Fitch Affs Santiago del Estero's 04 & 05 Nts' Ratings at 'C'; Removes Rating Watch Negative

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17 May 2004 11:02 AM (EDT) Fitch Ratings-Buenos Aires-May 17, 2004: Fitch Ratings has affirmed Santiago del Estero's rating at 'C' for co-participation tax revenue collateralized medium-term, series 04 and 05 notes. The rating has been removed from the Rating Watch Negative status. A Stable Rating Outlook has been assigned. During 1Q'04, the combination of higher co-participation flows and exchange rate stability improved the debt service coverage ratio, which has almost reached the one time level. As a consequence Fitch Ratings will continue monitoring cash flows performance and debt service coverage, as well as political and institutional developments in the province. In 2002 and 2003, weak co-participation flows put the structure under pressure, as the funds collected were insufficient to cover debt service payments and the province made additional transfers to cover the shortfalls. The reserves accounts were partially used and replenished accordingly. The series 04 notes of US$12 million issued in August 1998 and series 05 notes of US$108 million issued in November 1999 under a US$120 million medium-term note program, constitute direct and unconditional obligations of Santiago del Estero. Both series rank pari passu with each other and share the collateral assigned to the program (10% of monthly co-participation tax revenue of the province). Series 05 was restructured in June 02, and the restructuring includes an extension in maturity from June 2006 to June 2016, while the coupon remains fixed at a rate of 15.875%. These notes receive semi-annual interest payments, and semi-annual principal payments beginning June 2005. Contact: Eduardo D'Orazio, Cintia Defranceschi, +54 11 4327-2444, Buenos Aires, Alfredo Gomez Garza +52 81 8335 -7179, Monterrey. Media Relations: James Jockle +1-212-908-0547, New York.