

INVEST IN CÓRDOBA

**SUMMARY OF FINANCES
AND INVESTMENT**
THIRD QUARTER 2019



Ministerio de
FINANZAS



**GOBIERNO DE
CÓRDOBA**

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PUBLIC FINANCE POSITION

BUDGETARY EXECUTION

This year's third quarter budgetary execution is strongly conditioned by the national economic crisis, which has direct implications on provincial public finances. Even in this context, **prudent and austere administration -both in terms of revenues and expenditures-** allowed the normal functioning of the public administration and to continue with the execution of infrastructure investments.

The Province's **net income** (resources available after deducting transfers to

municipalities and communes) was AR\$ 193,404 million (US\$ 4,336 million), showing a nominal increase of 43% with respect to the same period of the previous year (discounting inflation results in a drop of 7% in real terms¹). On the other hand, the **net current expenses** (provincial expenses without considering the co-participation to municipalities) were **AR\$ 168,385 million (US\$ 3,775 million)**, which implies a nominal increase of 48% year-on-year (a decrease of 3% in real terms²).

As a result, during the nine months of the year

the "net current result" was of **AR\$ 25,019 million (US\$ 561 million)**, representing 12.9% of provincial net income, a proportion higher than that observed in the 2018 budget execution. Having sustained this level of savings in such an adverse national macroeconomic context – decreasing economic activity (-2,1³%) and increasing inflation (53,5⁴%) demonstrates the sustainability of the Province's public finances.

¹ Accumulated Inflation, September 2019. Consumer Price Index, Dirección General de Estadística y Censos de Córdoba.

² Accumulated Inflation, September 2019. Consumer

Price Index, Dirección General de Estadística y Censos de Córdoba.

³ Monthly economic activity estimator, INDEC. September variation with respect to the same month

in 2018.

⁴ Consumer Price Index - INDEC. Variations in September with respect to the same month 2018.

Table 1. Summary of Income and Expenses

Millions of ARS and US\$

Concept	Accumulated value 2018		Budget	2019 Accumulated value 3rd trimester		
	\$	US\$ (5)	\$	US\$ (5)	\$	US\$ (5)
Total Income ⁽¹⁾	213.984	7.617	274.993	6.858	216.647	4.857
Automatically Distributed Resources to Municipalities and Communes ⁽²⁾	23.823	848	30.490	760	23.243	521
Net Income ⁽³⁾	190.162	6.769	244.503	6.097	193.404	4.336
Net Current Expenditure ⁽⁴⁾	168.268	5.990	222.672	5.553	168.385	3.775
Net Current Result	21.893		21.831		25.019	

Source Ministry of Finance of the Province of Córdoba. See: <https://finanzas.cba.gov.ar/ejecuciones/>

Notes

(1) Includes automatic income of national origin (Coparticipation Regime, Special Laws, Fiscal Consensus Compensation and Federal Solidarity Fund and Financial Assistance Program Decree 836/2018), provincial tax resources, non-tax income, sale of goods and services and current transfers.

(2) Includes current transfers (Provincial Co-Participation Regime Law No. 8,663, Fiscal Consensus Bonus) and capital (Compensating Fund CF, and Financial Assistance Program Decree 836/2018) to Municipalities and Communes.

(3) These are the resources available to the province once the resources automatically distributed to the Municipalities and Communes have been discounted.

(4) Net of current transfers to Municipalities and Communes as co-participation (Provincial Co-participation Regime Law No. 8,663, Fiscal Consensus Bonus)

(5) For the 2019 budget the exchange rate of the fiscal macro is taken (AR\$40.1). For budgetary executions the average of the period is taken according to BCRA Communication "A" 3500. AR\$25.18 for the accumulated value 2018 and AR\$44.60 for the accumulated value to the third quarter of 2019.

DEBT

The stock of provincial debt⁵ at the end of the third quarter was US\$ 2,726 million (AR\$156,976 million), without any new debt issuance during the period. Likewise, the payment of amortizations during the period, which accumulated US\$54 million (AR\$3,125 million), has been completed on time and in due form.

The provincial debt stock is equivalent to 66% of the total estimated revenues for the year 2019, however, considering the maturity of the debt services and the projection of resources of the Province, it is observed that the payment of interest and amortizations is equivalent on average to 4.4% of the revenues to be received until 2027.

⁵Banco Nacion's sell Exchange rate is applied at 30/09/2019.

MORE NEWS

SUB-SOVEREIGN BONDS OF ARGENTINA

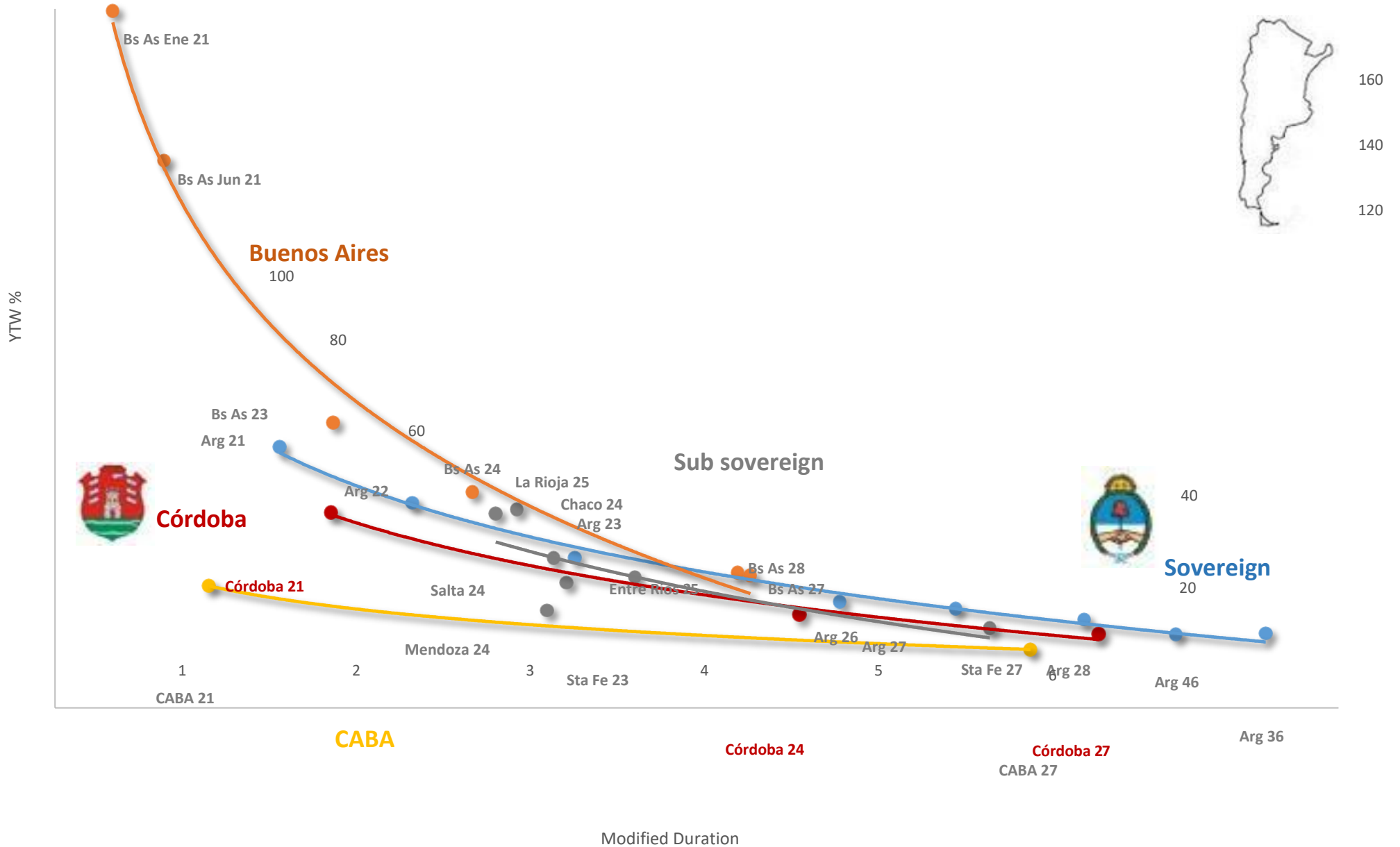
The recent strong devaluation of the Argentine peso last August led to downgrades in the country's sovereign debt rating, which had negative impact on sub-national governments as well. In the case of [Moody's Investors Service](#), the rating agency lowered Cordoba's score from B2 to B1 in the last rating report of September 2019. According to Moody's, Cordoba's the current ratings of the Province of Cordoba mainly reflect the size and diversity of its economy and the sustainability of provincial finances,

considering the broad base of own revenues. Moody's report mentions Cordoba's strengths, which include the prosperity of the local economy and its tax collection capability, and its weaknesses: credit challenges due to moderate levels of debt and its operating environment, given by the economic volatility of the country.

Cordoba's emissions show better prices and yields in comparison to the Sovereign, the province of Buenos Aires and the rest of the Argentine provinces, while the yields of the

Autonomous City of Buenos Aires show their performance and track record in the capital market. According to Fix SCR last update report - published in September 2019-, long-term debt on a national scale (AA- "arg") implies a very solid credit quality with respect to other issuers or issues in the country, while short-term debt on a national scale (A1 "arg") indicates the most solid capacity to pay commitments on time with respect to other issuers or issues in the same country.

Graph 1. Yield Curve for Sovereign and Sub Sovereign Bonds



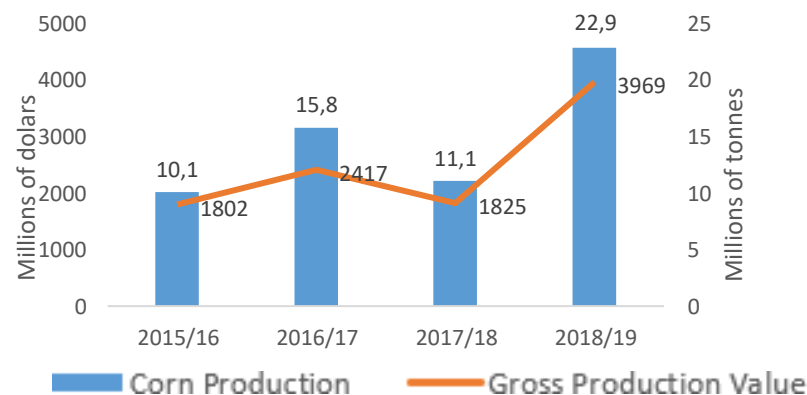
CORN HARVEST REACHED RECORD LEVELS

According to [Bolsa de Cereales de Córdoba](#) (Cordoba Grain Exchange) **the corn harvest reached a historical record at both provincial and national levels.** Crop cultivation reached 2.78 million hectares, 22% more than season 17/18, the previous season. The area harvested reached a record of 2.53 million hectares, increasing 45% compared to the previous cycle where there were losses due to drought. In addition, the lost area was the smallest since the 2014/15 season. The weighted average yield for the whole Province in the current season was 90.7 quintals per hectare. This value

is 42% higher than that recorded in the previous cycle where the yield was 63.7 quintals, and exceeds the previous record of 80.6 quintals recorded in 2016/17.

In total, Cordoba produced 22.94 million tonnes in the last season. This is 106% more than the previous season and 98% more than the 2007/2019 average. In conclusion, **Cordoba produced twice as much corn than it normally harvests.** This impacts on its share in the national total since **40% of Argentine corn was harvested in Cordoba** and its production had a gross value of 3,969 million dollars.

Graph 2. Corn Production and Gross Value of Production in Cordoba



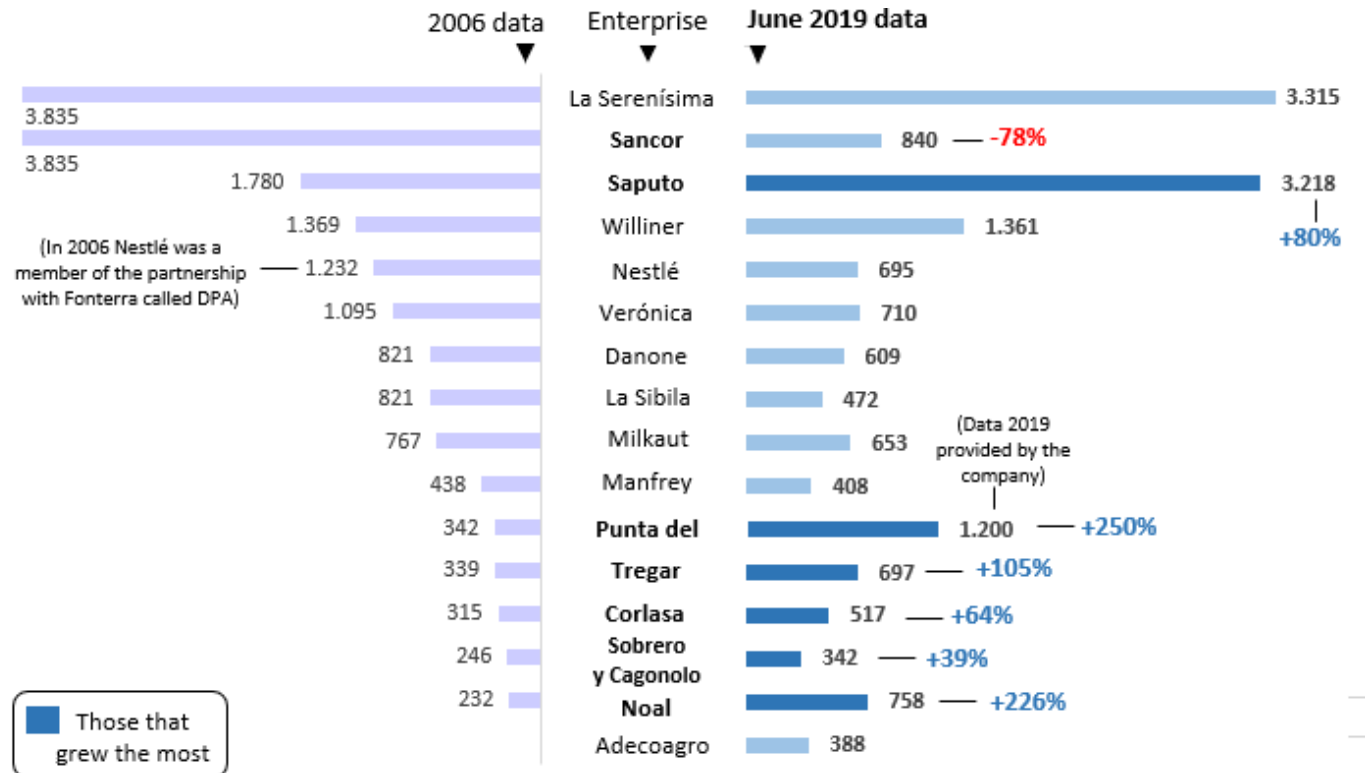
Source: Bolsa de Cereales de Córdoba.

CORDOBA AS THE NUCLEUS OF INVESTMENTS IN THE DAIRY CHAIN

Even though the dairy industry is in crisis, Cordoba is one of the few exceptions where various dairy firms have been able to grow in recent years. According to a report prepared by [La Voz newspaper](#), there has been a profound change in the dairy market in the last 13 years since the crisis and restructuring of *Sancor*. This situation allowed other companies to gain market share in the dairy market. Many of the growing dairy companies have production in Cordoba, such as: Saputo, Punta del Agua, Sobrero and Cagnololo, Noal and Adecoagro. These companies were the most successful in milk production in the 2006 and 2019 period, ranking among the 15 largest companies to the dairy sector in the country. The one that leads the growth ranking is Punta del Agua, which currently receives 1.2 million liters of milk, and begins to gain ground behind large and historic multinationals such as La Serenísima and Saputo.

Two investments made in Cordoba's dairy industry also stand out. On the one hand, the company Savaz, from Ucacha, inaugurated the only plant in the country, with 2.000 m², which exclusively produces blue cheese, with the aim of exporting to Brazil and Russia. On the other hand, a small company from Villa María area, Grupo Mharnes, is building a megatambo where one thousand cows will be milked, generating 30 thousand litres a day.

Graph 3. Evolution of processing liters of milk per day, by company (thousands of liters)



Source: Observatory of the Dairy Chain (Oda)

THE SOFTWARE INDUSTRY IN CORDOBA INCREASES ITS TURNOVER AND JOBS

According to [Cordoba Cluster Technology](#), through the ICT Statistical Monitor carried out by Economic Trends, Cordoba's software industry is constantly growing. This is accompanied by initiatives aimed at increasing the amount

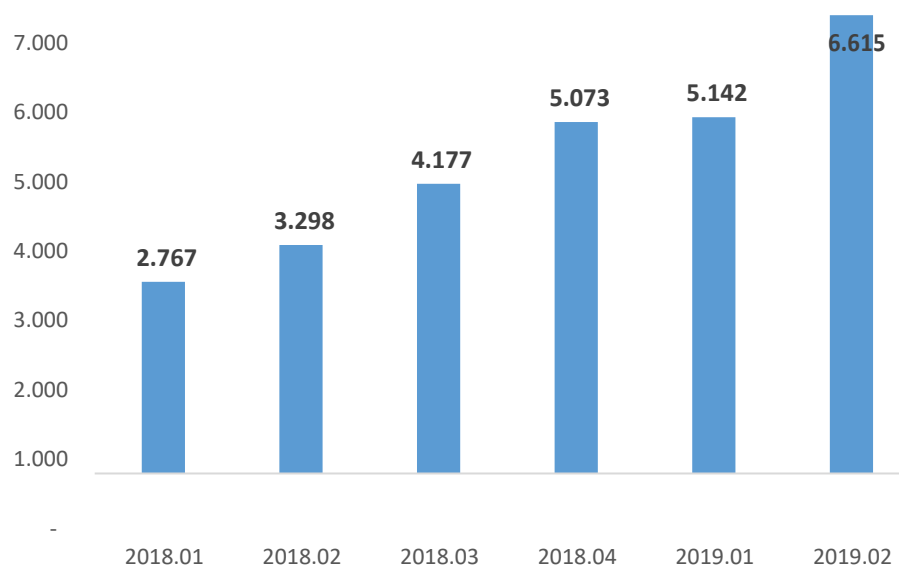
of qualified human resources in the industry. **The report shows that in the first half of 2019 Cordoba's software companies revenue reached US\$ 282 million, increasing 0.5% compared to the same period last year.** In current prices, revenue reaches AR\$ 11,757 million; and, discounting inflation, it increased 25.5% compared to

the first semester of 2018. In addition, revenues generated by foreign sales experienced a 25% increase in the second quarter of 2019.

Another positive milestone in the software industry is **the number of human**

resources employed, which increased by 15% between July 2018 and July 2019. Currently, Cordoba's software companies employ 11,265 workers. In order to encourage and increase staffing, the Province carries out various actions.

On the one hand, *PROA Schools* were implemented, which aim to complement secondary education with specific knowledge. In addition, the *CLIP Program* was recently launched in order to create 1,000 new employment opportunities and improve the competitiveness of companies that develop software in the Province.



**Graph 4. Revenue in millions of pesos of technology companies in Cordoba
(quarters; AR\$ million)**

Source: Córdoba Technology Cluster.

NEW TECHNOLOGY AND AT THE INTERNATIONAL AIRPORT AND MORE PASSENGERS FOR CORDOBA

[Empresa Argentina de Navegación Aérea](#) (Eana), state company depending on the National Ministry of Transport in charge of providing airports with technology, is working to improve Cordoba's International Airport's capacity to operate in adverse weather conditions. EANA plans to invest AR\$600 million in meteorological, communication and radar equipment, between March and June 2020, which will make it possible to operate with higher fog levels and reduced vision of pilots.

According to [Aerolíneas Argentinas](#), there was a 22% increase in seat occupation bound

for Cordoba. By the end of 2019, flights to the Province will reach 2,330,000 seats, 420,000 more than in 2018. The company now carries 81% more passengers than in 2015 and operates 170 weekly frequencies. According to Luis Malvido, president of

Aerolíneas Argentinas, operations in Cordoba are very profitable. *Aerolíneas* is also working on the development of small cargo transport and aircraft repair service for third parties. The company estimates to reach benefits of 100 million dollars for these services in the next five years.

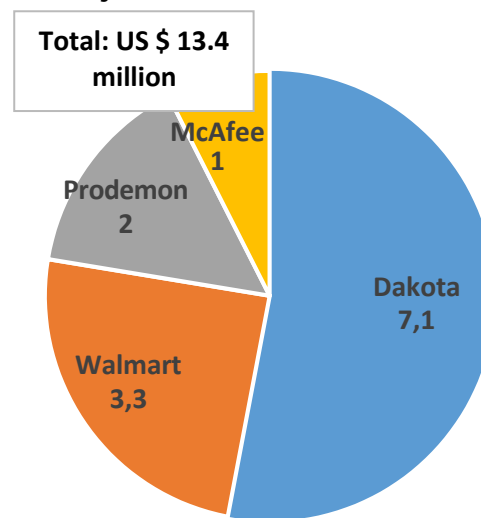


BY THE THIRD QUARTER OF 2019, CORDOBA HAD ACCUMULATED INVESTMENT ANNOUNCEMENTS FOR \$61.5 MILLION

According to data from *Agencia Argentina de Inversiones y Comercio Internacional* (Argentine Investment and International Trade Agency) during the third quarter of 2019, four new investment projects worth US\$ 13.4 million were announced in Cordoba (Graph 5). **In sum, during the year 2019, investment announcements in Córdoba reached US\$ 61.5 million.**

The most important investment plan was announced by the development and real estate firm Dakota, which will invest US\$ 7.1 million in the development of Nobu Housing, a complex of houses and apartments. The second most relevant investment project is Walmart's, with an investment of US\$ 3.3 million as part of its investment in the opening of its first wholesale store. Then there is Promedon, a company dedicated to medical solutions, with US\$ 2 million and McAfee, a cyber-security company that will expand its offices in Cordoba and invest US\$ 1 million.

Graph 5: Investment Projects Announced in the Third Quarter of 2019



Source: Agencia Argentina de Inversiones y Comercio Internacional

NEW INVESTMENTS IN THE INDUSTRIAL PARK OF RIO CUARTO

Cordoba's government granted fund for infrastructure works in the Rio Cuarto Industrial Park and industrial promotion benefits to a local company. AR\$ 5 million were given to the Asociación Civil Parque Industrial Río Cuarto for the construction of gutters, drains and paving of the entrance blocks to the industrial park.

In addition, Alimentos Santa Rosa received the certificate that allows it to enjoy the tax benefits included in Law 9,727 of

Industrial Promotion for Small Enterprises. The agro-industrial company is dedicated to the production of soybean expeller and vegetable oils and is a supplier of large industries in the poultry sector, feedlots, pigs and food manufacturing for all types of farm and domestic animals. This provincial promotion action is complemented by AR\$18.5 million given to Alimentos Santa Rosa, that will invest in a technological innovation project based on a redesign of the productive process of soybean oil extraction.

ALAYA CAPITAL PARTNERS INVESTS \$22 MILLION IN FOUR LOCAL PROJECTS

[Alaya Capital Partners](#), Cordoba's entrepreneurial investment fund, will support four local projects as part of its diversification plan. Alaya is a venture capital fund that works with private contributions that fund technology-based ventures in exchange for shares.

Alaya allocated US\$ 370.7 thousand, or AR\$ 22 million, to four projects in Cordoba. This is carried out in conjunction

with the Córdoba Innovar y Emprender Agency of the Government of the Province of Cordoba, which provides AR\$ 5.5 million within the framework of the Córdoba Acelera Program.

The four projects include Kilimo, an application that uses Big Data to give irrigation recommendations to producers; Agropago, a platform that allows businesses, industries and agricultural

producers to charge and pay online with all rural credit cards, digitizing a form of payment; Mobbex, a Plug and Play platform that integrates all means of payment into a single solution; and BikeU, a project based on a fixed bicycle that recycles plastics and transforms them into granules for industry.

CODESUR INVESTS \$50 MILLION IN RIO TERCERO

The development company [Codesur](#) announced that it will invest US\$50 million in the development of a real estate project in Rio Tercero. This includes 147 duplex houses, 450 houses and 550 apartments that will be carried in around 7 and 8 years.

The firm confirmed that it has already made progress by making a US\$10 million dollars purchase of the La Justina

complex, a neighborhood of 50 hectares south of Río Tercero. The company has already began with the construction of the first 22 houses. The plan includes 20-year funding for customers with an average monthly payment of AR\$ 15 thousand.

In addition, Codesur operates in the rest of the Province. In Rio Cuarto, a 17-story building was built and expanded into Villa Maria and the City of Cordoba. They

currently have several projects underway, investing US\$ 20 million in Rio Cuarto, US\$ 10 million in Cordoba and US\$ 4 million in Villa María. Although most of the investment are private, they also have participation in public works such as some provincial schools. The firm has 200 direct employees and another 150 indirect workers.

TRAIN FREIGHT GROWS 46% IN CORDOBA

In the context of a recovery experienced by rail transport, cargoes originating in the Province or destined for some local industrial destination are growing in volume. So far this year, the *Belgrano* and *San Martín Cargas* railway lines, operated by the state-owned company [Trenes Argentinos Cargas](#), have transported 733,366 tons from Cordoba. This value represents an increase of 46% over the same period in 2018 in which 503,955 tons were moved.



In addition to grain transportation services, with cargo places in different locations, the company operates auto parts loads for Renault Argentina. This cargoes originate in the ports of Rosario and Retiro station in Buenos Aires and the destination is the plant located in the neighborhood of Santa Isabel. "With this flow a synergy is achieved with the exporter Cono Agropecuaria. The containers of the Belgrano Line that go to Cordoba with auto parts, return loaded with chickpeas that are exported through the ports of Rosario", according to the company.

In 2019, Trenes Argentinos Cargas has transported 13,395 tons of auto parts, leaving 4,425 from Retiro and 8,979 from Rosario. According to company data,

these figures show a growth of 81% compared to 2015. Last August, the Belgrano line resumed loading soybeans in Deán Funes due to the maintenance of rails, wagons and cleaning.

According to the *Bolsa de Comercio de Rosario*, rail transport can save 50 percent compared to transport by truck. For a distance of 550 kilometers to the port, the agreed rate for the truck is located at the beginning of the year at 55 cents of a dollar per ton kilometer, while the transfer by rail oscillates between 25 cents. Finally, the state-owned company is carrying out four works in Cordoba to improve 48 kilometers of tracks belonging to the San Martín line, which implies an investment of AR\$ 116 million.

SMALL CORDOBA COMPANY TO SUPPLY VACA MUERTA

The [Lucaal SRL](#) factory, located in Las Varillas, began producing metal openings and structures 50 years ago. Recently, they sold YPF a machine used to carry out fracking, a technique used in *Vaca Muerta*, an oil field deposit located in Neuquén, to "fracture" stone. This is explained by the company's growth in recent years and its star products: asphalt processing plants with their ovens, tanks and hoppers. What YPF bought is a rotary kiln with natural gas burners, which is used to dry the sand needed to extract unconventional oil.

"It was the derivation of this equipment that allowed us to enter a new niche that has potential in *Vaca Muerta*", commented Darío

Arese Sturm, commercial director of Lucaal. Although it is not the first sale of the company to the area of *Vaca Muerta*, it is the first operation with YPF. However, the commercial director indicated that this business kicked off so that other companies of *Vaca Muerta* analyze the advantages of buying a national product instead of imported ones from Germany.

Lucaal employs 17 people directly and 15 indirectly; the factory has 4,000 m² covered and two years ago it was added a property of half an apple that helps the manufacturing process of equipment. With the exception of engines and other minor parts, 95% of the parts are domestically manufactured.

THE PROVINCE OF CORDOBA OBTAINED A RATING OF 9.80 FROM UNITED NATIONS FOR THE IMPLEMENTATION OF MODERNIZATION PROJECTS

During August 2019, the Minister of Finance, Osvaldo Giordano, received the visit of authorities and technicians from the United Nations Development Program in Argentina (UNDP), and the National Ministry of Foreign Affairs with whom he analyzed the development and progress in Cordoba modernization project implemented with the assistance of the organizations mentioned before.

“If I had to give it a grade today, **it would be 9.80**”, said René Valdés, representative of the UNDP, regarding the progress of the state modernization project that the Province is implementing with the assistance of this international organization.



The initiative undertaken by the Ministry of Finance together with UNDP aims to **consolidate a modern provincial state, promoting the integration of different management areas and**

promoting interaction and inclusion of citizens through safer and more transparent mechanisms of access to information and participation in matters of public interest.

UNDP Resident Representative René Valdés, who led the delegation, highlighted the possibility of working with the Government of Cordoba and the possibility of extending this local

experience to the national level. "One of the axes of action of UNDP revolves around innovation while seeking economic growth without losing sight of the social and environmental dimension," said Valdés.

IPJ WILL GRANT ID'S TO NEW CORPORATIONS

The *Inspección de Personas Jurídicas* (IPJ), entity responsible for the supervision of legal entities in Cordoba, will start granting the CUIT (Unique Tax Identification Code) – the ID of legal entities- to new corporations, civil associations and foundations with legal domicile in the jurisdiction of the Province of Cordoba.

The CUIT application mechanism will be done through IPJ's website, which will then forward the procedure to the AFIP, the national tax recollection agency. This agency, will generate the CUIT



and enable the Electronic Tax Address for the new taxpayer.

This new procedure should be highlighted as it contributes to establish new mechanisms that simplify procedures and promote the use of new information and communication technologies. It adapts existing procedures ensuring security and speed through the modernization of the public sector. Cordoba is making progress in this process of modernizing the State in order to generate a more efficient and agile public administration.

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