

**1S09**

**August, 2009**

**USIMINAS** 

# Agenda

- **Current Status**
- **Business Strategy**
- **Usiminas and the Distribution Sector**
- **Investment Plan**
- **“Reinventing” Project**

# Current Status



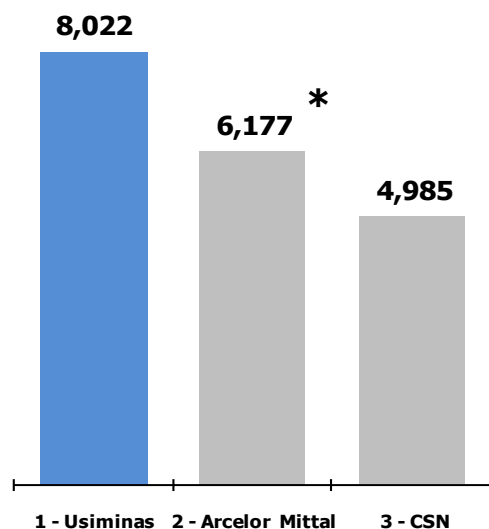
The largest flat steel producer in Latin America and the 38th steel producer in the world



## Demand and Consumption

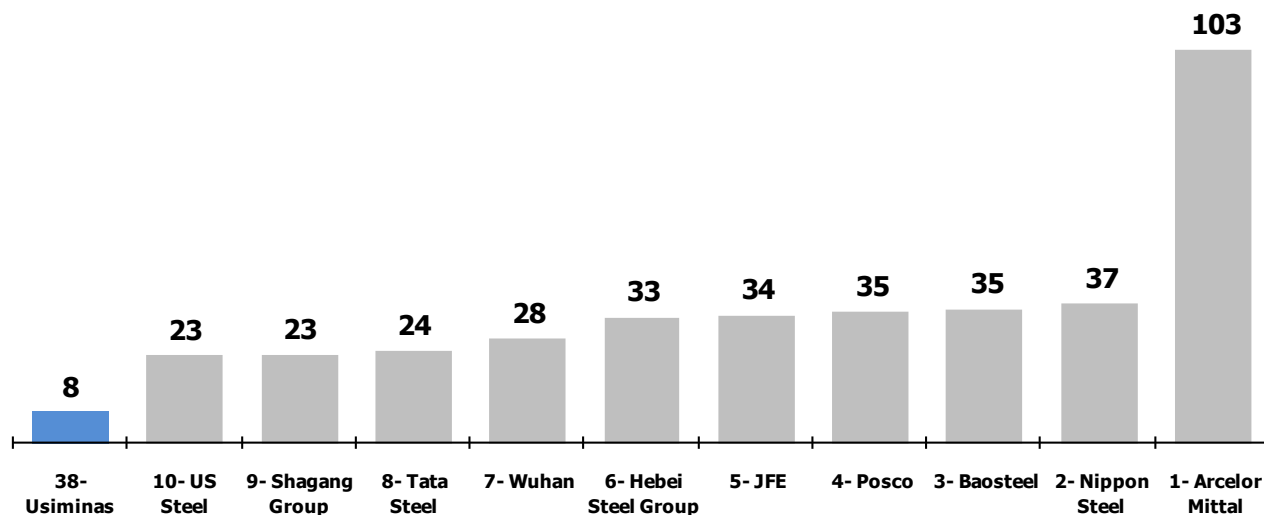
### Top Brazilian Steel Producers – 2008 \*

Crude steel production – 33.7 million t



### Major Producers - 2008

Steel production- million t



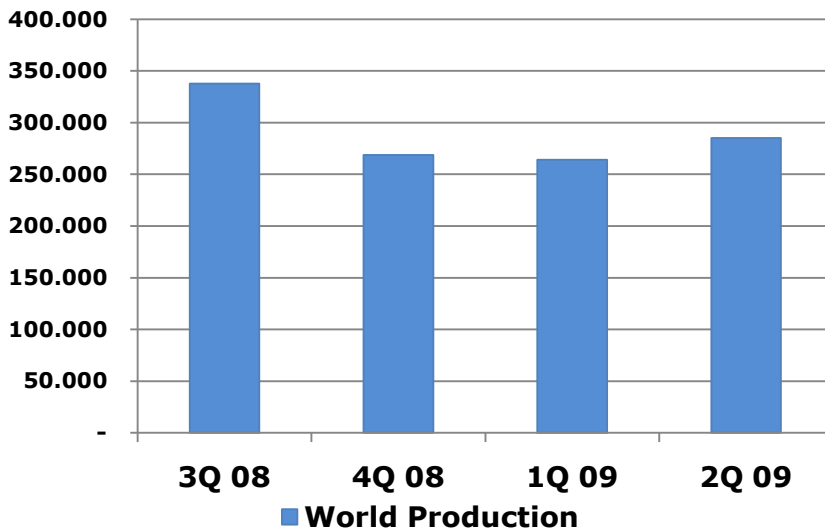
Source: IBS - Informe Estatístico Preliminar – January/2009 and Metal Bulletin – 2009

\* Flat steel production

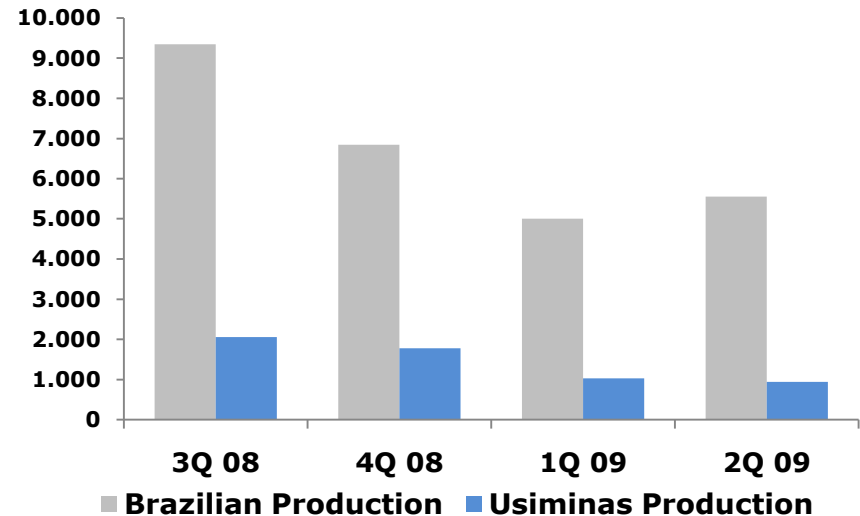
# 1S09 was a challenging period for the Brazilian and World steel producers



## World Production



## Brazilian Production

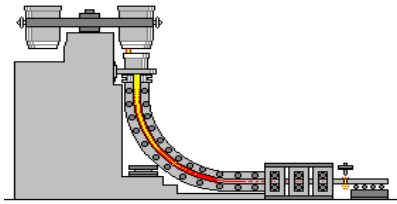


- World production should decrease 20% compared to 2008. (WSA)
- Domestic production should decrease between 20% and 25% compared to 2008. (IBS – Brazilian Steel Institute)
- However there are signs of recovery in the world and Brazilian steel production for 2H09.

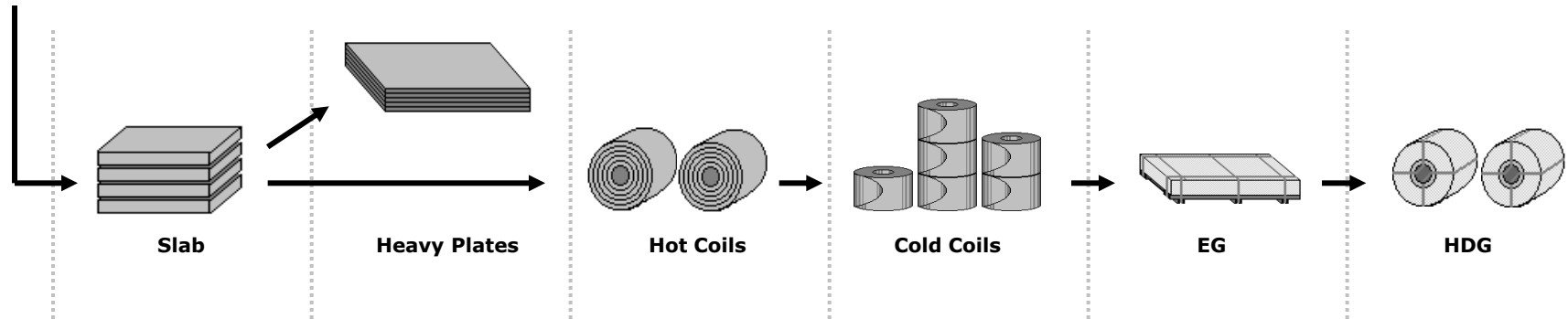
In spite of its competitiveness, Usiminas was also affected



# Usiminas has a full range of flat steel products



**Slab Caster**

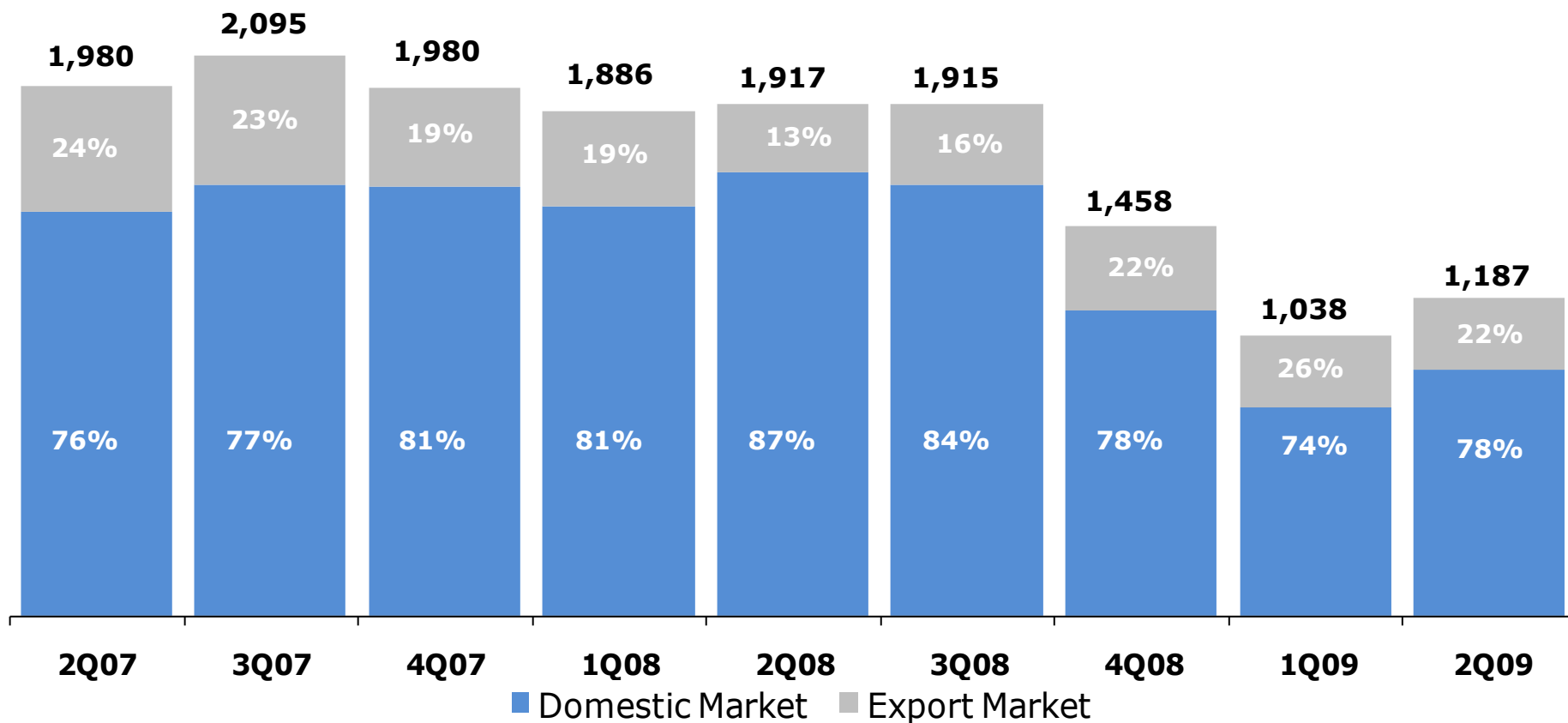


	Slab	Heavy Plates	Hot Coils	Cold Coils	EG	HDG
<b>Ipatinga Plant</b>	5,000 kt	1,000 kt	3,550 kt	2,500 kt	360 kt	480 kt
<b>Cubatão Plant</b>	4,500 kt	1,000 kt	2,100 kt	1,200 kt	-	-

# Sales prioritizing domestic market and high value added niches



## Consolidated Sales (000 tons)



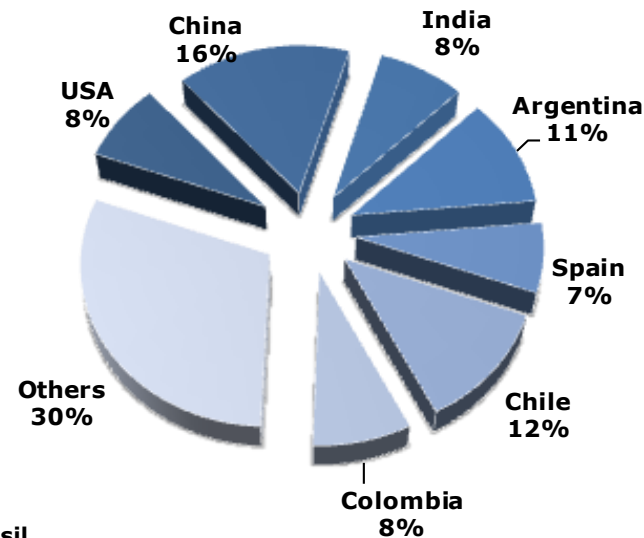
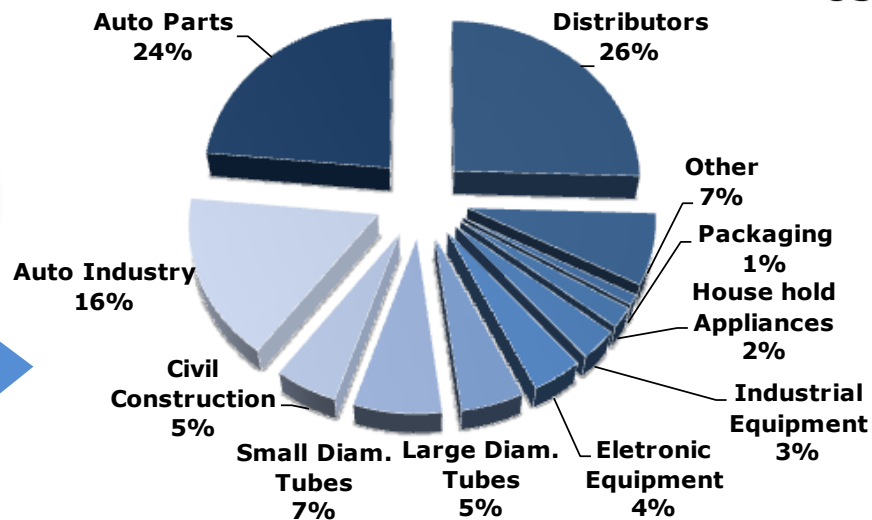
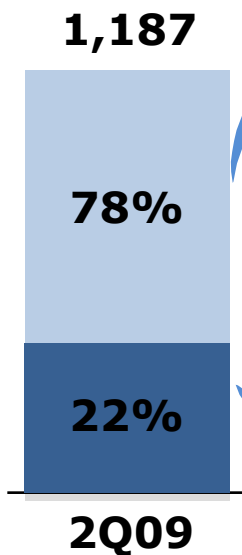


# Sales prioritizing domestic market and high value added niches



**46% Market Share \***

(Thousand t)



June, 2009

\*Flat steel market: Usiminas, CSN and Arcelor Mittal Brasil

# 2Q09 Results



## Highlights

R\$ million	2Q 2009	2Q 2008	1Q 2009	Chg. 2Q09/2Q08	1H 2009	1H 2008	Chg. 1H09/1H08
Total Sales Volume (000 t)	1,187	1,917	1,038	-38%	2,225	3,803	-41%
Net Revenues	2,412	3,973	2,670	-39%	5,082	7,526	-32%
Gross Profit	409	1,455	589	-72%	998	2,688	-63%
Operating Result (EBIT) (a)	4	1,193	98	-100%	102	2,179	-95%
Financial Result	562	204	(96)	175%	467	240	95%
Net Income (Loss)	369	988	(112)	-63%	257	1,700	-85%
EBITDA (b)	117	1,423	332	-92%	449	2,665	-83%
EBITDA Margin	4.8%	35.8%	12.4%	- 31,0 p.p.	8.8%	35.4%	- 26,6 p.p.
EBITDA (R\$/t)	98	742	317	-87%	202	616	-67%
Total Assets	24,999	24,415	26,939	2%	24,999	24,415	2%
Net Debt	3,777	552	4,299	584%	3,777	552	584%
Stockholders' Equity	14,748	13,598	14,717	8%	14,748	13,598	8%

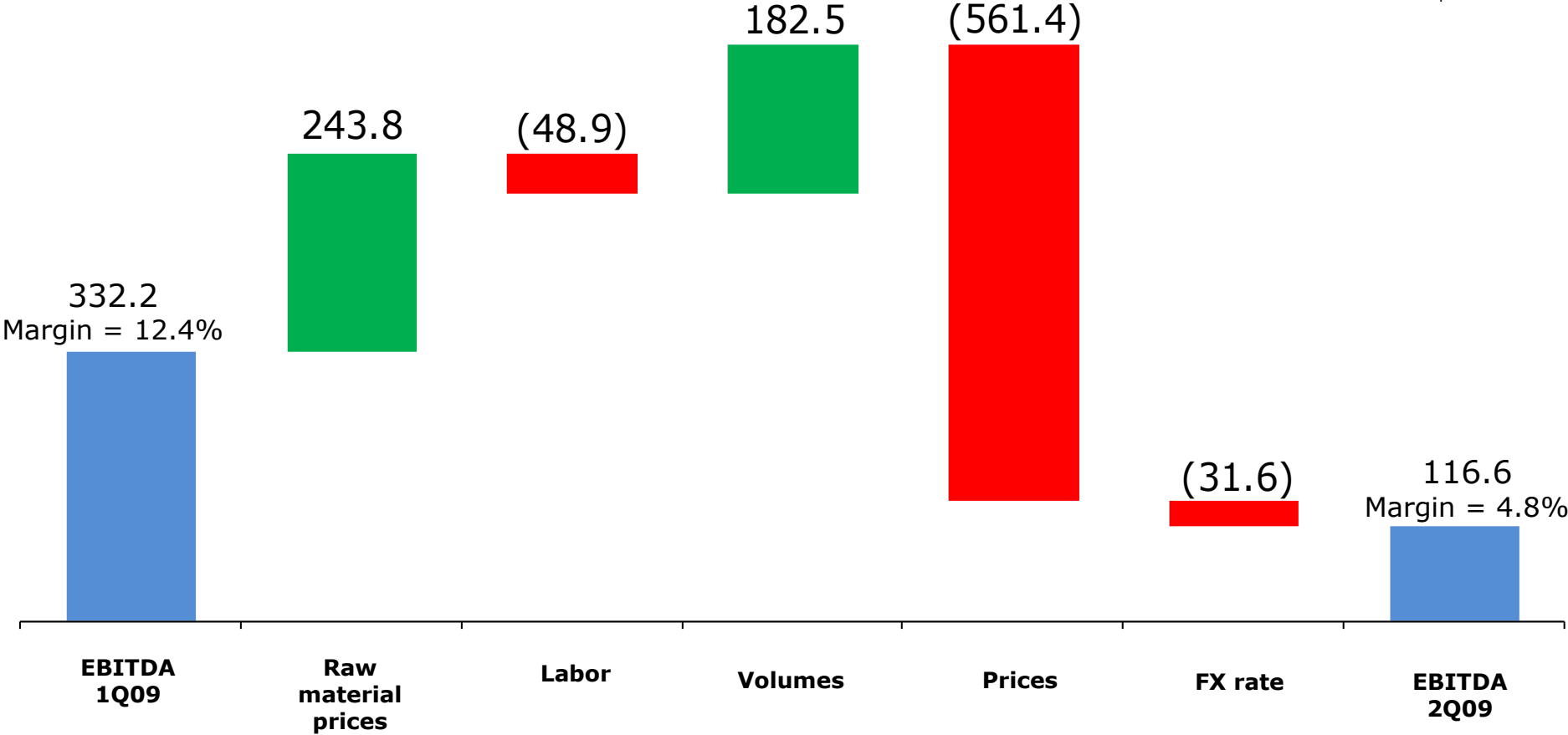
(a) Earnings before interest, tax and participations.

(b) Earnings before interest, taxes, depreciation, amortization and participations.

# Adverse results in 2Q09 led to a poor EBITDA



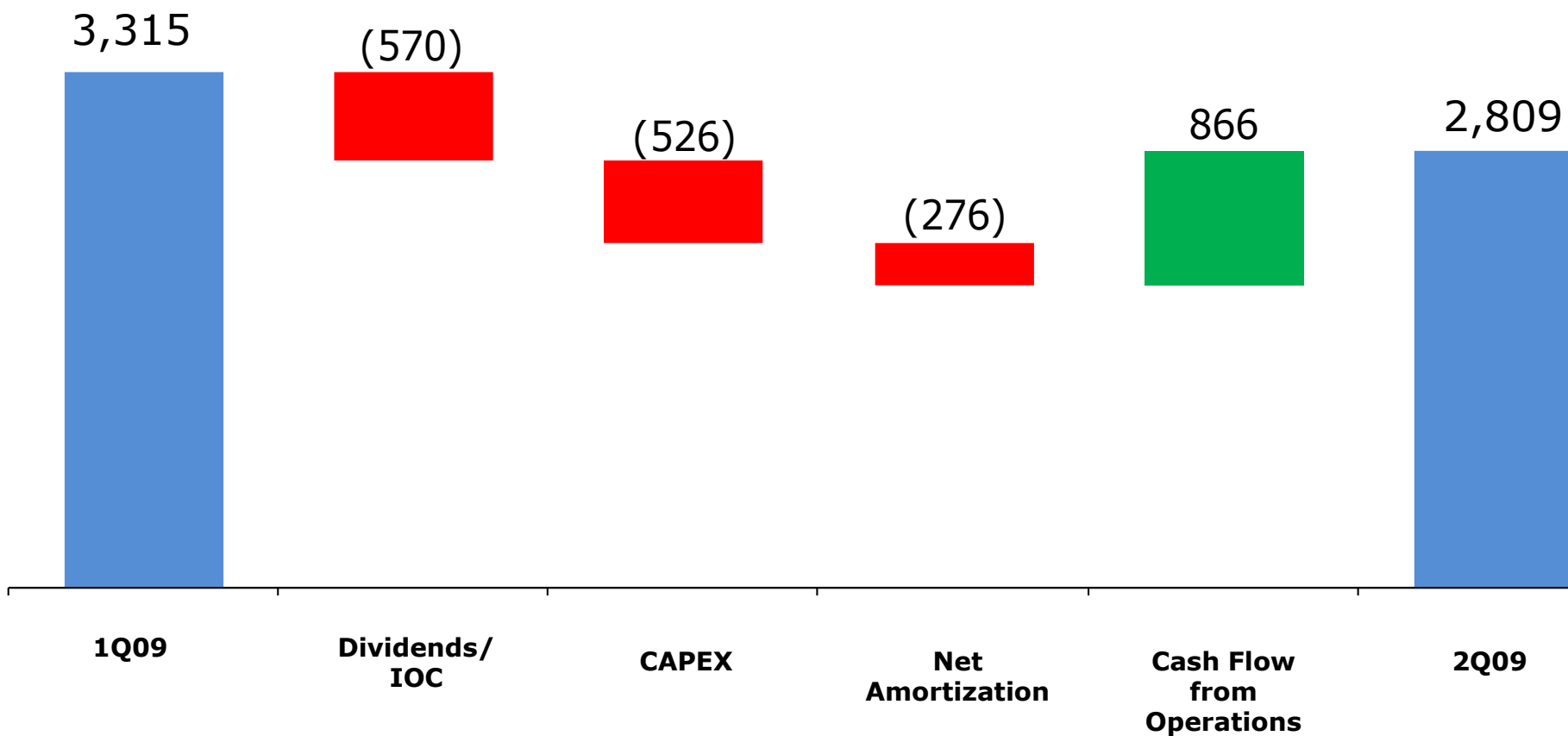
R\$ Million



However the maintenance of sound financial and cash position was a main goal



R\$ Million



# Important adjustments were made



✓ Inventory

<b>R\$ Million</b>	<b>1Q09 (A)</b>	<b>2Q09 (B)</b>	<b>(B-A)</b>
In process / Finished products	2381	2165	(216)
Raw materials	1311	1176	(135)
Others	1226	885	(341)
<b>Total</b>	<b>4918</b>	<b>4226</b>	<b>(692)</b>

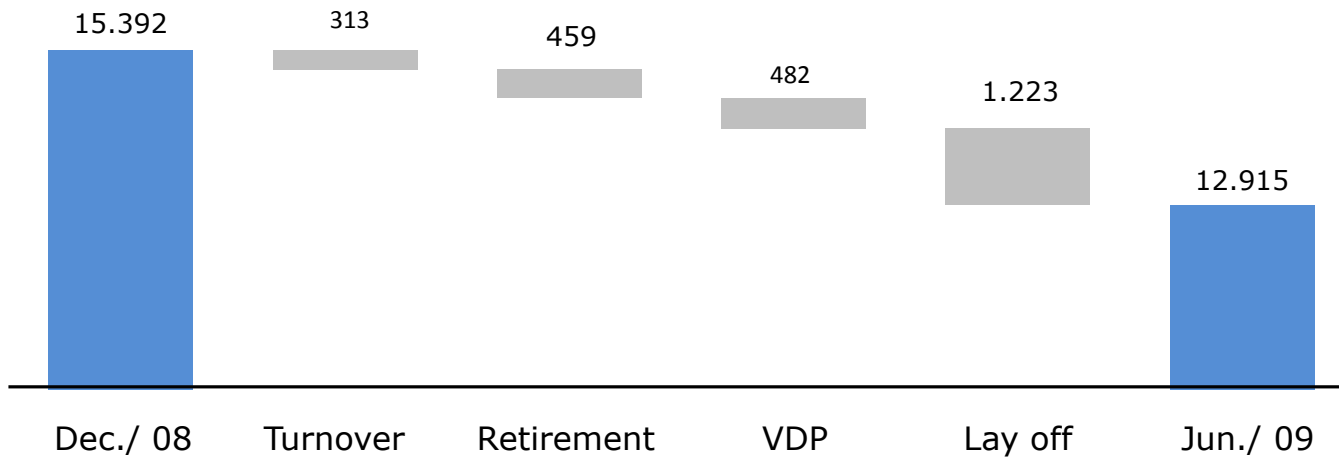
FUTURE

**Target: EBITDA and Profitability**

# Important adjustments were made



✓ Labor force



- Labor force reduction of 16%.
- Non recurring cost of R\$79 million.



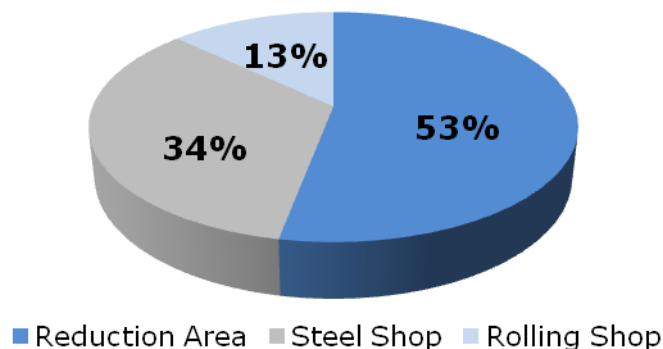
**Target: EBITDA and Profitability**

# And the "Productivity and Action Project" will continue to generate important savings

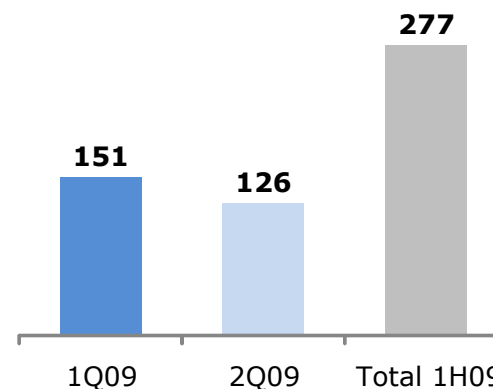


## ✓ **Productivity and Action Project**

Estimated Impacts – R\$1.4 billion



Savings during 1H09  
R\$ million



## ✓ **Supply Project**

Potential savings of R\$ 1 billion over 2.5 years . In 2009 savings may reach R\$ 120 million.

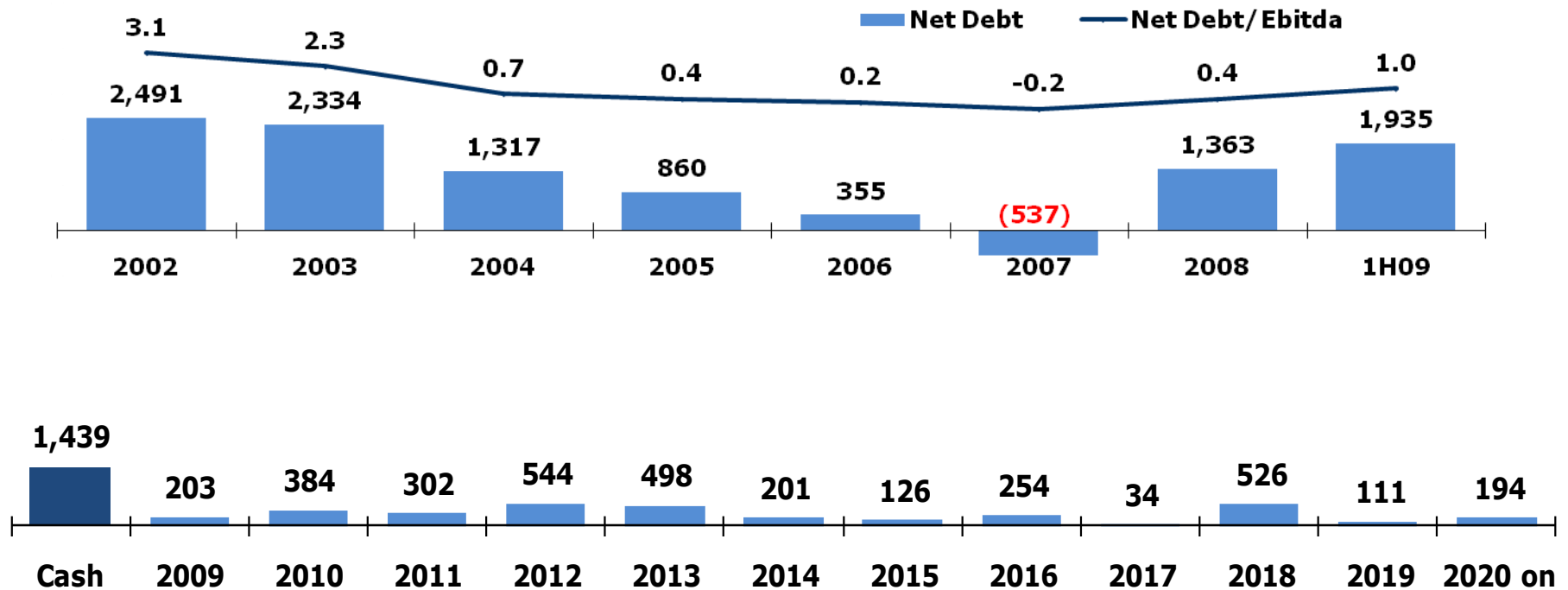
## ✓ **Working capital release**

Inventory decrease of R\$ 692 million in 2Q09. Savings target: R\$1 billion at the end of 3Q09.

# Allowing the company to maintain its debt profile and cash position on a safe harbor



US\$ Million



June, 2009

Note: Principal Values



# Business Strategy





## **Upstream Integration**

**Protection against transfer of margin in the value chain  
Keep competitiveness of production costs**



## **Expansion of Domestic Capacity**

**Take advantage of domestic market growth, capturing a premium for the logistics gains  
Capture competitiveness from access to local competitive raw material and labor**



## **Downstream Integration**

**Assure presence in growing markets  
Integrate and create value in new market niches**



## **Expansion of Products Portfolio**

**Assure maximum potential of value creation  
Reduce dependence of few product lines  
Assure presence in growing markets**



## **Internationalization**

**Assure access to markets outside Brazil  
Accelerate growth  
Diversify and keep close to sector leaders**

# Business Units



- Future format of Business Units results:

## Usiminas Consolidated

### Mining & Logistics

**Mining Assets**  
**MRS**

### Steel

**Ipatinga Mill**  
**Cubatão Mill**  
**Ternium**

### Steel Processing

**Unigal**  
**Soluções Usiminas \***  
**Automotiva Usiminas**

### Capital Goods

**Usiminas Mecânica**

\* Under structuring and will concentrate Rio Negro, Fasal, Dufer e Zamproгна


# Usiminas and the Distribution Sector



# The Distribution Sector is changing its profile



 **Distribution** → **Distribution + Service Centers + Steel Processing**

 **Consolidation**

 **Steel Industry adopting model of downstream integration through distribution**

**Size, potential of growth and margin**

**Commercial synergies**

**Operational Synergies**

In March/09 Usiminas acquired Zamproгна, the largest independent distributor in Brazil



✓ **Financial Figures (2008)**

**Sales volume:** 288 thousand t  
**Net revenues:** R\$ 822 million

✓ **Production and Supply**

**Tubes**  
**Service Center**  
**Processed Products**

✓ **Location**



# Investment Plan



# Capex for 2009 is expected to reach R\$ 2.3 Billion



## Investments

Investments	Goal	Project Capex	Total executed up to June/2009
New Coke Facility (nº3)	750 thousand ton	R\$ 707 million	R\$ 402 million
New Thermoelectric Power Plant	60 MW	R\$ 238 million	R\$ 229 million
Expansion of Heavy-Plate Rolling Mill	350 thousand ton	R\$ 1.050 billion	R\$ 52 million
New HDG Line	550 thousand ton	R\$ 914 million	R\$ 92 million
Hot Strip Mill no. 2	2.3 / 4.8 million ton	R\$ 2.530 billion	R\$ 342 million



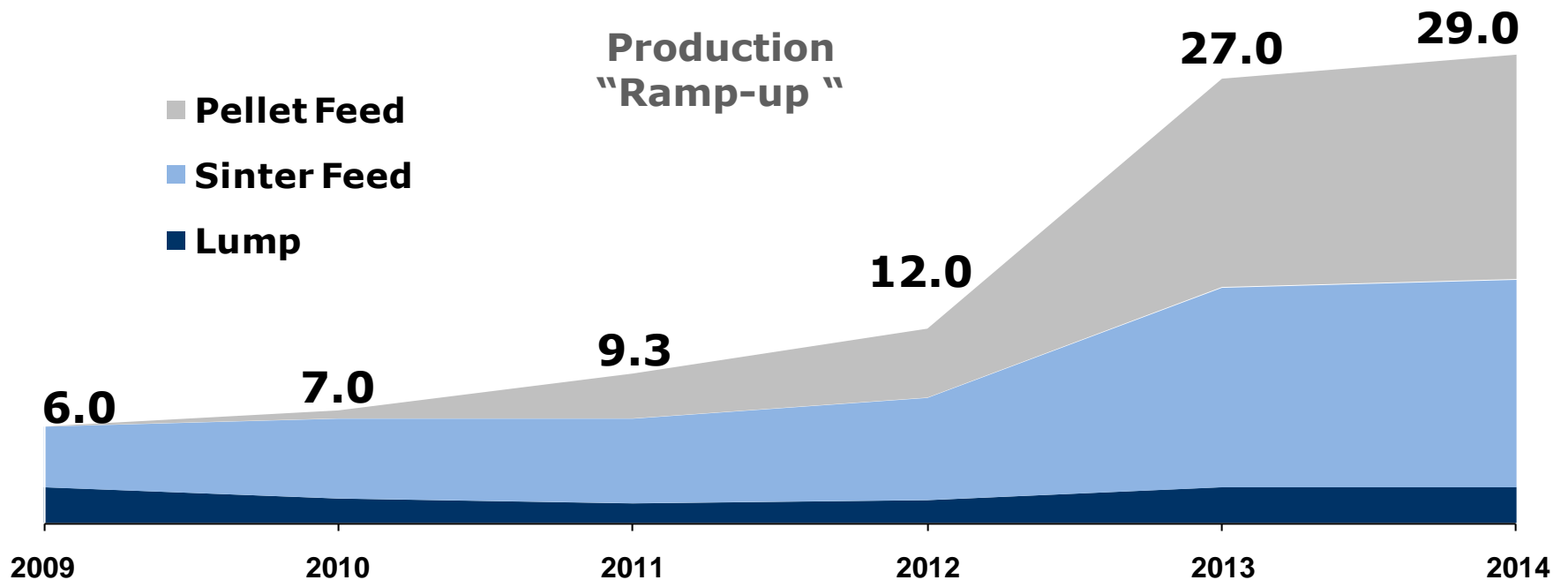
**Investments in Steel to meet demand of high value added products**



# Investments in Mining aiming increase of production and competitiveness



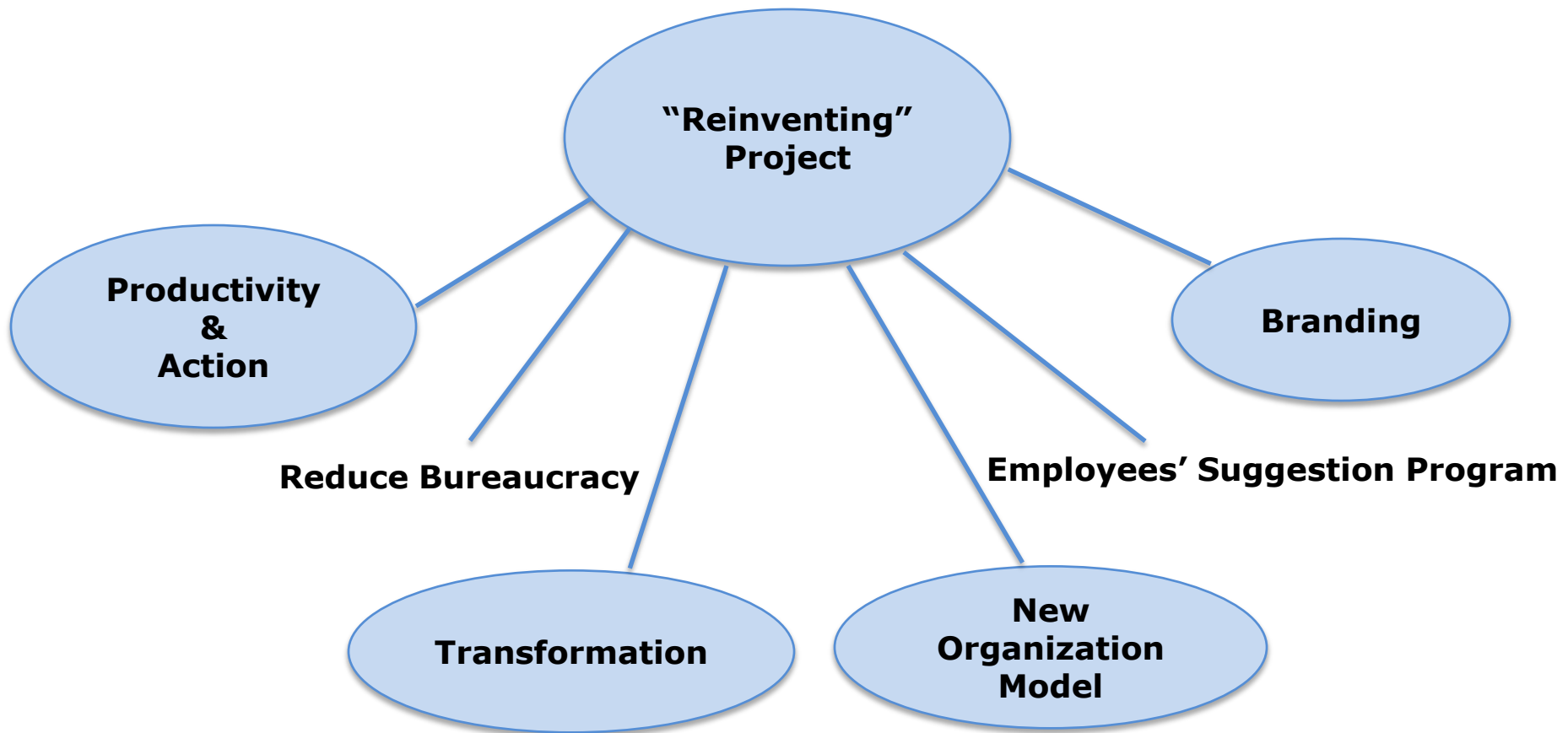
Million t



# “Reinventing Project”





Despite its leadership position, Usiminas aims to become more dynamic, stronger, modern and efficient



# “Reinventing Project”



## 1. Productivity & Action

- Change in focus due to economic scenario:
- Debottleneck of production process  Variable cost reduction (Potential: R\$ 1.4 billion)
- Inventory management  Raw material and products: 2Q09; R\$ 692 million  
Target; R\$ 1 billion at the end of 3Q09
- Supply project – Potential savings of R\$ 1 billion (2.5 years)  
2009: R\$ 120 million (target)

## 2. Transformation

- Integrated Sales, Production and Logistics
- New relationship standards

# “Reinventing Project”



## **3. New Organization Model**

- New matrix structure, by business nature
- Usiminas Executive Committee (COMEX)/decentralization
- Multi-segment committees / internal synergies

## **4. Branding**

- Revision of corporate identity
- Revision of the brands' strategic positioning
- Alignment with the new organizational paradigms

# Other fronts



## **Reduce Bureaucracy**

- Simplification of internal procedures
- Dynamic decision making process

## **Employees' Suggestion Program**

- 12,400 ideas in the 1st season
- 5,500 ideas in the 2nd season

# Board of Directors Decisions



- Suspend the new “Santana do Paraíso” mill project. It should be resumed as soon as the market fundamentals confirm the recovery of sustainable demand.
- R\$ 215 million new capex in Ipatinga mill: Secondary metallurgy of Steel Shop #2 aiming to increase supply of value added steel products to the oil and gas, and auto sectors.
- Interest on Capital payment in the amount of R\$ 89.9 million.

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



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