

REPUBLIC OF ARGENTINA

COMMUNIQUE

The Process of Debt Restructuring

During the last eighteen months, Argentina's economic team struggled to address the multiple urgent needs provoked by the worst economic and political crisis in the nation's history. Throughout this trying process, the Argentine government has continued to acknowledge the need to deal with its obligations to bondholders.

The Government of Argentina understands that there is a need to establish a process to restructure its debt and to resume normal relations with creditors throughout the world as soon as possible. Argentina is also fully aware that such a process had to begin with vigorous efforts to restore macroeconomic stability and engage in a dialogue with the IMF and other multilateral organizations with a view to developing an economic program that would lead to renewed growth.

Steady progress has been made: economic growth has accelerated, the peso has strengthened, bank deposits have increased, the "Corralon" has been lifted and federal and provincial quasi-monies are being redeemed. Argentina has also renewed its dialogue with its investors through meetings in Buenos Aires, the United States, Italy, Japan, England, Germany and Switzerland and through other less formal communications.

Following the outcome of the last Presidential elections, President Nestor Kirchner has reappointed Roberto Lavagna as Minister for both Economy and Production and Guillermo Nielsen as Secretary of Finance, in charge of debt negotiations. Sebastian Palla, former Chief of Staff of the Secretary of Finance, has been promoted to the position of Undersecretary of Finance, and Leonardo Madcur, former Undersecretary of Finance, has been promoted to the position of Secretary of Coordination of the Ministry. This assures full continuity in Argentina's efforts to develop a regular dialogue with its creditors throughout the world with the objective of restoring its financial creditworthiness.

To facilitate communications, a thorough process of identification of bondholders has been undertaken by Argentina's financial advisor, Lazard Freres (registration of bond holdings may be made at Argentina.bondholders@lazard.fr)

As Argentina identifies and talks to its creditors throughout the world, it expects to learn about their expectations, and to share with them information about the Republic's own situation. The important message that Argentina wishes to deliver to its creditors is that it intends to offer each and every bondholder equitable treatment, whether such bondholder is an individual or an institution, and regardless of whether such bondholder belongs to a bondholders' group or association.

To accelerate this consultative process, and help design the ultimate debt restructuring proposals, Argentina will put together a number of creditors' consultative groups in relevant markets. Membership in these groups should meet certain criteria, including ability to speak for and be representative of a particular investor base, and potential for contributing to a constructive dialogue.

Argentina currently expects to disclose the names of the participants in these groups in the first part of July.

Creditors' consultative groups will reflect the structure and geographical distribution of Argentina's international bond debt. As far as retail investors are concerned, the largest constituencies are concentrated in Italy, Germany, Japan and Argentina. One institutional creditor group will also be created with both US and European representative institutions.

Argentina does not intend to pay fees to any bondholder group, nor to favor any group over another in any way.

Parallel to the organizational efforts described above, Argentina is presently determining its medium-term debt payment capacity. This will take into account a number of policy measures to be taken by the new Government, which will form part of the economic program for which Argentina will negotiate support from the IMF.

Once Argentina's debt sustainability will have been assessed, debt restructuring proposals will be prepared and discussed with the consultative groups in order to best address the needs and expectations of the Republic's various categories of creditors. A more definitive menu of options of equivalent economic value will evolve from these discussions, all with objective of announcing the outlines of the restructuring proposal by September 23rd in Dubai, on the occasion of the annual meeting of the IMF and the World Bank.

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