Fitch Affirms B- Ratings for City of Buenos Aires

5 de diciembre de 2005

Fitch Ratings-Buenos Aires-December 5, 2005: Fitch Ratings has affirmed the 'B-' global scale foreign and local currency unsecured debt ratings, including the euro medium-term note (EMTN) program, of the City of Buenos Aires. Fitch has also affirmed the city's 'B-' foreign and local currency issuer rating. The Rating Outlook is Stable. The mayor of the City of Buenos Aires, Anibal Ibarra, was suspended last Nov. 14 by the City Legislature, and now faces an impeachment trial regarding his responsibility in the fire of a Buenos Aires nightclub in December 2004. The city's administration is now under the vice-mayor Jorge Telerman. Fitch believes the political turmoil will not spill into a credit risk, and expects continuity in the current fiscal and financial policies. As of September 2005, the city continues strengthening its credit profile, through the achievement of an adequate internal saving level, despite the expected increase in current and capital expenditures. The city continues showing a strong financial situation due to its high liquidity and sustainable debt levels and debt repayment schedule after the successful conclusion of the restructuring of the EMTN program last in March 2003. The main concerns regarding the City of Buenos Aires's credit profile are mainly risks associated to the federal government's economic policies – particularly exchange rate levels and capital controls. Preliminary results indicate that budgetary surplus for 2005 (after capital expenditures and debt services) should reach the equivalent of US$150 million (7.3% of total revenues), 36% lower than 2004's surplus as a result of expenses increasing at a faster pace than revenues. After two years of tight expenditure control and recovering revenues which allowed the city to achieve a strong financial position, expenditures have increased mainly through salary increases and higher capital investment. Even so, the city has maintained fiscal stability and expects to end 2005 with a cash balance of approximately US$450 million. Projected 2006 budget estimates a nominal revenue increase of 17% and a raise of 30% in total expenditures, mainly in infrastructure. The city estimates investments of US$400 million, funded with its fiscal results. Based on these premises on revenues and expenditures, the city expects to reach a surplus before amortization payments of US$4 million in 2006. The city's strong financial position will allow it to meet 2006 debt services of approximately US$211 million (US$61 million in interests and US$150 million of principal), allowing for a peso devaluation of up to 3.3 ARS/US$. Total debt of US$734.8 million as of September 2005, is comprised mostly by the EMTN program series 1 to 5 (US$566 million) and debt with multi and bilateral agencies (US$117 million). Debt represents 36% of expected current revenues for 2005 and continues the trend of net debt reduction observed in recent years. The heftiest debt services will be during 2006 and 2007, as series II and III begin to amortize capital, plus series V which began capital amortization during 2005. Despite higher financial needs, Fitch expects debt service to remain near a comfortable level of 10% over current revenues. As 80% of debt is denominated in foreign currency, exchange volatility remains the city's main risk in terms of financial performance. An update on the city's credit profile will be available shortly on the Fitch Ratings web site at 'www.fitchratings.com'. Contact: Sofia Migueliz +(0054) 11 5235-8100, Argentina; or Alfredo Gomez Garza +(0052) 81 8335-7179, Mexico. Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. 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.