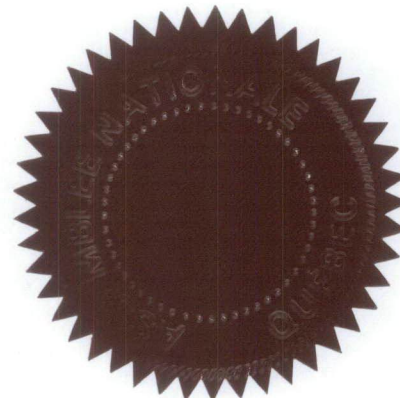


BMP MOODY'S UPGRADES QUEBEC'S RATING TO Aa3  
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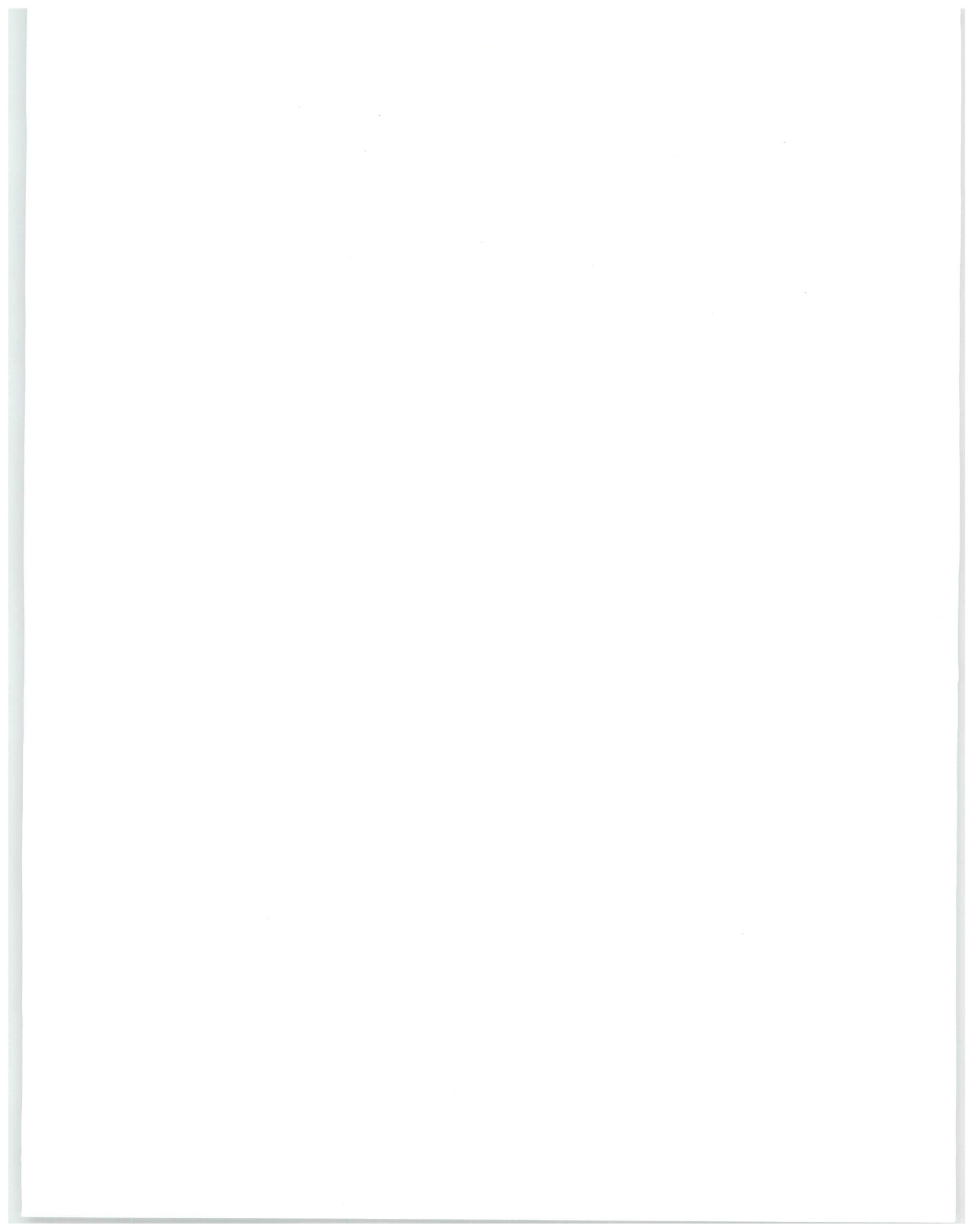
New York, June 14, 2006 -- Moody's raised the Province of Quebec's debt rating to Aa3 from A1, recognizing sustained improvement in the province's financial performance and the government's commitment to achieve further progress. Of key importance to the improvement in credit quality is the government's development of a clear strategy for debt abatement.

Quebec has maintained a balanced or nearly balanced position on an accrual basis since 1998/99, with only minor deficits registered in some years. On a cash basis, Moody's notes that deficits have narrowed to approximately 1% of revenues in recent years. This favorable financial performance marks a significant reversal from the large, recurring deficits recorded earlier in the 1990's.

Progress in meeting fiscal goals in recent years has reflected successful implementation of expenditure controls and increased federal transfers. In 2006/07 and over the medium term the government is committed to balancing its accounts despite significant fiscal challenges including health care cost pressures.

The government's ability to restrain expenditure growth over the next four years was significantly enhanced with the resolution of wage settlements concluded in December 2005. The settlements provide a predictable expenditure path through 2010 for compensation, which currently comprises 56% of program expenditures. In addition, the province's policy of replacing every two retirees with only one new hire will further ease expenditure pressures.

Strengthening of federal government grant programs in recent years should



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also provide additional budget flexibility and improve the predictability of grants. Although revisions to the equalization formula, which determines an important portion of Quebec's grants, are now being considered, Moody's expects that changes will be positive for Quebec. Overall, the province should benefit from an improved environment of federal transfers.

While Quebec's debt burden is high compared to its Canadian and international counterparts, Moody's notes that in contrast to international peers Quebec and other Canadian provinces enjoy vast discretionary powers including a wide range of own source revenues. Quebec's debt ratios have improved over the past several years as the economy has expanded and growth in the stock of debt has slowed.

Quebec's newly announced debt strategy is expected to further support debt reduction. The province has created a special fund to be used exclusively for debt retirement purposes. The fund will grow through the collection of water royalties, primarily from Hydro Quebec. While debt reduction will be moderate, reducing net debt from 43% of GDP to an estimated 38% over five years, the new strategy provides greater assurance that debt burden and the related weight of interest payments on budgetary operations will continue to ease over the medium term.

Quebec's large and diversified economy remains a source of credit strength. An important manufacturing sector is supported by a vast array of natural resources and expanding high technology industries.

Moody's has also raised the rating of Financement-Quebec, a crown corporation that on-lends funds to educational and health institutions outside the province's budgetary framework, and whose debt is guaranteed by Quebec.

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