

Description of the Process of Debt Restructuring

During the last year, Argentina's economic team struggled to address the multiple urgent needs provoked by the worst economic and political crisis in the nation's history. Never once throughout this trying process, did the Argentine government deny its obligations to bondholders or seek to repudiate the legal contracts in respect of our debt—even when defending itself in suits brought by creditors.

We understood that there was a need to establish a process to restructure our debt and to regularize our relationship to our creditors throughout the world. We also understood that such a process had to begin with our vigorous efforts to restore macroeconomic stability and engage in dialogue with the IMF and other multilateral organizations with a view to developing an economic program that would lead to growth and credibility for our country.

The initial phase of the process is one on which we have made steady progress. We have addressed the problems of our financial system and are in the process of restoring growth to our economy. We also engaged in initial dialogue with our investors through meetings in Buenos Aires, the United States, Europe and Japan and through other less formal communications. Protracted negotiations with the IMF and the depth of the macroeconomic crisis strained our resources to

the point where we were not able to maintain the frequency and quality of contact with our creditors that we would have liked. We had originally hoped that negotiations with the IMF could have been concluded in August of last year, at which point we would have been in a position to address our relations with our external creditors with sufficient time to reach a solution with our creditors within the duration of the current administration. When negotiations were extended into January of this year, we were hindered in our ability to reach out meaningfully to our creditors.

We are now in a better position to develop a regular dialogue with our creditors throughout the world and have undertaken a thorough process of identification of our creditors. To help Argentina with this phase, we have hired a financial advisor, Lazard Freres, which has already begun work. Today we are accompanied by Michele LaMarche and Pierre Denis, Managing Directors of Lazard Freres, and Raul Arrazcaeta, head of the Latin American Business Group in Lazard's New York office. Among other tasks, Lazard will establish a database of investors. This important step is not an easy one when you consider that Argentina has a large and varied investor base including many retail investors. We are also accompanied by our lawyers Roger Thomas and Carmen Corrales from Cleary Gottlieb, who historically have represented Argentina and who have extensive experience in sovereign debt restructurings.

As part of the process of dialogue, we expect to have a series of ongoing meetings and discussions with our creditors in the relevant markets. During this initial round of meetings, we are speaking with U.S investors, and, next week, with Japanese investors. In the next few weeks, we have organized meetings in Paris and Italy, and we will be organizing meetings in Frankfurt and other European centers shortly thereafter.

As we identify and talk to our creditors throughout the world, we expect to learn a great deal about their needs and expectations. We also expect to share information about our own situation with them. The important message that we want to get across to our creditors is that we would like to treat each and every one with fairness.

As we proceed with this phase of meetings and consultations, we will work our creditors to put together a number of coordination groups in relevant markets to design the ultimate debt restructuring proposal. We believe that membership in these groups should meet certain criteria.

These criteria include the ability of a potential member to speak for or exemplify a particular investor base, such potential member's credibility with other investors, the willingness of such a potential member to abide by the

confidentiality and related requirements for membership, and the contribution that such a potential member may offer to a constructive dialogue.

As we move toward the point in time when we will design potential proposals for restructuring, we will be carrying out the parallel exercise of determining our resources available for debt service. Our goal will be to arrive at proposals that (1) will offer the best treatment possible to our creditors, in light of our needs and resources, while (2) guaranteeing the sustainability of Argentine debt over time and assuring the basis for growth and stability of Argentina. Our objective is to restore our country to full economic health and ultimately return to the capital markets. For these reasons, our interest is in a consensual process that will bring Argentina out of the current debt crisis with the greatest expediency possible.

Once we have arrived at consensus with the coordination groups regarding a menu of options that address the needs of our various creditors, we would extend those offers to our creditors throughout the world. As you know, Argentine bonds have been issued in various forms and subject to various governing laws and procedures. As such, our approach to a restructuring of our external debt will necessarily have to take into account the terms and conditions of our different classes of bonds while respecting intercreditor equity.

As I speak to you today, Argentina's economy is in the process of stabilizing and we have reached an interim agreement with the IMF and other multilateral creditors. Nevertheless, many challenges remain—economic, social and political. In the coming weeks, Argentines will elect a new president. That president's administration will be responsible for concluding the process of renegotiating and restructuring Argentina's debt that we will carry on with you in the weeks to come. Resolving our external debt problem is a matter of national priority and the process we have now embarked on will be continued in the new administration.

I trust that over the coming weeks we can make real progress in terms of the dialogue and debt restructuring process I have outlined for you today.