

Province of Chubut

The Province of Chubut's (Chubut; CC) Standalone Credit Profile (SCP) of 'cc' reflects Fitch Ratings' expectations that the actual debt service coverage ratio (ADSCR) will remain below 1x in the next 12 months in Fitch's scenario horizon. The province faces maturity concentration of its Bocade bonds in 2025 to 2027. For 2025, the first quarterly instalment of approximately USD32 million in capital and interest payments is due by January 2025. The bonds count with pledged royalties' revenues as collateral. Chubut's rating considers the current context of macroeconomic vulnerability, history of high volatility in operating margins and a high share of dollar-denominated debt. Fitch relied on its rating definitions to position the province's SCP and ratings.

Key Rating Drivers

Risk Profile – Vulnerable: The assessment reflects Fitch's view that there is a very high risk of the issuer's ability to cover debt service with the operating balance weakening unexpectedly over 2024 to 2026 due to lower revenue, higher expenditures or an unexpected rise in liabilities or debt service requirements.

Risk Profile Derivation Summary: All Argentine local and regional governments (LRGs) have a 'Vulnerable' risk profile captured in Fitch's 'Weaker' key risk factors (KRF) assessment. Argentine LRGs operate in a context of a weak institutional revenue framework and sustainability, high expenditure structures and tight liquidity and foreign exchange (FX) debt risks.

Financial Profile – 'a' category: Chubut's Financial Profile assessment improved to 'a' from 'bb' in the previous annual review due to a significant improvement in operating margins. The primary metric of the financial profile, the payback ratio, is projected at 8.0x for 2025 under Fitch's rating case, which is aligned with the 'aa' category. The secondary metric, the ADSCR, is projected at 0.9x in 2025, which is aligned with the 'b' category. Fitch applies an override to the overall financial profile given the significantly weaker coverage ratio. The fiscal debt burden is projected at 61.9% in 2025.

Operating margins strengthened to 19.2% in 2023 from 13.7% in 2022, driven by increased revenues from royalties and tax collection. The performance of royalties was influenced by the change in Argentina's pricing approach to oil, which is now more aligned with international markets. In terms of expenditure, operating expenditure (opex) grew by 116.2% in 2023, which is below the average annual inflation rate of 127.9%.

Fitch expects that pressures to adjust salaries to the lagged effects of inflation and the less benign revenue environment will bring operating margins to 7.8% by 2025. After a sizable devaluation of the Argentinean peso in the beginning of Milei's mandate, the government has adopted a crawling peg, with the peso depreciating at a lower rate when compared to inflation. Therefore, royalty growth should be below inflation in 2024 to 2025, considering the real appreciation of the peso and a small but gradual reduction in production volumes.

Public Finance

Local and Regional Governments

Argentina

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on www.fitchratings.com.

Ratings

Foreign Currency

Long-Term IDR CC

Local Currency

Long-Term IDR CC

Debt Ratings

Senior Secured Debt - Long-Term Rating CC

Issuer Profile Summary

The Province of Chubut is located in the Patagonian region of Argentina, where socioeconomic indicators tend to be better than the national average. The province is in a strategic geographic position and is the country's largest oil-producing province. The province has a total population of approximately 590 thousand or 1.3% of the national population.

Financial Data Summary

(ARS mil.)	2023	2025 ^{rc}
Payback ratio (x)	6.3	8.0
Actual coverage (x)	1.6	0.9
Fiscal debt burden (%)	120.8	61.9
Net adjusted debt	653,249	2,340,837
Operating balance	103,816	293,243
Operating revenue	540,970	3,779,282
Debt service	65,482	309,980

rc – Fitch's rating-case scenario.

Source: Fitch Ratings, Fitch Solutions, Province of Chubut

Applicable Criteria

[International Local and Regional Governments Rating Criteria \(August 2024\)](#)

Related Research

[Fitch Affirms Province of Chubut, Argentina's IDRs at 'CC' \(November 2024\)](#)

Analysts

Fabio Bittar
+55 11 4504 2206
fabio.bittar@fitchratings.com

Diego Estrada
+52 81 4161 7079
diego.estrada@fitchratings.com


Rating Synopsis


Province of Chubut LT IDR Derivation Summary

KRF Attribute	Key Risk Factors (KRF)						Risk Profile	Financial Profile Assessments				Standalone Credit Profile (SCP)	From SCP to LT IDR						
	Revenue		Expenditure		Liabilities & Liquidity			Primary metric	Secondary metrics		Financial Profile Score		Intergovernmental lending	Ad hoc support	Sovereign Rating	LT IDR Outlook			
	Robustness	Adjustability	Sustainability	Adjustability	Robustness	Flexibility		Payback Ratio (x)	Actual DSCR (x)	Fiscal Debt Burden (%)									
Stronger							Stronger	High Midrange	aaa	aaa	aaa	aaa	aaa			AAA	AAA		
									aaa	aaa	aaa	aaa	aa+			AA+	AA+		
												aa	aa	aa	aa	aa	AA	AA	
												aa	aa	aa	aa	aa-	AA-	AA-	
												a+	a	a	a	A+	A+	A	A
Midrange							Midrange	Low Midrange					a	a	a	a	bbb+	BBB+	
														bbb	bbb	bbb	bbb	BBB	BBB
														bbb-	bbb-	bbb-	BBB-	BBB-	
														bb+	bb	bb	BB+	BB+	
														bb	bb	bb	BB	BB	
Weaker							Weaker	Vulnerable	bbb	bbb	bbb	bbb	bb-	b+	b	BB-	BB-		
														b-	b	B	B	B	B
														b	b	B	B	B	B
														b-	b	B	B	B	B
														ccc+	ccc	ccc	CCC+	CCC+	CCC
									b	b	b	b	ccc-	cc	cc	CCC-	CCC-	CC	CC
													c			C	C	C	C

Higher Influence KRF

Lower Influence KRF

 Higher Influence KRF

 Lower Influence KRF

Source: Fitch Ratings

The six KRFs, combined according to their relative importance, collectively represent the risk profile of the LRG. risk profile and financial profile assessments, which measures the LRG's debt burden and debt service requirements amid a reasonable economic or financial downturn over the rating horizon, are combined in a SCP. The SCP, together with some additional factors not captured in SCP, such as extraordinary support or rating caps, produces the Issuer-Default Ratings (IDR).

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- A reduction in the perceived refinancing risk, combined with an improvement in the liquidity position and debt service coverage above 1.0x in Fitch's rating case.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Signs of deeper liquidity stress that could compromise debt repayment capacity in the short term, including evidence of increased refinancing risk in both local and foreign currency debt, as well as any regulatory restrictions on access to FX.
- Indications of any credit event that reflects a near-default situation, including a distressed debt exchange (DDE) under Fitch's rating definitions.

Issuer Profile

Argentine LRGs operate in a macroeconomic environment of high inflation and currency depreciation. Moreover, subnational GDP per capita ratios can be misleading, as purchasing power constantly erodes in a high-inflation environment. Economic volatility is a structural characteristic of Argentina's weak economy. Most of Argentina's GDP is concentrated in the city of Buenos Aires (CBA; B-/Stable). CBA is the capital and represents approximately 20.6%

of the country's GDP. The surrounding province generates an additional 31.7% of the national GDP. Both entities together represent more than half the country's economic activity.

The rest of the provinces have relatively small and weak economies with small populations, aside from Cordoba (CCC+) and Santa Fe (B-/Stable). Other provinces are concentrated on hydrocarbon activities, such as Chubut and Neuquen (CC). There have been no homologous provincial GDP figures since 2004. We therefore estimate local GDPs using the Economic Commission for Latin America and the Caribbean's estimate of the provincial percentage share of GDP, considering that local economies remain small, weak and underdeveloped.

Chubut is located in the Patagonian region in the south of Argentina, where socioeconomic indicators tend to be better than the national average. Chubut is in a strategic geographic position, with natural scenery and tourist attractions, including access to the Atlantic Ocean. Its economy is mainly service-based and one of the country's least diversified. According to 2006 estimates, nearly one-quarter of its output was generated by mining and petroleum. Chubut is the country's largest oil-producing province.

Socioeconomic Indicators

	Issuer	Sovereign
Population, 2022 (million)	0.6	46.1
GDP per capita, 2022E (USD)	18,295.0	13,725.0
Avg. Annual Population Growth (2010-2022)	1.2	1.2
Unemployment rate, 2Q24 (%)	3.6 ^a	7.6

^aData for the urban conurbation of Comodoro Rivadavia – Rada Tilly, which is the most important for Chubut in economic terms and population size. There is also data for the urban conurbation of Rawson-Trelew, which reported unemployment rate of 9%.
 Source: Fitch Ratings, national statistics, Province of Chubut

Risk Profile Assessment

Risk Profile: 'Vulnerable'

Fitch assesses Province of Chubut's risk profile at 'Weaker', reflecting the combination of assessments:

Risk Profile Assessment

Revenue robustness	Revenue adjustability	Expenditure sustainability	Expenditure adjustability	Liabilities & liquidity robustness	Liabilities & liquidity flexibility	Implied operating environment score	Risk profile
Weaker	Weaker	Weaker	Weaker	Weaker	Weaker	Bb	Vulnerable

Source: Fitch Ratings

Revenue Robustness: 'Weaker'

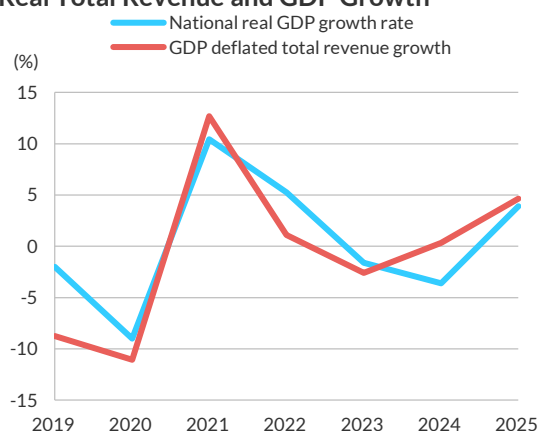
The 'Weaker' assessment of this KRF considers the province's local revenue dependency on the hydrocarbon sector – a highly cyclical economic activity – and the country's complex and imbalanced fiscal framework for LRGs.

Chubut's revenue structure highlights moderate fiscal autonomy, reliance on cyclical oil and gas royalties and transfers from a 'CC' sovereign. The more balanced revenue composition relative to Argentine peers is undermined by the dependency on commodity sales, which is highly cyclical.

Transfers represented on average of 42.3% operating revenues between 2021 and 2023. Interim data for June 2024 indicates the ratio decreased to 38.7% in the first semester, reflecting the overall performance of national GDP as well as the discontinuation of some discretionary transfers by the federal government. The overall effect over operating revenues has been offset by the performance of local tax collections and royalties.

Chubut is heavily dependent on the oil sector, with royalties representing 25.3% of operating revenues on average in 2021 to 2023. The favorable performance of royalties in the last year was driven by the change in Argentina's pricing approach to oil, which has become more aligned with international markets. Nonetheless, the positive trend is not expected to continue. After a sizable devaluation of the peso in the beginning of Milei's mandate, the government has adopted a crawling peg, with the peso depreciating at a lower rate when compared to inflation. Therefore, royalties' growth should be below inflation in 2024 to 2025, considering the real appreciation of the peso and a small but gradual reduction in production volumes.

Real Total Revenue and GDP Growth



Source: Fitch Ratings, Province of Chubut

Revenue Breakdown, 2023

	Operating revenue (%)	Total revenue (%)
Taxes	24.0	23.4
Royalties	24.4	23.8
Transfers	41.7	40.7
Other operating revenue	9.8	9.6
Operating revenue	100.0	97.5
Interest revenue	-	0.6
Capital revenue	-	1.8
Total revenue	-	100.0

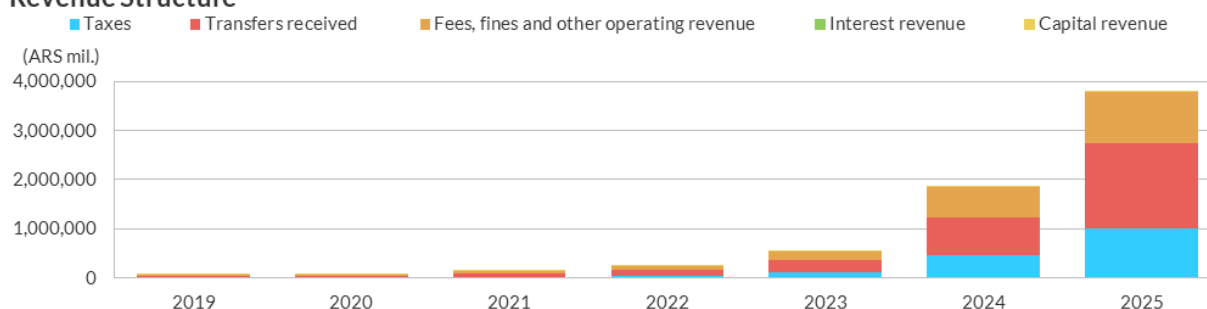
Source: Fitch Ratings, Fitch Solutions, Province of Chubut

Revenue Adjustability: 'Weaker'

Fitch perceives local revenue adjustability for Argentine LRGs as low and challenged by the country's large and distortive tax burden, as well as high inflation that affects affordability.

The negative macroeconomic environment further limits the subnational's ability to increase tariffs and expand the tax base to boost local operating revenues. Structurally high inflation also constantly erodes real-term revenue growth and affects affordability. In its rating case, Fitch expects operating revenues to increase below the average inflation rate for 2023 to 2025.

Revenue Structure

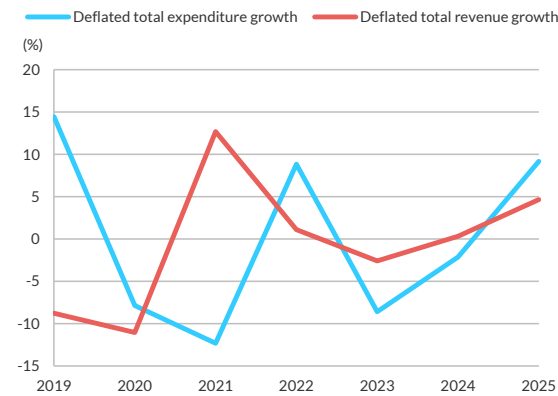


Source: Fitch Ratings, Province of Chubut

Expenditure Sustainability: 'Weaker'

Argentine provinces have high expenditure responsibilities, including healthcare, education, security, social security and inter-urban transportation. The country's fiscal regime is structurally imbalanced due to revenue-expenditure decentralization, which leads to Fitch's 'Weaker' assessment of its expenditure sustainability.

Chubut's budgetary performance has been volatile over the years due to its commodity-based economy and high inflationary environment. Operating margins averaged 10% between 2019 and 2023, but ranged from a minimum of -5.5% in 2020 to a maximum of 20.4% in 2021. The high inflationary environment leads to constant pressures to adjust wages, its main expenditure item. Still, as of 2023, opex was 12.3% below the level recorded in 2017. The province has committed to wage adjustments in 2024 that should lead to real growth of opex in 2024. Fitch estimates the province's operating balance will average 8.6% for 2024 to 2026.

Real Total Expenditure and Revenue Growth


Source: Fitch Ratings, Province of Chubut

Expenditure Breakdown, 2023

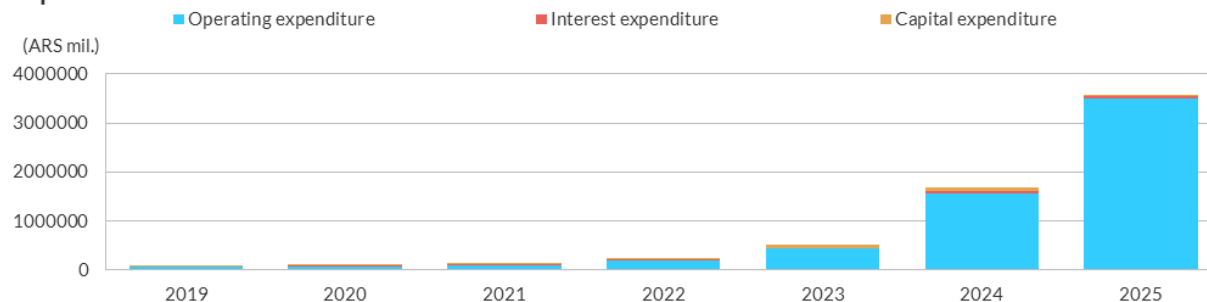
	Operating expenditure (%)	Total expenditure (%)
Staff Cost	72.5	61.6
Goods and Services	10.1	8.6
Transfers to Other Budgets	16.9	14.4
Other operating expenditure	0.4	0.4
Operating expenditure	100.0	84.9
Interest expenditure	-	3.9
Capital expenditure	-	11.2
Total expenditure	-	100.0

Source: Fitch Ratings, Fitch Solutions, Chubut

Expenditure Adjustability: 'Weaker'

Argentine subnational's infrastructure needs and expenditure responsibilities are high, with low leeway or flexibility to cut expenses. National capital expenditure (capex) is low and insufficient to translate capex burdens to LRGs. Fitch views the flexibility to cut expenses for the province as weak relative to international peers.

Chubut's capex-to-total expenditure ratio averaged at 10.2% for 2019 to 2023. As of 2023, staff costs corresponded with 61.6% of total expenditures, translating into high expenditure rigidity for the province. This further limits the province's ability to perform expenditure cuts. Chubut reports one of the highest ratios of personal expenditures to total expenditures among Argentine provinces.

Expenditure Structure


Source: Fitch Ratings, Province of Chubut

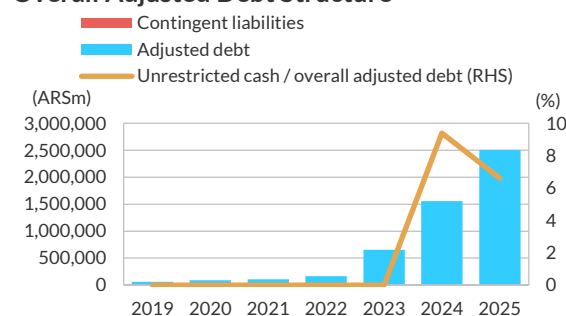
Liabilities and Liquidity Robustness: 'Weaker'

There is a weak national framework for debt and liquidity management and an underdeveloped local financial market, which led Argentine LRGs to issue debt in foreign currency, causing a structural reliance on external markets for financing.

Chubut's direct debt totalled ARS649 billion at year-end (YE) 2023. Approximately 64% of debt is denominated in foreign currency. Exposure to FX risk and capital controls are a significant fragility of Argentine LRGs.

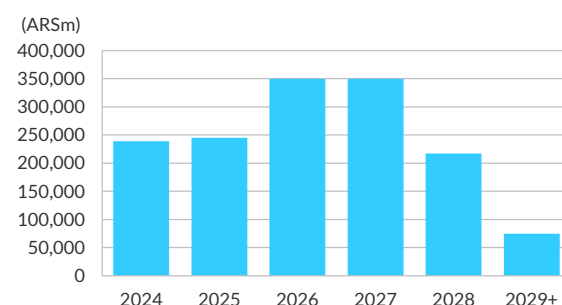
There is significant maturity concentration from 2024 to 2028. The DDE of Chubut's senior secured bonds created some fiscal space for 2021 to 2022, but starting in 2023 capital repayments became more sizable. The province will perform capital payments of USD100 million annually for its foreign bonds between 2024 and 2027 and USD78 million in 2028. These bonds count on pledged royalty revenues as collateral. The province made capital payments of USD100 million in 2024 with the last quarterly installment made as of October 26, 2024. There were also extraordinary amortizations of USD3 million triggered by high coverage ratios, per the bond agreement.

Overall Adjusted Debt Structure



Source: Fitch Ratings, Province of Chubut

Debt Maturity Profile



Source: Fitch Ratings, Province of Chubut

Liabilities and Liquidity Flexibility: Weaker

Fitch perceives the Argentine national framework in place for liquidity support and funding available to subnationals as 'Weaker', as there are no formal emergency liquidity support or bail-out mechanisms. National capital controls are another risk captured in the liquidity flexibility assessment, as the imposition of exchange regulations could ultimately affect LRGs' ability to fulfil their financial obligations. Argentine provinces rely mainly on their own unrestricted cash for liquidity.

Debt Analysis

	2023
Fixed rate (% of direct debt)	20
Debt in foreign currency (% of direct debt)	65
Apparent cost of debt (%)	5

Source: Fitch Ratings, Province of Chubut

Financial Profile Assessment

Financial Profile: 'a' category

Financial Profile Score Summary

	Primary Metric	Secondary Metrics	
	Payback Ratio (x)	Coverage (x)	Fiscal debt burden (%)
aaa	$X \leq 5$	$X \geq 4$	$X \leq 50$
aa	$5 < X \leq 9$	$2 \leq X < 4$	$50 < X \leq 100$
a	$9 < X \leq 13$	$1.5 \leq X < 2$	$100 < X \leq 150$
bbb	$13 < X \leq 18$	$1.2 \leq X < 1.5$	$150 < X \leq 200$
bb	$18 < X \leq 25$	$1 \leq X < 1.2$	$200 < X \leq 250$
b	$X > 25$	$X < 1$	$X > 250$

Note: Yellow highlights show metric ranges applicable to Issuer

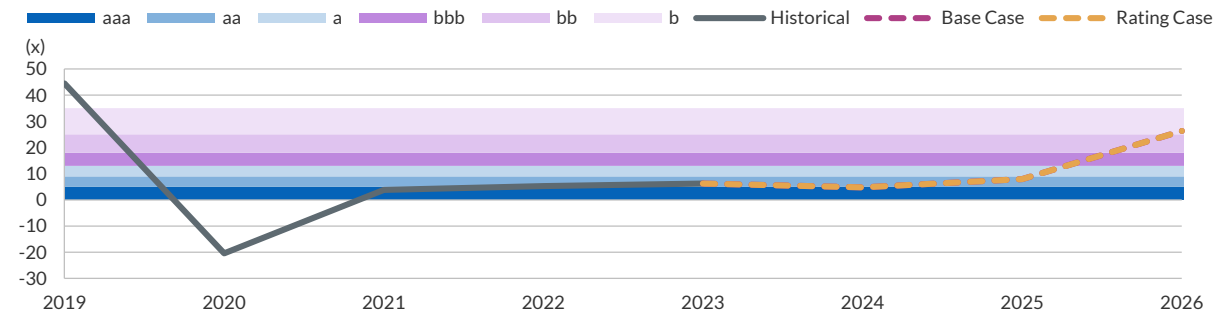
Source: Fitch Ratings

Chubut's Financial Profile assessment improved to 'a' from 'bb' in the previous annual review due to a significant improvement in operating margins. The primary metric of the financial profile, the payback ratio, is projected at 8.0x for 2025 under Fitch's rating case, aligned with the 'aa' category. The secondary metric, the ADSCR, is projected at 0.9x in 2025, aligned with the 'b' category. Fitch applies an override to the overall financial profile given the significantly weaker coverage ratio. The fiscal debt burden is projected at 61.9% in 2025.

Operating margins strengthened to 19.2% in 2023 from 13.7% in 2022, driven by increased revenues from royalties and tax collection. The performance of royalties was influenced by the change in Argentina's pricing approach to oil, which is now more aligned with international markets. In terms of expenditure, opex grew by 116.2% in 2023, below the average annual inflation of 127.9%.

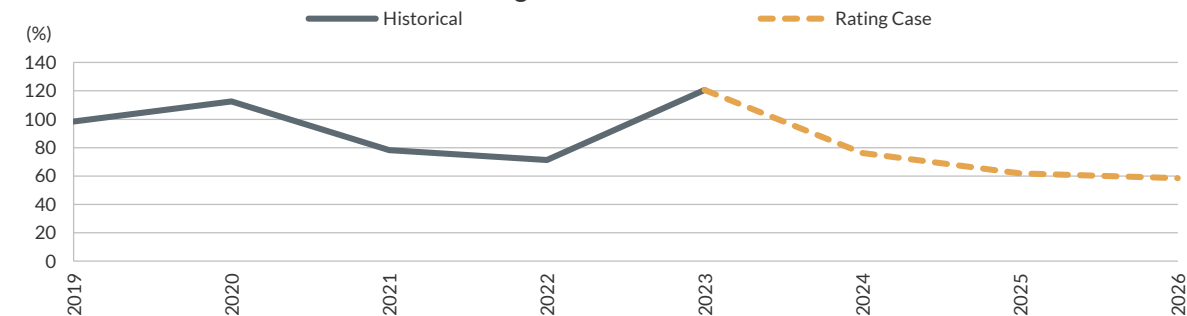
Fitch expects that pressures to adjust salaries to the lagged effects of inflation and the less benign revenue environment will bring operating margins down to 7.8% by 2025. Following a sizable devaluation of the peso in the beginning of Milei's mandate, the government has adopted a crawling peg, with the peso depreciating at a lower rate compared to inflation. Therefore, royalty growth should be below inflation from 2024 to 2025, considering the real appreciation of the peso and a small but gradual reduction in production volumes.

Overall Payback Ratio - Fitch's Base and Rating Case Scenarios



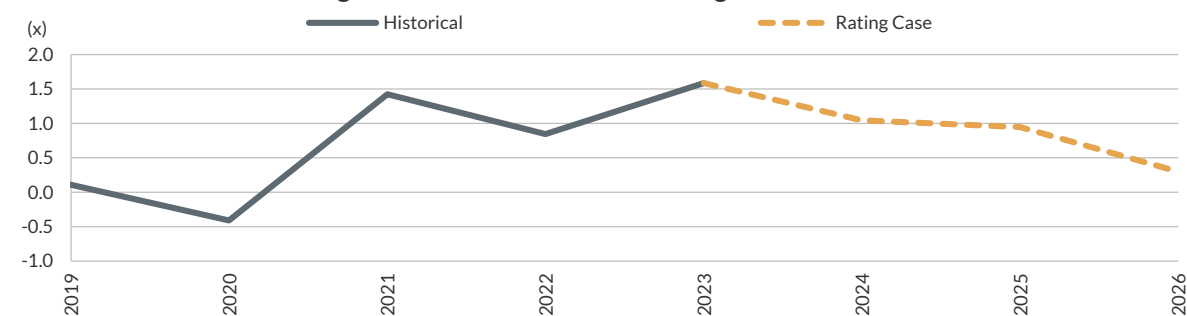
Source: Fitch Ratings, Province of Chubut

Fiscal Debt Burden - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, Province of Chubut

Actual Debt Service Coverage Ratio - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, Province of Chubut

Scenario Assumptions Summary

Assumptions	5-year historical average	2024-2026 average	
		Base case	Rating case
Operating revenue growth (%)	60.0	117.9	117.9
Tax revenue growth (%)	63.9	128.5	128.5
Current transfers received growth (%)	68.0	126.7	126.7
Operating expenditure growth (%)	67.4	132.2	132.2
Net capital expenditure (average per year; mil.)	-18,219	-42,097	-42,097
Apparent cost of debt (%)	7.7	3.2	3.2

Outcomes	2023	2026	
		Base case	Rating case
Payback ratio (x)	6.3	26.3	26.3
Overall payback ratio (x)	6.3	26.3	26.3
Actual coverage ratio (x)	1.6	0.3	0.3
Synthetic coverage ratio (x)	1.7	0.5	0.5
Fiscal debt burden (%)	120.8	58.6	58.6

Source: Fitch Ratings, Province of Chubut

SCP Positioning and Peer Comparison

Analytical Outcome Guidance

Risk profile			Financial profile			
Stronger	aaa or aa	a	bbb	bb	b	
High Midrange	aaa	aa	a	bbb	bb	b
Midrange		aaa	aa	a	bbb	bb or below
Low Midrange			aaa	aa	a	bbb or below
Weaker				aaa	aa	a or below
Vulnerable					aaa	aa or below
Suggested analytical outcome (SCP)	aaa	aa	a	bbb	bb	b

Source: Fitch Ratings

Peer Comparison

	Risk Profile	Financial Profile Score	SCP	Extraordinary Support	Sovereign Rating	LT IDR	National Rating
Province of Chubut	Vulnerable	a	cc	n.a.	CC	CC	n.a.
Province of Neuquen	Vulnerable	b	cc	n.a.	CC	CC	n.a.
Municipality of Cordoba	Vulnerable	aa	cc	n.a.	CC	CC	n.a.
Province of Cordoba	Vulnerable	aa	ccc+	n.a.	CC	CCC+	n.a.
Kaduna State	Vulnerable	bb	b	n.a.	B-	B-/Positive	AA-(nga)
State of Rio de Janeiro	Weaker	b	ccc-	n.a.	BB	BB/Stable	AAA(bra)

Source: Fitch Ratings

Long Term Rating Derivation

From SCP to LT IDR: Factors Beyond the SCP

SCP	Sovereign LT FC IDR	Support			Rating Cap	Leeway above Sovereign (notches)	LT FC IDR
		Intergovern. Financing	Ad hoc Support	Floor			
cc	CC	-	-	-	-	-	CC

Source: Fitch Ratings, Chubut

The 'cc' SCP results from the application of the Lower Speculative Grade rationale in Fitch's International Local and Regional Government Rating Criteria. Fitch qualitatively assesses the province's risk of default and the remaining margin of safety based on overall performance and guided by rating definitions. The 'cc' SCP indicates that Chubut has a very high level of credit risk and a default of some kind appears probable, particularly if there are indications that a default or a distressed debt exchange is likely to occur in the next 12 months.

The SCP considers comparison with peers, including the Provinces of Neuquen and Salta (CC). Fitch does not apply any asymmetric risk or extraordinary support from the upper-tier government. Fitch classifies Chubut as a type B LRG, as it covers debt service from cash flow annually.

Transaction and Securities

Chubut's USD650 million step-up senior secured notes due in 2030 (Bocade notes) are rated 'CC'. The bonds are rated at the same level as the province's IDRs. These bonds are secured by pledged royalty revenues as collateral.

ESG Considerations

Chubut has an ESG Relevance Score of '4' for Rule of Law, Institutional & Regulatory Quality, Control of Corruption due to the negative effect the weak regulatory framework and national policies of the sovereign have over the province, which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

Chubut has an ESG Relevance Score of '4' for Biodiversity and Natural Resource Management due to the province's significant economic and financial exposure to the hydrocarbon sector, which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

Chubut has an ESG Relevance Score of '4' for Creditor Rights. Chubut concluded its DDE in December 2020 and complied with negotiated terms throughout 2021 to 2024. The DDE continues to weigh on its credit profile and is relevant to the rating, which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Appendix A: Financial Data

Province of Chubut

(ARS Mil.)	2019	2020	2021	2022	2023	2024rc	2025rc	2026rc
Fiscal performance								
Taxes	15,473	17,831	31,534	54,361	129,964	458,514	1,014,232	1,549,747
Transfers received	24,227	35,593	56,764	101,943	225,608	777,444	1,719,706	2,627,711
Fees, fines and other operating revenues	23,131	25,596	48,199	78,009	185,398	615,484	1,045,343	1,420,377
Operating revenue	62,830	79,020	136,497	234,312	540,970	1,851,442	3,779,281	5,597,835
Operating expenditure	-61,440	-83,385	-108,678	-202,227	-437,154	-1,556,267	-3,486,038	-5,473,080
Operating balance	1,390	-4,365	27,818	32,085	103,816	295,175	293,243	124,755
Interest revenue	1,028	736	835	1,839	3,510	8,009	5,000	0
Interest expenditure	-5,847	-4,351	-6,648	-10,873	-19,821	-44,026	-64,869	-68,437
Current balance	-3,429	-7,980	22,005	23,051	87,505	259,158	233,374	56,318
Capital revenue	1,350	1,500	3,501	5,710	10,096	7,903	7,903	7,903
Capital expenditure	-7,082	-8,251	-14,091	-26,155	-57,670	-90,000	-30,000	-30,000
Capital balance	-5,732	-6,752	-10,590	-20,446	-47,574	-82,097	-22,097	-22,097
Total revenue	65,208	81,256	140,832	241,860	554,576	1,867,354	3,792,184	5,605,738
Total expenditure	-74,369	-95,988	-129,417	-239,255	-514,644	-1,690,293	-3,580,907	-5,571,517
Surplus (deficit) before net financing	-9,162	-14,732	11,415	2,605	39,932	177,061	211,277	34,221
New direct debt borrowing	10,481	17,229	13,435	20,794	29,202	135,943	53,078	75,580
Direct debt repayment	-6,866	-6,208	-12,885	-27,150	-45,662	-239,018	-245,111	-349,795
Net direct debt movement	3,616	11,022	550	-6,356	-16,460	-103,075	-192,033	-274,215
Overall results	-5,546	-3,710	11,965	-3,751	23,471	73,986	19,244	-239,994
Debt and Liquidity								
Short-term debt	2,330	303	318	0	0	0	0	0
Long-term debt	55,974	83,548	101,290	162,994	649,164	1,552,131	2,502,197	3,200,897
Intergovernmental debt	0	0	0	0	0	0	0	0
Direct debt	58,304	83,851	101,608	162,994	649,164	1,552,131	2,502,197	3,200,897
Other fitch-classified debt	3,512	5,172	5,310	4,223	4,086	4,086	4,086	4,086
Adjusted debt	61,816	89,024	106,918	167,217	653,249	1,556,217	2,506,283	3,204,983
Guarantees issued (excluding adjusted debt portion)	0	0	0	0	0	0	0	0
Majority-owned GRE debt and other contingent liabilities	0	0	0	0	0	0	0	0
Overall adjusted debt	61,816	89,024	106,918	167,217	653,249	1,556,217	2,506,283	3,204,983
Total cash, liquid deposits, and sinking funds	1,702	0	0	0	0	146,202	165,445	-74,549
Restricted cash	1,702	0	0	0	0	0	0	0
Unrestricted cash	0	0	0	0	0	146,202	165,445	-74,549
Net adjusted debt	61,816	89,024	106,918	167,217	653,249	1,410,015	2,340,838	3,279,532
Net overall debt	61,816	89,024	106,918	167,217	653,249	1,410,015	2,340,838	3,279,532
Enhanced net adjusted debt	61,816	89,024	106,918	167,217	653,249	1,410,015	2,340,838	3,279,532
Enhanced net overall debt	61,816	89,024	106,918	167,217	653,249	1,410,015	2,340,838	3,279,532
Memo: (%)								
Debt in foreign currency/direct debt	81	72	68	68	65	-	-	-
Issued debt/direct debt	85	75	80	80	82	-	-	-
Floating interest rate debt/direct debt	15	36	20	20	80	-	-	-

rc – Rating case.

Source: Fitch Ratings, Province of Chubut

Appendix B: Financial Ratios

Province of Chubut

	2019	2020	2021	2022	2023	2024rc	2025rc	2026rc
Fiscal performance ratios (%)								
Operating balance/operating revenue	2.2	-5.5	20.4	13.7	19.2	15.9	7.8	2.2
Current balance/current revenue	-5.4	-10.0	16.0	9.8	16.1	13.9	6.2	1.0
Operating revenue annual growth	38.1	25.8	72.7	71.7	130.9	242.2	104.1	48.1
Operating expenditure annual growth	84.7	35.7	30.3	86.1	116.2	256.0	124.0	57.0
Surplus (deficit) before net financing/total revenue	-14.1	-18.1	8.1	1.1	7.2	9.5	5.6	0.6
Surplus (deficit) before net financing/GDP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total revenue annual growth	36.1	24.6	73.3	71.7	129.3	236.7	103.1	47.8
Total expenditure annual growth	70.8	29.1	34.8	84.9	115.1	228.4	111.9	55.6
Debt ratios								
Primary metrics								
Payback ratio (x) (Net adjusted debt to operating balance)	44.5	-20.4	3.8	5.2	6.3	4.8	8.0	26.3
Enhanced payback ratio (x)	44.5	-20.4	3.8	5.2	6.3	4.8	8.0	26.3
Overall payback ratio (x)	44.5	-20.4	3.8	5.2	6.3	4.8	8.0	26.3
Enhanced overall payback ratio (x)	44.5	-20.4	3.8	5.2	6.3	4.8	8.0	26.3
Secondary metrics								
Fiscal debt burden (%) (Net debt-to-operating revenue)	98.4	112.7	78.3	71.4	120.8	76.2	61.9	58.6
Synthetic debt service coverage ratio (x)	0.2	-0.6	2.9	1.9	0.0	0.0	0.0	0.0
Actual debt service coverage ratio (x)	0.1	-0.4	1.4	0.8	1.6	1.0	0.9	0.3
Other debt ratios								
Liquidity coverage ratio (x)	0.5	-0.4	1.4	0.8	1.6	1.0	1.4	0.7
Direct debt maturing in one year/total direct debt (%)	4.0	0.4	0.3	0.0	0.0	0.0	0.0	0.0
Direct debt (annual % change)	59.4	43.8	21.2	60.4	298.3	139.1	61.2	27.9
Apparent cost of direct debt (interest paid/direct debt) (%)	12.3	6.1	7.2	8.2	4.9	4.0	3.2	2.4
Revenue ratios (%)								
Tax revenue/total revenue	23.7	21.9	22.4	22.5	23.4	24.6	26.8	27.7
Current transfers received/total revenue	37.2	43.8	40.3	42.2	40.7	41.6	45.4	46.9
Interest revenue/total revenue	1.6	0.9	0.6	0.8	0.6	0.4	0.1	0.0
Capital revenue/total revenue	2.1	1.9	2.5	2.4	1.8	0.4	0.2	0.1
Expenditure ratios (%)								
Staff expenditure/total expenditure	66.5	70.7	60.5	61.4	61.6	-	-	-
Current transfers made/total expenditure	10.0	10.7	14.4	14.7	14.4	-	-	-
Interest expenditure/total expenditure	7.9	4.5	5.1	4.5	3.9	2.6	1.8	1.2
Capital expenditure/total expenditure	9.5	8.6	10.9	10.9	11.2	5.3	0.8	0.5

rc – Rating case.

Source: Fitch Ratings, Province of Chubut

Appendix C: Data Adjustments

Net Adjusted Debt Calculations

Chubut's direct debt totaled ARS649,164 million as of December 2023. Fitch assumes all available cash is restricted.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Copyright © 2024 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.