision to participate in the Offer solely on the basis of, and in accordance with the procedures described in this offering memorandum.

Holders of Existing Bonds in Germany may obtain copies of this offering memorandum free of charge by contacting the information agent at the address on the back cover page of this offering memorandum.

Hong Kong

No person or entity may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the New Bonds, 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 securities laws of Hong Kong including circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong) other than with respect to New Bonds 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) of Hong Kong and any rules made thereunder.

Ireland

The Offer will not be open to the public within the meaning of Directive 2003/71/EC (the "Prospectus Directive") in Ireland other than to Qualified Investors within the meaning of Regulation 2 of the Prospectus (Directive 2003/71/EC) Regulation 2005 (the "Regulations") until this offering memorandum has been duly approved in accordance with the Prospectus Directive and the Irish Financial Services Regulatory Authority has been notified in accordance with Regulation 55 of the Regulations and the Offer shall lapse automatically on the date which is 12 months after the date of publication of this offering memorandum. The dealer manager has agreed not to make the offer available save in accordance with the foregoing restrictions.

The Offer is not available to individuals in Ireland unless those individuals themselves provide investment business services or investment advice (each as defined in the Investment Intermediaries Act 1995 as amended of Ireland) on a professional basis. The dealer manager has agreed not to make the Offer or distribute any offer materials or other advertisements connected with the Offer to any individual in Ireland unless that individual himself or herself provides such investment business services or investment advice on a professional basis.

Italy

This offering memorandum has not been submitted to the clearance procedures of the *Commissione Nazionale per le Società e la Borsa*, which we refer to as “CONSOB.” Accordingly, holders of Existing Bonds who are Italian residents or persons located in the Republic of Italy should not rely on the offer materials as a source of information or for instructions on how to tender Existing Bonds.

The Offer may only be made in Italy in accordance with a separate prospectus describing, *inter alia*, the terms of the Offer and the appropriate procedures for Italian residents or persons located in the Republic of Italy wishing to participate therein, prepared in the Italian language and approved by CONSOB (the “Italian Prospectus”). Accordingly, holders of Existing Bonds who are Italian residents or persons located in the Republic of Italy should review, make their decision to participate in the Offer and accept the Offer solely on the basis of, and in accordance with the procedures described in, the Italian Prospectus. The Offer will not be deemed to have been launched in Italy and is not addressed to holders of Existing Bonds resident or located in the Republic of Italy, and no tenders from holders of Existing Bonds resident or located in the Republic of Italy will be accepted, unless and until the Italian Prospectus has been approved by CONSOB.

Japan

The New Bonds have not been and will not be registered under the Securities and Exchange Law of Japan (the “SEL”) and may not be offered or sold, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the SEL and any other applicable laws, regulations and governmental guidelines in Japan. As used in this paragraph, “resident of Japan” means any person located or resident in Japan, including any corporation or other entity organized under the laws of Japan.

The New Bonds (or any beneficial interest therein) may not be transferred by any holder thereof in Japan to any other person unless such interest (or such beneficial interest) and all other New Bonds (or beneficial interests therein) acquired by such holder are transferred in one lot to a single person.

Liechtenstein

This offering memorandum is not an offer of securities but is provided as information only. In case of any interest in the Offer, please feel free to contact any of the following categories exclusively authorized institutions: banks, financial enterprises, investment funds and professional trustees.

Luxembourg

The Offer is being made in Luxembourg pursuant to a public offer and a listing of the New Bonds on the regulated market of the Luxembourg Stock Exchange under this offering memorandum, which has been approved for such purposes by the Luxembourg regulator. Holders in Luxembourg should review, and make their decision to participate in the Offer solely on the basis of and in accordance with the procedures described in this offering memorandum.

Monaco

The Offer may not and will not be offered or sold in Monaco except through an intermediary approved in Monaco, in accordance with the Monaco Financial Services Law.

The Netherlands Antilles

The laws of the Netherlands Antilles do not stipulate that the Offer of New Bonds in exchange for Existing Bonds in the Netherlands Antilles be approved by any regulatory authority.

Portugal

The Offer has not been and will not be registered with the Portuguese Securities Exchange Commission (“*Comissão do Mercado dos Valores Mobiliários*”) and therefore the Offer is not directed to Portuguese resident investors and the New Bonds to be given in exchange for Existing Bonds may not be offered, sold or tendered to the public in Portugal or under circumstances which are deemed to be a public offer under the Portuguese Securities Code (“*Código dos Valores Mobiliários*”) and other securities legislation and regulations applicable in Portugal. In addition, the offer materials are only being publicly distributed in the above noted jurisdictions where lawful and may not be publicly distributed in Portugal, nor may any publicity or marketing activities related to the Offer be conducted in Portugal.”

The Offer is not addressed to holders of Existing Bonds resident and/or located in Portugal, and no tenders from holders of Existing Bonds resident and/or located in Portugal will be accepted, except if those holders are all institutional investors (“*investidores institucionais*”), as defined in article 30 of the Portuguese Securities Code, or are, in aggregate, 200 or fewer (if some or all are non institutional investors), in which case the New Bonds may be offered, sold or tendered through a private placement (“*oferta particular*”), in accordance with the relevant provisions of the Portuguese Securities Code.

Russia

Notice to recipients:

This offering memorandum is being distributed to a limited circle of persons only and is provided exclusively for your own information and is not to be provided or otherwise made available by you to any other person or entity. The information provided in this offering memorandum is not an advertisement of the New Bonds in the Russian Federation and is not intended to create or maintain an interest in the Province, the Offer or the New Bonds or to facilitate any sale, exchange or transfer of the New Bonds in the Russian Federation or to any Russian person or entity.

The New Bonds are securities of a foreign issuer under Russian law. No sale, exchange or transfer of the New Bonds may take place in the Russian Federation or to any Russian person or entity. Neither the issue of the New Bonds nor a securities prospectus in respect of the New Bonds has been, or is intended to be, registered with the Federal Service for Financial Markets of the Russian Federation. The information provided in this offering memorandum is not an offer, or an invitation to make offers, to sell, exchange or otherwise transfer the New Bonds in the Russian Federation or to any Russian person or entity.

Singapore

This offering memorandum is confidential. It is addressed solely to and is for the exclusive use of the recipient thereof. Any offer or invitation in respect of the New Bonds is capable of acceptance only by such person and is not transferable. This offering memorandum may not be distributed or given to any person other than the recipient thereof and should be returned if such person decides not to purchase any New Bonds. This offering memorandum should not be reproduced, in whole or in part.

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 New Bonds may not be circulated or distributed, nor may the New Bonds 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 pursuant to, and in accordance with, the conditions of an exemption under any provision of Subdivision 4 of Division 1 of Part XIII of the Securities and Futures Act, Chapter 289 of Singapore.

Spain

Neither the New Bonds nor this offering memorandum have been approved or registered in the administrative registries of the Spanish Securities Markets Commission (“*Comisión Nacional del Mercado de Valores*”). Accordingly, the New Bonds may not be offered in Spain except in circumstances which constitute a public offer of securities in Spain within the meaning of article 30bis of the Spanish Securities Market Law of 28 July 1988 (“*Ley 24/1988, de 28 de julio, del Mercado de Valores*”), as amended and restated, and supplemental rules enacted thereunder.

Switzerland

The New Bonds will not be listed on the SWX Swiss Exchange and this offering memorandum does not, therefore, constitute a prospectus within the meaning of Art. 652a or 1156 of the Swiss Code of Obligations or in accordance with the Listing Rules of the SWX Swiss Exchange.

United Kingdom

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

United States

The New Bonds have not been 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, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the New Bonds are being offered and sold only (i) to “qualified institutional buyers” (as that term is defined in Rule 144A under the Securities Act) in compliance with Rule 144A and (ii) outside the United States in offshore transactions (as defined in Rule 902(g) of Regulation S of the Securities Act) in reliance upon Regulation S under the Securities Act.

Uruguay

The offering of the New Bonds pursuant to this Offer constitutes a private placement under Uruguayan law and the New Bonds will not be registered with the Central Bank of Uruguay.

OFFICIAL STATEMENTS

Information in this offering memorandum that is identified as being derived from a publication of Argentina, the Province or one of their respective agencies or instrumentalities relies on the authority of such publication as a public official document of Argentina or the Province, as the case may be. The Province has not independently verified the information in this offering memorandum that is identified as being derived from a publication of Argentina and makes no representation as to its accuracy and completeness.

VALIDITY OF THE BONDS

The validity of the New Bonds will be passed upon for the Province by Cleary Gottlieb Steen & Hamilton LLP, United States counsel to the Province, and by the *Asesor General del Gobierno* (General Legal Advisor to the Executive Branch) of the Province, and for the dealer manager by Shearman & Sterling LLP, United States counsel to the dealer manager, and Cabanellas, Etchebarne, Kelly & Dell'Oro Maini, Argentine counsel to the dealer manager.

As to all matters of Argentine and provincial law, Cleary Gottlieb Steen & Hamilton LLP may rely on the opinion of the *Asesor General del Gobierno* (General Legal Advisor to the Executive Branch) of the Province, and Shearman & Sterling LLP may rely upon the opinion of Cabanellas, Etchebarne, Kelly & Dell'Oro Maini. As to all matters of United States law, the *Asesor General del Gobierno* (General Legal Advisor to the Executive Branch) of the Province may rely on the opinion of Cleary Gottlieb Steen & Hamilton LLP, and Cabanellas, Etchebarne, Kelly & Dell'Oro Maini may rely on the opinion of Shearman & Sterling LLP.

GENERAL INFORMATION

The Province

The Province has authorized the creation and issue of the New Bonds pursuant to Decree No. 2467 dated October 18, 2005.

Except as disclosed in this offering memorandum, since December 31, 2004, there has been no material adverse change in the revenues or expenditures, or financial position, of the Province.

Listing and Listing Agent; Exchange Agent and Luxembourg Exchange Agent

Application has been made to list the New Bonds on the Luxembourg Stock Exchange and for the New Bonds to trade on the regulated market of the Luxembourg Stock Exchange. Application will be made to list the New Bonds on the Buenos Aires Stock Exchange and on *Mercado Abierto Electrónico*. The Luxembourg listing agent is The Bank of New York (Luxembourg) S.A.

In connection with the Offer, the Province has appointed Citibank, N.A, London Branch, as exchange agent and Bondholders Communications Group as information agent. You may obtain copies of this offering memorandum free of charge by contacting the information agent at the address indicated on the back cover page of this offering memorandum. For any tenders submitted in Luxembourg, please contact the information agent or the exchange agent.

Documents Relating to the New Bonds

Copies of the forms of the trust indenture, the dealer manager agreement, this offering memorandum (including the form of paper acceptance notice attached as Annex B to this offering memorandum) and forms of the New Bonds may be inspected free of charge during normal business hours on any day, except Saturdays, Sundays and public holidays in Luxembourg, at the offices of the listing agent in Luxembourg, as long as the Long-Term Par Bonds, Medium-Term Par Bonds and Discount Bonds are listed on the Luxembourg Stock Exchange. Copies of this offering memorandum may be obtained during normal business hours on any day except Saturdays, Sundays and

public holidays, at the offices of the listing agent in Luxembourg, as long as the Long-Term Par Bonds, Medium-Term Par Bonds and Discount Bonds are listed on the Luxembourg Stock Exchange.

Notices

For so long as any series of Long-Term Par Bonds, Medium-Term Par Bonds and Discount Bonds are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange shall so require, all notices to holders of such series shall be published either in a newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or the *Tageblatt*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu) or otherwise in compliance with the relevant listing rules of the Luxembourg Stock Exchange.

Clearing

Euroclear and Clearstream, Luxembourg have accepted all of the New Bonds for clearance through their clearing systems.

Upon settlement, Euroclear and Clearstream, Luxembourg will create securities codes for the New Bonds as follows:

<u>New Bond</u>	<u>Form</u>	<u>ISIN</u>	<u>Common Code</u>
Euro-denominated Long-Term Par Bond	Regulation S	XS0234082872	023408287
	Rule 144A	XS0234084142	023408414
U.S. dollar-denominated Long-Term Par Bond	Regulation S	XS0234084738	023408473
	Rule 144A	XS0234085032	023408503
Euro-denominated Medium-Term Par Bond	Regulation S	XS0234085461	023408546
	Rule 144A	XS0234085891	023408589
U.S. dollar-denominated Medium-Term Par Bond	Regulation S	XS0234086196	023408619
	Rule 144A	XS0234086436	023408643
Euro-denominated Discount Bond	Regulation S	XS0234088994	023408899
	Rule 144A	XS0234089299	023408929
U.S. dollar-denominated Discount Bond	Regulation S	XS0234087590	023408759
	Rule 144A	XS0234088051	023408805

SAMPLE CALCULATIONS OF NEW BOND AMOUNTS

The following examples illustrate the amounts of New Bonds that you will receive in exchange for your tendered Existing Bonds.

If the currency of the New Bonds you elect to receive differs from the currency of your Existing Bonds, the principal amount of New Bonds you will receive will be calculated using applicable currency exchange rates to be determined on the Expiration Date. For purposes of the following examples only, a currency exchange rate of U.S.\$1.19 = €1.00 has been assumed.

Example 1-A

A bondholder tenders €10,000 principal amount of the EUR 10.25% due 2003 (ISIN XS0123127507). For purposes of this example only, no proration is assumed.

The total additional amount for this series of Existing Bonds is €172.69 per 1,000 principal amount of bonds, or €1,726.90 for the amount tendered.

In exchange for these Existing Bonds, the bondholder will receive New Bonds, based on the type and currency of New Bonds the bondholder elects to receive, in an amount to be determined as follows:

New Bond Election: U.S. dollar-denominated or euro-denominated Long Term Par Bonds

	If elect to receive euro-denominated Long Term Par Bonds	If elect to receive U.S. dollar-denominated Long Term Par Bonds
100% of principal amount of Existing Bonds	€10,000.00	€10,000.00
plus the additional amount	€1,726.90	€1,726.90
Total	€11,726.90	€11,726.90
Assumed currency exchange rate	(not applicable)	multiply by 1.19
Unrounded amount	€11,726.90	U.S.\$13,955.01
Amount of New Bonds received (after rounding down)	€11,726.00	U.S.\$13,955.00

New Bond Election: U.S. dollar-denominated or euro-denominated Medium Term Par Bonds

	If elect to receive euro-denominated Medium Term Par Bonds	If elect to receive U.S. dollar-denominated Medium Term Par Bonds
100% of principal amount of Existing Bonds	€10,000.00	€10,000.00
plus the additional amount	€1,726.90	€1,726.90
Total	€11,726.90	€11,726.90
Assumed currency exchange rate	(not applicable)	multiply by 1.1900
Unrounded amount	€11,726.90	U.S.\$13,955.01
Amount of New Bonds received (after rounding down)	€11,726.00	U.S.\$13,955.00

New Bond Election: U.S. dollar-denominated or euro-denominated Discount Bonds

	If elect to receive euro-denominated Discount Bonds	If elect to receive U.S. dollar-denominated Discount Bonds
39% of principal amount of Existing Bonds	€3,900.00	€3,900.00
plus the additional amount	€1,726.90	€1,726.90
Total	€5,626.90	€5,626.90
Assumed currency exchange rate	(not applicable)	multiply by 1.1900
Unrounded amount	€5,626.90	U.S.\$6,696.01
Amount of New Bonds received (after rounding down)	€5,626.00	U.S.\$6,696.00

Example 1-B

A bondholder tenders €10,000 principal amount of the EUR 10.25% due 2003 (ISIN XS0123127507). For purposes of this example only, it is assumed that proration has occurred for tenders electing to receive Medium Term Par Bonds. A proration factor of 0.60 is assumed. As a result of the proration, Existing Bonds not exchanged for Medium Term Par Bonds will be exchanged for Long Term Par Bonds denominated in the same currency.

The proration factor will not affect the amount to be received by a bondholder who elects to receive Long Term Par Bonds or Discount Bonds.

The total additional amount for this series of Existing Bonds is €172.69 per 1,000 principal amount of bonds, or €1,726.90 for the amount tendered.

In exchange for these Existing Bonds, the bondholder will receive New Bonds, based on the type and currency of New Bonds the bondholder elects to receive and the assumed proration factor, in an amount to be determined as follows:

New Bond Election: U.S. dollar-denominated or euro-denominated Medium Term Par Bonds

Principal amount of Existing Bonds tendered	€10,000
Assumed proration factor	0.60
Amount of Existing Bonds exchanged for Medium Term Par Bonds	€6,000
Amount of Existing Bonds exchanged for Long Term Par Bonds	€4,000

	If elect to receive euro-denominated Medium Term Par Bonds	If elect to receive U.S. dollar-denominated Medium Term Par Bonds
100% of principal amount of Existing Bonds accepted for exchange for Medium Term Par Bonds	€6,000.00	€6,000.00
plus the related additional amount	€1,036.14	€1,036.14
Total	€7,036.14	€7,036.14
Assumed currency exchange rate	(not applicable)	multiply by 1.1900
Unrounded amount	€7,036.14	U.S.\$8,373.01
Amount of Medium Term Par Bonds received (after rounding down)	€7,036.00	U.S.\$8,373.00
100% of principal amount of Existing Bonds accepted for exchange for Long Term Par Bonds	€4,000.00	€4,000.00
plus the related additional amount	€690.76	€690.76
Total	€4,690.76	€4,690.76
Assumed currency exchange rate	(not applicable)	multiply by 1.1900
Unrounded amount	€4,690.76	U.S.\$5,582.00
Amount of Long Term Par Bonds received (after rounding down)	€4,690.00	U.S.\$5,582.00

Example 2

A bondholder tenders U.S.\$10,000 principal amount of the USD 13.25% due 2010 (ISIN US11942XAD75). For purposes of this example only, no proration is assumed.

The total additional amount for this series of Existing Bonds is U.S.\$112.19 per 1,000 principal amount of bonds, or U.S.\$1,121.90 for the amount tendered.

In exchange for these Existing Bonds, the bondholder will receive New Bonds, based on the type and currency of New Bonds the bondholder elects to receive, in an amount to be determined as follows:

New Bond Election: U.S. dollar-denominated or euro-denominated Long Term Par Bonds

	If elect to receive euro-denominated Long Term Par Bonds	If elect to receive U.S. dollar-denominated Long Term Par Bonds
100% of principal amount of Existing Bonds	U.S.\$10,000.00	U.S.\$10,000.00
plus the additional amount	U.S.\$1,121.90	U.S.\$1,121.90
Total	U.S.\$11,121.90	U.S.\$11,121.90
Assumed currency exchange rate	divide by 1.1900	(not applicable)
Unrounded amount	€9,346.13	U.S.\$11,121.90
Amount of New Bonds received (after rounding down)	€9,346.00	U.S.\$11,121.00

New Bond Election: U.S. dollar-denominated or euro-denominated Medium Term Par Bonds

	If elect to receive euro-denominated Medium Term Par Bonds	If elect to receive U.S. dollar-denominated Medium Term Par Bonds
100% of principal amount of Existing Bonds	U.S.\$10,000.00	U.S.\$10,000.00
plus the additional amount	U.S.\$1,121.90	U.S.\$1,121.90
Total	U.S.\$11,121.90	U.S.\$11,121.90
Assumed currency exchange rate	divide by 1.1900	(not applicable)
Unrounded amount	€9,346.13	U.S.\$11,121.90
Amount of New Bonds received (after rounding down)	€9,346.00	U.S.\$11,121.00

New Bond Election: U.S. dollar-denominated or euro-denominated Discount Bonds

	If elect to receive euro-denominated Discount Bonds	If elect to receive U.S. dollar-denominated Discount Bonds
39% of principal amount of Existing Bonds	U.S.\$3,900.00	U.S.\$3,900.00
plus the additional amount	U.S.\$1,121.90	U.S.\$1,121.90
Total	U.S.\$5,021.90	U.S.\$5,021.90
Assumed currency exchange rate	divide by 1.1900	(not applicable)
Unrounded amount	€4,220.08	U.S.\$5,021.90
Amount of New Bonds received (after rounding down)	€4,220.00	U.S.\$5,021.00

FORM OF PAPER ACCEPTANCE NOTICE¹**THE PROVINCE OF BUENOS AIRES
in respect of the Existing Bonds**

This is the form of paper acceptance notice (the “Acceptance Notice”) referred to in the offering memorandum (the “Offering Memorandum”) dated October 28, 2005 of the Province of Buenos Aires (the “Province”), which describes the Province’s Offer to holders of the Existing Bonds to tender their Existing Bonds in exchange for New Bonds (each, a “Tender”) on the terms and subject to the conditions set forth in the Offering Memorandum. This Acceptance Notice forms part of the Offering Memorandum. The terms and conditions of the Offering Memorandum are incorporated by reference herein. Capitalized terms used but not defined in this Acceptance Notice shall have the same meanings given to them in the Offering Memorandum.

The Offer shall begin on November 7, 2005 (which we refer to as the “Launch Date”) and end at 4:00 P.M. (Central European Time), on December 16, 2005, unless the Province in its sole discretion extends it or terminates it earlier pursuant to the terms described in the Offer Materials.

The Offer is being extended to holders of Existing Bonds in Luxembourg and Germany on the basis of the Offering Memorandum. The Offer is also being extended on the basis of the Offering Memorandum in certain jurisdictions where the Province and the dealer manager are relying on exemptions from regulatory approval by the relevant authorities.

The Offer is also being extended to holders of Existing Bonds in Argentina and Italy on the basis of separate offering memorandums approved by the relevant regulatory authorities in these jurisdictions. Holders in Argentina and Italy should review, and make their decision to participate in the Offer, solely on the basis of the offering memorandum approved by the relevant regulatory authority in that jurisdiction, copies of which may be obtained on the Offer Website.

The Offer is only being extended where offers and solicitations are permitted by law, and only in accordance with the applicable laws, rules and regulations of the relevant jurisdiction.

The Offer being extended under the Offering Memorandum and the offers being extended on the basis of separate offering memorandums approved in the jurisdictions named above constitute one and the same Offer, subject to the same terms and conditions (as set forth in this Offering Memorandum), except as required by applicable law or as otherwise noted in the Offering Memorandum.

¹ Contact your custodian, broker, dealer, bank, trust company, trustee or other securities intermediary to obtain the necessary information and procedures on how to submit instructions to it in order to participate in the Offer. This form may not be used by clearing systems to tender Existing Bonds to the exchange agent. Only electronic acceptance notices can be used to submit tenders to the exchange agent, as described in the Offering Memorandum.

By submitting this Acceptance Notice or otherwise validly accepting the terms of the Offer, the undersigned, and (if applicable) the relevant direct participant on behalf of the undersigned, hereby acknowledge, represent, warrant and undertake to the Province, the dealer manager, the information agent, the exchange agent and the Luxembourg exchange agent, on each of the date hereof, the Expiration Date and the Settlement Date, that:

1. it has received and reviewed the Offering Memorandum in its entirety;
2. it has tendered the Existing Bonds pursuant to the Offer for the purpose of their cancellation and accepts the Offer in respect of such Existing Bonds, subject to the terms and conditions of the Offer as set forth in this offering memorandum;
3. subject to and effective upon exchange by the Province of the Existing Bonds tendered pursuant to the Offer, it irrevocably (subject to the withdrawal rights granted hereunder) and unconditionally sells, assigns and transfers to or upon the order of the Province or its nominee all right, title, interest in and to the Existing Bonds tendered by it in the Offer, and such exchange will be deemed to constitute full performance by the Province of all of its obligations under such Existing Bonds, such that thereafter it shall have, now or in the future, no contractual or other rights or claims in law or in equity with respect to its tendered Existing Bonds against the Province (or its affiliates), the trustee or fiscal agent, as the case may be, of the Existing Bonds, or any of their agents, officials, officers, employees or advisors;
4. it irrevocably waives any and all rights with respect to its tendered Existing Bonds against the Province (and its affiliates), the trustee or fiscal agent, as the case may be, in respect of the Existing Bonds, and any of their agents, officials, officers, employees or advisors, and discharges and releases any of the foregoing from any and all claims such holder may have, now or in the future, arising out of or related to the Existing Bonds tendered, including, without limitation, any claims arising from any existing, past or continuing defaults and their consequences in respect of such Existing Bonds (such as any claim that such holder is entitled to receive accrued interest or any other payment with respect to Existing Bonds tendered, other than as expressly provided for in this offering memorandum and the electronic letter of transmittal);
5. it irrevocably waives any and all rights with respect to the Offer against the Province (and its affiliates), the trustee for the New Bonds, the dealer manager, the exchange agent, the Luxembourg exchange agent, the information agent, and any of their agents, officials, officers, employees or advisors, and discharges and releases any of the foregoing from any and all claims such holder may have, now or in the future, arising out of or related to the Offer, other than as expressly provided for in this offering memorandum and the letter of transmittal;
6. all authority conferred or agreed to be conferred pursuant to its representations, warranties and undertakings and all of its obligations shall be binding upon its successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives and shall not be affected by, and shall survive, its death or incapacity;
7. it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of its participation in the Offer and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the Province, the dealer manager, the information agent, the exchange agent, the Luxembourg exchange agent, the trustee and/or fiscal agent of the Existing Bonds or any other person in respect of such taxes and payments;

8. it constitutes and appoints the exchange agent as its true and lawful agent and attorney-in-fact (with full knowledge that the exchange agent also acts as our agent) with respect to all Existing Bonds tendered, with full power of substitution, to (a) present such Existing Bonds and all evidences of transfer and authenticity to us, or upon our order, (b) present such Existing Bonds for transfer or cancellation, as necessary, (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Existing Bonds and (d) receive on behalf of such holder and beneficial owner the New Bonds issued upon and in exchange for the cancellation of the Existing Bonds;
9. it constitutes and appoints the exchange agent as its true and lawful agent and attorney-in-fact, with full power of substitution, and provides an irrevocable instruction to such attorney and agent to complete and execute all or any form(s) of transfer and other document(s) deemed necessary in the opinion of such attorney and agent in relation to Existing Bonds tendered thereby in favor of the Province or such other person or persons as the Province may direct and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's opinion and/or the certificate(s) and other document(s) of title relating to such Existing Bonds' registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance and settlement of the Offer;
10. it is a person for whom it is lawful to participate in the Offer under applicable securities laws, it has full power and authority to submit the electronic letter of transmittal, and has full power and authority to tender, sell, assign and transfer Existing Bonds tendered by it;
11. it is, and will remain until the Offer is settled, an eligible holder, as defined in the Offering Memorandum;
12. it has good and favorable title to all Existing Bonds being tendered by it, free and clear of any liens, charges, claims, encumbrances, interests rights of third parties and restrictions of any kind;
13. it will not sell, pledge, hypothecate or otherwise encumber or transfer any Existing Bonds tendered from the date of tender and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
14. it holds, and will hold, until the time of cancellation for the purpose of settlement, the Existing Bonds it has tendered blocked in the clearing system through which such securities are held and, in accordance with the requirements of such clearing system and by the deadline established by such clearing system, has taken all steps necessary to authorize the blocking of its tendered Existing Bonds with effect on and from the date its Bond Instruction (as defined in the Offering Memorandum) is received, has authorized any transfers of the Existing Bonds by the clearing systems in furtherance of cancellation and settlement and, pending any such transfers relating to cancellation and settlement of such Existing Bonds, it will not instruct or effect any transfers of such Existing Bonds;
15. its Existing Bonds are not the subject of any proceedings against the Province (or its affiliates), the trustee or fiscal agent, as the case may be, in respect of the Existing Bonds, or any of their agents, officials, officers, employees or advisors before any court or arbitral tribunal (including claims for payment of past due interest, principal or any other amount sought in connection with its tendered Existing Bonds or for compensation of lawyers' costs and court fees), except that,

to the extent that its tendered Existing Bonds are the subject of such proceedings, such holder agrees to abandon the proceedings if and to the extent that cancellation of the Existing Bonds and settlement occur pursuant to the terms of the Offer;

16. to the extent that it has obtained a judgment from any court or arbitral tribunal with respect to its tendered Existing Bonds against the Province (or its affiliates), the trustee or fiscal agent, as the case may be, in respect of the Existing Bonds, or any of their agents, officials, officers, employees or advisors (including judgments requiring any of the foregoing to make payments of past due interest, principal or any other amount sought in connection with its tendered Existing Bonds or for compensation of lawyers' costs and court fees), it hereby irrevocably waives the right to enforce such judgment against the Province (and its affiliates), the trustee or fiscal agent, as the case may be, in respect of the Existing Bonds, and any of their, agents, officials, officers, employees or advisors if and to the extent that cancellation of the Existing Bonds and settlement occur pursuant to the terms of the Offer;
17. it hereby irrevocably waives all rights awarded and any assets attached for its benefit through any prejudgment attachment ordered by any court against the Province (and its affiliates), the trustee or fiscal agent, as the case may be, in respect of the Existing Bonds, or any of their affiliates, agents, officials, officers, employees or advisors, in connection with its tendered Existing Bonds (including claims for payment of past due interest, principal or any other amount sought in connection with its tendered Existing Bonds or for compensation of lawyers' costs and court fees) if and to the extent that cancellation of the Existing Bonds and settlement occur pursuant to the terms of the Offer;
18. in evaluating the Offer and in making its decision whether to participate therein by tendering its Existing Bonds, it has made its own independent appraisal of the matters referred to herein and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to such holder by the Province, the dealer manager, the exchange agent, the information agent or any other person, other than those contained in this offering memorandum (as supplemented prior to the Expiration Date);
19. the tendering of its Existing Bonds pursuant to the Offer shall constitute an undertaking to execute any further documents, authorize any transfers of the Existing Bonds relating to the cancellation and settlement of the Offer and give any further assurances that may be required in connection with any of the foregoing, in each case on and subject to the terms and conditions set out or referred to in this offering memorandum;
20. the terms and conditions of the Offer shall be deemed to be incorporated in, and form a part of, the electronic letter of transmittal which shall be read and construed accordingly; and
21. the Province, the dealer manager, the exchange agent, the Luxembourg exchange agent and other persons will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements, and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by it by its acquisition of the New Bonds is no longer accurate, it will promptly notify the Province and withdraw its tender of Existing Bonds.

EXISTING BOND BEING TENDERED AND NEW BOND ELECTION

Existing Bond being tendered hereby:

Description _____

ISIN _____

Principal Amount _____

New Bonds Election:

Indicate your New Bonds election by making a check mark next to one of the options below:

(check only one)	New Bond	Form
	EUR Long Term Par Bond	Regulation S
	EUR Long Term Par Bond	Rule 144A
	USD Long Term Par Bond	Regulation S
	USD Long Term Par Bond	Rule 144A
	EUR Medium Term Par Bond	Regulation S
	EUR Medium Term Par Bond	Rule 144A
	USD Medium Term Par Bond	Regulation S
	USD Medium Term Par Bond	Rule 144A
	EUR Discount Bond	Regulation S
	EUR Discount Bond	Rule 144A
	USD Discount Bond	Regulation S
	USD Discount Bond	Rule 144A

..... at
(date)

.....
NAME

.....
ADDRESS

.....
SIGNATURE

Account Information

.....
FIRST NAME AND LAST NAME / Company's Name

.....
ADDRESS

.....
DOMICILE / Registered Office POSTAL CODE CITY STATE

.....
ISSUER / City STATE

Furthermore, in case of legal entities:

.....
FIRST NAME AND LAST NAME OF THE LEGAL REPRESENTATIVE

Delivery instruction for exchange consideration:

.....
NAME OF CUSTODIAN/BANK (Contact name and telephone number, if available)

.....
ACCOUNT NUMBER AND NAME AT CUSTODIAN/BANK

.....
ACCOUNT NUMBER AT DESIGNATED CLEARING SYSTEM

.....
NAME OF DESIGNATED CLEARING SYSTEM (must be provided)



**THE GOVERNMENT OF
THE PROVINCE OF BUENOS AIRES**

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