

Issuer Comment: Moody's: Usiminas' Baa3 rating unaffected by sale of minority interest in mining subsidiary

Global Credit Research - 01 Jul 2010

Moody's Investors Service commented today that Usinas Siderúrgicas de Minas Gerais S.A.'s ("Usiminas") Baa3 rating is unaffected by the announced sale to Sumitomo Corporation (rated A2, outlook stable) of a 30% minority interest in its iron ore mining subsidiary Mineração Usiminas S.A. for a cash consideration of USD 1.93 billion. The deal is expected to be concluded during the third quarter of 2010.

The equity injection at Mineração Usiminas should help fund its large capex program to gradually expand capacity to some 29 million tons per year in 2015, thus favoring Usiminas's capital structure on a consolidated basis given the reduced reliance on debt funding. Also, the entry of Sumitomo as a strategic partner provides potential new channels for the marketing of Mineração Usiminas' production.

Moody's last rating action on Usiminas occurred on March 30, 2010 when we affirmed its Baa3 global scale and Aa1.br Brazilian national scale senior unsecured issuer ratings and all related debt ratings, and changed the ratings outlook to stable from negative.

The principal methodology used in rating Usiminas was Moody's Global Steel Industry rating methodology (January 2009), which can be found at www.moody's.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.

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 11.3 billion (USD 6 billion converted by the average exchange rate) in the last twelve months ended on March 31, 2010.

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