

Fitch Downgrades Sidetur's IDRs to 'B-'; National Scale Ratings to 'BB+(ven)'; Outlook Negative

Ratings

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Fitch Ratings-Chicago-19 April 2011: Fitch Ratings has downgraded the Foreign and Local Currency IDRs of Siderurgica del Turbio S.A. (Sidetur) to 'B-' from 'B+' and national scale ratings to 'BB+(ven)' from 'A+(ven)'. Fitch has also downgraded the ratings of Sidetur's US\$100 million 10% senior unsecured notes due 2016 issued through its wholly-owned subsidiary Sidetur Finance B.V. to 'B-/RR4' from 'B+/RR4.'

The Rating Watch Negative has been removed. The Rating Outlook is Negative. Sidetur is a 100% owned subsidiary of Siderurgica Venezolana S.A. (Sivensa). A full list of Sidetur's ratings is listed below.

The downgrades reflect the ongoing developments and uncertainty surrounding the expropriation of Sidetur's steel mills, and in particular the unknown dollar value that it will receive from the Venezuelan government for those assets. The downgrades also take into consideration the uncertainty surrounding the timeliness of payment from the government, which could inadvertently lead to the change of control clause being triggered.

Recovery in the event of default could be above the RR4 level due to Sivensa's strong reputation and conservative management, as well as the low level of debt in relation to the amount of funds the company is likely to receive from the government. The recovery was capped at the RR4 level due to concerns about the creditor rights in Venezuela, as well as the application and legal enforceability of any claim. Please refer to Fitch's criteria 'Country-Specific Treatment of Recovery Ratings' dated Feb. 23, 2011 for more guidance on Fitch's application of national recovery ratings.

The Negative Outlook reflects the slow and uncertain process for the resolution of the aforementioned issues.

Fitch has assigned a Negative Outlook and downgraded the ratings of Sidetur as follows:

Sidetur S.A

--Foreign currency Issuer Default Rating (IDR) to 'B-' from 'B+';

--Local currency IDR to 'B-' from 'B+';

--USD100 million unsecured notes due 2016 issued by Sidetur Finance B.V., a wholly owned subsidiary of Sidetur, to 'B-/RR4' from 'B+/RR4';

--National scale rating to 'BB+(ven)' from 'A+(ven)';

--National short-term rating to 'F2(Ven)' from 'F1(ven)'.

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Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:

--'Country-Specific Treatment of Recovery Ratings' (Feb. 23, 2011)

--'National Ratings - Methodology Update' (Jan. 19, 2011)

--'Corporate Rating Methodology' (Aug. 16, 2010)

Applicable Criteria and Related Research:

Country-Specific Treatment of Recovery Ratings

National Ratings Criteria

Corporate Rating Methodology

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