MOODY'S INVESTORS SERVICE

Rating Action: Moody's changes Usiminas' outlook to stable; ratings affirmed

Global Credit Research - 30 Mar 2010

Approximately USD 874 million in rated debt securities affected

Sao Paulo, March 30, 2010 -- Moody's Investors Service today affirmed the Baa3 global scale and Aa1.br Brazilian national scale senior unsecured issuer ratings of Usinas Siderúrgicas de Minas Gerais S.A. ("Usiminas") and all related debt ratings, and changed the ratings outlook to stable from negative.

Ratings affirmed are as follows:

Issuer: Usinas Siderúrgicas de Minas Gerais S.A.

- Senior Unsecured Issuer Rating: Baa3 (global scale); Aa1.br (Brazilian national scale)

- USD 500 million Senior Unsecured Global MTN Program: Baa3 Foreign Currency Rating

- BRL 500 million local currency subordinated unsecured debentures due 2013: Ba1 (global scale); Aa2.br (Brazilian national scale).

Issuer: Cosipa Commercial Ltd.

- USD 200 million senior unsecured notes due 2016, guaranteed by Usiminas: Baa3 Foreign Currency Rating

Issuer: Usiminas Commercial Ltd.

- USD 400 million senior unsecured notes due 2018, guaranteed by Usiminas: Baa3 Foreign Currency Rating

The outlook for all ratings is stable.

The rating action reflects the company's improved operating performance in light of enhanced market conditions for the global steel industry, particularly in Brazil which is Usiminas' main market. We expect that the recovery in the global steel industry will continue to progress, although slowly. Usiminas' gross margins were affected during 2009 by high-cost iron ore and coal inventories, which have been liquidated during 2009, thus relieving margins from this cost pressure.

The rating action also reflects Usiminas' good liquidity based on hefty cash position of BRL 3.08 billion as of December 31, 2009 (covering short term adjusted debt 2.6x) and comfortable headroom under its financial covenants in addition to an adequate funding profile for its ongoing capex program. Moreover, as Usiminas postponed part of its planned investments, namely the construction of a new five million tons slab mill, and margins have rebounded after the second quarter of 2009, we anticipate a slow but sustainable reduction in its leverage as ongoing investments mature.

The ratings continue to be supported by the company's leading position in the Brazilian flat steel market, as well as its globally competitive production costs as evidenced by its average EBITDA margin (as defined by Moody's) of about 36% in the past five years, reflecting its large scale, track record of almost full-capacity utilization, the proximity of its facilities to high-grade iron-ore reserves, efficient logistics, and partial self-sufficiency in iron-ore, coke and energy. As a low-cost producer, we believe that Usiminas is better prepared to face the ups and downs of the cyclical steel industry than most of its international peers from an operational standpoint.

The stable oulook reflects the fact that Usiminas is operating back at high capacity utilization rates in addition to our expectation that the company will be able to take further advantage from the steel market recovery, especially in Brazil, and will post enhanced operating margins going forward although not at the same level as historically since pressured by increased input costs. As a result, we expect the company to reduce its leverage over the near term as investments mature, while continuing to prudently manage liquidity and dividends.

The ratings or outlook could be upgraded if operating performance and cash generation improves such that Total Adjusted Debt to EBITDA approaches 2x and CFO less Dividends to Net Debt (total debt less estimated cash available for debt reduction) is sustained above 20%. The maintenance of comfortable financial covenants headroom and cash plus unused committed credit facilities to short-term debt of above 1.3x would also be necessary for an upgrade.

The ratings or outlook could be downgraded if the company's recently improved performance is not sustainable, preventing a reduction in leverage and / or causing CFO less Dividends to Net Debt to remain consistently below 20% without prospects for improvement in the near term. A substantial deterioration in liquidity could also cause a downgrade. Finally, a significant increase in consolidated secured debt could negatively affect the senior unsecured debt ratings.

Moody's last rating action on Usiminas occurred on July 28, 2009 when we affirmed its Baa3 global scale senior unsecured issuer rating and downgraded its Brazilian national scale senior unsecured issuer rating to Aa1.br from Aaa.br and revised the ratings outlook to negative from stable.

The principal methodology used in rating Usiminas was Moody's Global Steel Industry rating methodology (January 2009), which can be found at www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Headquartered in Belo Horizonte, Brazil, Usinas Siderúrgicas de Minas Gerais S.A. is the largest fully integrated flat-steel manufacturer in Latin America, with production capacity of 9.5 million tons of crude steel and consolidated net revenues of BRL 10.9 billion (USD 5.4 billion converted by the average exchange rate) in 2009.

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