

# Fitch Takes Rating Action on Numerous Latin America Corporates

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Fitch Ratings-Chicago-24 April 2006: In conjunction with the roll out of Issuer Default Ratings (IDRs) and Recovery Ratings (RRs) for Latin America Corporates, Fitch Ratings has taken rating actions on various companies throughout the region. Approximately US\$16.1 billion of debt was affected. For additional information, see the press release 'Fitch Launches IDR and Recovery Ratings for Latin America Corporates', also released today and available on the Fitch Ratings web site at 'www.fitchratings.com'. 'IDRs and recovery-based issue ratings represent the next generation of credit ratings,' said Daniel R. Kastholm, Managing Director and head of Fitch's Latin American Corporate group. 'Within the framework developed by Fitch, the ratings of Latin America corporate debt issuances now reflect both the probability of default and expected recovery.' Fitch began the process of rolling out IDRs and RRs in the second half of 2005 to enhance the informational value of its ratings for investors worldwide. Some of the top-tier Latin America companies, which had significantly higher local currency (LC) IDRs than their sovereign-constrained foreign currency (FC) IDRs, benefited from the application of Fitch's recovery criteria. 'The data shows that extremely strong companies operating in riskier environments tend to have better ultimate recovery prospects than companies with poor business positions,' said Joe Bormann, Senior Director. 'As a result of incorporating recovery into specific issue ratings, several of these unique players received ratings above their corporate FC IDR to reflect higher levels of expected recovery, on average, given default when caused by a systemic risk event such as a sovereign or external liquidity crisis.' As part of the process of applying Fitch's IDR and Recovery Rating criteria, Fitch reviewed the long-term foreign and local currency ratings (now LC IDRs and FC IDRs) of all of the internationally-rated Latin America Corporates. As a result of this review, and using Fitch's existing criteria for rating corporates above the country ceiling (see 'Rating Above the Country Ceiling,' dated Aug. 8, 2005 and also available at 'www.fitchratings.com'), Fitch assigned several FC IDRs on Latin American Corporates, primarily in Brazil, above the country ceiling reflecting both the ability and the willingness of each of these companies to keep current on their foreign currency debt obligations, even in the event of sovereign imposed transfer and convertibility (T&C) restrictions on foreign debt service. While Fitch continually evaluates and stress tests the durability of corporates to withstand a T&C event, the combination of better capital structures and debt profiles, an improving macroeconomic environment, particularly in Brazil, and a more favorable view of medium to long term commodity prices has allowed several of these companies to meet this test for the first time, enabling their FC IDRs to pierce the country ceiling. Brazilian Companies affected were Alcoa Aluminio, AmBev, Aracruz, Braskem, CSN, CST (now part of Arcelor Brazil), CVRD, Gerdau Acominas, Gerdau S.A., Petrobras, Samarco, Votorantim; some of these entities had previously pierced the country ceiling. In addition and during the process of phasing out the local currency unsecured debt rating, certain companies whose credit profile was considered strong for the previous rating category were given LC IDR's above their former LC unsecured debt rating, primarily in Argentina, including the following companies; PAE, Telecom Argentina, Telecom Personal, Telefonica, Telefonica Holding, TGS and YPF. Based on the application of Fitch's IDR and RR criteria as well as the review of its Latin America international corporate rating portfolio, below is a complete list of rating changes made to our rating universe. Issuer --Debt level; Previous Rating; New IDR --Issue Rating; Recovery Ratings Aracruz Celulose S.A. --Foreign Currency; 'BB-'; 'BB+', Rating Outlook Positive --Local Currency; 'BBB-'; 'BBB', Rating Outlook Stable Braskem International Ltd --\$150 million, Senior Unsecured Notes due 2015; 'BB-'; 'BB' Braskem S.A. --Foreign Currency; 'BB-'; 'BB', Rating Outlook Positive --\$675 million, Senior Unsecured due 2008, 2014 and 2047; 'BB-'; 'BB' Companhia Siderurgica de Tubarao (CST) -- Foreign Currency; 'BB'; 'BB+', Rating Outlook Positive Companhia Siderurgica Nacional (CSN) --Foreign Currency; 'BB-'; 'BB', Rating Outlook Positive --\$1.7 billion, Senior Unsecured Notes due 2007, 2008,

2013 and 2015; 'BB-'; 'BB+' --\$750 million Guaranteed Perpetual Notes 'BB-'; 'BB+' Companhia Vale do Rio Doce (CVRD) --Foreign Currency; 'BB'; 'BB+', Rating Outlook Positive --\$1.8 billion, Senior Unsecured Notes due 2016 and 2034; 'BB'; 'BBB-' CST Overseas --Foreign Currency; 'BB'; 'BB+', Rating Outlook Positive Cerveceria y Malteria Quilmes S.A. (CMQ) --\$150 million, Senior Unsecured bonds due 2012; 'B'; 'B+/RR3' Desc S.A. de C.V. --Foreign Currency; 'B'; 'B+', Rating Outlook Stable --Local Currency; 'B'; 'B+', Rating Outlook Stable --\$398 million, Senior Secured Debt and IFC B in Participations; 'B+'; 'BB-/RR3' Gerdau Acominas S.A. --Foreign Currency; 'BB-'; 'BB+', Rating Outlook Positive Gerdau S.A. --Foreign Currency; 'BB-'; 'BB+', Rating Outlook Stable --\$600 million, Senior Unsecured Notes; 'BB-'; 'BB+' Molinos Rio de la Plata S.A. --\$150 million, Future Flow Notes due 2006; 'B'; 'BB-' National Steel S.A. --\$450 million, Senior Unsecured Notes due 2011; 'BB-'; 'BB' Pan American Energy --Local Currency; 'BB-/BB', Rating Outlook Stable --\$100 million, Senior Unsecured Notes due 2009; 'B+'; 'BB-/RR3' Petrobras Energia S.A. (Formerly Pecom Energia S.A.) --\$1.4 billion, Senior Unsecured Notes due 2007, 2009, 2010 and 2013; 'B'; 'B+/RR3' Petroleo Brasileiro S.A. (Petrobras) --Foreign Currency; 'BB-'; 'BB', Rating Outlook Positive --\$2.5 billion, Senior Unsecured Notes due 2008, 2013, 2014 and 2018; 'BB-'; 'BB+' Samarco Mineracao S.A. --Foreign Currency; 'BB'; 'BB+', Rating Outlook Positive Telecom Argentina S.A. --Foreign Currency; 'B-'; 'B', Rating Outlook Stable --Local Currency; 'B-'; 'B', Rating Outlook Stable --\$1.5 billion, Senior Unsecured Notes due 2011 and 2014; 'B-'; 'B/RR4' Telecom Personal S.A. --Foreign Currency; 'B-'; 'B', Rating Outlook Stable --Local Currency; 'B-'; 'B', Rating Outlook Stable --\$500 million, Senior Unsecured Notes due 2010; 'B-'; 'B/RR4' Telefonica de Argentina S.A. (TASA) --Local Currency; 'B'; 'BB-', Rating Outlook Stable --\$771 million, Senior Unsecured Notes due 2006, 2007, 2008, 2010 and 2011; 'B'; 'B+/RR3' Telefonica del Peru, S.A.A. (TDP) --\$754 million, Senior Unsecured Notes due 2016; 'BB'; 'BBB-' Telefonica Holding de Argentina S.A. --Foreign Currency; 'B-'; 'B', Rating Outlook Stable --Local Currency; 'B-'; 'B+', Rating Outlook Stable --\$7.6 million, Senior Unsecured Notes due 2007; 'B-'; 'B/RR4' Telemar Norte Leste S.A. --\$150 million, Offering Notes; 'BB-'; 'BB' Transportadora de Gas del Norte S.A. (TGN) --\$175 million, Senior Unsecured Notes; 'DD' 'CCC/RR4' Transportadora de Gas del Sur S.A. (TGS) --Foreign Currency; 'B-'; 'B', Rating Outlook Stable --Local Currency; 'B-'; 'B', Rating Outlook Stable --\$614 million, Senior Unsecured Notes due 2010 and 2013; 'B-'; 'B/RR4' Vitro, S.A. de C.V. (Vena) --\$170 million, Senior Secured Notes due 2011; 'B-'; 'B/RR3' Votorantim Participacoes S.A. (VPAR) --Foreign Currency; 'BB-'; 'BB+'; Rating Outlook Positive --\$300 million, Senior Unsecured Notes due 2014; 'BB-'; 'BBB-' YPF S.A. --Local Currency; 'BB'; 'BBB-', Rating Outlook Stable --\$350 million, Senior Unsecured Notes due 2007, 2009, 2028; 'BB'; 'BB+' In addition to these changes, Companhia de Bebidas das Americas' (AmBev) foreign currency Rating Outlook has been revised to Positive from Stable. A full list of 'Latin America IDR, Recovery and Issue Ratings' is also available at '[www.fitchratings.com](http://www.fitchratings.com)' in the 'Corporate Finance' sector page. The list is under 'Corporates' in the 'Criteria Reports' page, or by going to 'Recovery Ratings' under 'Latin America Corporates'. In conjunction with assigning IDR, RR and revising issue ratings for Fitch's Latin American Corporates, Fitch has simultaneously released five special reports today entitled: 'Brazil Corporate Recovery Rating and IDR Guidelines'; 'Argentina Corporate Recovery Rating and IDR Guidelines'; 'Chile Corporate Recovery Rating and IDR Guidelines'; 'Mexico and Central America Corporate Recovery Rating and IDR Guidelines'; 'Colombia, Dominican Republic, Jamaica, Peru and Venezuela Corporate Recovery Rating and IDR Guidelines'. Fitch is hosting a Latin America conference on Tuesday, April 25 in New York. This conference will include a detailed session and discussion on the assignment of Latin America Corporate IDRs and RRs. This session will be broadcasted via a Fitch Ratings webcast at 1:30 p.m. EST. To register for the conference or webcast, please see the Fitch web site for details. Contact: Daniel R. Kastholm, CFA +1-312-368-2070 or Joe Bormann, CFA +1-312-368-3349, Chicago. 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