

Oversea Prices Lead Brazil's Usiminas to Top US\$ 1 Bi in Net Income

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Usinas Siderúrgicas de Minas Gerais S/A announced February 25 its fourth quarter 2004 and fiscal year 2004 results. Steel product sales reached 2.17 million tons in 4Q04 and totaled 8.06 million tons in 2004.

Growth of 5% in the year was made possible by increasing production at the Usiminas System's two plants, which operated with stability at full capacity. Consolidated net revenues totaled R\$ 3.8 billion in 4Q04 and reached R\$ 12.2 billion in the year, a 41% increase in relation to 2003.

The rise in average international prices, followed by a gradual alignment of domestic prices and growth in higher value-added products were the main determinants in revenue growth.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) reached R\$ 1.8 billion in 4Q04, an increase of 138%. In the year, EBITDA surpassed R\$ 5.6 billion, growing 83%.

Cash generation in the fiscal year synthesized favorable conditions in the steel industry and the operational efficiency of the Usiminas System.

Debt

The rate of debt reduction surpassed initial goals fixed by the company. Strong cash generation made it possible to amortize US\$ 621 million in the year. Consolidated gross debt fell 29% and went from R\$ 7.6 billion in 2003 to R\$ 5.4 billion at the end of 2004.

Debt maturities were extended: long-term loans and financing went from 63% in 2003 to 74% in 2004. The solid financial situation achieved is reflected by the consolidated net debt/EBITDA ratio, which went from 2.2X at the end of 2003 to 0.6X in December 2004.

Net Income

Consolidated net income reached R\$ 1.1 billion in 4Q04, a growth of 214% and, at the end of the fiscal year, reached the all-time high of R\$ 3.02 billion, an increase of 131% in relation to 2003.

Outlook

With the present favorable industry conditions persisting, solid operational cash generation achieved in the last quarters should continue.

Funds obtained will be directed toward the System's investment program, which is entering a new phase and will proceed to add value to its products. Priorities in the Company also include shareholder remuneration and continued debt reduction.

No substantial international price reductions are foreseen in the medium term in function of the heated demand in the main markets and of the raw material cost increases foreseen for 2005.

The Usiminas System's goal for the year is to maintain its steel product sales at the 8-million ton level, continuing its policy of giving priority to the domestic market by earmarking 75% of total production to local customers.

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