

Fitch Rates CSN's Debenture Issuance 'AA-(bra)'

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Fitch Ratings-Chicago-17 April 2006: Fitch Ratings has assigned an 'AA-(bra)' National Scale rating to the proposed BRL600 million fourth debenture issuance of Companhia Siderurgica Nacional (CSN) due Feb. 1, 2012. The debentures rank pari passu with CSN's other unsecured debt obligations. The proceeds of the issuance are expected to be used for general corporate purposes at CSN. CSN's National Scale rating is also 'AA-(bra)' with a Stable Outlook. Fitch also maintains an international scale local currency rating for CSN of 'BBB-', with a Stable Outlook, and a 'BB-' foreign currency rating, with a Positive Outlook. CSN's ratings are supported by the company's position as one of the industry's lowest-cost steel producers. CSN's low-cost structure is due primarily to its ownership of the Casa de Pedra mine, one of the world's largest high-quality iron ore bodies. The company also benefits from its modern production facilities, vertical integration, and access to low-cost labor. These factors allow CSN to generate positive cash flows during troughs in the steel cycle and economic downturns in Brazil. The ratings also consider the concentrated nature of the Brazilian steel industry, which limits competition based solely upon price. Competition from foreign steel imports into Brazil is minimal. Barriers to entry include the logistical challenges of transporting steel to Brazil and within Brazil, as foreign steel producers have limited access to efficient distribution networks. Over the past several years, CSN has focused on modernizing and expanding its steel production facilities and divesting its noncore assets. The company recently increased its iron ore capacity expansion project that began in 2004 and extended it through 2010. Future investments between 2006 and 2010 are expected to be US\$1.5 billion and include US\$919 million to increase the annual production capacity of the Casa de Pedra iron ore mine to 53 million tons from 12 million tons in 2006 and to construct a concentration plant. To export the increased iron ore production, CSN will also invest about US\$260 million in port facilities at Sepetiba (Itaguaí). The project also includes a US\$345 million investment to construct two pelletizing plants at the Casa de Pedra mine and at the company's port, each with an annual capacity of 3 million tons. When the mine expansion is concluded, the iron ore export sales are expected to generate at least US\$600 million in incremental EBITDA. CSN stands to benefit from the strong price environment for iron ore and the positive outlook for demand over the near to medium term. Iron ore prices rose by about 18% in 2004 and 72% in 2005, and are expected to remain higher than historical levels. These price increases, along with those of several other commodities, have been driven by the confluence of a relatively strong global economy and China's surging demand for raw materials. Consumers of iron ore face an international market dominated by just a few large rivals and should welcome the opportunity to have CSN provide another source of high-quality iron ore. Although the expected incremental cash flow from CSN's iron ore mine expansion is significant, CSN's credit quality will continue to be closely linked to the performance of its steel business, as approximately 80% of the company's future cash flow will be generated from its steel production operations. CSN is also planning to increase its production of steel slabs over the next five to seven years with modular investments in four blast furnaces of 1.5 million tons each, totaling about US\$3.4 billion. In 2005, CSN generated EBITDA of BRL4.6 billion (about US\$1.9 billion), or about the same level as in 2004. The company has generated strong EBITDA over the last two years due to the high steel-price environment and an improved value-added product mix. CSN ended the year with total debt of BRL8.8 billion and due to the company's large cash balance of BRL3.8 billion, net debt totaled BRL5.0 billion. CSN ended the year with a total debt-to-EBITDA ratio of 1.9 times (x) and a net debt-to-EBITDA ratio of less than 1.1x. Fitch expects CSN to maintain a total debt-to-EBITDA ratio of less than 2.0 x and a net debt-to-EBITDA ratio of less than 1.5x. Despite the expectation of significant free cash flow generation in 2006, debt reduction by CSN will be limited by management's view that its capital structure is close to optimal, the company's capital expenditure plans, and now, to a lesser extent,

the debt-service requirements of CSN's controlling shareholder, Vicunha Siderurgia S.A. (Vicunha). Vicunha has a 42.74% stake in CSN but no operating assets to generate cash flow. Although CSN is not obligated to directly service Vicunha's debt, CSN is expected to pay dividends as needed to allow Vicunha to meet its debt obligations. Vicunha currently has US\$450 million of debt in the form of perpetual bonds. With annual production capacity of 5.8 million tons of crude steel, CSN ranks as one of the largest steel producers in Latin America. The company's fully integrated steel operations, located in the state of Rio de Janeiro in Brazil, produce steel slabs and hot- and cold-rolled coils and sheets for the automobile, construction and appliance industries, among others. CSN also holds leading market shares in the galvanized and tin-mill products segments. For a comprehensive credit analysis of CSN, please visit the Fitch Ratings web site at 'www.fitchresearch.com'. Contact: Anita Saha, CFA +1-312-368-3179, Joe Bormann, CFA +1-312-368-3349, Chicago; or Ricardo Carvalho +55-21-4503-2627, Rio de Janeiro. Media Relations: Christopher Kimble, New York, Tel: +1 212-908-0226. Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.