FitchRatings

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Fitch Affirms Samarco at 'B'; Downgrades National Scale Rating to Correct Error; Outlook Positive

Fitch Ratings - New York - 06 Aug 2026: Fitch Ratings has affirmed Samarco Mineracao S.A.'s (Samarco) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) at 'B' and Samarco's senior unsecured notes due 2031 at 'B' with a Recovery Rating of 'RR4'. Fitch has downgraded Samarco's Long-Term National Scale rating to 'BBB(bra)' from 'BBB+(bra)' to correct an error. The Rating Outlook is Positive.

Samarco's ratings reflect its growing scale as operations continue to ramp up, its low-cost position, and a manageable debt profile, including the USD1 billion bond cap. The ratings are constrained by high leverage, limited liquidity, and execution and funding risks related to its Phase 3 project.

The Positive Outlook reflects Fitch's expectation that Samarco will continue strengthening its operational profile, supported by higher production following approval of the Phase 3 plan and progress in dam decommissioning.

The downgrade of the national scale rating follows the identification of an error in the application of Fitch's National Ratings Correspondence Table. The prior National Scale Rating of 'BBB+(bra)' did not correspond to the issuer's 'B' IDR under Fitch's National Ratings Correspondence Table. The downgrade to 'BBB(bra)' corrects this mapping and aligns the National Scale Rating with Fitch's criteria. Under that criteria, the starting point for assigning a national scale rating is an assessment of the issuer's credit quality on the international rating scale (LC IDR). Fitch then uses the applicable country's National Ratings Correspondence Table to identify a range of appropriate national scale ratings, which for Brazilian Corporates with a 'B' IDR is 'BBB(bra)/BBB-(bra)/BB+(bra)'.

Key Rating Drivers

Ramping Up Operations: Samarco has approved its Phase 3 expansion plan, which is expected to restore full capacity of 26.4 million tonnes by 2028, up from current utilization of 58%. The company has secured long-term operating environmental licenses and completed engineering studies. The final USD2.5 billion budget was in line with expectations, and supportive prices and solid operations should help limit funding risk.

Fitch continues to monitor the remaining construction risk associated with Phase 3, while recognizing Samarco's strong execution in completing the similar phase 2 ramp up. With most procurement already completed, supply chain risk is limited, though construction execution and final engineering reconciliation remain. Fitch is closely monitoring progress on the pellet-feed circuit, which could allow ramping up to begin before full project completion, further reducing recovery risk and supporting

deleveraging.

Dam Decommissioning Progress: Samarco now expects to complete decharacterization of the Germano dam in 2026, ahead of the previous 2029 target. The project was 97% complete at end-2025 and remains within its USD700 million budget. Studies completed in 2025 on dry-stacking of ultrafine tailings support a four-year extension of mine life. Use of the Germano pit ended in 2023. While tailings-free operations and related audits are expected to raise costs, Fitch believes these will be offset by stronger environmental risk management.

Managed Remediation Risk: The 2024 Fundao tailings dam settlement continues to provide a framework for reparation payments and helps reduce environmental and litigation uncertainty. As of March 31, 2026, Samarco had disbursed about 18% of BRL100 billion of payment obligations and 76% of BRL32 billion of performance obligations. Under the 2031 bond indenture, Samarco's remediation-related cash outflows are capped at USD1 billion through June 2031. After Samarco's USD200 million cap is paid, the 2026 disbursements of USD2 billion will be funded equally by Vale S.A. (IDR BBB+/Stable) and BHP Group Limited (IDR A/Stable).

Strengthening Profile: Samarco is rebuilding its position as a low-cost, long-life pellet producer. Once it reaches full capacity in 2028, it is expected to rank among the top three global pellet exporters, alongside Vale and LKAB, according to Wood Mackenzie. Samarco sits in the first quartile of iron ore pellet costs, supported by its integrated operations and low-cost slurry pipelines. Fitch's forecasts also incorporate a six-month delay for large expansion projects.

Negative FCF to Remain: Fitch expects Samarco's EBITDA to increase to about USD985 million in 2026 and remain around that level in 2027, roughly 18% above 2024 levels, supported by completion of Phase 2. The forecast assumes limited working capital changes and capex rising to USD700 million from USD380 million in 2025, reflecting higher Phase 3 investment. Fitch expects free cash flow to remain negative, with an average margin of negative 3.5% in 2026-2028, before reparation payments and related equity support.

High Leverage: Fitch forecasts average gross debt of about USD5.1 billion in 2025-2026, including USD4.2 billion of senior debt from the judicial reorganization and additional PIK accruals. Heavy investment and significant remediation outflows are expected to limit cash accumulation. Fitch projects EBITDA leverage and net leverage of 5.0x and 4.8x in 2026, rising to 5.5x and 5.3x in 2027. Once Samarco reaches full capacity after 2028, leverage should decline to below 4.0x.

Peer Analysis

Samarco's (B/Positive) pellet and pellet feed production business profile is comparable to that of CAP S.A. (BB+/Stable), Champion Iron Limited (BB-/Stable) and Vale S.A. (BBB+/Stable), despite Samarco's growing scale (at 15.2 million tons), low costs (1st quartile position) and long mine life (relationship between reserves and last year production) of about 20 years considering future production rates.

Chile-based CAP produced approximately 2 million tonnes of iron ore pellets, supplemented by sales of more than 14 million tons of high-grade iron ore pellet and sinter feed. While CAP is positioned in the

less favorable third quartile of cost, it benefits from a long reserve life at nearly 40 years and enhanced financial flexibility.

Canada-based Champion Iron has a production capacity of approximately 15 million tonnes of iron ore but has a lower value-added portfolio. Champion has a lower mine life of 15 years at its Bloom Lake complex, but a low execution risk for its Quebec based Direct Reduction Pellet Feed project and a low leverage profile.

Vale, the global leader in low-cost iron ore production and one of the top three global mining companies, derives about 90% of its EBITDA from iron ore and pellets. Vale produces about 38 million tonnes of pellets and briquettes. The company also has significant contributions from copper, nickel, and other minerals. Its financial outlook remains strong, with Fitch-expected EBITDA leverage below 1.0x and EBITDA net leverage below 0.6x over the medium term.

Fitch's Key Rating-Case Assumptions

--Total iron ore pellet, pellet feed and pellet screening sales volumes of around 15.2 million tonnes in 2026, 15.4 million tonnes in 2027 and 20.0 million tonnes in 2028.

--Iron ore pellet premium average USD45 per tonne between 2026 and 2028.

--Benchmark 62% iron ore prices average USD100/tonne in 2026, USD90/tonne in 2027, USD80/tonne in 2028;

--Capex of USD700 million in 2026 (including Phase 3 and tailings dams), USD600 million in 2027 and USD600 million in 2028;

--No dividend distributions;

--Remediation payments of USD2.00 billion (cap of USD200 million), USD1.2 billion (cap of USD100 million) and USD700 million (cap of USD100 million) in 2026, 2027, and 2028;

--Foreign exchange BRL/USD rates of 5.20 in 2026, 5.40 in 2027, and 5.50 in 2028

Corporate Rating Tool Inputs and Scores

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

Business and financial profile factors (assessment, relative importance): management ('bb', Lower), sector characteristics ('ccc', Moderate), market and competitive positioning ('bb', Moderate), diversification and asset quality ('bb', Moderate), company operational characteristics ('bb', Moderate), profitability ('b+', Moderate), financial structure ('b', Higher), and financial flexibility ('b+', Moderate).

The quantitative financial subfactors are based on custom CRT financial period parameters: 10% weight for the historical year 2025, 10% for the forecast year 2026, 30% for the forecast year 2027, 30% for the forecast year 2028 and 20% for the forecast year 2029.

Assessments of the quantitative financial subfactors also include bespoke calculations.

B+ to CC considerations apply in our analysis and has no impact.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'bbb' has no impact.

The SCP is 'b'.

To derive the Long-Term IDR:

Fitch made no adjustments to the SCP, resulting in an IDR of 'B'.

Recovery Analysis

The recovery analysis assumes Samarco would be reorganized as a going-concern in bankruptcy rather than liquidated. We assumed a 10% administrative claim. Samarco's going-concern EBITDA assumption is based on no further ramp-up of the phase 2. The going-concern EBITDA estimate reflects Fitch's view of a sustainable, post-reorganization EBITDA level upon which we base the enterprise valuation in a low iron ore price environment.

An enterprise valuation multiple of 5x EBITDA is applied to the going-concern EBITDA to calculate a post-reorganization enterprise value (EV). The choice of this multiple considered the following factors: the historical bankruptcy case study exit multiples for peer companies were 4.0x-6.0x.

Fitch applies a waterfall analysis to the post-default EV based on the relative claims of the debt in the capital structure. The debt waterfall assumptions consider the company's total debt. These assumptions result in a recovery rate for the secured debt within the 'RR2' range, but due to the soft cap of Brazil at 'RR4', Samarco's senior secured are rated at 'B+'/'RR4'.

RATING SENSITIVITIES

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

--Significant delays in increasing production;

--Indications of weaker shareholder commitment to meet remediation payments when Samarco's cash flow is insufficient;

--Additional legal remediation charges stemming from unfavorable litigation outcomes, after the cap ends in 2031;

-- Deviation from conservative financial policy;

--Net leverage sustained above 5.5x.

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

--At least 75% of ramp-up in operations;

--Significant progress in pellet feed circuit construction;

--Significant progress in dam decommissioning;

--Net leverage sustained below 3.5x.

Liquidity and Debt Structure

Samarco ended March 31, 2026 with USD458 million of cash and marketable securities, gross debt of USD4.9 billion and no short-term debt. The amortization profile has an average maturity of five years.

As a result of the Judicial Reorganization, total debt was restructured to USD7.7 billion from USD11.4 billion. USD3.7 billion of new notes due in 2031 were exchanged for the past non-performing indebtedness (due in 2022, 2023, and 2024) of USD4.9 billion in December 2023. The unsecured debt has payment-in-kind features that decrease significantly in 2026 and end by 2028. USD260 million in 9% senior unsecured notes owed to shareholders were issued at the end of 2023.

USD3.85 billion of indebtedness with shareholders was converted into a subordinated instrument with no cash or PIK interest obligation and a 2036 maturity. About USD27 million of out of court debt and USD53 million of BRL denominated debentures remain.

Issuer Profile

Samarco Mineracao is a leading iron ore pellet producer from Minas Gerais and Espirito Santo, Brazil. It resumed operations in 2020 after a tailings dam incident disrupted operations for five years and sent the company into bankruptcy protection.

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 Sector Forecasts Monitor 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.

Climate Vulnerability Signals

The results of our Climate.VS screener did not indicate an elevated risk for Samarco Mineracao S.A.

ESG Considerations

Samarco Mineracao S.A. has an ESG Relevance Score of '4' for Employee Wellbeing due to the remaining work required to improve dam monitoring and upstream dams' decharacterization. Dry

tailings piling will be used without the operation of dams, while heightening attention to the safety of geotechnical structures and to the decharacterization of the Germano mining dam will continue along with the capacity utilization resumption efforts under way. This has a negative impact on the credit profile and is relevant to the ratings 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.

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Samarco Mineracao S.A.	LT IDR	B ⊕	Affirmed	B ⊕

ENTITY/DEBT	RATING			RECOVERY	PRIOR
	LC LT IDR	B ⊕	Affirmed		B ⊕
	Natl LT	BBB(bra) ⊕	Downgrade		BBB+(bra) ⊕
• senior unsecured	LT	B	Affirmed	RR4	B

RATINGS KEY	OUTLOOK	WATCH
POSITIVE	⊕	◈
NEGATIVE	⊖	◈
EVOLVING	◈	◆
STABLE	■	

Applicable Criteria

Corporate Rating Criteria (pub.09 Jan 2026) (including rating assumption sensitivity)

Country-Specific Treatment of Recovery Ratings Criteria (pub.20 Feb 2026)

Metodologia de Ratings Corporativos (pub.09 Jan 2026)

National Scale Rating Criteria (pub.22 Dec 2020)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub.09 Jan 2026)

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

Samarco Mineracao 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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