Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS

Financial Statements
December 31, 2017

KPDS 176221

(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Usinas Siderúrgicas de Minas Gerais S.A.

Opinion

We have audited the accompanying parent company financial statements of Usinas Siderúrgicas de Minas Gerais S.A. ("Company" or "Usiminas"), which comprise the balance sheet as at December 31, 2017 and the statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Usinas Siderúrgicas de Minas Gerais S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2017 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the parent company and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Usinas Siderúrgicas de Minas Gerais S.A. and of Usinas Siderúrgicas de Minas Gerais S.A. and its subsidiaries as at December 31, 2017, and the parent company financial performance and cash flows for the year then ended, as well as the consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

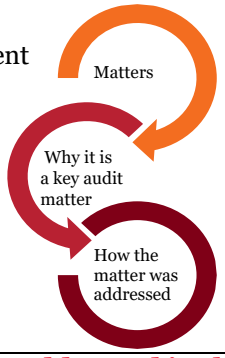
Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the parent company and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Usinas Siderúrgicas de Minas Gerais S.A.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Why it is a key audit matter	How the matter was addressed in the audit

Recoverable value of property, plant and equipment and intangible assets (Notes 3.13, 16 and 17) and on the realization of deferred taxes (Notes 3.16 and 13)

The Company and its subsidiaries have significant balances of property, plant and equipment and intangible assets for which a provision for impairment may be necessary whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Company and its subsidiaries also have deferred income tax and social contribution assets mainly referring to the income tax and social contribution losses and also related to temporary differences arising from provisions for impairment of assets, actuarial liability and lawsuits, among others. These deferred tax balances were recognized based on a study with projections of future taxable profit.

The annual assessment of recoverability involves the use of critical judgments that are not always objective, on the part of management, in relation to the projections of results, taxable profits and discounted cash flows, which depend on future economic events. Using different assumptions may significantly change the estimated realization of these assets and require the recording of and additional impairment, thus affecting the financial statements.

We carried out the audit procedures below, among others:

With the support of our internal valuation specialists, we analyzed the logical and arithmetic coherence of the cash flow projections. We also tested the consistency of the information and assumptions used to project the cash flows, by comparing them with: (i) budgets approved by the Board of Directors; (ii) market assumptions and data; and (iii) prior-year projections with the effective subsequent results.

We carried out sensitivity analysis and recalculated the projections taking into account different intervals and scenarios concerning growth and discount rates, in addition to reading the disclosures made.

As regards the work related to deferred taxes, we further tested, with the support of our specialists, the calculation bases of income tax and social contribution losses, as well as the temporary differences, comparing them with the corresponding tax records.

Our audit procedures showed that the judgments applied and assumptions used by management to evaluate the recoverability of these assets were

Why it is a key audit matter	How the matter was addressed in the audit
	reasonable, and that the disclosures were consistent with the data and information obtained.
Compliance with covenants (Notes 5.3, 5.4, and 20)	
On September 12, 2016, Usiminas concluded its debt restructuring with its creditors. As a result of the renegotiation, among other aspects, a longer term was granted for the payment of the debts and grace period for the beginning of the payment of the principal, and changes were made in the criteria for measurement of the financial covenants. Additionally, certain conditions were agreed for Usiminas to receive R$ 700 million of the resources maintained in the cash of its subsidiary Mineração Usiminas S.A. up to June 30, 2017 and the realization of an exchange offering of at least 50% of the Eurobonds outstanding in the market, originally issued in 2008 to at most June 30, 2017. If not complied with, these conditions would also require the anticipated maturity of the debt ("non-financial covenants"). Finally, it was also established the cash sweep mechanism, obliging the Company to distribute the cash surplus exceeding the limits established; it will be checked every June 30 and December 31 of each year. Due to the complexity of these additional conditions ("non-financial covenants"), which, to a certain extent, also depended on external factors out of the absolute control of the Company, as well as due to the significance of the potential impacts of non-compliance with the financial position of the Company, we focused our work on continuously monitoring the compliance with those obligations.	Our audit procedures comprised the reading of all documentation related to the agreements and related renegotiations. Based on it, we checked the minutes of the Extraordinary General Meeting that approved the capital decrease of Mineração Usiminas S.A. with the transfer to the Company of the resources held in its cash, and the banking transfer of the resources. As regards the exchange offering, our procedures comprised the checking of the documentation of discharge by the creditors of the obligation of an exchange offering and the inspection of the payment vouchers to them of the amount corresponding to 50% of the main outstanding balance of the Eurobonds principal, on a pro rata basis, as a partial amortization of the debts of the Company with each creditor. We also verified the cash balances at June 30 and December 31, 2017 based on the requirement of the cash sweep mechanism, as to the Company's need to distribute the surplus. Finally, we considered the adequacy of the disclosures made in the financial statements that are consistent with the information that we analyzed in our audit procedures.

Why it is a key audit matter	How the matter was addressed in the audit
Provision for contingencies (Notes 3.14 and 24)	
The Company and its subsidiaries are parties in legal and administrative labor, tax, and civil proceedings arising from the normal course of its business. The recognition of the provision and the classification of the likelihood of positive outcome in the proceedings involve considering the merits of the cases as well as complex aspects of the proceedings, in accordance with the effective legislation, thus requiring that Management apply significant judgment, which is periodically reassessed according to the progress of the proceedings, at the different judicial courts, and to the applicable case law.	Our audit procedures included, among others, understanding and testing the significant internal controls over the identification and assessment of the proceedings and the quantification of the risks for the purposes of recording the provision for contingencies or its disclosure in the notes to the financial statements when the related estimates indicate a probable or possible likelihood of loss, respectively. We also performed confirmation procedures with the law firms that are working in the legal and administrative proceedings in order to obtain data related to the assessment of the likely outcome, , to the totality of the information, and to the adequacy of the amount of the provision recorded or the amount disclosed. Furthermore, we had the support of our tax specialists when analyzing the reasonableness of the likelihoods of loss for the most relevant proceedings, especially those of a tax nature. Finally, we read the information disclosed in the explanatory notes. We consider that the criteria and assumptions adopted by the Company's management, as well as the disclosures made, are consistent with the assessment of the lawyers.

Why it is a key audit matter	How the matter was addressed in the audit
Post-employment benefits (Notes 3.17 and 26)	
The Company and its subsidiaries sponsor supplementary retirement plans that are managed by Previdência Usiminas. The Company also has obligations with post-retirement healthcare plan benefits related to employees of the subsidiary Companhia Siderúrgica	Our audit procedures included, among others, the detailed testing of personal information of active participants and assisted individuals of the retirement supplementation and healthcare plans, as registered in the database used to calculate the actuarial liability.

Paulista -Cosipa who retired up to April 30, 2002 and still maintain the right to the benefit.

The actuarial calculations that serve as basis for the determination of these obligations are prepared by an independent actuary contracted by the Company's management. They consider actuarial assumptions and registration information of the participants of the retirement and healthcare plans.

We consider this subject as a key audit matter because of the significance of the amount of the present obligation with the plans as well as the considerable judgment required regarding the actuarial assumptions applied to determine it.

With the support of our actuary calculation specialists, we analyzed the logical coherence and arithmetic consistency of the template used when estimating the present value of actuarial obligations. We also discussed the key assumptions applied to calculate the actuarial liabilities, such as salary growth projections, mortality and disability tables, medical costs, and discount rate.

We also reviewed the reconciliation, prepared by management, of the actuarial report with the balances disclosed in the financial statements and the explanatory notes.

Furthermore, we assessed the technical competence of the independent external actuary who was responsible for preparing the actuarial calculations.

Concerning the assets of the retirement supplementation plans, we performed detailed testing that comprised the obtaining of third-party confirmation regarding the custody of the plan collateral assets and the fair value estimating test.

We considered that the criteria and assumptions that Company adopted when establishing the post-employment benefit obligations, as well as the disclosures made in the explanatory notes to the financial statements, are reasonable, in all material respects, in the context of the financial statements.

Other matters

Statements of value added

The parent company and consolidated statements of value added for the year ended December 31, 2017, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements were reconciled with the financial statements and accounting records, as applicable, and if their form and content were in accordance with the criteria defined in Technical Pronouncement CPC 09 of the Brazilian Accounting Pronouncements Committee - "Statement of Value Added". In our opinion, these statements of value added were properly prepared, in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

Audit of prior-year information

The audit of the financial statements for the year ended December 31, 2016 was conducted by other independent auditors, who issued an unqualified audit report dated February 16, 2017 with an emphasis paragraph that described certain conditions requiring the anticipated maturity of significant debts of the Company, which should be settled up to June 30, 2017.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

The Company's management is responsible for the other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Annual Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the parent company and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the IFRS as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on

Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud could involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Usinas Siderúrgicas de Minas Gerais S.A.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Belo Horizonte, February 8, 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" MG

Fábio Abreu de Paula
Contador CRC 1MG075204/O-0

USIMINAS

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Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS

Balance sheets
In thousands of reais

	Note	Company 12/31/2017	Company 12/31/2016	Consolidated 12/31/2017	Consolidated 12/31/2016
Assets					
Current assets					
Cash and cash equivalents	8	3,122	362,293	1,770,573	719,870
Marketable securities	9	775,677	176,422	543,715	1,537,584
Trade accounts receivable	10	1,127,029	890,216	1,555,494	1,179,212
Inventories	11	2,296,407	2,204,776	2,763,496	2,604,306
Taxes recoverable	12	121,176	66,087	176,851	125,191
Prepaid Income and Social Contribution Taxes		106,227	65,770	185,614	113,409
Dividends receivable	36	175,009	55,327	139,078	2,463
Derivative financial instruments	6	12	-	12	44,669
Other receivables		130,663	112,040	119,922	93,774
Total current assets		4,735,322	3,932,931	7,254,755	6,420,478
Noncurrent assets					
Long-term assets					
Accounts receivable from customers	10	84,452	-	131,458	-
Deferred income and social contribution taxes	13	1,954,760	2,021,565	3,046,112	3,120,368
Receivables from affiliates	36	53,943	59,780	3,147	3,842
Judicial deposits	14	516,871	529,015	675,600	660,229
Derivative financial instruments	6	1,184	-	1,184	100,670
Prepaid Income and Social Contribution Taxes		-	-	-	68,172
Taxes recoverable	12	30,922	32,055	54,881	96,070
Other receivables		142,996	115,342	203,480	215,932
		2,785,128	2,757,757	4,115,862	4,265,283
Investments	15	4,388,803	5,939,932	1,054,052	1,126,176
Property, plant and equipment	16	11,192,811	11,883,058	12,882,618	13,748,890
Intangible assets	18	186,666	186,855	677,190	693,918
Total noncurrent assets		18,553,408	20,767,602	18,729,722	19,834,267
Total assets		23,288,730	24,700,533	25,984,477	26,254,745

Balance sheets
In thousands of reais

	Note	Company 12/31/2017	Company 12/31/2016	Consolidated 12/31/2017	Consolidated 12/31/2016
Liabilities and equity					
Liabilities					
Current liabilities					
Trade accounts payable, contractors and freight	19	875,399	860,835	976,917	846,377
Loans and financing	20	334,468	59,818	927,946	62,157
Debentures	21	62,031	5,551	62,031	5,551
Advances from customers		19,781	7,287	81,394	35,806
Accounts payable		475,251	356,970	475,251	356,970
Salaries and social charges		146,822	153,160	188,735	197,076
Taxes payable	22	72,593	41,281	95,089	58,447
Taxes in installments	23	7,626	7,205	20,494	8,529
Income and social contribution taxes payable	13	-	-	1,434	7,538
Dividends and Interest on Equity (IOE) payable	27	55,479	139	75,644	22,001
Derivative financial instruments	6	-	48,577	-	48,577
Other accounts payable		83,591	62,510	141,485	103,215
Total current liabilities		2,133,041	1,603,333	3,046,420	1,752,244
Noncurrent liabilities					
Loans and financing	20	4,741,430	6,480,469	4,758,468	5,864,416
Debentures	21	887,334	992,184	887,334	992,184
Payables to affiliates	36	79,935	76,118	143,170	153,269
Taxes in installments	23	-	-	-	9,050
Provision for litigation	24	481,924	422,405	668,964	607,863
Provision for environmental restoration	25	-	-	158,333	143,042
Post-employment benefits	26	1,050,324	1,338,419	1,050,324	1,342,727
Derivative financial instruments	6	-	102,413	-	102,413
Other accounts payable		139,947	149,452	87,500	95,903
Total noncurrent liabilities		7,380,894	9,561,460	7,754,093	9,310,867
Total liabilities		9,513,935	11,164,793	10,800,513	11,063,111
Equity	27				
Share Capital		13,200,295	13,200,295	13,200,295	13,200,295
Capital reserve		311,747	309,445	311,747	309,445
Retained Earnings		202,207	-	202,207	-
Equity adjustments		60,546	26,000	60,546	26,000
Equity of controlling interests		13,774,795	13,535,740	13,774,795	13,535,740
Non-controlling interests		-	-	1,409,169	1,655,894
Total equity		13,774,795	13,535,740	15,183,964	15,191,634
Total liabilities and equity		23,288,730	24,700,533	25,984,477	26,254,745

See accompanying notes.

Statements of operations

In thousands of reais, unless otherwise stated

	Note	Company Years ended 12/31/2017	Company Years ended 12/31/2016	Consolidated Years ended 12/31/2017	Consolidated Years ended 12/31/2016
Revenue	29	9,977,529	7,515,554	10,734,118	8,454,200
Cost of sales	30	(8,676,104)	(7,200,317)	(9,099,024)	(7,966,878)
Gross profit (loss)		1,301,425	315,237	1,635,094	487,322
Operating income (expenses)					
Selling expenses	32	(155,940)	(177,543)	(250,950)	(272,731)
General and administrative expenses	32	(301,419)	(251,834)	(404,393)	(354,218)
Other operating income (expenses), net	32	(290,325)	(430,674)	(250,777)	(224,826)
Interests held in subsidiaries, jointly-controlled subsidiaries and affiliates	15	260,214	(8,151)	154,896	142,861
		(487,470)	(868,202)	(751,224)	(708,914)
Operating income (loss)		813,955	(552,965)	883,870	(221,592)
Financial income (expense)	33	(540,308)	51,832	(462,920)	(30,156)
Income (loss) before income and social contribution taxes		273,647	(501,133)	420,950	(251,748)
Income and social contribution taxes	13				
Current		-	-	(59,038)	(17,951)
Deferred		(40,632)	(168,819)	(46,832)	(307,144)
		(40,632)	(168,819)	(105,870)	(325,095)
Net income (loss) for the year		233,015	(669,952)	315,080	(576,843)
Attributable to:					
Controlling interests		233,015	(669,952)	233,015	(669,952)
Non-controlling interests		-	-	82,065	93,109
Basic and diluted earnings (loss) per common share	34	R$ 0.18	R$ (0.60)	R$ 0.18	R$ (0.60)
Basic and diluted earnings (loss) per preferred share	34	R$ 0.20	R$ (0.60)	R$ 0.20	R$ (0.60)

See accompanying notes.

Statements of comprehensive income (loss)

In thousands of reais

	Note	Company Years ended 12/31/2017	Company Years ended 12/31/2016	Consolidated Years ended 12/31/2017	Consolidated Years ended 12/31/2016
Net income (loss) for the year		233,015	(669,952)	315,080	(576,843)
Other components of comprehensive income (loss)					
Actuarial loss on retirement benefits	26	59,692	(267,831)	60,444	(268,065)
Total other comprehensive loss		59,692	(267,831)	60,444	(268,065)
Total comprehensive loss for the year		292,707	(937,783)	375,524	(844,908)
Attributable to:					
Controlling interests		292,707	(937,783)	292,707	(937,783)
Non-controlling interests		-	-	82,817	92,875

The items of the statement of comprehensive income (loss) are stated net of taxes, The tax effects of each component of comprehensive income (loss) are presented in Note 13.

See accompanying notes.

Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS

Statements of changes in equity

In thousands of reais

		Attributed to controlling shareholders												
						Capital reserves		Income reserves						
	Note	Capital	Exceeding amount on subscription of shares	Exceeding amount on sale of treasury shares	Treasury shares	Special goodwill reserve	Stock options granted and recognize	Legal reserve	Reserve for investments and working	Equity adjustments	Retained earnings (accumulated losses)	Total	Non-controlling interests	Total equity
At December 31, 2016		13,200,295	105,295	3,339	(104,762)	278,729	26,844	-	-	26,000	-	13,535,740	1,655,894	15,191,634
Comprehensive income (loss) for the period														
Net income (loss) for the year		-	-	-	-	-	-	-	-	-	233,015	233,015	82,065	315,080
Actuarial losses on retirement benefits	26	-	-	-	-	-	-	-	-	59,692	-	59,692	752	60,444
Total comprehensive income (loss) for the period		-	-	-	-	-	-	-	-	59,692	233,015	292,707	82,817	375,524
Capital reduction		-	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Allocation of net income (loss) for the year	27													
Proposed dividends and interest on own capital		-	-	-	-	-	-	-	-	-	(55,341)	(55,341)	(23,807)	(79,148)
Constitution of reserves		-	-	-	-	-	-	11,651	190,556	-	(202,207)	-	-	-
Stock option plan	38	-	-	-	-	-	(5,757)	-	-	-	6,708	951	-	951
Disposal of treasury shares		-	-	6,086	1,973	-	-	-	-	-	-	8,059	-	8,059
Adjustment from IAS 29 on property, plant and equipment		-	-	-	-	-	-	-	-	(11,764)	17,825	6,061	-	6,061
Changes in Investments in Subsidiaries that do not Result in Loss or Acquisition of Control	15	-	-	-	-	-	-	-	-	(13,382)	-	(13,382)	(5,735)	(19,117)
At December 31, 2017		13,200,295	105,295	9,425	(102,789)	278,729	21,087	11,651	190,556	60,546	-	13,774,795	1,409,169	15,183,964

See accompanying notes.

Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS

Statements of changes in equity

In thousands of reais

	Note	Capital	Exceeding amount on subscription of shares	Exceeding amount on sale of treasury shares	Treasury shares	Capital reserves		Income reserves	Equity adjustments	Retained earnings (accumulated losses)	Total	Non-controlling interests	Total equity
						Special goodwill reserve	Stock options granted and recognized	Legal reserve					
At December 31, 2015		12,150,000	105,295	3,339	(104,762)	293,594	29,725	620,039	311,748	-	13,408,978	1,584,879	14,993,857
Comprehensive income (loss) for the period													
Net income (loss) for the year		-	-	-	-	-	-	-	-	(669,952)	(669,952)	93,109	(576,843)
Actuarial losses on retirement benefits	26	-	-	-	-	-	-	-	(275,375)	7,544	(267,831)	(234)	(268,065)
Total comprehensive income (loss) for the period		-	-	-	-	-	-	-	(275,375)	(662,408)	(937,783)	92,875	(844,908)
Capital increase		1,050,295	-	-	-	-	-	-	-	-	1,050,295	-	1,050,295
Allocation of net income (loss) for the year													
Absorption of loss		-	-	-	-	(14,865)	-	(620,039)	-	634,904	-	-	-
Dividends		-	-	-	-	-	-	-	-	-	-	(21,860)	(21,860)
Stock option plan	38	-	-	-	-	-	(2,881)	-	-	6,600	3,719	-	3,719
Adjustment from IAS 29 on property, plant and equipment		-	-	-	-	-	-	-	(13,797)	20,904	7,107	-	7,107
Changes in Investments in Subsidiaries that do not Result in Loss or Acquisition of Control		-	-	-	-	-	-	-	3,424	-	3,424	-	3,424
At December 31, 2016		13,200,295	105,295	3,339	(104,762)	278,729	26,844	-	26,000	-	13,535,740	1,655,894	15,191,634

See accompanying notes.

Cash flow statements

In thousands of reais

	Note	Company Years ended 12/31/2017	Company Years ended 12/31/2016	Consolidated Years ended 12/31/2017	Consolidated Years ended 12/31/2016
Cash flows from operating activities					
Net income (loss) for the year		233,015	(669,952)	315,080	(576,843)
Adjustments to reconcile income (loss)					
Charges and monetary/exchange gains/losses, net		236,675	(223,086)	200,702	33,433
Interest expenses		646,967	463,910	636,934	451,913
Depreciation, amortization and depletion		966,188	1,011,828	1,171,851	1,216,491
Gain (loss) on the disposal of PP&E/investment		1,255	25,056	1,183	25,331
Impairment losses	17	73,010	7,277	74,892	(343,006)
Interests held in subsidiaries, jointly-controlled subsidiaries and affiliates	15	(260,214)	8,151	(154,896)	(142,861)
Deferred income and social contribution taxes	13	40,632	168,819	46,832	307,144
Set up (reversal) of provisions		174,324	30,867	236,683	66,120
Actuarial gains (losses)	26	28,502	(1,821)	29,096	(1,480)
Stock grant plan	38	951	(2,881)	951	(2,881)
(Increase) decrease in assets					
Trade accounts receivable		(341,847)	143,061	(536,710)	199,287
Inventories		(198,645)	79,312	(268,659)	163,648
Taxes recoverable		(51,921)	52,842	4,654	24,583
Receivables from affiliates		5,837	(13,930)	695	570
Judicial deposits		2,929	(40,704)	(19,082)	(72,282)
Other		(46,211)	(23,009)	(13,629)	82,118
Increase (decrease) in liabilities					
Trade accounts payable, contractors and freight		14,564	91,014	130,540	25,806
Advances from customers		12,494	(8,628)	45,588	(4,993)
Payables to affiliates		3,817	(12,053)	(10,099)	(9,688)
Accounts payable		118,281	(597,191)	118,281	(399,729)
Taxes payable		31,312	(25,222)	36,642	(27,100)
Other		(107,777)	(145,703)	(150,656)	(198,974)
Income and social contribution taxes paid		-	-	(25,262)	(16,569)
Interest paid		(797,350)	(908,814)	(764,250)	(897,242)
Actuarial liabilities paid		(230,257)	(213,108)	(230,332)	(213,108)
Net cash provided by (used in) operating activities		556,531	(803,965)	877,029	(310,312)
Cash flows from investing activities					
Marketable securities	9	186,883	(175,980)	993,869	(313,399)
Purchases of property, plant and equipment	16	(169,627)	(163,250)	(208,471)	(207,035)
Proceeds from the disposal of property, plant and equipment		8,149	5,363	8,647	5,532
Share capital repayments from subsidiaries		700,000	166,249	-	-
Purchases of software	18	(6,196)	(14,077)	(7,699)	(15,724)
Dividends received		61,368	137,950	26,500	96,701
Net cash provided by (used in) investing activities		780,577	(43,745)	812,846	(433,925)

See accompanying notes.

Cash flow statements

In thousands of reais

	Note	Company Years ended 12/31/2017	Company Years ended 12/31/2016	Consolidated Years ended 12/31/2017	Consolidated Years ended 12/31/2016
Cash flows from financing activities					
Credit assignments obtained		-	-	-	43,832
Credit assignments repayments		-	-	-	(241,294)
Payment of loans and financing and debentures		(1,557,934)	(140,531)	(309,780)	(185,431)
Payment of taxes in installments	23	-	(323)	(4,342)	(1,601)
Swap transactions settlement		(145,776)	(4,261)	(6,976)	12,240
Receipt by share issuance		-	1,050,295	-	1,050,295
Reduction of capital in subsidiary - participation of non-controlling shareholders		-	-	(300,000)	-
Dividends and interest on equity paid	27	-	(1)	(25,505)	(3)
Net cash used in financing activities		(1,703,710)	905,179	(646,603)	678,038
Exchange gain/loss on cash and cash equivalents		7,431	(14,203)	7,431	(14,203)
Net increase (decrease) in cash and cash equivalents		(359,171)	43,266	1,050,703	(80,402)
Cash and cash equivalents at beginning of year	8	362,293	319,027	719,870	800,272
Cash and cash equivalents at end of year	8	3,122	362,293	1,770,573	719,870
Net increase (decrease) in cash and cash equivalents		(359,171)	43,266	1,050,703	(80,402)

See accompanying notes.

Statements of value added

In thousands of reais

	Note	Company Years ended 12/31/2017	Company Years ended 12/31/2016	Consolidated Years ended 12/31/2017	Consolidated Years ended 12/31/2016
Revenues					
Sales of goods, products and services		12,360,999	9,446,553	14,000,424	11,101,311
Set up of allowance for doubtful accounts	30	(16,757)	(49,923)	(24,313)	(62,513)
Other revenues		364,228	130,897	385,579	157,971
		12,708,470	9,527,527	14,361,690	11,196,769
Inputs acquired from third parties					
Cost of goods and products sold and services rendered		(8,625,482)	(6,913,511)	(9,324,115)	(7,579,841)
Materials, electricity, third-party services and other expenses		(722,493)	(737,804)	(769,050)	(641,389)
		(9,347,975)	(7,651,315)	(10,093,165)	(8,221,230)
Gross value added		3,360,495	1,876,212	4,268,525	2,975,539
Depreciation, amortization and depletion	30	(966,188)	(1,011,828)	(1,171,851)	(1,216,491)
Net value added produced by the Company		2,394,307	864,384	3,096,674	1,759,048
Value added received in transfer					
Interests held in subsidiaries, jointly-controlled subsidiaries and affiliates	15	260,214	(8,151)	154,896	142,861
Financial income	33	448,629	446,099	561.238	671,218
Exchange rates gains and losses, net	33	(65,677)	726,054	(21,601)	639,098
Actuarial gains and losses	26	(28,502)	1,821	(29,096)	1,480
		614,664	1,165,823	665,437	1,454,657
Value added to be distributed		3,008,971	2,030,207	3,762,111	3,213,705

See accompanying notes.

Statements of value added

In thousands of reais

	Company		Consolidated	
	Years ended		Years ended	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Personnel and related charges				
Payroll and related charges	579,901	501,487	864,471	954,488
Unemployment Compensation Fund (FGTS)	72,364	69,485	88,643	92,097
Key management personnel compensation	17,055	17,597	22,779	23,262
Employees' profit sharing	14,514	-	22,484	10,605
Retirement plans	5,569	19,202	6,024	20,275
	689,403	607,771	1,004,401	1,100,727
Taxes, fees and contributions				
Federal (1)	415,700	596,961	579,835	926,114
State	687,530	312,875	787,682	334,652
Municipal	56,132	61,229	67,875	87,581
Tax incentives	3,931	1,002	4,681	1,002
	1,163,293	972,067	1,440,073	1,349,349
Debt remuneration				
Interest	929,670	960,482	1,002,428	1,038,349
Other	(6,410)	159,839	129	302,123
	923,260	1,120,321	1,002,557	1,340,472
Equity remuneration				
Retained profits (losses)	233,015	(669,952)	233,015	(669,952)
Non-controlling interests in retained profits	-	-	82,065	93,109
	233,015	(669,952)	315,080	(576,843)
Value added distributed	3,008,971	2,030,207	3,762,111	3,213,705

(i) Social security charges are classified in "Federal taxes".

See accompanying notes.

1 Operations

Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS ("USIMINAS", "Usiminas", "Parent company" or "Company"), headquartered in the city of Belo Horizonte, state of Minas Gerais, is a publicly-held company and its shares are traded on the São Paulo Futures, Commodities and Securities Exchange - BM&FBovespa S.A. ("BM&FBovespa") under the tickers USIM3, USIM5 and USIM6.

The Company and its subsidiaries, jointly-controlled subsidiaries and associates ("Usiminas") operate in the steel industry and related activities, such as iron ore extraction, steel transformation, production of capital goods and logistics. It currently has two steel mills with nominal production capacity of 9.5 million metric tons per annum of flat-rolled products, located in the cities of Ipatinga, state of Minas Gerais and Cubatão, state of São Paulo, in addition to iron ore reserves, service and distribution centers, maritime ports, cargo terminals, strategically located in several Brazilian cities.

In order to expand its activities, the Company holds direct or indirect investments in subsidiaries, jointly-controlled entities and associated companies, which are presented below:

(a) Subsidiaries

Companies	(%) Holding	(%) Voting capital	Headquartered in	Core business
Mineração Usiminas S.A. (MUSA)	70	70	Belo Horizonte/MG	Extraction and processing of iron ore as pellet feed, sinter feed and granulated iron ore.
Rios Unidos Logística e Transporte de Aço Ltda.	100	100	Itaquaquecetuba/SP	Provision of services related to road freight transportation
Soluções em Aço Usiminas S.A.	68.88	68.88	Belo Horizonte/MG	Develop steel product solutions and operate as a distribution center.
Usiminas Commercial Ltd.	100	100	Cayman Islands/Caribbean	Fund raising in the foreign market
Usiminas Europa A/S	100	100	Copenhagen/Denmark	Operates as a trading company, intermediating exports of the Company's products, and also fostering foreign trade.
Usiminas International Ltd.	100	100	Principality of Luxembourg	Holds the Company's foreign investments.
Usiminas Mecânica S.A. (UMSA)	99.99	100	Belo Horizonte/MG	Manufacture of equipment and installations for several industries.
Usiminas Participações e Logística S.A. (UPL) (i) (ii)	100	100	São Paulo/SP	Investment in MRS Logistica S.A.

(i) Company's direct holding of 16.7% and indirect holding through MUSA of 83.3%.
(ii) Company's direct holding and indirect holding through MUSA in voting capital of 50.10% and 49.90%, respectively.

See accompanying notes.

(b) Joint ventures

Companies	(%) Holding	(%) Voting capital	Headquartered in	Core business
Unigal Ltda.	70	70	Belo Horizonte/MG	Transformation of cold-rolled coils into galvanized coils through a hot-dip galvanizing process.
Modal Terminal de Granéis Ltda.	50	50	Itaúna/MG	Operation of highway and railroad cargo terminals, storage and handling of ore and steel products, and highway cargo transport.
Usiroll - Usiminas Court Tecnologia de Acabamento Superficial Ltda.	50	50	Ipatinga/MG	Provision of services, specially rectification of cylinders and rolls for the steel industry.

(c) Investments in associates

Companies	(%) Holding	(%) Voting capital	Headquartered in	Core business
Codeme Engenharia S.A.	30.77	30.77	Betim/MG	Manufacture and assembly of steel construction.
MRS Logística S.A. (i)	0.28	0.50	Rio de Janeiro/RJ	Provision of railroad transport and logistics services.
Terminal de Cargas Paraopeba	22.22	22.22	Sarzedo/MG	Storage, handling and transportation of cargo and operation of terminals.
Terminal de Cargas Sarzedo	22.22	22.22	Sarzedo/MG	Storage, handling and transportation of cargo and operation of terminals.

(i) The Company's indirect holding in MRS Logística S.A. through UPL is disclosed in Note 15 (b).

2 Approval of the financial statements

The issue of these financial statements was authorized by the Board of Directors on February 8, 2018.

See accompanying notes.

3 Summary of significant accounting policies

The main accounting policies applied in the preparation of these financial statements are set out below.

Accounting policies applied in transactions considered immaterial were not included in the financial statements.

The accounting policies, which have been consistently applied in the current year, are consistent with those of the prior year presented and common to the parent company, subsidiaries, associates and jointly-controlled subsidiaries, and the financial statements of the subsidiaries were adjusted, as applicable, to meet this criterion.

3.1 Basis of preparation and statement of compliance

The financial statements have been prepared under the historical cost convention, as modified to reflect the measurement of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The parent company and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), and the accounting practices adopted in Brazil, issued by the Brazilian Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities Commission (CVM), and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties.

The presentation of the parent company and consolidated statements of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies, The Statement of Value Added was prepared in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added" while it is not required by IFRS. Therefore, the presentation of such statement is considered supplementary information, and not part of the set of financial statements.

See accompanying notes.

3.2 Basis of consolidation and investments in subsidiaries

(a) Subsidiaries

Subsidiaries are all entities over which the Company has the power to determine the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. They are fully consolidated from the date on which control is transferred to Usiminas and are deconsolidated from the date that control ceases.

Balances and unrealized gains and other transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred.

(b) Joint ventures and associates

The Company classifies its investments as follows:

- Associated companies are the entities over which the Company has significant influence, but not the control or joint control, through the participation in decisions relating to their financial and operating policies.

- Jointly-controlled subsidiaries are the entities over which the Company shares control with one or more parties.

Investments in associates and jointly-controlled subsidiaries are accounted for using the equity method and are initially recognized at cost. The reporting dates of the associates and jointly-controlled subsidiaries are the same as those of USIMINAS. However, except for (direct and indirect) associates Codeme, Metform and Terminal Sarzedo, and for the jointly-controlled subsidiary Modal, the Company used, for equity accounting purposes, pursuant to CPC18 and IAS 28, financial statements prepared at November 30, 2017.

The Company's share of its associates' and jointly-controlled subsidiaries' profit or loss is recognized in the statement of income and its share of reserve movements is recognized in the Company's reserves. When the Company's share of losses in an associate or jointly-controlled subsidiary equals or exceeds the carrying amount of the investment, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or jointly-controlled subsidiary.

Unrealized gains on transactions between the Company and its associates and jointly-controlled subsidiaries are eliminated to the extent of its interest. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and jointly-controlled subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising on investments in associates are recognized in the statement of income.

(c) Transactions with non-controlling interests

Usiminas treats transactions with non-controlling interests as transactions with equity owners of Usiminas. For purchases from non-controlling interests, the difference between any consideration paid and the proportion acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity, in "Carrying value adjustments".

3.3 Segment reporting

Operating segments were reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Usiminas is organized in four operating segments: Steelworks, Mining and Logistics, Steel Transformation and Capital Goods. The bodies responsible for the major operating decision-making, allocation of funds and performance assessment of operating segments include the Executive Board and the Board of Directors. The Company's Board of Directors is also responsible, where applicable, for the strategic decision-making of Usiminas.

3.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The parent company and consolidated financial statements are presented in Brazilian reais (R$), which is the Company's functional currency, and also Usiminas' presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, except when designated for hedge accounting and, therefore, deferred in equity as cash flow hedges and net investment hedges.

Foreign exchange gains and losses relating to assets and liabilities are presented in the statements of income in Finance result.

See accompanying notes.

3.5 Cash and cash equivalents and marketable securities

(a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, bank deposits, and other short-term highly liquid investments, redeemable in three months or less and with immaterial risk of change in value, with the objective of meeting short-term commitments.

(b) Marketable securities

Highly liquid investments, redeemable in three months or less, which are not intended by management to meet short-term commitments are classified as marketable securities.

3.6 Financial assets

3.6.1 Classification

Usiminas classifies its financial assets, upon initial recognition, in the following categories: at fair value through profit or loss and loans and receivables.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets. Derivatives are also categorized as held for trading unless they are designated as hedges.

See accompanying notes.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables from Group companies comprise cash and cash equivalents, trade receivables, receivables from related parties and other receivables, except for certain short-term investments.

Usiminas constitutes a provision for impairment of trade receivables for delinquent amounts that are at a legal level and for those for which no new settlement agreement has been established, as well as for those cases in which there is no expected realization of the asset.

3.6.2 Recognition and measurement

Purchases and sales of financial assets are recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income in the period in which they arise. The fair values of investments with publicly-available quotations are based on current bid prices. For financial assets without an active market, Usiminas determines fair value through valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, prioritizing market inputs and minimizing the use of entity-specific inputs.

3.6.3 Impairment of financial assets

Assets carried at amortized cost

Usiminas assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or a group of financial assets is impaired.
The criteria that the Company uses to determine whether there is objective evidence of impairment loss include:

• significant financial difficulty of the issuer or borrower;
• a breach of contract, such as a default or delinquency in interest or principal payments;
• probability that the debtor will enter bankruptcy or financial reorganization; and
• the disappearance of an active market for that financial asset because of financial difficulties.

See accompanying notes.

3.6.4 Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized specially when:

- the rights to receive cash flows from the asset have expired; and

- the Company has transferred its rights to receive cash flows from the asset or has agreed to pay the full amount of the cash flows received, with no significant delay, to a third party as a result of a "transfer" agreement; and (a) the Company has transferred substantially all the risks and benefits of the asset, or (b) the Company has not transferred or substantially retained all risks and benefits related to the asset, but transferred control over the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a transfer agreement and has not substantially transferred or retained all the risks and benefits related to an asset, an asset is recognized to the extent of the continuous involvement of the Company with the asset.

3.7 Financial liabilities

3.7.1 Recognition and measurement

A financial liability is classified as measured at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Transaction costs are recognized in profit or loss as incurred. These financial liabilities are measured at fair value and any changes in fair value, including gains on interest and dividends, are recognized in the statement of income for the year.

Financial liabilities are initially recognized at fair value and, as for borrowings, debentures and accounts payable, the cost of the transaction directly related is added to it. The Company's financial liabilities include trade and other payables, borrowings, debentures and derivative financial instruments.

3.7.2 Subsequent measurement

After initial recognition, borrowings, debentures, trade and other payables are subsequently measured at amortized cost, using the effective interest method.

3.7.3 Borrowing costs

Borrowing costs related to the acquisition, construction or manufacture of an asset that requires a significant amount of time to be ready for its intended use or sale are capitalized as part of the cost of these assets. Borrowing costs comprise interest and other costs incurred by the Company in connection with the borrowing of funds.

See accompanying notes.

3.7.4 Derecognition of financial assets

A financial liability is derecognized when the obligation is revoked, canceled or expires. When an existing financial liability is substituted for another lender with substantially different terms, or the terms of an existing liability are altered significantly, this substitution or alteration is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the corresponding accounting values is recognized in the statement of income.

3.8 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value through profit or loss.

3.9 Inventories

Inventories are stated at the lower of average purchase or production cost, (weighted moving average) and net realizable value. Imports in transit are stated at the accumulated cost of each import.

3.10 Judicial deposits

Judicial deposits are those that are made in a bank account linked to legal proceedings, in Brazilian currency and monetarily restated, with the purpose of ensuring the settlement of potential future liabilities.

3.11 Property, plant and equipment

Property, plant and equipment are recorded at cost of acquisition, formation or construction, less depreciation and, when applicable, impairment losses. Upon replacement, the key components of certain property, plant and equipment items are recorded as individual and separate assets and depreciated considering the specific economic useful life of each component. The replaced component is written off. Repair and maintenance costs are allocated to results of operations during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

See accompanying notes.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is adjusted immediately when it is greater than its estimated recoverable amount.

The Company has parts and spare parts for the maintenance of property, plant and equipment items, which have an estimated useful life of more than 12 months. Therefore, the balance of inventories of these parts and spare parts is classified in property, plant and equipment.

3.12 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the assets and liabilities of the acquired entity. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Mineral rights

Mineral rights are recorded at purchase fair value and reduced by depletion.

Mineral rights arising from the acquisition of companies are recognized at fair value considering the allocation of assets and liabilities acquired.

Mineral rights are depleted in accordance with the operation of the mines.

(c) Software

Software licenses purchased are capitalized and amortized on a straight-line basis over their estimated useful lives at the rates described in Note 18.

See accompanying notes.

3.13 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets with defined useful lives are reviewed to identify evidence of impairment at the balance sheet date and also whenever events or changes in circumstances indicate that the book value may not be recoverable. If there is an indication of impairment, the assets are tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating units (CGU's)). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

3.14 Provision for litigation

Provisions for litigation related to labor, tax and civil lawsuits are recognized when there is a legal or informal present obligation as a result of past events, it is probable that assets will be surrendered to settle the obligation, and a reliable estimate of the amount can be made.

3.15 Provision for environmental recovery

The provision for environmental recovery, when related to an asset construction or acquisition, is recorded as part of the cost of that asset and takes into consideration management's estimates of the subsidiary Mineração Usiminas S.A. regarding future expenditures discounted to present value.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized as interest expense.

3.16 Current and deferred income tax and social contribution

Income taxes are recognized in the statement of income, except to the extent that they relate to items recognized directly in equity. In such cases, the taxes are also recognized in comprehensive income or directly in equity.

Deferred taxes are calculated on income tax (IRPJ) and social contribution (CSLL) losses and the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

See accompanying notes.

Deferred tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right and the intention to offset them upon the calculation of current taxes, generally when related to the same legal entity and the same tax authority.

3.17 Employee benefits

(a) Supplementary retirement plan

The Company and its subsidiaries participate in retirement plans, managed by Previdência Usiminas, to grant to their employees supplementary retirement and pension benefits.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the market value of plan assets, adjusted for: (i) actuarial gains and losses; (ii) rules for limiting the value of the asset determined; and (iii) minimum requirements. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the future cash outflows using market interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited directly in other comprehensive income in the period in which they occur. For the defined contribution plan (Cosiprev), the Company pays contributions to a private pension entity on compulsory, contractual or voluntary bases. The contributions are recognized as finance costs in the period in which they are due.

(b) Post-retirement healthcare benefit plan

Post-retirement health plan benefits were offered to the employees who retired from the subsidiary Companhia Siderúrgica Paulista - Cosipa up to April 30, 2002. Expected costs of these benefits were accumulated during the period of the employment relationship, using an accounting methodology similar to that used for the defined benefit retirement plans.

In addition, the Company records the obligations arising from the legislation, which assures employees who contributed to the health plan the right to be maintained as beneficiary when they retire, provided that they assume full payment of contributions. The maintenance term after retirement is one year for each contribution year and if the contribution occurred for at least 10 years, this term is indefinite.

These obligations are valued annually by independent actuaries.

(c) Profit-sharing

Usiminas provides for profit sharing based on the attainment of operating and financial targets agreed with its employees. These amounts are recorded under "Cost of sales", "Selling expenses" and "General and administrative expenses", in accordance with the function of each employee.

(d) Share-based payments

The Company has a share-based compensation plan, to be settled with preferred shares held in treasury, under which management members and other executives appointed by the Board of Directors can purchase Company's shares. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense.

When the options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value).

3.18 Revenue recognition

Revenue is shown net of taxes, returns, rebates and discounts and, for consolidation purposes, after eliminating sales between Group companies. Revenue is measured at the fair value of the consideration received or receivable, to the extent it is probable that future economic benefits will flow to the entity, and the amounts of revenue and costs can be reliably measured. Also, specific criteria must be met for each of the Company's activities as described below:

(a) Sales of products

Usiminas manufactures and sells various products and raw materials, such as flat steels, iron ore, stamped steel parts for the automobile industry and products for the construction and capital goods industry.

The Company's criterion of revenue recognition, therefore, is the date on which the product is delivered to the purchaser.

(b) Sales of services

Usiminas provides technology transfer services in the steel industry, project management and services in the civil construction and capital goods industry, road transportation of flat steel, hot-dip galvanizing services and texturing and chrome plating of cylinders.

Revenue from services rendered is recognized based on the stage of execution of the services at the balance sheet date.

See accompanying notes.

(c) Revenue from orders in transit

Revenue from orders in transit is recognized under the percentage of completion (POC) method. The revenue is calculated and recorded based on the application, to the updated sales price, of the percentage represented by the ratio of costs incurred to the updated total budgeted cost, adjusted by a provision for recognition of losses on orders in transit, when applicable. The amounts billed which exceed the physical progress of each project are recognized as services billed to be performed, in current liabilities.

The differences between the actual final cost and the total budgeted cost, updated and periodically reviewed, have been kept within parameters considered reasonable by management. The manufacturing to order agreements have warranty clauses that cover the equipment after delivery for variable periods of time. Any costs incurred are absorbed directly in the results of operations.

Revenues from orders in transit are solely part of operations conducted by subsidiary Usiminas Mecânica S.A., and in addition to this type of revenue, this entity also sells services. Usiminas Mecânica's revenues comprise the amounts stated in Note 28 as capital goods.

(d) Interest income

Interest income is recognized on the accrual basis, using the effective interest method.

3.19 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Company's stockholders is recognized as a liability in Usiminas' financial statements at year-end based on its bylaws. Amounts above the minimum mandatory limit established by Law are only provisioned when approved at a General Stockholders' Meeting.

The tax benefit of interest on capital is recognized in the statement of income.

See accompanying notes.

3.20 Pronouncements issued but not yet effective at December 31, 2017

The following new standards were issued by IASB but are not effective for the year ended December 31, 2017. The early adoption of the standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

(i) IFRS 9 / CPC 48 - Financial instruments

IFRS 9 replaces the orientation included in IAS 39 (CPC 38) Financial Instruments: Recognition and Measurement. IFRS 9 includes new models for the classification and measurement of financial instruments and the measurement of expected losses on financial and contractual assets, as well as new requirements related to hedge accounting. The new standard maintains existing guidance on the recognition and derecognition of financial instruments in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The effective impact of the adoption of IFRS 9 on the parent company and consolidated financial statements in 2018 cannot be reliably estimated, as it will depend on existing financial instruments and the economic conditions in 2018, as well as on future accounting decisions and judgments. However, Management performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its position at December 31, 2017 and the hedge relationships identified in 2017 under IAS 39 and concluded that there will be no significant impacts. Management also evaluated the new impairment model for financial assets and reached the same conclusion that there will be no significant impacts, since the Company has already been working with a hybrid model of expected and incurred losses.

(ii) IFRS 15 / CPC 47 - Revenue from contracts with customers

IFRS 15 introduces a comprehensive structure for determining if and when a revenue is recognized, and how revenue is measured. IFRS 15 replaces current revenue recognition standards, including CPC 30 (IAS 18) Revenue, CPC 17 (IAS 11) Construction Contracts and CPC 30 Interpretation A (IFRIC 13) Customer Loyalty Programs. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

The Company's management analyzed its operations based on a five-step model defined by this new standard, namely: identification of the contract with the customer, identification of performance obligations, determination of the transaction price, transaction price allocation and recognition of revenue. Based on this analysis, Management concluded that there will be no significant impacts on the parent company and consolidated financial statements.

Note 3.18 describes the different types of revenue of Usiminas and how each of these revenues is to be recognized.

See accompanying notes.

With respect to the sale of products (Note 3.18 (a)), revenues will continue to be recognized when products are delivered at the customer's location, such being considered as the time the customer accepts the goods and the risks and benefits of ownership are transferred . Revenue is recognized at this time provided that revenue and costs can be reliably measured, receipt of the consideration is probable and there is no continuous involvement of management with the products.

With respect to the sale of services (Note 3.18 (b)), revenues will continue to be recognized based on the services effectively performed up to the balance sheet date, since the fair value and sales prices of individual services are relatively similar.

As regards the orders in transit of the subsidiary Usiminas Mecânica (Note 3.18 (c)), revenues will continue to be recognized using the percentage of completion (POC) method, since the assets manufactured by the Company are customer specific and do not have alternative use in the market, and there is a provision in all contracts with customers that ensures the right to payment for the work performed to date.

(iii) IFRS 16 - Leases

IFRS 16 introduces a single lease accounting model in the balance sheet for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Optional exemptions are available for short-term leases and low-value items. The lessor's accounting remains similar to the current standard, that is, a lessor continues to classify its leases as finance leases or operating leases.

IFRS 16 replaces existing leasing standards, including CPC 06 (IAS 17) Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Complementary Aspects of Lease Transactions. The standard is effective for annual periods beginning on or after January 1, 2019.

As described in Note 35(c), the Company has R$960,000 in commitments with operating leases. However, the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows.

See accompanying notes.

4 Significant accounting judgments, estimates and assumptions

4.1 Judgments

The preparation of the Company's financial statements requires management to make certain judgments and estimates and adopt assumptions that impact the stated amounts of revenue, expenses, assets and liabilities and their related disclosures, as well as the disclosure of contingent liabilities. In the process of applying Usiminas' accounting policies, management made the following judgments, which have the most significant effects on the amounts recognized in the financial statements:

(a) Segregation of interest and monetary variation related to financial investments and local borrowings

The Company segregates the Extended Consumer Price Index (IPCA) for borrowings, debentures and financial investments, whose contracted indices are CDI and TJLP. Thus, the IPCA portion is segregated from interest on borrowings, debentures and income from financial investments, and included in "Monetary effects" within Finance result (Note 33).

(b) Classification of investment control

The Company classifies its investments in accordance with CPC 18 (R2) - Investment in Associates, Subsidiaries and Joint Ventures and with CPC 19 (R2) - Joint Ventures and whose adoption is subject to a judgment in determining the control and the significant influence of investments.

4.2 Estimates and assumptions

The estimates and assumptions that relate to sources of uncertainty in estimates of the future and other important sources of uncertainties in estimates at the balance sheet date, having a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are addressed below.

(a) Impairment of non-financial assets

Usiminas tests annually whether goodwill and other long-term assets have suffered any impairment. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 17). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating units (CGU's)).

See accompanying notes.

(b) Income tax and social contribution

Usiminas is subject to income taxes in some countries in which it operates. Significant judgment is required in determining the provision for income taxes in these countries. There are many transactions and calculations for which the ultimate tax determination is uncertain. Usiminas also recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Management reviews, on a regular basis, the recoverability of deferred tax assets considering the historical profit generated and the estimated future taxable income, based on technical feasibility studies.

(c) Fair value of derivatives and other financial instruments

The fair value of derivatives and other financial instruments that are not traded in an active market is determined by using valuation techniques. Usiminas exercises judgment to select from a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(d) Revenue recognition

The subsidiary Usiminas Mecânica S.A. utilizes the Percentage-of-Completion (POC) method to account for orders in transit sold at fixed prices. Use of the POC method requires management to estimate the services performed to date as a proportion of the total services to be performed.

(e) Pension benefits

The present value of the retirement plan obligations depends on a number of factors that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for retirement plans include the discount rate.

Usiminas determines the appropriate discount rate at the end of each year, so as to determine the present value of estimated future cash outflows.

Other key assumptions for retirement plan obligations are based in part on current market conditions. Additional information is disclosed in Note 26.

(f) Provision for litigation

Usiminas is a party to several judicial and administrative proceedings (Note 24). Provisions are recorded for all proceedings that represent probable losses. The probability of loss is assessed based on available evidence, which include the opinions of internal and external legal consultants.

See accompanying notes.

(g) Provision for environmental recovery

As part of its mining activities, the Company recognizes a provision for obligations concerning environmental recovery in the consolidated accounts. When determining the value of the provision, assumptions and estimates are made in relation to the discount rates, the expected cost for rehabilitation and the expected time of the costs.

(h) Useful lives of property, plant and equipment

Depreciation of property, plant and equipment is calculated using the straight-line method over the useful lives of the assets. Useful life is estimated based on appraisals of Usiminas' engineers and external consultants, and are reviewed on an annual basis.

5 Financial risk management objectives and policy

5.1 Financial risk factors

The activities of Usiminas expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, cash flow risk or fair value interest rate risk, commodity price risk and steel price risk).

Financial risk management is carried out by the Finance Director of the Company, according to guidance established by the Finance Committee and the Board of Directors. This team evaluates, monitors and seeks to hedge any financial risks in close co-operation with the other units, including but not limited to operating units and the Supply and Planning departments of Usiminas.

5.2 Policy for utilization of financial instruments

The purpose of the policy for the management of financial assets and liabilities is to: (i) maintain the intended liquidity, (ii) define the concentration level of operations, and (iii) control the level of exposure to financial market risks. Usiminas carries out derivative transactions always with the objective of hedging its financial assets and liabilities and reducing the volatility of its cash flows, monitoring foreign exchange exposure, any mismatch between currencies, commodity prices, among other factors.

Usiminas does not have financial instrument contracts subject to margin calls.

5.3 Financial risk management policy

(a) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits and investments with banks, as well as credit exposures to customers, including outstanding receivables.

The sales policy of Usiminas is subject to the credit standards established by management, which seek to mitigate problems arising from customer defaults. Additionally, the Credit Committee, composed of experts from the finance and sales areas, evaluates and monitors customer risk. This purpose is achieved by a detailed analysis and selection of customers based on their payment capacity, debt ratio, balance sheet and through diversification of trade receivables (dilution of risk).

The Company also records a provision for impairment of trade receivables (Note 10).

As to financial and other investments, the Usiminas' policy is to operate with highly-rated financial institutions. Only securities and notes of entities rated by the international rating agencies as "A" or higher are accepted.

(b) Liquidity risk

The responsible and conservative policy for the management of the financial assets and liabilities involves a detailed analysis of the counterparties´ financial statements, equity and rating, to assist the Company in maintaining its liquidity, defining the concentration level of operations, controlling the level of exposure to financial market risks and diluting liquidity risk.

Cash flow forecasting is based on the budget approved by the Board of Directors and subsequent updates. This forecasting takes into consideration, besides all the operating plans, the financing plans required to support the expected investments and the maturity schedules of debt, besides monitoring the compliance with covenants and internal leverage recommendations. The Treasury Department monitors the forecasts of the Company's direct cash flow daily to ensure it has sufficient cash to cover operational and investment needs and to meet its obligations.

See accompanying notes.

The cash held by Usiminas is managed by the Finance Director of the Company, which invests it in Bank Deposit Certificates (CDB) and Repurchase Agreements, choosing instruments with appropriate maturities and proper liquidity (Note 8).

The table below presents the main Usiminas' non-derivative financial liabilities and net-settled derivative financial liabilities which are realized by relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

				Parent company
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2017				
Trade payables, contractors and freight	875,399	-	-	-
Borrowings	775,145	522,780	3,030,861	3,357,987
Debentures	152,444	105,601	588,916	639,112
Notes payable - Forfaiting	475,251	-	-	-
Derivative financial instruments	(12)	(248)	(515)	(420)
At December 31, 2016				
Trade payables, contractors and freight	860,835	-	-	-
Borrowings	837,663	2,004,550	3,251,385	5,856,849
Debentures	160,056	159,409	649,037	1,131,844
Notes payable - Forfaiting	356,970	-	-	-
Derivative financial instruments	(46,766)	(98,881)	(476)	46

				Consolidated
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2017				
Trade payables, contractors and freight	976,917	-	-	-
Borrowings	781,840	528,325	3,041,749	3,358,018
Debentures	152,444	105,601	588,916	639,112
Bonds	609,881	-	-	-
Notes payable - Forfaiting	475,251	-	-	-
Derivative financial instruments	(12)	(248)	(515)	(420)
At December 31, 2016				
Trade payables, contractors and freight	846,377	-	-	-
Borrowings	787,984	781,428	3,255,448	5,856,979
Debentures	160,056	159,409	649,037	1,131,844
Bonds	38,557	130,664	-	-
Finance lease liabilities	63	-	-	-
Notes payable - Forfaiting	356,970	-	-	-
Derivative financial instruments	(2,190)	(525)	(476)	46

See accompanying notes.

As the amounts included in the table are the contractual undiscounted cash flows, they will not reconcile to the amounts disclosed on the balance sheet for borrowings, debentures, derivative financial instruments and other liabilities.

(c) Foreign exchange risk

(i) Foreign exchange exposure

Usiminas operates internationally and is exposed to foreign exchange risk arising from exposures in certain currencies, primarily with respect to the US dollar and, to a lesser extent, yen and euro. Foreign exchange risk arises from recognized assets and liabilities and net investments in foreign operations.

As a preventive measure and to mitigate the effects of foreign currency variations, management has been adopting the policy of carrying out swap transactions and, additionally, holding foreign currency denominated assets, as follows:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Assets in foreign currency				
Cash and cash equivalents	939	8,362	1,478,473	103,130
Marketable securities	775,665	-	8,428	8,146
Trade receivables	182,137	86,504	297,966	87,334
Advances to suppliers	4,042	11,505	5,404	12,684
	962,783	106,371	1,790,271	211,294
Liabilities in foreign currency				
Borrowings	(1,157,250)	(2,418,093)	(1,747,954)	(1,779,065)
Trade payables, contractors and freight	(201,202)	(163,191)	(219,628)	(167,613)
Advances from customers	(12,385)	(3,430)	(13,699)	(4,607)
Other payables	(18,163)	(16,790)	(18,159)	(16,786)
	(1,389,000)	(2,601,504)	(1,999,440)	(1,968,071)
Exposure	(426,217)	(2,495,133)	(209,169)	(1,756,777)
Derivative financial instruments (notional)	-	(104,420)	-	-
Total currency exposure	(426,217)	(2,599,553)	(209,169)	(1,756,777)

See accompanying notes.

The borrowings and debentures are denominated in the following currencies:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Brazilian real	4,868,013	5,119,929	4,887,825	5,145,243
U.S. dollar	1,157,250	1,193,485	1,747,954	1,775,892
Yen	-	1,224,608	-	3,173
Total borrowings and debentures	6,025,263	7,538,022	6,635,779	6,924,308

The impact related to exchange rate volatility (sensitivity analysis) is presented in Note 5.3(c).

(ii) Sensitivity analysis - foreign exchange risk arising from assets and liabilities denominated in foreign currency

The Company prepares a sensitivity analysis of outstanding assets and liabilities denominated in foreign currency at the end of the period, considering the foreign exchange rate at December 31, 2017 for the probable scenario. Scenario I considered a depreciation of the Brazilian real by 5% when compared to the current scenario. Scenarios II and III were stressed based on factors of 25% and 50%, respectively, on the amount of the foreign currency at December 31, 2017.

The currencies used in the sensitivity analysis and their related scenarios are shown below:

				12/31/2017
Currency	Foreign exchange rate at the end of the year	Scenario I	Scenario II	Scenario III
US$	3.3080	3.4734	4.1350	4.9620
EUR	3.9693	4.1678	4.9616	5.9540
YEN	0.02940	0.0309	0.0368	0.0441

Effects on the finance result, considering Scenarios I, II and III, are shown below:

	Consolidated		
	12/31/2017		
Currency	Scenario I	Scenario II	Scenario III
US$	(10,588)	(52,942)	(105,884)
EUR	121	604	1,209
YEN	9	45	91

Derivative financial instruments linked to currency exposure were included in the sensitivity analysis of assets and liabilities in foreign currency, based on the objective of these instruments, which is to reduce the impact of fluctuations in foreign currency.
These derivative financial instruments are summarized in Note 6.

See accompanying notes.

(d) Cash flow or fair value interest rate risk

(i) Composition of borrowings by type of interest rate

The interest rate risk arises from financial investments and borrowings.

According to Usiminas financial policy, derivative transactions are intended to mitigate the risk by replacing floating rates with fixed rates, or interest rates based on international indices with interest rates based on local currency indices, according to the guidance of the Finance Committee.

The composition of borrowings and debentures contracted, by type of interest rate, in current and non-current liabilities is presented as follows:

	Parent company				Consolidated			
	12/31/2017	%	12/31/2016	%	12/31/2017	%	12/31/2016	%
Borrowings								
Fixed	25,735	1	1,259,745	17	636,251	9	642,964	9
TJLP	359,896	6	377,351	5	359,896	5	379,880	6
LIBOR	1,032,430	17	1,065,773	14	1,032,430	16	1,065,773	15
CDI	3,549,410	58	3,735,303	50	3,549,410	54	3,735,406	54
Other	108,427	2	102,115	1	108,427	2	102,550	1
	5,075,898	84	6,540,287	87	5,686,414	86	5,926,573	85
Debentures								
CDI	949,365	16	997,735	13	949,365	14	997,735	15
	6,025,263	100	7,538,022	100	6,635,779	100	6,924,308	100

See accompanying notes.

The Company transacts derivative financial instruments for the management of risks related to volatility in interest rates of borrowings denominated in foreign currency. This includes locking in the London Interbank Offered Rate (LIBOR) in certain instances, local and foreign currency. Overseas, borrowings are supported by contracts with the International Swaps and Derivatives Association, Inc. (ISDA), and local transactions are supported by the Master Derivative Contract (CGD).

(ii) Sensitivity analysis of changes in interest rates

The Company prepares sensitivity analysis of outstanding assets and liabilities indexed to interest rates at the end of the period, considering the rates prevailing at December 31, 2017 for the probable scenario. Scenario I considers a 5% increase on the average interest rate applicable to the floating portion of its current debt. Scenarios II and III were stressed based on factors of 25% and 50%, respectively, on the amounts of these rates at December 31, 2017.

The rates used and their related scenarios are shown below:

			12/31/2017	
Index	Rates at the end of the year	Scenario I	Scenario II	Scenario III
CDI	6.9%	7.2%	8.6%	10.3%
TJLP	7.0%	7.4%	8.8%	10.5%
LIBOR	2.1%	2.2%	2.6%	3.2%

Effects on the finance result, considering Scenarios I, II and III, are shown below:

	Consolidated		
	12/31/2017		
Index	Scenario I	Scenario II	Scenario III
CDI	(12,906)	(64,529)	(129,058)
TJLP	(1,260)	(6,298)	(12,596)
LIBOR	(1,088)	(5,438)	(10,876)

The specific interest rates to which the Company is exposed, which are related to borrowings and debentures, are presented in Note 20 to the financial statements at December 31, 2017, and mainly comprise London Interbank Offered Rate (LIBOR) and Interbank Deposit Certificate (CDI).

Derivative financial instruments linked to interest rates were included in the sensitivity analysis of changes in interest rates, based on the objective of these instruments, which is to minimize the impact of fluctuations in interest rates.

See accompanying notes.

5.4 Capital management

The objectives for managing capital are to safeguard the ability to continue as going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure at optimum costs.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to stockholders, return capital to stockholders or, also, issue new shares or sell assets to reduce, for example, debt.

Consistent with others in the industry, Usiminas monitors capital on the basis of the gearing ratio. These ratios are calculated as net debt divided by adjusted EBITDA. Net debt is computed based on total borrowings and taxes payable in installments (including current and non-current transactions as shown in the consolidated balance sheet) less cash and cash equivalents and marketable securities.

Usiminas strategy is to maintain the gearing ratio within indices that are lower than those established in the borrowing contracts (covenants).

Adjusted EBITDA is calculated by adding to profit (loss) for the year the income tax and social contribution, share of profit (loss) of subsidiaries, jointly-controlled subsidiaries and associates, finance result, depreciation, amortization and depletion, in addition to gains and impairment losses.

Also, below is presented the calculation of the gearing ratio considering net debt as a percentage of total capital. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

	Parent company		Consolidated	
	12/31/2017	**12/31/2016**	**12/31/2017**	**12/31/2016**
Total borrowings, debentures and taxes payable in installments	6,032,889	7,545,227	6,656,273	6,941,887
Less: cash and cash equivalents and marketable securities	(778,799)	(538,715)	(2,314,288)	(2,257,454)
Net debt	5,254,090	7,006,512	4,341,985	4,684,433
Total equity	13,774,795	13,535,740	15,183,964	15,191,634
Total capital	19,028,885	20,542,252	19,525,949	19,876,067
Gearing ratio	28%	34%	22%	24%

See accompanying notes.

5.5 Fair value estimate

Due to its short-term maturity, the balance of trade receivables less provision for impairment of trade receivables approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Usiminas for similar financial instruments.

For swap transactions, receivables and payables are calculated by the Company in an independent manner, using mark-to-market methodology based on rates practiced and consistent with those disclosed in the websites of the Brazilian Futures and Commodities Exchange (BM&F), Broadcast and Bloomberg.. If there are no trades for the Company's portfolio maturities, the interpolation methodology is used to calculate the rates related to specific maturities. In both cases, the present value of cash flows is calculated. The difference between the amounts payable and receivable is the fair value of the transaction.

(a) Financial instruments measured at fair value in the balance sheet

Financial instruments recorded at fair value shall be classified and disclosed in accordance with the levels described below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (unobservable prices).
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation methodologies maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. These instruments comprise investments in CDB and derivative financial instruments (swap) (Note 7).

See accompanying notes.

The table below presents assets and liabilities measured at fair value through profit or loss:

(i) Parent company

	12/31/2017	12/31/2016
	Level 2	Level 2
Assets		
Cash and cash equivalents		
- CDB and repurchase agreements	1,076	339,000
Marketable securities	12	176,422
Derivative financial instruments	1,196	-
Total assets	2,284	515,422

	12/31/2017	12/31/2016
	Level 2	Level 2
Liabilities		
Derivative financial instruments	-	150,990
Total liabilities	-	150,990

See accompanying notes.

(ii) Consolidated

	12/31/2017	12/31/2016
	Level 2	Level 2
Assets		
Cash and cash equivalents		
- CDB and repurchase agreements	276,255	592,286
Marketable securities	543,715	1,537,584
Derivative financial instruments	1,196	145,339
Total assets	821,166	2,275,209

	12/31/2017	12/31/2016
	Level 2	Level 2
Liabilities		
Derivative financial instruments	-	150,990
Total liabilities	-	150,990

At December 31, 2017 and 2016, Usiminas had no financial instruments the fair value of which has been measured based on Level 1 and 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable market yield curves.

See accompanying notes.

(b) Fair value of borrowings and debentures

For capital market transactions, such as debentures and bonds, the fair value reflects the value adopted in the market. The difference between the book value and market value is calculated in accordance with the rates disclosed in the websites of the Futures and Commodities Exchange (BM&F), Broadcast and Bloomberg, and can be summarized as follows:

	Parent company			
	12/31/2017		12/31/2016	
	Equity value	Market value	Equity value	Market value
Bank loans - foreign currency	1,157,250	1,157,250	1,193,485	1,193,485
Bank loans – local currency	3,918,648	3,918,648	4,122,194	4,122,194
Debentures - local currency	949,365	957,172	997,735	1,007,520
Bonds – foreign currency	-	-	1,224,608	1,224,608
	6,025,263	6,033,070	7,538,022	7,547,807

	Consolidated			
	12/31/2017		12/31/2016	
	Equity value	Market value	Equity value	Market value
Bank loans - foreign currency	1,157,250	1,157,250	1,193,920	1,193,920
Bank loans – local currency	3,938,460	3,938,460	4,147,508	4,147,508
Debentures - local currency	949,365	957,172	997,735	1,007,520
Bonds	590,704	612,479	585,145	578,530
	6,635,779	6,665,361	6,924,308	6,927,478

The market values of borrowings and debentures do not significantly differ from their book values, since they were contracted and recorded considering rates and conditions adopted in the market for operations of similar nature, risk and terms.

(c) Other financial assets and liabilities

The fair values of other financial assets and liabilities do not significantly differ from their book values, inasmuch as they were negotiated and are recorded at rates and conditions practiced in the market for transactions of similar nature, risk and term.

See accompanying notes.

6 Derivative financial instruments

Usiminas carries out swap transactions with the objective of hedging against and specially managing risks inherent to volatility of foreign currencies and interest rates. These transactions aim at reducing currency exposure and the volatility of interest rates on its borrowings. The Company does not transact financial instruments for speculative purposes. The Company does not settle its transactions prior to their respective original maturities and does not prepay its derivative financial instruments.

The transactions with derivative financial instruments may be summarized as follows:

(a) Parent company

	Maturity range MM/YY	INDEX		NOTIONAL AMOUNT (contracted amount)				FAIR (MARKET) VALUE - BOOK VALUE		Profit/Loss for the period
		12/31/2017		12/31/2017		12/31/2016		12/31/2017	12/31/2016	12/31/2017
		Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	Asset (liability) position	Asset (liability) position	Gain (loss)
RATE AND FOREIGN EXCHANGE HEDGES (SWAP)										
Merrill Lynch	Sep/10 to Mar/17	Libor + 0.83% p.a.	3.05% p.a.	USD 85,713	USD 85,713	USD 85,713	USD 85,713	-	(275)	11
Santander	Jan/08 to Jan/18	Yen + 4.1165% p.a.	U.S. dollar + 7.34% p.a.	JPY 42,952,000	USD 400,000	JPY 42,952,000	USD 400,000	-	(149,581)	4,266
Bradesco	Apr/15 to Apr/25	TR + 9.8000% p.a.	95.00% of the CDI	R$ 59,000	R$ 59,000	R$ 59,000	R$ 59,000	1,196	(1,134)	2,133
							Financial gain/loss in the period			**6,410**
							Book balance (net asset position - liability position)	**1,196**	**(150,990)**	

(b) Consolidated

	Maturity range MM/YY	INDEX		NOTIONAL AMOUNT (contracted amount)				FAIR (MARKET) VALUE - BOOK VALUE		Profit/Loss for the period
		12/31/2017		12/31/2017		12/31/2016		12/31/2017	12/31/2016	12/31/2017
		Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	Asset (liability) position	Asset (liability) position	Gain (loss)
RATE AND FOREIGN EXCHANGE HEDGES (SWAP)										
Merrill Lynch	Sep/10 to Mar/17	Libor + 0.83% p.a.	3.05% p.a.	USD 85,713	USD 85,713	USD 85,713	USD 85,713	-	(275)	11
Santander	Jan/08 to Jan/18	Yen + 4.1165% p.a.	U.S. dollar + 7.34% p.a.	JPY 42,952,000	USD 400,000	JPY 42,952,000	USD 400,000	-	(149,581)	4,266
Santander	Jan/08 to Jan/18	U.S. dollar + 7.25 p.a.	Yen + 4.1165 % p.a.	USD 400,000	JPY 42,952,000	USD 400,000	JPY 42,952,000	-	145,339	(6,539)
Bradesco	Apr/15 to Apr/25	TR + 9.8000% p.a.	95.00% of the CDI	R$ 59,000	R$ 59,000	R$ 59,000	R$ 59,000	1,196	(1,134)	2,133
							Financial gain/loss in the period			**(129)**
							Book balance (net asset position - liability position)	**1,196**	**(5,651)**	

See accompanying notes.

The book balances of the derivative financial instruments are described below:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Current assets	12	-	12	44,669
Non-current assets	1,184	-	1,184	100,670
Current liabilities	-	(48,577)	-	(48,577)
Non-current liabilities	-	(102,413)	-	(102,413)
	1,196	(150,990)	1,196	(5,651)

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
In finance result	6,410	(159,839)	(129)	(302,123)
	6,410	(159,839)	(129)	(302,123)

See accompanying notes.

7 Financial instruments by category

(a) Parent company

	12/31/2017				12/31/2016		
	Loans and receivables	Assets measured at fair value through profit or loss	Held to maturity	Total	Loans and receivables	Assets measured at fair value through profit or loss	Total
Assets							
Banks	2,046	-	-	2,046	23,293	-	23,293
Financial investments	-	1,076	-	1,076	-	339,000	339,000
Marketable securities	-	12	775,665	775,677	-	176,422	176,422
Trade receivables	1,127,029	-	-	1,127,029	890,216	-	890,216
Financial instruments - swap	-	1,196	-	1,196	-	-	-
Other asset financial instruments (excluding prepayments)	431,547	-	-	431,547	241,694	-	241,694
	1,560,622	2,284	775,665	2,338,571	1,155,203	515,422	1,670,625

	12/31/2017		12/31/2016	
	Other financial liabilities	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Liabilities				
Borrowings and debentures	6,025,263	-	7,538,022	7,538,022
Financial instruments - swap	-	150,990	-	150,990
Trade payables, contractors and freight	875,399	-	860,835	860,835
Notes payable - Forfaiting	475,251	-	356,970	356,970
	7,375,913	150,990	8,755,827	8,906,817

(b) Consolidated

	12/31/2017			12/31/2016		
	Loans and receivables	Assets measured at fair value through profit or loss	Total	Loans and receivables	Assets measured at fair value through profit or loss	Total
Assets						
Banks	107,699	-	107,699	127,584	-	127,584
Financial investments	1,386,619	276,255	1,662,874	-	592,286	592,286
Marketable securities	-	543,715	543,715	-	1,537,584	1,537,584
Trade receivables	1,555,494	-	1,555,494	1,179,212	-	1,179,212
Financial instruments - swap	-	1,196	1,196	-	145,339	145,339
Other asset financial instruments (excluding prepayments)	461,681	-	461,681	269,626	-	269,626
	3,511,493	821,166	4,332,659	1,576,422	2,275,209	3,851,631

See accompanying notes.

	12/31/2017		12/31/2016	
	Other financial liabilities	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Liabilities				
Borrowings and debentures	6,635,779	-	6,924,204	6,924,204
Finance lease liabilities	-	-	104	104
Financial instruments - swap	-	150,990	-	150,990
Trade payables, contractors and freight	976,917	-	846,377	846,377
Notes payable - Forfaiting	475,251	-	356,970	356,970
Other liability financial instruments	-	-	12	12
	8,087,947	150,990	8,127,667	8,278,657

8 Cash and cash equivalents

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Bank accounts	1,107	14,931	15,845	24,454
Bank accounts abroad	939	8,362	91,854	103,130
Bank Deposit Certificates (CDB) and repurchase agreements	1,076	339,000	276,255	592,286
Time deposits abroad	-	-	1,386,619	-
	3,122	362,293	1,770,573	719,870

Financial investments in Bank Deposit Certificates (CDB) and repurchase agreements have immediate liquidity, and earn in average 100.07% (December 31, 2016 - 99.98%) of the CDI rate in the Parent company and 100.41% (December 31, 2016 – 100.94%) of the CDI rate in Consolidated.

The amount of R$1,386,619 presented in the consolidated accounts refers to the investment in time deposits made by the foreign subsidiary Usiminas Commercial related to the prepayment by Usiminas on December 15, 2017 related to Eurobonds issued in 2008 by the subsidiary and that had been loaned to the Company. The foreign subsidiary Usiminas Commercial paid the full amount of Eurobonds to their respective creditors on January 18, 2018, as described in Note 41, Events after the reporting period. Of this amount, R$775,665 was reversed to the Company's cash.

At December 31, 2017, Usiminas does not have overdraft accounts.

See accompanying notes.

9 Marketable securities

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Bank Deposit Certificates (CDB)	-	176,297	534,768	1,529,284
Financial investments abroad	-	-	8,428	8,146
Eurobonds	775,665	-	-	-
Other investments	12	125	519	154
	775,677	176,422	543,715	1,537,584

Financial investments in Bank Deposit Certificates (CDB) earn in average 100.07% (December 31, 2016 - 99.98%) of the CDI rate in the Parent company and 100.41% (December 31, 2016 – 101.43%) of the CDI rate in Consolidated.

The amount of R$775,665 in the Parent Company refers to a portion of approximately US$ 220 million of Eurobonds originally issued in 2008 by the foreign subsidiary Usiminas Commercial in the total amount of US$400 million. As described in Note 20 - Borrowings, this portion was presented at the net amount of the loan agreement with Usiminas Commercial in current liabilities in the interim accounting information at June 30 and September 30, 2017. Due to the settlement of the loan agreement on December 12, 2017, the Company is presenting in these financial statements at December 31, 2017 the portion of Eurobonds held as marketable securities.. The marketable securities were converted into cash by the Company on January 18, 2018, as described in Note 41 - Events after the reporting period.

None of these financial assets is either past due or impaired.

See accompanying notes.

10 Trade receivables

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Trade receivables:				
In Brazil	954,817	681,778	1,485,132	1,149,077
Abroad	181,277	115,286	299,862	116,999
Provision for impairment of trade receivables	(108,544)	(99,026)	(145,526)	(128,452)
Trade receivables, net	1,027,550	698,038	1,639,468	1,137,624
Receivables from related parties				
In Brazil	180,402	173,054	46,711	23,347
Abroad	3,529	19,124	773	18,241
Receivables from related parties	183,931	192,178	47,484	41,588
	1,211,481	890,216	1,686,952	1,179,212
Current assets	1,127,029	890,216	1,555,494	1,179,212
Non-current assets	84,452	-	131,458	-

(i) Out of the total provision for impairment of trade receivables in the Parent company and Consolidated accounts, the balance of R$2,669 (R$2,630 — December 31, 2016) refers to trade receivables denominated in foreign currency.

The ageing analysis of trade receivables is as follows:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Amounts not yet due	1,042,201	799,291	1,481,810	1,077,432
Amounts past due:				
Up to 30 days	103,377	68,779	85,026	66,470
From 31 to 60 days	1,460	5,528	1,428	9,265
From 61 to 90 days	4	1,750	1,361	3,105
From 91 to 180 days	1,896	2,623	3,904	8,443
Over 181 days	171,087	111,271	258,949	142,949
(-) Provision for impairment of trade receivables	(108,544)	(99,026)	(145,526)	(128,452)
	1,211,481	890,216	1,686,952	1,179,212

See accompanying notes.

At December 31, 2017, trade receivables amounting to R$169,280 in the Parent company and R$205,142 in Consolidated were past due but not impaired (December 31, 2016 – R$90,925 and R$101,780, respectively). These relate to a number of independent customers for whom there is no recent history of default, and the related outstanding balances are supported by guarantees.

Trade receivables are denominated in the following currencies:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Brazilian real	1,029,344	803,712	1,388,986	1,091,878
U.S. dollar	175,804	77,609	291,633	78,439
Euro	6,333	8,895	6,333	8,895
	1,211,481	890,216	1,686,952	1,179,212

The changes in the provision for impairment of trade receivables are as follows:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Opening balance	(99,026)	(65,573)	(128,452)	(91,687)
(Additions to) Reversals of profit or loss	(16,757)	(49,923)	(24,313)	(62,513)
Write-off against trade receivables	7,278	15,749	7,278	25,027
Exchange variation	(39)	721	(39)	721
Closing balance	(108,544)	(99,026)	(145,526)	(128,452)

The additions to and release of the provision for impairment of trade receivables were included in “Selling expenses” in the statement of income. Usiminas does not hold any collateral for trade receivables.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. Usiminas does not hold any collateral for the accounts receivable.

See accompanying notes.

11 Inventories

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Current assets				
Finished products	562,902	470,828	667,178	541,935
Work in progress	749,839	633,478	756,195	640,050
Raw materials	385,305	370,764	701,609	663,385
Supplies and spare parts	499,492	489,112	554,467	534,190
Imports in transit	85,012	151,545	85,148	151,560
Provision for losses	(123,938)	(96,521)	(136,858)	(111,290)
Other	137,795	185,570	135,757	184,476
	2,296,407	2,204,776	2,763,496	2,604,306
Non-current assets				
Work in progress	-	-	39,037	22,657
	2,296,407	2,204,776	2,802,533	2,626,963

The subsidiary Mineração Usiminas S.A, based on its production plan, transferred from current assets to long-term receivables under “Other receivables” the inventory of products that are expected to be realized in more than 12 months.

At December 31, 2017 and 2016, no impairment loss was recorded in the subsidiary Mineração Usiminas S.A.

See accompanying notes.

12 Taxes recoverable

	Parent company			
	12/31/2017		12/31/2016	
	Current	Non-current	Current	Non-current
Social Integration Program (PIS)	3,527	-	3,972	-
Social Contribution on Revenues (COFINS)	15,387	-	17,571	-
Value-added Tax on Sales and Services (ICMS)	56,639	19,291	38,034	20,424
Excise tax (IPI)	24,453	-	5,953	-
Export credit - Reintegra	21,170	-	539	-
National Institute of Social Security (INSS)	-	-	18	-
Other	-	11,631	-	11,631
	121,176	30,922	66,087	32,055

	Consolidated			
	12/31/2017		12/31/2016	
	Current	Non-current	Current	Non-current
PIS	4,760	18	4,244	16
COFINS	21,013	85	18,918	76
ICMS	78,090	42,992	69,404	84,192
IPI	31,480	-	15,453	-
Export credit - Reintegra	21,170	-	539	-
INSS	19,654	-	16,098	-
Other	684	11,786	535	11,786
	176,851	54,881	125,191	96,070

See accompanying notes.

13 Income tax and social contribution

(a) Taxes on profit

The amounts of income tax and social contribution on net income differ from the theoretical value that would be obtained by using the nominal rates of such taxes, applicable to profit before taxation, in the Parent company and Consolidated accounts, as shown below:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Profit (loss) before income tax and social contribution	273,647	(501,133)	420,950	(251,748)
Nominal rates	34%	34%	34%	34%
Taxes on profit at nominal rates	(93,040)	170,385	(143,123)	85,594
Adjustments to determine taxes on profit:				
Equity in the results of investees	96,894	16,418	52,665	48,574
Interest on capital received	(34,316)	(10,679)	(5,410)	(10,679)
Permanent exclusions (additions)	(63,533)	(12,947)	(66,197)	(20,688)
Unrecognized tax credits	53,363	(331,996)	53,363	(338,548)
Tax incentives	-	-	2,595	756
Non-taxable income and rate differences of foreign subsidiaries	-	-	237	(90,479)
Other	-	-	-	375
Taxes on profit determined	(40,632)	(168,819)	(105,870)	(325,095)
Current	-	-	(59,038)	(17,951)
Deferred	(40,632)	(168,819)	(46,832)	(307,144)
Taxes on profit (loss) in the statement of income	(40,632)	(168,819)	(105,870)	(325,095)
Income tax	(29,877)	(124,132)	(79,762)	(243,202)
Social contribution	(10,755)	(44,687)	(26,108)	(81,893)
Effective rates	15%	-	25%	-

There are no current tax items presented in equity in these financial statements.

See accompanying notes.

(b) Deferred income tax and social contribution

The balances and changes in deferred income tax and social contribution assets and liabilities at nominal rates are as follows:

(i) Parent company

	12/31/2016	Equity/ Comprehen-sive income	Recognized in profit or loss	Other (i)	12/31/2017
In assets					
Income tax and social contribution					
Tax losses	2,303,097	-	62,168	(3,909)	2,361,356
Unrecognized tax credits	(1,013,844)	-	53,363	-	(960,481)
Temporary provisions					
Provision for actuarial liability	398,836	-	(86,760)	-	312,076
Provision for litigation	142,532	-	20,520	-	163,052
Provision for inventory adjustments	32,817	-	9,321	-	42,138
Swap contracts recognized on a cash basis	42,968	-	(42,892)	-	76
Foreign exchange variation on borrowings on a cash basis (ii)	85,488	-	(49,341)	-	36,147
Adjustments to PP&E (Law 11,638/07)	59,577	-	(59,577)	-	-
Gain/loss on swap contracts - market value	8,368	-	(8,368)	-	-
Impairment of assets	42,646	-	(3,183)	-	39,463
Actuarial liability (Law 11,638/07)	187,970	(28,259)	-	-	159,711
Other	101,162	(66)	14,813	-	115,909
Total assets	2,391,617	(28,325)	(89,936)	(3,909)	2,269,447
In liabilities					
Income tax and social contribution					
Tax-incentive depreciation	17,403	-	(3,705)	-	13,698
Adjustment to PP&E (IAS 29)	67,869	(6,061)	-	-	61,808
Monetary restatement of judicial deposits on a cash basis	39,997	-	8,628	-	48,625
Adjustment to goodwill	48,825	-	(27,375)	-	21,450
Actuarial liability (Law 11,638/07)	190,608	-	(27,953)	-	162,655
Other	5,350	-	1,101	-	6,451
Total liabilities	370,052	(6,061)	(49,304)		314,687
Total, net	2,021,565	(22,264)	(40,632)	(3,909)	1,954,760

(i) The Company used part of the balance of tax losses to settle federal taxes included in the Special Tax Settlement Program (PERT) under Law 13,496/2017. These taxes were fully written off from current liabilities.

(ii) Arising from the temporary difference between the cash basis and the accrual basis of accounting.

See accompanying notes.

(ii) Consolidated

	12/31/2016	Equity/ Comprehen-sive income	Recognized in profit or loss	Other (i)	12/31/2017
In assets					
Income tax and social contribution					
Tax losses	2,483,739	-	49,337	(3,909)	2,529,167
Unrecognized tax credits	(1,038,425)	-	53,363	-	(985,062)
Temporary provisions					
Provision for actuarial liability	412,475	(1,251)	(89,514)	-	321,710
Provision for litigation	181,247	-	32,058	-	213,305
Provision for inventory adjustments	34,959	-	8,152	-	43,111
Swap contracts recognized on a cash basis	42,968	-	(42,892)	-	76
Foreign exchange variation on borrowings on a cash basis (ii)	85,488	-	(49,341)	-	36,147
Goodwill/acquisition of companies	306,776	-	(2,949)	-	303,827
Impairment of assets	558,087	-	-	-	558,087
Adjustment to PP&E (Law 11,638/07)	59,577	-	(59,577)	-	-
Actuarial liability (Law 11,638/07)	187,970	(28,259)			159,711
Other	201,933	(66)	6,655	-	208,522
Total assets	3,516,794	(29,576)	(94,708)	(3,909)	3,388,601
In liabilities					
Income tax and social contribution					
Tax-incentive depreciation	17,403	-	(3,705)	-	13,698
Tax rate depreciation	20,021	-	(710)	-	19,311
Monetary restatement of judicial deposits on a cash basis	67,870	(6,061)	(1)	-	61,808
Monetary restatement of judicial deposits	43,241	-	9,401	-	52,642
Adjustment to goodwill	48,825	-	(27,375)	-	21,450
Actuarial liability (Law 11,638/07)	190,608	-	(27,953)	-	162,655
Other	8,458	-	2,467	-	10,925
Total liabilities	396,426	(6,061)	(47,876)	-	342,489
Total, net	3,120,368	(23,515)	(46,832)	(3,909)	3,046,112

(i) The Company used part of the balance of tax losses to settle federal taxes included in the Special Tax Settlement Program (PERT) under Law 13,496/2017. These taxes were fully written off from current liabilities.

(ii) Arising from the temporary difference between the cash basis and the accrual basis of accounting.

See accompanying notes.

In the year ended December 31, 2017, the Company's management reversed a provision for tax credit losses amounting to R$53,363 in the Parent company and in Consolidated (December 31, 2016 – R$331,996 and R$338,548, respectively). Deferred tax credits not recognized in the financial statements totaled R$960,481 in the Parent company and R$985,062 in Consolidated (December 31, 2016 – R$1,013,844 and R$1,038,425, respectively). Company management will continue monitoring this unrecognized amount, which may be accounted for as soon as its use becomes probable.

Deferred taxes are expected to be realized as follows:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
2017	-	-	-	116,603
2018	134,070	-	173,660	110,602
2019	188,375	151,070	226,861	278,781
2020	198,944	216,926	247,540	360,573
2021	210,905	241,874	262,293	375,346
2022 to 2024	733,180	914,267	817,754	1,197,842
2025 to 2027	803,972	1,168,090	1,421,438	1,377,657
2028 to 2030	745,738	713,234	797,372	737,815
After 2030 (i)	214,744	-	426,745	-
Assets	3,229,928	3,405,461	4,373,663	4,555,219
Unrecognized tax credits	(960,481)	(1,013,844)	(985,062)	(1,038,425)
Assets	2,269,447	2,391,617	3,388,601	3,516,794
Liabilities	(314,687)	(370,052)	(342,489)	(396,426)
Net position	1,954,760	2,021,565	3,046,112	3,120,368

(i) In Consolidated, the amounts substantially refer to tax credits arising from goodwill on merger, determined by Mineração Usiminas. These tax credits have been used based on the expected useful lives of the mines, the total depletion of which is estimated for 2053.

The recognition of tax assets is based on a study of the expected future taxable income, reviewed by the Statutory Audit Board and approved by the Board of Directors of the Company. The study to determine the expected future taxable income adopts the same data and assumptions as those adopted in the impairment test of assets (Note 17).

As the income tax and social contribution taxable bases arise not only from the profit that may be generated, but also from the existence of non-taxable income, non-deductible expenses, tax incentives and other variables, there is no immediate correlation between the Company's profit and the income subject to income tax and social contribution.

Accordingly, the projected tax credits offsets should not be considered as the only indication of the future profitability of Usiminas.

See accompanying notes.

(c) Income tax and social contribution in current liabilities

	Consolidated	
	12/31/2017	12/31/2016
Income tax		
Current income (expense) (i)	(43,596)	(13,926)
Prepayments and offsets in the year	42,292	6,835
	(1,304)	(7,091)
Social contribution		
Current income (expense) (i)	(15,442)	(4,025)
Prepayments and offsets in the year	15,312	3,578
	(130)	(447)
Total IRPJ and CSLL payable	(1,434)	(7,538)

(i) Refers to the adjustment between the provision and the income tax return for prior years.

In the year ended December 31, 2017 and 2016, the Parent Company did not present current income tax and social contribution expenses, as it recorded income tax and social contribution losses. Additionally, there were no prepayments or offsets in the aforementioned period.

See accompanying notes.

14 Judicial deposits

	Parent company					
	12/31/2017			12/31/2016		
	Judicial deposits	Taxes payable in installments	Net balance	Judicial deposits	Taxes payable in installments	Net balance
IPI	177,454	(106,138)	71,316	174,418	(106,138)	68,280
IRPJ and CSLL	152,847	(57,089)	95,758	95,529	(57,089)	38,440
INSS	120,856	(7,265)	113,591	107,777	(8,405)	99,372
Economic Domain Intervention Contribution (CIDE)	26,384	(26,384)	-	44,188	(26,384)	17,804
ICMS	9,836	-	9,836	65,357	-	65,357
Labor	179,137	-	179,137	191,055	-	191,055
Civil	43,525	(16)	43,509	35,801	(16)	35,785
Other	3,724	-	3,724	12,922	-	12,922
	713,763	(196,892)	516,871	727,047	(198,032)	529,015

	Consolidated					
	12/31/2017			12/31/2016		
	Judicial deposits	Taxes payable in installments	Net balance	Judicial deposits	Taxes payable in installments	Net balance
IPI	177,454	(106,138)	71,316	174,418	(106,138)	68,280
IRPJ and CSLL	158,787	(57,089)	101,698	101,469	(57,089)	44,380
INSS	128,703	(7,265)	121,438	114,456	(8,405)	106,051
CIDE	26,384	(26,384)	-	44,188	(26,384)	17,804
ICMS	10,957	-	10,957	65,818	-	65,818
COFINS	21,414	-	21,414	19,994	-	19,994
Labor	234,202	-	234,202	240,680	-	240,680
Civil	63,368	(16)	63,352	40,633	(16)	40,617
Other	51,223	-	51,223	56,605	-	56,605
	872,492	(196,892)	675,600	858,261	(198,032)	660,229

Changes in judicial deposits are as follows:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Opening balance	727,047	686,343	858,261	795,424
Additions	34,712	47,098	85,888	82,469
Interest/restatements	26,108	34,578	31,612	47,675
Reversals	(74,104)	(40,972)	(103,269)	(67,307)
Closing balance	713,763	727,047	872,492	858,261

See accompanying notes.

15 Investments

(a) Changes in investments

(i) Parent company

	12/31/2016	Additions (reductions)	Equity in the results of investees (i)	Interest on capital and dividends	Unrealized profits in inventories	Other	12/31/2017
Subsidiaries							
Mineração Usiminas (ii)	3,047,638	(700,000)	149,376	(47,240)	-	(13,387)	2,436,387
Soluções Usiminas	650,840	-	34,641	(7,882)	(22,449)	1,676	656,826
Usiminas Commercial	20,603	-	(16,826)	-	-	-	3,777
Usiminas Europa	864,794	(786,138)	36,189	-	-	-	114,845
Usiminas International	33,881	-	553	-	-	-	34,434
Usiminas Mecânica (iii)	532,745	(57,866)	(30,337)	-	(2,318)	-	442,224
Usiminas Participações e Logística S.A. (UPL)	62,851	-	8,263	(1,435)	-	(1)	69,678
Goodwill in subsidiaries (v)	10,835	(10,835)	-	-	-	-	-
	5,224,187	(1,554,839)	181,859	(56,557)	(24,767)	(11,712)	3,758,171
Jointly-controlled subsidiaries							
Unigal	573,284	-	132,707	(126,000)	-	-	579,991
Usiroll	8,831	-	1,306	-	-	(264)	9,873
	582,115	-	134,013	(126,000)	-	(264)	589,864
Associates							
Codeme	61,944	-	(33,847)	-	-	2,776	30,873
MRS	9,511	-	1,233	(849)	-	-	9,895
Goodwill in associates (iv)	62,175	(62,175)	-	-	-	-	-
	133,630	(62,175)	(32,614)	(849)		2,776	40,768
	5,939,932	(1,617,014)	283,258	(183,406)	(24,767)	(9,200)	4,388,803

(i) To the equity in the results of investees presented in the statements of income and cash flows of the Parent company, which totals R$260,214 when compared to the income of R$283,258 disclosed in changes in investments, losses related to net capital deficiency of the subsidiary Rios Unidos totaling R$1,723 and unrealized profit on inventories determined in the subsidiaries Soluções Usiminas and Usiminas Mecânica in the amount of R$24,767 must be added.

(ii) Of the total amount disclosed in "Other", R$13,382 refers to the reimbursement to the stockholders Serra Azul Iron Ore L.L.C and Sumitomo Corporation do Brasil equivalent to a portion of the amount paid to Mineração Usiminas in 2011 by Summit Empreendimentos Minerais Ltda. (SEM).

(iii) Capital reduction in the period, comprising R$42,492 of ICMS credits, R$14,477 of property, plant and equipment and R$897 of Inventories.

(iv) In the year ended December 31, 2017, the amount of R$73,010 was recorded as impairment of assets, related to goodwill arising from the acquisition of the subsidiary Rios Unidos and the associate Codeme. This amount was recorded in "Other operating income (expenses)".

See accompanying notes.

(ii) Consolidated

	12/31/2016	Additions (reductions)	Equity in the results of investees	Interest on capital and dividends	Other	12/31/2017
Jointly-controlled subsidiaries						
Modal	2,669	-	2,830	(2,827)	-	2,672
Unigal	573,284	-	132,707	(126,000)	-	579,991
Usiroll	8,831	-	1,306	-	(264)	9,873
Goodwill in jointly-controlled subsidiaries (i)	16,083	(1,882)	-	-	-	14,201
	600,867	(1,882)	136,843	(128,827)	(264)	606,737
Associates						
Codeme	61,944	-	(33,847)	-	2,776	30,873
MRS	388,532	-	50,384	(34,661)	(9)	404,246
Terminal Paraopeba	910	-	(8)	-	-	902
Terminal Sarzedo	1,852	-	1,585	(1,978)	-	1,459
Other	2,696	-	(61)	-	-	2,635
Goodwill in associates (i)	69,375	(62,175)	-	-	-	7,200
	525,309	(62,175)	18,053	(36,639)	2,767	447,315
	1,126,176	(64,057)	154,896	(165,466)	2,503	1,054,052

(i) In the year ended December 31, 2017, the amount of R$64,057 was recorded as impairment of assets, related to goodwill arising from the acquisition of the subsidiary Modal and the associate Codeme. This amount was recorded in “Other operating income (expenses)”.

See accompanying notes.

(b) Financial information on associated companies

The Company's share of profit (loss) in its main associates at December 31, 2017 is as follows:

	Country of incorporation	Assets	Liabilities	Equity	Net revenue	Profit	% interest held
Codeme	Brazil	373,142	224,832	148,310	119,345	(31,855)	30.77
MRS (i)	Brazil	7,799,492	4,257,721	3,541,771	3,492,805	443,532	11.41

(i) Direct investment of 0.28% and indirect investment of 11.13% through UPL.

The share of profit was calculated after income tax and social contribution and non-controlling interest in associates.

The voting capital percentage in the associated companies is the same as that of total capital, except for the company MRS, where the percentage of voting capital is 19.92%. USIMINAS participates in the control group and has significant influence, and classifies this investment as associated company.

The summarized financial statements of the jointly-controlled subsidiaries are consolidated as shown below.

See accompanying notes.

(i) Summarized balance sheets

	12/31/2017			12/31/2016		
	Modal	Unigal	Usiroll	Modal	Unigal	Usiroll
Current assets						
Cash and cash equivalents	2,663	262,599	4,206	2,496	30,818	2,063
Trade receivables	894	33,215	1,193	827	52,994	1,044
Inventories	-	46,925	362	-	48,702	407
Other	8	5,110	132	8	12,615	138
Total current assets	3,565	347,849	5,893	3,331	145,129	3,652
Non-current assets						
Long-term receivables	-	2,466	-	-	13,402	56
Property, plant and equipment	2,597	905,003	14,418	2,621	948,863	15,068
Intangible assets	-	204	6	-	432	7
Total non-current assets	2,597	907,673	14,424	2,621	962,697	15,131
Total assets	6,162	1,255,522	20,317	5,952	1,107,826	18,783
Liabilities and equity						
Borrowings	-	33,152	-	-	97,939	-
Trade payables	138	8,411	127	-	7,366	93
Contingencies	-	1,291	-	-	12,674	47
Deferred income tax and social contribution	-	179,703	5	-	148,052	-
Other (i)	681	195,295	434	615	12,219	978
Equity	5,343	837,670	19,751	5,337	829,576	17,665
Total liabilities and equity	6,162	1,255,522	20,317	5,952	1,107,826	18,783

(i) At December 31, 2017, Unigal approved the distribution of dividends and interest on capital amounting to R$180,000.

(ii) Summarized statements of income

	12/31/2017			12/31/2016		
	Modal	Unigal	Usiroll	Modal	Unigal	Usiroll
Net sales and services	9,648	361,332	8,795	9,302	277,041	8,073
Cost of sales and services	(2,997)	(102,644)	(4,302)	(2,722)	(99,929)	(4,211)
Operating income (expenses):	(33)	(13,354)	(791)	(29)	(12,694)	(2,100)
Finance income (costs)	208	8,637	206	255	39,100	168
Provision for IRPJ and CSLL	(1,160)	(65,877)	(1,296)	(1,135)	(53,518)	(632)
Profit for the year	5,666	188,094	2,612	5,671	150,000	1,298

See accompanying notes.

(c) Other significant information on the investments

Mineração Usiminas - Service agreement related to port operation with Porto Sudeste do Brasil S.A. (formerly MMX Porto Sudeste Ltda.)

On May 27, 2015, Mineração Usiminas S.A. notified Porto Sudeste do Brasil S.A. (formerly MMX Porto Sudeste Ltda.) of the immediate termination of the agreement for the rendering of port operation services related to the receipt, handling, storage and shipment of ore owned by Mineração Usiminas at the Porto Sudeste Terminal under Take-or-Pay and Delivery-or-Pay arrangements. This agreement was terminated due to repeated default by Porto Sudeste in its obligation of completing and putting the port into operation, as well as to non-payment of contractual penalties. The Company took reasonable steps to enforce its rights, including in arbitration proceedings claiming the payment of penalties, compensation for loss of profits, in addition to other damages provided for in the agreement. The agreement signed was effective for 5 years as from the first shipment, originally scheduled for April 2012.

On June 6, 2017, Mineração Usiminas entered into an agreement with Porto Sudeste to terminate the arbitration proceeding, which resulted in the termination of said agreement and the waiver of all rights that both parties might still have in relation to the agreement. The agreement establishes a payment by Porto Sudeste to Mineração Usiminas in the amount of R$205,106. On the same date, a new agreement for the rendering of port operation services was signed, which provides that Mineração Usiminas will have the right, but not the obligation, to handle a total volume of up to 17.5 million metric tons of iron ore at Porto Sudeste Port Terminal, located in the municipality of Itaguaí - RJ.

On July 12, 2017, the subsidiary Mineração Usiminas S.A. received the amount of R$205,106 from Porto Sudeste do Brasil S.A., arising from the agreement entered into to terminate the arbitration proceeding. With this receipt, the accounting effects of which were recorded in the statement of income at June 30, 2017, the agreement for the rendering of port operation services entered into on February 11, 2011 and the arbitration proceedings are now terminated. The judgment that approved the agreement between the parties was rendered on September 5, 2017.

See accompanying notes.

16 Property, plant and equipment

		Parent company					
		12/31/2017			12/31/2016		
	Weighted average rate of annual depreciation %	Cost	Accumulated depreciation	PP&E net	Cost	Accumulated depreciation	PP&E net
In operation							
Buildings	4	2,043,821	(1,236,488)	807,333	2,034,834	(1,191,917)	842,917
Machinery and equipment	5	20,814,835	(12,243,142)	8,571,693	20,737,962	(11,497,391)	9,240,571
Facilities	4	905,888	(232,928)	672,960	780,681	(187,650)	593,031
Furniture and fittings	17	49,775	(40,340)	9,435	49,425	(37,055)	12,370
IT equipment	29	176,834	(168,610)	8,224	174,720	(160,545)	14,175
Vehicles	66	37,039	(35,757)	1,282	37,327	(34,810)	2,517
Tools and instruments	20	195,186	(172,944)	22,242	193,262	(163,426)	29,836
		24,223,378	(14,130,209)	10,093,169	24,008,211	(13,272,794)	10,735,417
Land		419,550	-	419,550	419,553	-	419,553
Total in operation		24,642,928	(14,130,209)	10,512,719	24,427,764	(13,272,794)	11,154,970
Under construction							
Construction in progress		555,878	-	555,878	598,966	-	598,966
Assets in progress		32,793	-	32,793	7,941	-	7,941
Imports in transit		512	-	512	2,076	-	2,076
Advances to suppliers		817	-	817	416	-	416
Capitalized charges on borrowings		7,613	-	7,613	46,438	-	46,438
Other		82,479	-	82,479	72,251	-	72,251
Total under construction		680,092	-	680,092	728,088	-	728,088
		25,323,020	(14,130,209)	11,192,811	25,155,852	(13,272,794)	11,883,058

See accompanying notes.

		Consolidated					
		12/31/2017			12/31/2016		
	Weighted average rate of annual depreciation %	Cost	Accumulated depreciation	PP&E net	Cost	Accumulated depreciation	PP&E net
In operation							
Buildings	4	2,400,504	(1,418,472)	982,032	2,391,791	(1,356,869)	1,034,922
Machinery and equipment	5	22,059,248	(13,053,003)	9,006,245	22,006,733	(12,226,909)	9,779,824
Facilities	4	1,618,523	(518,455)	1,100,068	1,489,090	(421,235)	1,067,855
Furniture and fittings	17	66,823	(54,102)	12,721	67,038	(50,472)	16,566
IT equipment	29	218,076	(202,079)	15,997	217,355	(191,940)	25,415
Vehicles	66	55,914	(54,507)	1,407	57,260	(54,410)	2,850
Tools and instruments	20	224,943	(188,394)	36,549	222,747	(176,700)	46,047
Other		91,118	(6,079)	85,039	89,285	(4,817)	84,468
		26,735,149	(15,495,091)	11,240,058	26,541,299	(14,483,352)	12,057,947
Land		798,335	-	798,335	798,338	-	798,338
Total in operation		27,533,484	(15,495,091)	12,038,393	27,339,637	(14,483,352)	12,856,285
Under construction							
Construction in progress		705,901	-	705,901	743,294	-	743,294
Assets in progress		45,967	-	45,967	27,753	-	27,753
Imports in transit		545	-	545	2,109	-	2,109
Advances to suppliers		929	-	929	430	-	430
Capitalized charges on borrowings		7,613	-	7,613	46,438	-	46,438
Other		83,270	-	83,270	72,581	-	72,581
Total under construction		844,225	-	844,225	892,605	-	892,605
		28,377,709	(15,495,091)	12,882,618	28,232,242	(14,483,352)	13,748,890

Changes in property, plant and equipment are as follows:

	Parent company							
	Buildings	Machinery and equipment	Facilities	Tools and instruments	Land	Under construction	Other	Total
At December 31, 2016	842,917	9,240,571	593,031	29,836	419,553	728,088	29,062	11,883,058
Additions (i)	-	1,332	-	6	-	168,261	28	169,627
Additions (capital reduction)	-	7,575	6,662	185	-	-	55	14,477
Disposals	-	(669)	-	(2)	(3)	(8,729)	(1)	(9,404)
Depreciation (ii)	(44,691)	(746,945)	(45,279)	(9,564)	-	-	(13,029)	(859,508)
Capitalized charges on borrowings (iii)	-	-	-	-	-	7,613	-	7,613
Transfers	9,107	68,635	115,916	1,781	-	(198,295)	2,856	-
Other (iv)	-	1,194	2,630	-	-	(16,846)	(30)	(13,052)
At December 31, 2017	807,333	8,571,693	672,960	22,242	419,550	680,092	18,941	11,192,811

(i) Additions to property, plant and equipment in the Parent company comprise cash purchases totaling R$169,627.
(ii) At December 31, 2017, in addition to the total depreciation for the period the amount of R$82,440 related to the depreciation originally recognized in inventories and realized in the period was recognized in profit or loss.
(iii) These charges were capitalized at the contracted rates, which are described in Note 20.
(iv) The column “Under construction” includes balances of transfer to intangible assets of R$17,855, and transfer of inventory items related to property, plant and equipment totaling R$4,801.

See accompanying notes.

	Parent company							
	Buildings	Machinery and equipment	Facilities	Tools and instruments	Land	Under construction	Other	Total
At December 31, 2015	864,465	9,941,429	195,051	39,394	419,553	1,224,674	31,611	12,716,177
Additions (i)	-	5,125	-	-	-	159,158	158	164,441
Disposals	(354)	(11,195)	-	(73)	-	(56,439)	(1)	(68,062)
Depreciation (ii)	(44,285)	(872,034)	(31,147)	(10,426)	-	-	(15,783)	(973,675)
Capitalized charges on borrowings	-	-	-	-	-	46,438	-	46,438
Write-off of prepayments	-	-	-	-	-	(3,086)	-	(3,086)
Transfers	23,091	176,452	409,735	941	-	(623,035)	12,816	-
Other	-	794	19,392	-	-	(19,622)	261	825
At December 31, 2016	842,917	9,240,571	593,031	29,836	419,553	728,088	29,062	11,883,058

(i) Additions to property, plant and equipment in the Parent company comprise cash purchases of R$163,250 and purchases under the FINAME system amounting to R$1,191.
(ii) At December 31, 2016, in addition to the total depreciation for the period, the amount of R$21,894 related to the depreciation originally recognized in inventories and realized in the period was recognized in profit or loss.

	Consolidated							
	Buildings	Machinery and equipment	Facilities	Tools and instruments	Land	Under construction	Other	Total
At December 31, 2016	1,034,922	9,779,824	1,067,855	46,047	798,338	892,605	129,299	13,748,890
Additions (i)	-	9,559	2,657	158	-	195,604	493	208,471
Disposals	(243)	(831)	-	(9)	(3)	(8,729)	(15)	(9,830)
Depreciation (ii)	(61,756)	(851,135)	(111,536)	(12,274)	-	-	(19,769)	(1,056,470)
Capitalized charges on borrowings (iii)	-	-	-	-	-	7,613	-	7,613
Impairment of assets	-	-	-	-	-	-	1,833	1,833
Transfers	9,109	66,319	137,643	2,643	-	(219,090)	3,376	-
Other (iv)	-	2,509	3,449	(16)	-	(23,778)	(53)	(17,889)
At December 31, 2017	982,032	9,006,245	1,100,068	36,549	798,335	844,225	115,164	12,882,618

(i) Additions to property, plant and equipment in Consolidated comprise cash purchases totaling R$208,471.
(ii) At December 31, 2017, in addition to the total depreciation for the period the amount of R$82,440 related to the depreciation originally recognized in inventories and realized in the period was recognized in profit or loss.
(iii) These charges were capitalized at the contracted rates, which are described in Note 20.
(iv) The column “Under construction” includes balances of transfer to intangible assets of R$19,350, and transfer of inventory items related to property, plant and equipment totaling R$13,016.

See accompanying notes.

	Consolidated							
	Buildings	Machinery and equipment	Facilities	Tools and instruments	Land	Under construction	Other	Total
At December 31, 2015	1,047,756	10,552,413	717,632	57,226	798,338	1,425,978	144,286	14,743,629
Additions (i)	237	8,775	2,760	153	-	196,909	638	209,472
Disposals	(354)	(11,760)	(1)	(77)	-	(56,435)	(7,588)	(76,215)
Depreciation (ii)	(60,636)	(981,175)	(93,465)	(13,102)	-	-	(23,050)	(1,171,428)
Capitalized charges on borrowings	-	-	-	-	-	46,438	-	46,438
Write-off of prepayments	-	-	-	-	-	(3,086)	-	(3,086)
Transfers	47,919	210,777	421,537	1,845	-	(696,782)	14,704	-
Other	-	794	19,392	2	-	(20,417)	309	80
At December 31, 2016	1,034,922	9,779,824	1,067,855	46,047	798,338	892,605	129,299	13,748,890

(i) Additions comprise cash purchases of R$207,035; credit purchases of R$1,246; and purchases under the FINAME system amounting to R$1,191.
(ii) At December 31, 2016, in addition to the total depreciation for the period, the amount of R$21,894 related to the depreciation originally recognized in inventories and realized in the period was recognized in profit or loss.

At December 31, 2017, additions to property, plant and equipment amounting to R$208,471 mainly refer to the resuming of operations of Ipatinga's AF1 (R$ 48,168), sustaining equipment (R$31,574), replacement of staves in blast furnace No. 3 in Ipatinga (R$17,239), replacement of the converter frame No. 5 of the steel plant of Ipatinga (R$4,733), replacement of shed beams of the continuous casting area in Ipatinga (R$4,378), replacement of Askarel-insulated transformers in Cubatão (R$4,069), improvements in the coke plant No. 2 of Ipatinga (R$4,028), implementation of a wastewater chemical treatment system in Cubatão (R$ 4,024) and compact projects (R$3,120) and disposal of scrap for the Samambaia dam (R$ 2,571) of the subsidiary Mineração Usiminas.

At December 31, 2017, construction in progress amounting to R$844,225 in Consolidated refers to projects for improvement of the production process to maintain the production capacity, sustaining and environmental protection projects. The main works include: rolling mill for thick steel plates at Ipatinga (R$334,862), resuming of operations of Ipatinga's AF1 (R$48,168); replacement of staves in blast furnace No. 3 in Ipatinga (R$18,480); and a project for processing compact iron ore (R$75,937) of the subsidiary Mineração Usiminas.

At December 31, 2017, interest and foreign exchange variation were capitalized on borrowings in property, plant and equipment, at an amount of R$7,613 in the Parent company and in Consolidated. (ii) These charges were capitalized at the contracted rates, which are described in Note 20.

At December 31, 2017, depreciation in the Parent company was recognized in "Cost of sales", "Selling expenses" and "General and administrative expenses", in the amounts of R$844,724, R$3,125 and R$11,659 (December 31, 2016 – R$957,275, R$3,130 and R$13,270), respectively. At the same date, in the Consolidated accounts, depreciation was recognized in "Cost of sales", "Selling expenses" and "General and administrative expenses" in the amounts of R$1,035,389, R$4,424 and R$16,658 (December 31, 2016 - R$1,148,451, R$4,485 and R$18,492), respectively.

See accompanying notes.

Certain property, plant and equipment items are pledged as collateral for borrowings and judicial proceedings (Note 39).

17 Impairment of non-financial assets

For calculation of the recoverable amount of each business segment, Usiminas uses the discounted cash flow method based on the economic and financial projections of each segment. The projections take into consideration the changes observed in the economic scenario of the markets in which the companies operate, as well as assumptions of expected results and the history of profitability of each segment.

Usiminas has four cash generating units or reportable operating segments, which offer different products and services and are managed separately. These cash generating units are determined based on the smallest identifiable group of assets that generates cash inflows and there are no different segments or cash generating units within the same company.

The four cash generating units and/or reportable segments identified in the Company are Mining and Logistics, Steelworks, Steel Transformation and Capital Goods (Note 28).

At December 31, 2017, Usiminas evaluated its cash generating units as described below:

(a) Impairment testing of goodwill

For the cash generating units which include intangible assets with indefinite useful lives (goodwill), Usiminas carried out tests for impairment as described below.

The operating segment-level summary of the goodwill allocation is presented below:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Mining		-	21,401	23,283
Steelworks	110,343	183,353	110,343	183,353
Steel transformation		-	2,433	2,433
	110,343	183,353	134,177	209,069

In the year ended December 31, 2017, an impairment loss was recognized in the Steel segment amounting to R$73,010 (December 31, 2016 - R$8,030), of which R$62,175 related to goodwill paid on the acquisition of associate Codeme and R$10,835 of associate Rios Unidos. An impairment loss of R$1,882 was recognized in the Mining segment related to goodwill of subsidiary Modal. These amounts were recorded in “Other operating income (expenses)”.

The calculations of value in use utilize cash-flow projections based on financial budgets approved by the Executive Board.

See accompanying notes.

To calculate the recoverable value, 5-year projections of sales volumes, average prices and operating costs were prepared by the commercial and planning areas, considering market share, international price changes and dollar and inflation rates based on market reports. The need for working capital and investments to maintain the assets tested were also considered.

For the subsequent years growth rates were adopted based on estimated long-term inflation and foreign exchange rates.

The discount rates used were based on market information available on the testing date. The Company adopted different rates for each business segment tested to reflect its capital structure. The nominal rates used to discount the cash flow of each cash generating unit ranged from 11.9% to 14.9% p.a.

The long-term inflation rate used in the projected flows was 4.3% p.a.

(b) Impairment testing of the mining segment

The value in use of the Mining segment was updated to reflect management's best estimates of future results from the processing and sale of iron ore, based on projections of sales price, expenses and investments. This evaluation can change depending on commodity price fluctuations, and any changes in long-term expectations can lead to future adjustments to the recognized amount.

The discount rate applied to the projections of future cash flows represented an estimate of the rate that the market would use to meet the risks of the asset being evaluated. The actual rate in reais (R$) used was 7.54% p.a. The Company considered market sources to define the inflation and foreign exchange rates used in the projections of future cash flows. The estimated Brazilian long-term inflation rate was 4.08% p.a. For the projection of annual exchange rates (real / dollar), the long-term inflation rates for United States and Brazil were considered. Projected prices for iron ore (CFR China, 62% Fe) ranged from US$60/metric ton to US$63/metric ton. The prices used to calculate future cash flows are within the range of estimates published by market analysts.

In the year ended December 31, 2016, the Company recognized a reversal of impairment of R$357,508, which was recognized in the statement of income of the financial statements of the subsidiary Mineração Usiminas S.A. The remaining impairment in the amount of R$1,641,432 continues to be monitored by the Company and will be reversed considering future projections.

The Company will continue to monitor the key assumptions of this business segment.

See accompanying notes.

(c) Impairment testing of other long-lived assets

At December 31, 2017 and 2016, the Company performed impairment tests of the property, plant and equipment of its cash generating units of the Steelworks, Steel Transformation and Capital Goods segments. No impairment loss was identified in long-term assets of the Steelworks and other segments.

To calculate the recoverable value, 5-year projections of sales volume, average prices and operating costs were prepared by the commercial and planning areas, considering market share, international price changes and dollar and inflation rates. For the subsequent years growth rates were adopted based on estimated long-term inflation and foreign exchange rates. The discounted cash flow was prepared according to the estimated useful life of the equipment in use.

The scenarios used in the aforementioned tests are Usiminas' best estimates for future results and cash generation in its business segments.

The assumptions used in the impairment testing of long-term assets are the same assumptions used in the impairment testing of goodwill described in item (a).

Management will continue to monitor the results in 2018, which will indicate the reasonableness of the future projections used Long-lived assets by operating segment are described in Note 28.

18 Intangible assets

The composition of intangible assets is as follows:

		Parent company					
		12/31/2017			12/31/2016		
	Weighted average rate of annual depreciation %	Cost	Accumulated amortization	Net balance	Cost	Accumulated amortization	Net balance
Software	27	242,821	(170,547)	72,274	196,945	(146,307)	50,638
Goodwill	-	153,692	(43,349)	110,343	153,692	(43,349)	110,343
Other	-	4,049	-	4,049	25,874	-	25,874
		400,562	(213,896)	186,666	376,511	(189,656)	186,855

See accompanying notes.

		Consolidated					
		12/31/2017			12/31/2016		
	Weighted average rate of annual depreciation %	Cost	Accumulated amortization	Net balance	Cost	Accumulated amortization	Net balance
Software	27	335,591	(252,302)	83,289	287,700	(222,902)	64,798
Goodwill	-	156,125	(43,349)	112,776	166,960	(43,349)	123,611
Mineral rights	-	2,063,280	(80,560)	1,982,720	2,063,280	(77,882)	1,985,398
Impairment of assets	-	(1,509,251)	-	(1,509,251)	(1,509,251)	-	(1,509,251)
Other	-	21,539	(13,883)	7,656	42,382	(13,020)	29,362
		1,067,284	(390,094)	677,190	1,051,071	(357,153)	693,918

The changes in intangible assets are presented below:

	Parent company			
	Goodwill paid on acquisition	Software acquired	Other	Total
Residual value at December 31, 2016	110,343	50,638	25,874	186,855
Additions	-	-	6,196	6,196
Transfers	-	25,389	(25,389)	-
Amortization	-	(24,240)	-	(24,240)
Other	-	20,487	(2,632)	17,855
At December 31, 2017	110,343	72,274	4,049	186,666
Total cost	153,692	242,821	4,049	400,562
Accumulated amortization	(43,349)	(170,547)	-	(213,896)
Residual value at December 31, 2017	110,343	72,274	4,049	186,666
Annual amortization rate %	-	27	-	-

See accompanying notes.

	Parent company			
	Goodwill paid on acquisition	Software acquired	Other	Total
Residual value at December 31, 2015	110,343	42,780	30,618	183,741
Additions	-	52	14,025	14,077
Disposals	-	-	(35)	(35)
Transfers	-	7,566	(7,566)	-
Amortization	-	(16,259)	-	(16,259)
Other		16,499	(11,168)	5,331
At December 31, 2016	110,343	50,638	25,874	186,855
Total cost	153,692	196,945	25,874	376,511
Accumulated amortization	(43,349)	(146,307)	-	(189,656)
Residual value at December 31, 2016	110,343	50,638	25,874	186,855
Annual amortization rate %	-	24	-	-

	Consolidated				
	Mineral rights (i)	Goodwill paid on acquisition	Software acquired	Other	Total
Residual value at December 31, 2016	476,148	123,611	64,798	29,361	693,918
Additions	-	-	1.314	6.385	7.699
Transfers	-	-	24.596	(24.596)	-
Amortization	(2,678)	-	(29.400)	(863)	(32.941)
Reversal of impairment of assets	-	(10,835)	-	-	(10.835)
Other			21.981	(2.632)	19.349
At December 31, 2017	473,470	112,776	83,289	7,655	677,190
Total cost	557,929	156,125	335,591	17,639	1,067,284
Accumulated amortization	(84,459)	(43,349)	(252,302)	(9,984)	(390,094)
Residual value at December 31, 2017	473,470	112,776	83,289	7,655	677,190
Annual amortization rate %	-	-	27	-	-

(i) Mineral rights are amortized in accordance with mine depletion at an average rate of R$0.55 per metric ton (this rate is adjusted considering the net value of the asset, net of impairment.

See accompanying notes.

	Consolidated				
	Mineral rights (i)	Goodwill paid on acquisition	Software acquired	Other	Total
Residual value at December 31, 2015	119,317	123,611	59,816	35,178	337,922
Additions	-	-	1,349	14,375	15,724
Disposals	-	-	-	(35)	(35)
Transfers	-	-	8,797	(8,797)	-
Amortization	(677)	-	(22,300)	(192)	(23,169)
Reversal of impairment of assets	357,508	-	-	-	357,508
Other	-	-	17,136	(11,168)	5,968
At December 31, 2016	476,148	123,611	64,798	29,361	693,918
Total cost	557,929	166,960	287,700	38,482	1,051,071
Accumulated amortization	(81,781)	(43,349)	(222,902)	(9,121)	(357,153)
Residual value at December 31, 2016	476,148	123,611	64,798	29,361	693,918
Annual amortization rate %	-	-	24	-	-

(i) Mineral rights are amortized in accordance with mine depletion at an average rate of R$0.13 per metric ton (this rate is adjusted considering the net value of the asset, net of impairment.

At December 31, 2017, additions to consolidated intangible assets of R$7,699 mainly refer to the e-social project (R$703), optimization and protection of the corporate network (R$700), tax collection management (R$489), Steel Metallurgy and Rolling Processes industrial site (R$ 463), and technological upgrading projects of the subsidiary Soluções Usiminas (R$1,314) and the subsidiary Mineração Usiminas (R$189).

The amortization in the Parent company accounts was recognized in "Cost of sales" and "General and administrative expenses" in the amounts of R$ 310 and R$23,930 (December 31, 2016 - R$308 in "Cost of sales" and R$15,951 in "General and administrative expenses"), respectively. At the same date, in the Consolidated accounts, amortization was recognized in “Cost of sales”, “Selling expenses” and “General and administrative expenses” in the amounts of R$5,540, R$74 and R$27,327 (December 31, 2016 - R$3,147, R$123 and R$19,899), respectively.

Goodwill arising from the difference between the amounts paid to acquire investments in subsidiaries and the fair value of assets and liabilities (goodwill based on expected future profitability) is classified as intangible assets in the parent company and consolidated financial statements.

At December 31, 2017, an impairment of R$10,835 was recognized in the statement of income of the financial statements of the subsidiary Rios Unidos (Note 17(a)). In 2016, a reversal of impairment of R$357,508 was recognized in the statement of income of the Mining segment (Note 17 (b)).

See accompanying notes.

19 Trade payables, contractors and freight charges

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
In Brazil	392,304	651,732	471,041	704,711
Abroad	29,034	31,387	47,460	35,812
Payables to related companies	454,061	177,716	458,416	105,854
	875,399	860,835	976,917	846,377

20 Loans and financing

On September 12, 2016, the Company completed the renegotiation of its financial debt with its creditors. As part of this renegotiation, the following conditions were established that would require the early maturity of the debts:

(i) the non-receipt of funds held in cash of its subsidiary Mineração Usiminas S.A. (MUSA) at a minimum amount of R$ 700,000 up to June 30, 2017; and

(ii) the non-performance of an exchange offer of not less than 50% of Eurobonds originally issued in 2008 in the total amount of US$400 million, maturing in January 2018, up to June 30, 2017. This offer would cover only the Eurobonds outstanding on the market, which represent approximately US$180 million at December 31, 2017.

With respect to item (i), at the Extraordinary General Meeting of MUSA held on March 3, 2017, a reduction of its share capital of R$1,000,000 was approved, of which R$700,000 was delivered to the Company on May 19, 2017. As regards item (ii), at June 30, 2017, the Company obtained from the Brazilian Private Banks (Banco do Brasil S.A., Banco Bradesco S.A. and Itaú Unibanco S.A.) and the National Bank for Economic and Social Development (BNDES) a waiver from the obligation to carry out the exchange offer transaction, which was conditional on obtaining on a definitive basis such waiver from the Japanese Banks (Nippon Usiminas Co., Ltd., Japan Bank for International Cooperation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation) and from the debenture holders, which was obtained on August 31, 2017. In consideration, the Company agreed to pay to the Brazilian Private Banks, BNDES, Japanese Banks and debenture holders on December 15, 2017, the amount corresponding to 50% of the outstanding balance of the principal amount of Eurobonds, on a pro-rata basis, as partial repayment of the Company's debts to each of these creditors. At December 15, 2017, this amount was R$290,410.

See accompanying notes.

20.1 Conditions and covenants of debt renegotiation

(a) Covenants

With respect to financial covenants, the Company is required to comply with the following indices, calculated on an individual basis (Parent company):

(i) Net debt / EBITDA:

- less than or equal to 4.5 times at June 30, 2019 and December 31, 2019;
- less than or equal to 3.5 times at June 30, 2020 and December 31, 2020;
- less than or equal to 3.0 times at June 30, 2021 and December 31, 2021; and
- less than or equal to 2.5 times in the half-yearly measurements determined at June 30 and December 31 of subsequent years.

(ii) EBITDA / Finance costs:

- not less than 2.0 times at June 30, 2019, December 31, 2019 and in the half-yearly measurements determined at June 30 and December 31 of subsequent years.

In relation to the non-financial covenants established in the debt instruments, the Company has monitoring controls and, for the year ended December 31, 2017, no breaches of these covenants were found, except in relation to the offering of guarantees to certain creditors in the context of the renegotiation, which would no longer be permitted under the Eurobond provisions due to the expiration, at June 30, 2017, of the temporary waiver previously granted by the holders of such bonds with respect to the limitation of guarantees offered as established in the Eurobond provisions. Such non-compliance can be remedied by the Company within 60 days from the date of receipt of a notice of non-compliance sent by the custodian of the Eurobonds or by a minimum quorum of Eurobond holders, which has not been received to date. After the expiration of this period, non-compliance would give rise to early maturity only if a new notice was received from the custodian of the Eurobonds or from a minimum quorum of Eurobond holders, requesting the early maturity of the debt. The Company chose not to request a new waiver from the Eurobonds holders with respect to these limitations on the offering of guarantees, taking into account, among other factors, the full payment of the Eurobonds in January 2018.

(b) Cash sweep

The debt renegotiation instruments also defined the cash sweep mechanism, which requires that the Company, if there is a cash surplus exceeding the established limits at June 30 and December 31 of each year, excluding certain liquidity events, distribute this excess amount of cash to its creditors on a pro-rata basis, for the early repayment of the principal amount, interest and other charges payable under these instruments.

For the year ended December 31, 2017, the Company determined the amount of R$378,799 as cash surplus, which was reclassified to the short term, since it will be paid on a pro-rata basis to its creditors up to March 15, 2018.

See accompanying notes.

20.2 Composition of borrowings

The composition of borrowings is as follows:

(a) Parent company

(i) In local currency

	Currency / index	Maturity of the principal amount	Annual finance charges (%)	12/31/2017 Current	12/31/2017 Non-current	12/31/2016 Current	12/31/2016 Non-current
BNDES	R$	2026	TJLP + 3.48%, 3.88% and 4.88% p.a.	23,996	332,140	1,822	371,586
BNDES	R$	2018	5.50% p.a.	431	-	1,278	425
BNDES	R$	2026	TJLP	248	3,512	13	3,930
Government Agency for Machinery and Equipment Financing (FINAME)	R$	2018 to 2024	2.5% to 9.5% p.a.	4,926	20,378	8,190	25,250
Banco do Brasil	R$	2026	CDI + 3% p.a.	157,591	2,222,667	17,137	2,486,701
Bradesco	R$	2025	TR + 9.8% p.a.	8,019	49,213	7,709	53,115
Bradesco	R$	2026	CDI + 3% p.a.	34,790	488,784	4,620	546,856
Itaú BBA	R$	2026	CDI + 3% p.a.	42,898	602,680	5,696	674,289
Commissions and other costs	-	-	-	(12,772)	(60,853)	(12,797)	(73,626)
				260,127	3,658,521	33,668	4,088,526

(ii) In foreign currency

	Currency / index	Maturity of the principal amount	Annual finance charges (%)	12/31/2017 Current	12/31/2017 Non-current	12/31/2016 Current	12/31/2016 Non-current
BNDES	US$	2026	Basket of currencies (US$) + 3.88% p.a.	1,297	18,226	72	20,112
BNDES	US$	2026	Basket of currencies (US$) + 3.88% p.a.	7,638	107,267	422	118,375
Nippon Usiminas	US$	2026	Libor + 2.83% p.a.	10,583	152,091	381	167,606
JBIC	US$	2026	Libor + 2.55% p.a.	28,135	406,637	675	448,120
JBIC	US$	2026	Libor + 2.885% p.a.	28,347	406,637	872	448,120
Eurobond	YEN	2017	4.1165% p.a.	-	-	25,388	1,199,220
Commissions and other costs	-	-	-	(1,659)	(7,949)	(1,660)	(9,610)
				74,341	1,082,909	26,150	2,391,943
In local currency				260,127	3,658,521	33,668	4,088,526
				334,468	4,741,430	59,818	6,480,469

See accompanying notes.

(b) Consolidated

(i) In local currency

	Currency / index	Maturity of the principal amount	Annual finance charges (%)	12/31/2017 Current	12/31/2017 Non-current	12/31/2016 Current	12/31/2016 Non-current
BNDES	R$	2026	TJLP + 3.48%, 3.88% and 4.88% p.a.	23,996	332,140	1,822	371,586
BNDES	R$	2018	5.50% p.a.	431	-	1,278	425
BNDES	R$	2026	TJLP	248	3,512	13	3,930
FINAME	R$	2018 to 2024	2.5% to 10% p.a.	7,431	24,245	11,342	31,603
Banco do Brasil	R$	2026	CDI + 3% p.a.	157,591	2,222,667	17,137	2,486,701
Bradesco	R$	2025	TR + 9.8% p.a.	8,019	49,213	7,709	53,115
Bradesco	R$	2026	CDI + 3% p.a.	34,790	488,784	4,620	546,856
Itaú BBA	R$	2026	CDI + 3% p.a.	42,898	602,680	5,696	674,289
Other	-	-	-	269	13,171	2,637	13,172
Commissions and other costs	-	-	-	(12,772)	(60,853)	(12,797)	(73,626)
				262,901	3,675,559	39,457	4,108,051

(ii) In foreign currency

	Currency / index	Maturity of the principal amount	Annual finance charges (%)	12/31/2017 Current	12/31/2017 Non-current	12/31/2016 Current	12/31/2016 Non-current
BNDES	US$	2026	Basket of currencies (US$) + 3.88% p.a.	1,297	18,226	72	20,112
BNDES	US$	2026	Basket of currencies (US$) + 3.88% p.a.	7,638	107,267	422	118,375
Nippon Usiminas	US$	2026	Libor + 2.83% p.a.	10,583	152,090	381	167,606
JBIC	US$	2026	Libor + 2.55% p.a.	28,135	406,637	675	448,120
JBIC	US$	2026	Libor + 2.885% p.a.	28,347	406,637	872	448,120
Eurobond	US$	2018	7.25%	590,704	-	18,330	563,642
Other	-	-	-	-	-	3,608	-
Commissions and other costs	-	-	-	(1,659)	(7,948)	(1,660)	(9,610)
				665,045	1,082,909	22,700	1,756,365
In local currency				262,901	3,675,559	39,457	4,108,051
				927,946	4,758,468	62,157	5,864,416

See accompanying notes.

20.3 Schedule of borrowings in non-current liabilities

The amounts recorded in non-current liabilities have the following composition, by maturity year:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
2018	-	1,198,975	-	568,519
2019	66,368	67,924	70,943	72,513
2020	332,197	336,046	336,104	339,953
2021	624,370	623,317	627,517	626,464
2022	903,198	897,509	905,928	900,239
2023 to 2026	2,815,297	3,356,698	2,817,976	3,356,728
	4,741,430	6,480,469	4,758,468	5,864,416

20.4 Changes in borrowings

Changes in borrowings are as follows:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Opening balance	6,540,287	8,204,643	5,926,573	6,808,424
Inflows	-	193,422	-	206,592
Recognition – renegotiation of debt	-	5,312,578	-	5,312,578
Accrued charges	538,579	449,733	528,546	437,736
Monetary variation	88,269	185,827	88,518	189,091
Exchange variation	73,640	(717,953)	26,400	(625,707)
Payment of interest	(667,509)	(682,363)	(634,409)	(670,791)
Repayment of principal	(1,511,824)	(963,786)	(263,670)	(289,536)
Derecognition – renegotiation of debt	-	(5,354,040)	-	(5,354,040)
Deferral of commissions	14,456	(87,774)	14,456	(87,774)
Closing balance	5,075,898	6,540,287	5,686,414	5,926,573

See accompanying notes.

20.5 Other significant information on borrowings

Eurobonds

In 2008, the foreign subsidiary Usiminas Commercial issued Eurobonds on the market totaling US$400 million. The funds arising from this issue were immediately loaned to the Company by means of an intercompany loan agreement indexed to the JPY. In 2014, the foreign subsidiary Usiminas Europa purchased from third parties a portion of these Eurobonds for approximately US$220 million. In June 2017, the Company reduced the capital of its foreign subsidiary Usiminas Europa, and transferred to its ownership the Eurobonds that this subsidiary had in its portfolio, which totaled R$775,665 at December 31, 2017.

After this capital reduction, the Company began to hold financial assets and liabilities on the same bases, having Usiminas Commercial as its counterparty. Therefore, the Company presented these financial assets and liabilities at their net amount under current liabilities in the interim accounting information at June 30 and September 30, 2017. On December 12, 2017, the Company settled the loan agreement with Usiminas Commercial for a total amount of US$400 million. Therefore, in the year ended December 31, 2017, the Company held only the financial asset with Usiminas Commercial in the amount of R$775,665, as presented in Note 9 - Marketable securities.

See accompanying notes.

21 Debentures

The non-convertible, unsecured debentures issued by the Company, together with loan agreements were included in the debt renegotiation arrangement under the same conditions described in Note 20. Therefore, the amount of R$1,000,000, related to the principal, was derecognized and recognized in 2016, with annual payments maturing between 2019 and 2026, plus finance charges of 3% p.a. plus 100% of the CDI

At December 31, 2017, changes in debentures are as follows:

	Parent company and consolidated	
	12/31/2017	12/31/2016
Opening balance	997,735	1,060,290
Accrued and other charges	115,456	97,300
Monetary variation	12,125	66,596
Payment of interest	(129,841)	(226,451)
Repayment of principal	(46,110)	-
Closing balance (i)	949,365	997,735
Current liabilities	62,031	5,551
Non-current liabilities	887,334	992,184

(i) Balance presented net, after deducting the amount of R$7,816 (December 31, 2016 - R$9,166) related to the deferral of transaction costs, in accordance with Technical Pronouncement CPC 08 - Transaction Costs and Premiums on Issue of Securities.

At December 31, 2017, the charges of R$1,942 on the debentures are recorded in current liabilities (December 31, 2016 - R$5,551).

The amounts recorded in non-current liabilities have the following composition, by maturity year:

	Parent company and consolidated	
	12/31/2017	12/31/2016
2019	11,692	10,764
2020	61,692	61,632
2021	116,692	116,632
2022	169,192	169,131
2023	169,192	169,131
2024 to 2026	358,874	464,894
	887,334	992,184

See accompanying notes.

22 Taxes payable

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
ICMS	42,606	20,111	49,319	22,419
IPI	18,369	10,298	21,168	12,466
IRRF	6,793	7,003	8,353	9,345
ISS	1,046	890	3,321	3,179
PIS and COFINS	1,998	2,439	4,231	6,342
Other	1,781	540	8,697	4,696
	72,593	41,281	95,089	58,447

23 Taxes payable in installments

The composition of taxes payable in installments is as follows:

	Parent company					
	12/31/2017			12/31/2016		
	Taxes payable in installments	Judicial deposits	Net balance	Taxes payable in installments	Judicial deposits	Net balance
INSS	7,265	(7,265)	-	8,405	(8,405)	-
IPI	107,705	(100,079)	7,626	107,284	(100,079)	7,205
REFIS – Law 11,941/09 – IPI and CIDE	32,443	(32,443)	-	32,443	(32,443)	-
REFIS – Law 11,941/09 - IRPJ/CSLL Elimination of the inflation effects of the Verão Economic Stabilization Plan	57,089	(57,089)	-	57,089	(57,089)	-
Other	16	(16)	-	16	(16)	-
	204,518	(196,892)	7,626	205,237	(198,032)	7,205
In current liabilities	-	-	7,626	-	-	7,205

	Consolidated					
	12/31/2017			12/31/2016		
	Taxes payable in installments	Judicial deposits	Net balance	Taxes payable in installments	Judicial deposits	Net balance
INSS	7,265	(7,265)	-	8,405	(8,405)	-
IPI	107,705	(100,079)	7,626	107,284	(100,079)	7,205
REFIS – Law 11,941/09 – IPI and CIDE	32,443	(32,443)	-	32,443	(32,443)	-
REFIS - Law 11,941/09	-	-	-	10,374	-	10,374
PERT	12,868	-	12,868	-	-	-
REFIS – Law 11,941/09 - IRPJ/CSLL Elimination of the inflation effects of the Verão Economic Stabilization Plan	57,089	(57,089)	-	57,089	(57,089)	-
Other	16	(16)	-	16	(16)	-
	217,386	(196,892)	20,494	215,611	(198,032)	17,579
In current liabilities	-	-	20,494	-	-	8,529
In non-current liabilities	-	-	-	-	-	9,050

See accompanying notes.

Changes in the balance of taxes payable in installments are as follows:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Opening balance (i)	205,237	205,000	215,611	215,805
Additions	-	-	6,326	-
Provision for interest	421	560	421	560
Repayment of principal	-	(323)	(4,342)	(1,601)
Disposals	(1,140)	-	(1,140)	-
Monetary variation	-	-	510	847
Subtotal	204,518	205,237	217,386	215,611
Balance of judicial deposit offset	(196,892)	(198,032)	(196,892)	(198,032)
Closing balance (ii)	7,626	7,205	20,494	17,579

(i) From the amount of taxes payable in installments presented in the balance sheet, the amount of R$196,892 (December 31, 2016 - R$198,032), which refers to the offset of judicial deposits, must be deducted.
(ii) The balance of the Parent company substantially comprises IPI. The balance of Consolidated, in addition to the IPI of the Parent company, substantially comprises COFINS.

At December 31, 2017, installments not yet due related to taxes payable in installments are recorded in current liabilities. At December 31, 2016, taxes payable in installments recorded in non-current liabilities are as follows:

	Consolidated
	12/31/2016
2018	1,324
2019	1,324
2020	1,324
2021	1,324
2022 to 2024	3,754
	9,050

See accompanying notes.

24 Provision for litigation

	Parent company					
	12/31/2017			12/31/2016		
	Provisions	Judicial deposits	Net balance	Provisions	Judicial deposits	Net balance
IRPJ and CSLL	-	-	-	1,775	-	1,775
INSS	-	-	-	5,293	-	5,293
ICMS	58,490	-	58,490	3,564	-	3,564
Labor	294,962	(110,478)	184,484	278,859	(108,585)	170,274
Civil	128,472	(30,660)	97,812	119,589	(26,321)	93,268
Other	-	-	-	13,325	-	13,325
	481,924	(141,138)	340,786	422,405	(134,906)	287,499

	Consolidated					
	12/31/2017			12/31/2016		
	Provisions	Judicial deposits	Net balance	Provisions	Judicial deposits	Net balance
IRPJ and CSLL	-	-	-	1,775	-	1,775
INSS	54	(54)	-	5,344	-	5,344
ICMS	86,941	(1,121)	85,820	32,341	-	32,341
PIS/COFINS	-	-	-	17,819	-	17,819
Labor	391,641	(145,652)	245,989	358,106	(108,585)	249,521
Civil	150,562	(33,394)	117,168	137,541	(26,321)	111,220
Other	39,766	(34,234)	5,532	54,937	(3,244)	51,693
	668,964	(214,455)	454,509	607,863	(138,150)	469,713

The Company also has judicial deposits recorded in non-current assets, for which there are no related provisions (Note 14).

Changes in the provisions for litigation are as follows:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Opening balance	422,405	395,834	607,863	557,455
Additions	139,202	66,515	202,058	97,133
Interest/restatements	88,258	73,057	98,241	91,782
Payments/reductions	(121,441	(75,969)	(165,455)	(80,351)
Reversals	(46,500)	(37,032)	(83,228)	(58,156)
Transfers between liabilities	-	-	9,485	-
	481,924	422,405	668,964	607,863

See accompanying notes.

(a) Provisions for litigation

The provisions for litigation were recorded to cover probable losses arising from administrative proceedings and litigation relating to tax, labor, civil and environmental matters, in amounts considered sufficient by Management, based on the advice and assessment of internal and external legal advisors. The most significant proceedings at December 31, 2017 are described below:

(i) Provisions by the parent company

Description	Position	12/31/2017 Balance	12/31/2016 Balance
Labor claims involving employees, former own employees and outsourced personnel of the Ipatinga Plant in which various labor and social security amounts are claimed.	Pending judgment by the Labor Court and administrative bodies, at several levels.	48,228	35,806
Labor claims involving employees, former own employees and outsourced personnel of the Cubatão Plant in which various labor and social security amounts are claimed.	Pending judgment by the Labor Court and administrative bodies, at several levels.	229,020	220,252
Claims for indemnities for material (pension, fixed medical expenses etc.) and moral damages due to exposure to benzene gas during working hours.	Pending judgment.	27,458	27,853
Differences in relation to the price paid for the shares upon the acquisition of a company merged with Soluções Usiminas.	Awaiting the development of the case.	67,071	65,227
Actions for annulment of administrative rulings by the Administrative Council for Economic Defense (CADE) (Usiminas and the former COSIPA).	Pending judgment by the Federal Regional Court (TRF) - 1st region.	11,343	11,536
Action for annulment filed in order to challenge the tax assessment notices issued by the tax authorities of the state of Rio Grande do Sul requiring the payment of ICMS/RS allegedly due by Usiminas.	Pending judgment by the appellate court.	51,925	-
Tax assessment notices related to the payment of Services Tax (ISS) on port services provided by Usiminas at the Praia Mole marine terminal in Vitória, Espírito Santo.	Pending judgment by the Federal Regional Court (TRF) - 1st region.	-	13,250
Other civil and environmental proceedings.	-	22,601	14,974
Other labor claims.	-	17,714	22,802
Other tax proceedings.	-	6,564	10,705
		481,924	422,405

See accompanying notes.

(ii) Provisions by the subsidiary Soluções Usiminas

Description	Position	12/31/2017 Balance	12/31/2016 Balance
Challenge of the interpretation of Law 9,718/98, related to the broadening of the calculation bases of PIS and COFINS.	Pending judgment.	-	17,746
Action challenging the deduction of CSLL on the calculation basis of IRPJ.	Pending judgment.	-	-
Tax Assessment Notice requiring the payment of Value-Added Tax on Sales and Services (ICMS/RS) in connection with an alleged irregularity when recording presumed credits.	Awaiting the development of the case at an appellate court.	28,450	26,527
Labor proceedings consist mainly of claims by former employees in connection with disputes about the amount of compensation paid on terminations.	Pending judgment.	57,539	46,616
Other civil proceedings.	-	16,821	11,904
Other tax proceedings.	-	10,483	9,577
		113,293	112,370

	12/31/2017	12/31/2016
Provisions by the parent company	481,924	422,405
Provisions by Soluções Usiminas	113,293	112,370
Provisions by the other companies	73,747	73,088
Total Consolidated	668,964	607,863

See accompanying notes.

(b) Possible contingencies

Also, the Parent company and some of its subsidiaries are parties to proceedings which involve risks of losses classified as possible by management, based on the assessment of legal counsel, for which no provisions have been recorded, which include:

(i) Parent company's contingencies

Description	Position	12/31/2017 Balance	12/31/2016 Balance
Action challenging non-approval of the offset of federal tax debts against IRPJ credits determined after review of the Taxable Income Control Register (LALUR).	Pending judgment by the appellate court.	91,660	88,414
Tax foreclosure proceedings claiming the reversal of ICMS/SP credits arising from the difference related to material classification between tax authorities and Usiminas records.	Pending judgment by the trial court.	40,952	41,044
Tax assessment notice related to the collection of ICMS/SP on goods for which the proof of admission into the Manaus Free-Trade Zone was not presented.	Pending judgment by trial courts at administrative and judicial levels.	41,712	51,274
Tax collection proceedings requiring reversal of ICMS/SP credits on use and consumption materials (refractory items and others).	Several case records, declaratory actions and tax foreclosure proceedings, suspended or awaiting decisions by higher courts.	1,180,292	1,121,468
Tax collection proceedings requiring reversal of ICMS/SP credits used by Usiminas upon contracting transportation services.	Pending judgment by the trial court.	51,696	49,425
Action challenging the denial of the discontinuance of the payment in installments of IRPJ under Law 11,941/09.	Final and unappealable decision issued. Pending judgment by the appellate court.	93,516	88,331
Tax assessment notice related to the collection of ICMS/SP on export transactions, alleging that the recipients were not considered as qualified entities at the Foreign Trade Secretariat (SECEX).	Pending judgment by the trial court.	39,572	38,394
Tax collection proceedings related to the collection of ICMS/SP on goods shipped to other countries for alleged lack of proof of the export.	Pending judgment by the trial court.	609,031	581,988
Action challenging non-approval of the offset of IPI, PIS and COFINS debts against a credit arising from an undue payment of CSLL.	Pending judgment at an administrative level.	46,740	44,167
Tax assessment notice for alleged underpayment of ICMS/MG arising from tax credits related to transportation services taken for shipment of items to bonded warehouses.	The Company enrolled with the state Tax Recovery Program and the action was terminated.	-	101,430
Arbitration of the additional social security contribution amount related to the financing of the benefits granted in connection of the labor incapacity level arising from environmental risks.	Pending judgment at an administrative level.	48,989	55,199
Suspension of the enforceability and declaration of unconstitutionality of Ordinary Law No. 10,168/00, which created the Economic Domain Intervention Contribution (CIDE).	The Company enrolled with the federal tax recovery program and the action was terminated.	-	39,311
Action challenging the Occupancy Charge levied on land owned by the Navy and those added to them, in which the Company is joint defendant with the other condominium members.	Pending judgment by higher courts.	34,651	32,742
Tax assessment notice requiring the payment of ICMS/SP in connection with the alleged improper use of tax credits for the purchase of use and consumption materials intended for the export of goods.	Pending administrative decision.	136,464	257,010

See accompanying notes.

Description	Position	12/31/2017 Balance	12/31/2016 Balance
Action for annulment filed in order to challenge tax assessment notices requiring the reversal of presumed credits that would have been recorded when Usiminas allegedly was not in full compliance with ICMS/RS requirements.	Pending judgment by the appellate court.	91,419	132,902
Usiminas would have failed to add in the determination of income tax (IRPJ) and social contribution on net income (CSLL) the "profits" supposedly earned abroad by two subsidiaries and would also have improperly excluded from the tax base of these taxes the excess amount of equity in the results of investees.	Pending judgment at an administrative level.	133,251	-
Tax assessment notice requiring the payment of ICMS/SP in connection with an alleged improper record of tax credits related to the purchase of use and consumption materials linked to exports.	Pending judgment by the trial court.	148,647	-
Tax assessment notice issued alleging that the Company benefited between 2011 and 2014 from the suspension of ICMS/MG payments, which is provided for in RICMS/02, on fuel shipments to a thermoelectric plant assigned to CEMIG under a free lease arrangement.	Pending judgment at an administrative level.	57,710	-
Tax assessment notice requiring the payment of ICMS/SP in connection with an alleged improper record of tax credits related to the incoming of use and consumption materials linked to exports, as well as to an alleged tax credit recorded after the statute of limitation period.	Pending judgment at an administrative level.	31,233	-
Labor claims involving employees, former own employees and outsourced personnel of the Cubatão Plant in which various labor and social security amounts are claimed.	Pending judgment by the Labor Court and administrative bodies, at several levels.	146,232	137,773
Labor claims involving employees, former own employees and outsourced personnel of the Ipatinga Plant in which various labor and social security amounts are claimed.	Pending judgment by the Labor Court and administrative bodies, at several levels.	188,148	135,502
Action for annulment of an administrative ruling by the Administrative Council for Economic Defense (CADE), which sentenced the Company to pay fines for alleged violation of the economic order.	Pending ruling of admissibility of the appeal to the High Court of Justice (STJ) and to the Federal Supreme Court (STF) filed by the Company.	56,315	33,774
Action for annulment of an administrative ruling by the Administrative Council for Economic Defense (CADE), which fined Cosipa (currently Usiminas plant at Cubatão) for alleged violation of the economic order.	Pending ruling of admissibility of the appeal to the High Court of Justice (STJ) and to the Federal Supreme Court (STF) filed by the Company.	50,854	122,995
Other civil and environmental proceedings	-	156,411	160,829
Other labor claims	-	35,825	26,680
Other tax proceedings	-	397,650	366,852
		3,908,970	3,707,504

See accompanying notes.

(ii) Usiminas Mecânica's contingencies

Description	Position	12/31/2017 Balance	12/31/2016 Balance
Action claiming reimbursement of direct and indirect expenses incurred in the manufacturing and supply phases due to a disagreement between Usiminas Mecânica and the customer.	Pending judgment.	614,087	555,945
Public Civil Action related to the construction of a bridge, claiming reimbursement to the customer of amounts added through an amendment to the construction contract.	Pending judgment.	490,613	434,302
Public civil action filed by the Public Prosecution Office against Usiminas Mecânica, claiming reimbursement for alleged losses to the customer for improper expenses incurred in the construction of the bridge.	Pending decision about the request for annulment of the expert opinion.	101,530	89,716
Payment of ICMS/SP required by the State Government alleging various violations related to the issue and accounting for invoices issued for manufacturing purposes.	Pending administrative decision.	12,778	12,035
Labor claims involving employees, former own employees and outsourced personnel in which various labor and social security amounts are claimed.	Pending judgment by the Labor Court and administrative bodies, at several levels.	95,047	74,316
Other civil and environmental proceedings	-	16,584	3,080
Other tax proceedings	-	47,323	128,487
		1,377,962	1,297,881

See accompanying notes.

(iii) Soluções Usiminas' contingencies

Description	Position	12/31/2017 Balance	12/31/2016 Balance
Several tax assessment notices related to non-approval of the offset of PIS against other taxes, such as COFINS, Tax for Social Security Financing (FINSOCIAL), ICMS and the National Institute for Colonization and Agrarian Reform (INCRA).	The assessment notices were challenged.	26,280	24,739
Labor proceedings mainly consisting of claims by former employees in connection with disputes about the amount of compensation paid on terminations.	Pending judgment.	102,774	107,751
Other tax proceedings	-	73,445	59,883
Other civil proceedings	-	12,371	11,307
		214,870	203,680

(iv) Mineração Usiminas' contingencies

Description	Position	12/31/2017 Balance	12/31/2016 Balance
Tax assessment notice issued by the Tax Office of Ipatinga/MG requiring the payment of ICMS arising from the improper use of ICMS credits related to the incoming of property, plant and equipment items.	The tax assessment notice was challenged.	-	22,586
Petition for Writ of Mandamus seeking a preliminary injunction with the purpose of rendering null and void the Instrument of Retention of Goods in the Port of Itaguaí/RJ.	Acknowledgment phase.	-	22,347
Arbitration proceeding in which the reimbursement of additional losses and costs incurred during the performance of the equipment construction works and not recognized by the customer is challenged.	Pending examining and trial hearing.	9,975	18,404
Arbitration proceeding initiated by Mineração Usiminas in which contractual terms are discussed with the counterparty.	Pending examining and trial hearing.	1,096,398	-
Other civil proceedings	-	15,614	1,897
Other labor claims	-	16,441	10,495
Other tax proceedings	-	2,030	1,229
		1,140,458	76,958

	12/31/2017	12/31/2016
Parent company's contingencies	3,908,970	3,707,504
Usiminas Mecânica's contingencies	1,377,962	1,297,881
Soluções Usiminas' contingencies	214,870	203,680
Mineração Usiminas' contingencies	1,140,458	76,958
Other companies' contingencies	24,299	17,842
Total Consolidated	6,666,559	5,303,865

See accompanying notes.

(c) Contingent assets

The Company is the plaintiff in a lawsuit claiming the receipt of the full amount paid by Usiminas related to its Cubatão and Ipatinga branches to Eletrobrás, as a compulsory loan, in accordance with the legislation criteria in force at the time the tax was paid.

The proceedings related to the Company's contingent assets, for which final and unappealable decisions have not yet been issued and, as a result, have not been recognized in the balance sheet, are described below:

Description	Position	12/31/2017 Balance	12/31/2016 Balance
Action claiming the receipt of the full amount paid by the Company to Eletrobrás for compulsory loan purposes related to its Ipatinga branch, in accordance with criteria established in the legislation in force at the time the payment was made.	The Company is preparing a petition for liquidation by determination of the court to be included in the case records.	1,326,601	1,792,663
Action claiming the receipt of the full amount paid by the Company to Eletrobrás for compulsory loan purposes related to its Cubatão branch, in accordance with criteria established in the legislation in force at the time the payment was made.	A final and unappealable decision was rendered with respect to the action relating to the Cubatão branch. In June 2016, the Company filed for liquidation by determination, with the immediate appointment of a forensic expert	797,430	942,122
Action challenging the restriction on the right to record PIS and COFINS credits on machinery, equipment and other property, plant and equipment items acquired prior to April 30, 2004.	Pending judgment by the appellate court.	241,726	221,787
Other contingent assets	-	207,261	106,872
		2,573,018	3,063,444

The Company was also the plaintiff in an action related to the unconstitutionality of the inclusion of ICMS and the contributions themselves in the calculation bases of PIS and COFINS on Imports. The final and unappealable decision issued in August 2015 recognized the right to offset the amounts effectively overpaid. The Company had the credits approved by the Federal Revenue Office. Of the total amount, R$332,827 were offset up to December 31, 2016. During the 12-month period ended December 31, 2017, the amount offset totaled R$405,578.

25 Provision for environmental recovery

At December 31, 2017, the subsidiary Mineração Usiminas S.A. has a provision for environmental recovery of areas under exploration of R$158,333 (December 31, 2016 – R$143,042).

The expenditures for environmental recovery were recorded as part of the costs of the respective assets against the provision that will support such expenses, and take into consideration the management´s estimates regarding future expenses discounted to present value at the actual rate of 10.69% p.a. The estimates of expenses are reviewed periodically, adjusting, whenever necessary, the amounts previously recorded.

See accompanying notes.

26 Retirement benefit obligations

The amounts and information on retirement benefit obligations are as follows:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Balance sheet obligations for:				
Pension benefits	648,860	992,924	648,860	992,924
Post-employment medical benefits	401,464	345,495	401,464	349,803
	1,050,324	1,338,419	1,050,324	1,342,727

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Income (expenses) recognized in the statement of income related to (Note 32 (b))				
Pension benefits	7,771	14,473	7,771	14,473
Post-employment medical benefits	(36,273)	(12,652)	(36,867)	(12,993)
	(28,502)	1,821	(29,096)	1,480

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Actuarial gains (losses) recognized directly in other comprehensive income (loss)	(45,117)	(409,258)	(44,365)	(416,580)
Actuarial gains (losses) of debts contracted and directly recognized in other comprehensive income (loss) - CPC 33 and IFRIC 14	(160,575)	73,432	(160,575)	73,432
Decrease (increase) in assets (asset ceiling) in other comprehensive income (loss) - paragraph 58, CPC 33 and IAS 19	265,384	67,772	265,384	67,773
Accumulated actuarial gains (losses) recognized in other comprehensive income (loss) (i)	59,692	(268,054)	60,444	(275,375)

(i) At December 31, 2017, total balance in the Parent company includes the amount of R$2,708 (December 31, 2016 – R$7,321) and total balance in Consolidated includes the amount of R$752 (December 31, 2016 – R$234) related to actuarial gains (losses) of subsidiaries and jointly-controlled subsidiaries, recorded by the equity method of accounting.

See accompanying notes.

26.1 Supplementary pension plans

In August 1972, the Company set up Caixa dos Empregados da Usiminas (CAIXA).

On March 29, 2012, Supervisory Office (PREVIC) approved the merger of Cosipa Private Pension Foundation (FEMCO), set up in August 1975, into Caixa dos Empregados da Usiminas (CAIXA), both closed-end not-for-profit supplementary pension entities. With this approval, the Manager of the pension plans of Usiminas was renamed Previdência Usiminas.

Previdência Usiminas, in line with the applicable legislation, aims mainly at managing and running private pension benefit plans.

Plans managed by Previdência Usiminas

(i) Benefit Plan 1 - PB1

This is a defined benefit plan, which has been closed for new enrollments since November 1996.

It provides the following benefits converted into life annuity: length-of-service retirement, disability retirement, age superannuation, special retirement, retirement based on the contribution period and pension on death. Furthermore, the members on this plan are entitled to benefits such as redemption, portability, funeral grant, prisoner's family grant and sickness allowance.

(ii) Benefit plan 2 (USIPREV)

Variable contribution (VC) benefit plan, operating since August 1998, provided to the employees of the sponsor companies. Currently, this is the only Usiminas Plan accepting new enrollments.

During the accumulation phase, the USIPREV member defines their monthly contribution to set up savings reserve. Upon granting of the benefit, the member may opt for receiving their benefits in a monthly annuity ranging between 0.5% and 1.5% of its Account Balance or in a monthly annuity between 60 and 360 months. The "Charter Member" – on the plan until April 13, 2011, may also opt for converting their account balances into a monthly life annuity. In this case, during the payout phase, USIPREV will be similar to a Defined-benefit-type plan (DB).

The benefits offered by this plan comprise: programmed retirement, vesting, portability, disability retirement; sickness allowance and survivor benefit – pre and post retirement. The following benefits are also covered: self-funded retirement plan, vesting, portability and redemption.

See accompanying notes.

(iii) Defined-benefit-type plan (PBD)

A defined benefit plan, which has been closed for new enrollments since December 2000.

It offers the following benefits converted into life annuity: retirement by length of service, disability retirement, age superannuation, special retirement and vesting.

Furthermore, the members on this plan are entitled to benefits such as redemption, portability, funeral grant, birth allowance and sickness allowance.

(iv) COSIPREV

A defined-benefit-type plan, which has been closed for new enrollments since April 30, 2009

The benefits offered are the following: programmed retirement, disability retirement and vesting.

In addition, members are entitled to retirement, sickness allowance, redemption and portability.

The technical reserves of benefit plans managed by Previdência Usiminas are calculated by an independent actuary hired by the Company, and are used to pay benefits granted and to be granted to members and their beneficiaries.

26.2 Debts contracted – minimum requirements

The Company has taken out debts in connection with the minimum requirements for payment of contributions, for the purpose of covering the gap in relation to the services already received.

In the event of non-recoverable surplus, the debts taken are recognized as an additional liability in net actuarial liabilities.

At December 31, 2017, the debit balance of the referred to debts payable by Company to Previdência Usiminas for PB1 and PBD plans amounted to R$654,370 (December 31, 2016 - R$1,006,590).

The general characteristics of debts used in the actuarial calculation are described below.

The Company and other sponsoring employers of the PB1 plan have been paying monthly and special contributions, as required to cover the insufficient reserve identified in December 1994. This insufficient reserve is to be amortized by the sponsoring employers within 19 years, as from 2002, at the interest rate of 6% p.a., and monthly adjusted by the General Market Price Index (IGP-M).

See accompanying notes.

The PBD plan debit balance is determined at the end of each year, based on direct actuarial revaluation of provisions, which takes into account the direct actuarial revaluation of mathematical estimates of benefits granted and to be granted. Over the subsequent year, as defined in the actuarial revaluation system, the debt is adjusted by the monthly surplus or deficit computed in the PBD plan, and by the payment of installments falling due in the respective period. This debt balance must be amortized in 177 installments, corresponding to the monthly installments calculated based on the "Price Table", at an interest rate equivalent to 6% (six percent) p.a., and monthly adjustment by the National Consumer Price Index (INPC).

The collateral of the PBD plan debt comprises assets amounting to approximately R$146,058 at December 31, 2017.

26.3 Actuarial calculation of retirement plans

The amounts calculated based on the actuarial report, and recognized in the balance sheet, are shown below:

	Parent company and consolidated				
					12/31/2017
	PB1	PBD	USIPREV	COSIPR	TOTAL
Present value of actuarial liability	(3,724,118)	(1,581,302)	(917,162)	(3,370)	(6,225,952)
Fair value of assets	4,729,071	1,481,199	1,050,667	29,829	7,290,766
	1,004,953	(100,103)	133,505	26,459	1,064,814
Asset ceiling	(1,004,953)	-	(128,769)	(25,685)	(1,159,407)
Minimum requirements (additional liabilities)	(520,295)	(33,972)	-	-	(554,267)
	(520,295)	(134,075)	4,736	774	(648,860)

	Parent company and consolidated				
					12/31/2016
	PB1	PBD	USIPREV	COSIPR	TOTAL
Present value of actuarial liability	(3,535,068)	(1,492,519)	(1,671,295)	(3,824)	(6,702,706)
Fair value of assets	4,210,713	1,442,293	1,813,122	27,810	7,493,938
	675,645	(50,226)	141,827	23,986	791,232
Asset ceiling	(675,645)	-	(134,330)	(17,817)	(827,792)
Minimum requirements (additional liabilities)	(693,578)	(262,786)	-	-	(956,364)
	(693,578)	(313,012)	7,497	6,169	(992,924)

USIPREV's sponsoring employers are jointly liable to the obligations related to coverage of risk benefits offered by Previdência Usiminas to members and respective beneficiaries of this Plan.

See accompanying notes.

USIPREV and COSIPREV plans have a Pension Fund from members' account balances not used in benefit payouts. As provided for in the plans regulation, this fund may be used to fund these plans in the future. At December 31, 2017, the Pension Fund portion attributed to Usiminas amounts to R$75,041 (December 31, 2016 – R$81,797).

Changes in the defined benefit obligation in the reporting periods are as follows:

	Parent company and consolidated	
	12/31/2017	**12/31/2016**
Opening balance	(6,702,706)	(5,846,362)
Account balance determined in prior year	802,111	-
Current service cost	(708)	(1,106)
Cost of interest	(601,973)	(711,465)
Benefits paid	571,308	517,886
Adjustments - Changes in benefit plans	-	1,713
Actuarial gains (losses)	(293,984)	(663,372)
	(6,225,952)	(6,702,706)

Changes in fair value of plan assets in the reporting periods are as follows:

	Parent company and	
	12/31/2017	**12/31/2016**
Opening balance	7,493,938	6,688,535
Account balance determined in prior year	(802,111)	
Expected return on assets	951,138	1,110,023
Actual contributions during the year	219,109	213,337
Benefits paid	(571,308)	(517,957)
Actuarial gains (losses)	-	-
Closing balance	7,290,766	7,493,938

See accompanying notes.

The amounts recognized in the statement of income are shown below:

	Parent company and consolidated	
	12/31/2017	12/31/2016
Current service cost	(708)	(1,199)
Cost of interest	(690,299)	(718,718)
Expected return on assets	698,778	734,294
Other	-	96
	7,771	14,473

The charges shown above were recognized in "Other operating expenses (income), net" in statement of income (Note 32(b)), net of post-employment benefits in the amount of R$36,273 (December 31, 2016 – R$12,652).

The actual return on plan assets was R$951,139 (December 31, 2016 – R$1,110,023).

The contributions expected for the post-employment benefit plans for 2018 total R$211,967.

Actuarial assumptions

	12/31/2017	12/31/2016
Discount rate		(i)
Inflation rate	4.30	4.30%
Expected return on assets – PB1 and PBD	0%	0%
Expected return on assets – USIPREV and COSIPREV	0%	0%
Future salary increases	From 1.66% to 3.04%	6.03%
Growth in the benefits of the Government Social Security	4.3%	4.30%

(i) At December 31, 2017, the actual discount rate presents the following actuarial assumptions by plan: PB1, 5.30%; PBD, 5.30%; USIPREV, 5.40%; and COSIPREV, 4.40%.
(ii) At December 31, 2016, the actual discount rate presents the following actuarial assumptions by plan: PB1, 6.10%; PBD, 6.10%; USIPREV, 6.10%; and COSIPREV, 6.33%.

The assumptions referring to mortality rate are set according to the actuaries' opinion, based on published statistics and their experience, according to note 26.5.

See accompanying notes.

26.4 Experience adjustments

The effects of adjustments computed based on experiences for the period are as follows:

							12/31/2017
	PB1	PBD	USIPREV	COSIPREV	TOTAL RETIREMENT PLANS	HEALTH-CARE PLAN	Total
Present value of the defined benefit obligation	(3,724,118)	(1,581,302)	(917,162)	(3,370)	(6,225,952)	(401,464)	(6,627,416)
Fair value of plan assets	4,729,071	1,481,199	1,050,667	29,829	7,290,766	-	7,290,766
Plan surplus (deficit)	1,004,953	(100,103)	133,505	26,459	1,064,814	(401,464)	663,350
Experience adjustments on plan obligations	77,495	20,057	6,201	587	104,340	45,622	149,962
Return on assets Plan – greater (lower)	206,050	19,648	27,580	(916)	252,362	-	252,362

							12/31/2016
	PB1	PBD	USIPREV	COSIPREV	Total retirement plans	Healthcare plan	TOTAL
Present value of the defined benefit obligation	(3,535,068)	(1,492,519)	(1,671,295)	(3,824)	(6,702,706)	(98,703)	(6,801,409)
Fair value of plan assets	4,210,713	1,442,293	1,813,122	27,810	7,493,938	-	7,493,938
Plan surplus (deficit)	675,645	(50,226)	141,827	23,986	791,232	(98,703)	692,529
Experience adjustments on plan obligations	(118,471)	(47,955)	(15,509)	839	(181,096)	(209,639)	(390,735)
Return on assets Plan – greater (lower) than the discount rate	(189,957)	(30,563)	(48,284)	(10,463)	(279,267)	-	(279,267)

26.5 Actuarial assumptions and sensitivity analysis

	Parent company and consolidated			
				12/31/2017
Significant actuarial assumptions	**PB1**	**PBD**	**USIPREV**	**COSIPREV**
Present value of obligation	(3,724,118)	(1,581,302)	(917,162)	(3,370)
Discount rate applied to plan liabilities	9.83%	9.83%	9.83%	8.89%
Mortality table applied to plans	AT-2000 reduced by 10%	AT-83 reduced by 10%	AT-2000 reduced by 50% (M) and 40%(F)	AT-2000 reduced by 20%
Mortality table applied to invalids	AT-1983	AT-1949 Men	AT-1949 Men	Not applicable
Sensitivity analysis on plan obligations discount rate				
1% increase on actual rate	(297,079)	(123,845)	(78,682)	(114)
1% decrease on actual rate	347,349	144,465	95,643	123
Sensitivity analysis on Mortality Table				
Reduced by 10%	98,681	43,323	10,429	(47)

The sensitivity analysis on actuarial obligations was prepared considering solely changes in the discount rate and the mortality table applied to plan liabilities.

See accompanying notes.

26.6 Post-retirement healthcare benefit plans

(a) COSaúde

The Cosaúde Plan was created with the objective of providing its members with coverage of medical and hospital expenses. The funds to support the Plan, which was closed for new enrollments in March 2010, are obtained from monthly contributions by users.

The Plan has the Health Fund - COSaúde, designed to manage expenses that are borne by users. These expenses refer to hospital, clinical and/or surgical hospitalizations, as well as to other expensive outpatient procedures provided for in the Plan's regulations. The Health Fund - COSaúde is an unregulated health plan, and is registered with the National Supplementary Health Care Agency (ANS) as an operating cost. Its management is carried out solely by company that operates the health plans, and, therefore without the Company's participation.

Additionally, for procedures not covered by Cosaúde, the Company grants a subsidy to members who retired up to 2002, as well as to their respective pensioners and dependents. This benefit, which ranges from 20% to 40% of the medical expenses, varies according to the sum of the INSS benefit plus Usiminas Pension benefit.

(b) Saúde Usiminas

In 2010, Usiminas established the Usiminas Health Plan. This Plan is open for new enrollments to all employees and retirees. The main characteristics of the Saúde Usiminas plan are the following:

(i) Regulated plan by Law 9,656/98 covering clinical and hospital procedures, in accordance with the list of covered procedures disclosed by the National Supplementary Health Care Agency (ANS);
(ii) Prepaid plan from Operadora de Planos de Saúde Fundação São Francisco Xavier;
(iii) Price set by age; 60, 70 or 80% of the monthly fee is paid by the Company, in accordance with the employee's salary;
(iv) Terminated or retired employees may continue as a member of the Plan, in accordance with articles 30 and 31 of Law 9,656/98, provided that the monthly fees are fully paid by them.

In addition to the assumptions above, the key actuarial assumption was the long-term increase in the medical services costs, of 11.08% p.a. for the year ended December 31, 2017, and 11.83% for the year ended December 31, 2016.

The amounts recognized in the balance sheet, in accordance with the actuarial report, were determined as follows:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Present value of actuarial liability	(401,464)	(345,495)	(401,464)	(349,803)

See accompanying notes.

26.7 Retirement plan assets

Retirement plan assets comprise the following:

	12/31/2017		12/31/2016	
	Amount	%	Amount	%
Company shares	369,409	5	281,747	4
Federal government securities	3,651,891	50	4,318,270	58
Fixed income	2,618,965	36	2,466,039	33
Real estate investments	274,529	4	280,370	4
Other	375,972	5	147,512	1
	7,290,766	100	7,493,938	100

The pension plan assets include 34,109,762 common shares of the Company, at the fair value of R$369,409 (December 31, 2016 – 34,109,762 common shares at fair value of R$281,747).

The expected return on plan assets corresponds to the discount rate defined based on long-term federal government bonds, which are bound to the inflation rate, and are in line with the weighted average term of future payment flow of the analyzed benefits.

27 Equity

(a) Share capital

At December 31, 2017, the Company's capital is R$13,200,295, comprising 1,253,079,108 book entry shares with no par value, of which 705,260,684 common shares; 547,740,661 Class A preferred shares and 77,763 Class B preferred shares, as shown below:

	Common shares	Class A Preferred	Class B Preferred	Total
Total shares at December 31, 2017	705,260,684	547,740,661	77,763	1,253,079,108
Total treasury shares	(2,526,656)	(22,366,733)	-	(24,893,389)
Total shares except treasury stock	702,734,028	525,373,928	77,763	1,228,185,719

Under the bylaws, the Company is authorized to increase its capital up to the amount corresponding to 11,396,392 in preferred shares of the existing class.

See accompanying notes.

Each common share entitles its holder to one vote at General Meetings. Preferred shares have no vote but are entitled to (i) receive dividends 10% higher than the dividends attributed to common shares; (ii) receive all the bonuses voted in General Meetings, under the same conditions as common shares; (iii) priority in the reimbursement of capital, with no right to premium, in the event of Company liquidation; and (iv) right to vote at meetings if the Company does not pay preferred dividends during three consecutive years.

The preferred shares may not be converted into common shares.

Holders of Class B preferred shares have priority in the reimbursement of capital, with no right to premium, in the event of Company liquidation. Holders of Class A preferred shares will be entitled to the same priority, however, only after the priority of Class B preferred shares is complied with. Class B preferred shares may be converted into Class A preferred shares at any time, at the exclusive discretion of the stockholder.

All stockholders are entitled to a minimum dividend of 25% of the net income for the year, calculated in accordance with Brazilian corporate legislation.

(b) Reserves

At December 31, 2017, the reserves are as follows:

- Excess upon subscription of shares – set up in the merger process, pursuant to article 14, sole paragraph of Law 6,404/76. This reserve can be used to offset losses which exceed retained earnings and revenue reserves, for the redemption, reimbursement or purchase of shares, redemption by beneficiaries, capital increases and payment of dividends on preferred shares, when applicable (article 200 of Law 6,404/76).

- Treasury shares – at December 31, 2017 and 2016, the Company owned 2,526,656 common shares and 22,366,733 Class A preferred shares in treasury.

- Special goodwill reserve - refers to the recognition of the tax benefit from the downstream merger conducted by the subsidiary Mineração Usiminas. This reserve may be used to offset losses exceeding retained earnings and revenue reserves.

- Recognized stock option granted - refers to the recognition of shares granted under the Stock Option Plan (Note 38).

- Legal reserve - credited annually with 5% of profit for the year up to the maximum of 20% of capital.

See accompanying notes.

- Reserve for investments and working capital - This reserve cannot exceed 95% of capital and it may be used for offsetting losses, for the distribution of dividends, redemptions, reimbursement or purchase of shares or, even, be capitalized.

(c) Carrying value adjustments

Carrying value adjustments refer substantially to:

(i) Result from equity transaction: corresponds to changes in shareholding interest, not resulting in loss or acquisition of control. At December 31, 2017, the credit balance of R$845,238 (December 31, 2016 – R$858,620) substantially refers to the corporate restructuring of Mineração Usiminas.

(ii) Actuarial gains and losses: correspond to actuarial gains and losses calculated in accordance with CPC 33 and IAS 19 (Note 26). At December 31, 2017, the debit balance of this account totals R$906,481 (December 31, 2016 – R$966,173).

(iii) Monetary restatement of property, plant and equipment: corresponds to the application of IAS 29. The referred to adjustment is based on the useful life of property, plant and equipment items against retained earnings At December 31, 2017, the credit balance of this account totals R$121,788 (December 31, 2016 – R$133,553).

(d) Dividends and interest on capital

Proposed dividends and interest on capital related to 2017 are as follows:

	12/31/2017
Profit for the year (i)	233,015
Legal reserve (5%)	(11,651)
Dividend calculation basis	221,364
Dividends payable	**55,341**
Amount per share (ON)	R$0.043211
Amount per share (PN)	R$0.047532
Total	**55,341**
Percentage of dividends in relation to profit for the year	25%

(1) Profit of the parent company, in accordance with the accounting practices adopted in Brazil

See accompanying notes.

Changes in dividends and interest on payable are presented below:

Nature	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Dividends payable at the beginning of the year	139	140	22,001	142
Payment of taxes and interest on capital	(1)	(1)	(25,505)	(3)
Interest on capital and dividends approved	55,341	-	79,148	21,862
Total dividends payable at the end of the year	55,479	139	75,644	22,001

Dividends not claimed within three years are forfeited and revert to the Company.

For 2016, considering the loss for the year determined by the Company, dividends and/or interest on capital were not distributed/approved.

28 Segment reporting

Usiminas has four reportable operating segments, which offer different products and services and are managed separately. These segments are determined based on different legal entities and there are no different segments within the same company.

The following summary describes the main operations of each of the reportable segments of Usiminas:

Reportable segments	Operations
Mining and logistics	Extraction and processing of iron ore as pellet feed, sinter feed and granulated iron ore. Storage, handling, transport of cargo and operation of highway and railroad cargo terminals.Sales of iron ore are mainly destined for the steel segment. The sales of iron ore are mainly intended for the Steel segment.
Steelworks	Manufacture and sales of steel products. A portion of sales is for the steel transformation and capital goods segments.
Steel transformation	Transformation and distribution of steel products.
Capital goods	Manufacture of equipment and installations for several industries.

Management reviews the internal managerial reports for each segment periodically.

See accompanying notes.

Information on operating income (loss), assets and liabilities by reportable segment

							12/31/2017
	Mining and logistics	Steelworks	Steel transformation	Capital goods	Subtotal	Eliminations and adjustments	Total
Revenue	**524,755**	**9,980,280**	**2,496,990**	**287,596**	**13,289,621**	**(2,555,503)**	**10,734,118**
Cost of sales	(342,908)	(8,488,708)	(2,328,070)	(278,202)	(11,437,888)	2,338,864	(9,099,024)
Gross profit (loss)	**181,847**	**1,491,572**	**168,920**	**9,394**	**1,851,733**	**(216,639)**	**1,635,094**
Operating (expenses)/income	60,430	(497,829)	(99,470)	(62,528)	(599,397)	(151,827)	(751,224)
Selling expenses	(31,434)	(155,940)	(46,271)	(12,481)	(246,126)	(4,824)	(250,950)
General and administrative expenses	(20,015)	(311,420)	(54,017)	(31,975)	(417,427)	13,034	(404,393)
Other income (expenses)	61,153	(291,463)	818	(18,010)	(247,502)	(3,275)	(250,777)
Share of results of subsidiaries, jointly-controlled	50,726	260,994	-	(62)	311,658	(156,762)	154,896
Operating (loss) profit	242,277	993,743	69,450	(53,134)	1,252,336	(368,466)	883,870
Finance result	38,961	(506,463)	3,286	7,550	(456,666)	(6,254)	(462,920)
Profit (loss) before income tax and social contribution	281,238	487,280	72,736	(45,584)	795,670	(374,720)	420,950
Income tax and social contribution	(51,601)	(99,727)	(22,442)	15,247	(158,523)	52,653	(105,870)
Profit (loss) for the year	229,637	387,553	50,294	(30,337)	637,147	(322,067)	315,080
Attributable to							
Controlling interests	163,225	387,553	34,641	(30,337)	555,082	(322,067)	233,015
Non-controlling interests	66,412	-	15,653		82,065	-	82,065
Assets	4,221,699	23,973,135	1,437,086	631,843	30,263,763	(4,279,286)	25,984,477
Total assets include: Investments in associates (except goodwill and investment properties)	396,712	40,832	-	2,571	440,115	-	440,115
Additions to non-current assets (except financial instruments and deferred tax assets)	25,889	227,804	50,882	14,826	319,401	(2,868)	316,533
Current and non-current liabilities	581,960	10,146,763	350,593	184,596	11,263,912	(451,261)	10,812,651

See accompanying notes.

	12/31/2016						
	Mining and logistics	Steelworks	Steel transformation	Capital goods	Subtotal	Eliminations and adjustments	Total
Revenue	366,144	7,518,356	1,853,499	568,273	10,306,272	(1,852,072)	8,454,200
Cost of sales	(295,546)	(7,080,057)	(1,730,622)	(529,212)	(9,635,437)	1,668,559	(7,966,878)
Gross profit (loss)	70,598	438,299	122,877	39,061	670,835	(183,513)	487,322
Operating (expenses)/income	230,053	(672,928)	(103,235)	(59,234)	(605,344)	(103,570)	(708,914)
Selling expenses	(35,634)	(178,336)	(41,820)	(12,290)	(268,080)	(4,651)	(272,731)
General and administrative expenses	(19,585)	(261,707)	(55,468)	(31,783)	(368,543)	14,325	(354,218)
Other income (expenses)	237,684	(437,097)	(5,947)	(15,090)	(220,450)	(4,376)	(224,826)
Share of results of subsidiaries, jointly-controlled subsidiaries	47,588	204,212	-	(71)	251,729	(108,868)	142,861
Operating (loss) profit	300,651	(234,629)	19,642	(20,173)	65,491	(287,083)	(221,592)
Finance result	128,157	(147,102)	3,784	12,586	(2,575)	(27,581)	(30,156)
Profit (loss) before income tax and social contribution	428,808	(381,731)	23,426	(7,587)	62,916	(314,664)	(251,748)
Income tax and social contribution	(128,763)	(233,599)	(10,370)	2,217	(370,515)	45,420	(325,095)
Profit (loss) for the year	300,045	(615,330)	13,056	(5,370)	(307,599)	(269,244)	(576,843)
Attributable to							
Controlling interests	212,602	(615,330)	7,390	(5,370)	(400,708)	(269,244)	(669,952)
Non-controlling interests	87,443	-	5,666	-	93,109	-	93,109
Assets	5,004,338	24,126,728	1,398,071	715,780	31,244,917	(4,990,172)	26,254,745
Total assets include: Investments in associates (except goodwill and investment properties	381,783	71,518	-	2,633	455,934	-	455,934
Additions to non-current assets (except financial instruments and deferred tax assets)	38,156	243,609	32,842	11,193	325,800	(3,463)	322,337
Current and non-current liabilities	506,189	10,543,619	352,861	180,328	11,582,997	(519,886)	11,063,111

Sales between segments are carried out at arm's length.

Billings are dispersed and the Company and its subsidiaries do not have third-party customers representing more than 10% of their billings.

See accompanying notes.

29 Revenue

The accounting standards establish that the Company must disclose revenue by product and geographic area, unless the necessary information is not available or the cost of its preparation is excessive. Most of the parent company and consolidated net revenue comes from the domestic market, and management believes that information by product and geographic area within Brazil is not significant for decision making and, therefore, cannot be used as an analysis tool for determining trends and historical development. In view of this scenario and considering that the breakdown of revenue by product and geographic area is not maintained by the Company on a consolidated basis and that management does not use this information on a managerial basis, the Company is not disclosing such information in these financial statements.

The reconciliation between gross and net revenue is as follows:

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Sales of products				
Domestic market	11,057,570	8,577,136	11,686,230	9,119,740
Foreign market	1,345,119	909,357	1,533,157	989,187
	12,402,689	9,486,493	13,219,387	10,108,927
Sales of services				
Domestic market	7,936	6,513	191,940	552,335
Foreign market	451	-	451	-
	8,387	6,513	192,391	552,335
Gross revenue	12,411,076	9,493,006	13,411,778	10,661,262
Deductions from revenue	(2,433,547)	(1,977,452)	(2,677,660)	(2,207,062)
Net revenue	9,977,529	7,515,554	10,734,118	8,454,200

See accompanying notes.

30 Expenses by nature

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Depreciation, amortization and depletion	(966,188)	(1,011,828)	(1,171,851)	(1,216,491)
Employee benefits and expenses	(851,370)	(761,951)	(1,215,816)	(1,329,214)
Raw materials and consumables	(6,123,905)	(4,650,909)	(5,874,055)	(4,546,630)
Scheduled maintenance	(104,193)	(110,020)	(106,468)	(111,190)
Judicial charges	(20,741)	(29,904)	(32,002)	(33,546)
Distribution costs	(82,443)	(80,495)	(112,446)	(111,192)
Loss on the sale of excess electricity (i)	12,339	(127,902)	14,012	(132,821)
Third-party services	(745,554)	(681,265)	(893,556)	(837,022)
Income (expenses) in litigation, net	(92,702)	(29,483)	(118,830)	(38,977)
Profit on the sale/write-off of PP&E, intangible assets and investment	(1,255)	71,748	(1,183)	71,473
Impairment of assets, net	(73,010)	(7,277)	(74,892)	343,006
PIS/COFINS credits on imports	237,492	176,299	237,492	176,299
Porto Sudeste Agreement	-	-	205,106	-
Freight charges and insurance	(322,005)	(270,991)	(436,603)	(354,388)
Contractual obligations (ii)	-	(70,700)	-	(70,700)
Provision for impairment of trade receivables	(16,757)	(49,923)	(24,313)	(62,513)
Losses on advances to suppliers	-	(37,285)	-	(37,285)
Other	(273,496)	(388,482)	(399,739)	(527,462)
	(9,423,788)	(8,060,368)	(10,005,144)	(8,818,653)
Cost of sales	(8,676,104)	(7,200,317)	(9,099,024)	(7,966,878)
Selling expenses	(155,940)	(177,543)	(250,950)	(272,731)
General and administrative expenses	(301,419)	(251,834)	(404,393)	(354,218)
Other operating income (expenses), net	(290,325)	(430,674)	(250,777)	(224,826)
	(9,423,788)	(8,060,368)	(10,005,144)	(8,818,653)

(i) At December 31, 2017, the Company had receivables from the sale of excess electricity amounting to R$33,578 (December 31, 2016 – R$ 13,223), which is recorded in Other current assets.
(ii) At December 31, 2016, it refers to a penalty for termination of an agreement with a supplier.

See accompanying notes.

31 Employee expenses and benefits

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Salaries and social charges	(655,925)	(567,838)	(961,618)	(1,048,169)
Social security charges	(119,885)	(122,482)	(166,264)	(193,561)
Retirement plans and post-employment medical benefits	(28,502)	1,821	(29,096)	1,480
Bonuses	(12,606)	(37,379)	(13,324)	(37,684)
Profit sharing	(14,514)	-	(22,484)	(10,605)
Retirement plan costs	(5,569)	(19,202)	(6,024)	(20,275)
Stock option plan	(789)	(3,077)	(951)	(3,719)
Other	(13,580)	(13,794)	(16,055)	(16,681)
	(851,370)	(761,951)	(1,215,816)	(1,329,214)

Employee benefit expenses are recorded under "Cost of sales", "Selling expenses" and "General and administrative expenses", in accordance with the function of each employee.

32 Operating income (expenses)

(a) Selling and general and administrative expenses

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Selling expenses				
Personnel	(26,943)	(21,556)	(64,659)	(58,887)
Third-party services	(13,689)	(14,320)	(15,943)	(19,348)
Depreciation and amortization	(3,125)	(3,130)	(4,498)	(4,608)
Distribution costs	(82,443)	(80,495)	(112,446)	(111,192)
Sales commission	(3,874)	(1,669)	(14,245)	(9,813)
Provision for impairment of trade receivables	(16,757)	(49,923)	(24,313)	(62,513)
General expenses	(9,109)	(6,450)	(14,846)	(6,370)
	(155,940)	(177,543)	(250,950)	(272,731)
General and administrative expenses				
Personnel	(150,146)	(142,340)	(193,005)	(182,603)
Third-party services	(62,864)	(53,879)	(89,457)	(81,204)
Depreciation and amortization	(35,589)	(29,221)	(43,985)	(38,391)
Management fees (i)	(17,055)	5,248	(22,779)	(417)
General expenses	(35,765)	(31,642)	(55,167)	(51,603)
	(301,419)	(251,834)	(404,393)	(354,218)

(i) At December 31, 2016, refers to the reversal of management fees related to 2015 (Note 36 (d)).

See accompanying notes.

(b) Other operating income (expenses)

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Other finance income				
Revenue from sale of electricity	363,628	125,038	385,134	144,131
PIS/COFINS credits on imports (i)	237,492	176,299	237,492	176,299
Recovery of taxes in legal proceedings	19,797	5,817	21,485	6,704
Porto Sudeste Agreement	-	-	205,106	-
Reversal of impairment of assets	-	-	-	357,508
Sales of investments, fixed assets and intangible assets	8,150	94,120	8,649	94,289
Recovery of costs	870	25,830	4,800	32,361
Recovery of expenses	7,415	9,750	8,087	10,385
Rental of properties	3,641	5,137	4,217	5,516
Revenue from sundry sales	4,425	5,859	5,102	6,950
Reintegra Project	25,420	844	25,420	844
Other income	6,278	19,114	10,443	12,750
	677,116	467,808	915,935	847,737
Other operating expenses				
Expenses for the sale of electricity	(317,654)	(243,001)	(335,498)	(265,247)
Impairment of assets	(73,010)	(7,277)	(74,892)	(14,502)
Expenses in temporary shutdown of equipment items	(283,364)	(383,726)	(403,844)	(485,145)
Restructuring of operations	-	(3,823)	-	(3,823)
Cost of sundry sales and freight charges	(479)	(11,548)	(911)	(11,582)
Judicial charges	(20,741)	(29,904)	(32,002)	(33,546)
Income (expense) from litigation, net	(92,702)	(29,483)	(118,830)	(38,977)
Losses on advances to suppliers	-	(37,285)	-	(37,285)
PIS and COFINS on the sale of electricity	(33,635)	(9,939)	(35,624)	(11,705)
Technological research	(25,382)	(25,180)	(25,382)	(25,180)
Profit on the sale/write-off of PP&E, investment and intangible assets	(9,405)	(22,372)	(9,405)	(22,816)
Taxes (INSS, ICMS, Municipal real estate tax (IPTU), etc.)	(14,544)	(7,565)	(22,722)	(11,964)
Stock option plan	(578)	(2,170)	208	(1,805)
Environmental control	(2,149)	(774)	(2,149)	(774)
Post-employment benefits (pension and medical)	(28,502)	1,821	(29,096)	1,480
Fine for contractual termination	-	(70,700)	-	(70,700)
Inventory adjustment	(35,929)	-	(35,929)	-
Other expenses	(29,367)	(15,556)	(40,636)	(38,992)
	(967,441)	(898,482)	(1,166,712)	(1,072,563)
	(290,325)	(430,674)	(250,777)	(224,826)

(i) Refers to the offset of credits approved by the Brazilian Federal Revenue Secretariat (RFB), as described in Note 24 (c).

See accompanying notes.

33 Finance result

	Parent company		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Finance income				
Interest from customers	13,856	18,306	21,351	26,093
Income from financial investments	80,102	51,069	173,898	147,667
Monetary effects	15,730	35,187	35,169	126,554
Restatement of PIS/COFINS credits Imports (i)	168,087	156,529	168,087	156,529
Restatement of judicial deposits	26,108	34,578	31,612	47,334
Interest on tax credits	4,675	7,728	12,003	19,014
Realization of adjustment to present value of trade receivables	85,601	110,520	85,601	110,520
Reversal of the provision/restatement of judicial deposits / decrease in the REFIS installment program	18,256	24,045	19,975	24,045
Other finance income	36,214	8,137	13,542	13,462
	448,629	446,099	561,238	671,218
Finance costs				
Interest on borrowings and taxes payable in installments	(636,409)	(496,439)	(636,533)	(493,510)
Result of swap transactions	6,410	(159,839)	(129)	(302,123)
Monetary effects	(100,495)	(251,464)	(116,573)	(273,797)
PIS/COFINS on interest on capital	(9,336)	(2,905)	(9,336)	(2,905)
Interest on provisions for litigation	(88,258)	(73,057)	(98,241)	(91,782)
Adjustment to present value of trade payables	(22,115)	(20,605)	(44,255)	(41,771)
Commissions on borrowings and other	(41,421)	(64,828)	(35,984)	(51,081)
Credit assignment	-	-	-	(2,539)
Other finance costs	(31,636)	(51,184)	(61,506)	(80,964)
	(923,260)	(1,120,321)	(1,002,557)	(1,340,472)
Foreign exchange gains (losses), net	(65,677)	726,054	(21,601)	639,098
	(540,308)	51,832	(462,920)	(30,156)

(i) Refers to the restatement of credits approved by the Brazilian Federal Revenue Service (RFB), as described in Note 24 (c).

See accompanying notes.

34 Earnings (loss) per share

Basic and diluted

Basic and diluted earnings (loss) per share is calculated by dividing the profit (loss) attributable to the Company's stockholders by the weighted average number of common and preferred shares in issue during the year excluding common shares acquired by the Company and held in treasury (Note 27).

The Company does not have debt convertible into shares. The stock option plan does not include potential common or preferred shares for dilution purposes (Note 38).

	Parent company and consolidated					
	12/31/2017			12/31/2016		
	Common shares	Preferred shares	Total	Common shares	Preferred shares	Total
Basic and diluted						
Basic and diluted numerator						
Profit (loss) available to controlling interests	127,855	105,160	233,015	(383,746)	(286,206)	(669,952)
Basic and diluted denominator						
Weighted average number of shares, excluding treasury shares	702,734,028	524,782,193	1,227,516,221	618,350,466	502,582,330	1,120,932,796
Basic and diluted earnings (loss) per share (R$)	0.18	0.20	-	(0.60)	(0.60)	-

See accompanying notes.

35 Commitments

At December 31, 2017, the Company has several commitments with third parties totaling R$5,142,574 in Parent company and R$5,303,433 in Consolidated. The expected due dates of such commitments are as follows.

Parent company

	Expected due dates				
	Less than 1 year	From 1 to 3 years	From 4 to 5 years	Over 5 years	Total
Acquisition of property, plant and equipment	124,220	12,060	-	-	136,280
Suppliers	1,258,762	1,901,978	961,121	884,433	5,006,294
	1,382,982	1,914,038	961,121	884,433	5,142,574

Consolidated

	Expected due dates				
	Less than 1 year	From 1 to 3 years	From 4 to 5 years	Over 5 years	Total
Acquisition of property, plant and equipment	139,789	20,350	-	-	160,139
Suppliers	994,762	1,748,978	760,121	679,433	4,183,294
Operating Leases	40,000	120,000	120,000	680,000	960,000
	1,174,551	1,889,328	880,121	1,359,433	5,303,433

(a) Capital commitments

At December 31, 2017, capital commitments total R$136,280 in Parent company and R$160,139 in Consolidated and are intended for improvements on coke plant of Ipatinga, refurbishing and improvements in the blast furnaces, enhancing the quality and reducing costs, maintenance, technological update of its equipment as well as environmental protection projects.e estão destinados à adequação das coquerias da usina de Ipatinga, reformas e melhorias nos altos fornos, aumento da qualidade, redução de custos, manutenção, atualização tecnológica de equipamentos e proteção ambiental.

(b) Commitments with suppliers

At December 31, 2017, commitments with suppliers total R$5,006,294 in Parent company and R$4,183,294 in Consolidated and arise mainly from take-or-pay arrangements, and contracts for the purchase of electricity and raw materials.

(c) Operating leases

The operating leases relate to lease of mineral rights and rental of railway wagons. At December 31, 2017, the related amount corresponds to R$960,000 in Consolidated only.

See accompanying notes.

36 Transactions with related parties

The Company's shareholding is as follows:

12/31/2017

Stockholder	Shares Common shares		Shares Preferred shares		Total	
	Number	%	Number	%	Number	%
Nippon Usiminas Co. Ltd. ("Nippon Usiminas") (i)	119,969,788	17.01	2,830,832	0.52	122,800,620	9.80
Ternium Investments S.A.R.L. (i)	198,766,651	28.18	6,987,367	1.28	205,754,018	16.42
Companhia Siderúrgica Nacional ("CSN")	100,084,935	14.19	108,678,122	19.84	208,763,057	16.66
Previdência Usiminas (i)	34,109,762	4.84	-	-	34,109,762	2.72
Nippon Steel & Sumitomo Metal Corporation (i)	100,351,191	14.23	307,926	0.06	100,659,117	8.03
Confab (i)	36,502,746	5.17	1,283,203	0.23	37,785,949	3.01
Prosid (i)	29,202,198	4.14	1,026,563	0.19	30,228,761	2.41
Siderar (i)	14,601,097	2.07	513,281	0.09	15,114,378	1.21
Metal One Corporation (i)	759,248	0.10	-	-	759,248	0.06
Mitsubishi Corporation do Brasil S.A. (i)	7,449,544	1.06	-	-	7,449,544	0.59
Usiminas in treasury	2,526,656	0.36	22,366,733	4.08	24,893,389	1.99
Other stockholders	60,936,868	8.65	403,824,397	73.71	464,761,265	37.10
Total	**705,260,684**	**100.00**	**547,818,424**	**100.00**	**1,253,079,108**	**100.00**

12/31/2016

Stockholder	Shares Common shares		Shares Preferred shares		Total	
	Number	%	Number	%	Number	%
Nippon Usiminas Co. Ltd. ("Nippon Usiminas") (i)	119,969,788	17.01	2,830,832	0.52	122,800,620	9.80
Ternium Investments S.A.R.L. (i)	198,766,651	28.18	6,987,367	1.28	205,754,018	16.42
Companhia Siderúrgica Nacional ("CSN")	100,084,935	14.19	108,678,122	19.84	208,763,057	16.66
Previdência Usiminas (i)	34,109,762	4.84	-	-	34,109,762	2.72
Nippon Steel & Sumitomo Metal Corporation (i)	100,351,191	14.23	307,926	0.06	100,659,117	8.03
Confab (i)	36,502,746	5.17	1,283,203	0.23	37,785,949	3.01
Prosid (i)	29,202,198	4.14	1,026,563	0.19	30,228,761	2.41
Siderar (i)	14,601,097	2.07	513,281	0.09	15,114,378	1.21
Metal One Corporation (i)	759,248	0.10	-	-	759,248	0.06
Mitsubishi Corporation do Brasil S.A. (i)	7,449,544	1.06	-	-	7,449,544	0.59
Usiminas in treasury	2,526,656	0.36	23,705,728	4.33	26,232,384	2.09
Other stockholders	60,936,868	8.64	402,485,402	73.46	463,422,270	36.99
Total	**705,260,684**	**100.00**	**547,818,424**	**100.00**	**1,253,079,108**	**100.00**

(i) Controlling stockholders through the stockholders' agreement

See accompanying notes.

The main balances and transactions with related parties are presented below:

(a) Assets

	Parent company					
	12/31/2017			12/31/2016		
	Trade receivables	Dividends receivable	Other receivables	Trade receivables	Dividends receivable	Other receivables
Controlling interests	26,668	-	4,011	14,467	-	4,216
Subsidiaries	136,915	48,584	103,674	151,043	52,864	97,804
Jointly-controlled subsidiaries	55	126,000	-	42	-	22
Associates	16,525	425	-	15,277	2,463	-
Other related parties	3,768	-	-	11,349	-	4,370
Total	183,931	175,009	107,685	192,178	55,327	106,412
Current	167,931	175,009	53,742	192,178	55,327	46,632
Non-current	16,000	-	53,943	-	-	59,780
Total	183,931	175,009	107,685	192,178	55,327	106,412

	Consolidated					
	12/31/2017			12/31/2016		
	Trade receivables	Dividends receivable	Other receivables	Trade receivables	Dividends receivable	Other receivables
Controlling interests	26,668	-	4,011	14,467	-	4,216
Non-controlling interests	401	-	-	453	-	-
Jointly-controlled subsidiaries	55	126,000	-	42	-	22
Associates	16,592	13,078	-	15,277	2,463	-
Other related parties	3,768	-	650	11,349	-	5,020
Total	47,484	139,078	4,661	41,588	2,463	9,258
Current	31,484	139,078	1,514	41,588	2,463	5,416
Non-current	16,000	-	3,147	-	-	3,842
Total	47,484	139,078	4,661	41,588	2,463	9,258

Receivables from related parties arise mainly from sales transactions. The receivables are unsecured in nature and are subject to interest. At December 31, 2017 and 2016, no provisions were recorded for receivables from related parties.

See accompanying notes.

(b) Liabilities

	Parent company					
	12/31/2017			12/31/2016		
	Trade payables	Other payables	Borrowings	Trade payables	Other payables	Borrowings
Controlling interests	89	18,184	162,673	144	16,939	167,987
Subsidiaries	33,793	78,751	-	106,087	74,504	1,224,608
Jointly-controlled subsidiaries	33,215	-	-	52,994	-	-
Associates	1,494	-	-	2,578	-	-
Other related parties (i)	368,470	-	-	588	-	-
Total	437,061	96,935	162,673	162,391	91,443	1,392,595
Current	437,061	17,000	358	162,391	15,325	25,769
Non-current	-	79,935	162,315	-	76,118	1,366,826
Total	437,061	96,935	162,673	162,391	91,443	1,392,595

(i) At December 31, 2017, accounts payable refer to the purchase of plates from Ternium Brasil Ltda.

	Consolidated					
	12/31/2017			12/31/2016		
	Trade payables	Other payables	Borrowings	Trade payables	Other payables	Borrowings
Controlling interests	392	18,184	162,673	636	16,965	167,987
Non-controlling interests	-	16,604	-	-	22,364	-
Jointly-controlled subsidiaries	33,215	834	-	53,493	-	-
Associates	36,586	143,905	-	2,815	184,123	-
Other related parties (i)	368,470	-	-	588	1	-
Total	438,663	179,527	162,673	57,532	223,453	167,987
Current	438,663	38,646	358	57,532	70,184	381
Non-current	-	143,170	162,315	-	153,269	167,606
Total	438,663	181,816	162,673	57,532	223,453	167,987

(i) At December 31, 2017, accounts payable refer to the purchase of plates from Ternium Brasil S.A.

At December 31, 2016, as described in Note 20, a borrowing from the subsidiary Usiminas Commercial of R$1,224,608 was recorded. At December 31, 2017, the related agreement was terminated and, therefore, there is no remaining book balance. In the Consolidated accounts, a borrowing from Nippon Usiminas Co. Ltd., controlling stockholder of Usiminas, of R$162,673 (December 31, 2016 - R$167,987) was recorded.

See accompanying notes.

(c) Results

	Parent company					
	12/31/2017			12/31/2016		
	Sales	Purchases	Finance and operating result	Sales	Purchases	Finance and operating result
Controlling interests	207,035	4,715	(10,885)	239,981	7,002	29,695
Subsidiaries	2,922,662	464,174	(78,347)	2,141,874	349,117	128,437
Jointly-controlled subsidiaries	-	406,260	2,636	13	317,223	(2,711)
Associates	18,111	140,354	-	25,492	118,153	-
Other related parties (i)	125,053	1,086,288	(540)	47,304	133,939	(4,869)
Total	3,272,861	2,101,791	(87,136)	2,454,664	925,434	150,552

	Consolidated					
	12/31/2017			12/31/2016		
	Sales	Purchases	Finance and operating result	Sales	Purchases	Finance and operating result
Controlling interests	207,035	4,715	(10,867)	274,405	9,926	27,249
Non-controlling interests	401	9,243	-	4,003	-	-
Jointly-controlled subsidiaries	2,173	411,124	2,636	1,844	322,141	(2,711)
Associates	18,755	236,805	(22,140)	25,698	188,432	(21,166)
Other related parties (i) (ii)	125,192	1,086,288	(1,146)	124,133	133,939	(7,226)
Total	353,556	1,748,175	(31,517)	430,083	654,438	(3,854)

(i) At December 31, 2017, total sales to other related parties mainly refer to sales by Usiminas S.A. to Nippon Corporation, amounting to R$65,362.
(ii) At December 31, 2017, of the total purchases presented, R$874,232 refers to the purchase of plates from Ternium Brasil Ltda.

The nature of the main transactions between the Company and related parties is described in Note 36(e).

Finance income (costs) with related parties refers mainly to charges on borrowings disclosed in item (b) above.

(d) Remuneration of the key management personnel

The remuneration paid or payable to key management personnel, which includes the Executive Board, the Board of Directors and the Statutory Audit Board of the Company is as follows:

	Parent company and consolidated	
	12/31/2017	12/31/2016
Fees	11,067	12,007
Social charges	2,256	2,214
Retirement plans	45	256
Changes in the provision for variable compensation	3,687	(19,725)
	17,055	(5,248)

See accompanying notes.

On 2016, it was reversed to statement of operations the amount of R$19.725 related to the excess provision for fees and related charges, which totalized R$15,552 and R$4,173, respectively. The expense, net of the reversal of the period is recorded in the income statement in "General and administrative expenses".

At December 31, 2017, the amount paid to key management was R$13,156 (December 31, 2016 – R$14,959).

The Company has a shared-based payment plan in place, which amounts to R$212 at December 31, 2017 (December 31, 2016 – R$907), as described in Note 38.

(e) Nature of transactions with related parties

The more significant transactions between the Company and related parties are as below:

- Sale of products to Confab intended for the production of large diameter ducts and industrial equipment.
- Purchases of services from Nippon Steel & Sumitomo Metal Corporation, including the provision of advanced industrial technology, technical support services and training courses for employees.
- Sales of products to Siderar.
- Purchases of iron ore from Mineração Usiminas to be used in Ipatinga and Cubatão plants.
- Sales of products to Soluções Usiminas for transformation and distribution.
- Sales of products to Usiminas Eletrogalvanized and Usiminas Galvanized to foster trading with foreign customers.
- Sales of products to Usiminas Mecânica S.A. and purchases of services, such as the manufacture of steel products and equipment;
- Purchases from Unigal of services related to hot-dip galvanizing and cooling for the production of hot-rolled galvanized steel sheets and coils.
- Purchases of services related to texturing and chrome plating of cylinders used in the rolling processes of Usiroll.
- Purchases of railway transportation services from MRS for the transportation of iron ore.
- Purchases of services related to storage and loading of iron ore from Modal and Terminal Sarzedo.
- Borrowing from Nippon Usiminas (Note 20).

See accompanying notes.

- Sales of iron ore from Mineração Usiminas to Sumitomo Corporation.

Also, the subsidiary Mineração Usiminas sells iron ore to and purchases port services from CSN.

Transactions with related parties are substantially carried out under market conditions, with respect to prices and terms.

37 Insurance

The insurance policies taken out by the Company and certain of its subsidiaries provide cover considered sufficient by management.
At December 31, 2017 and 2008, these policies covered buildings, products and raw materials, equipment, machinery, furniture, objects, fixtures and installations at the insured establishments and respective facilities of the Company, Usiminas Mecânica, Unigal and Usiroll, with value at risk of US$ 12,002,992 thousand (December 31, 2016 - US$ 15,193,325 thousand), and an "All Risks" policy with a maximum indemnity of US$600,000 thousand per claim. At December 31, 2017 and 2016, the deductible amount for material damages is US$7,500 thousand and the cover for loss of profits (loss of revenues) has a deductible term of 30 days (waiting period). This insurance policy expires on December 30, 2018.

38 Stock option plan

At the Extraordinary General Meeting held on April 14, 2011, the stockholders approved the Company's Stock Option Plan ("Plan"). The main objectives of the Plan are:

- Alignment of interests between executives and stockholders;
- incentive to the creation of sustainable value;
- attraction and retention of talents; and
- maintaining competitiveness with market practices.

The plan is managed by the Company's Board of Directors, with the support of the Human Resources Committee, subject to the Plan's limitations.

At December 31, 2017, the Plan includes four effective programs:

- Program 2011, released on October 3, 2011;
- Program 2012, released on November 28, 2012;
- Program 2013, released on November 28, 2013; and
- Program 2014, released on November 27, 2014.

For the years ended December 31, 2017 and 2016, the Company's management decided not to launch new programs.

See accompanying notes.

(a) Call Option Types

Options are of two different types:

(i) Basic Grant - the number of Options granted will be based on Usiminas strategy, and each Option granted will entitle its holder to acquire or subscribe for a preferred share of the Company.

(ii) Bonus Grant - it must be bound to a voluntary investment made by employees, who invests part of the net variable compensation to acquire preferred shares.

(b) Key program characteristics

The Options to be granted to executive officers and directors ("Members") of the Company, under a "Call Option Agreement", are as follows:

Program	Grant date	Preço de exercício (USIM5)	Grace period	Options granted		
				Basic	Bonus	Total
2011	10/3/2011	R$11.98	3 years, 33% for each year	2,589,451	402,302	2,991,753
2012	11/28/2012	R$10.58		3,576,963	83,598	3,660,561
2013	11/28/2013	R$11.47		2,784,155	143,178	2,927,333
2014	11/27/2014	R$6.14		4,778,483	370,948	5,149,431
				13,729,052	1,000,026	14,729,078

In addition, the Plan provides that up to 50% of the variable compensation may be used to buy Usiminas' shares. As payment, the Company grants bonus options. The call option is effective within up to 7 (seven) years.

(c) Options fair value

Fair value on the grant date, as well as key assumptions applied in accordance with the Black & Scholes pricing model, were the following:

Program 2011

	1st ano	2nd year	3rd year
Fair value on grant date	R$ 4.83	R$ 5.07	R$ 5.27
Share price	R$ 11.45	R$ 11.45	R$ 11.45
Weighted average of exercise price	R$ 11.98	R$ 11.98	R$ 11.98
Share price volatility	50.70%	50.70%	50.70%
Grace period (3 years)	33% after 1st year	33% after 2nd year	33% after 3rd year
Estimated dividends	2.94%	2.94%	2.94%
Risk-free return rate	11.62% p.a.	11.65% p.a.	11.69% p.a.
Option average period	4 years	4.5 years	5 years

See accompanying notes.

Program 2012

	1st ano	2nd year	3rd year
Fair value on grant date	R$ 4.06	R$ 4.32	R$ 4.61
Share price	R$ 10.38	R$ 10.38	R$ 10.38
Weighted average of exercise price	R$ 10.58	R$ 10.58	R$ 10.58
Share price volatility	37.95%	37.95%	37.95%
Grace period (3 years)	33% after 1st year	33% after 2nd year	33% after 3rd year
Estimated dividends	0.63%	0.63%	0.63%
Risk-free return rate	8.13% p.a.	8.25% p.a.	8.37% p.a.
Option average period	4 years	4.5 years	5 years

Program 2013

	1st ano	2nd year	3rd year
Fair value on grant date	R$ 5.87	R$ 6.30	R$ 6.58
Share price	R$ 11.88	R$ 11.88	R$ 11.88
Weighted average of exercise price	R$ 11.47	R$ 11.47	R$ 11.47
Share price volatility	43.38%	43.38%	43.38%
Grace period (3 years)	33% after 1st year	33% after 2nd year	33% after 3rd year
Estimated dividends (*)	-	-	-
Risk-free return rate	11.34% p.a.	11.37% p.a.	11.40% p.a.
Option average period	4 years	4.5 years	5 years

Program 2014

	1st ano	2nd year	3rd year
Fair value on grant date	R$ 2.66	R$ 2.85	R$ 3.02
Share price	R$ 5.70	R$ 5.70	R$ 5.70
Weighted average of exercise price	R$ 6.14	R$ 6.14	R$ 6.14
Share price volatility	43.41%	43.41%	43.41%
Grace period (3 years)	33% after 1st year	33% after 2nd year	33% after 3rd year
Estimated dividends (*)	-	-	-
Risk-free return rate	12.10% p.a.	12.11% p.a.	12.12% p.a.
Option average period	4 years	4.5 years	5 years

(*) Dividends were not distributed in the 12 months prior to the grant date.

The exercise price was determined based on the average daily quotation for the 30-day period prior to the Option grant.

The estimated share price volatility is based on the adjusted historical volatility of 36 months prior to the grant date.

See accompanying notes.

Changes in outstanding options under the Stock Option Plan are shown below:

	12/31/2017			12/31/2016		
	Program			Program		
	2014	2013	2012	2014	2013	2012
Options:						
Outstanding options at beginning of the year	3,514,643	1,414,677	1,204,548	4,633,880	1,746,706	1,558,472
Exercised during the year	(1,312,493)	-	-	-	-	-
Canceled during the year	(380,275)	(172,672)	(165,078)	(1,119,237)	(332,029)	(353,924)
Outstanding options at end of the year	1,821,875	1,242,005	1,039,470	3,514,643	1,414,677	1,204,548

The impact on P&L of the Stock Option Plan totaled an expense of R$951 at December 31,2017 (December 31, 2016 - R$3,719) recorded in the consolidated statement of income. Also, the amount of R$6,708 was reversed to "Retained earnings (accumulated deficit)" due to the cancellation and exercise of options occurred in 2017 (December 31, 2016 - R$6,600). Thus, the impact on capital reserve was R$5,757 (December 31, 2016 - R$2,881).

At December 31, 2017, according to the vesting period of the programs in force all estimated expenses were fully appropriated.

39 Warranties

The composition of the assets pledged as collateral is as follows:

		Parent company		Consolidated	
Assets pledged as collateral	Liabilities secured	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Cash and cash equivalents	Litigation	40,000	40,000	40,000	40,000
Inventories	Litigation	118,253	95,577	118,253	95,577
Property, plant and equipment	Litigation	693,156	789,327	747,390	839,820
Property, plant and equipment (i)	Borrowings	3,990,612	4,503,801	4,012,674	4,525,862
		4,842,021	5,428,705	4,918,317	5,501,259

(i) The Company has assets evaluated at market value, as collateral for the debt with Previdência Usiminas related to the PBD retirement plan (Note 26.2).

See accompanying notes.

40 Non-cash investment transactions

In the year ended December 31, 2017, investment and financing transactions were carried out in Parent company and Consolidated with no effect on cash, and the most significant ones are the following: (i) a capital reduction in the subsidiary Usiminas Mecânica S.A. of R$57,866, having as a corresponding entry the receipt of ICMS credits in the amount of R$42,492 and inventory and property, plant and equipment items totaling R$15,374; (ii) a capital reduction in the foreign subsidiary Usiminas Europa A/S, having as a corresponding entry the receipt of Eurobonds issued by another foreign subsidiary, Usiminas Commercial Ltd., classified in Parent company as marketable securities, in the amount of R$786,138; (iii) transfer of parts and spare parts originally classified in inventories to property, plant and equipment in the amount of R$4,803; (iv) write-off of dividends receivable in prior periods from associate Codeme Engenharia S.A. of R$2,356 as a corresponding entry for investments; (v) interest and charges on borrowings capitalized in property, plant and equipment in the amount of R$7,613; and (vi) offset of judicial deposits as a corresponding entry to the provision for litigation in the amount of R$36,463.

41 Events after the reporting period

The maturity of the debt securities ("Eurobonds") originally issued in 2008 by the foreign subsidiary Usiminas Commercial Ltd. took place on January 18, 2018, with the full payment of the total amount of US$ 400 million to the holders of these Eurobonds. Of this amount, approximately US$ 220 million returned to the Company's cash, due to the transaction described in Note 9 - Marketable securities and Note 20 (e) - Borrowings.

See accompanying notes.

Board of Directors

Elias de Matos Brito
Chairman

Francisco Augusto da Costa e Silva
Board Member

Gesner José Oliveira Filho
Board Member

Guilherme Poggiali Almeida
Board Member

Ichiro Sato
Board Member

Kazuhiro Egawa
Board Member

Luiz Carlos de Miranda Faria
Board Member

Oscar Montero Martinez
Board Member

Ricardo Antonio Weiss
Board Member

Rita Rebelo Horta de Assis Fonseca
Board Member

Wanderley Rezende de Souza
Board Member

Statutory Audit Board

Paulo Roberto Evangelista de Lima
Chairman

Domenica Eisenstein Noronha
Board Member

Lúcio de Lima Pires
Board Member

Masato Ninomiya
Board Member

Paulo Frank Coelho da Rocha
Board Member

Executive Board

Sérgio Leite de Andrade
CEO
Vice-President - Technology and Quality
Vice-President - Commercial Area

Ronald Seckelmann
Vice-President - Finance and Investor Relations
Vice-President - Subsidiaries

Takahiro Mori
Vice-President - Corporate Planning

Túlio César do Couto Chipoletti
Industrial Vice-President

Lucas Marinho Sizenando Silva
Accountant CRC-MG 080.788/O

See accompanying notes.