

04 AUG 2025

Fitch Revises CSN's Outlook to Negative; Affirms IDRs at 'BB'

Fitch Ratings - New York - 04 Aug 2025: Fitch Ratings has affirmed Companhia Siderurgica Nacional's (CSN) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) and National Long-Term ratings at 'BB' and at 'AAA(bra)', respectively. Fitch has also affirmed CSN Inova Ventures' and CSN Resources S.A.'s senior unsecured notes, which are guaranteed by CSN, at 'BB', and CSN Mineracao S.A. National Long-Term ratings and senior unsecured notes at 'AAA(bra)'. Fitch has in addition affirmed Companhia Estadual de Geração de Energia Elétrica (CEEE-G) National Long-Term ratings and senior unsecured at 'AA(bra)'. Fitch has revised the Rating Outlook to Negative from Stable.

The Outlook revision reflects CSN's challenges to effectively reduce debt aiming to reduce total leverage ratio to sustainably below 4.5x, which would be more consistent with its 'BB' rating.

CSN's ratings reflect its diversified and large asset portfolio, solid market position, competitive vertically integrated iron ore operations, high leverage and strong liquidity. Fitch expects CSN to temper growth and shareholder returns while it continues to navigate a challenging environment in the domestic steel market in Brazil.

Key Rating Drivers

Deleveraging Challenge: Without alternative measures to bring equity, CSN's leverage profile will remain moderately high. The company continues to seek financial partners for its energy and infrastructure segments and depending on the final terms of the transaction and if this will ultimately support total debt reduction this could alleviate leverage. Fitch adjusts its leverage ratio by adding received and paid dividends from non-controlling interests (NCI) to EBITDA.

Fitch expects total and net leverage to decline to 5.3x and 3.3x in 2025 and 5.1x and 3.4x in 2026 from 6.0x and 3.5x in 2024, due to slightly higher EBITDA and foreign exchange rates. On July 30, 2025, CSN sold around 38% of its shares in Usiminas for around BRL263 million and this is included in debt calculation for 2025.

Capital Allocation to Drive FCF: Fitch expects CSN to reduce capex and to prioritize streamlining and organic growth over opportunistic acquisitions and shareholder returns in 2025. Investments will rise again in 2026 and 2027. Fitch forecasts BRL11 billion EBITDA, BRL5 billion on capex and zero dividends beyond mining operations leading to FCF to reach BRL0.9 billion in 2025, with EBITDA rising to BRL11.4 billion in 2026 as steel, cement, logistics, and energy improve.

Continued Operational Diversification: The company has a diversified portfolio of assets with

operations in mining, steel, cement, logistics (railways and port operations), and energy. Fitch forecasts that EBITDA contribution will break down in mining (51%), steel (21%), cement (13%), logistics (13%) and energy (2%) between 2025 and 2027. This would split FCF generation drivers in about half from foreign and domestic origins.

Challenging Steel Market: Despite domestic demand showing some resilience, ineffective tariffs and quota schemes have failed to effectively prevent price erosion. Steel imports, especially from China, have risen sharply. Import penetration hit a record 23% in 1H25, up from 18.4% in 1H24. Against this backdrop, CSN's increased cost control efforts, including scheduled blast furnace maintenance shutdown in 1Q25, elevated EBITDA/t to USD76 in 2H24 vs USD47 in 1H24 and Fitch expects it to reach USD95 in 2025.

Cement Market Competition: Real estate dynamism, spurred by social housing government programs and still solid labor market, has supported domestic demand growth, with cement sales volume growing 3.5% during first half 2025. CSN has been taking a rational approach seeking maintain margins over market-share, which are leading to lower volumes. CSN is optimizing its logistic models and differentiating product portfolio. Fitch expects competition pressures to intensify later in 2025 lowering EBITDA/t to BRL84 from BRL107 in 2H24.

Large Mining Contribution: Volume growth, cost cutting and economies of scale are expected to offset price headwinds from decelerating Chinese iron ore consumption and stalling global trade. After stabilizing production increases in 2025, Pires and B4 tailings recovery projects are expected to add 3.5 million tons till the Itabirito P15 mine adds more than 16 million tons starting in late 2027. CSN would surpass 50 million tons of production by 2028 with EBITDA/ton of more than USD20.

Solid Business Position: CSN's business position as a low-cost integrated steelmaker remains solid, underpinned by captive access to raw materials (iron ore/energy), a high value-added portfolio of products and a significant share of the flat steel industry in Brazil. Cost competitiveness is underscored by long mine lives, growing energy assets and consolidated logistics operations offering economies of scale and synergies to the group.

Consolidated Approach: Fitch applies its Parent and Subsidiary Rating Linkage criteria to CSN Cimentos, CSN Mineracao, CEEE-G and their parent, CSN. The parent is stronger than the subsidiary and legal incentives for support are assessed as medium, as the presence of cross acceleration clauses in CSN Cimentos and CSN Mineracao, or the equity support agreement in case of CEEE-G mitigate the absence of corporate guarantees from CSN.

Fitch deems strategic incentives for support as high, as the integration into iron ore and energy bolsters CSN's steel business cost advantage, and because Fitch expects the cement business contribution to be critical for CSN's cash flow diversification strategy. Synergies exist between the iron ore, steel and cement businesses, and management and strategies are fully integrated, with both companies closely sharing reputational risks.

Strategic incentives for support to CEEE-G are deemed as medium because it backs the group's expansion and diversification despite low direct EBITDA contribution. Operational incentives for

support to CEEE-G are considered medium because half of CSN energy consumption would be generated by CEEE-G but synergies would be about BRL300 million.

Peer Analysis

CSN's integrated business profile and diversified steel portfolio are comparable to Usinas Siderurgicas de Minas Gerais S.A. (Usiminas) (BB/Stable). Both companies are highly exposed to Brazil's local steel market. However, both have weaker business positions than Gerdau S.A. (BBB/Stable), which benefits from international diversification, particularly in the U.S., and a flexible mini-mill model that helps mitigate market cycles.

United States Steel Corporation (BBB-/Stable) and Cleveland-Cliffs Inc. (BB-/Stable) are similar to CSN in EBITDA size and blast furnace operations, but they have a broader geographic presence in the U.S., additional electric arc furnace facilities, higher output, and a more value-added product mix. CSN, however, maintains more diversified business lines.

Among Brazilian steel producers, Gerdau has the strongest balance sheet, the most manageable debt schedule, and consistently improves its capital structure. In contrast, CSN's gross debt remains high relative to peers, and its debt amortization schedule is more challenging than those of U.S. Steel, Cleveland-Cliffs, Usiminas, or Gerdau.

Key Assumptions

- Benchmark iron ore prices average USD90/ton in 2025, USD85/ton in 2026 and USD75/ton in 2027;
- Iron ore volumes fall in 2025 to 42.2 million tons, grow 4% in 2026 and 2% in 2027;
- Iron ore EBITDA/ton at USD23 in 2025, USD24 in 2026, and USD22 in 2027;
- Steel volumes grow 5% to 4.8 million tons in 2025 and stay flat in 2026 and 2027;
- Steel EBITDA/ton at USD95 in 2025, USD83 in 2026, and USD83 in 2027;
- Cement volumes stay flat at 13.5 million tons in 2025 and grow 7% in 2026 and 3% in 2027;
- Cement EBITDA/ton at BRL100 in 2025, BRL105 in 2026 and BRL110 in 2027;
- Capex reaches BRL5 billion in 2025, BRL6.5 billion in 2026 and BRL7 billion in 2027;
- An exchange rate of BRL5.8/USD1.00 at YE 2025, BRL5.8 in 2026 and BRL5.8 in 2027.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Sustained adjusted total debt/EBITDA and adjusted net debt/EBITDA ratios consistently above 4.5x and 3.5x;

- Lack of progress on gross debt reduction;
- Large debt funded acquisitions;
- Increased pressure from main shareholders on dividend payments;
- Adverse regulatory changes in Brazil's mining industry;

A downgrade of the international rating could lead to a more than one notch downgrade in the national scale rating.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Alternative measures to bring equity that would support a meaningful gross debt reduction;
- Sustained adjusted total debt/EBITDA ratio below 3.5x and/or adjusted net debt/EBITDA ratio below 2.5x;
- Improved debt amortization schedule with lower exposure to refinancing risks withing 24 months horizon.

Liquidity and Debt Structure

CSN had BRL51.6 billion (USD9.4 billion) of Fitch adjusted total debt as of June 30, 2025. Fitch's debt figure excludes unearned revenue of client advances received for iron ore and electric energy supply. Fitch excludes lease related debt from its adjustments. Bonds represent 39% of the Fitch adjusted total debt and local debentures amount to 23%, while banks account for 38% of debt.

Readily available cash and marketable securities reached BRL18.3 billion (USD3.3 billion) as of June 30, 2025. After the sale of Usiminas shares, CSN still holds approximately 72 million Usiminas common shares and 28 million preferred shares not included in the readily available cash measure, as per Fitch's criteria it excludes equity holdings from marketable securities.

CSN regularly needs market access to refinance medium-term debt; any liquidity squeeze could pressure ratings. CSN has an annual average of BRL5.6 billion of debt due in 2025-2027. About 79% of these maturities are comprised of bank debt. Its largest maturity is expected in 2028 with BRL10.7 billion. Approximately, 66% of the company's debt is denominated in U.S. dollars.

Issuer Profile

CSN is an integrated high value-added steelmaker with a large market share in the Brazilian flat steels market and presence in Germany, the U.S. and Portugal. CSN is the second largest iron ore exporter of Brazil.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG Considerations

Companhia Siderurgica Nacional (CSN) has an ESG Relevance Score of '4' for Governance Structure due to key person risk and limited board independence through a single powerful shareholder, which has a negative impact on the credit profile, and is relevant to the rating[s] in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Fitch Ratings Analysts

Hector Collantes

Director

Primary Rating Analyst

+1 212 908 0369

Fitch Ratings, Inc. Hearst Tower 300 W. 57th Street New York, NY 10019

Wellington Senter

Director

Secondary Rating Analyst

+55 21 4503 2606

Debora Jalles

Senior Director

Secondary Rating Analyst

+55 21 4503 2621

Rodolfo Schmauk

Director

Secondary Rating Analyst

+56 2 3321 2923

Martha Rocha

Managing Director

Committee Chairperson

+1 212 908 0591

Media Contacts











Maggie Guimaraes

São Paulo

+55 11 4504 2207

maggie.guimaraes@thefitchgroup.com

Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Companhia Estadual de Geracao De Energia Eletrica - Ceee-G	Natl LT	AA(bra) 	Affirmed	AA(bra) 
• senior unsecured	Natl LT	AA(bra)	Affirmed	AA(bra)
Companhia Siderurgica Nacional (CSN)	LT IDR	BB 	Affirmed	BB 
	LC LT IDR	BB 	Affirmed	BB 
	Natl LT	AAA(bra) 	Affirmed	AAA(bra) 
• senior unsecured	Natl LT	AAA(bra)	Affirmed	AAA(bra)
CSN Mineracao S.A.	Natl LT	AAA(bra) 	Affirmed	AAA(bra) 

ENTITY/DEBT	RATING	RECOVERY	PRIOR
• senior unsecured Natl LT	AAA(bra)	Affirmed	AAA(bra)
CSN Inova Ventures			
• senior unsecured LT	BB	Affirmed	BB
CSN Resources S.A.			
• senior unsecured LT	BB	Affirmed	BB

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	◊	◆
STABLE	◐	

Applicable Criteria

[Corporate Rating Criteria \(pub.27 Jun 2025\) \(including rating assumption sensitivity\)](#)

[Corporates Recovery Ratings and Instrument Ratings Criteria \(pub.02 Aug 2024\) \(including rating assumption sensitivity\)](#)

[Parent and Subsidiary Linkage Rating Criteria \(pub.27 Jun 2025\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub.27 Jun 2025\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

Companhia Siderurgica Nacional (CSN) EU Endorsed, UK Endorsed

CSN Inova Ventures EU Endorsed, UK Endorsed

CSN Resources S.A. EU Endorsed, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

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