

First-Quarter 2017

Stable Outlook

Approximately 94% of Fitch Ratings' Argentine corporate portfolio has been assigned a Stable Outlook as of March 2017, while 6% has a Negative Outlook. This is a slight improvement from year-end 2016 when 87% of companies had a Stable Outlook and 13% had a Negative Outlook. Argentina's Stable Outlook balances the expectation that macro variables and external liquidity will keep improving, but politics continue to pose a risk as the policy shift underway may not be hold through economic and electoral cycles.

Economic Recovery Lies Ahead

The Argentine economy contracted 2.3% in 2016 as tariff hikes, the Argentine peso depreciation, high inflation and resulting real wage losses weighed on consumption. Fitch expects the economy to recover with a 2.8% GDP growth in 2017 as consumption rebounds, real wages improve as inflation moderates, and consumer lending accelerates. Improving fiscal policy will provide further impulse as revenues from tax amnesty will provide hikes to pensions and capital spending. Fitch expects inflation to fall considerably but end the year above the 12%–17% official target the central bank had set in an effort to strengthen monetary policy credibility and predictability.

Manageable Capital Structures

Argentine corporates have maintained relatively conservative leverage. Leverage is manageable, and more so now that companies have access to capital markets to refinance local short-term debt with longer-term debt. The median total adjusted debt/EBITDA and net debt/EBITDAR were 2.9x and 2.5x, respectively, as of Dec. 31, 2016. Material deviations will be mostly related to inflationary pressures and Argentine peso depreciation.

Increasing Amount of Issuers

Since the end of 2015 an additional eight Argentinean companies have issued in the international capital market. Fitch's Argentine corporates rating portfolio has increased from 11 companies in 2015 to 16 companies as of March 31, 2017. Fitch had four new ratings in 2016, consisting of Albanesi S.A., Cablevision S.A., Celulosa Argentina S.A. and Compania General de Combustibles S.A. This has been an active year with three new ratings and two withdrawals YTD, including first-time issuers Pampa Energia S.A., Gennea S.A. and AES Argentina Generacion S.A., and the rating affirmation and withdrawals of Central Puerto S.A. and Medanito S.A.

High FX Risk

The proportion of USD-denominated debt as opposed to ARS is increasing as companies are refinancing local debt with international issuances after an absence from international capital markets for several years. For some companies, almost 100% of debt is denominated in USD, while most of the portfolio's revenues are in local currencies. Oil, gas and electric companies are mainly the companies with USD-linked revenues.

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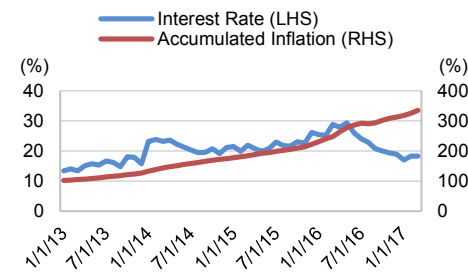
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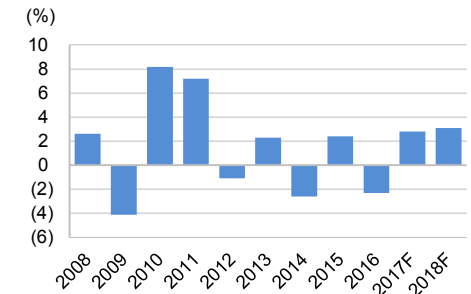
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Inflation and Interest Rate



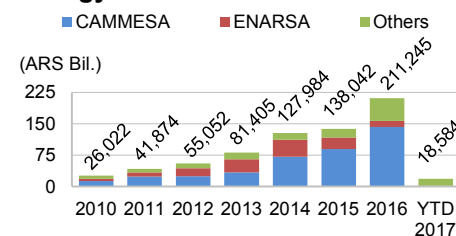
Note: Inflation rate shown is for city of Buenos Aires. Macri administration reviewing calculation of national inflation done under previous administration. Source: Banco Central de la República Argentina, Gobierno de la Ciudad de Buenos Aires.

Argentine Real GDP Growth



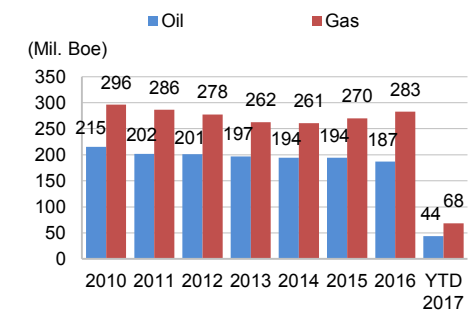
F – Forecast. Source: Fitch.

Energy Sector Subsidiaries



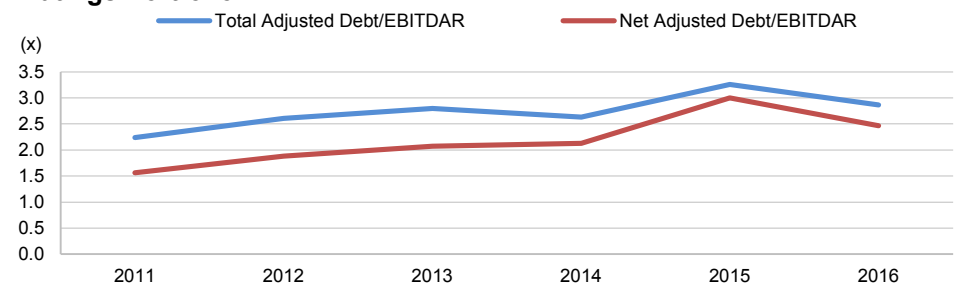
CAMMESA – Compania Administradora del Mercado Mayorista Electrico S.A.
ENARSA – Energia Argentina S.A.
Source: Asociacion Argentina de Presupuesto y Administracion Financiera Publica.

Oil and Gas Production



Boe – Barrels of oil equivalent. Source: Ministerio de Energia y Minería, Fitch.

Median Leverage — Fitch's Argentine Corporate International Ratings Portfolio



Source: Company reports, Fitch.

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