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Global Committee of Argentina Bondholders

July 2004

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Situation Overview

Policy Framework

Economic Framework

Alternative Financial Framework

Situation Overview

Background

- In December 2001, the Argentine government defaulted on over US$90 billion principal amount of debt
  - Includes over US$81 billion of total bond principal claims
  - Includes 152 bond issues in 7 separate currencies under 8 distinct governing laws
  - Past due interest is estimated to reach over US$25 billion by the end of 2004
- Initially, the government announced an intention to negotiate constructively with its creditors, a position later endorsed by the IMF
- Bondholder groups formed around the world to facilitate these negotiations
- Two-way negotiations never commenced. Proposals by individual creditor groups were dismissed
- The government twice announced unilateral restructuring guidelines, once in September 2003 and again in June 2004

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GCAB is the Legitimate Counterparty for Serious Negotiations with Argentina

In January 2004, key bondholder groups and committees from around the world formed a global committee, the Global Committee of Argentina Bondholders (GCAB)

Objective	GCAB's Steering Committee seeks to facilitate a good-faith, negotiated, consensual and equitable restructuring of Argentina's defaulted debt
Broad Representation	GCAB represents holders of approximately US$37 billion in total bond principal claims, including: ▪ More than 500,000 retail investors and more than 100 institutions, banks, partnerships and committees ▪ More than 100 different issues in seven currencies ▪ Approximately 75% of Argentine bonds held outside of Argentina
Leadership	The GCAB Steering Committee is highly confident that a transaction supported by the Steering Committee will be accepted by the holders represented by GCAB

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GCAB's Principles and Objectives

Dedicated Team

- The GCAB Steering Committee and its advisors provide a full-time dedicated group to facilitate an expeditious and consensual solution

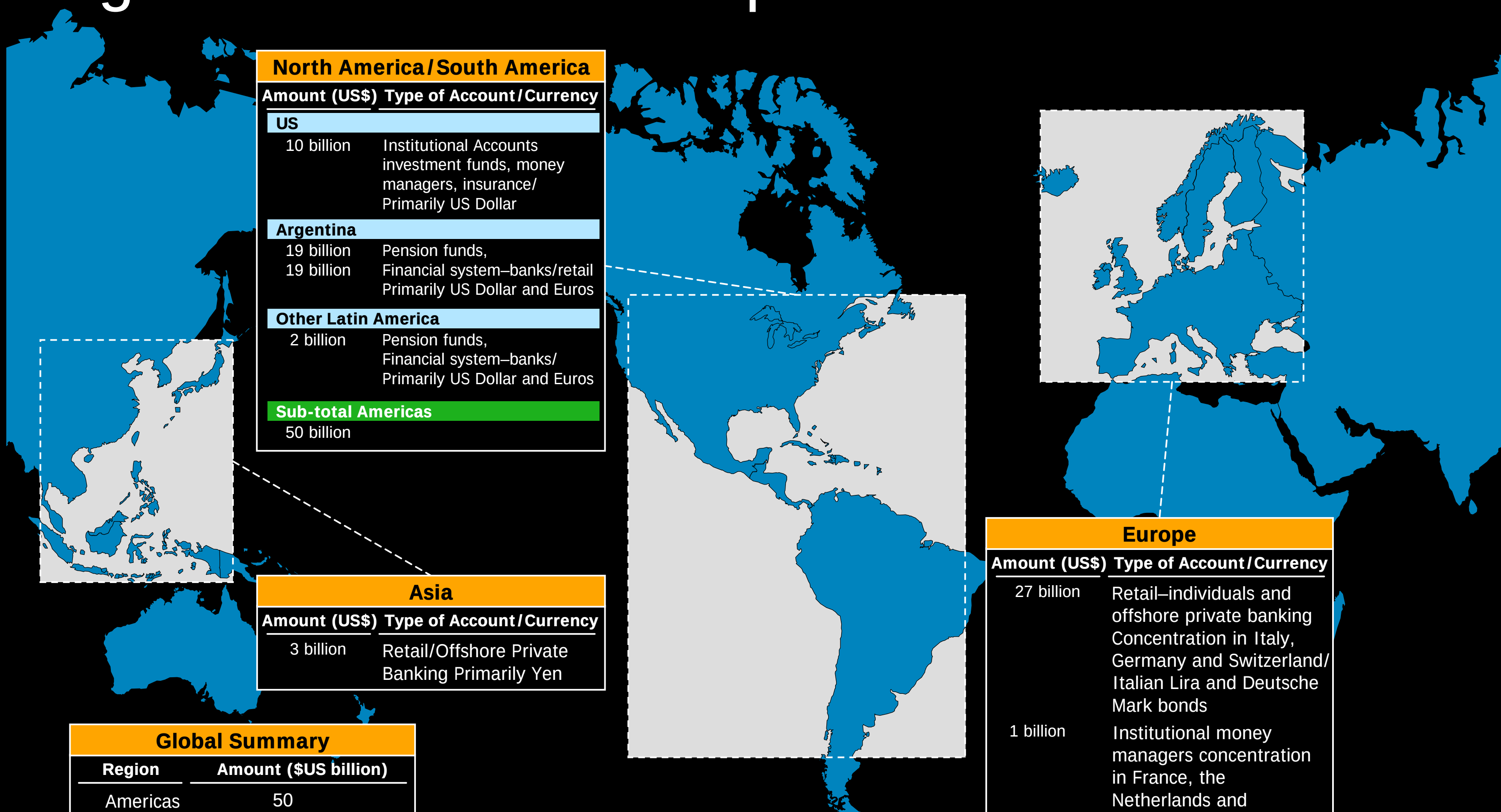
Negotiation

- A consensual restructuring based on good faith negotiations is preferable to a long and expensive litigation track

Balanced Solution

- The substantial concession required of bondholders must be balanced with a meaningful effort from the Argentine government to maximize bondholder recovery
- A solution must provide for Argentina's long-term growth, a return to the capital markets and social objectives

Argentine Bondholders Span All Continents



North America/South America

Amount (US$)	Type of Account/Currency
US	
10 billion	Institutional Accounts investment funds, money managers, insurance/ Primarily US Dollar
Argentina	
19 billion 19 billion	Pension funds, Financial system–banks/retail Primarily US Dollar and Euros
Other Latin America	
2 billion	Pension funds, Financial system–banks/ Primarily US Dollar and Euros
Sub-total Americas	
50 billion	

Asia

Amount (US$)	Type of Account/Currency
3 billion	Retail/Offshore Private Banking Primarily Yen

Europe

Amount (US$)	Type of Account/Currency
27 billion	Retail–individuals and offshore private banking Concentration in Italy, Germany and Switzerland/ Italian Lira and Deutsche Mark bonds
1 billion	Institutional money managers concentration in France, the Netherlands and Spain/Primarily Euros, but some US dollars
Sub-total Europe	
28 billion	

Global Summary

Region	Amount ($US billion)
Americas	50
Europe	28
Asia	3
Total	81
Of Which GCAB	37

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GCAB Represents the Major Bondholder Groups Worldwide

GCAB Steering Committee
Co-Chair, Nicola Stock, TFA
Co-Chair, Hans Humes, ABC

Advisors

Sub-Committees
- Financial
- Economic
- Legal

Argentina Bondholders Committee (ABC)
- 90 institutional members in the US and Europe
- $9 billion in holdings

Task Force Argentina (TFA)
- 420,000 retail members
- Holders of primarily non-US Dollar denominated bonds, residing in Italy
- $14.5 billion in holdings

Bank of Tokyo Mitsubishi

Shinsei Bank
- BTM and Shinsei represent interests of holders of Japanese Samurai bonds for $1.8 billion
- 40,000 retail members
- Additional $1.2 billion in holdings of Yen Eurobonds (which do not share the same fiduciary commissioned bank provisions as the Samurai bonds)

Swiss Bankers Association (Observer Status)
- Represents interests of Swiss retail holders
- $10 billion in holdings
- More than 50,000 retail investors

ABRA (Observer Status)
- Represents interests of estimated 35,000 retail investors in Germany, Austria, Switzerland and the Netherlands.
- $1.2 billion in holdings

GCAB General Membership

Policy Framework

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The Argentine Government’s Approach

In its March 2004 accord with the IMF, the Argentine Government agreed to enter into good faith negotiations with creditors, including GCAB, a position which was endorsed by the US Treasury and other G-7 countries

Refusal to Recognize GCAB

- Despite this stance, the Argentine government has consistently refused to negotiate with GCAB or any other creditor group

Unilateral Approach

- The government filed what it describes as “final” terms with the US Securities and Exchange Commission (SEC) on June 11, 2004

Deliberate Obfuscation

- The government mischaracterizes one-way briefings with creditors as “negotiations”
- Government officials are using tenuous legal arguments to avoid entering into substantive negotiations
- Bondholders are being mischaracterized as “vultures”, despite over 40% of bonds being held by individuals, including pensioners

Effective Repudiation

- The government’s extremely low potential minimum acceptance rate of 50% to 70%, combined with its expressed intent not to honor remaining debt, is tantamount to repudiation

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Ample Precedents Exist for Negotiations

Restructuring precedents in sovereign bank debt and corporate debt securities markets demonstrate the value of building a consensus with creditors through a dialogue with organized creditor groups

- Between 1980 and 1996, there were 49 sovereign debt restructurings
- Consistent with precedent, defaulted sovereigns engaged in negotiations with Bank Advisory Committees and reimbursed their reasonable fees and expenses
- Sovereigns claim bondholder groups are too fragmented to negotiate
- However, this is inconsistent with the corporate restructuring model and GCAB's US$37 billion in total bond principal claims

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The Argentine Government's Offer Sets a New Low Water Mark in Sovereign Restructurings

Date	Country	PDI Honored	% of Nominal Haircut[1]	GDP Per Capita (US$)
1990	Mexico	-	35%	$3,160
1990	Venezuela	-	30	2,500
1993	Jordan	Yes	35	1,100
1994	Poland	Yes	45	2,600
1994	Gabon	Yes	0	4,120
1994	Argentina	Yes	35	7,500
1994	Brazil	Yes	35	3,550
1994	Ecuador	Yes	45	1,480
1995	Bulgaria	Yes	50	1,150
1996	Panama	Yes	45	3,000
1996	Peru	Yes	45	2,330
1999	Pakistan	NA	0	475
2000	Ukraine	NA	0	825
2000	Russia	Yes	38	1,790
2001	Ecuador	Yes	40	1,100
2003	Uruguay	NA	0	3,150
2004	Argentina June Filing	No[2]	63% >80% (NPV Loss)	$3,500

(1) Represents the nominal haircut on the discount bond.
(2) Definition of PDI is unclear.

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A Fair and Equitable Solution Would Lead to High Participation Rates

	Ukraine	Pakistan	Russia	Uruguay
Year	1998–2000	1999	1999–2000	2003
Amount ($Bn)	2.8	0.6	31.6	4.9
Participation Rate (%)	97	99	98	92

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The Argentine Government Has Effectively Created an Uneven Playing Field

To facilitate a consensual restructuring, the government must negotiate with GCAB in good faith and agree to pay its reasonable fees and expenses

- The government has six financial advisors and four legal advisors to assist it in the structuring, negotiation, and execution of a restructuring
- GCAB's members have invested considerable time and resources in an effort to engage in a constructive dialogue with the Argentine government
- GCAB's initiative to hire advisors levels the playing field and should facilitate an expeditious resolution of Argentina's debt crisis
- The Argentine government will require the support of GCAB in its efforts to head off litigation

The Argentine Government's Offer is Unacceptable

The offer recently outlined by the government is inconsistent with other sovereign restructurings and fails to balance the compromise being asked of bondholders with a genuine willingness to pay on the part of the government

Inconsistent with Historical Precedents

- The government's latest offer calls for more than 80% NPV reduction from bondholders
- This is inconsistent with precedents and would create a low water mark in sovereign restructurings

Unrealistic Economic Assumptions

- The government's economic model is internally inconsistent and does not represent a realistic assessment of its ability to service its obligations
- A more realistic and consistent set of assumptions demonstrates an additional capacity to pay and presents a framework for future access to the capital markets

Lack of Supporting Information

- The government's offer unilaterally excludes a significant amount of debt without sufficient justification, effectively subordinating bondholders
- The government has been unwilling to explain critical underlying assumptions

Effective Repudiation

- The extremely low potential minimum acceptance rate of 50% to 70%, combined with the expressed intent not to honor remaining debt, is tantamount to repudiation

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Costs of a Failed Restructuring Are High

- Litigation has already commenced and is certain to increase
- The Argentine economy will not regain its potential until the capital markets reopen and capital flows resume to the sovereign and corporate sectors
- The official sector will lose credibility, particularly if the IMF continues to lend into arrears in the face of effective debt repudiation
- Will negatively impact the emerging markets asset class – risk premiums for single-B sovereigns will increase if the Argentine government successfully lowers the cost of default

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The Argentine Government's Actions Are Inconsistent with Its Understanding with the Official Sector and Public Statements

G-7 Finance Ministers
February 7, 2004

"Argentina should **engage constructively** with its creditors to achieve a **high participation rate** [emphasis added] in its restructuring"

IMF Statement
March 22, 2004

"Consistent implementation of this debt restructuring framework will be essential for the continued support of the international community. The authorities' intention to discuss with creditors all aspects of the debt exchange offer…is crucial. The authorities are encouraged to work diligently to design a debt exchange offer that attains the **highest possible creditor participation** [emphasis added], reduces the risk of protracted litigation, and restores debt sustainability"

Minister Lavagna
Ambito Financiero
June 23, 2004

"There can be no doubts about the commitment of Argentina to make progress with the **negotiation** [emphasis added] of the debt"

Economic Framework

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The Argentine Government Understates Its Ability to Pay

GCAB's framework demonstrates that there are multiple potential sources of additional payment capacity which if expressed in present value terms amount to 55 percentage points of total bond principal claims of US$81 billion.

Primary Surplus

- The government's primary surplus forecast understates its ability to pay by approximately US$25 billion on a net present value basis

International Reserves

- The government's reserves have increased to over US$18 billion – approximately US$5 billion of these reserves should be dedicated to creditors

Access to Capital Markets

- The government's debt sustainability model assumes they have no future access to the capital markets
- A consensual restructuring combined with changes in economic policy would quicken Argentina's return to the capital markets
- A more rapid return to the capital markets could increase the government's ability to pay by approximately US$15 billion on a net present value basis

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Primary Surplus

Appropriate economic policies and consistent assumptions would yield significantly higher primary surplus

	Approx. NPV Impact	
Increase Fiscal Effort	US$17 Bn	■ The government of Argentina must adopt fiscal policies that provide for a reasonable ability to pay ■ Policies must be maintained for the life of the new securities
Correct Inconsistencies	US$3 Bn	■ The government of Argentina assumes an inconsistent relationship between inflation and exchange rates
Enhance GDP Growth	US$5 Bn	■ The government of Argentina should be able to sustain greater GDP growth
	US$25 Bn	

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The Argentine Government's Primary Surplus Target Is Too Low and Understates Its Ability to Pay

- The government targets an average annual primary surplus of 2.6% between 2005 and 2030
- GCAB believes an average annual primary surplus of 3.3% is achievable over this same time period
- This difference could potentially increase the government's ability to pay by US$17 billion in net present value terms

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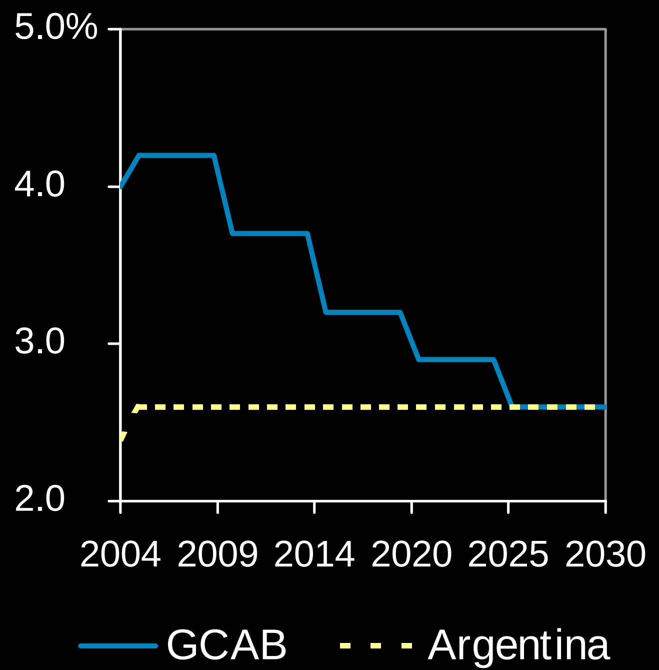
GCAB's Proposed Average Primary Surplus of 3.3% is Reasonable

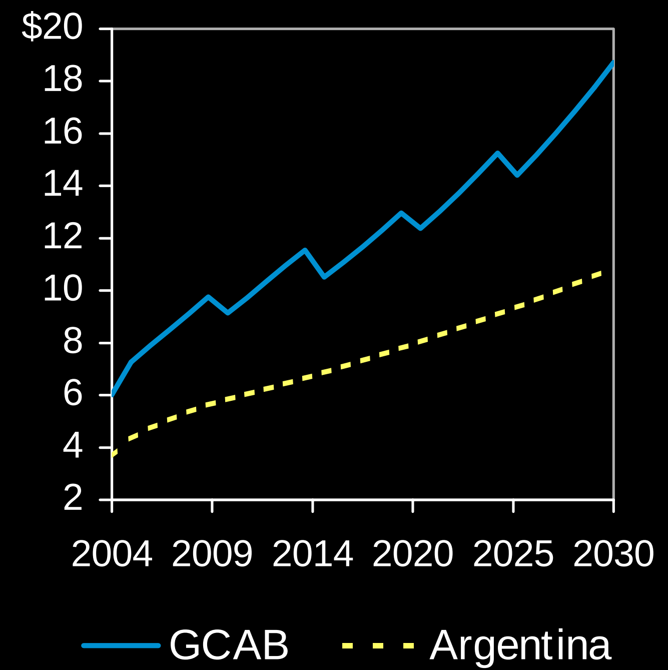
- Argentina is already achieving a primary surplus of 4.0% of GDP
- GCAB assumes a gradual decline in the primary surplus percentage as the debt/GDP ratio falls
- This assumption is supported by the experience of other emerging market countries

GCAB Conservatively Forecasts Primary Surplus to Decline Over Time as the Economy Grows

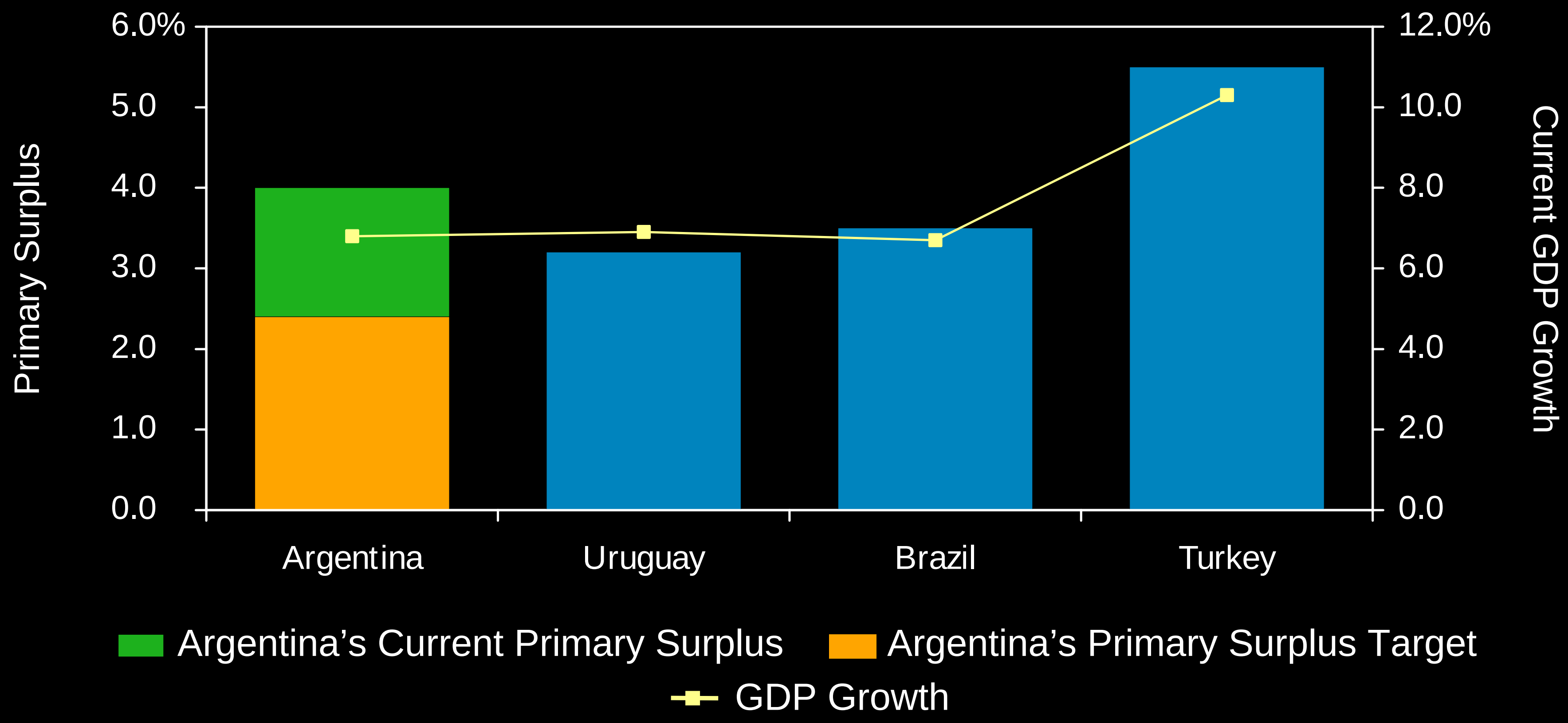
Primary Surplus as % of GDP



Primary Surplus in USD ($ in bn)



Other Highly Indebted Developing Countries Achieve Both a Relatively High Primary Surplus and Economic Growth



Note: Argentina's, Brazil's and Uruguay's growth numbers are SAAR for Q1 2004, while Turkey's is year-over-year (YoY).

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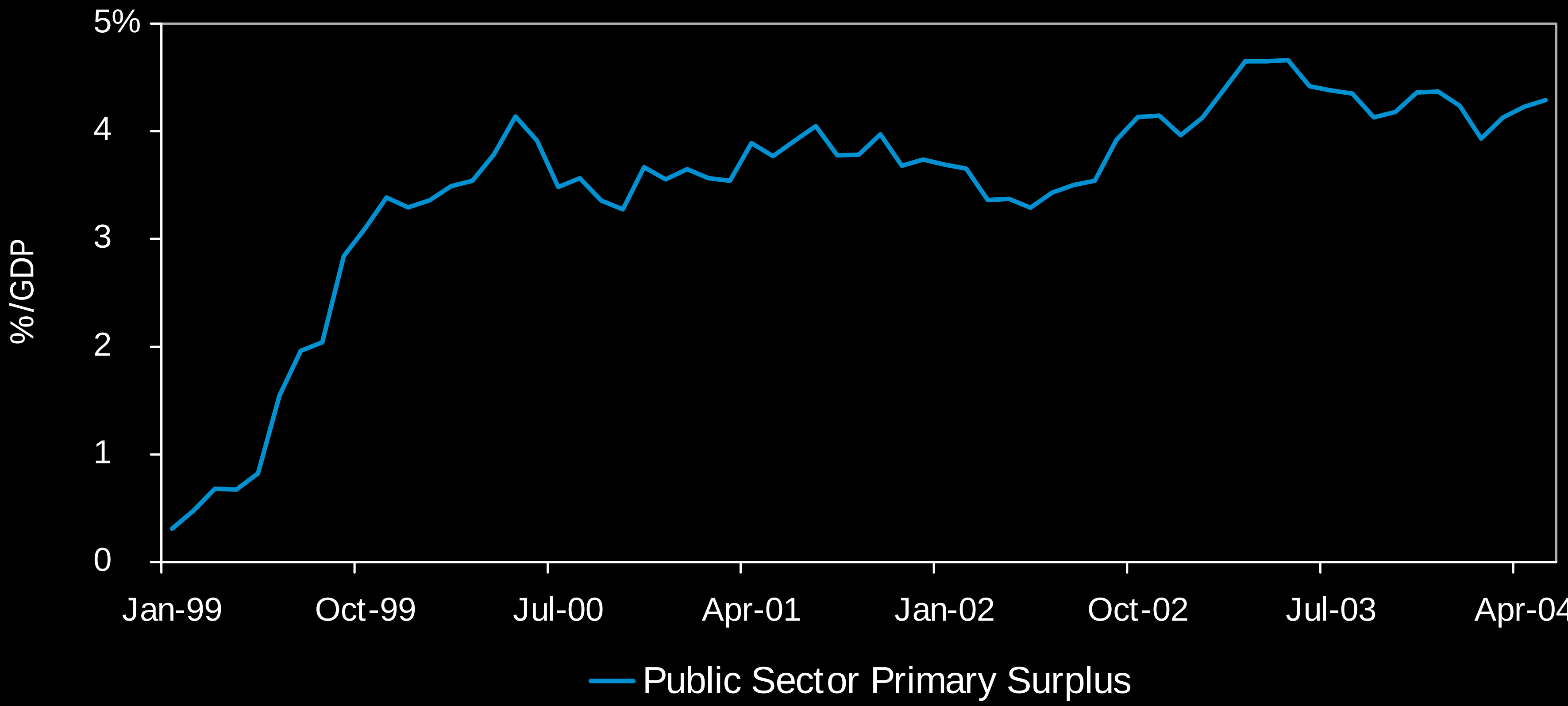
Brazil Has Demonstrated That the Right Policies Can Result in a Sustained Primary Surplus at Levels Higher Than GCAB is Projecting for Argentina



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The Argentine Government's Inflation and Foreign Exchange Assumptions are Inconsistent and Understate Its Ability to Pay

- The government's average annual inflation rate forecast of 3.0% between 2005 and 2030 is too low

- The government's projection of real peso devaluation is inconsistent with its low inflation assumption: devaluation will inevitably lead to inflation

- GCAB believes that
  - A more realistic average annual inflation rate is 5.2%
  - This inflation rate would more likely be accompanied by nominal foreign exchange rate devaluation but real foreign exchange rate stability
  - Together, these factors could potentially increase the government's ability to pay by approximately US$3.0 billion in net present value terms

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A 5.2% Average Annual Inflation Rate and Real Foreign Exchange Rate Stability are Realistic

- Growing emerging market countries generally have higher inflation rates that capture rising wage levels
- Emerging market countries which devalue in nominal terms while maintaining real exchange rate stability tend to have inflation rates above the developed country levels to reflect rising wage rates and improving living standards. GCAB assumes the developed country rate level to be 2.0%
- GCAB assumes real exchange rate stability, which will allow the dollar value of Argentina’s GDP to maintain purchasing parity

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The Argentine Government’s GDP Forecast Understates Its Ability to Pay

- The government targets an average annual real GDP growth rate of 3.3% between 2005 and 2030
- GCAB believes an average annual real GDP growth rate during this period of 3.6%, in the context of a consensual restructuring based on ability to pay, is realistic
- The difference between the government’s and GCAB’s assumptions could potentially increase the government’s ability to pay by approximately US$5 billion in net present value terms

A 3.6% Average Annual GDP Growth Rate is Reasonable

- Argentina is already growing at 10% year over year
- Argentina is at a low base and its economy still has significant capacity to expand
- Significant opportunities exist for structural reforms
- Argentina can attract more capital and investment with the right policies
- Growth of 4.2% should be achievable in the near to intermediate term

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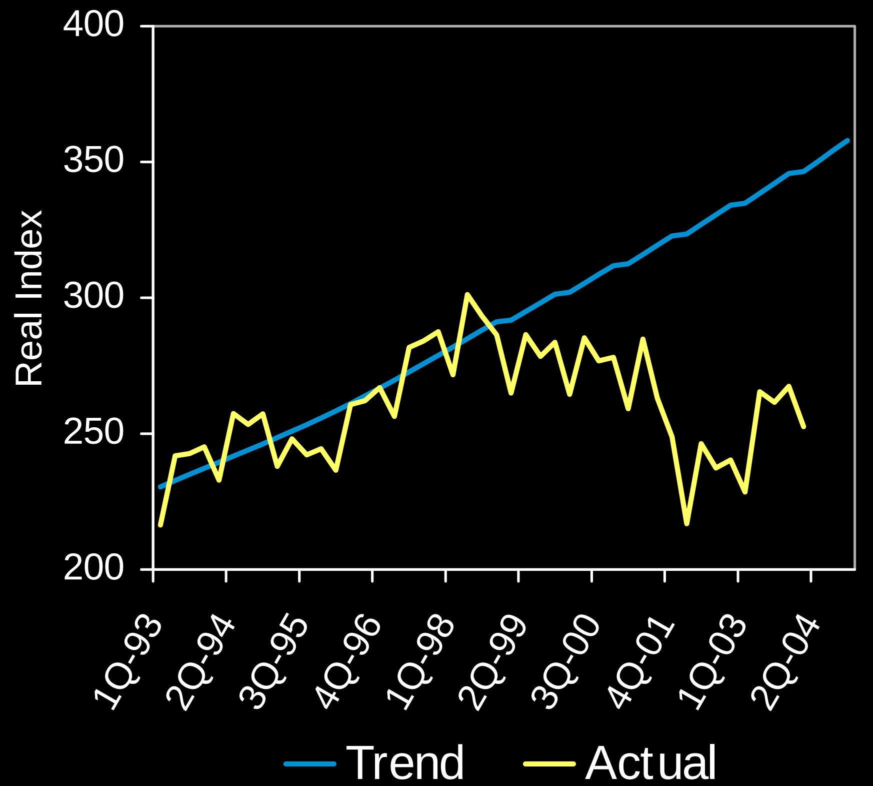
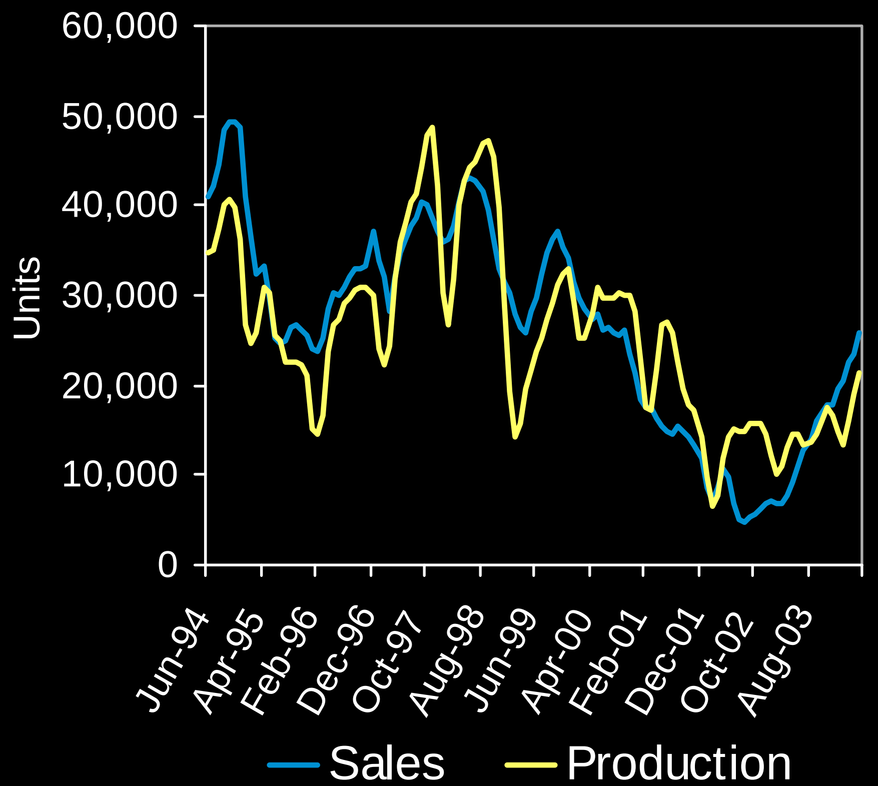
Argentina's Economy is Growing From a Low Base and Has Substantial Capacity

Deep Recession Leaves Argentina Well Below Capacity



Motor Vehicle Output and Sales Show the Fast Rebound, but Also How Much Potential Argentina Still Has



The Argentine Government Has Significant Opportunities For Structural Reform

Fiscal Reform

- The government's tax system is still dependent on certain financial transactions and export taxes
- Lower tax rates over a broader base would be more efficient
- The co-participation system needs to be overhauled

Market Reform

- Energy market reform, a realistic and predictable energy tariff system and changes in the labor markets are needed to ensure that the economy becomes more flexible and competitive

Bank Reform

- The banking sector is liquid, but needs further reform

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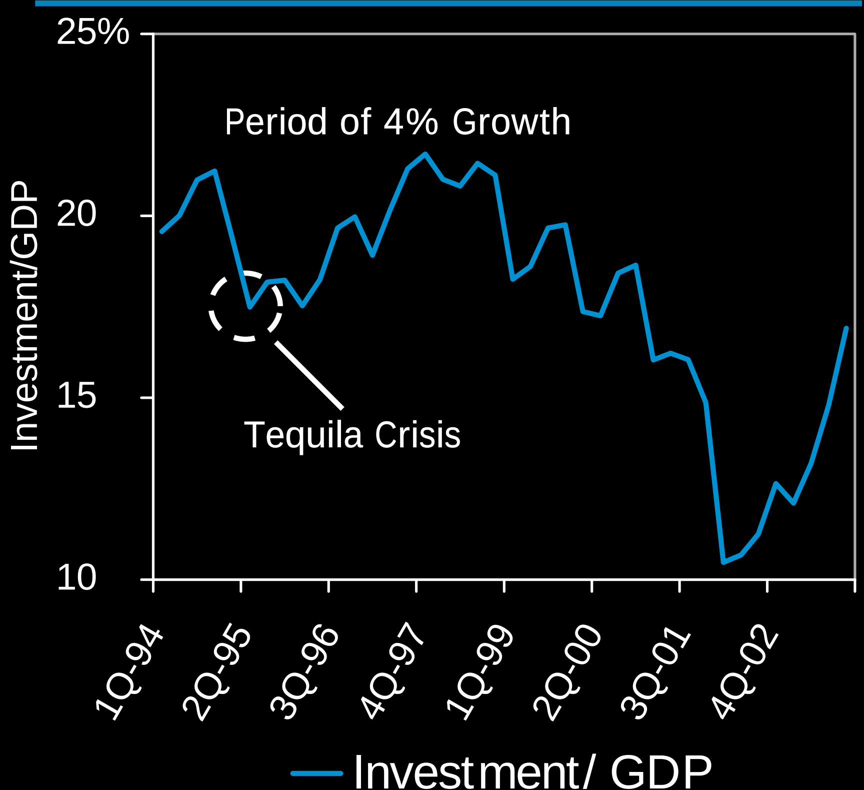
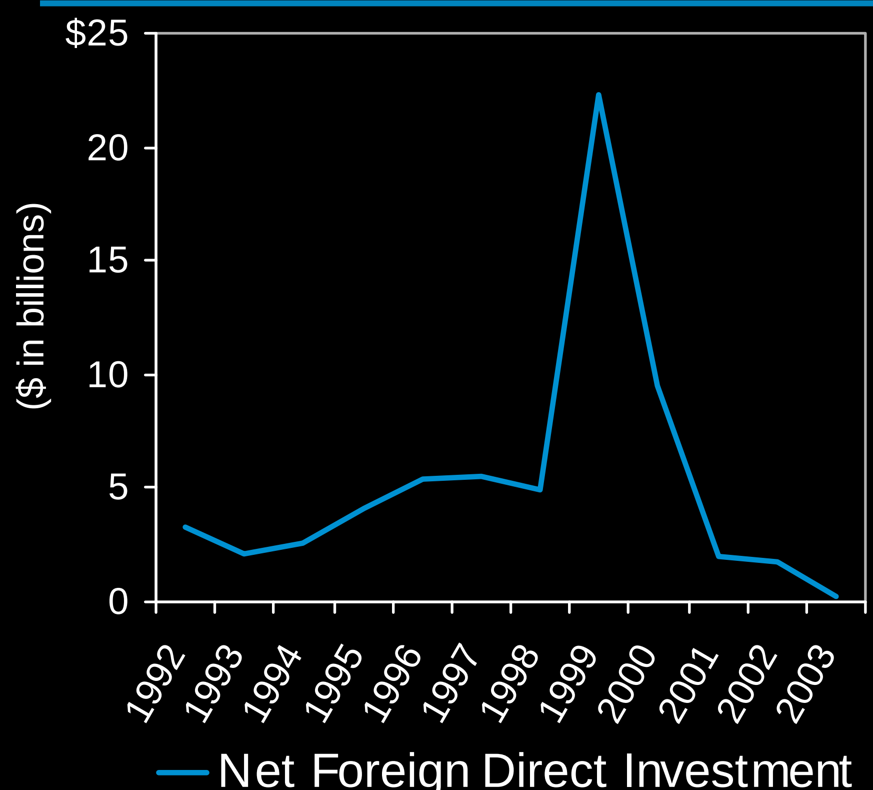
Argentina Can Attract More Capital With the Right Policies

Reintegration with the Global Economy Will Lead to Higher Investment to Tap This Potential



A Credible Restructuring Can Help Argentina Attract Back Foreign Investors



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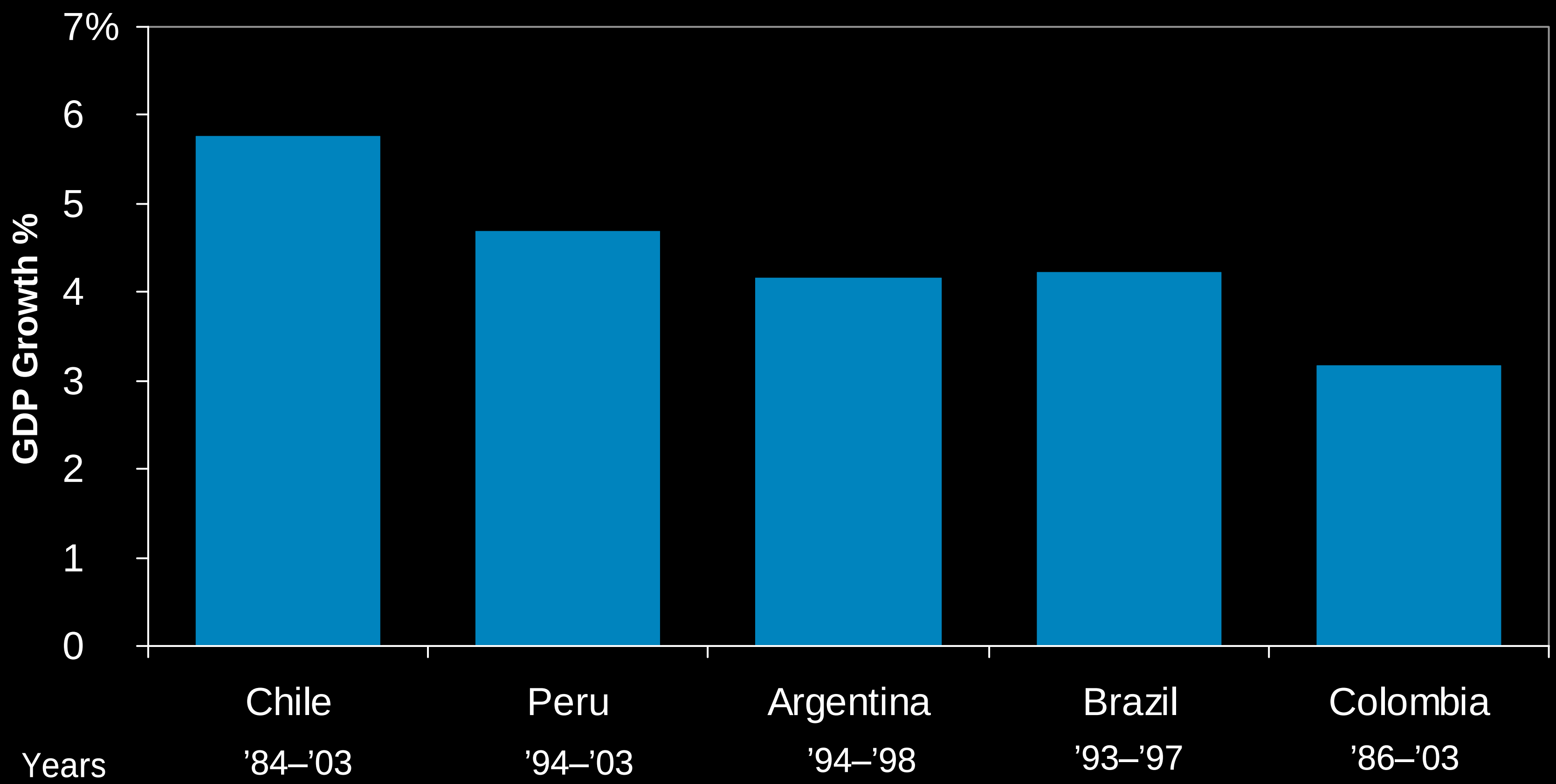
Argentina's Real GDP Should be Able to Grow At An Average Annual Rate of 4.2% For the Next 10 Years, In Line With Post-Restructuring Trends of Other Developing Countries



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Summary of More Realistic Primary Surplus Assumptions

An internally consistent debt sustainability model with more realistic primary surplus assumptions could increase the Argentine government's ability to pay

Assumption	Time Periods	Argentina	GCAB	NPV Impact
Primary Budget Surplus* (Average, '05-'30)		2.6%	3.3%	US$17 Bn
Real Exchange Rate Index	'04–'08:	1.77	1.84	
	'05–'30:	2.08	1.74	US$3 Bn
CPI Inflation	'05–'14:	3.4%	5.6%	
	'05–'30:	3.0%	5.2%	
Real GDP Growth	'05–'14:	3.5%	4.2%	US$5 Bn
	'05–'30:	3.3%	3.6%	
				US$25 Bn

* Federal Government Surplus

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The Argentine Government Can Afford to Pay at Least US$5 Billion of its Cash Reserves to its Creditors

- Cash and reserves have increased by US$8 billion over the past 1½ years, from US$10 billion to US$18 billion, due in part to the government's not paying interest on its defaulted debt
- US$13 billion of cash and reserves is adequate for liquidity purposes
- US$13 billion would be equal to nearly six months of current account import coverage, while more than the three months is normally considered adequate

Argentina's Ability to Pay Could Potentially Be Increased Through Prudent Access of the Capital Markets

- GCAB's framework assumes that by consummating a consensual restructuring and by implementing the economic policies advocated, Argentina could regain access to the international capital markets by 2008
- Incremental borrowing capacity is estimated to be up to 1.0% of GDP from 2005 to 2015 and up to 1.5% of GDP from 2016 to 2030
- The new capital raised in the markets could increase Argentina's current ability to pay by approximately US$15 billion on a net present value basis

Alternative Financial Framework

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Key Guidelines

Negotiated Effort	A successful exchange offer must reflect meaningful negotiations between the Argentine government and GCAB
Transparency	Any negotiation must include: (i) A complete disclosure of the government's economic programs and strategies (ii) Full and transparent disclosure of all bond holdings by the government and all prior restructuring related transactions (iii) Justification for proposed ineligibility of excluded debt
Equivalent Treatment	All bondholders treated equitably regardless of place of domicile, currency, or type of entity (retail versus institutional)
Burden Sharing	Burden sharing on an equitable basis between bondholders and Argentina
Past Due Interest	100% of past due interest must be honored
Debt Sustainability	A successful solution must be compatible with and provide for Argentina's long-term debt sustainability, economic growth and social goals
Minimum Participation	A successful exchange must be structured to attract at least 90% of bondholders

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Preliminary Assumptions

Item	Assumption
IMF Debt	Fully retired over the next 12–15 years
Maturing Restructured Debt	100% refinanced in capital markets
Access to International Capital Markets	2008
Access to Domestic Capital Markets(1)	2005
Excluded Debt(2)	Multilaterals, Bodens, National Guaranteed Loans and Provincial Guaranteed Loans
Primary Surplus Minus Total Interest as % of GDP	-1% Target (2005–2015)
	-1.5% Target (2016–2030)
Discount Rate	900 bps over UST Zero Curve(3)

(1) Domestic Capital Markets have already reopened.
(2) Certain of the Argentine government restructuring assumptions adopted for illustrative purposes only. GCAB reserves right to perform due diligence and change these assumptions.
(3) Based upon the current and assumed post-restructuring trading levels for Bodens and Brazilian sovereign bonds. Bodens are currently trading at a spread of 1,065 bps over the US Treasury curve and Brazilian bonds are trading at 650 bps over the US Treasury curve. We expect that Bodens will tighten following the restructuring, but will trade above Brazil. We expect the new bonds will tighten as well, but will trade over Bodens.

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Hypothetical Bonds[1]

All tranches have equivalent value

Maturity:	10 Year	20 Year	30 Year
Applicability:	Final Maturities to 2005	2006–2014 Final Maturities	Final Maturities After 2014
Amortization Schedule:	Equal payments from year 5	Equal payments from year 7	Equal payments from year 14
Retail Oriented			
Nominal Haircut:	0.0%	0.0%	0.0%
Interest Rate (USD):	3.00%-3.25%	5.875%-6.125%	Step up:
			Years 1–13 6.875 %-7.125%
			14–30 8.875%-9.125%
Institutionally Oriented			
Nominal Haircut:	20%-30%	20%-30%	20%-30%
Interest Rate (USD):	7.00%-7.25%	8.875%-9.125%	Step up:
			Years 1–13 9.375%-9.625%
			14–30 12.875%-13.125%

(1) For the purpose of this exercise, GDP-linked bonds and other similar instruments have not been considered due to lack of market consensus on valuations. GCAB is open to considering these instruments within the context of actual negotiations.

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Hypothetical PDI Bonds

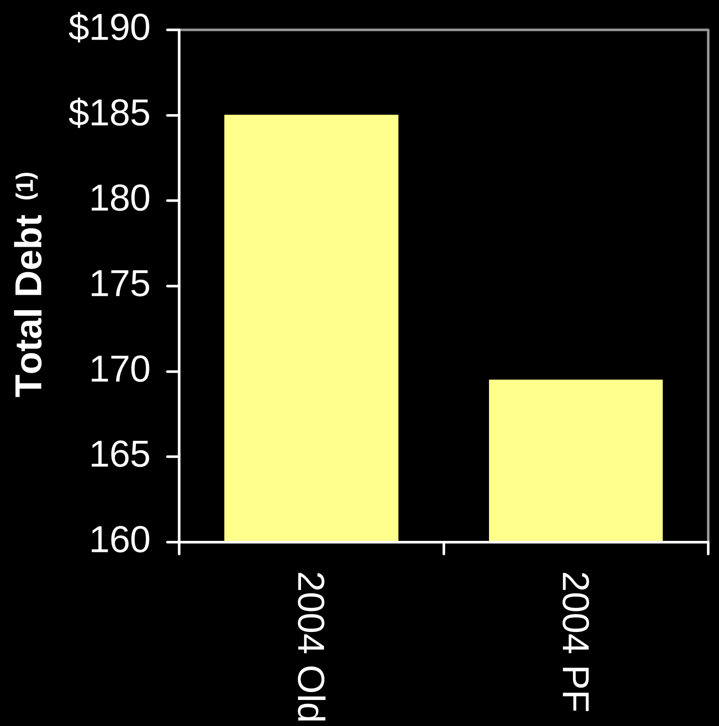
- Each eligible bond will have a specific amount of PDI based on the contractual interest rate and the original timing of coupon payments
- For each of the eligible bonds that have matured, PDI will continue to accrue at the original contractual rate
- We currently estimate total PDI to be in excess of $26 billion by the end of 2004
  - PDI does not include compounded interest on interest which has not yet been calculated
  - The Paris Club conventions calculate interest on interest on arrears

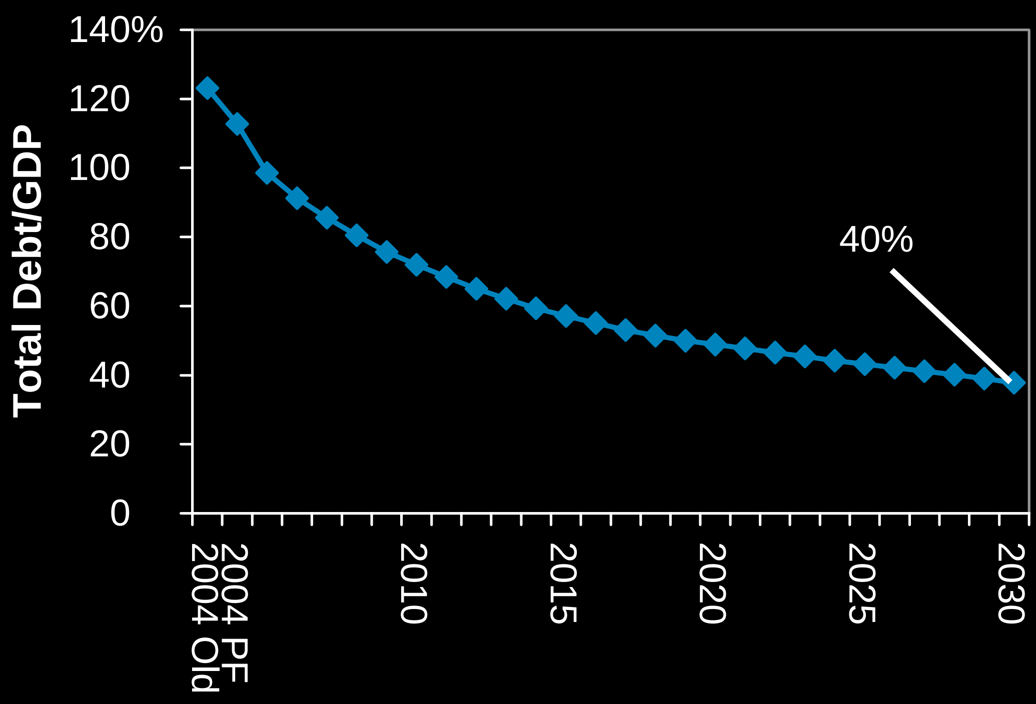
Maturity:	15 Year
Applicability:	All Bonds
Upfront Payment:	15%-25%
Nominal Haircut:	0%
Amortization Schedule:	Equal payments starting year 11
Interest Rate (USD):	5.375%-5.625%

($ in billions)

Theoretical Impact

- Substantial debt relief is only partially reflected when measuring total debt in terms of nominal value





(1) Understates the amount of debt forgiveness by reflecting all restructured debt at face value rather than present value.

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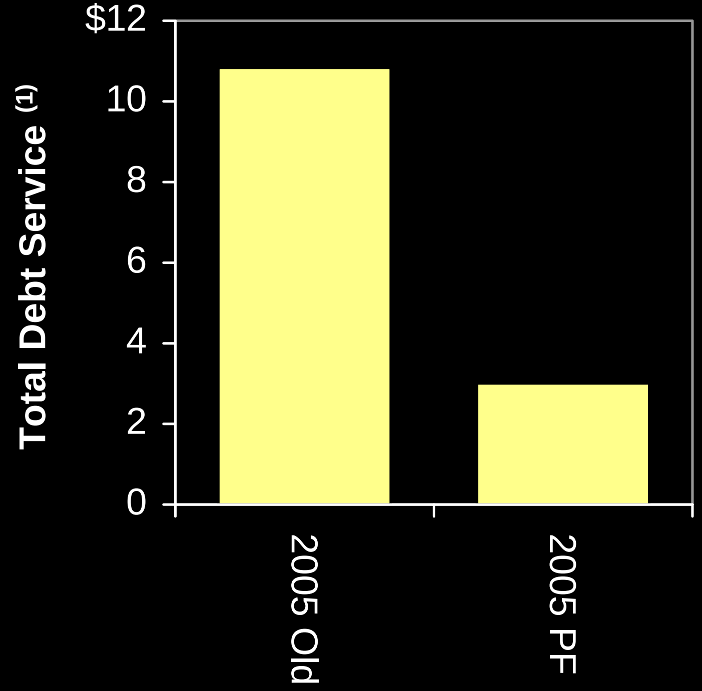
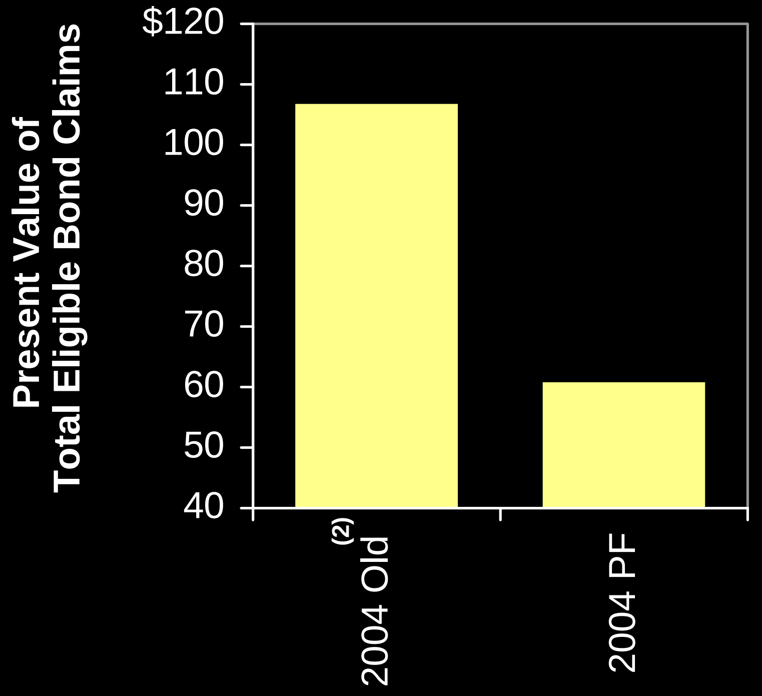
($ in billions)

Theoretical Impact (cont.)

- Measuring restructured debt in nominal terms does not fully capture the significant relief included in the GCAB framework, which is better illustrated by the immediate reduction in debt service and the reduction in the net present value of eligible claims





(1) Includes interest and amortization for Eligible Debt.
(2) Includes principal and past due interest.

GCAB's Guidelines Meet the Argentine Government's General Principles

- Represent a substantial reduction in Argentina's debt service requirements
- Lay the framework for solid and durable growth
- Improve the social situation
- Achieve sustainable solution to the debt problem
- Ensure debt overhang is minimized
- Are fair and equitable for all creditors

Source: Argentina's Restructuring Guidelines, September 2003.

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Key Takeaways

- Argentina’s ability to pay should be the main driver in any potential restructuring solution
- Argentina's ability to pay is significantly underestimated
  - $18 billion in Foreign Exchange Reserves
  - YoY GDP Growth of 10%, YTD Tax Revenue up 40%
  - Primary Surplus already 4% of GDP
- GCAB has identified multiple potential sources of additional payment capacity that could be used by the government to achieve a consensual, negotiated and equitable restructuring
- “Exclusion” of certain debt must be substantiated
- Cost of failure to sustain structural reforms and fiscal effort should not be unfairly borne by creditors
- The Argentine government cannot have a successful restructuring without GCAB’s support
  - GCAB provides the government with the best opportunity to negotiate a consensual restructuring.

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Global Committee of Argentina Bondholders

July 2004