Fitch Views Province of Mendoza Debt Exchange Offer as Default

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Fitch Ratings-Buenos Aires-July 12, 2004: After reviewing the terms and conditions of the restructuring proposal announced by the Province of Mendoza (the Province) on July 2, 2004, Fitch Ratings views the Exchange Offer of the Province's 10% bonds due 2007 for 5,5% amortizing bonds due 2018 to constitute a distressed exchange, and therefore a default. This view considers that the new bonds include a decrease in the interest rate and an extension of principal repayment. Thus, Fitch expects to downgrade the 10% bonds due 2007 to a default category from 'C' (Rating Watch Negative), if and when the exchange offer is concluded. Bondholders that accept the exchange offer and consent to the proposed amendments, will receive the same nominal amount of new bonds in exchange of existing bonds, plus cash payment covering accrued and unpaid interests as of March 4, 2004. The annual 5,5% interest payments on the new bonds will be semiannual in March and September, with maturity on Sept. 4, 2018. Commencing with the interest payment date on March 4, 2006, the Province will make amortization payments such that the total principal and interest payment on each payment date will be US$54,34 per US$1.000 principal amount of new bonds. In order to participate in the exchange offer, holders of existing bonds will also be required to consent to amendments to the terms and conditions of the existing bonds, which would mean the deletion of restrictive covenants and related events of default. The expiration date for the Exchange Offer has been set for July 30, 2004. The Province has distinguished itself amongst Argentine borrowers by honoring its Eurobond commitments in spite of the enormous obstacles resulting from the financial and fiscal crisis created by the sovereign in 2001. In 2003, the fiscal situation of the Province improved compared with 2002, due to the recovery in provincial and federal revenues, keeping in control the expenses. Province of Mendoza is one of Argentina's 24 regional districts. Bordering on the Andean range along the Chilean border, Mendoza's diverse economy centers on agriculture and wine production, hydrocarbons, and tourism. Contact: Eduardo D'Orazio, Cintia Defranceschi +0054 11 4327 2444, Argentina or Alfredo Gomez Garza +5281 8335 7179, Mexico.