


# Presentation
# 2Q15

USIMINAS

Classification of the information: Public

# Agenda

Usiminas Profile



Market Outlook



Usiminas and its business units



Financial Results



# Company Profile

- The largest flat steel producer in Latin America
- Complete solution for products and services
- Steel company with the largest number of patents rights in Latin America
- **Steel**: Nominal production capacity of 9.5 million tons per year
- **Iron ore**: Production capacity of 12 million tons per year



# Timeline



**1962** — Operation Start Up



**1991** — Cosipa privatization



**1993** — Listing on LATIBEX stock exchange section



**1994** — •Creation of Soluções Usiminas

•One CNPJ: Usiminas incorporates Cosipa



**2005** — •Selling of Ternium stake

•Joint Mining Agreements with MBL e Ferrous



**2008** — Automotiva Usiminas Divestment

**2009** — •Usiminas privatization

•Listing on BOVESPA



**2010** — Listing on ADR I on the OTC Market (New York)



**2011** — •Acquisition of iron ore mines

•Acquisition of Zamprogna



**2012** — •Creation of Mineração Usiminas

•Acquisition of Codeme and Metform stake



**2013** — Entrance of Ternium / Tenaris into Usiminas Control Group (New shareholders agreement)



**2014** — Friables Project conclusion on Mining (increasing the capacity to 12 million tons/year )

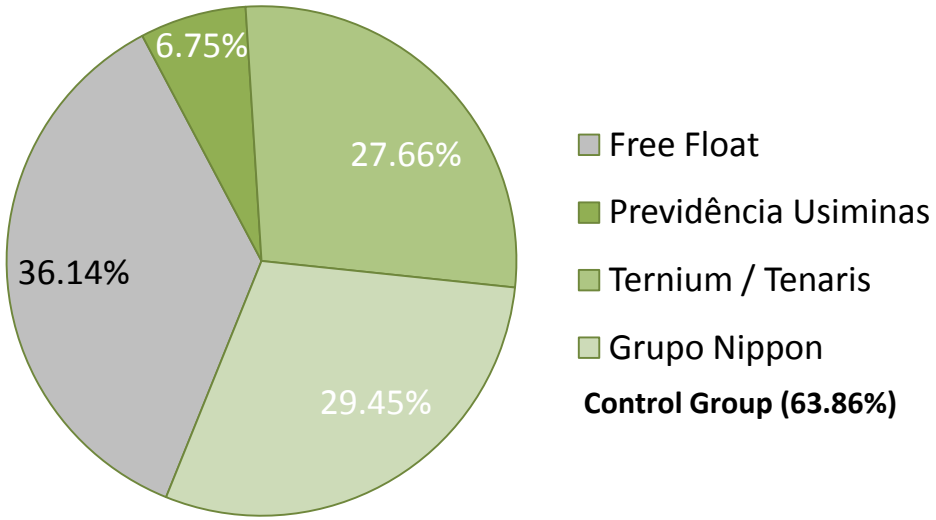


# Shareholding Composition

**Total Capital**
1,013,786,190

**Voting Capital**

| ON 49.84% | 505,260,684 | PN 50.16% | 508,525,506 |
|---|---|---|---|




Usiminas shares are traded on BM&FBovespa (São Paulo), on the OTC Market (New York) and on a LATIBEX exchange section (Madrid).

# Complete Solution for Products and Services

## Business Units

### Mining

Mineração Usiminas



### Steel

Ipatinga Plant

Cubatão Plant

Unigal Usiminas



### Steel Processing

Soluções Usiminas



### Capital Goods

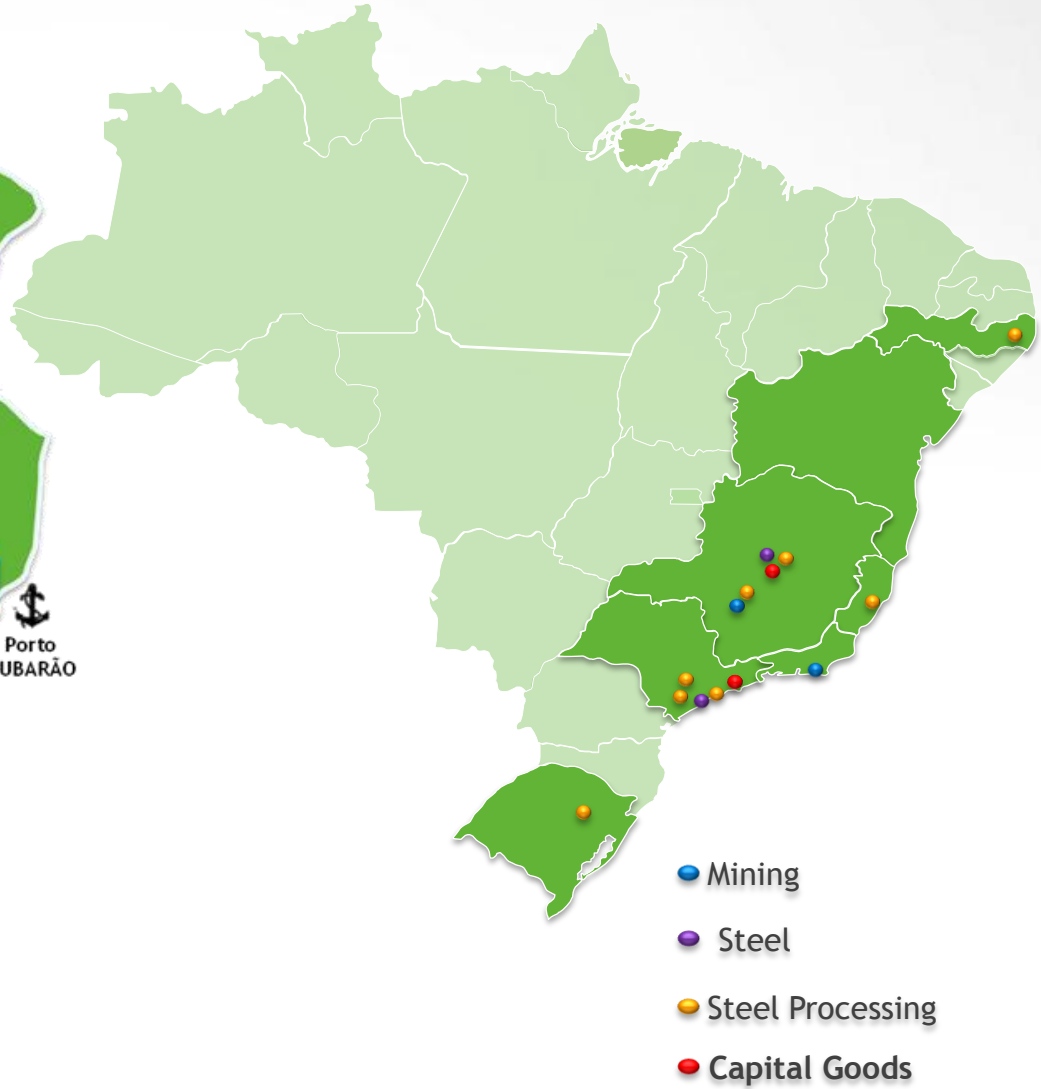
Usiminas Mecânica



UPSTREAM — DOWNSTREAM

# Strategically Located



# Social and Environmental Initiatives

## Usiminas Cultural Institute

Invested over R$260 million, encouraging around 2000 social projects



## São Francisco Xavier School

First educational institution in Brazil to obtain ISO 9001



## Márcio Cunha Hospital

Reference center in healthcare all over Brazil



## Xerimbabo Usiminas Project

Promotes protection and environmental education free of charge for more than 2 million young people



# Agenda

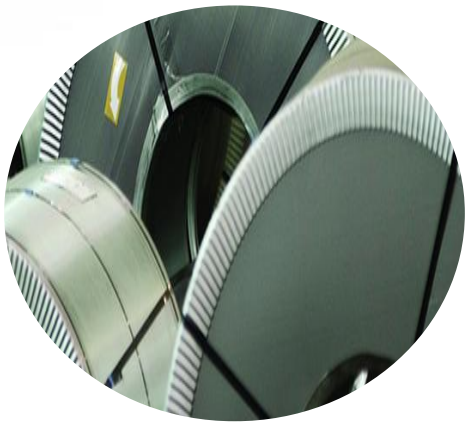
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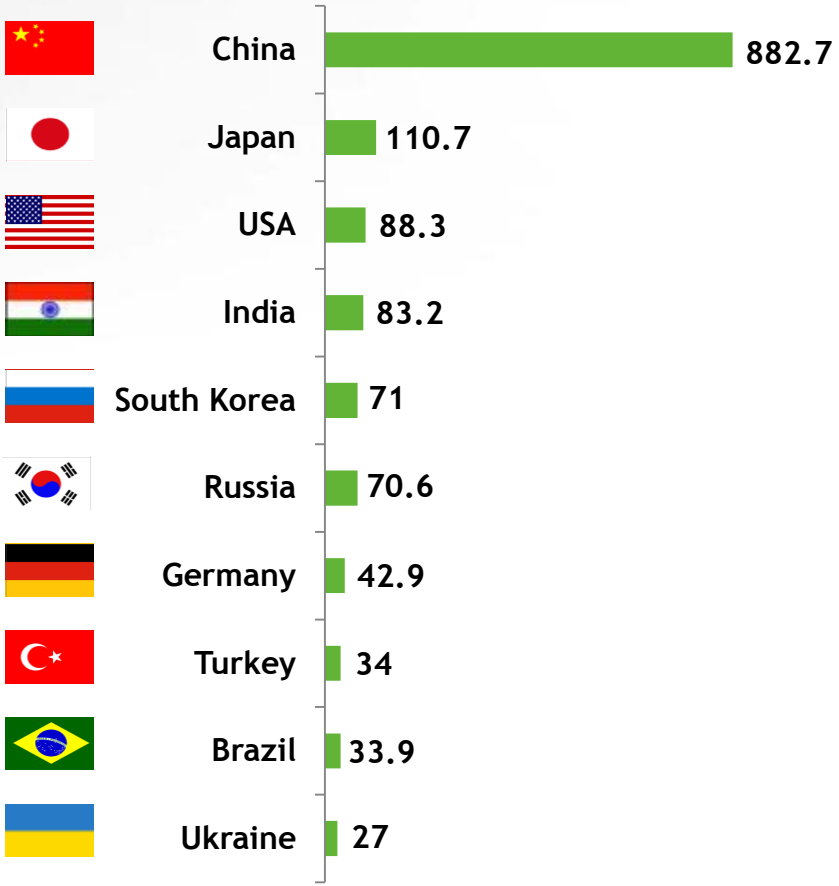


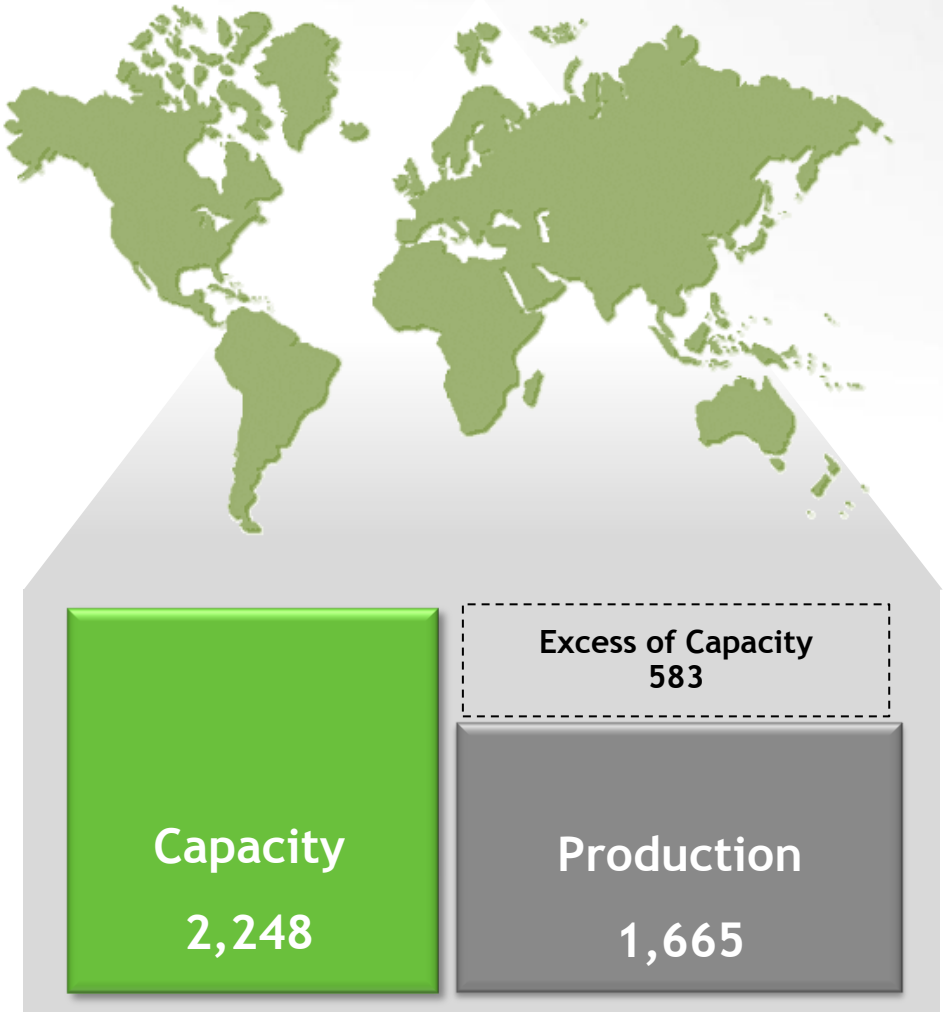




# World Crude Steel Market in 2014

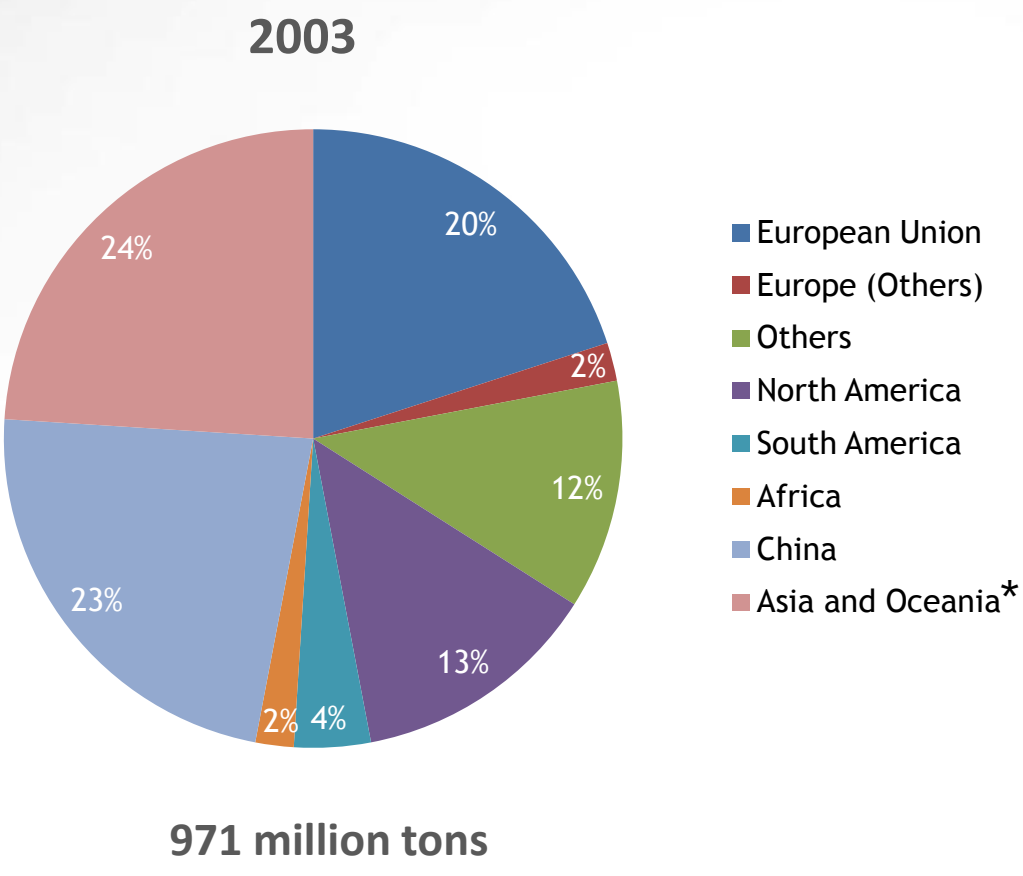
## Million Tons




Source: World Steel Association

# World Crude Steel Production




971 million tons

1,665 million tons

*Except China

Source: World Steel Association

# Crude Steel Consumption per Capita

## Kg per habitant

| | 1980 | 2000 | 2014 |
|---|---|---|---|
| China | 34 | 98 | 531 |
| South Korea | 160 | 818 | 1,166 |
| Japan | 611 | 601 | 573 |
| United States | 376 | 425 | 376 |
| Germany | 469 | 475 | 512 |
| Spain | 202 | 435 | 246 |
| Brazil | 101 | 93 | 140 |
| Chile | 56 | 97 | 178 |
| Mexico | 120 | 142 | 215 |
| World Average | 152 | 133 | 217 |

Source: World Steel Association

# Flat Steel Consumption Markets

| Auto Industry and Autoparts | Household Appliances | Agricultural and Road Machinery | Civil Construction | Oil and Gas | Pipelines |
|---|---|---|---|---|---|
|  |  |  |  |  |  |
| Hot Rolled, Cold Rolled and Galvanized | Cold Rolled and Galvanized | Heavy Plates and Hot Rolled | Heavy Plates, Hot Rolled, Cold Rolled and Galvanized | Heavy Plates and Hot Rolled | Heavy Plates and Hot Rolled |

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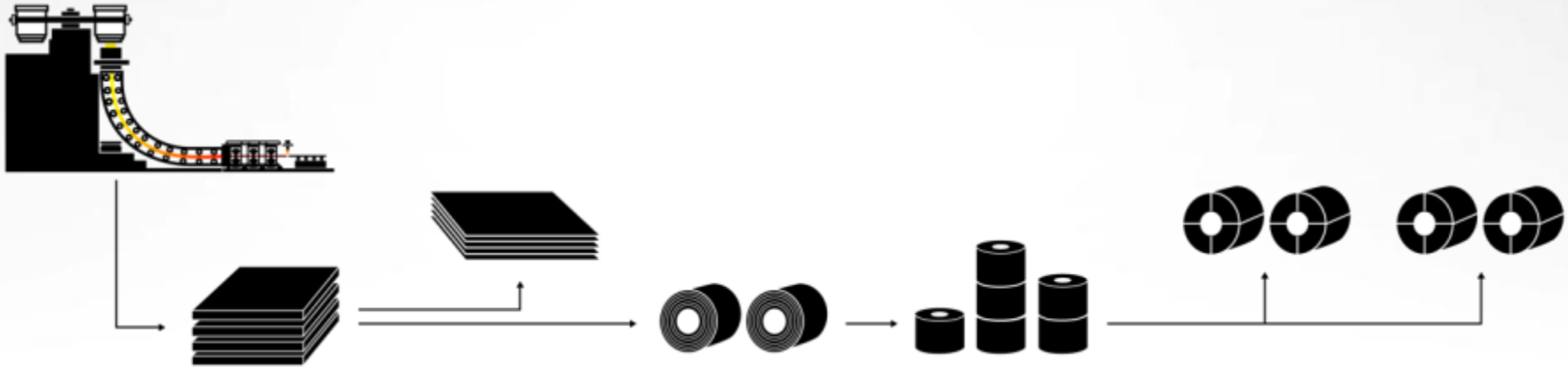




# Flat Steel Production

## Thousand Tons

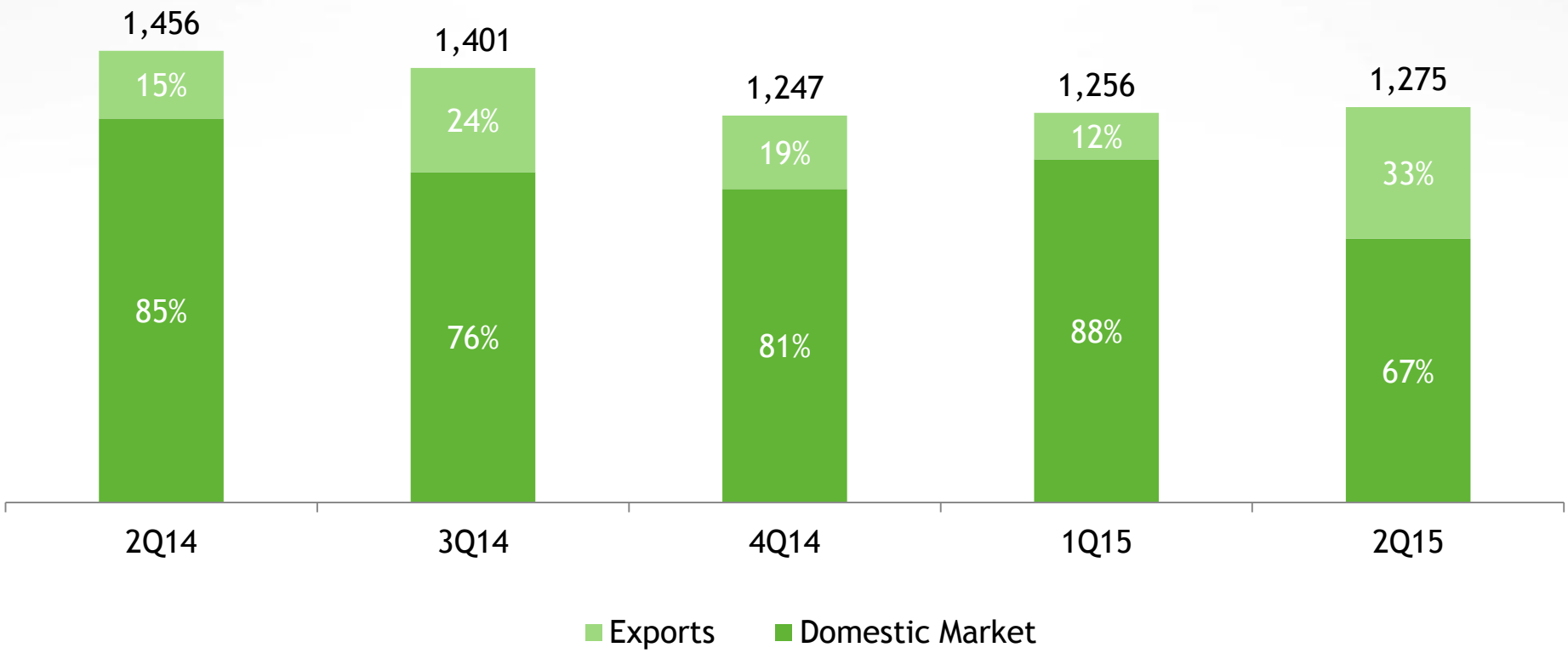
Nominal capacity: 9.5 million tons / year



| | | | | | Galvanized | |
|---|---|---|---|---|---|---|
| Slab Caster | Slabs | Heavy Plates | Hot Coils | Cold Coils | EG | HDG |
| Ipatinga Plant | 5,000 | 1,000 | 3,600 | 2,500 | 360 | 1,050 |
| Cubatão Plant | 4,500 | 1,000 | 4,400 | 1,200 | - | - |
| Nominal Capacity | 9,500 | 2,000 | 8,000 | 3,700 | 360 | 1,050 |
| Optimized Rolling Capacity | - | 1,900 | 4,200 | 2,200 | 350 | 1,020 |

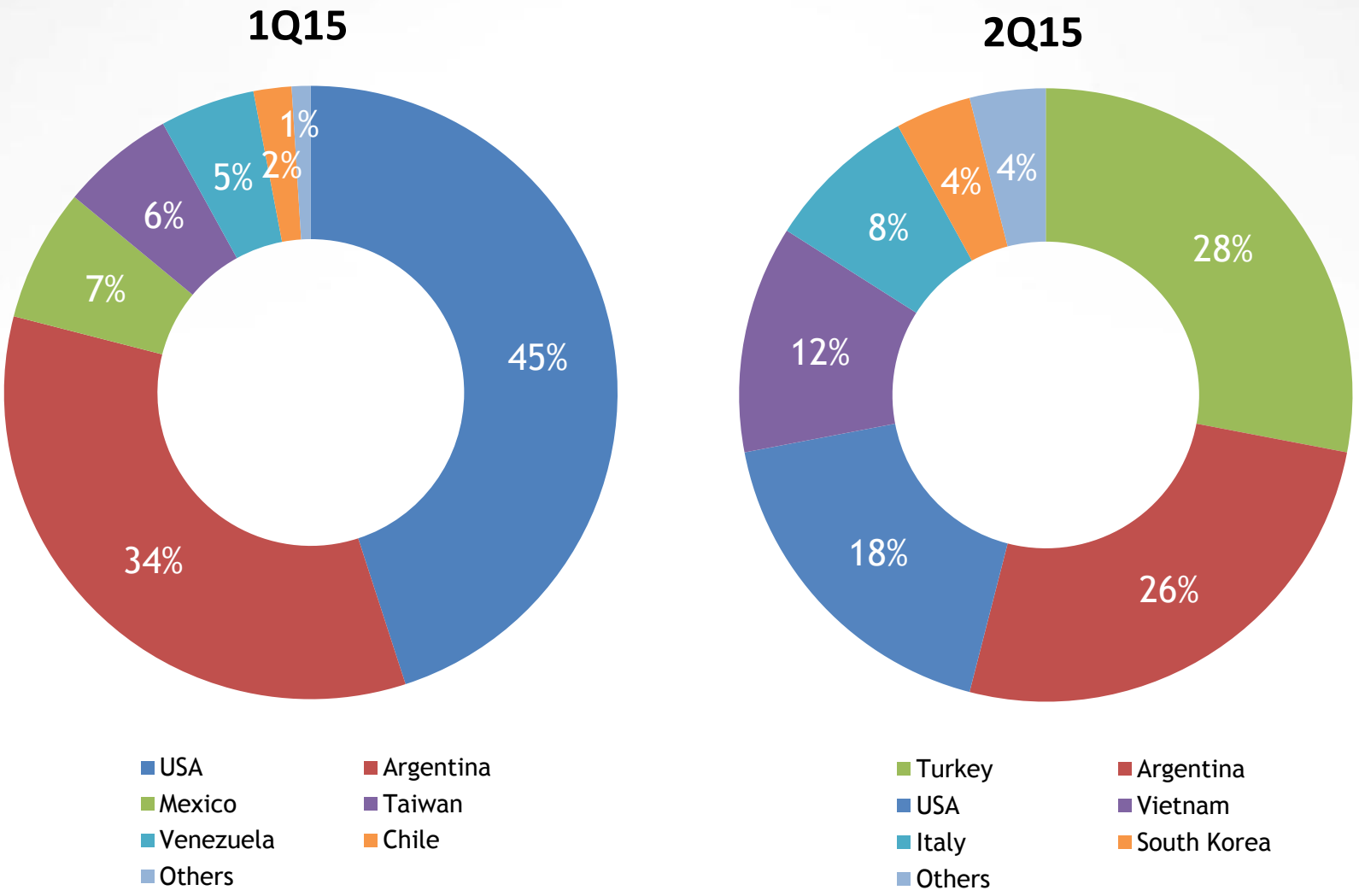
# Sales Volume

## Steel Business Unit - Thousand Tons



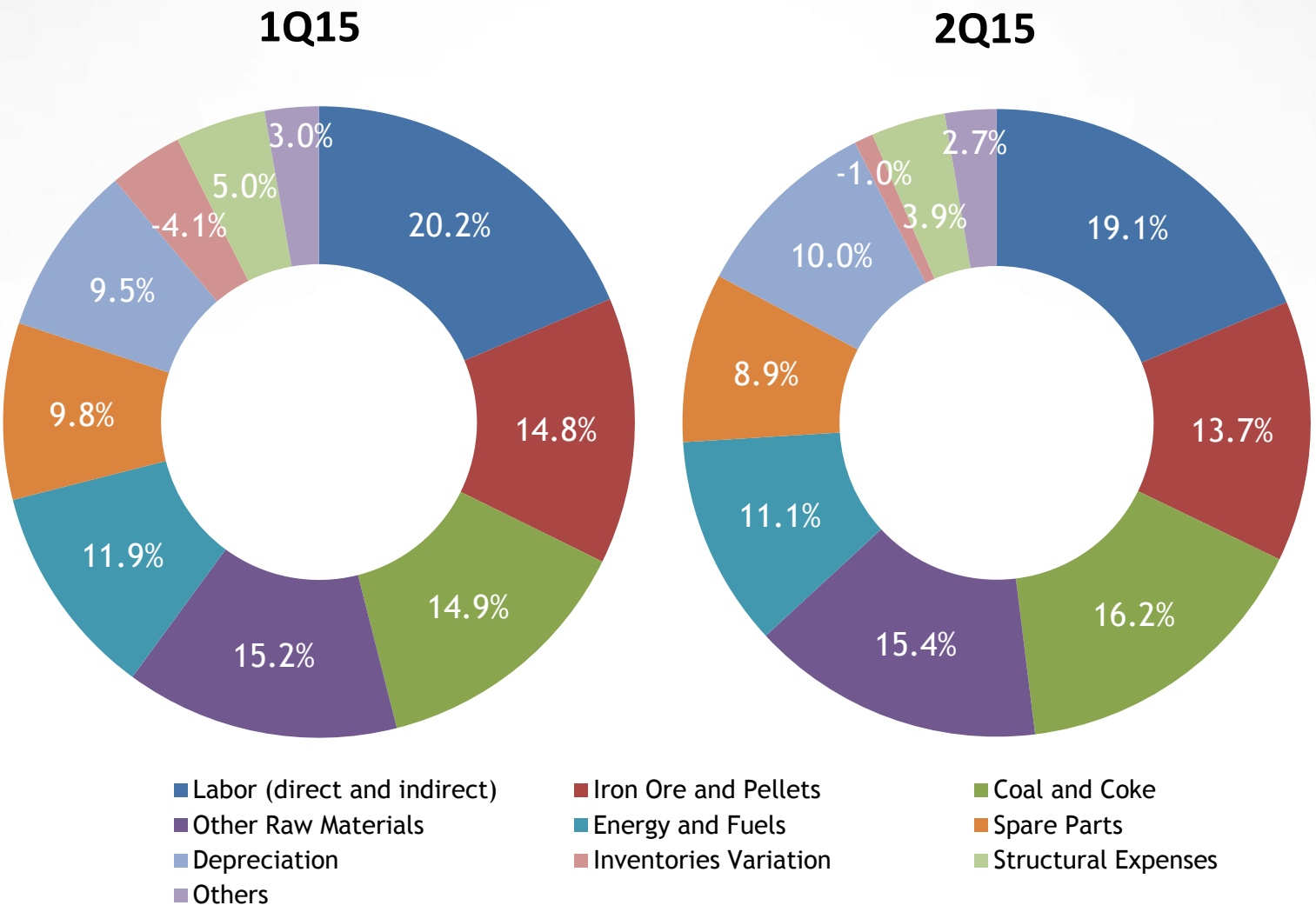
# Exports - Main Markets

## Steel Business Unit



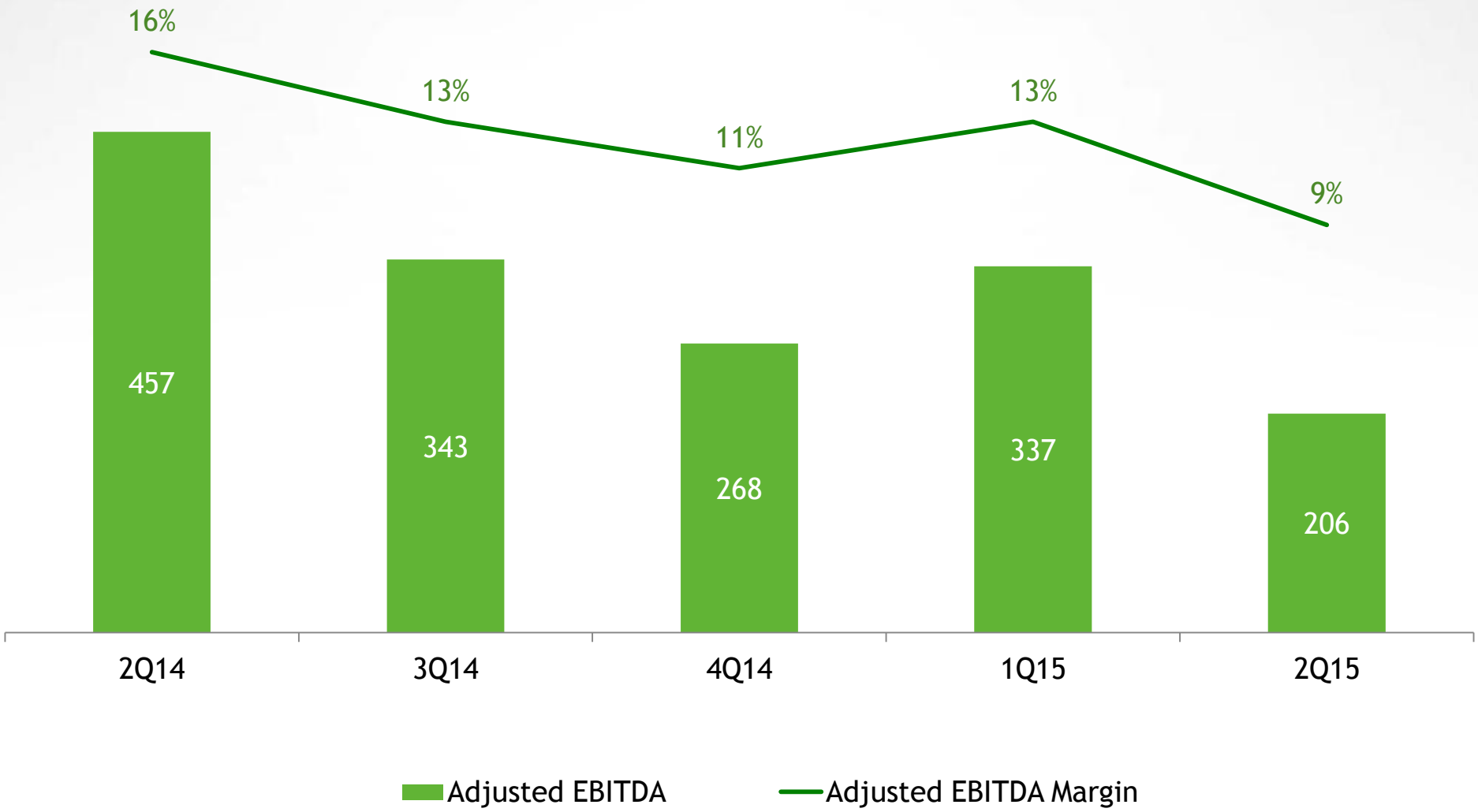
# Cost of Goods Sold - COGS

## Steel Business Unit



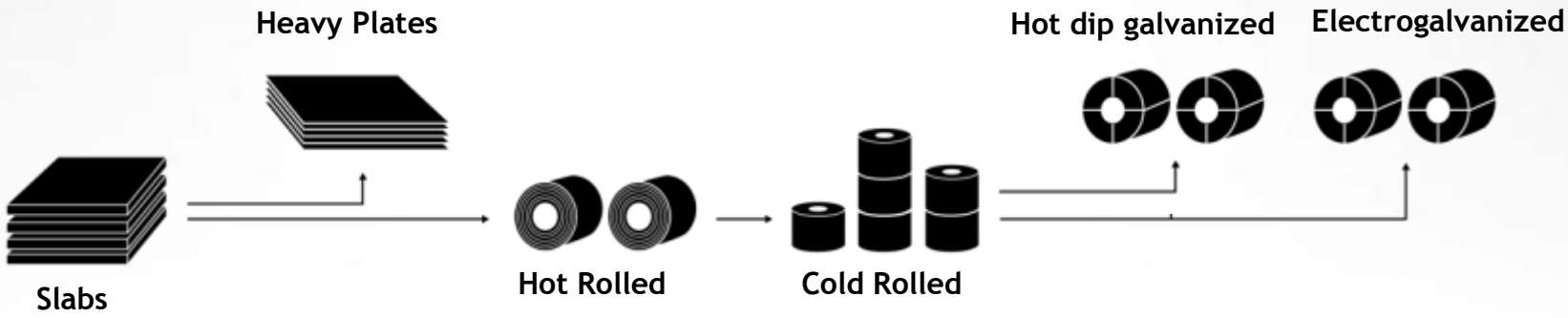
# Adjusted EBITDA and EBITDA Margin

## Steel Business Unit - R$ Million



# Investments

## Steel Business Unit




**Capacity increase to generate finished products**

**7.2 million t**
**(2010)**

**9.7 million t**
**(2014)**

# Investments

## Steel Business Unit

### CLC Technology (Accelerated Cooling Process for Heavy Plates)



- ✓ Start up in 2010
- ✓ Meets the requirements of Petrobras, focused on pre-salt, besides the shipbuilding sector

### Galvanizing Line

- ✓ Start up in 2011
- ✓ Double the capacity to 1 million tons /year
- ✓ Higher expertise in ultra-resistant steel production (*dual phase*)



# Investments

## Steel Business Unit

### Hot Strip Mill



- ✓ Start up in 2012
- ✓ Capacity to process 2.3 million tons / year
- ✓ Improving products' portfolio (beams, ultra resistant wheels, higher grades API's)

### Pickling Line

- ✓ Start up in 2013
- ✓ Capacity to process 1.7 million tons / year
- ✓ Better thickness tolerance, flatness and surface controls of materials for wheels, beams and compressors

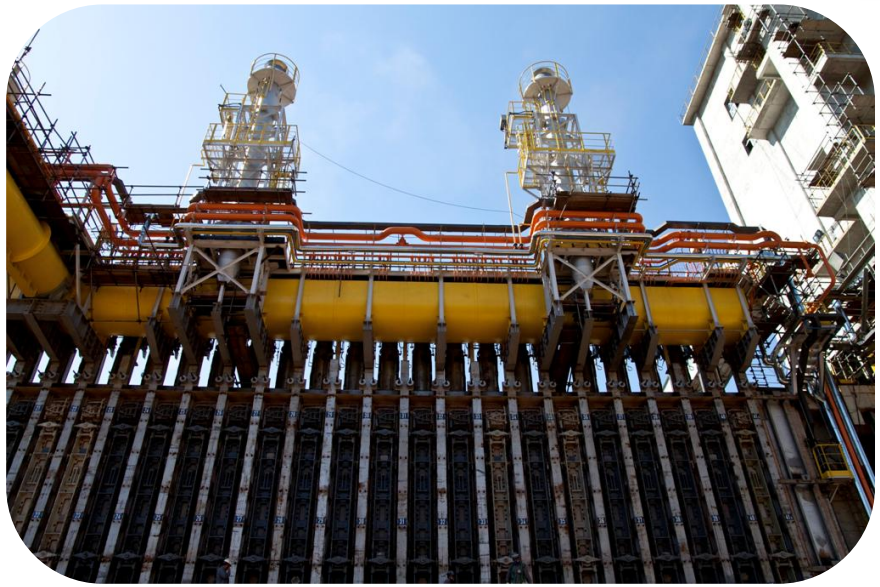


# Investments

## Steel Business Unit

### Coke Plant Revamp - Ipatinga

- Met coke with adequate specifications for pig iron production in the blast furnace process
- Reduction of particle emissions, gases and volatile substances
- Coke gas to be used in the operational facilities of Ipating Mill and electric energy production
- Coke plant total capacity of 1,1 million tons/year
- **Started up on May 2015**

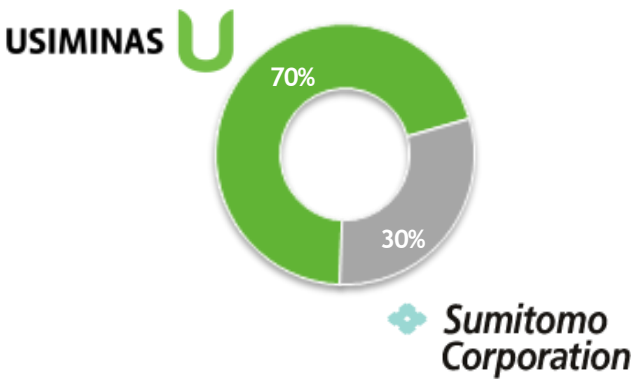


# Description

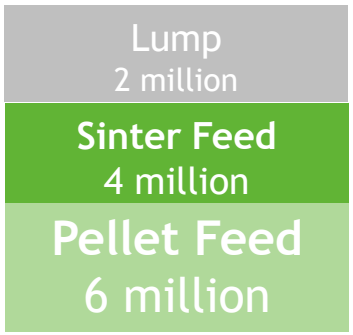
## Mining Business Unit

- Located in Serra Azul/Minas Gerais state
- 4 mining sites, acquired from J. Mendes in February, 2008
- Reserves of 2.6 billion tons of iron ore
- It has 20% of voting shares of MRS Logistica, being part of the Control Group
- Retroarea in Itaguaí Port

Shareholder Composition

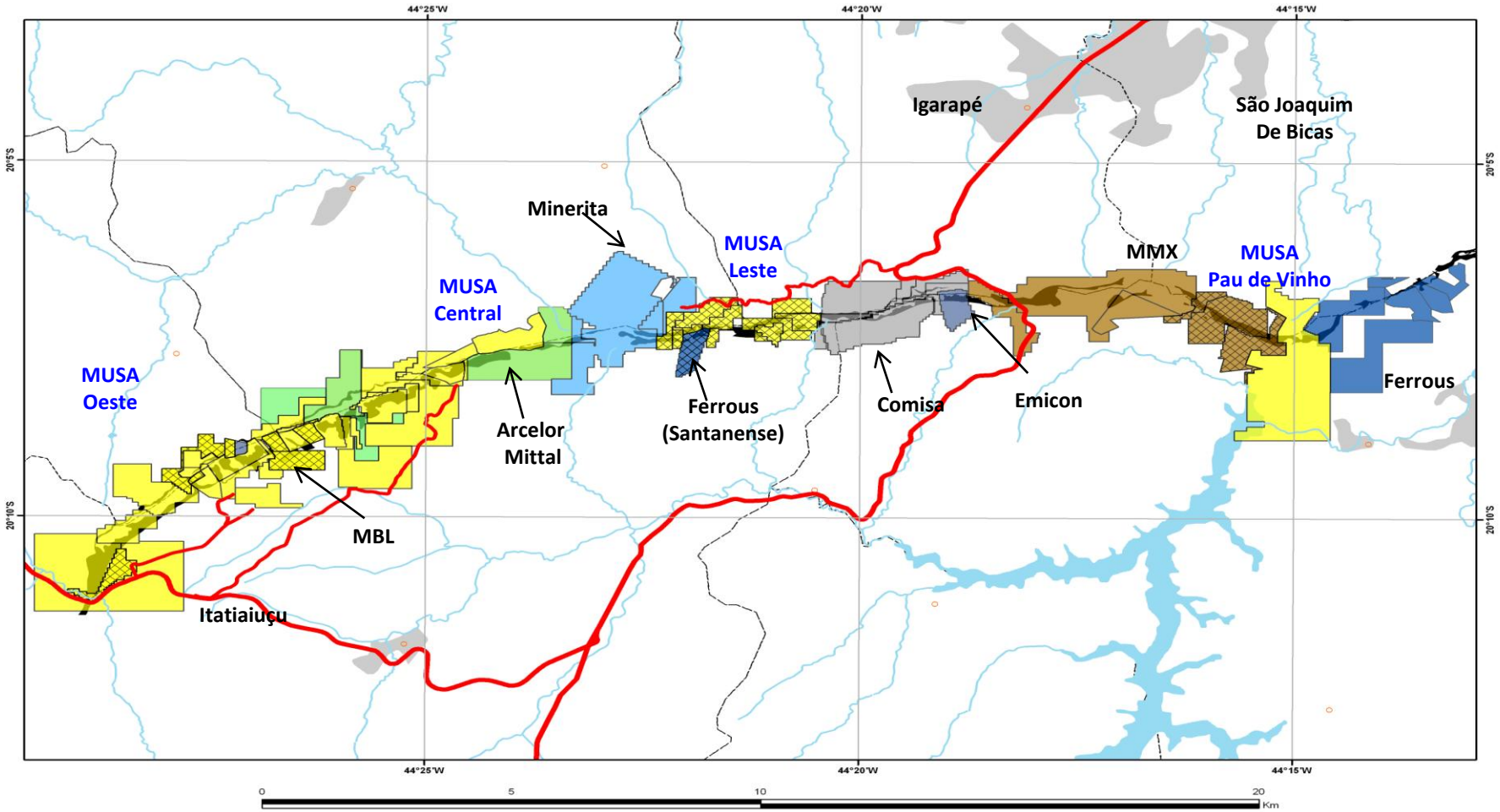



Production Capacity



# Location

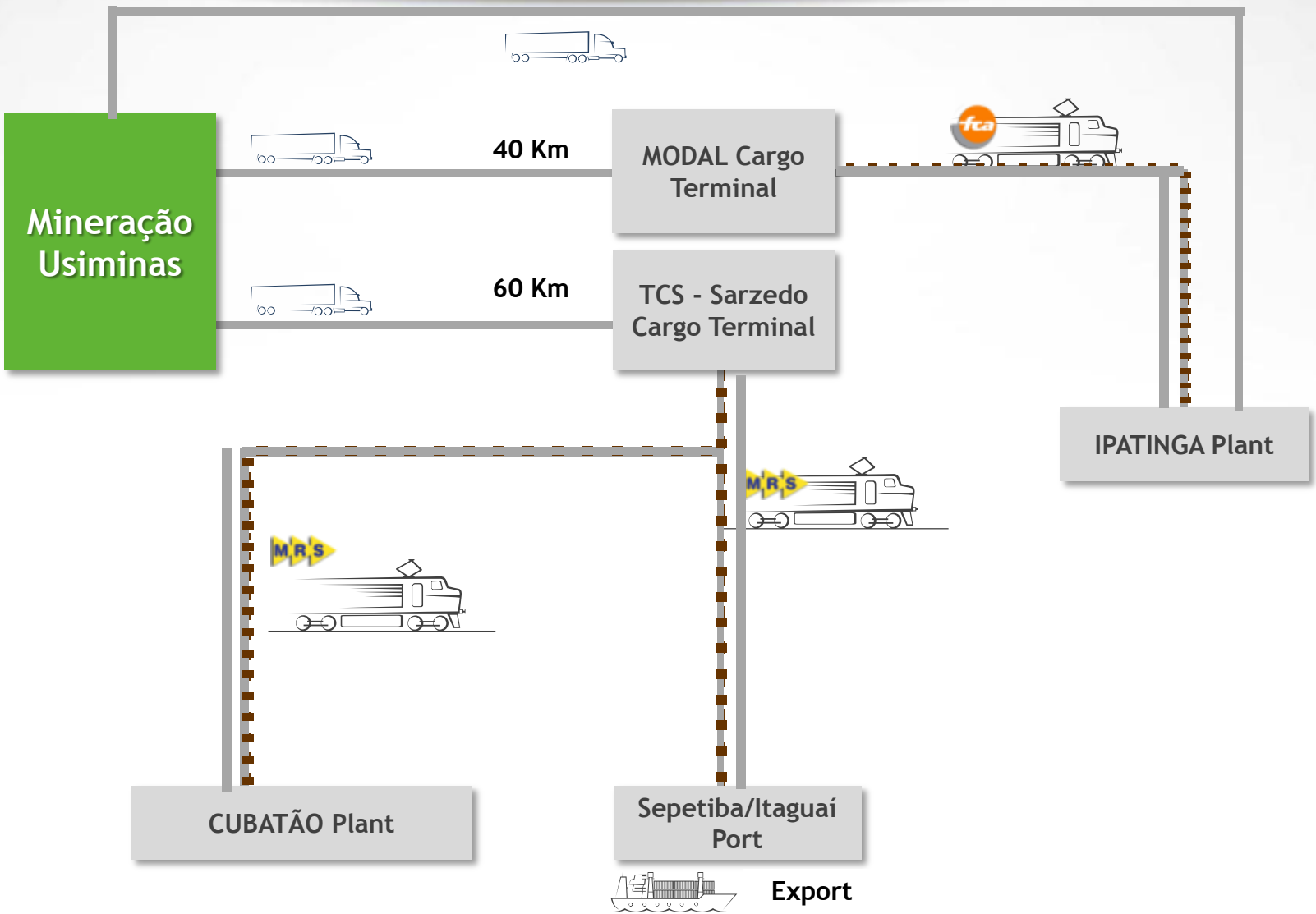
## Mining Business Unit




Mineração Usiminas

# Logistics

## Mining Business Unit



# Retroarea in Itaguai Port

## Mining Business Unit



# Investments

## Mining Business Unit

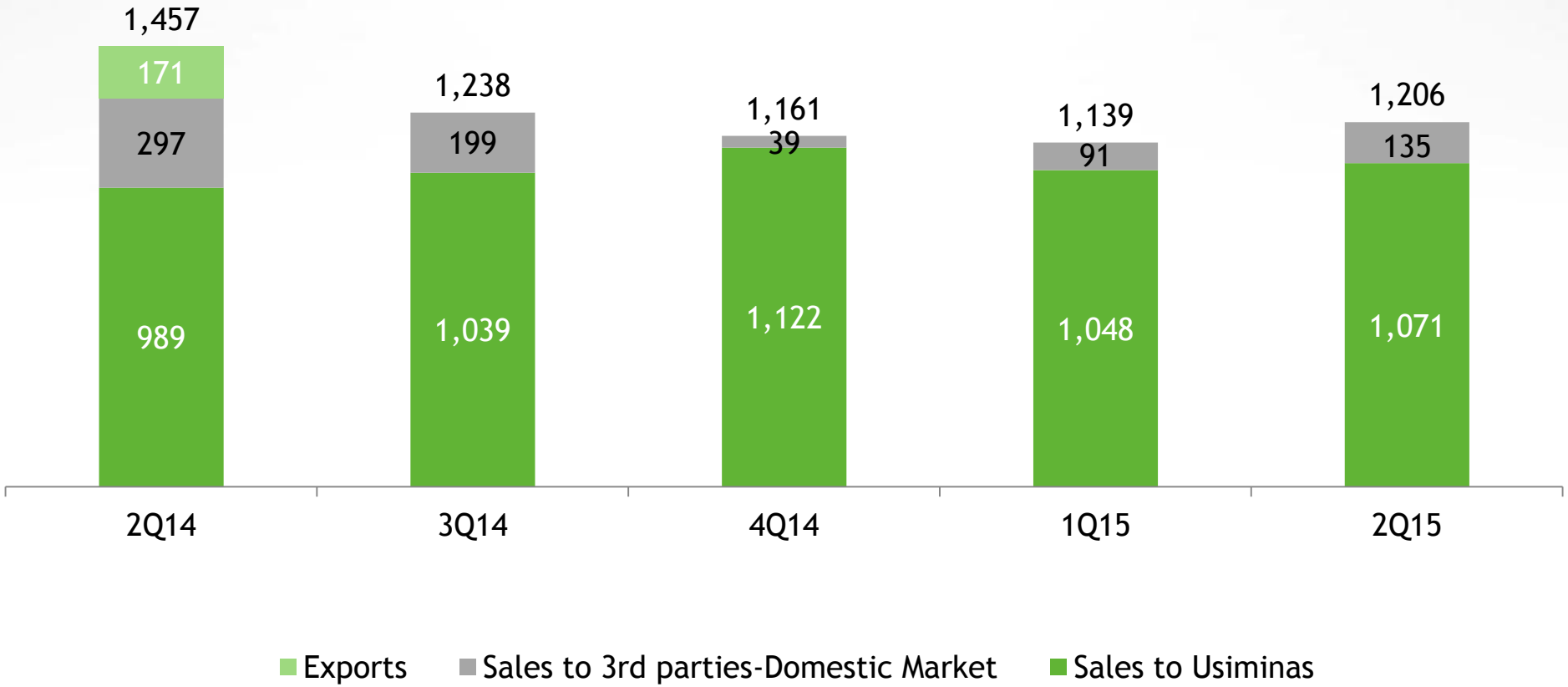
### Friables Project

- ✓ Increased capacity from 8 million to 12 million tons / year of iron ore
- ✓ Iron ore with better quality, higher concentration of iron content and lower impurity level
- ✓ Two iron ore processing plants



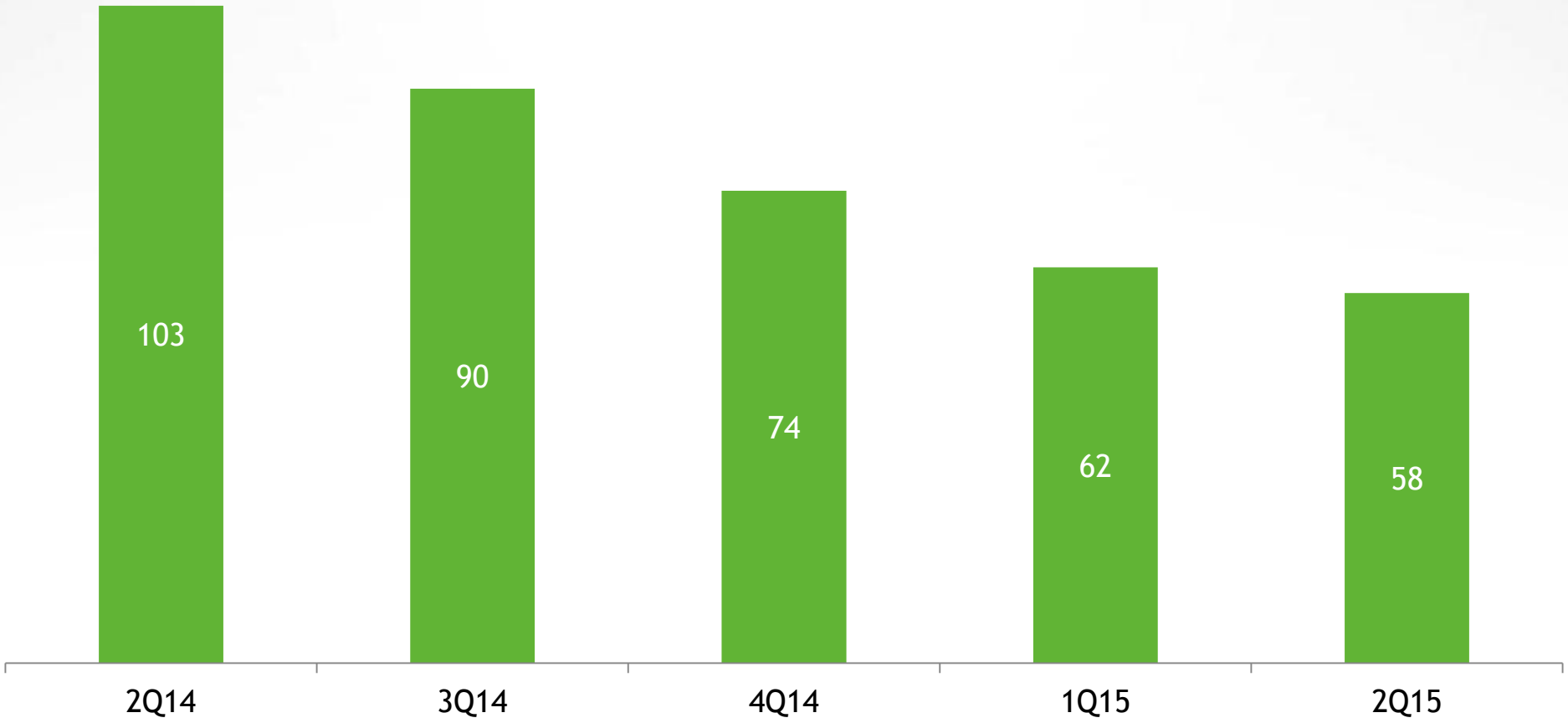
# Sales Volume

## Mining Business Unit - Thousand Tons



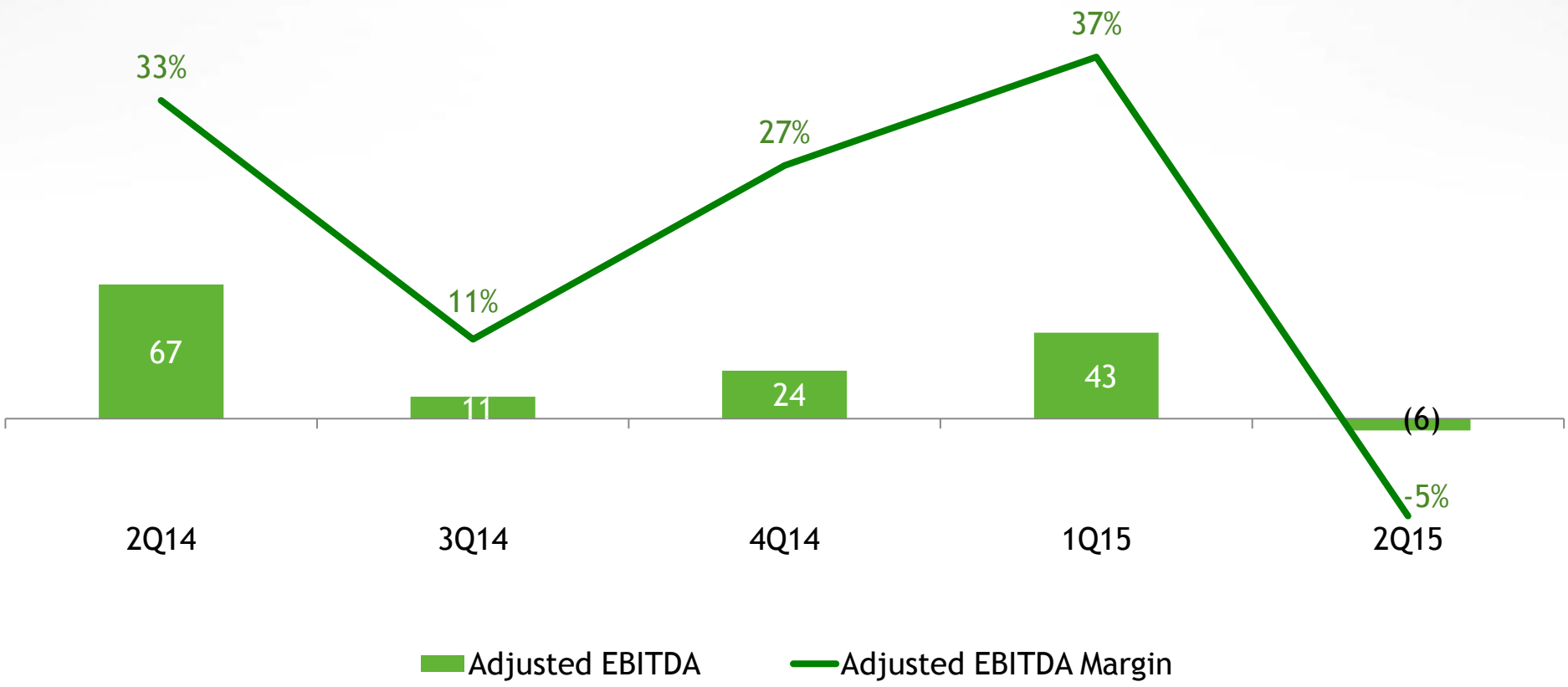
# Iron Ore Price - PLATTS (62% Fe CFR China)

US$/ton



# Adjusted EBITDA and EBITDA Margin

## Mining Business Unit - R$ million

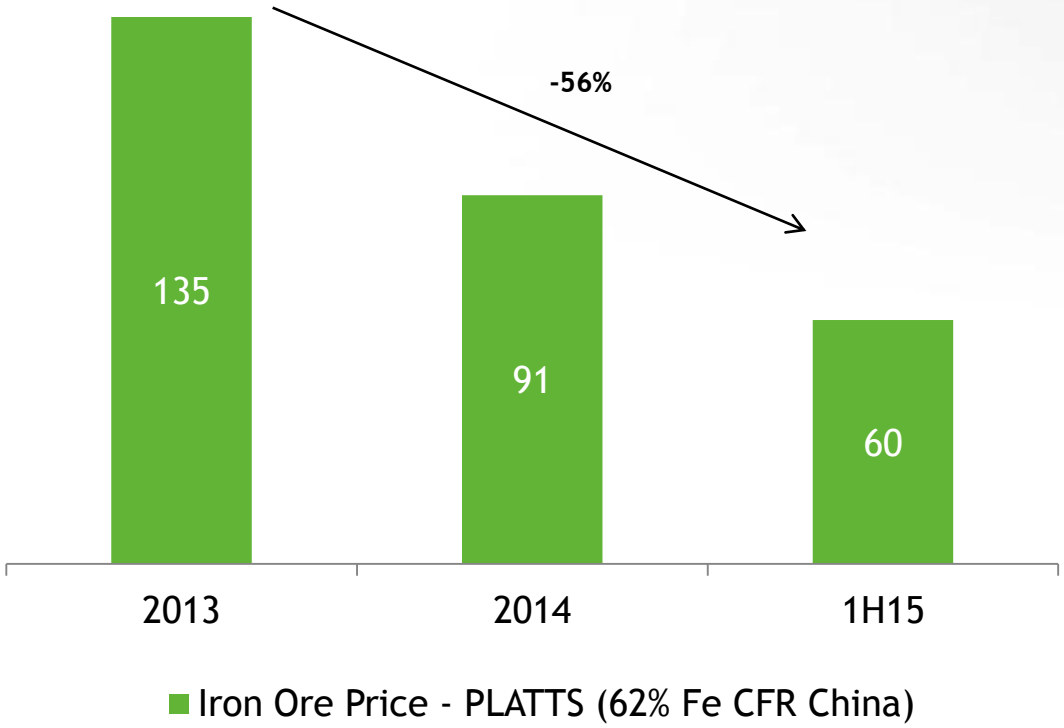


# Impairment of Assets

## Mining Business Unit

In function of the significant iron ore price decrease, the Company registered an impairment of R$985 million in the value of its mining rights (R$868 million in Mineração Usiminas S.A. and R$117 million in Usinas Siderúrgicas de Minas Gerais S.A.).

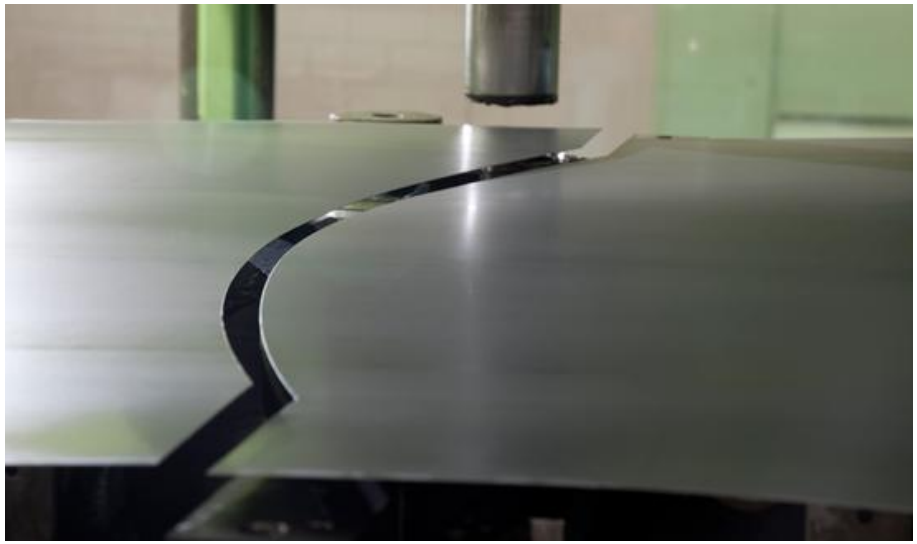
The value in use of the Mining Unit was updated to reflect the management's best estimates on future iron ore prices, based on market projections.

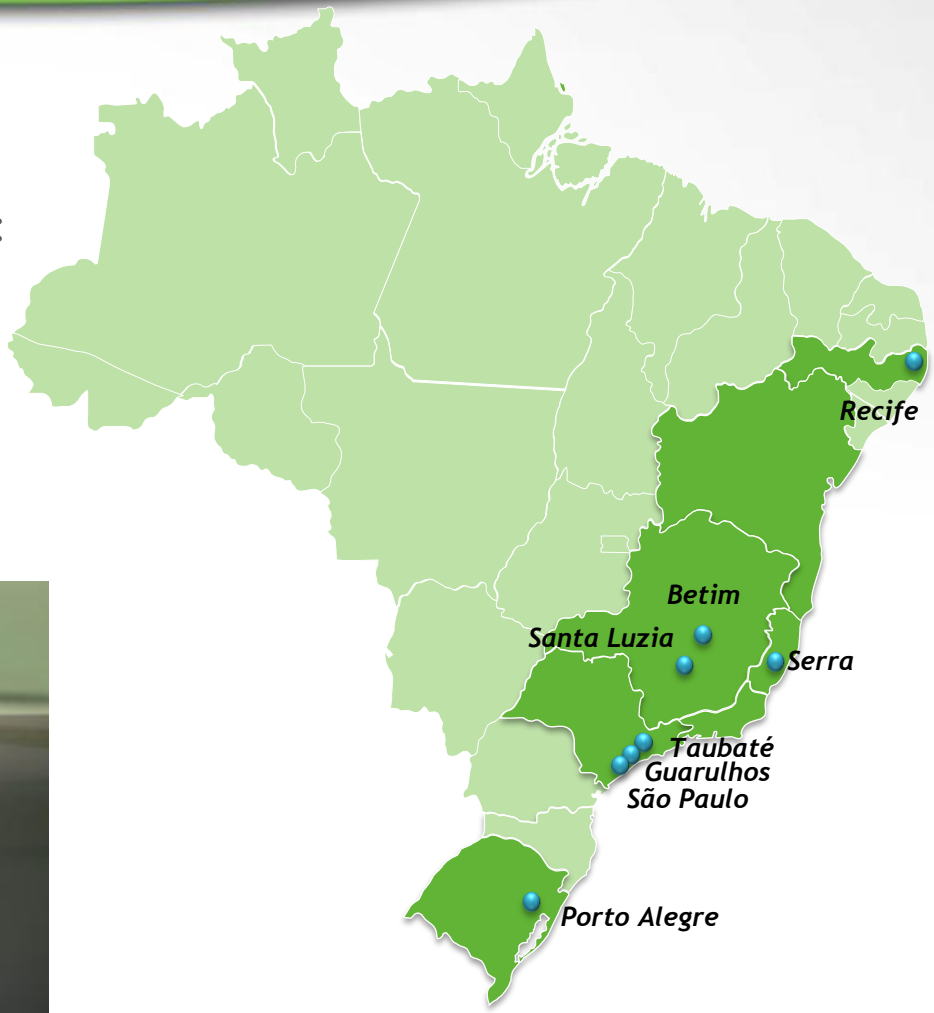


# Description

## Soluções Usiminas - Steel Processing

- 8 industrial units in different Brazilian states: MG, SP, RS, ES, BA and PE
- Processing capacity of 2 million tons of steel/year
- Net Revenue of R$2.3 billion in 2014





# Description

## Usiminas Mecânica - Capital Goods

- Facilities in Ipatinga/Minas Gerais state, Congonhas/Minas Gerais state and in Cubatão/São Paulo state
- Market Segments: Steel Structures, Shipbuilding and Offshore, Oil and Gas, Industrial Assembly and Equipment, Foundry and Railcars
- Net Revenue of R$794 million in 2014



Steel Structures



Brasília 3rd Bridge

# Agenda

Usiminas Profile



Market Data



Usiminas and its business units

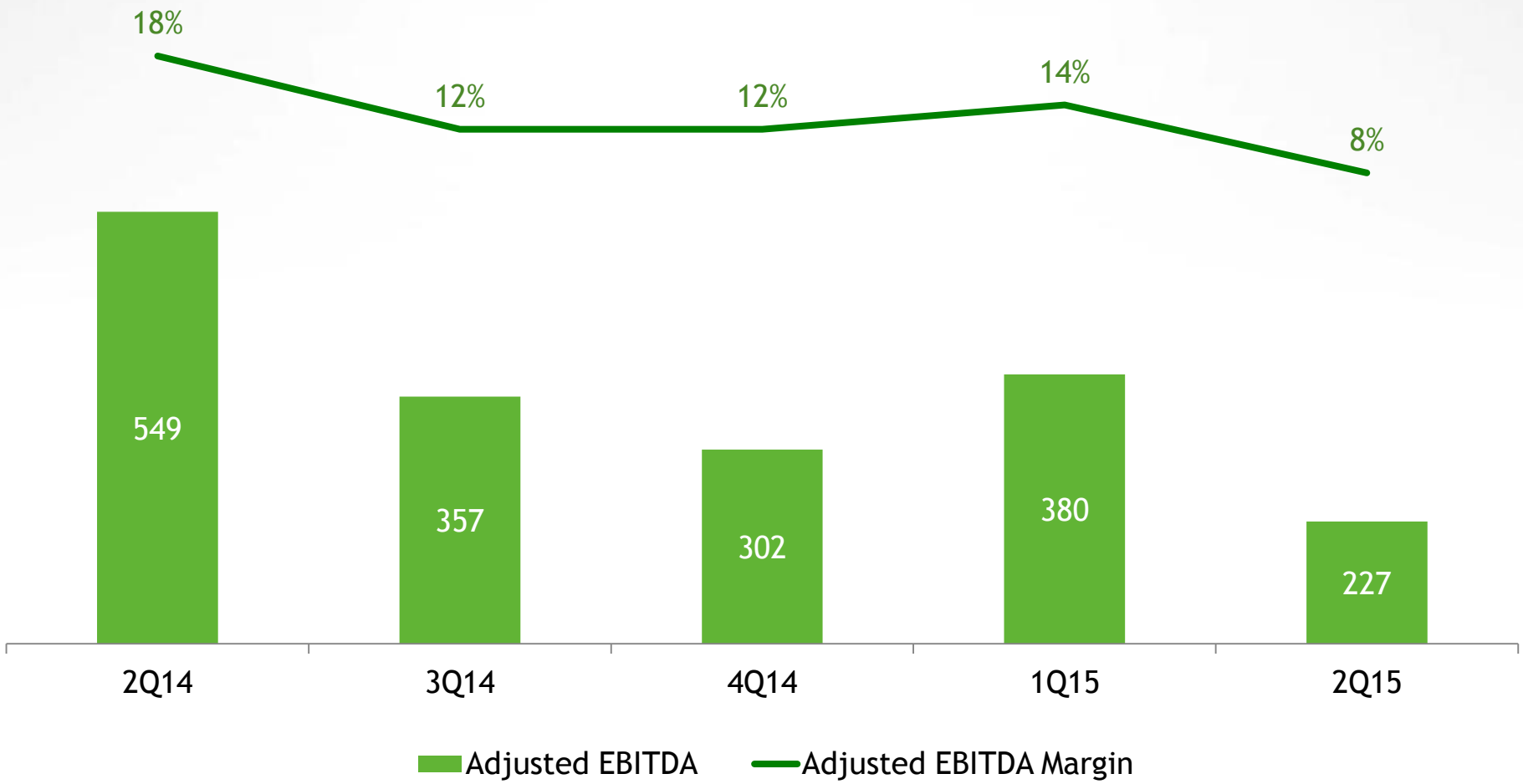


Financial Results



# Adjusted EBITDA and EBITDA Margin

## Consolidated - R$ million



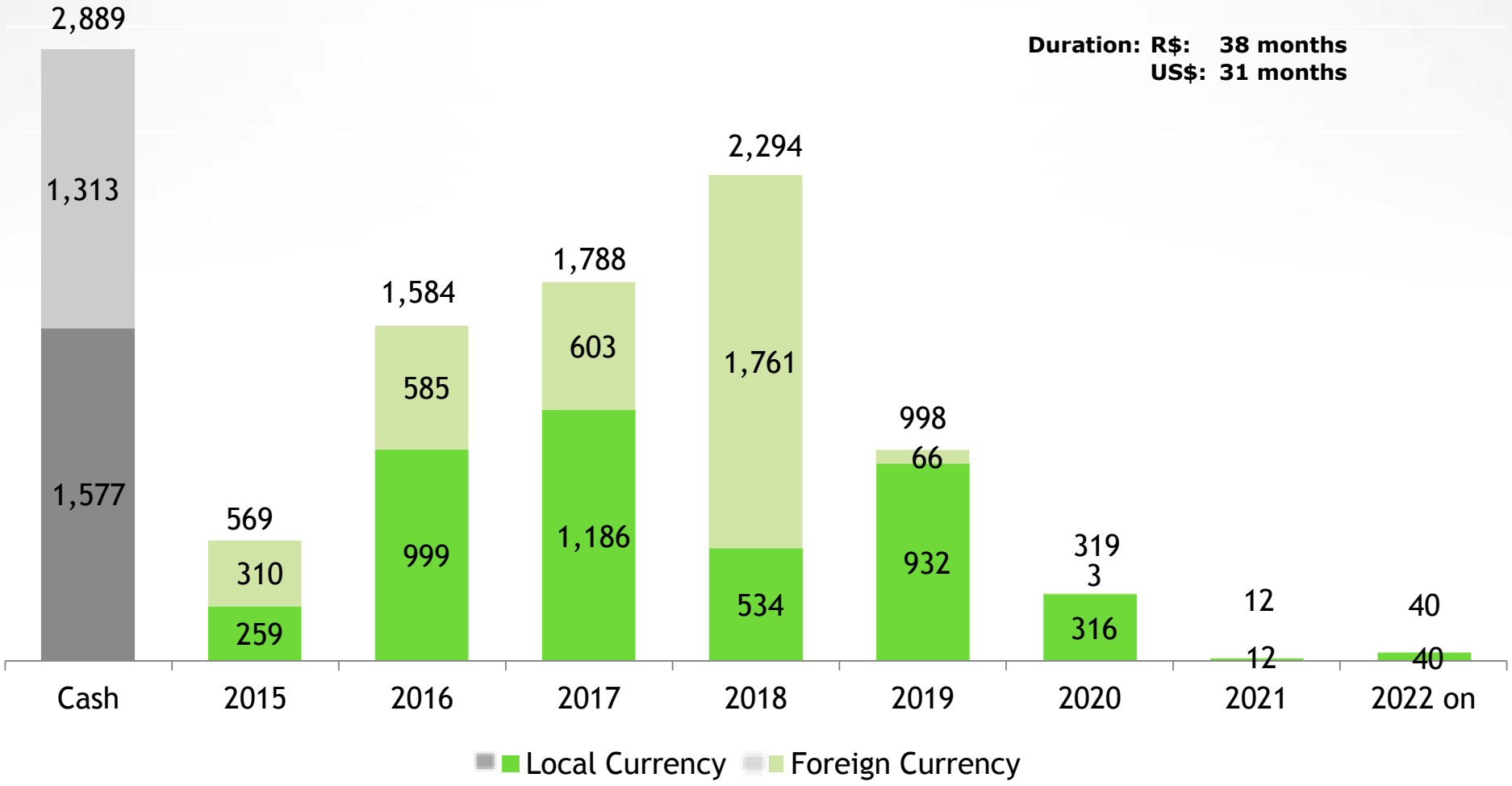
# Comparing Adjusted and CVM 527 EBITDA

## Consolidated - R$ Thousand

| | 2Q15 | 1H15 |
|---|---|---|
| **EBITDA -Instruction CVM 527** | **(755,210)** | **(401,331)** |
| Equity in the Results of Associate and Subsidiary Companies | (33,991) | (45,962) |
| Joint Subsidiary Companies proportional EBITDA | 31,361 | 68,987 |
| Impairment of Assets | 985,046 | 985,046 |
| **Adjusted EBITDA** | **227,206** | **606,740** |

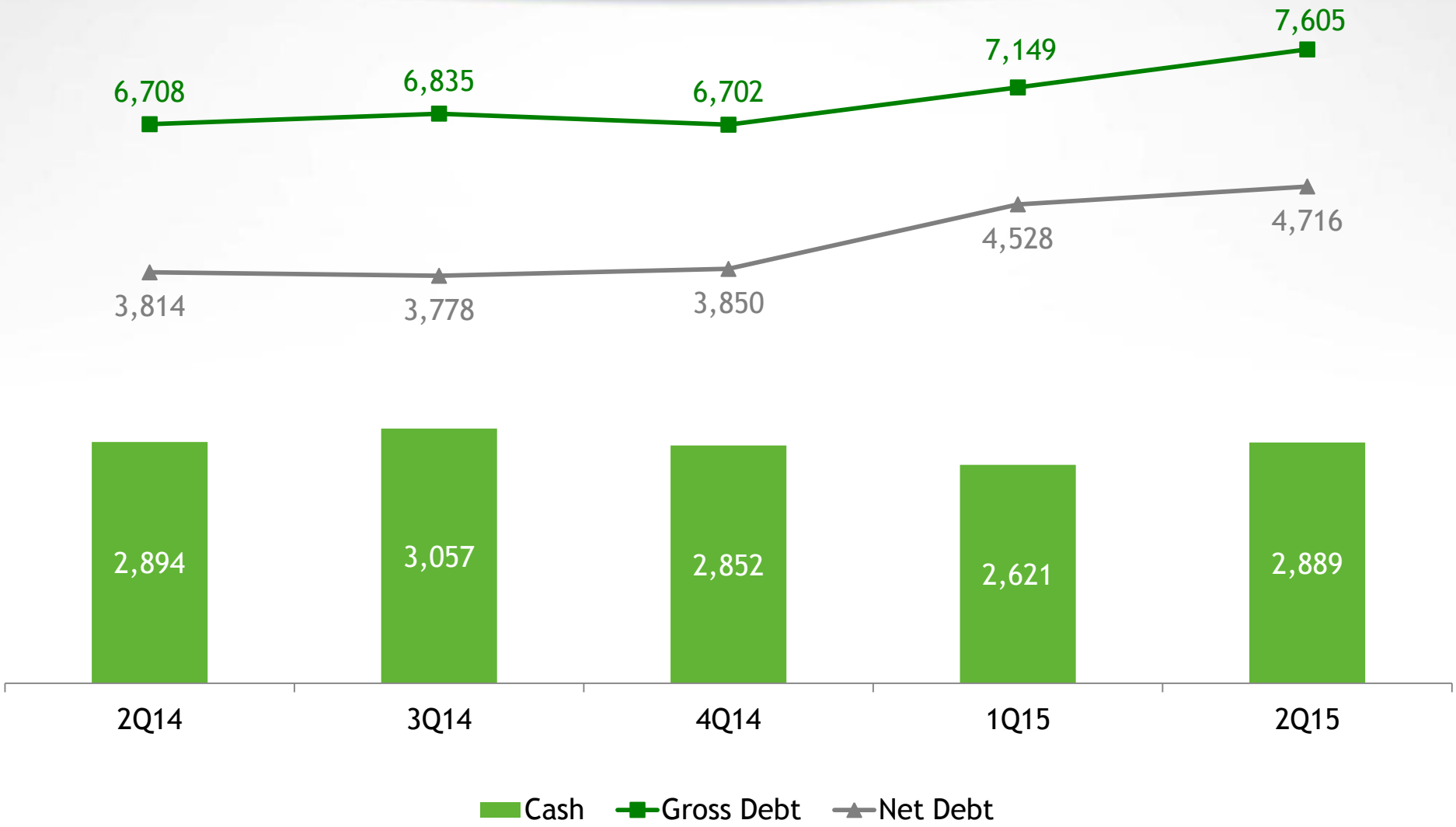
# Cash Position and Debt Profile

## Consolidated - R$ million



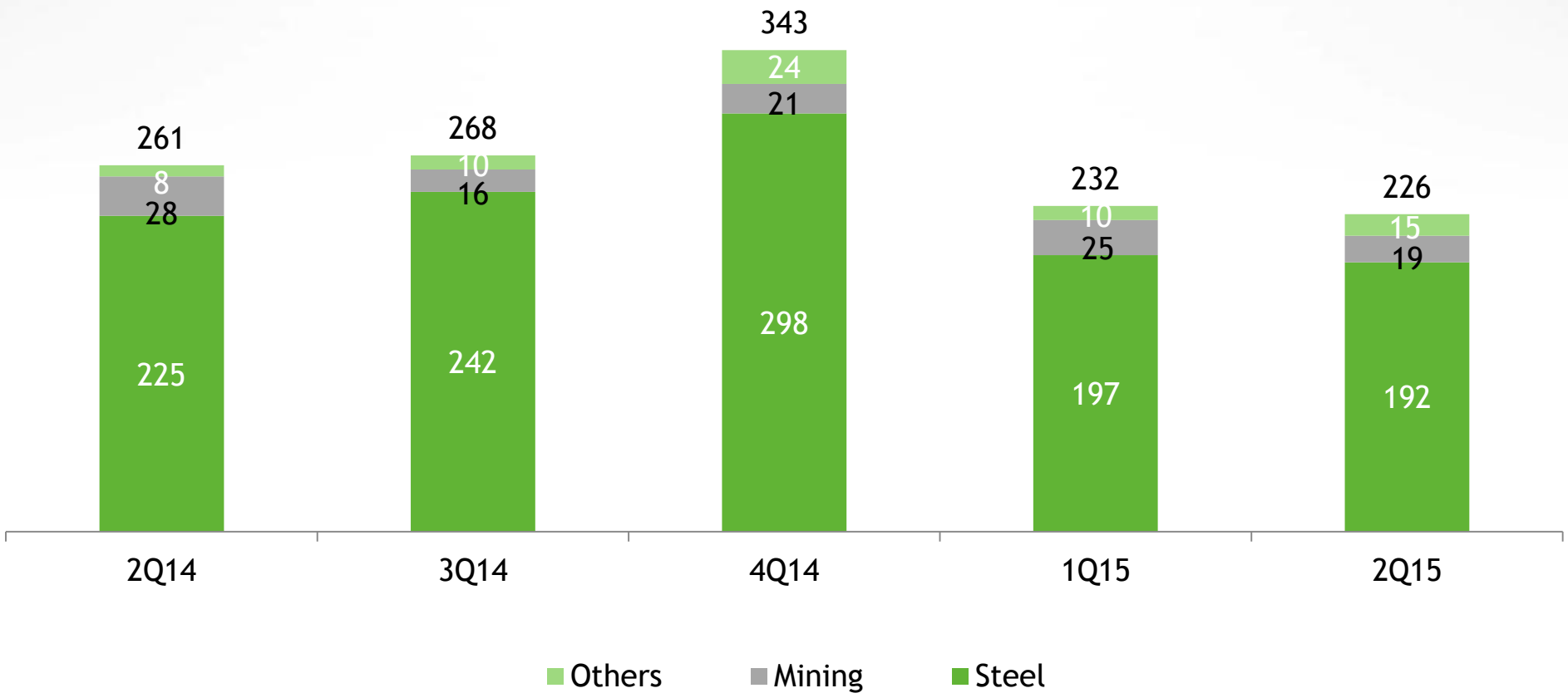
# Cash and Indebtedness

## Consolidated - R$ million



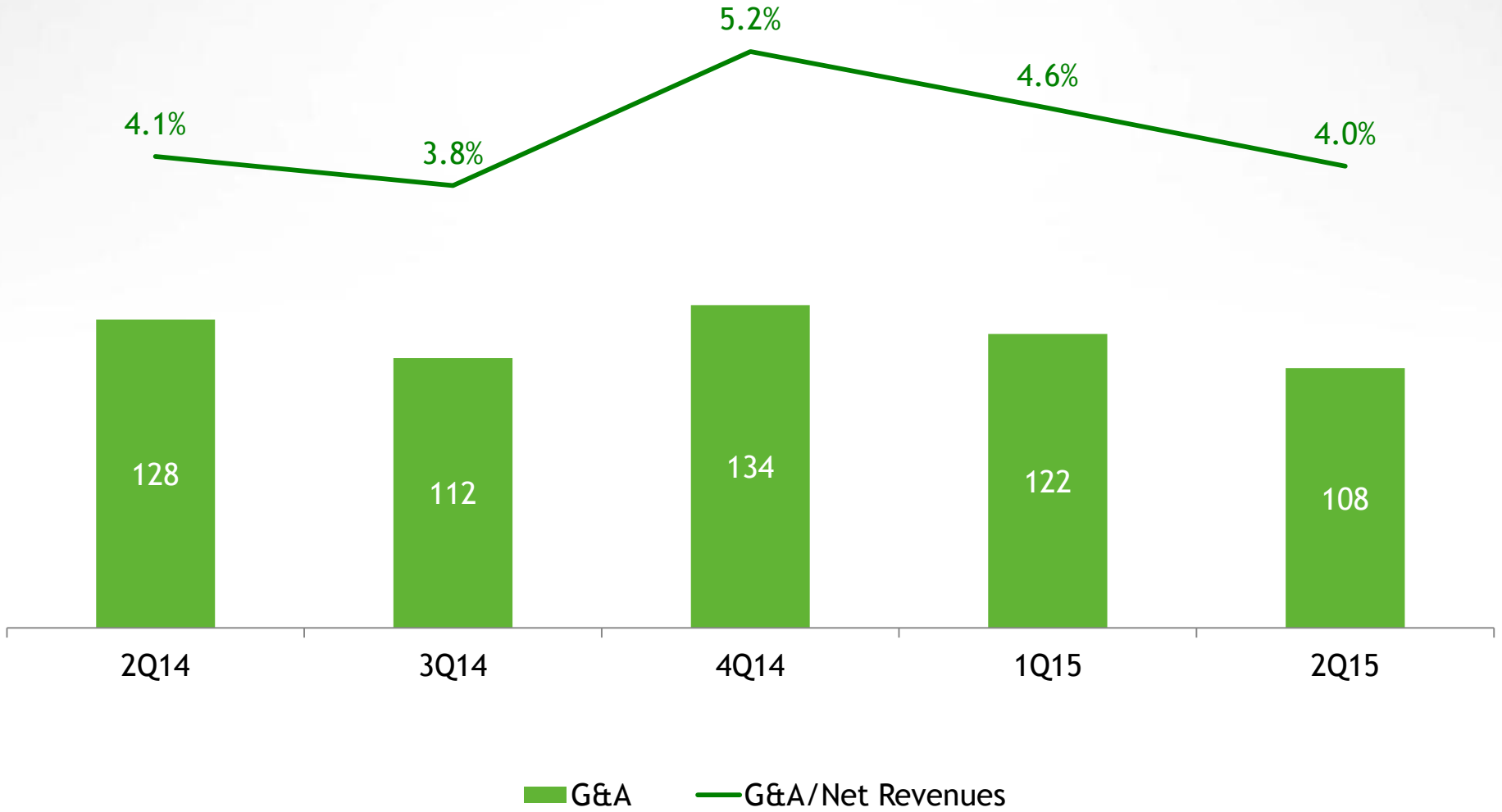
# Capex

## Consolidated - R$ million



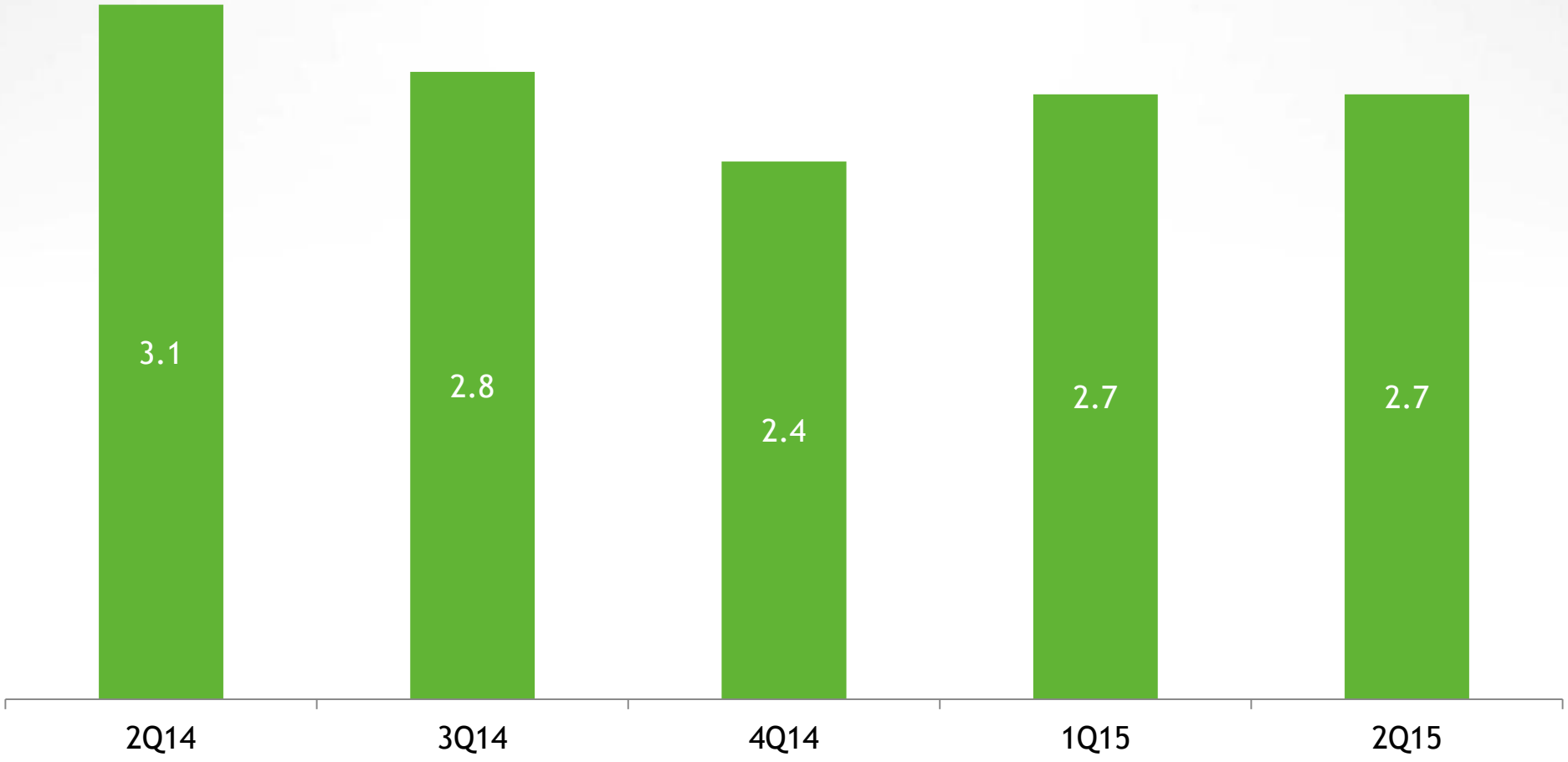
# G&A Evolution

## Consolidated - R$ million



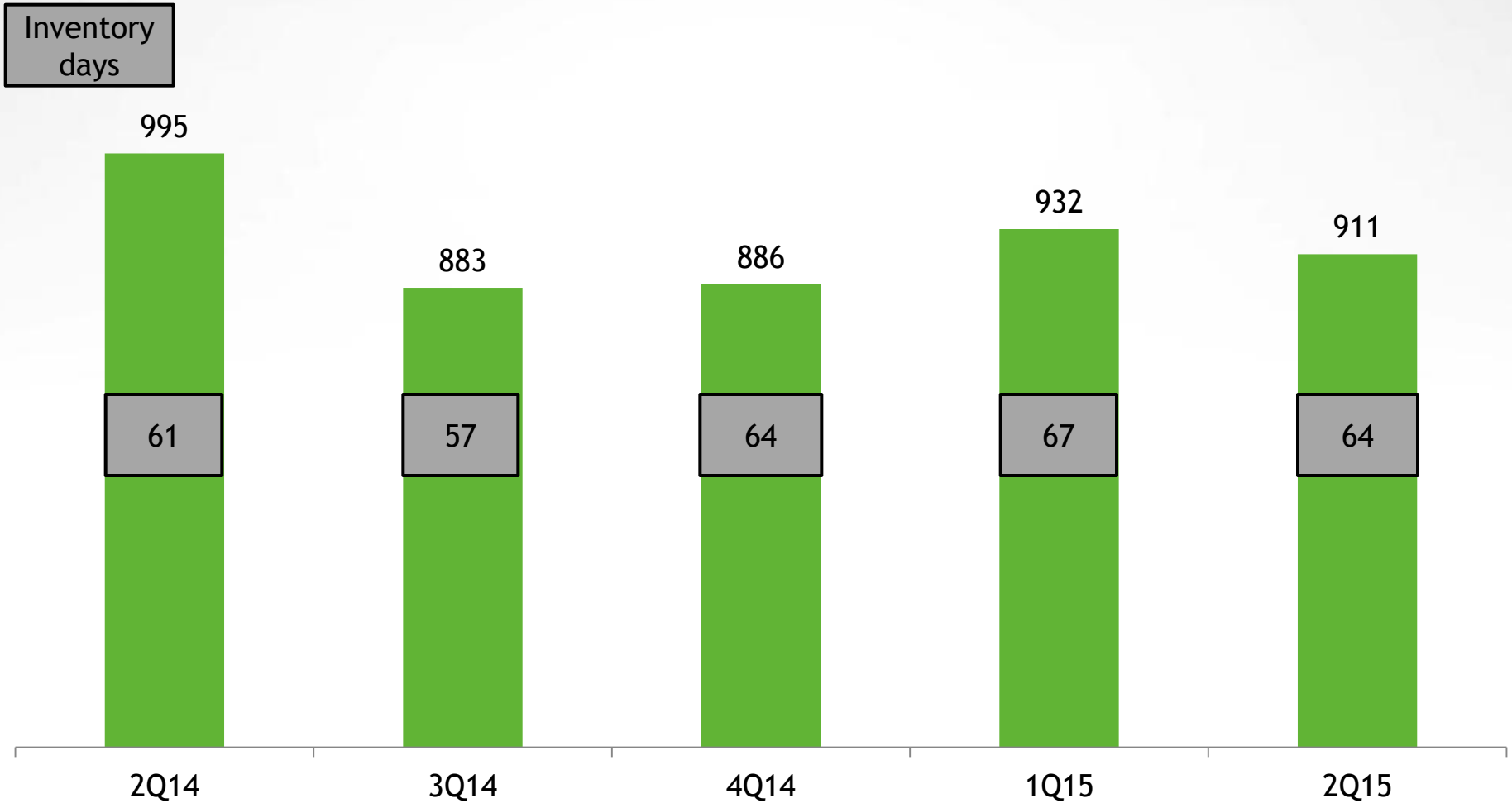
# Working Capital

## Consolidated - R$ billion



# Working Capital – Steel Inventories

## Thousand Tons



# Income Statement

## Per Business Unit - R$ million

| R$ million | Mining | | Steel* | | Steel Processing | | Capital Goods | | Elimination and Adjustment | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2Q15 | 1Q15 | 2Q15 | 1Q15 | 2Q15 | 1Q15 | 2Q15 | 1Q15 | 2Q15 | 1Q15 | 2Q15 | 1Q15 |
| Net Revenue | 109 | 118 | 2,401 | 2,556 | 476 | 540 | 230 | 211 | (538) | (744) | 2,677 | 2,680 |
| Domestic Market | 109 | 118 | 1,764 | 2,230 | 475 | 536 | 230 | 211 | (538) | (744) | 2,040 | 2,350 |
| Exports | - | - | 636 | 327 | 1 | 4 | 0 | - | - | - | 637 | 331 |
| COGS | (122) | (111) | (2,317) | (2,316) | (464) | (527) | (194) | (185) | 525 | 702 | (2,571) | (2,437) |
| Gross Profit | (12) | 6 | 84 | 241 | 12 | 13 | 36 | 26 | (14) | (42) | 105 | 244 |
| Operating Income (Expenses) | (37) | (15) | (133) | (152) | (28) | (24) | (16) | (18) | 1 | 1 | (214) | (208) |
| Impairment of Assets | (985) | - | - | - | - | - | - | - | - | - | (985) | - |
| EBIT | (1,035) | (9) | (50) | 88 | (16) | (11) | 20 | 8 | (13) | (41) | (1,094) | 35 |
| **EBITDA (CVM 527)** | **(981)** | **50** | **206** | **339** | **(9)** | **(4)** | **26** | **14** | **3** | **(46)** | **(755)** | **354** |
| **EBITDA Margin (CVM 527)** | **-898%** | **42%** | **9%** | **13%** | **-2%** | **-1%** | **11%** | **7%** | **-** | **-** | **-28%** | **13%** |
| **Adjusted EBITDA** | **(6)** | **43** | **206** | **337** | **(9)** | **(4)** | **26** | **14** | **11** | **(11)** | **227** | **380** |
| **Adj.EBITDA Margin** | **-5%** | **36%** | **9%** | **13%** | **-2%** | **-1%** | **11%** | **7%** | **-** | **-** | **8%** | **14%** |

*Consolidates 70% of Unigal

Note: All intercompany transactions are made at arm´s length basis

# Income Statement

## Per Business Unit - R$ million

| R$ million | Mining | | Steel* | | Steel Processing | | Capital Goods | | Elimination and Adjustment | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1H15 | 1H14 | 1H15 | 1H14 | 1H15 | 1H14 | 1H15 | 1H14 | 1H15 | 1H14 | 1H15 | 1H14 |
| Net Revenue | 227 | 548 | 4,957 | 5,795 | 1,016 | 1,158 | 440 | 390 | (1,283) | (1,643) | 5,357 | 6,249 |
| Domestic Market | 227 | 413 | 3,994 | 5,141 | 1,011 | 1,152 | 440 | 382 | (1,283) | (1,643) | 4,390 | 5,445 |
| Export Market | - | 135 | 963 | 654 | 5 | 6 | 0 | 8 | - | - | 968 | 803 |
| COGS | (233) | (284) | (4,633) | (5,178) | (990) | (1,099) | (379) | (347) | 1,227 | 1,514 | (5,008) | (5,395) |
| Gross Profit | (6) | 264 | 324 | 617 | 25 | 59 | 61 | 43 | (56) | (129) | 349 | 854 |
| Operating Income (Expenses) | (52) | (77) | (286) | (157) | (52) | (63) | (34) | (22) | 2 | 2 | (422) | (317) |
| Impairment of Assets | (985) | - | - | - | - | - | - | - | - | - | (985) | - |
| EBIT | (1,043) | 187 | 38 | 460 | (27) | (4) | 28 | 21 | (54) | (128) | (1,058) | 537 |
| **EBITDA (CVM 527)** | **(931)** | **262** | **545** | **933** | **(13)** | **15** | **40** | **34** | **(43)** | **(59)** | **(401)** | **1,186** |
| **EBITDA Margin (CVM 527)** | **-410%** | **48%** | **11%** | **16%** | **-1%** | **1%** | **9%** | **9%** | **-** | **-** | **-7%** | **19%** |
| **Adjusted EBITDA** | **37** | **242** | **543** | **934** | **(13)** | **15** | **40** | **34** | **(1)** | **(20)** | **607** | **1,205** |
| **Adj.EBITDA Margin** | **16%** | **44%** | **11%** | **16%** | **-1%** | **1%** | **9%** | **9%** | **-** | **-** | **11%** | **19%** |

*Consolidates 70% of Unigal

Note: All intercompany transactions are made at arm´s length basis

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Declarations relative to business and perspectives of the Company, operating and financial results and projections, and references to the growth of the Company constitute mere forecasts and were based on Management´s expectations in relation to future performance, these expectations are highly dependent on market behavior, on Brazil´s economic situation, on the industry and on international markets, and are therefore subject to change.

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