



- ▶ *The Steinbruch family's flagship company is steelmaker Companhia Siderurgica Nacional (CSN), which it acquired during the privatizations of the 1990s. Its other main assets are Banco Fibra and Vicunha Têxtil, one of Latin America's largest textile companies and the family's original source of wealth.*
- ▶ *CSN's weak operating results, dwindling cash and lack of progress in asset sales have raised concerns in light of a maturity wall in 2018.*

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INTRODUCTION

The Steinbruch family controls Companhia Siderurgica Nacional (CSN), Brazil's second-largest steelmaker. Its stake in the company, which also owns major iron ore reserves, made it one of Brazil's wealthiest families during the commodities boom of the 2000s. More recently, with leverage above 8x, BRL 25.9bn in net debt as of 31 June and a decreasing cash position, the main focus of chairman and CEO Benjamin Steinbruch has been on keeping CSN solvent through asset sales and negotiations with creditors. In September 2015, the company reached agreements with state-owned Banco do Brasil and Caixa Econômica Federal to extend maturities of BRL 4.8bn in loans that had been due in 2016 and 2017. CSN has BRL 5.6bn in debt maturing in 2018, BRL 6.9bn in 2019, and BRL 7.4bn in 2020.

The family's own finances also appear to be stretched, with disclosures by its private holding companies showing BRL 1.66bn in debentures as well as loans from Banco do Brasil backed by CSN shares. Annual interest on the holding company debt is roughly BRL 400m, according to a 2015 report by JPMorgan. The family has also injected close to BRL 1.5bn in capital into its wholly-owned Banco Fibra since 2010, according to bank disclosures.

Benjamin Steinbruch has been the dominant figure in the family business since the 1990s, when he rose to prominence through a series of complex and aggressive deals to acquire assets being privatized, most notably CSN and CVRD (now Vale SA). He is currently in his 60s, and there are indications that the family is moving toward increasing division of labor in senior management. Benjamin's younger brother Ricardo runs Vicunha Têxtil, while their cousin Leo was appointed to the board of CSN in 2015 and made vice-chairman this year. Benjamin's nephew Arno Schwarz, appointed as head of Banco Fibra in March 2016, is the first member of the third generation to lead a family company.

SHAREHOLDER-RELATED RISK

Succession Risk Risk associated with generational transfer of wealth and management	Moderate	Leadership of the family's business has been strongly centralized by Benjamin Steinbruch since 1994. Although others in his generation also hold senior executive roles, the business group could undergo significant change in the event of a transfer of leadership.
Political Risk Political exposure due to government relationships	Moderate	While many key acquisitions by the Steinbruch family involved state-owned companies and government funds, these deals took place largely in the 1990s. The recent wave of prosecutions related to government-linked deals and contracts is focused on transactions that occurred while the Workers' Party (PT) was in power from 2003 to 2016. However, the fact that BNDES and Banco do Brasil are led by former CSN executives could draw scrutiny to the company's relationship with those banks.
Legal and Regulatory Risk Risk associated with lawsuits, prosecution and regulatory sanctions	Moderate	Family companies and members do not appear to be involved in significant legal cases besides CSN's litigation concerning the management of Usiminas, in which it owns a minority stake.
Transparency Risk Risk due to opaque corporate ownership and offshore holding structures	Moderate	Holding companies are domiciled in Brazil and provide significant disclosure. However, there is limited disclosure regarding financing at the holding-company level that affects the family's control of CSN and other major assets.
Governance Risk Risk associated with corporate governance, fraud and corruption	Low	There do not appear to be credible allegations of poor corporate governance or fraud at companies owned by the Steinbruch family.
Expansion Risk Risk from growth and diversification	Low	The group has been relatively conservative regarding expansion since the privatization deals of the 1990s.
Credit History Risk Bankruptcy or default risk related to shareholder history	Low	Companies controlled by the Steinbruch family do not appear to have a history of bankruptcy, default or conflict with creditors.

Ratings indicate the probability of business disruption or loss of investment value. High = over 50% or already occurring; Low = minimal concern in the foreseeable future

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TIMELINE

1904 The Steinbruch family immigrates to Brazil from Kishinev (present-day Chişinău, Moldova) in the Russian Empire.

1920s-30s Benjamin Steinbruch, the father of Vicunha Group co-founders Mendel and Eliezer, owns a number of businesses in industries including clothing and furniture retail, ranching and farming.

1937 Benjamin Steinbruch establishes a wholesale textile business in Porto Alegre.

1945 Mendel Steinbruch is employed at a factory owned by the family of his brother-in-law Samuel Rabinovich, which is prominent in the local textile industry.

1949 Mendel and Eliezer acquire a weaving factory that is later renamed Têxtil Elizabeth. Over the following years they acquire a number of distressed textile companies.

1966 The Steinbruch family's Têxtil Elizabeth and the Rabinovich family's Campo Belo form Têxtil Brasibel.

1967 Textil Brasibel acquires Lanificio Varam, Latin America's largest wool and worsted mill. The combined companies are known as Grupo Vicunha.

1970s Grupo Vicunha acquires weaving mill Textilia and dyeing company Tinturaria Brasileira de Tecidos. It also expands through partnerships with influential regional business families, including the Renner family in Rio Grande do Sul and the Otoch Baquit family in Ceará.

1980s The group expands into production of synthetic yarns through the acquisition of Fibra SA. It also acquires the Brazilian subsidiary of Lee and becomes one of the world's largest denim producers.

1980s The group expands into the finance industry through brokerage Fibrasa Corretora de Cambio e Valores in 1984 and Banco Fibra in 1988.

1990s Brazil's textile industry suffers amid low-cost competition from Asia and trade liberalization. Vicunha reorients itself towards other industries, and a government privatization program provides an opportunity to diversify.

1993 Vicunha acquires a 9.3% stake in steelmaker Companhia Siderurgica Nacional (CSN), one of many state-owned companies privatized in the 1990s. It soon increases its stake to become the largest shareholder. The deal marks the start of an ambitious series of acquisitions by Benjamin Steinbruch, often financed by large amounts of debt and involving partnerships with state pension funds.

1994 Benjamin Steinbruch takes over as head of the family business after the death of his father Mendel.

1996 Benjamin Steinbruch, via CSN, leads a group that acquires Rio de Janeiro state power distributor Light.

1997 Benjamin Steinbruch, via CSN, leads a consortium that acquires from the government a controlling stake in Companhia Vale do Rio Doce (CVRD) for BRL 3.15bn. Other consortium members include banks Opportunity and Bradesco, national development bank BNDES, and SOE pension funds including Previ (Banco do Brasil), Funcef (Caixa Econômica Federal) and Petros (Petrobras). Vicunha, in a JV with Telecom Italia, also wins a mobile phone license for the state of Bahia.

2000 The group's textile companies are restructured into Vicunha Têxtil, and the steel business placed under holding company Vicunha Siderurgica. Both are owned jointly by the Steinbruch and Rabinovich families.

2001 Vicunha sells its stake in CVRD amid a dispute between Benjamin Steinbruch and consortium members. The proceeds help Vicunha retain control of CSN.

2005 The Steinbruch family buys out the Rabinovich family's stake in Vicunha for a reported USD 590m.

2008 CSN's market capitalization peaks at over BRL 60bn.

2010 The Steinbruch family sells a 37.5% stake in Vicunha Têxtil to Pactual Capital Partners for BRL 250m.

2011 CSN acquires Stahlwerk Thuringen for EUR 482.5m.

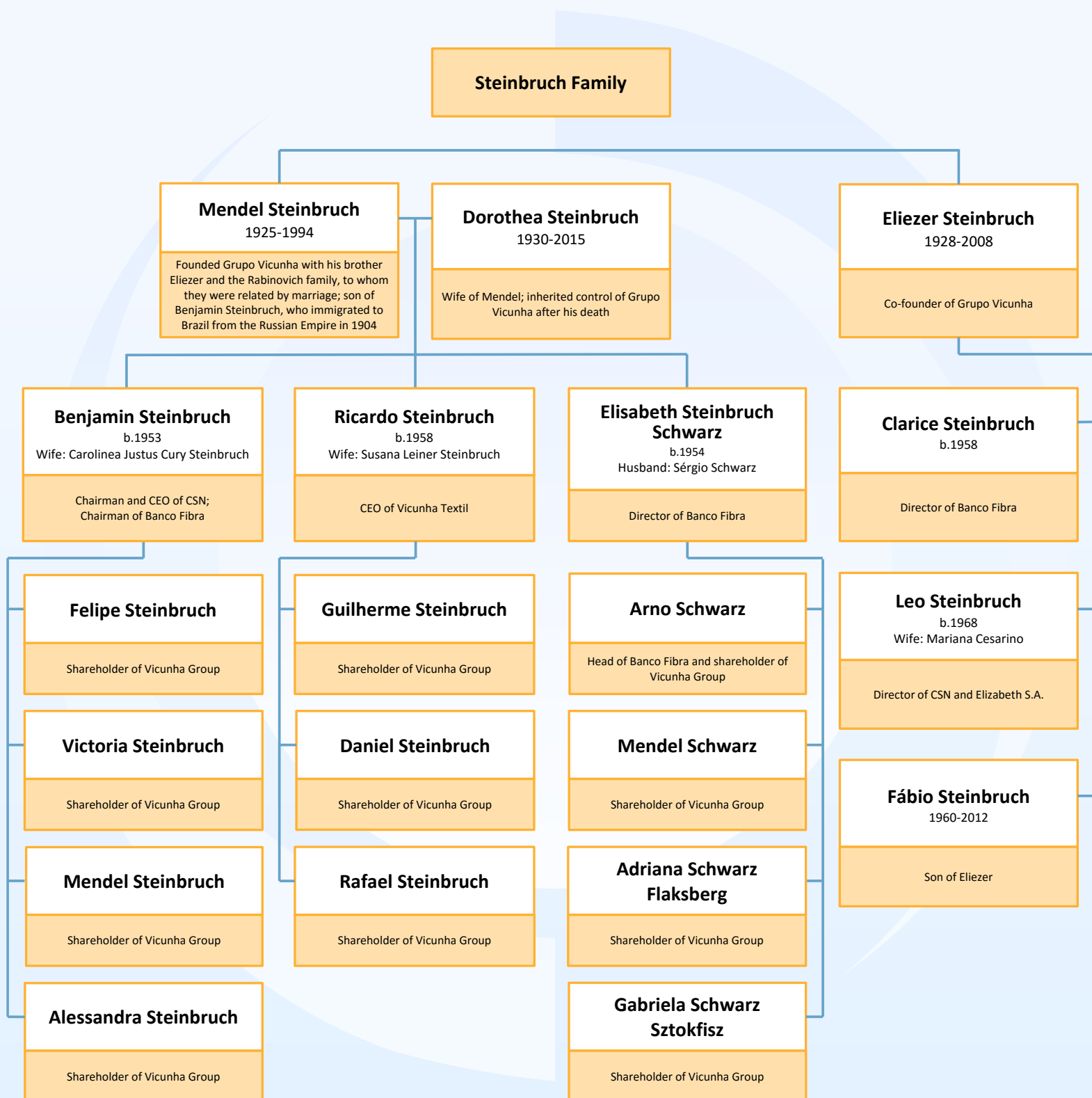
2011 Family holdco Rio Iaco Participações issues BRL 1.66bn in debentures guaranteed by Rio Purus Participações, the ultimate holdco for Benjamin Steinbruch's side of the family.

2014 Family holdco Vicunha Aços obtains a USD 300m from Banco do Brasil, secured by CSN shares.

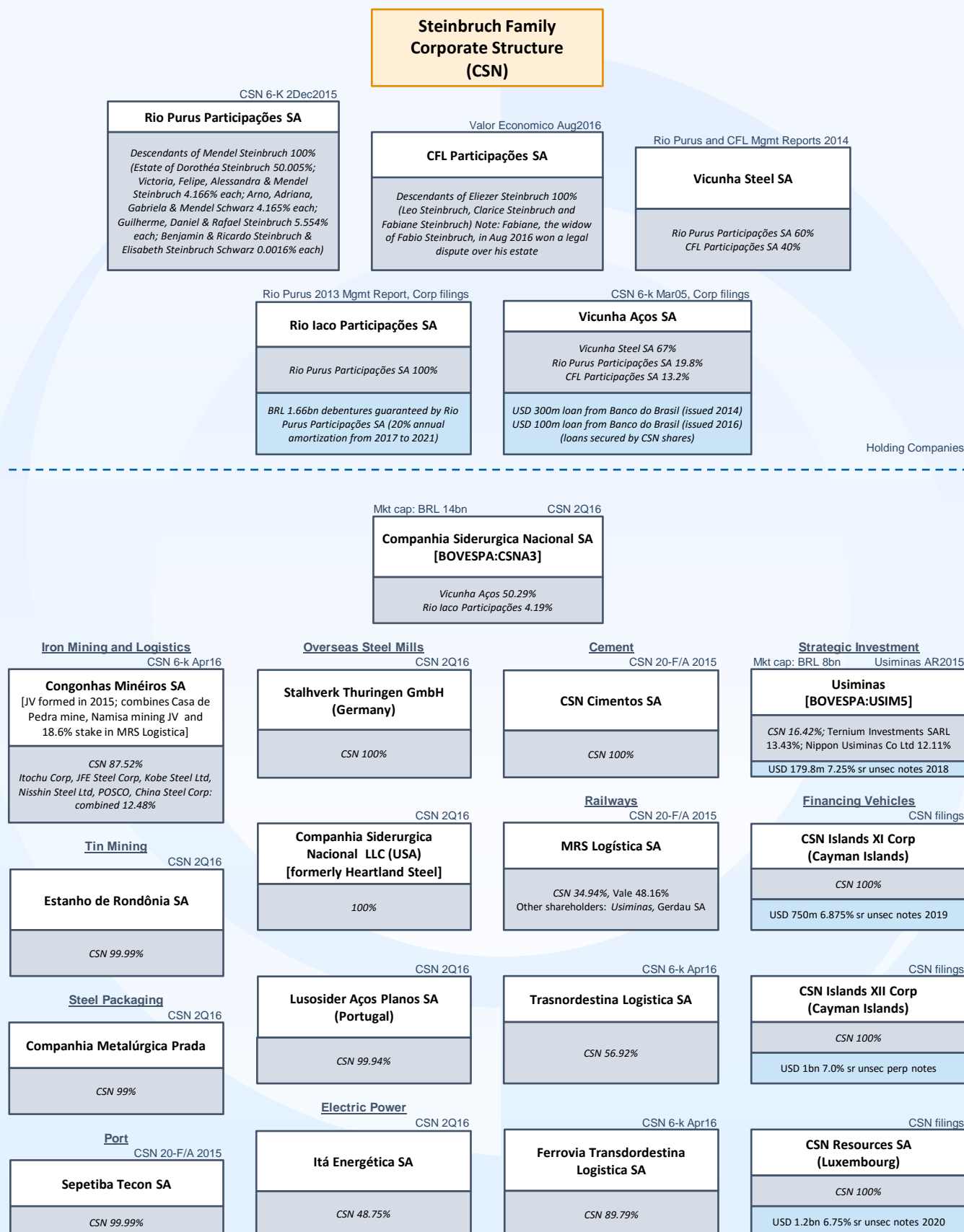
2016 CSN's market capitalization hits a 13-year low of BRL 4.4bn in January. Its USD bonds trade as low as the 30s and 40s in March. CSN begins non-core asset sales and considers selling a stake in a core asset. Despite a modest rise in steel prices, the sustainability of its capital structure remains unresolved.

Source: Debtwire, corporate disclosures, press reports.

FAMILY STRUCTURE



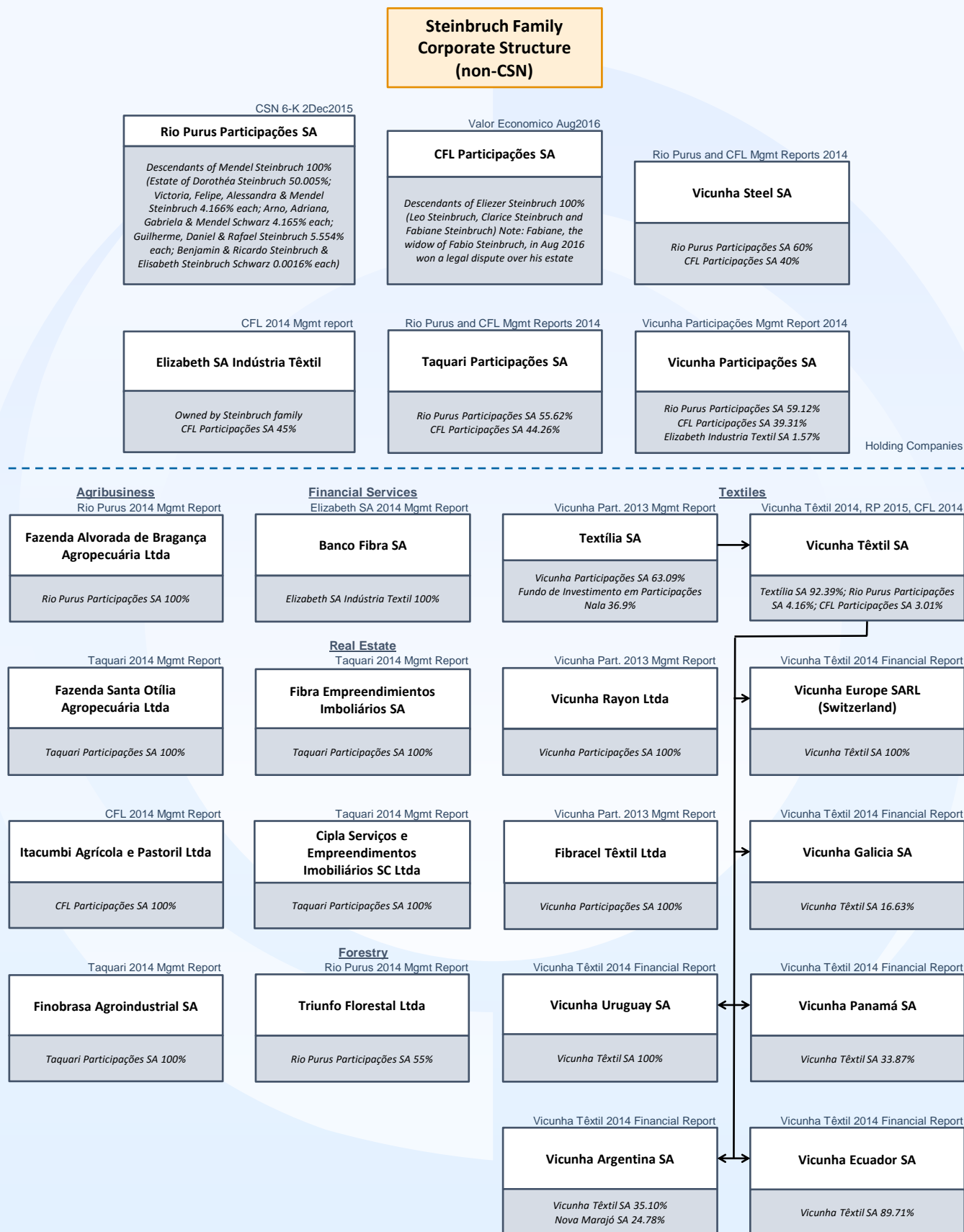
CORPORATE STRUCTURE



Note: This organizational chart is based on public information. It contains key companies but is not intended to be comprehensive. Shareholders and USD-denominated bonds are indicated for each company, with family members and family companies in italics. Companies are domiciled in Brazil unless otherwise noted.



CORPORATE STRUCTURE



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AFFILIATIONS

Relationships with individuals and institutions that may have an impact on the family's business

Affiliation	Notes
Banco do Brasil	State-owned Banco do Brasil, the country's largest bank by assets, is a major local creditor of CSN. Paulo Caffarelli, who was appointed as the bank's president in May 2016, was until then CFO of CSN. The bank has made loans, backed by CSN shares, to Steinbruch family holding company Vicunha Aços, according to public disclosures.
Brazilian Development Bank (BNDES)	Brazil's state-owned development bank, the largest development lender in the world, played a role in the Steinbruch family's acquisition of state assets. It provided credit to facilitate privatization of state enterprises, and its equity arm BNDESPar was a member of the Steinbruch-led consortium that acquired CVRD. BNDES is currently a minor shareholder in CSN. While the bank has been an influential force in the Brazilian economy, supporting favored industries and business groups, its role has come under scrutiny and its lending practices are the target of an ongoing investigation by federal authorities.
Paulo Caffarelli	Paulo Caffarelli was named president of state-owned Banco do Brasil, a creditor of CSN, in May 2016. Prior to that, he was the CFO of CSN.
Paulo Henrique Cardoso	Paulo Henrique Cardoso is the son of former Brazil president Fernando Henrique Cardoso (1995-2003), who played an important role in the decision to privatize major state enterprises. Reports in Folha and other Brazilian media have described Paulo Henrique Cardoso as a friend of Benjamin Steinbruch.
HSBC Geneva	The International Consortium of Investigative Journalists (ICIJ), citing leaked files from HSBC's Geneva private bank released in 2015 and covering the period from 1988-2007, claimed that Mendel and Eliezer Steinbruch, as well as Mendel's widow Dorothea and all of his children, were clients of the bank. The accounts held as much as USD 464.2m as of 2006-2007, according to ICIJ. Benjamin Steinbruch, responding to the leaked information, told Brazilian news site Universo Online that "all assets abroad belonging to this family have licit purposes and are in accordance with the law," and that the information in the HSBC files is "not true" and "due to its criminal origin does not deserve a comment."
Federation of Industries of Sao Paulo	The Federation of Industries of Sao Paulo (Federação das Indústrias do Estado de São Paulo) is an influential business lobbying organization. Benjamin Steinbruch is its former president, and first vice-president as of 2016, according to its website.
International Finance Corp	World Bank investment arm IFC accumulated a 13% stake in Banco Fibra between 2007 and 2011 for BRL 160m, according to an IFC announcement. The shares have since been acquired by the Steinbruch family, with the last 3.5% sold back in 2014, according to Banco Fibra disclosures.
Institute for Industrial Development Studies	The Institute for Industrial Development Studies (Instituto de Estudios para o Desenvolvimento Industrial) is a business organization based in Sao Paulo. Benjamin Steinbruch is a counsellor of the institute, according to its website.
Maria Silva Bastos Marques	Maria Silva Bastos Marques was appointed president of Brazilian Development Bank (BNDES) in June 2016. She was president of CSN from 1996 to 2002. According to Brazilian daily O Estado de Sao Paulo, she was Benjamin Steinbruch's "right hand" during that time. Prior to joining CSN, she was a government official involved in the privatization of state companies.
Aloizio Mercadante	According to O Globo and other publications, Benjamin Steinbruch is a friend and former classmate of politician Aloizio Mercadante, a member of the Workers' Party, which was in power from 2003 to 2016. Mercadante was President Dilma Rousseff's chief of staff from 2014 to 2015. He also served as Minister of Education and Minister of Science Technology and Innovation.
Rabinovich Family	The Steinbruch and Rabinovich families have been related by marriage since the 1940s and jointly controlled Grupo Vicunha companies starting in the 1960s. In 2005, the Steinbruch family bought out the Rabinovich family's stake in their jointly-held business for a reported USD 590m, according to Forbes.

RISK FACTORS Legal issues, controversies, conflicts and other difficulties that may affect the family's business	
Risk Factor	Notes
Conflict with partners in Valepar consortium	Valepar, the Benjamin Steinbruch-led consortium that acquired CVRD (now Vale SA) in 1997 and in which CSN was the largest shareholder, collapsed acrimoniously, with Steinbruch in conflict with chairman Roger Agnelli and other consortium members including state-owned pension funds. The conflict was related to Steinbruch's attempts to nullify, on anti-trust grounds, an agreement granting CVRD the right of first refusal on iron ore from CSN's Casa de Pedra beyond the needs of CSN. Steinbruch was forced out in 2001, CSN sold its stake in CVRD and Agnelli was named CEO.
Failed deals by CSN	CSN has been involved in a number of failed acquisitions, reflecting the Steinbruch family's difficulties in realizing their ambitious to turn the company into a major global steelmaker. CSN made unsuccessful bids for British steelmaker Corus (now part of Tata Steel Europe) in 2002 and 2006. Tata's acquisition in 2006 came after a bidding war with CSN, in which the Brazilian company was backed by Goldman Sachs. In 2010, CSN attempted to acquire Portuguese cement maker Cimpor, but was outbid by Brazil's Camargo Correa and Votorantim Group. Other unsuccessful deals by included a merger with Germany's largest steelmaker, ThyssenKrupp, which fell apart amid a dispute between the companies' chairmen. A bid for US steelmaker Wheeling Pittsburgh in 2006 was voted down by shareholders after failing to win approval from the United Steelworkers of America.
BVI Leaks	The International Consortium of Investigative Journalists (ICIJ) found that, according to leaked documents, several members of the Steinbruch family were shareholders and directors of Peak Management Inc, incorporated in 2007 in the British Virgin Islands. Leo Steinbruch told ICIJ in 2013 that "Peak Management exists, is active, it's been declared on its owners' tax forms and has been duly disclosed to the Brazilian Central Bank as a Brazilian investment abroad."
Lawsuit: CSN and Lauro Rezende	In 2011, CSN won a legal battle with its former CFO Lauro Recende in the US District Court for the Southern District of New York, according to court documents. The company accused Rezende of stealing bearer shares of International Investment Fund (IIF), a Belize-registered entity established by CSN holding USD 15m in dividends paid from 2005 to 2008 by railway operator MRS Logistica, of which CSN is a shareholder. It also accused him of embezzling USD 2.2m from an IIF bank account. The court ruled in favor of CSN in 2011. The title of the case, Rezende v. Citigroup Global Markets Inc, reflects the fact that the contested funds were in a Citibank account.
Lawsuit: CSN and Usiminas	CSN has been involved in a dispute is with listed Brazilian steelmaker Usinas Siderurgicas de Minas Gerais SA (Usiminas), in which it holds a minority stake but has been barred due to anti-trust concerns from appointing directors or voting its shares, according to press reports. Usiminas is controlled by Nippon Steel & Sumitomo Metal Corp and Italian-Argentinian Techint Group. CSN owns 14.1% of Usiminas' voting shares and 20.7% of non-voting shares. In April 2016, CSN filed a petition in a Minas Gerais state court seeking an injunction to block a capital raise it claimed was detrimental to minority shareholders. CSN also asked the court to order Usiminas to use roughly BRL 900m from a subsidiary to pay down Usiminas' debt. CSN has also alleged in a legal claim that Usiminas' increase in contracts with its largest shareholder Nippon Steel are damaging to the company's interests.
Panama Papers	Companies allegedly linked to the Steinbruch family appeared in the "Panama Papers" leaked in 2016 from law firm Mossack Fonseca. According to the leaked documents, the Steinbruch family owned at least two BVI-registered companies handled by the law firm: Coast to Coast Corp Ltd, established in 1989, and Rosleen Capital Ltd, established in 2012. The former is listed as controlled by five members of the family including Benjamin Steinbruch, and the latter by Clarice Steinbruch. There were no allegations of wrongdoing in connection with the disclosures.
Petrobras investigation: Banco Fibra	Banco Fibra was one of 13 foreign and local banks investigated for potential money laundering by Brazil's federal tax authority over their role as intermediaries in loans to contractor Schahin Engenharia, Brazilian daily O Estado de S. Paulo reported in January. Schahin was allegedly granted a contract with Petrobras in exchange for the cancellation of bank loan repayments for a friend of ex-president Luiz Inacio Lula da Silva. The report did not detail the precise roles of the 13 banks in the alleged violations, and the outcome of the investigation does not appear to have been announced.



RECENT DEALS

Date	Deal	Country
23 Aug 16	M&A - Target: Cia Metalic do Nordeste SA, Bidder: Can-Pack SA, Seller: Companhia Siderurgica Nacional SA (Deal Value: USD 98m)	Brazil, Poland
12 Dec 14	M&A - Target: Nacional Minerios SA (40% stake), Bidder: Congonhas Minerios SA ; Seller: Sumitomo Metal Industries Ltd, Nippon Steel & Sumitomo Metal Corporation, Kobe Steel, Ltd, POSCO, Nisshin Steel Co Ltd	Brazil, Japan
29 Jun 11	M&A - Target: Grupo Ullum, Bidder: Vicunha Textil SA	Brazil
19 May 11	M&A - Target: Gallardo Sections SL, Stahlwerk Thuringen GmbH, Bidder: CSN Steel SL , Seller: Alfonso Gallardo SA (Deal Value: USD 691m)	Brazil, Spain, Germany
19 May 11	M&A - Target: Alconso Gallardo SA (steel and cement plants), Bidder: Companhia Siderurgica Nacional SA , Seller: Alfonso Gallardo SA (Deal Value: USD 1.354bn)	Brazil, Spain
09 Jan 11	M&A - Target: Rio Tinto Coal Mozambique (2.32% stake), Bidder: Companhia Siderurgica Nacional SA (Deal Value: USD 89m)	Brazil, Mozambique
16 Sep 10	Bond Issuance - CSN Islands XII Corp (Companhia Siderurgica Nacional) , 7.0% Senior Unsecured Perpetual Notes (Deal Value: USD 1bn)	Brazil, Cayman Islands
21 Jul 10	Bond Issuance - CSN Resources SA (Companhia Siderurgica Nacional) , 6.5% Senior Unsecured Notes Due 2020 (Deal Value: USD 1bn)	Brazil, Luxembourg
01 Jun 10	M&A - Target: Vicunha Têxtil SA (37.5% stake) , Bidder: Pactual Capital Partners , Seller: Steinbruch Family (Deal Value: USD 137m)	Brazil
29 Mar 10	M&A - Target: Sofcred Promotora de Venta Ltda, Bidder: Banco Fibra SA , Seller: Banco Sofisa SA (Deal Value: USD 64m)	Brazil
18 Dec 09	M&A - Target: Cimpor Cimentos de Portugal SGPS SA, Bidder: Companhia Siderurgica Nacional SA (Deal Value: USD 8.5m)	Brazil
24 Sep 09	M&A - Target: Paulicred Promotora de Negocios, Bidder: Banco Fibra SA , Seller: Banco Paulista SA (Deal Value: USD 176m)	Brazil
21 Sep 09	Bond Issuance - CSN Islands XI Corp (Companhia Siderurgica Nacional) , 6.875% Senior Unsecured Notes Due 2019 (Deal Value: USD 750m)	Brazil, Cayman Islands

Source: Debtwire, Mergermarket.

NEWS

Date	Headline
26 Oct 16	<u>CSN to increase prices by 5% in November (translated)</u>
24 Oct 16	<u>CSN rejects BRL 1.2bn offer for Tecon – reported rumour (translated)</u>
21 Oct 16	<u>Usiminas to increase prices by 5% next week - report (translated)</u>
14 Oct 16	<u>Brazilian government considering options for Transnordestina railroad if CSN fails to inject cash - report (translated)</u>
06 Oct 16	<u>CSN values Congonhas Minerios at USD 30bn-USD 35bn — report</u>
05 Oct 16	<u>CSN asset sale plans held up on price (DW Proprietary)</u>
03 Oct 16	<u>Sepetiba Tecon sale talks put on hold by CSN - report (translated)</u>
27 Sep 16	<u>CSN, CBSteel in talks on sale of a 25% stake in Congonhas Minerios - report</u>
26 Sep 16	<u>CSN in final stages of selling Casa de Pedra to Chinese company - reported rumor (translated)</u>
31 Aug 16	<u>CSN downgraded to 'CCC+' from 'B' on weaker liquidity and unsustainable capital structure - S&P</u>
26 Aug 16	<u>Usiminas shareholder CSN poised to take measures against possible spin-off (translated)</u>
25 Aug 16	<u>CSN facing difficulty selling Tecon Sepetiba on its own terms</u>
23 Aug 16	<u>CSN to sell Metalic do Nordeste to Can-Pack for USD 98m</u>
20 Jul 16	<u>Usiminas shareholders formally approve BRL 1bn capital increase</u>
18 Jul 16	<u>Brazil crude steel production in June 2016 drops 8.5% YoY to 2.5m tons</u>
11 Jul 16	<u>Nippon Steel says CSN accusations on increase in contracts with Usiminas to BRL 20bn untrue (translated)</u>
16 Jun 16	<u>CSN granted reversal of court decision which suspended its proposed members to Usiminas board (translated) (Valor Economico)</u>
16 Jun 16	<u>Brazilian federal judge suspends appointment of CSN-proposed members to Usiminas board (translated) (Newswire Round-up)</u>
09 Jun 16	<u>CSN preparing bond exchange offer (DW Proprietary)</u>
16 May 16	<u>CSN's Usiminas board and audit committee appointments approved by a state court judge in Brazil (Newswire Round-up)</u>
27 Apr 16	<u>CSN takes legal route to suspend Usiminas' USD 281m capital hike (translated) (Folha de Sao Paulo)</u>

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