

Argentina's Restructuring Guidelines

September 22, 2003

Secretariat of Finance
Ministry of Economy and Production



Agenda

- Medium Term Economic Framework
 - Macroeconomic assumptions
 - Fiscal assumptions
- Restructuring Principles
 - Key restructuring principles
 - Eligible debt
- Guidelines for a Proposal
- Syndicate Structure
- Timetable

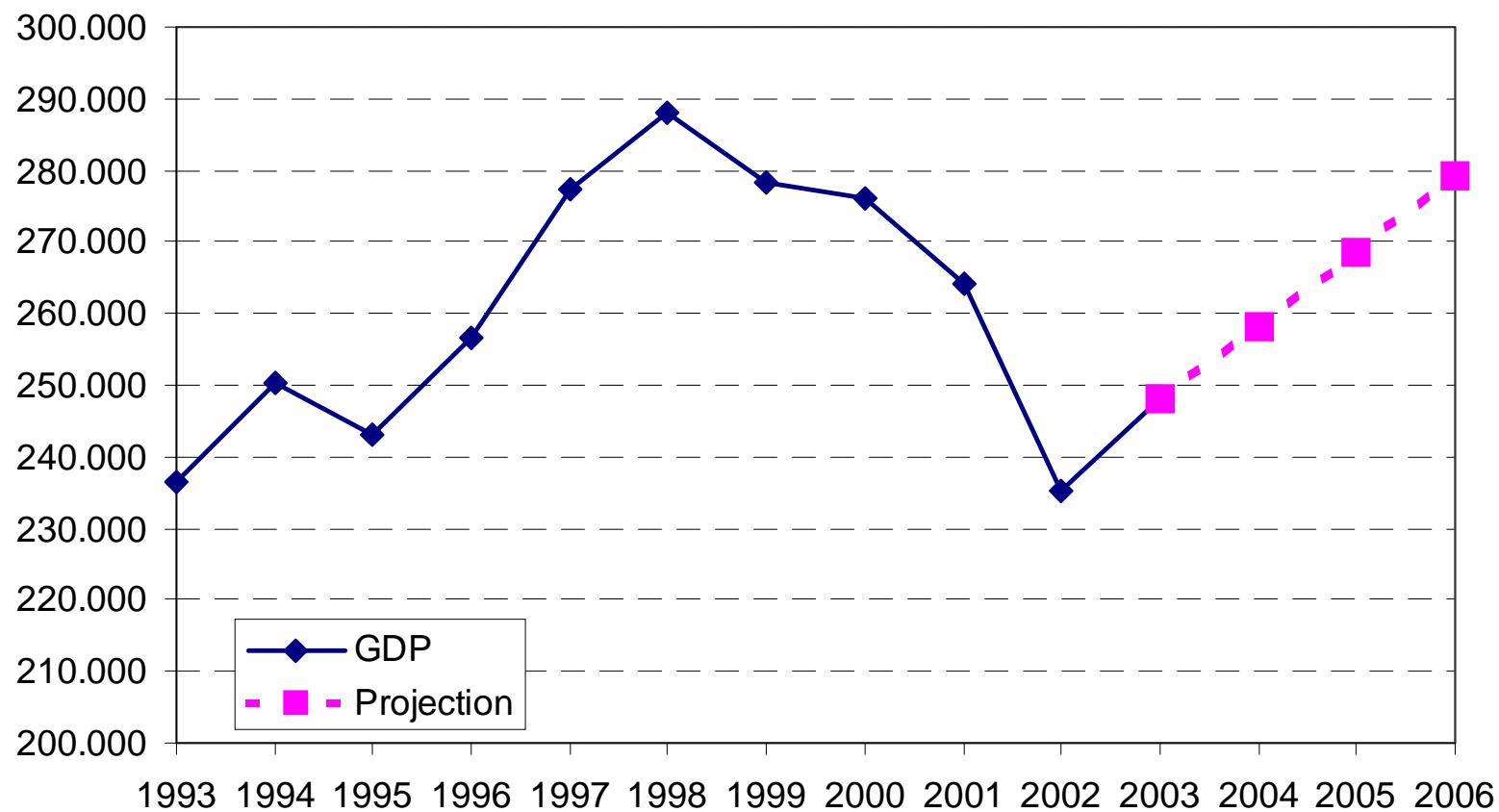


*Medium Term
Macroeconomic Framework*

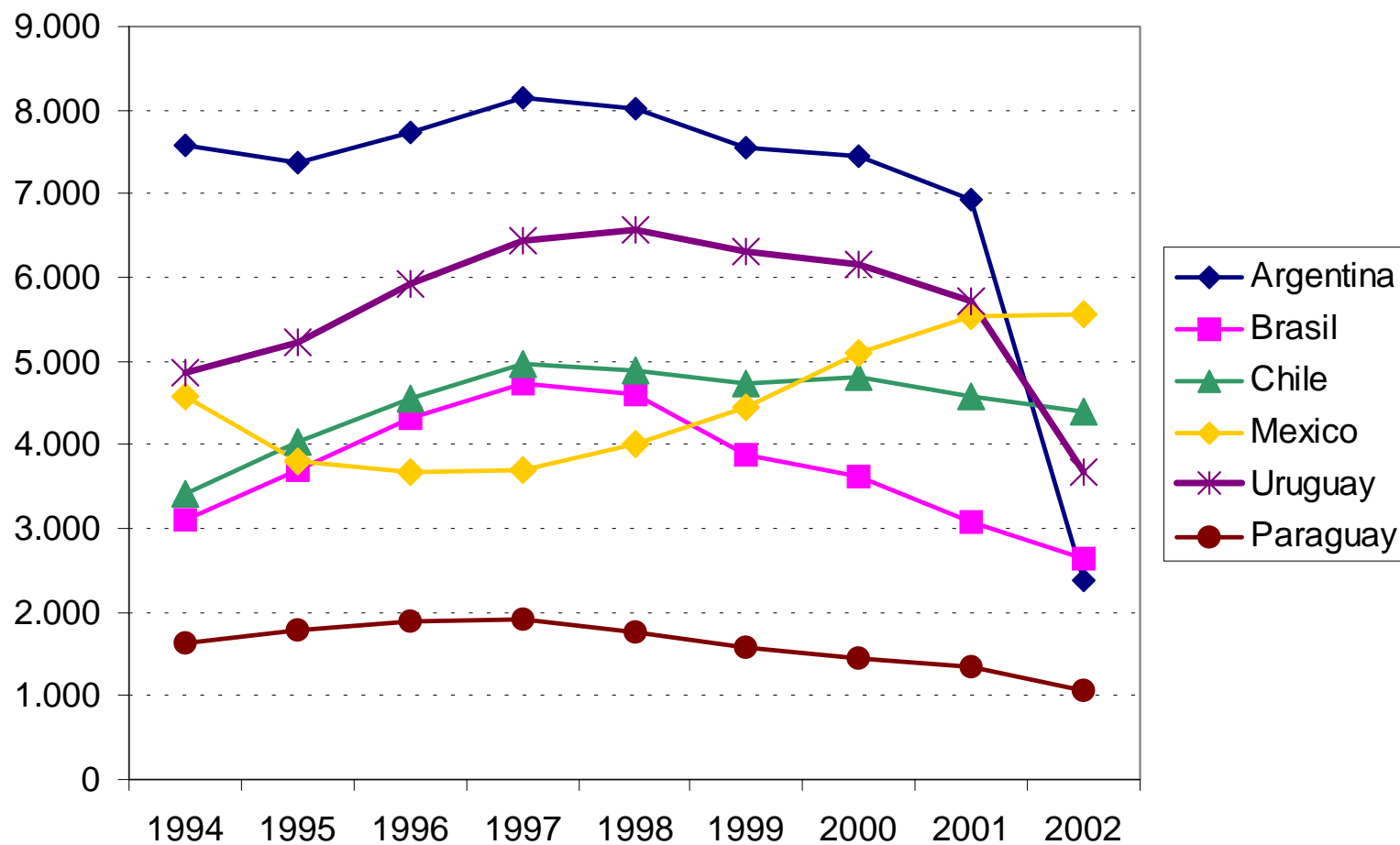


GDP

At 1993 prices –in millions of pesos



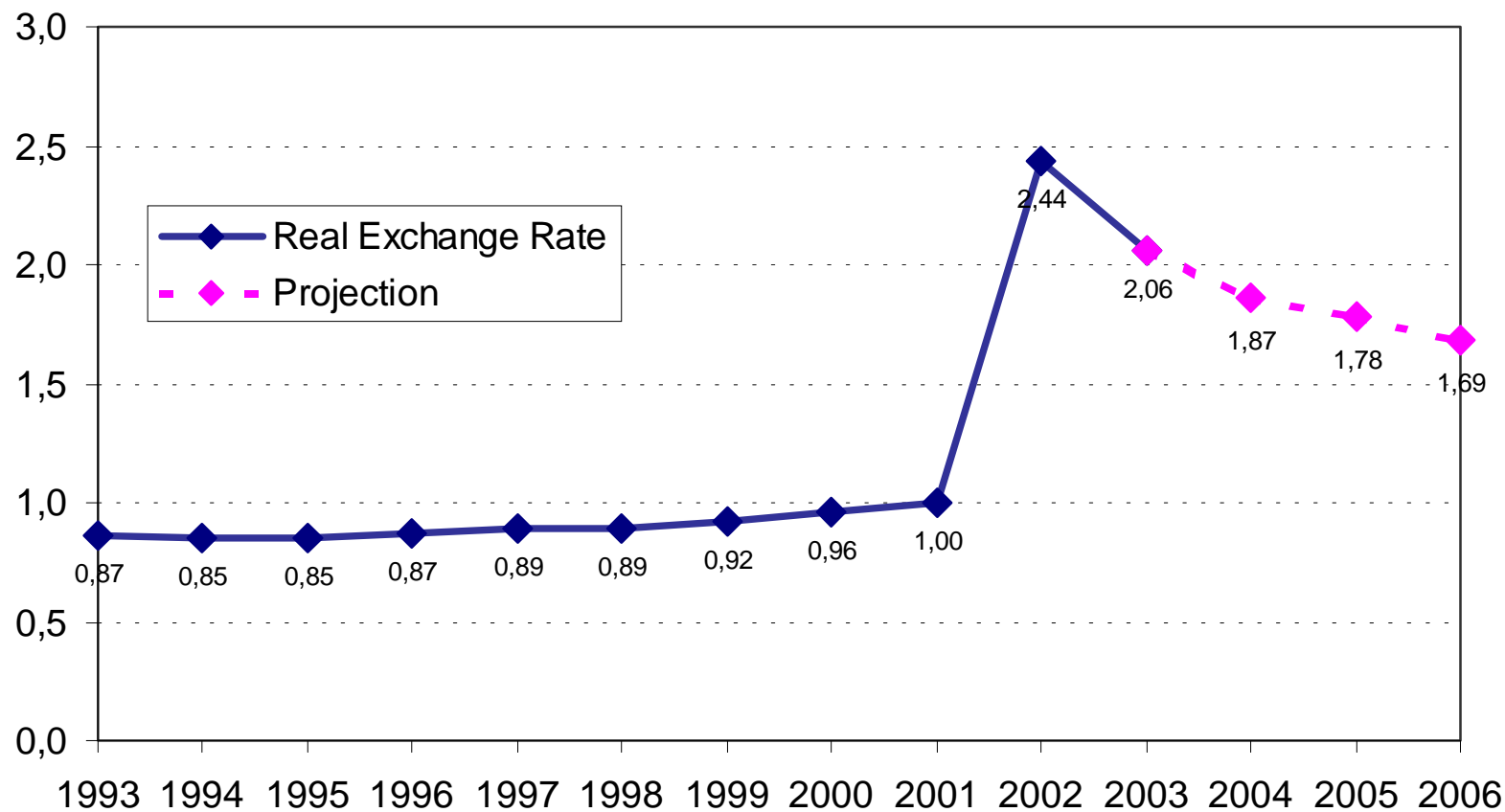
GDP per Capita (USD)



Source: The World Bank



Real Exchange Rate AR\$/USD

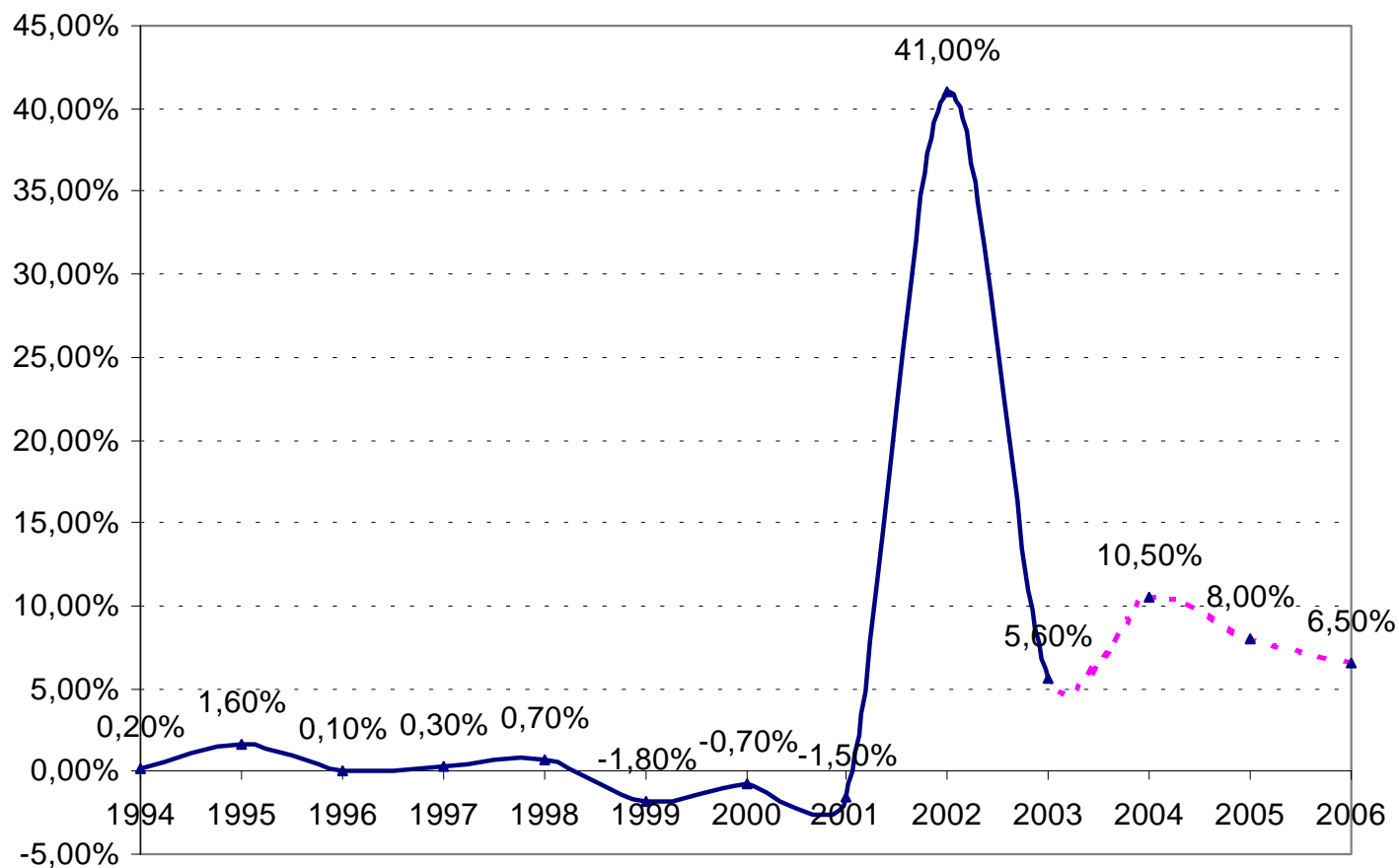


Index. Base 2001=1
(based on CPI)



Inflation

Year over Year (Dec-Dec)



Unemployment

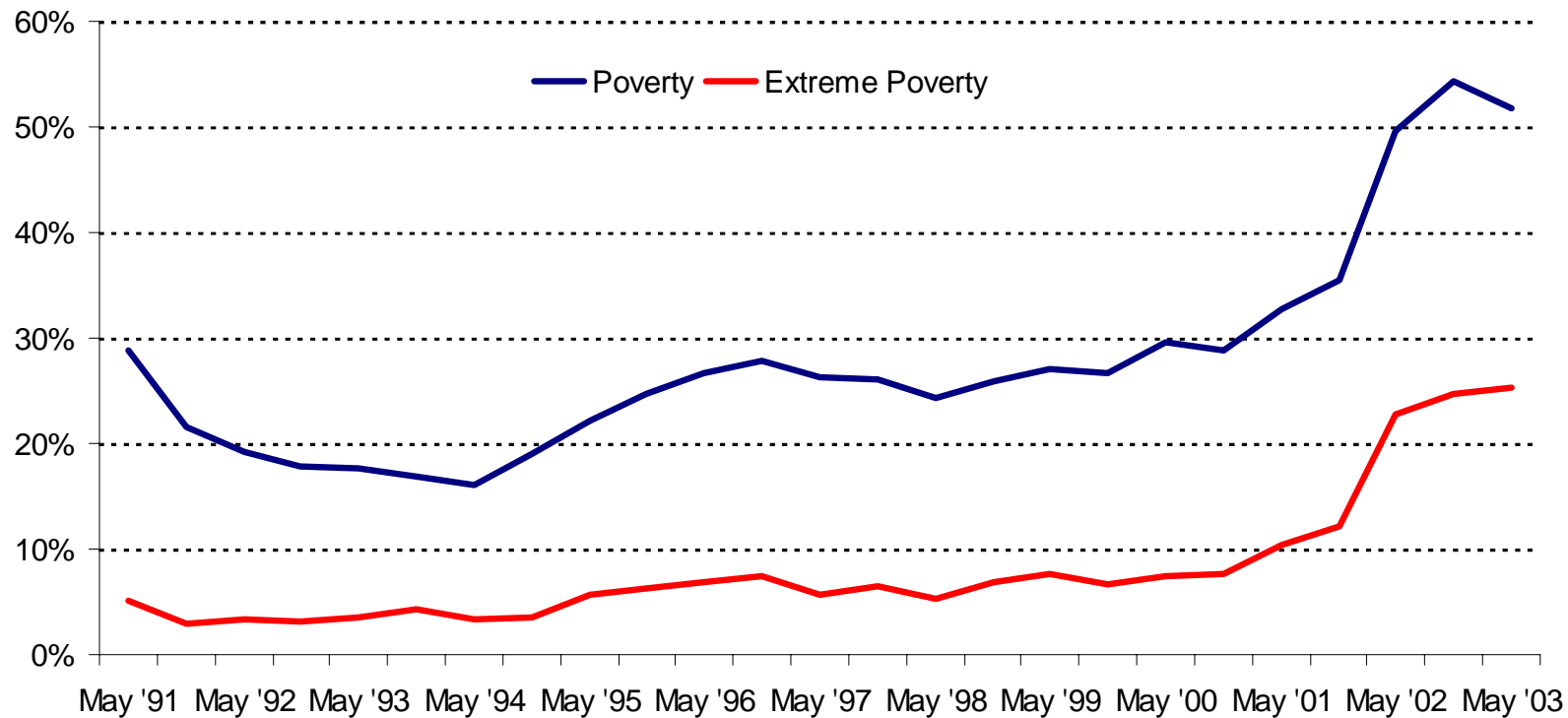


Source: Indec (Survey of Households)



Social Stratification

(according to local parameters)



Survey of Greater Buenos Aires Area



Macroeconomic projections

	2003	2004	2005	2006
Nominal Exchange Rate (ARS/USD)	2,88	2,84	2,87	2,85
Inflation Rate -average-	14,4%	9,4%	8,6%	7,1%
CER Index (base feb-02)	1,44	1,65	1,79	1,92
GDP (millions of current ARS)	367.592	416.865	460.965	501.451
GDP Real Growth Rate	5,5%	4%	4%	4%
- Consumption	5,7%	4,5%	4,0%	3,7%
- Investment	22,8%	10,7%	10,0%	9,8%
- Exports	6,3%	5,3%	7,0%	6,5%
- Imports	32,7%	15,7%	14,9%	14,4%
Fiscal Primary Surplus (Consolidated) /GDP	2,5%	3,0%	3,0%*	3,0%*

* Final target will be set compatible with goals of sustainable growth, job creation and poverty reduction



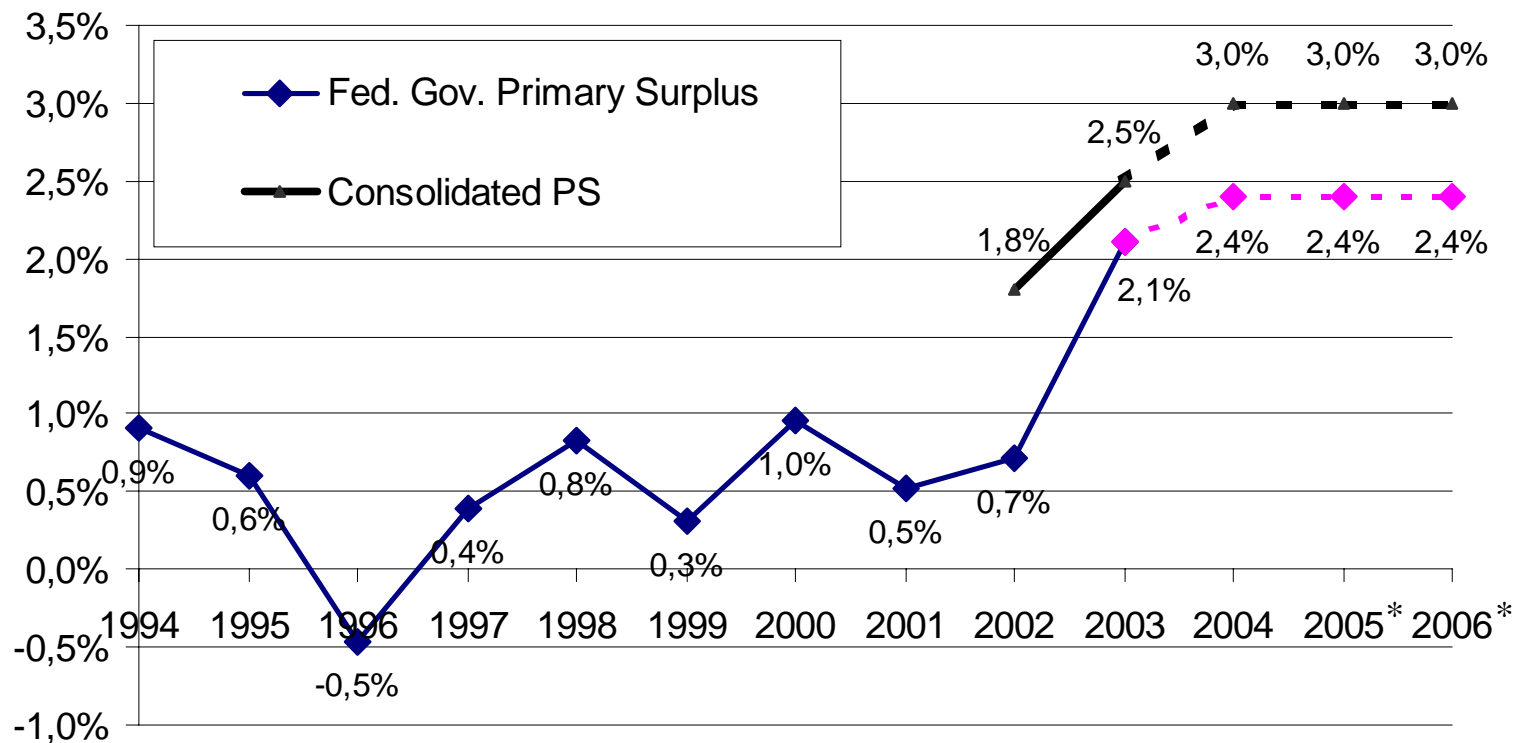
Fiscal assumptions



Primary Surplus

As % of GDP

- Weak historical Primary Surplus

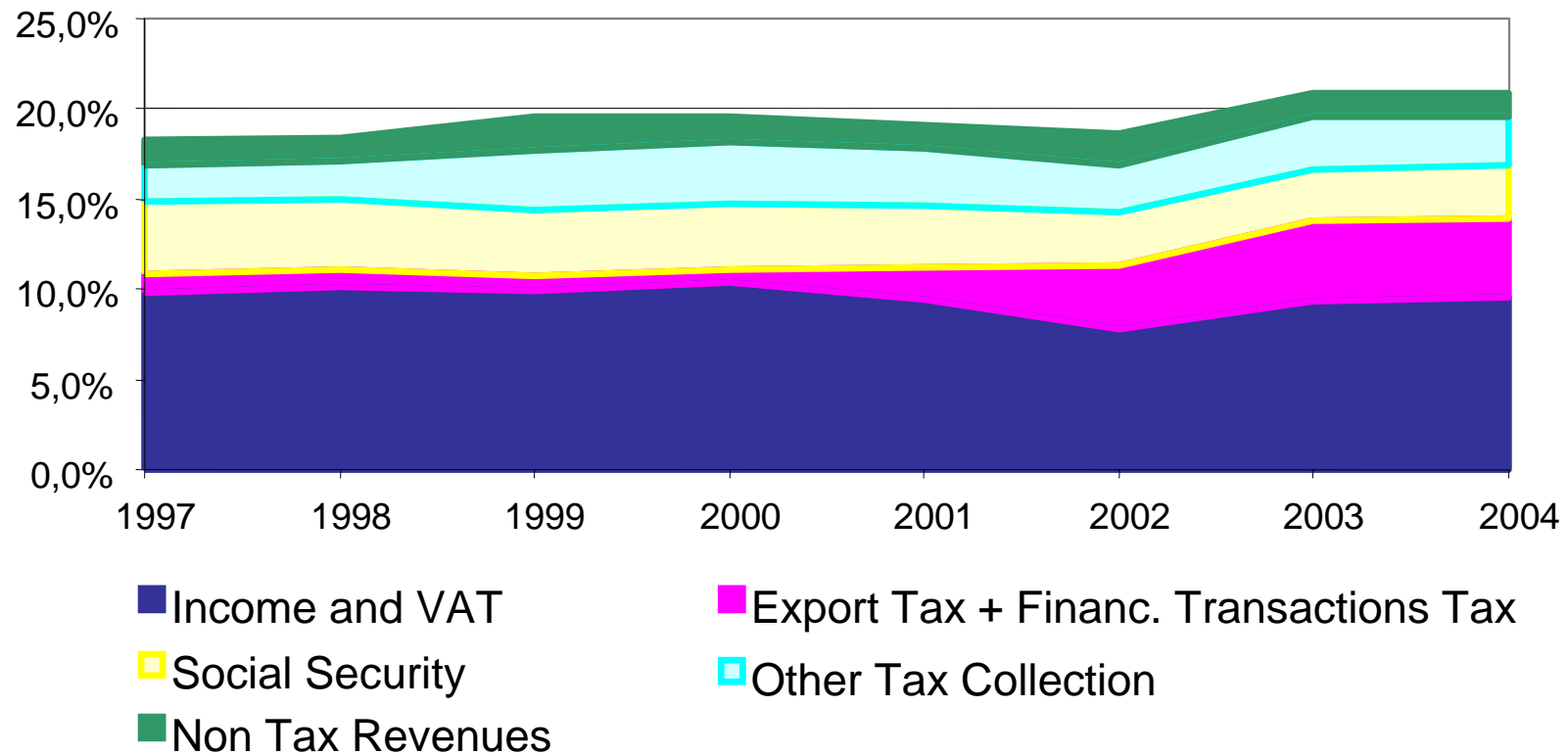


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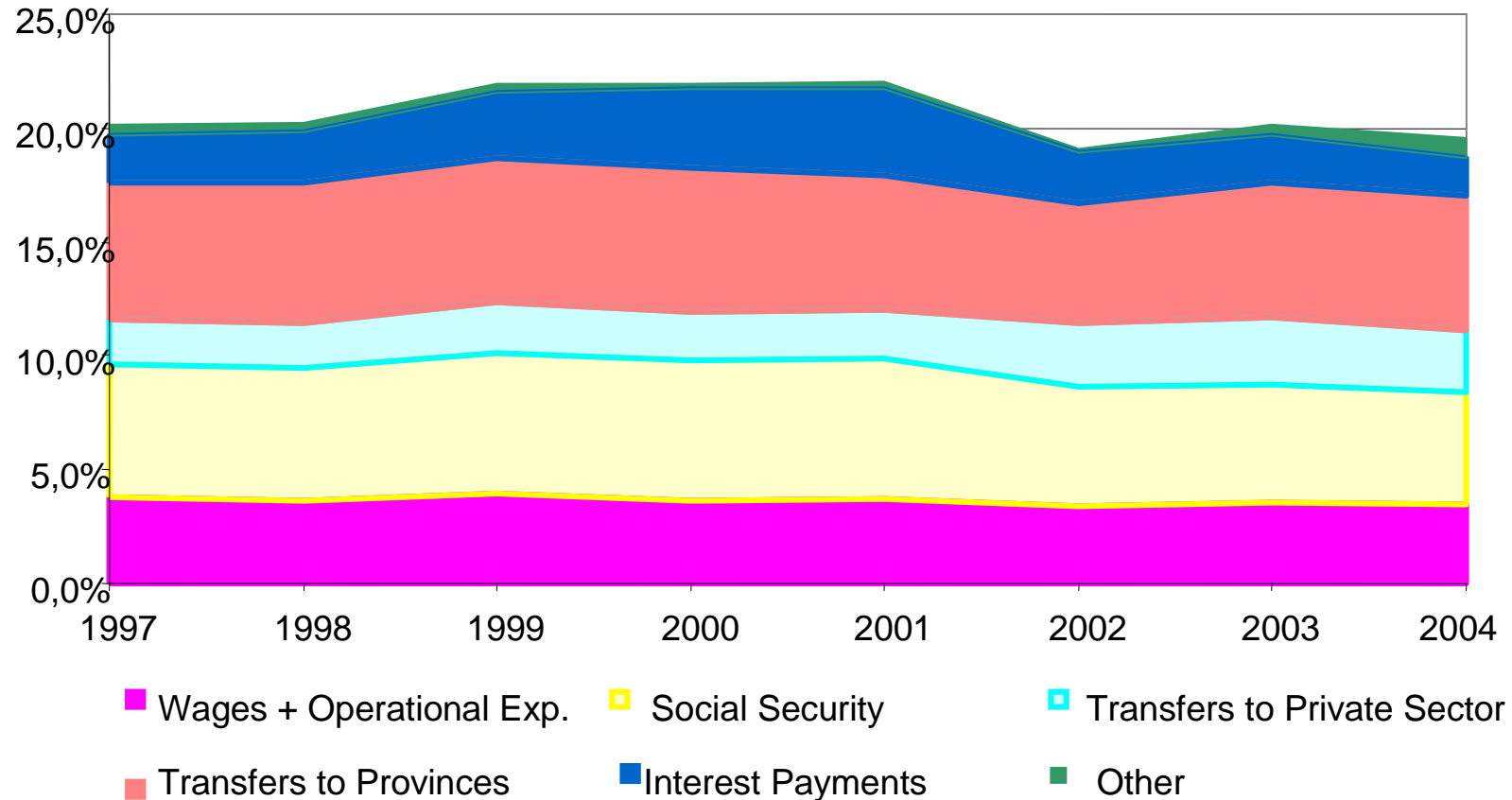
Federal Government Revenues

As % of GDP



Federal Government Expenditures

As % of GDP



Main directions for Tax reform

- Previously:
 - Amnesties
 - Tax rate increases



Reduction of Tax Revenues

- Now:
 - No tax amnesty
 - Improved collection
 - Objective of tax rate reduction



Increase of Tax Revenues



Restructuring Principles



Key Restructuring Principles and Objectives (1)

- Sound Economic Policy
 - Lay the groundwork for solid and durable economic growth and stability
 - Improve social situation
 - Achieve a sustainable solution to the debt problem
 - Ensure that debt overhang is minimized
- Inter-creditor equity
 - Proposal must be fair and equitable for all creditors



Key Restructuring Principles and Objectives (2)

- Debt Sustainability
 - Restore solvency through an improvement in key credit ratios such as Debt/GDP and Annual Debt Services/Fiscal Revenues
 - Ensure liquidity with a new debt profile matched to Argentina's Payment Capacity
 - Facilitate return to Capital Markets



Eligible Debt

- Bonds to be restructured are defined as Eligible Debt
- Eligible Debt includes all bonds issued prior to the Cut-off Date:
 - 31 December 2001
- Bonds issued after the Cut-off Date are excluded from Eligible Debt

Eligible Debt Summary

# of Bonds	# of Currencies	# of Governing Laws
152	7	8



Gross Debt Stock

December 2003 (estimated)

December 2001

	Outstanding Debt	
	Millions USD	% of Total
DEBT TO BE RESTRUCTURED		
Eligible Debt (Bonds)	87.050	48,7%
Bilaterals	5.217	2,9%
Commercial Banks	1.724	1,0%
Other Creditors	311	0,2%
Total	94.302	52,7%
EXCLUDED DEBT		
IFI's	30.792	17,2%
BODENs *	22.580	12,6%
Guaranteed Loans *	15.588	8,7%
Provincial Guaranteed Bond *	10.200	5,7%
Exception Payments *	606	0,3%
Others *	4.727	2,6%
Total	84.493	47,3%
Total	178.795	100,0%

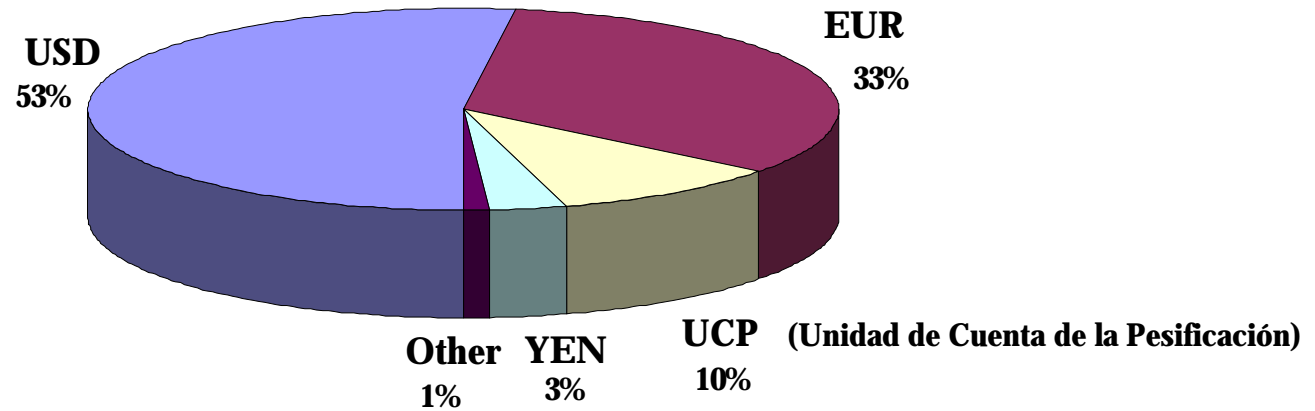
	Millions of USD	% of Total
Bonds	61.803	42,8%
Bilaterals	4.477	3,1%
Commercial Banks	2.015	1,4%
Other Creditors	1.537	1,1%
IFIs	32.362	22,4%
PGN	42.258	29,3%
Total	144.453	100,0%

* Issuances resulting from the collapse of convertibility (dec '01) and obligations prior to such date

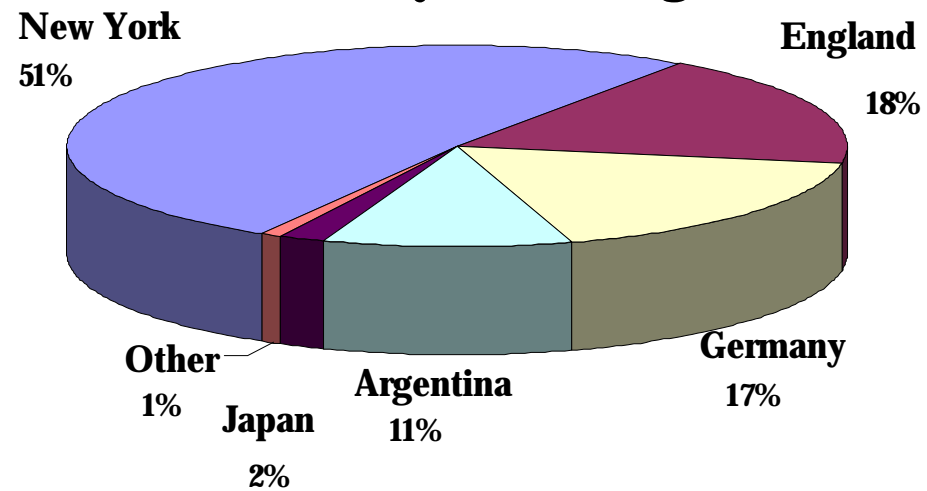


Eligible Debt Analysis (1)

Breakdown by Currency

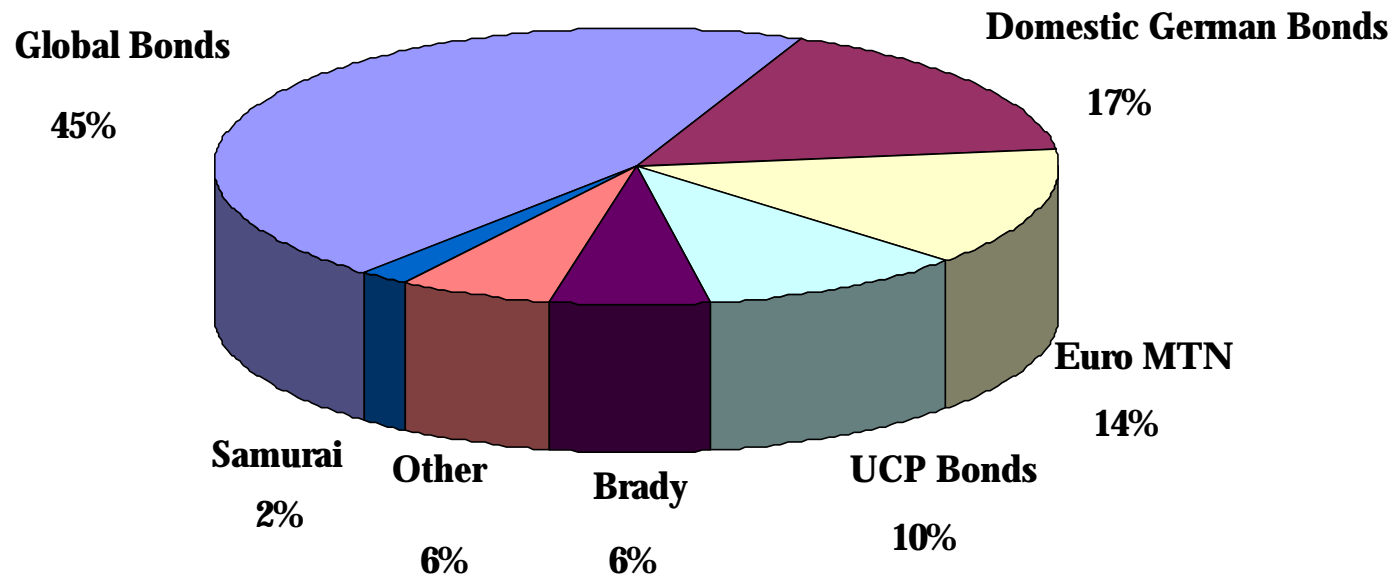


Breakdown by Governing Law



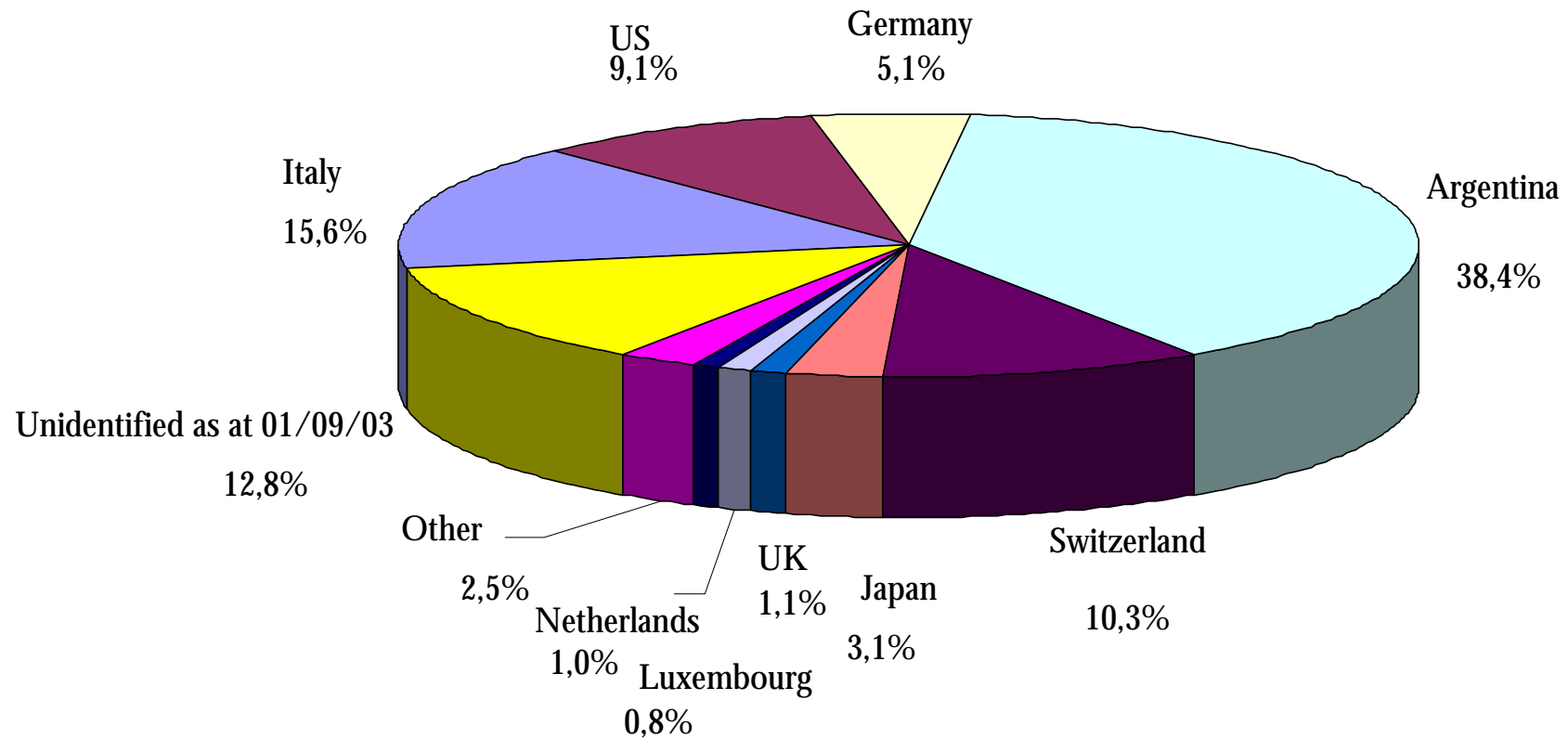
Eligible Debt Analysis (2)

Breakdown by Type of Bond



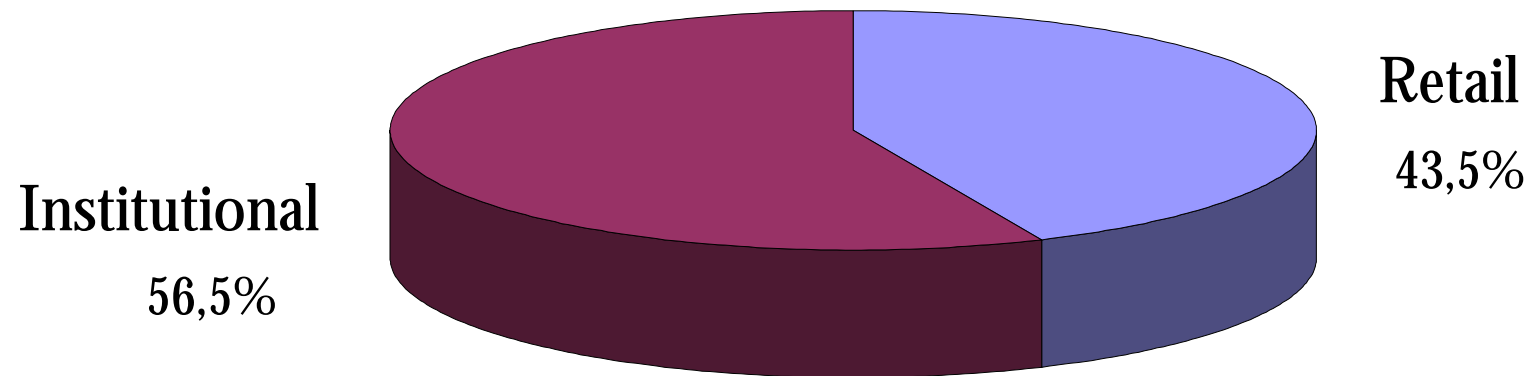
Eligible Debt Analysis (3)

Geographical Distribution



Eligible Debt Analysis (4)

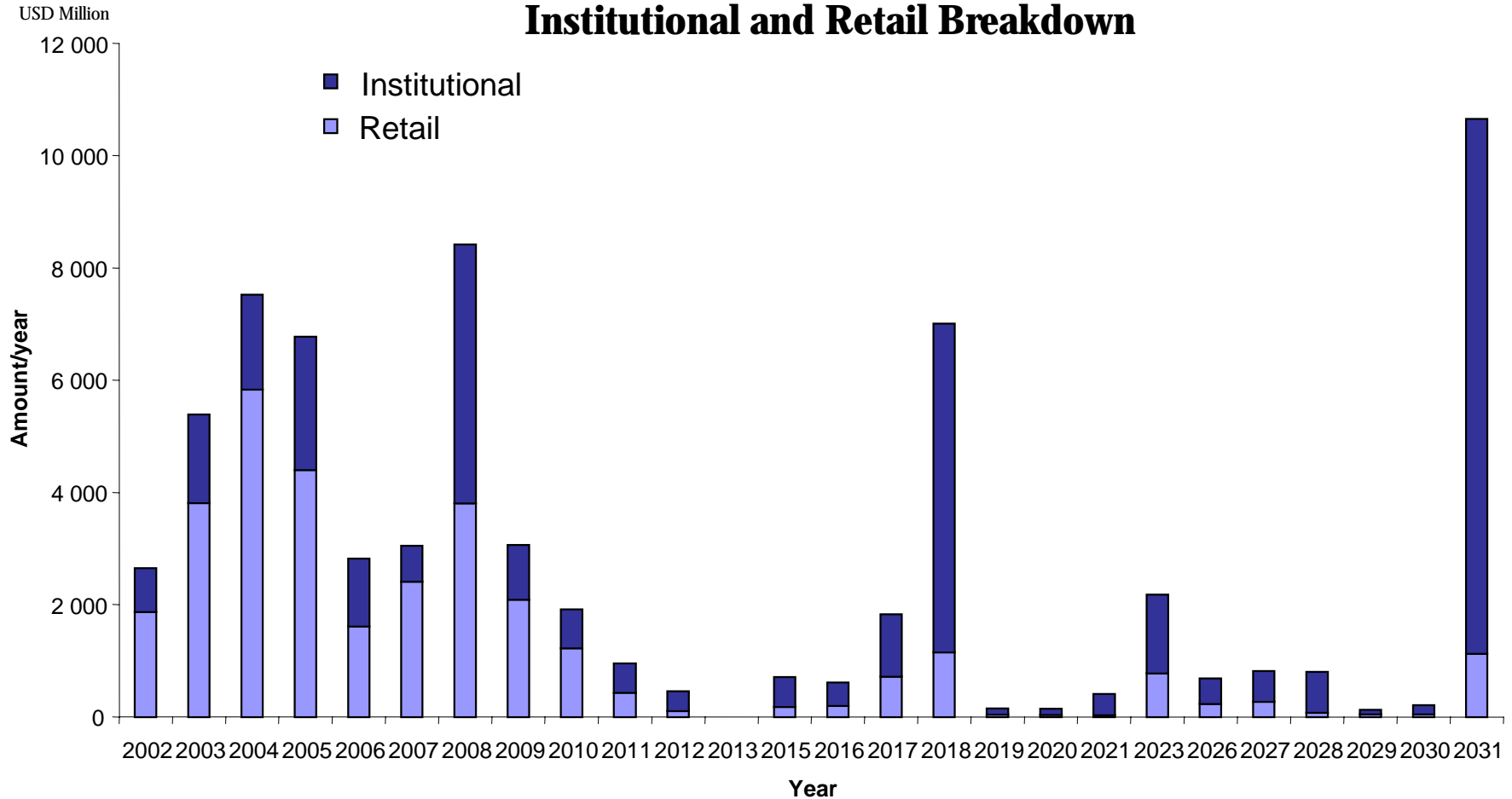
Market Distribution Global Estimates



Eligible Debt Analysis (5)

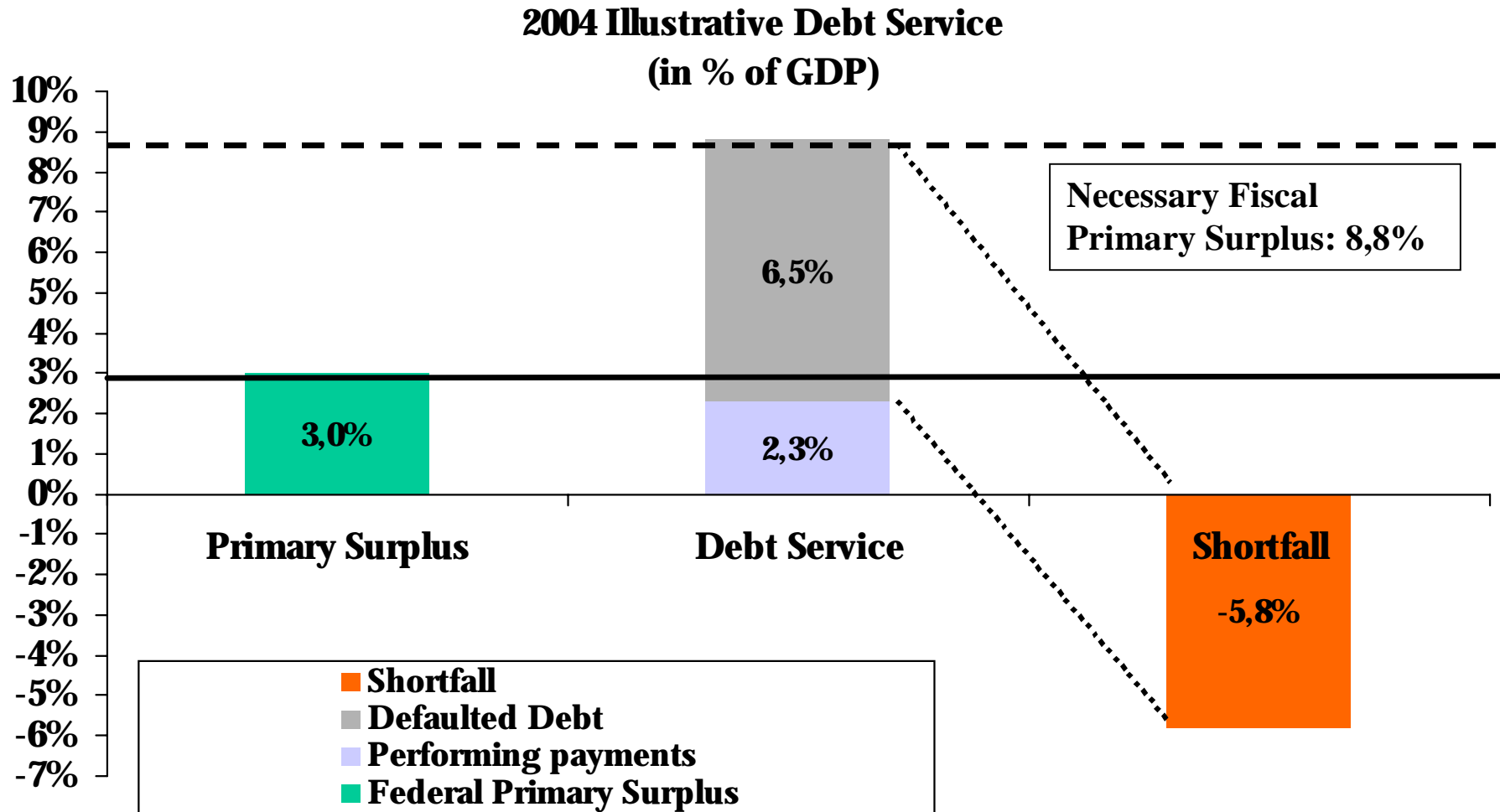
Contractual Maturity Schedule

Institutional and Retail Breakdown



Resource shortfall

2004 Example



Guidelines for a Proposal



Basic features of a proposal (1)

General rules

- Needs to be based upon Argentina's payment capacity over medium & long term
- Simultaneous exchange offerings and bonds amendments as appropriate
- Comparable menu of options
 - Equivalent bonds



Basic features of a proposal (2)

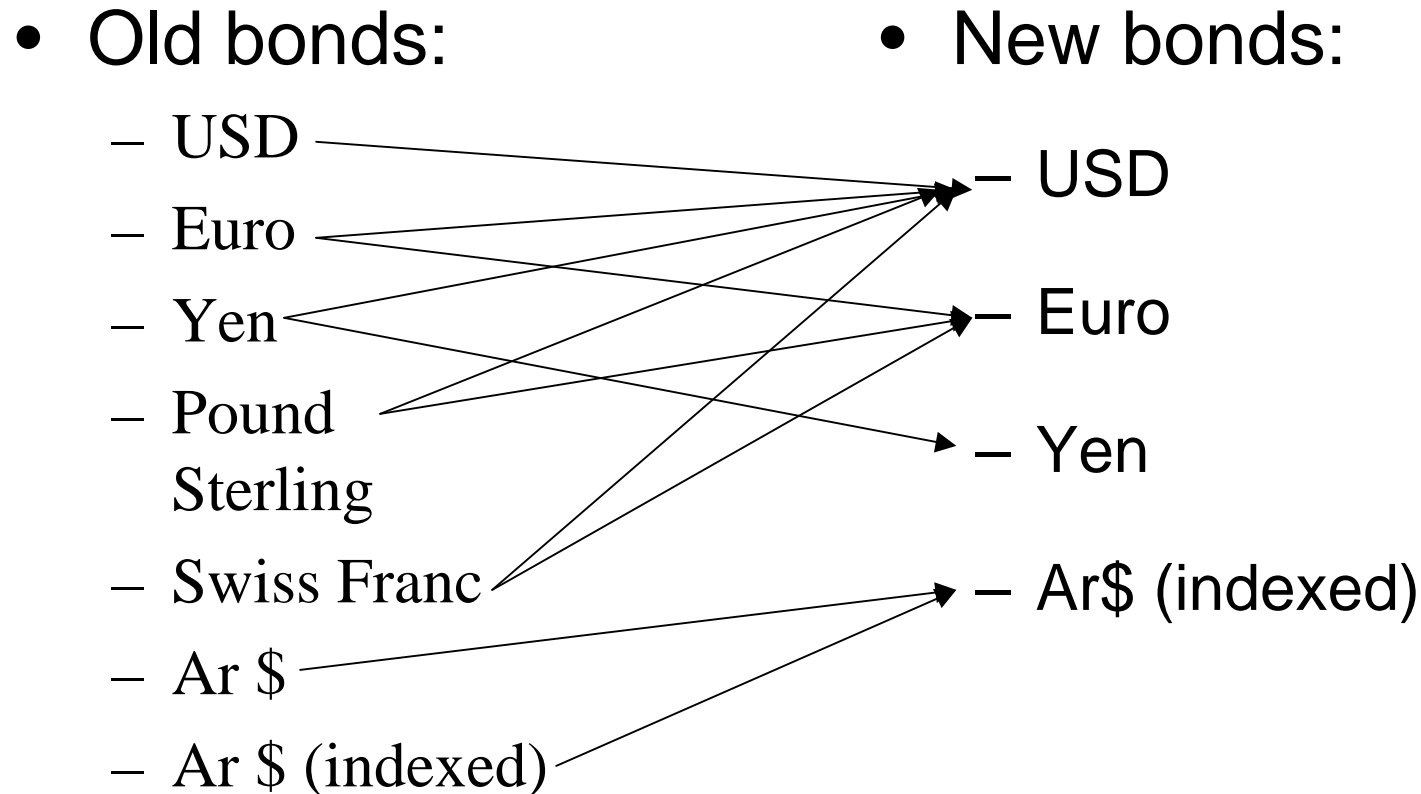
General rules

- Investors may choose bonds based on their own preferences
- Possible rationing of some bonds
- No discrimination among holders



Basic features of a proposal (3)

Currencies of new bonds



Basic features of a proposal (4)

Legislation of new bonds

- New bonds (currency):

- USD

- Euro

- Yen

- Ar \$

- New bonds (legislation):

- NY

- English

- Japanese

- Argentine



Basic features of a proposal (5)

- Smaller number of bonds
 - Fewer currencies
 - Fewer governing laws
- Higher liquidity



Basic features of a proposal (6)

- A variety of types of new bonds will be issued:
 - “Discount” bonds, with face value reduction
 - “Par” bonds, with no reduction of face value, or bonds with a small reduction, but comparatively lower coupons and longer maturities
 - Also, Capitalization Bonds (“C Bonds”) may be issued
- Variants of all bonds above with a lower base coupon and with a premium that depends on the GDP growth may be offered



Payment Capacity (1)

Macroeconomic Working Assumptions

	Average Rates	
	Next Five Years	Long Term
<u>Real GDP Growth:</u>	3.8%	3.0%
<u>Real Exchange Rate (\$/US\$) *:</u>	1.59	1.40
<u>Inflation Rate:</u>	7%	2.6%
<u>Federal Primary Surplus:</u>	2.4%	2.4%
<u>Primary Surplus Consolidated (**)</u>	3.0%	3.0%

* Based on CPI Index 2001 = 100

** Final target will be set compatible with goals of sustainable growth, job creation and poverty reduction



Payment Capacity (2)

Working Assumptions

Restructuring guidelines compatible with:

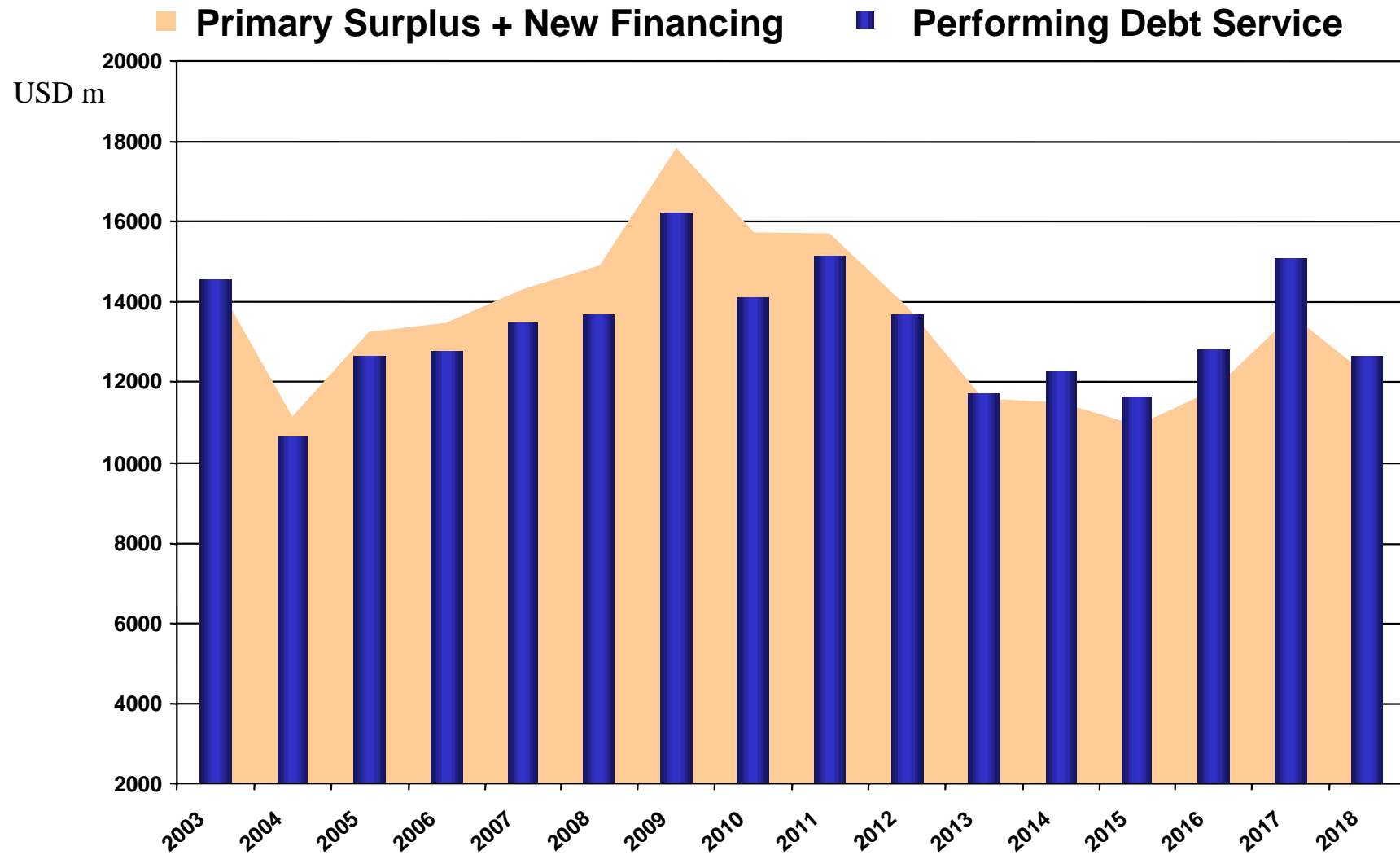
	<u><i>Period 2004 - 2013</i></u>	<u><i>Period 2014-2018</i></u>
<u>Multilaterals:</u>	maintain exposure	reduce exposure

Potential Domestic Demand:

- Pension Funds: 50% of New Flows (From 2004 to 2018)
- **Reinvestment of Guaranteed Loans and Bodens amortizations:**
increasing from 35% to 75%.



Financing Program



Debt Reduction (1)

- Menu of options will be designed to produce an over-all reduction of 75% of nominal stock of eligible debt
- These restructuring guidelines are compatible with the non accrual of interests
 - From December 2001 to settlement date
- **Means a new solid and sustainable departure point for the common interest of creditors and the Argentina**



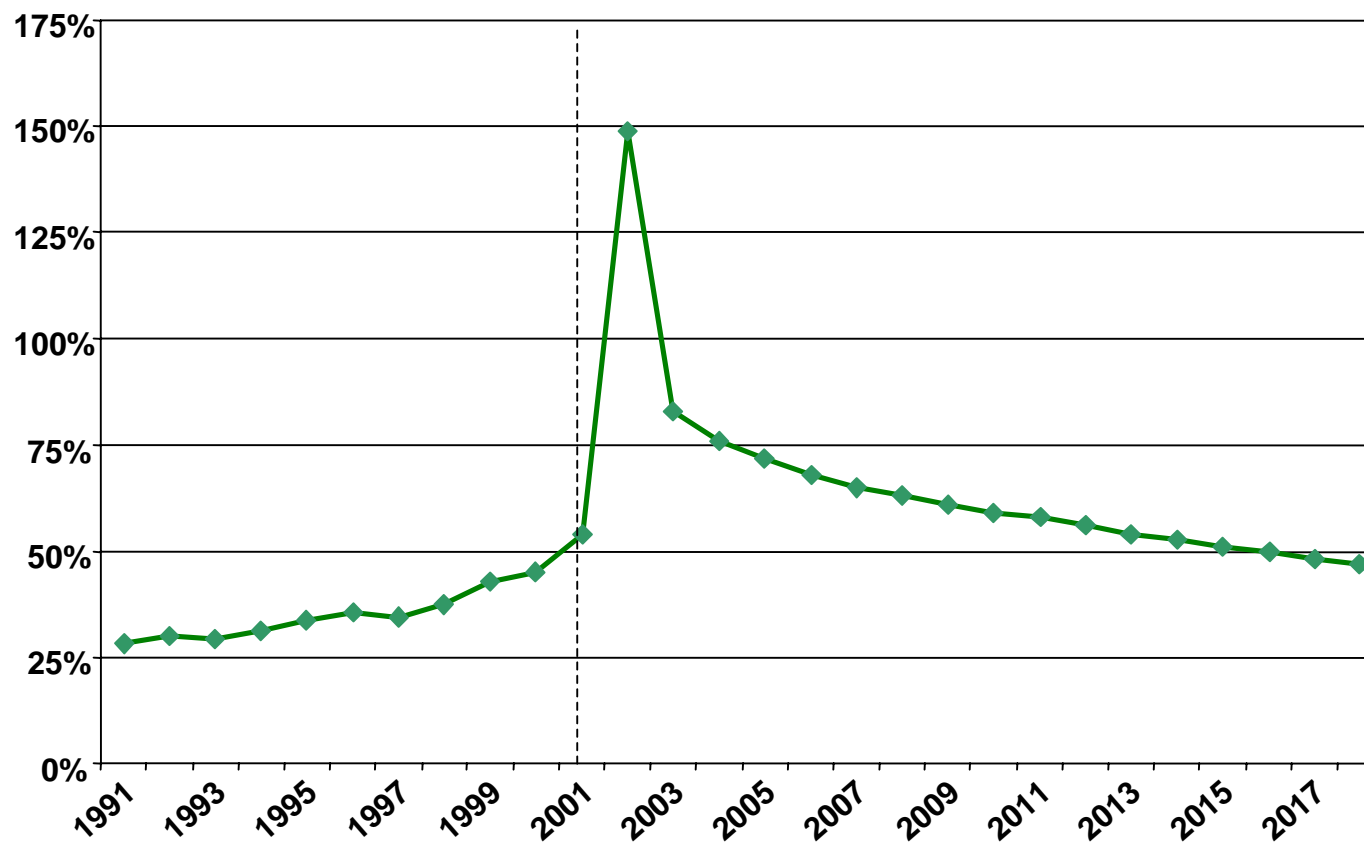
Debt Reduction (2)

- Based on the previous guidelines, the Republic, the Consultative Working Groups and the Syndicate in charge of the transaction, will jointly define:
 - Coupon
 - Maturities
 - Equivalence of all new bonds



Public Debt to GDP Ratio

% GDP



PHASE II

Logistics



Structure

- Global Coordinator: Republic of Argentina (ROA)
- Syndicate of Banks
 - Invitation to leading financial institutions in emerging markets placements to join syndicate
 - League tables
 - To select Regional Managing Banks (RMB)
 - Final structure of the Syndicate to be agreed jointly between the RMB and the ROA



Selection Process

Regional Managing Banks

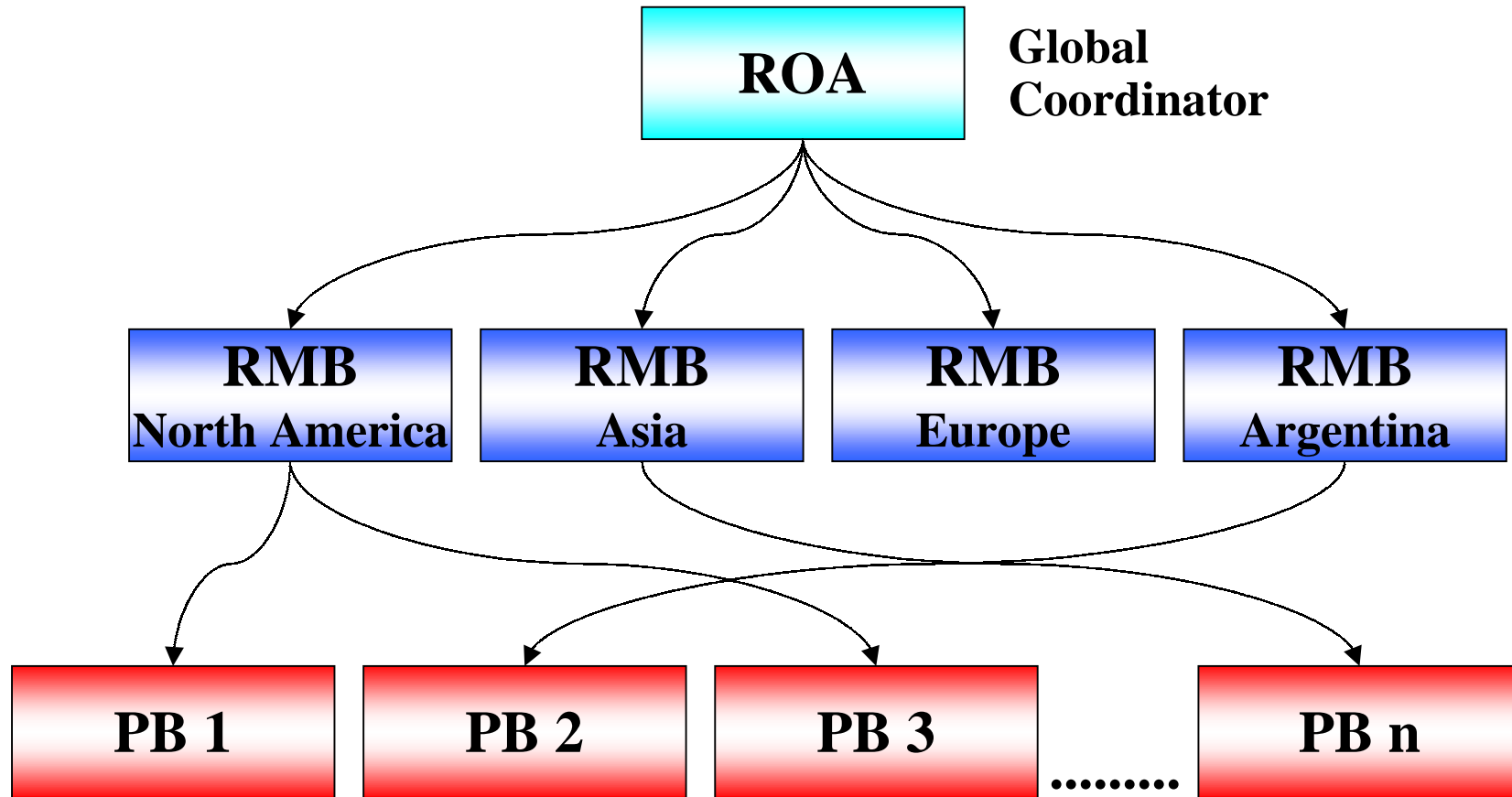
- Based upon transparency, the ROA will invite the first 12 financial institutions in league tables to apply for that role
- Selected Entities will act as RMB

Placements Banks

- The ROA will agree with the RMB on the appointment of several Placement Banks



Syndicate Structure



Tentative Time Table (1)

- Immediate Syndicate screening process (October)
- Further meetings with Consultative Working Groups (October)
- Initial road show in principal markets: Bs As, NY, Zürich, Milan and Tokyo (october 20-30)



Tentative Time Table (2)

- Definition of the terms of Restructuring Proposal
- Filings and regulatory approvals
- Launching of the Offer



**This Presentation is available on the
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