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Usinas Siderúrgicas de Minas Gerais S.A. – USIMINAS

Parent company and consolidated financial statements at December 31, 2019 and independent auditor's report

(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 "Parent company"), which comprise the balance sheet as at December 31, 2019 and the statements of income, comprehensive income, 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, 2019 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

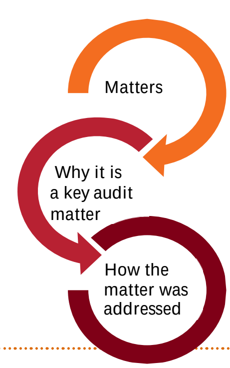
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Usinas Siderúrgicas de Minas Gerais S.A. and of Usinas Siderúrgicas de Minas Gerais S.A. and its subsidiaries as at December 31, 2019, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the 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.

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 period. 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.



We planned and performed our audit for the year ended December 31, 2019 considering that the operations of the Company and its subsidiaries remained substantially consistent with those of the prior year. Accordingly, our audit strategy and the definition of the Key Audit Matters were similar to those of the prior year.

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 realization of deferred taxes (Notes 3.16 and 13)	
The Company and its subsidiaries present significant balances of property, plant and equipment and intangible assets for which a provision for impairment may be necessary if events or changes in circumstances indicate that their carrying amount may not be recoverable. Deferred tax assets are recorded mainly for income tax and social contribution losses and temporary tax timing differences. These deferred tax balances are supported by taxable income projections. The annual assessment of recoverability of these assets requires management to apply critical judgments which rely on subjective variables for projections of results, taxable profits and discounted cash flows, all of which depend on future economic events. Using different sets of assumptions could significantly change the estimates of realization for these assets and require impairment provisions thus affecting the financial statements. Because of these aspects, we decided to focus on this matter in our audit.	Our audit procedures included, among others: We analyzed, with the assistance of our valuation specialists, the logic and mathematical accuracy of the cash flow projection models. We tested the consistency of the information and assumptions used to project future taxable profits and cash flows by comparing them with: (i) budgets approved by the Board of Directors; (ii) market assumptions and data; and (iii) the prior-year projections with the effective subsequent results. For deferred taxes, we tested, with the support of our tax specialists, the calculation bases of income tax and social contribution losses, and temporary differences, comparing them with the corresponding tax records. Our audit procedures indicated that the judgment applied and assumptions used by management to evaluate the recoverability of these assets were reasonable, and that the disclosures were consistent with the data and information obtained.
Provision for litigation (Notes 3.14 and 25)	
The Company and its subsidiaries are party to legal and administrative labor, tax, and civil proceedings arising from the normal course of its business. Management applies significant judgment in determining the likelihood of loss from such proceedings by examining the merits of the cases and evaluating the nature of the proceedings in the context of legislation in force and applicable case	Our audit procedures included, among others: Gaining an understanding and testing the significant internal controls over the process of identification and assessment of the proceedings and the quantification of the risks for the purposes of recording a provision when loss is considered probable. Similarly, understanding and testing the controls over the disclosures in the notes to the

Why it is a Key Audit Matter	How the matter was addressed in the audit
law. This process is periodically reassessed as the proceedings progress through the different judicial courts. Because of these aspects, we decided to focus on this matter in our audit.	financial statements when the related estimates indicate a possible likelihood of loss. We obtained confirmations from outside legal counsel accompanying the legal and administrative proceedings as to the likely outcome of the lawsuits, as to the completeness of the information provided by management and the sufficiency of the provisions recorded or amounts disclosed. Furthermore, with the support of our tax specialists we assessed the reasonableness of the likelihood of loss for the more significant 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 management, and the disclosures made, to be consistent with the information provided by outside legal counsel.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Favorable outcomes in lawsuits with final, unappealable decisions (Notes 12, 25(c), 33(b), 34)	
As also occurred in 2018, in 2019 the Company and its subsidiaries received favorable, unappealable decisions in lawsuits for (i) the right to exclude the Value-added Tax on Sales and Services (ICMS) from the Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) calculation base, and (ii) the recovery of compulsory borrowings made to Eletrobrás. In 2019, final, other unappealable decisions were again granted in lawsuits filed by the Company and by its subsidiaries Mineração Usiminas S.A. and Usiminas Mecânica S.A., claiming the right to exclude ICMS from the PIS and COFINS calculation bases. Consequently, new tax credits were recorded of R$ 115,899 thousand (2018 - R$ 789,160 thousand) in the Parent company and R$ 156,561 thousand in the Consolidated (2018 - R$ 802,955 thousand). The Company is a plaintiff in lawsuit to recover the compulsory loans made to Eletrobrás. During 2019, following a final and unappealable decision issued on the partial amount claimed by its Ipatinga branch, the asset recorded in the prior year was received. Also in 2019 a final and unappealable decision was issued on the declaratory action filed by the Cubatão branch, which led the Company to record R$ 305,848 thousand in results for the year as such amount was not disputed in the courts. The Ipatinga and Cubatão branches still have a total balance under dispute through lawsuits of R$ 1,273,620 thousand. These were key audit matters in 2019 because of their complex nature, including the definition of the amounts involved and their relevance, and the accounting thereof and disclosure in the financial statements of the Company and its subsidiaries.	Our audit procedures included, among others Gaining an understanding of the proceedings, through discussions with the Company's legal department and management. For the lawsuit claiming the right to exclude the ICMS from the PIS and COFINS calculation bases, we obtained the tax credit analyses performed by the Company and its subsidiaries with the support of their external consultants. We assessed the criteria applied in the calculation and the mathematical accuracy and compared, on a sample basis, the monthly calculations with the historical accounting and tax records. For the lawsuits on the compulsory loans made to Eletrobrás, we obtained a copy of the court decision which permitted the request for validation of the undisputed amount filed by Eletrobrás. We examined the legal opinion of the specialized law firm supporting the Company's decision to recognize the credits with Eletrobrás, in addition to the legal opinion of the lawyer responsible for the case. We read the information disclosed by management in the accompanying notes to the financial statements to assure consistency of the balances accounted for and the corresponding disclosures with the information we obtained during our audit.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Retirement benefit obligations (Notes 3.17 and 27) 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 for employees of Companhia Siderúrgica Paulista - Cosipa (which was merged into the Company in 2009) who had retired before April 30, 2002 and still accrue the right to the benefit. The actuarial calculations that underlie the determination of these obligations are prepared by an independent actuary hired by the Company's management and consider actuarial assumptions based on information on the participants of the retirement and healthcare plans. We considered this subject to be a key audit matter because of the significance of the plans' present obligations as well as the considerable judgment required in establishing the actuarial assumptions.	Our audit procedures included, among others, the detailed testing of census data for active participants and assisted individuals included in the retirement supplementation and healthcare plans, presented in the database used to calculate the actuarial liability. With the support of our actuarial specialists, we tested the logic and mathematical accuracy of the model utilized to estimate the present value of the actuarial obligations. We also discussed the key assumptions applied in calculating the actuarial liabilities, such as salary growth projections, mortality and disability tables, medical costs, and discount rates. We reviewed the reconciliation, prepared by management, of the actuarial report with the balances in the financial statements and the explanatory notes. We further evaluated the professional qualifications of the independent external actuary contracted by management and the nature of their work in preparing the actuarial calculations. For the retirement supplementation plan assets, we performed detailed testing and obtained confirmation from the manager of the pension plans as to the investment portfolio. We also tested, on a sample basis, the estimated fair value of the investment portfolio. We consider that the criteria and assumptions used by the Company to record post-employment benefit obligations, as well as the disclosures made in the accompanying notes to the financial statements, to be reasonable, in all material respects, in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2019, 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 are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Added Value". In our opinion, these statements of value added have been 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.

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 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 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 report that fact. 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 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 may 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 Company's ability 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 parent company and 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.

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 14, 2020

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Guilherme Campos e Silva
Contador CRC 1SP218254/O-1

Financial statements

Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS

December 31, 2019
and independent auditor's report

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Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS

Balance sheet
All amounts in thousands of reais

		Parent company		Consolidated	
	Note	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Assets					
Current assets					
Cash and cash equivalents	8	901,864	765,638	1,252,966	1,106,790
Marketable securities	9	-	-	668,175	586,559
Trade receivables	10	1,396,884	1,669,763	1,938,440	1,894,291
Inventories	11	3,166,003	3,183,996	3,795,832	3,880,635
Taxes recoverable	12	541,831	478,283	731,049	617,731
Prepaid income tax and social contribution		41,344	79,407	48,496	130,197
Dividends receivable	37	40,220	71,601	-	13,562
Derivative financial instruments	6	762	347	762	347
Receivables - Eletrobrás	25	305,848	-	305,848	-
Other receivables		138,895	132,637	119,714	94,205
Total current assets		6,533,651	6,381,672	8,861,282	8,324,317
Non-current assets					
Long-term receivables					
Trade receivables	10	84,446	17,052	131,452	64,058
Receivables - Eletrobrás	25	-	676,023	-	676,023
Deferred income tax and social contribution	13	2,117,027	1,726,425	3,037,626	2,765,356
Receivables from related companies	37	42,231	45,069	1,651	2,342
Judicial deposits	14	379,692	367,777	543,658	523,557
Derivative financial instruments	6	6,950	3,553	6,950	3,553
Taxes recoverable	12	148,020	452,768	152,336	454,284
Other receivables		271,622	181,579	307,124	211,649
		3,049,988	3,470,246	4,180,797	4,700,822
Investments	15	4,350,641	4,260,600	1,053,138	1,088,094
Investment properties		90,202	-	90,202	-
Property, plant and equipment	16	9,892,313	10,248,224	11,424,691	11,715,022
Intangible assets	18	90,355	78,343	726,922	695,596
Total non-current assets		17,473,499	18,057,413	17,475,750	18,199,534
Total assets		24,007,150	24,439,085	26,337,032	26,523,851

The accompanying notes are an integral part of these financial statements.

Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS

Balance sheet
All amounts in thousands of reais

		Parent company		Consolidated	
	Note	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Liabilities and equity					
Liabilities					
Current liabilities					
Trade payables, contractors and freight charges	19	1,405,831	1,038,083	1,518,270	1,133,763
Borrowings	20	92,348	392,126	96,316	396,799
Debentures	21	25,017	70,237	25,017	70,237
Advances from customers		11,749	25,076	57,757	63,484
Notes payable - Forfaiting		613,803	965,927	613,803	965,927
Salaries and social charges		138,706	158,556	198,416	205,583
Taxes payable	22	70,011	101,151	99,597	122,913
Taxes payable in installments	23	4,312	4,178	4,314	4,180
Lease liabilities	24	12,514	-	33,328	-
Income tax and social contribution payable	13	-	-	15,096	3,299
Dividends and interest on capital payable	28	51,107	172,762	67,814	202,809
Other payables		91,469	114,846	160,010	166,676
Total current liabilities		2,516,867	3,042,942	2,889,738	3,335,670
Non-current liabilities					
Borrowings	20	2,997,241	4,552,937	3,003,655	4,562,971
Debentures	21	1,981,250	819,783	1,981,250	819,783
Payables to related companies	37	104,335	96,896	121,838	134,254
Lease liabilities	24	19,293	-	75,942	-
Provision for litigation	25	659,318	474,106	777,386	635,551
Environmental restoration provision	26	-	-	231,591	203,707
Post-employment benefits	27	1,518,362	1,033,840	1,574,796	1,034,228
Other payables		167,061	152,283	115,152	100,296
Total non-current liabilities		7,446,860	7,129,845	7,881,610	7,490,790
Total liabilities		9,963,727	10,172,787	10,771,348	10,826,460
Equity	28				
Share capital		13,200,295	13,200,295	13,200,295	13,200,295
Capital reserves		307,033	309,391	307,033	309,391
Revenue reserves		943,132	766,942	943,132	766,942
Carrying value adjustments		(407,037)	(10,330)	(407,037)	(10,330)
Controlling stockholders' equity		14,043,423	14,266,298	14,043,423	14,266,298
Non-controlling interests		-	-	1,522,261	1,431,093
Total equity		14,043,423	14,266,298	15,565,684	15,697,391
Total liabilities and equity		24,007,150	24,439,085	26,337,032	26,523,851

The accompanying notes are an integral part of these financial statements.

USIMINAS

Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS

Statement of income

All amounts in thousands of reais unless otherwise stated

		Parent company		Consolidated	
		Years ended		Years ended	
	Note	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Continuing operations					
Revenue	30	12,719,071	12,570,079	14,948,719	13,736,780
Cost of sales	31	(11,930,865)	(10,861,424)	(13,074,129)	(11,521,694)
Gross profit		788,206	1,708,655	1,874,590	2,215,086
Operating income (expenses)					
Selling expenses	33	(109,302)	(186,890)	(288,515)	(337,404)
General and administrative expenses	33	(321,265)	(322,966)	(426,905)	(440,022)
Other operating expenses, net	33	(284,521)	(467,640)	(387,394)	(555,739)
Share of profit of subsidiaries, jointly-controlled subsidiaries and associates	15	457,489	249,747	180,735	260,350
		(257,599)	(727,749)	(922,079)	(1,072,815)
Operating profit (loss)		530,607	980,906	952,511	1,142,271
Finance result	34	(527,786)	35,805	(509,839)	93,045
Profit before income tax and social contribution		2,821	1,016,711	442,672	1,235,316
Income tax and social contribution	13				
Current		-	(31,319)	(138,960)	(98,228)
Deferred		210,444	(258,734)	72,979	(308,393)
		210,444	(290,053)	(65,981)	(406,621)
Profit for the year		213,265	726,658	376,691	828,695
Attributable to:					
Controlling interests		213,265	726,658	213,265	726,658
Non-controlling interests		-	-	163,426	102,037
Basic and diluted earnings per common share	35	R$ 0.17	R$ 0.57	R$ 0.17	R$ 0.57
Basic and diluted earnings per preferred share	35	R$ 0.18	R$ 0.62	R$ 0.18	R$ 0.62

The accompanying notes are an integral part of these financial statements.

Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS

Statement of comprehensive income (loss)

All amounts in thousands of reais

		Parent company		Consolidated	
		Years ended		Years ended	
	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Profit for the year		213,265	726,658	376,691	828,695
Other comprehensive income (loss)					
Actuarial gain (loss) on retirement benefits	27	(385,567)	(59,149)	(388,006)	(59,166)
Total other comprehensive income (loss)		(385,567)	(59,149)	(388,006)	(59,166)
Total comprehensive income (loss) for the year		(172,302)	667,509	(11,315)	769,529
Attributable to:					
Controlling interests		(172,302)	667,509	(172,302)	667,509
Non-controlling interests		-	-	160,987	102,020

Items in the statement above are stated net of tax. The income tax relating to each component of other comprehensive income (loss) is disclosed in Note 13.

The accompanying notes are an integral part of these financial statements.

Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS

Statement of changes in equity
All amounts in thousands of reais

		Attributable to controlling stockholders												
			Capital reserves					Revenue reserves						
	Note	Share capital	Premium on share subscription	Premium on the sale of treasury shares	Treasury shares	Special goodwill reserve	Options granted recognized	Legal reserve	Reserve for invest-ments and working capital	Carrying value adjustments	Retained earnings (accumulated deficit)	Total	Non-controlling interests	Total equity
At December 31, 2018		13,200,295	105,295	15,695	(101,072)	278,729	10,744	47,984	718,958	(10,330)	-	14,266,298	1,431,093	15,697,391
Comprehensive income for the period														
Profit for the year		-	-	-	-	-	-	-	-	-	213,265	213,265	163,426	376,691
Actuarial gain (loss) on retirement benefits	27	-	-	-	-	-	-	-	-	(385,567)	-	(385,567)	(2,439)	(388,006)
Total comprehensive income for the period		-	-	-	-	-	-	-	-	(385,567)	213,265	(172,302)	160,987	(11,315)
Allocation of profit (loss) for the year	28													
Proposed dividends and interest on capital		-	-	-	-	-	-	-	-	-	(50,650)	(50,650)	(69,819)	(120,469)
Complementary dividends and interest on own capital		-	-	-	-	-	-	-	-	-	(1,694)	(1,694)	-	(1,694)
Transfer to reserves		-	-	-	-	-	-	10,663	165,527	-	(176,190)	-	-	-
Stock option plan	39	-	-	-	-	-	(4,129)	-	-	-	4,129	-	-	-
Sale of treasury shares		-	-	1,338	433	-	-	-	-	-	-	1,771	-	1,771
Adjustment to PP&E under IAS 29		-	-	-	-	-	-	-	-	(11,140)	11,140	-	-	-
At December 31, 2019		13,200,295	105,295	17,033	(100,639)	278,729	6,615	58,647	884,485	(407,037)	-	14,043,423	1,522,261	15,565,684

The accompanying notes are an integral part of these financial statements.

Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS

USIMINAS

Statement of changes in equity

All amounts in thousands of reais

		Attributable to controlling stockholders												
						Capital reserves		Revenue reserves						
	Note	Share capital	Premium on share subscription	Premium on the sale of treasury shares	Treasury shares	Special goodwill reserve	Options granted recognized	Legal reserve	Reserve for invest-ments and working capital	Carrying value adjustments	Retained earnings (accumulated deficit)	Total	Non-controlling interests	Total equity
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
Comprehensive income for the period														
Profit for the year		-	-	-	-	-	-	-	-	-	726,658	726,658	102,037	828,695
Actuarial gain (loss) on retirement benefits	27	-	-	-	-	-	-	-	-	(59,149)	-	(59,149)	(17)	(59,166)
Total comprehensive income for the period		-	-	-	-	-	-	-	-	(59,149)	726,658	667,509	102,020	769,529
Allocation of profit (loss) for the year	28													
Proposed dividends and interest on capital		-	-	-	-	-	-	-	-	-	(184,036)	(184,036)	(80,096)	(264,132)
Transfer to reserves		-	-	-	-	-	-	36,333	528,402	-	(564,735)	-	-	-
Stock option plan	39	-	-	-	-	-	(10,343)	-	-	-	10,343	-	-	-
Sale of treasury shares		-	-	6,270	1,717	-	-	-	-	-	-	7,987	-	7,987
Dividends forfeited		-	-	-	-	-	-	-	-	-	43	43	-	43
Adjustment to PP&E under IAS 29		-	-	-	-	-	-	-	-	(11,727)	11,727	-	-	-
At December 31, 2018		13,200,295	105,295	15,695	(101,072)	278,729	10,744	47,984	718,958	(10,330)	-	14,266,298	1,431,093	15,697,391

The accompanying notes are an integral part of these financial statements.

USIMINAS

Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS

Statement of cash flows

All amounts in thousands of reais

		Parent company		Consolidated	
		Years ended		Years ended	
	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cash flows from operating activities					
Profit for the year		213,265	726,658	376,691	828,695
Adjustments to reconcile profit or loss					
Charges and monetary/ foreign exchange variations, net		(14,583)	367,027	47,416	346,360
Interest expenses		373,463	395,306	375,479	392,031
Depreciation, amortization and depletion		827,884	854,048	991,785	1,029,535
Profit on the sale/reduction of PP&E/investment		(3,408)	(2,781)	(5,687)	267
Impairment of assets	17	13,358	529,268	16,426	472,787
Share of profit (loss) of subsidiaries, jointly-controlled subsidiaries and associates	15	(457,489)	(249,747)	(180,735)	(260,350)
Deferred income tax and social contribution	13	(210,444)	258,734	(72,979)	308,393
Changes in provisions		(33,685)	348,862	119,233	415,318
Actuarial losses (gains)	27	85,907	91,917	85,743	91,917
(Increase) decrease in assets					
Trade receivables		228,821	(509,815)	(93,654)	(313,315)
Inventories		13,884	(923,689)	79,505	(1,078,691)
Taxes recoverable		(122,508)	(715,168)	(201,656)	(759,696)
Receivables from related companies		2,716	8,874	691	805
Judicial deposits		(37,764)	39,501	(61,829)	33,587
Receivables - Eletrobrás		751,404	(676,023)	751,404	(676,023)
Other		(14,921)	(21,832)	(59,485)	31,350
Increase (decrease) in liabilities					
Trade payables, contractors and freight charges		367,748	162,684	384,507	156,846
Advances from customers		(13,327)	5,295	(5,727)	(17,910)
Payables to related companies		(620)	-	(12,416)	(8,916)
Notes payable - Forfaiting		(352,124)	490,676	(352,124)	490,676
Taxes payable		460,554	17,103	524,009	(25,006)
Other		(128,561)	(150,963)	(133,427)	(139,478)
Income tax and social contribution paid		-	(50,274)	(105,188)	(78,260)
Interest paid		(363,510)	(511,977)	(364,416)	(533,504)
Actuarial liability paid		(131,742)	(197,800)	(131,742)	(197,800)
Net cash provided by (used in) operating activities		1,454,318	285,884	1,971,824	509,618
Cash flows from investing activities					
Marketable securities	9	-	775,677	(81,616)	(42,844)
Purchases of property, plant and equipment (PP&E)	16	(515,714)	(337,267)	(646,236)	(405,141)
Proceeds from sale of PP&E		5,163	36,180	9,141	39,512
Capital increase in subsidiaries		-	-	(26)	-
Purchases of intangible assets	18	(31,876)	(25,440)	(35,215)	(28,382)
Dividends received		377,693	472,715	224,946	340,955
Net cash provided by (used in) investing activities		(164,734)	921,865	(529,006)	(95,900)

The accompanying notes are an integral part of these financial statements.

USIMINAS

Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS

Statement of cash flows
All amounts in thousands of reais

	Note	Parent company		Consolidated	
		Years ended		Years ended	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cash flows from financing activities					
New borrowings and debentures		4,861,018	-	4,811,557	-
Repayment of borrowings and debentures		(5,845,703)	(389,153)	(5,850,504)	(951,206)
Taxes payable in installments	23	-	(131)	-	(132)
Settlement of swap transactions		356	14	(5,507)	14
Dividends and interest on capital paid	28	(172,305)	(55,255)	(255,464)	(125,469)
Net cash provided by (used in) financing activities		(1,156,634)	(444,525)	(1,299,918)	(1,076,793)
Foreign exchange changes in cash and cash equivalents		3,276	(708)	3,276	(708)
Net increase (decrease) in cash and cash equivalents		136,226	762,516	146,176	(663,783)
Cash and cash equivalents at the beginning of the year	8	765,638	3,122	1,106,790	1,770,573
Cash and cash equivalents at the end of the year	8	901,864	765,638	1,252,966	1,106,790
Net increase (decrease) in cash and cash equivalents		136,226	762,516	146,176	(663,783)

The accompanying notes are an integral part of these financial statements.

Statement of value added
All amounts in thousands of reais

	Note	Parent company Years ended		Consolidated Years ended	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
Revenue					
Sales of goods and services		15,466,411	15,289,583	18,841,146	17,499,783
Provision for impairment of trade receivables	31	23,567	(34,481)	18,120	(41,918)
Other income		401,872	364,320	409,003	371,247
		15,891,850	15,619,422	19,268,269	17,829,112
Inputs acquired from third parties					
Cost of sales of goods and services		(12,464,155)	(11,681,532)	(14,063,875)	(12,865,579)
Materials, electricity, outsourced services and others		(793,054)	(946,737)	(1,072,278)	(1,189,480)
		(13,257,209)	(12,628,269)	(15,136,153)	(14,055,059)
Gross value added		2,634,641	2,991,153	4,132,116	3,774,053
Depreciation, amortization and depletion	31	(827,884)	(854,048)	(991,785)	(1,029,535)
Net value added generated by the Company		1,806,757	2,137,105	3,140,331	2,744,518
Value added received through transfer					
Share of profit or loss of subsidiaries, jointly-controlled subsidiaries and associates	15	457,489	249,747	180,735	260,350
Finance income	34	533,133	1,095,567	622,022	1,169,147
Foreign exchange variations, net	34	14,148	38,655	76,144	62,026
Actuarial gains and losses	27	(45,103)	(29,380)	(45,004)	(29,380)
		959,667	1,354,589	833,897	1,462,143
Value added to distribute		2,766,424	3,491,694	3,974,228	4,206,661

The accompanying notes are an integral part of these financial statements.

Statement of value added

All amounts in thousands of reais

	Parent company		Consolidated	
	Years ended		Years ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Personnel and payroll charges				
Salaries and social charges	559,291	561,502	964,503	866,268
Government Severance Indemnity Fund for Employees (FGTS)	59,854	58,033	81,766	77,256
Management compensation	22,823	28,045	31,115	35,817
Profit sharing	22,257	48,495	39,736	65,206
Retirement plans	2,933	3,253	3,270	3,572
	667,158	699,328	1,120,390	1,048,119
Taxes and contributions				
Federal (i)	86,135	464,685	136,438	634,157
State	649,019	432,079	1,041,313	476,244
Municipal	68,690	64,127	80,305	73,657
Tax incentives	7,090	6,400	11,086	7,661
	810,934	967,291	1,269,142	1,191,719
Remuneration of third parties' capital				
Interest	869,687	856,867	944,997	915,426
Foreign exchange variations, net	209,547	244,269	261,312	225,421
Other	(4,167)	(2,719)	1,696	(2,719)
	1,075,067	1,098,417	1,208,005	1,138,128
Remuneration of own capital				
Profits reinvested	213,265	726,658	213,265	726,658
Non-controlling interests in profits reinvested	-	-	163,426	102,037
	213,265	726,658	376,691	828,695
Value added distributed	2,766,424	3,491,694	3,974,228	4,206,661

(i) Includes social security charges.

All amounts in thousands of reais unless otherwise stated

1 Operations

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 with shares traded on the Brazilian stock exchange (B3 – Brasil, Bolsa, Balcão) under 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 (unaudited) 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.
Soluções em Aço Usiminas S.A.	68.88	68.88	Belo Horizonte/MG	Develops steel product solutions and operate as a distribution center.
Usiminas Mecânica S.A. (UMSA)	99.99	100	Belo Horizonte/MG	Manufacture of equipment and installations for several industries.
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, and also raises loans in the foreign market.
Rios Unidos Logística e Transporte de Aço Ltda.	100	100	Itaquaquecetuba/SP	Provision of services related to road cargo transportation
Usiminas Participações e Logística S.A. (UPL) (i) (ii)	100	100	Belo Horizonte/MG	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.

(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 railway cargo terminals, storage and handling of iron 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)	11.41	19.92	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) Company’s direct holding of 0.28% and indirect holding, through UPL, of 11.13%.

2 Approval of the financial statements

The issue of these financial statements was authorized by the Board of Directors on February 13, 2020.

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 financial 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 (“Parent company” and “Consolidated”) 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 for IFRS purposes, and not part of the set of financial statements.

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.

(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; and

- 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 CPC 18 (R2) and IAS 28, the financial statements prepared at November 30, 2019.

The Company's share of profit or loss of its associates and jointly-controlled subsidiaries 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 investee.

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 (loss) 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 entity's chief operating makers, which are responsible for allocating resources and assessing performance of the operating segments have been identified as the Executive Board and the Board of Directors.

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 on which the items are measured. 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.

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

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 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

Upon initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortized cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if both of the following conditions are met:

- the asset is held within a business model whose objective is achieved through both the collection of contractual cash flows and the sale of financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that represent payments of principal and interest on the principal amount outstanding.

All the other financial assets are classified as measured at fair value through profit or loss.

In addition, at initial recognition, the Company may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost, as FVOCI or even FVTPL. This designation has the purpose of eliminating or significantly reducing a possible accounting mismatch arising from the gains or losses produced by the respective asset measured on different bases.

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 recognized in profit or loss. Financial assets carried at fair value recognized in 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 quoted investments 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 Usiminas 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.

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 this 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, the asset is recognized to the extent of the continuous involvement of the Company with this 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 defined as held for trading or designated as such upon its 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.

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

3.7.2 Subsequent measurement

After the 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 fund raising.

3.7.4 Derecognition of financial liabilities

A financial liability is derecognized when the obligation is revoked, canceled or expire.

When an existing financial liability is substituted for another of the same 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 carrying 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 carrying amount of the replaced component is derecognized. Repair and maintenance costs are recognized in the statement of income 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.

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 net fair value of 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 value and reduced on the basis of the depletion of the mineral reserves.

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 development of the mineral reserves.

(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.

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 when 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 an 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 Environmental restoration provision

The environmental restoration provision, 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 subsidiary Mineração Usiminas S.A.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation 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

Taxes on profit are recognized in the statement of income, except to the extent that they relate to items 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.

Deferred income tax assets and liabilities is presented net in the balance sheet when there is a legally enforceable right and the intention to offset it 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 former 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 in accordance with the legislation in force, which assures employees who contributed to the health care 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 processes, 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.

(c) Revenue from orders in progress

Revenue from orders in progress 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 progress, 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 progress are solely part of operations conducted by the subsidiary Usiminas Mecânica S.A., and in addition to this type of revenue, this entity sells services. Usiminas Mecânica's revenues comprise the amounts stated in Note 29 in the capital goods segment.

(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.

3.20 New or reviewed pronouncements applied for the first time in 2019

IFRS 16 / CPC 06 (R2) - Leases has been effective since January 1, 2019, and replaces the existing lease standards, including CPC 06 (IAS 17) - Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) - Complementary Aspects of Lease Transactions.

IFRS 16 has introduced 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 former standard, that is, a lessor has continued to classify its leases as finance leases or operating leases.

As from 2019, the Company has been recognizing new assets and liabilities under its operating leases (Notes 16 and 24). The nature of the expenses related to these leases changed, as the Company began to recognize a depreciation of the right-of-use assets and finance costs on the lease obligations. Through 2018, the Company recognized an operating lease expense over the lease term.

The Company has adopted some practical expedients brought by this new standard in the evaluation and measurement of its right-of-use assets and lease liabilities, mainly related to term, value and discount rate. The variable elements of payments related to leases were not included in the calculation of the lease liability and were recorded as operating expense. The discount rates used by the Company were obtained under market conditions. At December 31, 2019, the Company recognized a right-of-use asset of R$45,536 in the Parent company and R$129,410 in Consolidated, a current lease liability of R$12,514 in the Parent company and R$33,328 in Consolidated and a non-current lease liability of R$19,293 in the Parent company and R$75,942 in Consolidated. The Company adopted this standard on January 1, 2019 without updating comparative information, and applied the standard to all agreements entered into before January 1, 2019 that were identified as leases in accordance with CPC 06 (R1) / IAS 17 and ICPC 03 / IFRIC 4.

3.21 Pronouncements issued but not yet effective at December 31, 2019

(i) Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

In October 2018, the IASB issued the definition of "material" and made relevant changes to IAS 1 and IAS 8, the revised version of which is effective as of January 1, 2020. The definition of "material" helps entities to determine whether information about an item, transaction or any other event should be provided to users of the financial statements. However, this definition is not always objective, and requires the reporting entity to make judgments about materiality when preparing the financial statements. The amendments made align the wording of the definition of “material” in all IFRS standards, including the Conceptual Framework.

(ii) Amendments to IFRS 3 "Business Combinations"

In October 2018, the IASB issued an amendment to IFRS 3 on the definition of "business", the effective date of which is January 1, 2020.

The amendment (i) confirms that a business must include relevant inputs and processes, which together contribute significantly for the creation of outputs; (ii) provides a test that assists in the analysis of whether a company has acquired a group of assets and not a business; and (iii) narrows the definitions of outputs, whose focus is to generate returns through goods supplied and services provided to customers, excluding the generation of returns in the form of cost reduction and other economic benefits.

4 Significant accounting judgments, estimates and assumptions

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.

4.1 Judgments

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 34).

(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. 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)). The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 17).

(b) Income tax and social contribution

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 (Note 13 (b)).

(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 progress sold at fixed prices. Use of the POC method requires management to estimate the services performed up to the balance sheet 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 27.

(f) Provision for litigation

Usiminas is a party to several judicial and administrative proceedings (Note 25). 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.

(g) Environmental restoration provision

As part of the mining activities of its subsidiary Mineração Usiminas S.A., the Company recognizes a provision for obligations concerning environmental restoration 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 timing 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 is 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 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 monitors the risks to which it is exposed and evaluates the need to contract derivative transactions in order to minimize the impacts on its financial assets and liabilities. Additionally, it evaluates derivative transactions to reduce the volatility in its cash flow caused by foreign exchange exposure to minimize the mismatch between currencies and the effects of commodity prices, among others.

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, evaluates and monitors customer risk. This action is performed by means of 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 intended 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. This work includes the monitoring of 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.

The cash held by Usiminas is invested it in Bank Deposit Certificates (CDB) and Repurchase Agreements, choosing instruments with appropriate maturities and suitable department liquidity (Note 8).

The table below presents Usiminas' main 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, 2019				
Trade payables, contractors and freight charges	1,405,831	-	-	-
Borrowings	14,935	14,402	38,638	10,041
Debentures	119,992	126,560	1,687,274	692,300
Bonds	177,603	177,603	532,808	3,378,230
Notes payable - Forfaiting	613,803	-	-	-
At December 31, 2018				
Trade payables, contractors and freight charges	1,038,083	-	-	-
Borrowings	817,012	766,270	3,455,143	1,907,327
Debentures	151,671	141,963	632,094	345,160
Notes payable - Forfaiting	965,927	-	-	-

				Consolidated
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At December 31, 2019				
Trade payables, contractors and freight charges	1,518,270	-	-	-
Borrowings	19,476	17,899	41,518	10,041
Debentures	119,992	126,560	1,687,274	692,300
Bonds	177,603	177,603	532,808	3,378,230
Notes payable - Forfaiting	613,803	-	-	-
At December 31, 2018				
Trade payables, contractors and freight charges	1,133,763	-	-	-
Borrowings	822,557	770,812	3,461,515	1,907,331
Debentures	151,671	141,963	632,094	345,160
Notes payable - Forfaiting	965,927	-	-	-

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 U.S. 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 described below.

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Assets in foreign currency				
Cash and cash equivalents	38,879	49,059	209,017	170,717
Marketable securities	-	-	16,352	9,036
Trade receivables	147,457	233,168	142,974	342,424
Advances to suppliers	147	3,720	955	4,407
	186,483	285,947	369,298	526,584
Liabilities in foreign currency				
Borrowings	(3,028,237)	(1,272,702)	(3,028,744)	(1,272,702)
Trade payables, contractors and freight charges	(356,322)	(338,289)	(369,244)	(361,804)
Advances from customers	(4,410)	(13,740)	(8,814)	(17,480)
Other payables	(1,904)	(23,760)	(1,900)	(23,756)
	(3,390,873)	(1,648,491)	(3,408,702)	(1,675,742)
Currency exposure	(3,204,390)	(1,362,544)	(3,039,404)	(1,149,158)

The borrowings and debentures are denominated in the following currencies:

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Brazilian Real	2,067,619	4,562,381	2,077,494	4,577,088
U.S. Dollar	3,028,237	1,272,702	3,028,744	1,272,702
Total borrowings and debentures	5,095,856	5,835,083	5,106,238	5,849,790

(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, 2019. Scenario I considered a depreciation of the Brazilian Real of 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, 2019.

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

				12/31/2019
Currency	Foreign exchange rate at the end of the year	Scenario I	Scenario II	Scenario III
US$	4.0307	4.2322	5.0384	6.0461
EUR	4.5305	4.7570	5.6631	6.7958
YEN	0.0372	0.0390	0.0464	0.0557

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

			Consolidated
			12/31/2019
Currency	Scenario I	Scenario II	Scenario III
US$	(151,695)	(758,473)	(1,516,945)
EUR	(246)	(1,228)	(2,455)
YEN	(30)	(152)	(303)

(d) Cash flow or fair value interest rate risk

(i) Composition of borrowings by type of interest rate

The interest rate risk arises from interest rates used in financial investments, borrowings and debentures.

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			
	12/31/2019	%	12/31/2018	%	12/31/2019	%	12/31/2018	%
Borrowings								
Fixed	3,044,400	60	20,420	1	3,054,782	60	35,127	1
TJLP	-	-	336,902	6	-	-	336,902	6
Libor	-	-	1,133,228	19	-	-	1,133,228	19
CDI	-	-	3,324,139	57	-	-	3,324,139	57
Other	45,189	1	130,374	2	45,189	1	130,374	2
	3,089,589	61	4,945,063	85	3,099,971	61	4,959,770	85
Debentures								
CDI	2,006,267	39	890,020	15	2,006,267	39	890,020	15
	5,095,856	100	5,835,083	100	5,106,238	100	5,849,790	100

(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, 2019 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, 2019.

The rates used and their related scenarios are shown below:

				12/31/2019
Index	**Rate at the end of the year**	**Scenario I**	**Scenario II**	**Scenario III**
CDI	4.4%	4.6%	5.5%	6.6%

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

			Consolidated
			12/31/2019
Index	**Scenario I**	**Scenario II**	**Scenario III**
CDI	(902)	(4,510)	(9,020)

The interest rates to which the Company is exposed, related to borrowings and debentures, are presented in Note 20 to the financial statements for the year ended December 31, 2019, and mainly comprise Interbank Deposit Certificates (CDI) and Referential Tax (TR).

Derivative financial instruments used for interest rate risk, contracted to mitigate the volatility in the Company's profit or loss, were included in the sensitivity analysis for assets and liabilities (Note 6).

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.

Presented below is the calculation of the gearing ratio as net debt as a percentage of total capitalization.

	Parent company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Total borrowings, debentures and taxes payable in installments	5,100,168	5,839,261	5,110,552	5,853,970
Less: cash and cash equivalents and marketable securities	(901,864)	(765,638)	(1,921,141)	(1,693,349)
Net debt	4,198,304	5,073,623	3,189,411	4,160,621
Total equity	14,043,423	14,266,298	15,565,684	15,697,391
Total capital	18,241,727	19,339,921	18,755,095	19,858,012
Gearing ratio	23%	26%	17%	21%

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 Brasil Bolsa Balcão (B3), 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 and 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 which maximize the utilization of available market data. These instruments comprise investments in CDB and derivative financial instruments (swap) (Note 7).

At December 31, 2019 and 2018, Usiminas does not have derivative instruments in liabilities. The table below presents assets measured at fair value through profit or loss:

(i) Parent company

	12/31/2019	12/31/2018
	Level 2	Level 2
Assets		
Derivative financial instruments	7,712	3,900

(ii) Consolidated

	12/31/2019	12/31/2018
	Level 2	Level 2
Assets		
Marketable securities	668,175	586,559
Derivative financial instruments	7,712	3,900
Total assets	675,887	590,459

At December 31, 2019 and 2018, Usiminas had no financial instruments the fair value of which has been measured based on Levels 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.

(b) Fair value of borrowings and debentures

For capital market transactions, debentures and Bonds, the fair value reflects
the value in the market. The difference between the book value and market value, considering the assumption of repurchase of these debts, is calculated in accordance with the rates disclosed in (B3), Broadcast and Bloomberg, as summarized below:

				Controladora
		31/12/2019		31/12/2018
	Book value	Market value	Book value	Market value
Bank loans - foreign currency	-	-	1,272,702	1,272,702
Bank loans - local currency	61,352	61,352	3,672,361	3,672,361
Debentures - local currency	2,006,267	2,025,011	890,020	896,477
Bonds	3,028,237	3,157,217	-	-
	5,095,856	5,243,580	5,835,083	5,841,540

				Consolidado
		31/12/2019		31/12/2018
	Book value	Market value	Book value	Market value
Bank loans - foreign currency	-	-	1,272,702	1,272,702
Bank loans - local currency	71,227	71,227	3,687,068	3,687,068
Debentures - local currency	2,006,267	2,025,011	890,020	896,477
Bonds	3,028,744	3,157,217	-	-
	5,106,238	5,253,455	5,849,790	5,856,247

(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 adopted in the market for transactions of similar nature, risk and terms.

6 Derivative financial instruments

Usiminas enters into swap transactions to hedge and manage interest rate risks, thereby reducing the effects of volatility of interest rates on its borrowings. The Company does not acquire such financial instruments for speculative purposes. The Company does not settle its transactions prior to the respective original maturities and does not prepay its derivative financial instruments.

At December 31, 2019, the transactions with derivative financial instruments entered into by the Company were as follows:

(a) Parent company

	Maturity range MM/YY	Index		NOTIONAL AMOUNT (contracted amount)				FAIR (MARKET) VALUE - BOOK VALUE		Profit/Loss for the period
		12/31/2019		12/31/2019		12/31/2018		12/31/2019	12/31/2018	12/31/2019
		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)										
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	7,712	3,900	4,167
							Financial gain/loss in the period			**4,167**
							Book balance (asset position net of the liability position)	**7,712**	**3,900**	

(b) Consolidated

	Maturity range MM/YY	Index		NOTIONAL AMOUNT (contracted amount)				FAIR (MARKET) VALUE - BOOK VALUE		Profit/Loss for the period
		12/31/2019		12/31/2019		12/31/2018		12/31/2019	12/31/2018	12/31/2019
		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)										
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	7,712	3,900	4,167
Itau BBA	Sept 2019			-	-	-	-	-	-	(5,863)
							Financial gain/loss in the period			**(1,696)**
							Book balance (asset position net of the liability position)	**7,712**	**3,900**	

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

	Parent company and consolidated	
	12/31/2019	**12/31/2018**
Current assets	762	347
Non-current assets	6,950	3,553
	7,712	3,900

	Parent company		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
In finance result	4,167	2,719	(1,696)	2,719

7 Financial instruments by category

(a) Parent company

	12/31/2019			12/31/2018		
	Assets at amortized cost	Assets measured at fair value through profit or loss	Total	Assets at amortized cost	Assets measured at fair value through profit or loss	Total
Assets						
Cash and cash equivalents	901,864	-	901,864	765,638	-	765,638
Trade receivables	1,481,330	-	1,481,330	1,686,815	-	1,686,815
Financial instruments - swap	-	7,712	7,712	-	3,900	3,900
Other asset financial instruments	747,418	-	747,418	1,049,440	-	1,049,440
	3,130,612	7,712	3,138,324	3,501,893	3,900	3,505,793

	12/31/2019	12/31/2018
	Liabilities at amortized cost	Liabilities at amortized cost
Liabilities		
Borrowings and debentures	5,095,856	5,835,083
Trade payables, contractors and freight charges	1,405,831	1,038,083
Notes payable - Forfaiting	613,803	965,927
	7,115,490	7,839,093

(b) Consolidated

	12/31/2019			12/31/2018		
	Assets at amortized cost	Assets measured at fair value through profit or loss	Total	Assets at amortized cost	Assets measured at fair value through profit or loss	Total
Assets						
Cash and cash equivalents	1,252,966	-	1,252,966	1,106,790	-	1,106,790
Marketable securities	-	668,175	668,175	-	586,559	586,559
Trade receivables	2,069,892	-	2,069,892	1,958,349	-	1,958,349
Financial instruments - swap	-	7,712	7,712	-	3,900	3,900
Other asset financial instruments (excluding prepayments)	838,895	-	838,895	1,118,387	-	1,118,387
	4,161,753	675,887	4,837,640	4,183,526	590,459	4,773,985

	12/31/2019	12/31/2018
	Liabilities at amortized cost	Liabilities at amortized cost
Liabilities		
Borrowings and debentures	5,106,238	5,849,790
Trade payables, contractors and freight charges	1,518,270	1,133,763
Notes payable - Forfaiting	613,803	965,927
	7,238,311	7,949,480

8 Cash and cash equivalents

		Parent company		Consolidated
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Bank accounts	29,455	19,706	40,490	52,551
Bank accounts abroad	38,879	49,059	209,017	170,717
Bank Deposit Certificates (CDB) and repurchase commitments	833,530	696,873	1,003,459	883,522
	901,864	765,638	1,252,966	1,106,790

Financial investments in Bank Deposit Certificates (CDB) and repurchase agreements have immediate liquidity, and earn on average 92.96% (December 31, 2018 - 99.88%) of the CDI rate in the Parent company and 97.67% (December 31, 2018 – 100.39%) of the CDI rate in Consolidated.

At December 31, 2019, Usiminas does not have overdraft accounts.

9 Marketable securities

		Consolidated
	12/31/2019	12/31/2018
Bank Deposit Certificates (CDB)	651,823	577,523
Financial investments abroad	16,352	9,036
	668,175	586,559

Financial investments in Bank Deposit Certificates (CDB) earn on average 97.67% (December 31, 2018 - 100.39%) of the CDI rate in Consolidated.

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

In the years ended December 31, 2019 and 2018, the Company does not have balances related to financial investments classified as marketable securities.

10 Trade receivables

		Parent company		Consolidated
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Trade receivables:				
In local currency	1,181,268	1,187,944	2,074,709	1,747,854
In foreign currency	83,644	203,923	79,161	313,179
Provision for impairment of trade receivables (i)	(118,569)	(141,908)	(168,058)	(185,964)
Trade receivables, net	1,146,343	1,249,959	1,985,812	1,875,069
Receivables from related parties				
In local currency	267,922	403,075	17,015	49,499
In foreign currency	67,065	33,781	67,065	33,781
Receivables from related parties	334,987	436,856	84,080	83,280
	1,481,330	1,686,815	2,069,892	1,958,349
Current assets	1,396,884	1,669,763	1,938,440	1,894,291
Non-current assets	84,446	17,052	131,452	64,058

(i) Out of the total provision for impairment of trade receivables in the Parent company and Consolidated accounts, the balance of R$3,252 (R$4,536 – December 31, 2018) refers to trade receivables denominated in foreign currency.

The ageing analysis of trade receivables was as follows:

		Parent company		Consolidated
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Amounts not yet due	1,329,630	1,325,683	1,840,150	1,753,909
Amounts past due:				
Up to 30 days	138,042	332,515	201,927	173,611
From 31 to 60 days	11,448	11,896	14,985	5,527
From 61 to 90 days	2,222	-	3,248	2,769
From 91 to 180 days	7,008	293	12,328	5,368
Over 181 days	111,549	158,336	165,312	203,129
(-) Provision for impairment of trade receivables	(118,569)	(141,908)	(168,058)	(185,964)
	1,481,330	1,686,815	2,069,892	1,958,349

At December 31, 2019, trade receivables amounting to R$151,700 in the Parent company and R$229,742 in Consolidated were past due but not impaired (December 31, 2018 – R$361,132 and R$204,440, 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	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Brazilian Real	1,333,873	1,453,647	1,926,918	1,615,925
U.S. Dollar	145,337	228,741	140,854	337,997
Euro	2,120	4,427	2,120	4,427
	1,481,330	1,686,815	2,069,892	1,958,349

Changes in the provision for impairment of trade receivables were as follows:

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Opening balance	(141,908)	(108,544)	(185,964)	(145,526)
(Additions to) reversals of profit or loss	23,667	(34,481)	18,120	(41,918)
Write-off against trade receivables	-	1,776	14	2,139
Foreign exchange gains/losses	(228)	(659)	(228)	(659)
Closing balance	(118,569)	(141,908)	(168,058)	(185,964)

The additions to and release of the provision for impairment of trade receivables have been 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 disclosed. Usiminas does not hold any collateral for the accounts receivable.

11 Inventories

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Current assets				
Finished products	690,399	775,025	896,320	929,661
Work in progress	954,477	745,192	974,228	764,214
Raw materials	807,542	709,731	1,165,404	1,196,015
Supplies and spare parts	521,390	533,253	585,850	589,732
Imports in transit	62,377	327,054	63,086	327,062
Provision for losses	(94,092)	(86,172)	(106,900)	(102,837)
Other	223,910	179,913	217,844	176,788
	3,166,003	3,183,996	3,795,832	3,880,635
Non-current assets				
Work in progress (i)	-	-	47,766	26,899
	3,166,003	3,183,996	3,843,598	3,907,534

(i) Refers to iron ore inventories of the subsidiary Mineração Usiminas S.A.

12 Taxes recoverable

				Parent company
	12/31/2019		12/31/2018	
	Current	Non-current	Current	Non-current
PIS (i)	26,274	13,536	72,683	76,143
COFINS (i)	423,022	102,363	322,859	348,202
ICMS	76,983	30,256	46,360	20,419
Excise Tax (IPI)	13,783	-	26,595	-
Export credit - Reintegra	1,760	-	6,115	-
Other	9	1,865	3,671	8,004
	541,831	148,020	478,283	452,768

				Consolidated
	12/31/2019		12/31/2018	
	Current	Non-current	Current	Non-current
PIS (i)	46,025	14,060	83,324	76,161
COFINS (i)	513,022	104,793	371,246	348,285
ICMS	135,320	31,463	90,737	21,679
Excise Tax (IPI)	30,774	-	48,371	-
Export credit - Reintegra	1,760	-	6,115	-
National Institute of Social Security (INSS)	3,405	-	13,671	-
Other	743	2,020	4,267	8,159
	731,049	152,336	617,731	454,284

(i) ICMS in the calculation basis of PIS/COFINS, as described in Note 25 (c).

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 or loss before taxation, in the Parent company and Consolidated accounts, as shown below:

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Profit before income tax and social contribution	2,821	1,016,711	442,672	1,235,316
Nominal rates	34%	34%	34%	34%
Taxes on profit at nominal rates	(959)	(345,682)	(150,508)	(420,007)
Adjustments to determine taxable profit:				
Equity in the results of investees	143,469	94,034	61,451	88,518
Interest on capital received	(38,094)	(26,749)	(12,198)	(12,925)
Interest on capital paid	576	31,378	11,674	37,303
Permanent exclusions (additions)	(26,664)	23,889	(36,512)	21,077
Unrecognized tax credits	132,116	(68,710)	38,979	(113,068)
Tax incentives	-	1,787	7,061	4,030
Non-taxable income and rate differences of foreign subsidiaries	-	-	14,072	(11,549)
Tax (expense) credit in the statement of income	210,444	(290,053)	(65,981)	(406,621)
Current	-	(31,319)	(138,960)	(98,228)
Deferred	210,444	(258,734)	72,979	(308,393)
Tax (expense) credit in the statement of income	210,444	(290,053)	(65,981)	(406,621)
Income tax	154,758	(212,795)	(44,236)	(302,708)
Social contribution	55,686	(77,258)	(21,745)	(103,913)
Effective rates	-	29%	15%	33%

(b) Deferred income tax and social contribution

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

(i) Parent company

	12/31/2018	Equity/ Comprehen-sive income	Recognized in profit or loss	12/31/2019
In assets				
Income tax and social contribution				
Tax losses	2,354,187	-	139,984	2,494,171
Unrecognized tax credits	(1,029,191)	-	132,116	(897,075)
Temporary provisions				
Provision for actuarial liability	300,523	-	73,119	373,642
Provision for litigation	160,595	-	63,039	223,634
Provision for inventory adjustments	29,298	-	2,693	31,991
Impairment of assets	212,343	-	4,542	216,885
Actuarial liability (Law 11,638/07)	190,110	180,158	(371,482)	(1,214)
Other	176,560	-	(58,204)	118,356
Total assets	2,394,425	180,158	(14,193)	2,560,390
In liabilities				
Income tax and social contribution				
Tax-incentive depreciation	11,227	-	(2,358)	8,869
Tax depreciation	357,294	-	(23,477)	333,817
Adjustment to property, plant and equipment	55,767	-	(5,737)	50,030
Monetary restatement of judicial deposits	44,073	-	889	44,962
Actuarial liability (Law 11,638/07)	191,499	-	(191,499)	-
Gain/loss on swap contracts - market value	110	-	164	274
Other	8,030	-	(2,619)	5,411
Total liabilities	668,000	-	(224,637)	443,363
Total, net	1,726,425	180,158	210,444	2,117,027

(ii) Consolidated

	12/31/2018	Equity/ Comprehen-sive income	Recognized in profit or loss	12/31/2019
In assets				
Income tax and social contribution				
Tax losses	2,567,127	-	89,718	2,656,845
Unrecognized tax credits	(1,098,130)	-	39,022	(1,059,108)
Temporary provisions				
Provision for actuarial liability	307,856	-	71,916	379,772
Provision for litigation	201,156	-	54,656	255,812
Provision for inventory adjustments	51,501	-	1,519	53,020
Goodwill/acquisition of companies	301,095	-	(3,163)	297,932
Impairment of assets	731,890	-	(4,698)	727,192
Actuarial liability (Law 11,638/07)	190,108	199,291	(371,482)	17,917
Other	237,553	-	(44,388)	193,165
Total assets	3,490,156	199,291	(166,900)	3,522,547
In liabilities				
Income tax and social contribution				
Tax-incentive depreciation	11,227	-	(2,358)	8,869
Tax rate depreciation	375,187	-	(29,408)	345,779
Adjustment to property, plant and equipment (IAS 29)	55,767	-	(5,737)	50,030
Monetary restatement of judicial deposits	48,680	-	1,175	49,855
Actuarial liability (Law 11,638/07)	191,499	-	(191,499)	-
Other	42,440	-	(12,052)	30,388
Total liabilities	724,800	-	(239,879)	484,921
Total, net	2,765,356	199,291	72,979	3,037,626

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

In the year ended December 31, 2019, the Company's management reversed a provision for tax credit losses amounting to R$132,116 in the Parent Company and set up a provision of R$39,022 in Consolidated (December 31, 2018 - R$68,710 and R$113,068, respectively). Deferred tax credits not recognized in the financial statements totaled R$897,075 in the Parent company and R$1,059,108 in Consolidated (December 31, 2018 – R$1,029,191 and R$1,098,130, respectively). The Company's management will continue to monitor the tax credit unrecognized amounts related to income tax and social contribution, which may be recorded as soon as their use is considered probable.

Deferred taxes are expected to be realized as follows:

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
2019	-	180,545	-	211,258
2020	145,642	200,106	209,918	234,692
2021	208,862	167,353	240,820	206,002
2022	226,083	213,346	260,639	256,513
2023	265,768	241,157	292,542	258,192
2024 to 2026	818,362	713,653	898,352	995,224
2027 to 2029	895,671	900,467	1,000,938	1,328,109
2030 to 2032	800,824	741,468	913,990	797,558
After 2033 (i)	96,253	65,521	764,456	300,738
Assets	3,457,465	3,423,616	4,581,655	4,588,286
Unrecognized tax credits	(897,075)	(1,029,191)	(1,059,108)	(1,098,130)
Assets	2,560,390	2,394,425	3,522,547	3,490,156
Liabilities	(443,363)	(668,000)	(484,921)	(724,800)
Net position	2,117,027	1,726,425	3,037,626	2,765,356

(i) In Consolidated, the amounts refer mainly to tax credits from goodwill on Mineração Usiminas downstream merger. These tax credits were allocated to match the expected useful lives of the mines, which are expected to be fully depleted by 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 *(Impairment)* (Note 17).

As the income tax and social contribution taxable bases arise not only from projected taxable profit, but also from non-taxable income, non-deductible expenses, tax incentives and other variables, there is no direct correlation between the Company's forecast profit and the income subject to income tax and social contribution. Accordingly, the projected tax credit offsets should not be considered as the only indication of the future profitability of Usiminas.

(c) Income tax and social contribution in current liabilities

	Parent company		Consolidated
	12/31/2018	12/31/2019	12/31/2018
Income tax			
Current income (expense) (i)	(23,007)	(97,919)	(76,399)
Prepayments and offsets in the year	23,007	86,755	73,776
	-	(11,164)	(2,623)
Social contribution			
Current income (expense) (i)	(8,312)	(40,963)	(21,829)
Prepayments and offsets in the year	8,312	37,031	21,153
	-	(3,932)	(676)
Total IRPJ and CSLL payable	-	(15,096)	(3,299)

In the year ended December 31, 2019, 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.

14 Judicial deposits

						Parent company
			12/31/2019			12/31/2018
	Judicial deposits	Taxes payable in installments	Net balance	Judicial deposits	Taxes payable in installments	Net balance
Excise tax (IPI)	177,017	(106,138)	70,879	177,007	(106,138)	70,869
IRPJ and CSLL	152,847	(57,089)	95,758	152,847	(57,089)	95,758
INSS	66,162	(7,265)	58,897	72,559	(7,265)	65,294
Economic Domain Intervention Contribution (CIDE)	26,384	(26,384)	-	26,384	(26,384)	-
ICMS	10,377	-	10,377	10,115	-	10,115
COFINS	2,544	-	2,544	2,472	-	2,472
Labor	193,825	-	193,825	180,945	-	180,945
Civil	34,821	(16)	34,805	37,736	(16)	37,720
Other	1,100	-	1,100	2,057	-	2,057
Provision for losses (i)	(88,493)	-	(88,493)	(97,453)	-	(97,453)
	576,584	(196,892)	379,692	564,669	(196,892)	367,777

(i) Refers to the provision for losses on IRPJ/CSLL (Elimination of the inflation effects of the Verão Economic Stabilization Plan) and INSS (Independent contractors).

						Consolidated
			12/31/2019			12/31/2018
	Judicial deposits	Taxes payable in installments	Net balance	Judicial deposits	Taxes payable in installments	Net balance
Excise tax (IPI)	177,017	(106,138)	70,879	177,007	(106,138)	70,869
IRPJ and CSLL	158,787	(57,089)	101,698	158,787	(57,089)	101,698
INSS	75,228	(7,265)	67,963	81,068	(7,265)	73,803
Economic Domain Intervention Contribution (CIDE)	26,384	(26,384)	-	26,384	(26,384)	-
ICMS	11,539	-	11,539	11,257	-	11,257
COFINS	23,130	-	23,130	22,299	-	22,299
Labor	262,773	-	262,773	249,158	-	249,158
Civil	35,883	(16)	35,867	49,995	(16)	49,979
Other	58,302	-	58,302	41,947	-	41,947
Provision for losses (i)	(88,493)	-	(88,493)	(97,453)	-	(97,453)
	740,550	(196,892)	543,658	720,449	(196,892)	523,557

(i) Refers to the provision for losses on IRPJ/CSLL (Elimination of the inflation effects of the Verão Economic Stabilization Plan) and INSS (Independent contractors).

Changes in judicial deposits were as follows:

		Parent company		Consolidated
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Opening balance	564,669	713,763	720,449	872,492
Additions	109,141	43,345	157,391	124,757
Interest/inflation indexation	5,120	10,074	8,322	14,922
Reversals	(102,346)	(105,060)	(145,612)	(194,269)
Provision for losses (i)	-	(97,453)	-	(97,453)
Closing balance	576,584	564,669	740,550	720,449

(i) Refers to the provision for losses on IRPJ/CSLL (Elimination of the inflation effects of the Verão Economic Stabilization Plan) and INSS (Independent contractors).

15 Investments

(a) Changes in investments

(i) Parent company

	12/31/2018	Additions (reductions)	Equity in the results of investees (i)	Interest on capital and dividends	Unrealized profits on inventories	Actuarial Liabilities	Other	12/31/2019
Subsidiaries								
Mineração Usiminas	2,468,185	-	335,076	(144,014)	-	(1,576)	-	2,657,671
Soluções Usiminas	646,174	-	37,728	(17,921)	30,146	(3,901)	-	692,226
Usiminas Europa	114,768	-	15,017	-	-	-	-	129,785
Usiminas International	39,389	-	9,879	-	-	-	-	49,268
Usiminas Mecânica	279,109	-	(102,135)	-	5,374	(29,289)	-	153,059
Usiminas Participações e Logística S.A. (UPL)	75,441	-	9,305	(3,867)	-	(30)	-	80,849
Others (ii)	10,049	-	-	-	-	-	14,672	24,721
	3,633,115	-	304,870	(165,802)	35,520	(34,796)	14,672	3,787,579
Jointly-controlled subsidiaries								
Unigal	593,854	-	122,825	(196,000)	-	(721)	-	519,958
Usiroll	10,113	-	1,912	(1,000)	-	(333)	-	10,692
	603,967	-	124,737	(197,000)	-	(1,054)	-	530,650
Associates								
Codeme (iii)	12,778	16,000	(8,163)	-	-	-	-	20,615
MRS	10,740	-	1,407	(346)	-	(4)	-	11,797
	23,518	16,000	(6,756)	(346)	-	(4)	-	32,412
	4,260,600	16,000	422,851	(363,148)	35,520	(35,854)	14,672	4,350,641

(i) In the equity in the results of investees presented in the statement of income and statement of cash flows of the Parent company, which totals R$457,489 when compared with the income of R$422,851 disclosed in changes in investments, the results related to net capital deficiency of the subsidiary Rios Unidos totaling R$882 and unrealized profit on inventories of R$35,520 determined in the subsidiaries Soluções Usiminas and Usiminas Mecânica must be considered.

(ii) In the year ended December 31, 2019, a reversal of impairment of assets was recorded in the amount R$16,731, net of the amortization of mining rights of R$2,059, add up to R$14,672. This reversal is related to acquisition price of subsidiary Mineração Usiminas S.A. allocated to minings rights.

(iii) The addition for the period refers to the capital increase of Codeme S.A., with no changes in the Company's investment percentage.

(ii) Consolidated

	12/31/2018	Additions (reductions)	Equity in the results of investees	Interest on capital and dividends	Actuarial liabilities	Others	12/31/2019
Jointly-controlled subsidiaries							
Modal	2,626	-	2,302	(2,379)	-	-	2,549
Unigal	593,854	-	122,825	(196,000)	(721)	-	519,958
Usiroll	10,113	-	1,912	(1,000)	(333)	-	10,692
Goodwill in jointly-controlled subsidiaries (i)	7,736	(3,068)	-	-	-	-	4,668
	614,329	(3,068)	127,039	(199,379)	(1,054)	-	537,867
Associates							
Codeme (ii)	12,778	16,000	(8,163)	-	-	-	20,615
MRS	438,761	-	57,491	(14,140)	(182)	-	481,930
Paraopeba Terminal	891	44	(15)	-	-	-	920
Sarzedo Terminal	1,558	(18)	4,444	(3,855)	-	10	2,139
Other	2,528	-	(61)	-	-	-	2,467
Goodwill in associates	17,249	-	-	-	-	(10,049)	7,200
	473,765	16,026	53,696	(17,995)	(182)	(10,039)	515,271
	1,088,094	12,958	180,735	(217,374)	(1,236)	(10,039)	1,053,138

(i) In the year ended December 31, 2019, the amount of R$3,068 was recorded as impairment of assets, related to goodwill arising from the acquisition of the subsidiary Modal.

(ii) The addition for the period refers to the capital increase of Codeme S.A., with no changes in the Company's investment percentage.

(b) Financial information on associated companies

The Company's share of profit (loss) in its most significant associates at December 31, 2019 is as follows:

	Country of incorporation	Assets	Liabilities	Equity	Net revenue	Profit	% interest held
Codeme	Brazil	271,235	195,862	75,373	91,464	15,483	30.77%
MRS (i)	Brazil	10,724,750	6,502,344	4,222,406	3,200,809	503,688	11.41%

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

The share of profit or loss 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 are demonstrated as shown below.

(i) Summarized balance sheets

			12/31/2019			12/31/2018
	Modal	Unigal	Usiroll	Modal	Unigal	Usiroll
Current assets						
Cash and cash equivalents	2,538	40,778	5,718	2,680	54,186	3,845
Trade receivables	869	65,896	3,605	785	93,295	3,019
Inventories	-	42,232	481	-	49,031	531
Taxes recoverable	-	10,353	-	-	78,961	-
Other	8	(238)	95	8	363	42
Total current assets	3,415	159,021	9,899	3,473	275,836	7,437
Non-current assets						
Long-term receivables	-	3,465	317	-	2,705	-
Property, plant and equipment	2,385	840,560	13,405	2,446	860,767	13,942
Intangible assets	-	391	4	-	133	7
Total non-current assets	2,385	844,416	13,726	2,446	863,605	13,949
Total assets	5,800	1,003,437	23,625	5,919	1,139,441	21,386
Liabilities and equity						
Borrowings	-	25	-	-	37	-
Trade payables	123	18,954	196	113	11,282	237
Contingencies	-	2,546	-	-	1,377	-
Deferred income tax and social contribution	-	212,533	-	-	196,419	-
Other	580	19,117	2,045	554	68,613	923
Equity	5,097	750,262	21,384	5,252	861,713	20,226
Total liabilities and equity	5,800	1,003,437	23,625	5,919	1,139,441	21,386

(ii) Summarized statements of income

			12/31/2019			12/31/2018
	Modal	Unigal	Usiroll	Modal	Unigal	Usiroll
Net sales and services	8,951	318,655	17,286	9,355	467,508	12,961
Cost of sales and services	(3,333)	(109,879)	(9,539)	(2,912)	(104,990)	(6,353)
Operating income (expenses):	(87)	1,197	(2,183)	(37)	28,358	(1,537)
Finance income (costs)	121	19,323	310	124	38,047	289
Provision for IRPJ and CSLL	(1,048)	(59,721)	(2,051)	(1,097)	(124,880)	(1,934)
Profit for the year	4,604	169,575	3,823	5,433	304,043	3,426

16 Property, plant and equipment

							Parent company
				12/31/2019			12/31/2018
	Weighted average rate of annual amortization (%)	Cost	Accumulated depreciation	PP&E, net	Cost	Accumulated depreciation	PP&E, net
In operation							
Buildings	4	2,069,429	(1,323,470)	745,959	2,068,343	(1,279,908)	788,435
Machinery and equipment	5	21,024,823	(13,592,823)	7,432,000	21,005,476	(12,927,316)	8,078,160
Facilities	4	946,461	(318,382)	628,079	933,009	(276,725)	656,284
Furniture and fittings	18	53,508	(45,259)	8,249	50,018	(42,622)	7,396
IT equipment	22	206,163	(179,571)	26,592	190,729	(174,767)	15,962
Vehicles	14	34,809	(34,752)	57	36,915	(36,773)	142
Tools and instruments	19	207,024	(186,279)	20,745	196,204	(179,898)	16,306
Right of use		45,536	(14,964)	30,572	-	-	-
Impairment (i)		-	-	-	(428,974)	-	(428,974)
		24,587,753	(15,695,500)	8,892,253	24,051,720	(14,918,009)	9,133,711
Land		274,985	-	274,985	395,279	-	395,279
Total in operation		24,862,738	(15,695,500)	9,167,238	24,446,999	(14,918,009)	9,528,990
Under construction							
Construction in progress		511,963	-	511,963	559,185	-	559,185
Assets in progress		79,431	-	79,431	65,642	-	65,642
Imports in transit		21,570	-	21,570	8,705	-	8,705
Advances to suppliers		22,220	-	22,220	79	-	79
Capitalized charges on borrowings		13,865	-	13,865	5,763	-	5,763
Other		76,026	-	76,026	79,860	-	79,860
Total under construction		725,075	-	725,075	719,234	-	719,234
		25,587,813	(15,695,500)	9,892,313	25,166,233	(14,918,009)	10,248,224

(i) Refers to impairment by property, plant and equipment (Note 17).

							Consolidated
				12/31/2019			12/31/2018
	Weighted average rate of annual amortization (%)	Cost	Accumulated depreciation	PP&E, net	Cost	Accumulated depreciation	PP&E, net
In operation							
Buildings	4	2,447,607	(1,533,595)	914,012	2,425,207	(1,478,765)	946,442
Machinery and equipment	5	22,276,241	(14,509,944)	7,766,297	22,253,705	(13,793,117)	8,460,588
Facilities	4	1,683,791	(728,958)	954,833	1,659,877	(625,487)	1,034,390
Furniture and fittings	18	70,030	(59,776)	10,254	66,647	(56,825)	9,822
IT equipment	22	250,295	(218,143)	32,152	233,090	(210,848)	22,242
Vehicles	14	49,915	(49,851)	64	55,658	(55,484)	174
Tools and instruments	19	238,549	(206,889)	31,660	226,351	(197,719)	28,632
Right of use		129,411	(23,087)	106,324	-	-	-
Impairment (i)		(72,503)	-	(72,503)	(528,270)	-	(528,270)
Other		129,438	(9,533)	119,905	120,718	(7,364)	113,354
		27,202,774	(17,339,776)	9,862,998	26,512,983	(16,425,609)	10,087,374
Land		654,118	-	654,118	774,412	-	774,412
Total in operation		27,856,892	(17,339,776)	10,517,116	27,287,395	(16,425,609)	10,861,786
Under construction							
Construction in progress		707,843	-	707,843	723,334	-	723,334
Assets in progress		107,112	-	107,112	80,248	-	80,248
Imports in transit		21,599	-	21,599	8,738	-	8,738
Advances to suppliers		30,790	-	30,790	386	-	386
Capitalized charges on borrowings		14,755	-	14,755	5,763	-	5,763
Impairment (i)		(56,873)	-	(56,873)	(46,839)	-	(46,839)
Other		82,349	-	82,349	81,606	-	81,606
Total under construction		907,575	-	907,575	853,236	-	853,236
		28,764,467	(17,339,776)	11,424,691	28,140,631	(16,425,609)	11,715,022

(i) Refers to impairment by property, plant and equipment (Note 17).

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Changes in property, plant and equipment were as follows:

	Parent company									
	Buildings	Machinery and equipment	Facilities	Tools and instruments	Land	Construc-tion in progress	Right of use	Impairment	Other	Total
At December 31, 2018	788,435	8,078,160	656,284	16,306	395,279	719,234	-	(428,974)	23,500	10,248,224
Additions (i)	2,287	29,342	3,738	364	-	479,803	-	-	180	515,714
Adoption of IFRS 16	-	-	-	-	-	-	45,536	-	-	45,536
Disposals	-	(1,661)	-	(26)	(3)	(65)	-	-	-	(1,755)
Depreciation	(43,664)	(693,266)	(41,657)	(6,457)	-	-	(14,964)	-	(7,553)	(807,561)
Capitalized charges on borrowings (ii)	-	-	-	-	-	13,865	-	-	-	13,865
Impairment (iii)	-	(93,517)	-	-	-	(335,462)	-	428,974	5	-
Transfers	(1,099)	112,002	9,714	10,558	-	(149,946)	-	-	18,771	-
Transfers to investment properties	-	-	-	-	(120,291)	-	-	-	-	(120,291)
Other	-	940	-	-	-	(2,354)	-	-	(5)	(1,419)
At December 31, 2019	745,959	7,432,000	628,079	20,745	274,985	725,075	30,572	-	34,898	9,892,313

(i) Additions to property, plant and equipment in the Parent company comprise cash purchases totaling R$515,714.
(ii) These charges were capitalized at the contracted rates, which are stated in Note 20.
(iii) Refers to impairment of property, plant and equipment (Note 17).

	Parent company								
	Buildings	Machinery and equipment	Facilities	Tools and instruments	Land	Construc-tion in progress	Impairment	Other	Total
At December 31, 2017	807,333	8,571,693	672,960	22,242	419,550	680,092	-	18,941	11,192,811
Additions (i)	3,029	15,550	2,411	4	-	315,935	-	338	337,267
Disposals	-	(6,577)	-	(16)	(24,271)	(3,166)	-	-	(34,030)
Depreciation	(43,462)	(726,933)	(43,797)	(6,998)	-	-	-	(10,657)	(831,847)
Capitalized charges on borrowings (ii)	-	-	-	-	-	5,763	-	-	5,763
Impairment (iii)	-	-	-	-	-	-	(428,974)	-	(428,974)
Transfers	21,535	223,488	23,775	1,074	-	(284,750)	-	14,878	-
Other	-	939	935	-	-	5,360	-	-	7,234
At December 31, 2018	788,435	8,078,160	656,284	16,306	395,279	719,234	(428,974)	23,500	10,248,224

(i) Additions to property, plant and equipment in the Parent company comprise cash purchases totaling R$337,267.
(ii) These charges were capitalized at the contracted rates, which are stated in Note 20.
(iii) Refers to impairment of property, plant and equipment (Note 17).

	Buildings	Machinery and equipment	Facilities	Tools and instruments	Land	Construc-tion in progress	Right of use	Impairment	Other	Total
										Consolidated
At December 31, 2018	946,442	8,460,588	1,034,390	28,632	774,412	900,075	-	(575,109)	145,592	11,715,022
Additions (i)	2,539	34,966	3,738	364	-	604,420	-	-	8,929	654,956
Adoption of IFRS 16	-	-	-	-	-	-	129,411	-	-	129,411
Disposals	(1,205)	(2,102)	(1)	(39)	(3)	(65)	-	-	(39)	(3,454)
Depreciation	(57,758)	(772,514)	(104,050)	(9,343)	-	-	(23,087)	16,759	(13,514)	(963,507)
Capitalized charges on borrowings (ii)	-	-	-	-	-	13,865	-	-	-	13,865
Impairment (iii)	-	(93,517)	-	-	-	(335,462)	-	428,974	5	-
Transfers	(1,099)	112,002	9,714	11,458		(151,041)	-		18,966	-
Transfers to investment properties	-	-	-	-	(120,291)	-	-	-	-	(120,291)
Other	25,093	26,874	11,042	588	-	(67,344)	-	-	2,436	(1,311)
At December 31, 2019	914,012	7,766,297	954,833	31,660	654,118	964,448	106,324	(129,376)	162,375	11,424,691

(i) Additions to property, plant and equipment in Consolidated comprise cash purchases totaling R$646,236.
(ii) These charges were capitalized at the contracted rates, which are stated in Note 20.
(iii) Refers to impairment of property, plant and equipment (Note 17).

	Buildings	Machinery and equipment	Facilities	Tools and instruments	Land	Construc-tion in progress	Impairment	Other	Total
									Consolidated
At December 31, 2017	982,032	9,006,245	1,100,068	36,549	798,335	851,449	(7,224)	115,164	12,882,618
Additions (i)	3,121	30,437	2,503	52	150	367,971	-	30,094	434,328
Disposals	(536)	(10,433)	(209)	(276)	(24,271)	(3,175)	-	(98)	(38,998)
Depreciation	(60,400)	(805,658)	(107,947)	(9,786)	-	-	-	(16,287)	(1,000,078)
Capitalized charges on borrowings (ii)	-	-	-	-	-	5,763	-	-	5,763
Impairment (iii)	-	-	-	-	-	-	(567,885)	-	(567,885)
Transfers	21,535	223,488	23,775	1,074	-	(284,750)	-	14,878	-
Other	690	16,509	16,200	1,019	198	(37,183)	-	1,841	(726)
At December 31, 2018	946,442	8,460,588	1,034,390	28,632	774,412	900,075	(575,109)	145,592	11,715,022

(i) Additions to property, plant and equipment in Consolidated comprise cash purchases totaling R$405,141.
(ii) These charges were capitalized at the contracted rates, which are stated in Note 20.
(iii) Refers to impairment of property, plant and equipment (Note 17).

At December 31, 2019, additions to property, plant and equipment mainly refer to expenses incurred for the full renovation of the boiler 130/2 and the construction of a new gasometer at the Ipatinga plant in Minas Gerais, as well as to other works performed in order to ensure its production capacity.

At December 31, 2019, construction in progress amounting to R$910,386 in Consolidated refers to projects for improving manufacturing processes and maintaining the production capacity.

At December 31, 2019, interest and foreign exchange variations were capitalized on borrowings in property, plant and equipment, at an amount of R$13,865 in the Parent company and in Consolidated. These charges were capitalized at the contracted rates, which are described in Note 20.

At December 31, 2019, depreciation in the Parent company was recognized in “Cost of sales”, “Other operating income (expenses)”, “Selling expenses” and “General and administrative expenses”, in the amounts of R$585,085, R$212,500, R$2,997 and R$6,979 (December 31, 2018 – R$557,163, R$262,349, R$3,067 and R$9,268), respectively. At December 31, 2019, depreciation in Consolidated was recognized in “Cost of sales”, “Other operating income (expenses)”, “Selling expenses” and “General and administrative expenses” in the amounts of R$708,673, R$240,130, R$4,105 and R$10,599 (December 31, 2018 - R$674,185, R$307,884, R$4,093 and R$13,916), respectively.

Certain property, plant and equipment items are pledged as collateral of borrowings and judicial proceedings (Note 40).

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).

(a) General assumptions and criteria

The calculations of value in use utilize cash-flow projections based on financial budgets approved by the Executive Board. We estimate that the net fair value of selling expenses is lower than the value in use, and, therefore, the latter was used to determine the recoverable value.

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 Company considered market sources to define the inflation and foreign exchange rates used in the projections of future cash flows. For the projection of annual exchange rates (R$/US$), the long-term inflation rates in the United States and Brazil were considered.

The long-term inflation rate used in the projected flows was 3.49% p.a.

The discount rates applied to the projections of future cash flows were an estimate of the rate that the market would use to meet the risks of the asset being evaluated. 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 12.57% to 12.83% p.a.

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

(b) Recoverable amount and recognized losses

(i) Intangible assets with indefinite useful lives

The following cash-generating units have intangible assets with indefinite useful lives (goodwill) for which impairment testing is performed annually:

	Consolidated	
	12/31/2019	**12/31/2018**
Mining and logistics	11,868	14,936
Steel transformation	2,433	2,433
	14,301	17,369

At December 31, 2019, as a result of impairment tests, the following losses for impairment were recognized in profit or loss within Other operating income and expenses (Note 32 (b)):

	Parent company	Consolidated	
	12/31/2018	**12/31/2019**	**12/31/2018**
Mining and logistics	-	(3,068)	(6,465)
Steelworks	(110,343)	-	(110,343)
	(110,343)	(3,068)	(116,808)

The Steel Transformation and Capital Goods units did not have intangible assets with indefinite useful lives.

(ii) Other long-term assets

At December 31, 2019 and 2018, the Company performed impairment tests the assets of its cash generating units, and the following (losses) reversals for impairment were recognized in profit or loss within Other operating income and expenses (Note 32 (b)):

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Mining and logistics				
Inventories	-	-	-	74,548
Mineral rights	-	-	-	131,518
Steel metallurgy				
Investments (i)	16,731	10,049	-	10,049
Property, plant and equipment	-	(428,974)	-	(428,974)
Investment properties	(30,089)	-	(30,089)	-
Intangible assets (i)	-	-	16,731	-
Capital assets				
Intangible assets	-	-	-	(4,209)
Property, plant and equipment	-	-	-	(138,911)
	(13,358)	(418,925)	(13,358)	(355,979)

(i) At the Parent company, on December 31, 2019, the amount of R$16,731 referes to the amount paid on the acquisition of a subsidiary, which in Consolidated is reclassified to intangible assets.

The long-term assets of the Steel Transformation unit were reviewed, without showing any commitment indicators.

(c) 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 was an estimate of the rate that the market would use to meet the risks of the asset being evaluated. The actual rate used was 8.74% p.a. The Company considered market sources to define the inflation and foreign exchange rates used in the projections of future cash flows. Projected prices for iron ore (CFR China, 62% Fe) ranged from US$62.00/metric ton to US$65.00/metric ton. The prices used to calculate future cash flows are within the range of the estimates published by market analysts.

In the year ended December 31, 2019, the remaining impairment loss in the amount of R$1,422,988 (R$54,464 in inventories and R$1,368,524 in mineral rights) continues to be monitored by the Company and may be reversed considering future projections.

In addition, at December 31, 2019, impairment losses were recorded in the amount of R$3,068 (December 31, 2018 - R$6,465) related to goodwill on investment in the jointly-controlled subsidiary, Modal.

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

(d) Impairment testing of the Steelworks segment

The value in use of the Steelworks segment was updated to reflect management's best estimates of future results.

The review of the estimates of future sales volumes combined with the projected increase in costs of raw materials indexed to the U.S. dollar reduced the estimated net recoverable value of the tested assets, resulting in impairment loss.

In the year ended December 31, 2019, an impairment loss was recognized in the Steelworks segment amounting to R$30,089 related to investment properties and impairment reversal amounting to R$16,731 related to in intangible assets.

In the year ended December 31, 2019, an impairment loss of assets was recognized in the Steelworks segment amounting to R$539,317, related to property, plant and equipment loss amounting to R$428,974 and to goodwill paid in the acquisition of assets merged by the Parent company amounting to R$110,343.

The property, plant and equipment loss of R$428,974, mentioned above, was fully allocated on construction in progress and machinery and equipment, where projects were discontinued by the Company.

Management will continue to monitor the results in 2020, which will indicate the reasonableness of the future projections used.

(e) Impairment testing of the capital goods segment

Usiminas Mecânica uses the discounted cash flow method, based on economic and financial projections that take into consideration the changes in the economic scenario of the capital goods markets, as well as assumptions of expected results and the history of profitability.

In the year ended December 31, 2019, the remaining impairment loss in the amount of R$132,381 (R$3,005 in intangible assets and R$129,376 in property, plant and equipment), will continue to be monitored by the Company and will be reversed considering future projections.

In the year ended December 31, 2018, an impairment loss was recorded in the segment in the amount of R$143,120, of which R$138,911 related to the total balance of property, plant and equipment and R$4,209 on the totality of the intangible assets, as a result of the capital goods market downturn, which has not resumed growth with sustainable results for the Company.

The long term assets of the Capital Goods unit were reviewed based on updated assumptions and projections whose result did not indicate a impairment reversal.

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

18 Intangible assets

The composition of intangible assets is as follows:

							Parent company
				12/31/2019			12/31/2018
	Weighted average rate of annual amortization (%)	Cost	Accumulated amortization	Net balance	Cost	Accumulated amortization	Net balance
Software	31	254,145	(213,071)	41,074	242,080	(192,748)	49,332
Intangible in processing	-	49,281	-	49,281	29,011	-	29,011
		303,426	(213,071)	90,355	271,091	(192,748)	78,343

							Consolidated
				12/31/2019			12/31/2018
	Weighted average rate of annual amortization (%)	Cost	Accumulated amortization	Net balance	Cost	Accumulated amortization	Net balance
Software	31	317,803	(268,410)	49,393	337,003	(278,193)	58,810
Goodwill	-	2,433	-	2,433	2,433	-	2,433
Minerals rights (i)	-	2,176,535	(96,217)	2,080,318	2,168,545	(82,985)	2,085,560
Impairment of assets	-	(1,457,058)	-	(1,457,058)	(1,482,998))	-	(1,482,998))
Other	-	55,171	(3,335)	51,836	42,915	(11,124)	31,791
		1,094,884	(367,962)	726,922	1,067,898	(372,302)	695,596

(i) Mining rights are amortized according to the depletion of mines at an average rate of R$2.19 per ton (rate adjusted according to the net value of the asset, less impairment).

The changes in intangible assets are presented below:

			Parent company
	Software acquired	Other	Total
Net book value at December 31, 2018	49,332	29,011	78,343
Additions	855	31,021	31,876
Changes in impairment of assets (i)	-	-	-
Transfers	11,210	(11,210)	-
Amortization	(20,323)	-	(20,323)
Other	-	459	459
At December 31, 2019	41,074	49,281	90,355
Total cost	254,145	49,281	303,426
Accumulated amortization	(213,071)	-	(213,071)
Net book value at December 31, 2019	41,074	49,281	90,355
Annual amortization rate %	31	-	-

(i) Refers to impairment of intangible assets (Note 17).

				Parent company
	Goodwill paid on acquisition	Software acquired	Other	Total
Net book value at December 31, 2017	110,343	72,274	4,049	186,666
Additions	-	-	25,440	25,440
Changes in impairment of assets (i)	(110,343)	-	-	(110,343)
Transfers	-	(741)	741	-
Amortization	-	(22,201)	-	(22,201)
Other	-	-	(1,219)	(1,219)
At December 31, 2019	-	49,332	29,011	78,343
Total cost	-	242,080	29,011	271,091
Accumulated amortization	-	(192,748)	-	(192,748)
Net book value at December 31, 2018	-	49,332	29,011	78,343
Annual amortization rate %	-	32	-	-

(i) Refers to impairment of intangible assets (Note 17).

	Consolidated				
	Mineral rights (i)	**Goodwill paid on acquisition**	**Software acquired**	**Other**	**Total**
Net book value at December 31, 2018	602,562	2,433	58,810	31,791	695,596
Additions	-	-	2,852	32,363	35,215
Transfers	-	-	11,637	(11,637)	-
Amortization	(4,023)	-	(23,115)	(1,140)	(28,278)
Changes in impairment of assets (ii)	16,731	-	-	-	16,731
Other	7,990	-	(791)	459	7,658
At December 31, 2019	623,260	2,433	49,393	51,836	726,922
Total cost	719,477	2,433	317,803	55,171	1,094,884
Accumulated amortization	(96,217)	-	(268,410)	(3,335)	(367,962)
Net book value at December 31, 2019	623,260	2,433	49,393	51,836	726,922
Annual amortization rate %	-	-	31	-	-

(i) Mineral rights are amortized in accordance with mine depletion at an average rate of R$2.19 per metric ton (this rate is adjusted considering the net value of the asset, net of impairment).
(ii) Refers to impairment reversal of intangible assets (Note 17).

	Consolidated				
	Mineral rights	**Goodwill paid on acquisition**	**Software acquired**	**Other**	**Total**
Net book value at December 31, 2017	473,470	112,776	83,289	7,655	677,190
Additions	-	-	2,502	25,880	28,382
Transfers	-	-	(615)	615	-
Amortization	(2,426)	-	(25,891)	(1,140)	(29,457)
Changes in impairment of assets (ii)	131,518	(110,343)	(4,209)	-	16,966
Other	-	-	3,734	(1,219)	2,515
At December 31, 2089	602,562	2,433	58,810	31,791	695,596
Total cost	685,547	2,433	337,003	42,915	1,067,898
Accumulated amortization	(82,985)	-	(278,193)	(11,124)	(372,302)
Net book value at December 31, 2018	602,562	2,433	58,810	31,791	695,596
Annual amortization rate %	-	-	32	-	-

(ii) Refers to reversal (constitution) impairment test of intangible assets (Note 17).

The amortization in the Parent company accounts was recognized in "Cost of sales" and "General and administrative expenses" in the amounts of R$217 and R$20,106 (December 31, 2018 - R$260 in "Cost of sales" and R$21,941 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$5,653, R$57 and R$22,568 (December 31, 2018 - R$4,452, R$57 and R$24,948), 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, 2019, a reversal of impairment losses of R$16,731 (December 31, 2018 - R$131,518 in the subsidiary Mineração Usiminas) was recognized in the statement of income of the financial statements of the Parent company (Note 17 (b) (ii).

19 Trade payables, contractors and freight charges

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
In Brazil	966,044	677,663	1,194,580	786,660
Abroad	56,256	27,126	69,178	50,641
Payables to related companies	383,531	333,294	254,512	296,462
	1,405,831	1,038,083	1,518,270	1,133,763

20 Borrowings

20.1 Composition of borrowings

Borrowings were as follows:

(a) Parent company

(i) In local currency

	Currency / index	Maturity of the principal amount	Annual finance charges (%)	12/31/2019 Current	12/31/2019 Non-current	12/31/2018 Current	12/31/2018 Non-current
BNDES	R$	2025	TJLP + 3.48%, 3.88% and 4.88% p.a.	-	-	26,888	306,493
BNDES	R$	2025	TJLP	-	-	279	3,242
Government Agency for Machinery and Equipment Financing (FINAME)	R$	2020 to 2024	2.5% to 9.5% p.a.	4,233	11,930	4,298	16,122
Banco do Brasil	R$	2025	CDI + 3% p.a.	-	-	177,991	2,051,333
Bradesco	R$	2025	TR + 9.8% p.a.	8,515	37,845	8,334	43,418
Bradesco	R$	2023	CDI + 3% p.a.	-	-	39,190	451,095
Itaú BBA	R$	2025	CDI + 3% p.a.	-	-	48,321	556,209
Commissions and other costs	-	-	-	(321)	(850)	(12,728)	(48,124)
				12,427	48,925	292,573	3,379,788

(ii) In foreign currency

	Currency / index	Maturity of the principal amount	Finance charges charges (%)	12/31/2019 Current	12/31/2019 Non-current	12/31/2018 Current	12/31/2018 Non-current
BNDES	US$	2025	Basket of currencies (US$) + 3.88% p.a.	-	-	1,711	19,699
BNDES	US$	2025	Basket of currencies (US$) + 3.88% p.a.	-	-	10,070	115,943
Nippon Usiminas	US$	2025	Libor + 2.83% p.a.	-	-	14,113	164,448
JBIC	US$	2025	Libor + 2.55% p.a.	-	-	37,537	439,680
JBIC	US$	2025	Libor + 2.885% p.a.	-	-	37,779	439,672
Bonds	US$	2026	5.875% p.a.	79,921	3,023,025	-	-
Commissions and other costs	-	-	-	-	(74,709)	(1,657)	(6,293)
				79,921	2,948,316	99,553	1,173,149
In local currency				12,427	48,925	292,573	3,379,788
				92,348	2,997,241	392,126	4,552,937

(b) Consolidated

(i) In local currency

	Currency / index	Maturity of the principal amount	Annual finance charges (%)	12/31/2019 Current	12/31/2019 Non-current	12/31/2018 Current	12/31/2018 Non-current
BNDES	R$	2025	TJLP + 3.48%, 3.88% and 4.88% p.a.	-	-	26,888	306,493
BNDES	R$	2025	TJLP	-	-	279	3,242
FINAME	R$	2020 to 2024	2.5% to 9.5%p.a.	5,511	12,569	6,263	18,034
Banco do Brasil	R$	2025	CDI + 3% p.a.	-	-	177,991	2,051,333
Bradesco	R$	2025	TR + 9.8% p.a.	8,515	37,845	8,334	43,418
Bradesco	R$	2023	CDI + 3% p.a.	-	-	39,190	451,095
Itaú BBA	R$	2025	CDI + 3% p.a.	-	-	48,321	556,209
Other	-	-	-	2,690	5,268	2,708	8,122
Commissions and other costs	-	-	-	(321)	(850)	(12,728)	(48,124)
				16,395	54,832	297,246	3,389,822

(ii) In foreign currency

	Currency / index	Maturity of the principal amount	Finance charges charges (%)	12/31/2019 Current	12/31/2019 Non-current	12/31/2018 Current	12/31/2018 Non-current
BNDES	US$	2025	Basket of currencies (US$) + 3.88% p.a.	-	-	1,711	19,699
BNDES	US$	2025	Basket of currencies (US$) + 3.88% p.a.	-	-	10,070	115,943
Nippon Usiminas	US$	2025	Libor + 2.83% p.a.	-	-	14,113	164,448
JBIC	US$	2025	Libor + 2.55% p.a.	-	-	37,537	439,680
JBIC	US$	2025	Libor + 2.885% p.a.	-	-	37,779	439,672
Bonds	US$	2026	5.875% p.a.	79,921	3,023,025	-	-
Commissions and other costs	-	-	-	-	(74,202)	(1,657)	(6,293)
				79,921	2,948,823	99,553	1,173,149
In local currency				16,395	54,832	297,246	3,389,822
				96,316	3,003,655	396,799	4,562,971

20.2 Schedule of borrowings in non-current liabilities

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

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
2020	-	346,521	-	350,649
2021	9,865	649,990	13,013	653,137
2022	10,002	939,551	12,732	942,281
2023	10,304	939,853	10,329	939,878
2024	9,799	939,348	9,803	939,352
2025 and 2026	2,957,271	737,674	2,957,778	737,674
	2,997,241	4,552,937	3,003,655	4,562,971

20.3 Changes in borrowings

Changes in borrowings were as follows:

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Opening balance	4,945,063	5,075,898	4,959,770	5,686,414
New borrowings (i)	2,861,018	-	2,811,557	-
Interest charges	317,700	329,072	318,326	331,627
Indexation accruals	54,470	96,115	54,719	96,274
Foreign exchange gains/losses	178,648	185,818	228,109	170,875
Payment of interest	(308,077)	(427,460)	(308,983)	(448,987)
Repayments/reductions - principal (i)	(4,952,154)	(328,812)	(4,956,955)	(890,865)
Deferral of commissions	(7,079)	14,432	(6,572)	14,432
Closing balance	3,089,589	4,945,063	3,099,971	4,959,770

(i) Refers mainly to the renegotiation of debts (Note 20.5).

20.4 Covenants

(a) Debentures and Bonds

With respect to the financial covenants, the Company is required to comply with the following ratios, calculated on a consolidated basis:

(i) Net debt / Adjusted EBITDA:

- less than 3.5 times in the quarterly measurements for bonds and half-yearly measurements (December and June) for debentures.

For the year ended December 31, 2019, the Company determined the following ratios, as shown below:

Indicator	Contracted ratio	Calculated ratio
Net debt / Adjusted EBITDA	< 3.5	1.6

With respect to the non-financial covenants, the Company has monitoring controls and, for the year ended December 31, 2019, no breaches of these covenants were found.

20.5 Renegotiation of debts

On July 11, 2019, the Company concluded the pricing of the debt instruments issued by its wholly-owned subsidiary Usiminas International S.à r.l. in the international market, in the amount of US$750 million, with a coupon (interest) rate of 5.875% p.a., to be paid semiannually, at an issue price of 98.594% of the principal amount, a yield of 6.125% p.a. and maturity date of July 18, 2026. From the proceeds of this issuance, the Company made the full prepayment of its debt with Banco Nacional de Desenvolvimento Econômico e Social (BNDES) and the Japanese bank creditors, as well as the partial prepayment of its debt with debenture holders and the Brazilian banks, Banco do Brasil S.A., Itaú Unibanco S.A. and Banco Bradesco S.A.

On October 24, 2019, the Company completed the 7th issue of simple debentures, non-convertible into shares, as approved by the Board of Directors on September 20, 2019. This issue, related to 2,000,000 (two million) debentures, and which totaled R$2 billion, includes semiannual interest based on Interbank Deposit Certificates (CDI) plus 1.7% p.a. for the debentures of the first series amounting to R$700,000, the maturity of which will be September 30, 2023; and CDI plus 2.1% p.a. for the debentures of the second series amounting to R$1,300,000, the maturities of which will be September 30, 2024 and September 30, 2025, with the payment of 50% on each amortization. From the proceeds of this issuance, the Company made the full prepayment of its outstanding debt to debenture holders and the Brazilian banks Banco do Brasil S.A., Itaú Unibanco S.A. and Banco Bradesco S.A.

During the year of 2019, the amount of R$4,632,140 related to borrowings renegotiated with these creditors was amortized/reduced in the Parent Company and in Consolidated.

21 Debentures

On October 24, 2019, the Company completed the 7th issue of simple debentures, non-convertible into shares. This operation is part of the Company’s debt renegotiation, as mentioned in Note 20.5.

During the year of 2019, the amount of R$836,954 related to the renegotiation of debentures was amortized/reduced in the Parent company and in Consolidated.

Changes in debentures in the year ended December 31, 2019 were as follows:

	Parent company and consolidated	
	12/31/2019	12/31/2018
Opening balance	890,020	949,365
Ingress	2,000,000	-
Provisioned charges	51,060	69,686
Indexation accruals	14,169	15,827
Payment of interest	(55,433)	(84,517)
Repayment of principal (i)	(893,549)	(60,341)
Closing balance (ii)	2,006,267	890,020
Current liabilities	25,017	70,237
Non-current liabilities	1,981,250	819,783

(i) Refers mainly to the renegotiation of debts (Note 20.5).
(ii) Balance presented net, after deducting the amount of R$18,750 (December 31, 2018 - R$6,467) 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, 2019, the charges of R$25,017 on the debentures are recorded in current liabilities (December 31, 2018 - R$1,589).

Long-term amounts fall due as follows:

	Parent company and consolidated	
	12/31/2019	12/31/2018
2020	-	61,769
2021	-	116,769
2022	-	169,269
2023	693,438	169,269
2024	643,906	169,269
2025	643,906	133,438
	1,981,250	819,783

22 Taxes payable

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
ICMS	27,693	52,633	32,769	57,499
Excise Tax (IPI)	27,403	23,664	29,424	27,127
Withholding Income Tax (IRRF)	9,144	20,044	11,315	21,787
Services Tax (ISS)	1,876	1,612	5,905	4,050
Social Integration Program (PIS) and Social Contribution on Revenues (COFINS)	2,726	1,965	5,192	3,395
Financial Contribution for the Exploration of Mineral Resources (CFEM)	-	-	11,119	5,869
Other	1,169	1,233	3,873	3,186
	70,011	101,151	99,597	122,913

23 Taxes payable in installments

The composition of taxes payable in installments were as follows:

						Parent company
			12/31/2019			12/31/2018
	Taxes payable in installments	Judicial deposits	Net balance	Taxes payable in installments	Judicial deposits	Net balance
INSS	7,265	(7,265)	-	7,265	(7,265)	-
Excise tax (IPI)	104,391	(100,079)	4,312	104,257	(100,079)	4,178
Tax Recovery Program (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)	-
	201,204	(196,892)	4,312	201,070	(196,892)	4,178

						Consolidated
			12/31/2019			12/31/2018
	Taxes payable in installments	Judicial deposits	Net balance	Taxes payable in installments	Judicial deposits	Net balance
INSS	7,265	(7,265)	-	7,265	(7,265)	-
Excise tax (IPI)	104,391	(100,079)	4,312	104,257	(100,079)	4,178
Tax Recovery Program (REFIS) – Law 11,941/09 – IPI and CIDE	32,443	(32,443)	-	32,443	(32,443)	-
PERT	2	-	2	2	-	2
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)	-
	201,206	(196,892)	4,314	201,072	(196,892)	4,180

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

		Parent company		Consolidated
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Opening balance (i)	201,070	204,518	201,072	217,386
Additions	-	-	-	3
Provision for interest	134	179	134	179
Payment utilizing tax losses (ii)	-	-	-	(12,868)
Offset against securities issued to cover court-ordered debts – Law 11,941	-	(3,627)	-	(3,627)
Repayment of principal	-	(131)	-	(132)
Credit recovery	-	131	-	131
Subtotal	201,204	201,070	201,206	201,072
Balance of judicial deposit offset	(196,892)	(196,892)	(196,892)	(196,892)
Closing balance	4,312	4,178	4,314	4,180

(i) Of the total amount of taxes payable in installments presented in the balance sheet, the amount of R$196,892 (December 31, 2018 – R$196,892), which refers to the offset against judicial deposits, must be deducted in the Parent company and Consolidated accounts.
(ii) Payment based on the enrollment in the Special Tax Settlement Program (PERT).

At December 31, 2019, considering the payment schedule, the balances of taxes payable in installments are fully recorded in current liabilities.

24 Lease liabilities

For the adoption of IFRS 16 / CPC 06 (R2), the Company estimated the discount rates based on risk-free interest rates observable in the Brazilian market for its contract terms. The rates used in the calculation ranged from 7.34% p.a. to 10.53% p.a.

At December 31, 2019, changes in lease liabilities are shown below:

	Parent company	**Consolidated**
	12/31/2019	**12/31/2019**
Adoption of IFRS 16 / CPC 06 (R2)	45,536	87,298
Additions - New Leases	-	42,112
Payments	(17,096)	(25,907)
Interest	3,367	5,767
Closing balance	31,807	109,270
Current	12,514	33,328
Non-current	19,293	75,942

At December 31, 2019, the estimated future minimum payments related to lease agreements were as follows:

				Parent company
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Lease agreements	13,707	12,226	11,124	37,057
Adjustment to present value	(2,222)	(1,496)	(1,532)	(5,250)
	11,485	10,730	9,592	31,807

				Consolidated
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Lease agreements	38,499	38,695	52,217	129,411
Adjustment to present value	(8,004)	(6,244)	(5,893)	(20,141)
	30,495	32,451	46,324	109,270

The table below shows the estimated value of the potential right of PIS/COFINS recoverable, which is included in the lease consideration, according to the periods established for payment:

		Parent company		**Consolidated**
Cash flow	**Nominal**	**Adjusted to present value**	**Nominal**	**Adjusted to present value**
Lease consideration	33,629	28,865	117,441	99,163
Potential PIS/COFINS (9.25%)	3,428	2,942	11,970	10,107
	37,057	31,807	129,411	109,270

25 Provision for litigation

						Parent company
			12/31/2019			12/31/2018
	Provisions	Judicial deposits	Net balance	Provisions	Judicial deposits	Net balance
ICMS	52,385	-	52,385	50,581	-	50,581
Labor	460,002	(145,080)	314,922	361,516	(123,414)	238,102
Civil	146,931	(19,432)	127,499	62,009	(28,453)	33,556
	659,318	(164,512)	494,806	474,106	(151,867)	322,239

						Consolidated
			12/31/2019			12/31/2018
	Provisions	Judicial deposits	Net balance	Provisions	Judicial deposits	Net balance
INSS	57	(57)	-	54	(54)	-
ICMS	53,444	(1,234)	52,210	67,269	(1,194)	66,075
PIS/COFINS	2,009	-	2,009	1,927	-	1,927
Labor	556,585	(200,861)	355,724	460,227	(175,995)	284,232
Civil	157,620	(35,584)	122,036	78,650	(44,453)	34,197
Other	7,671	(2,699)	4,972	27,424	(21,435)	5,989
	777,386	(240,435)	536,951	635,551	(243,131)	392,420

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

The changes in the provision for litigation were as follows:

		Parent company		Consolidated
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Opening balance	474,106	481,924	635,551	668,964
Additions	246,742	223,764	294,430	235,244
Interest/inflation indexation	156,073	98,082	176,634	109,787
Payments/reductions	(111,409)	(219,134)	(143,867)	(254,668)
Reversal of principal	(51,557)	(68,236)	(92,509)	(84,426)
Reversal of interest	(54,637)	(42,294)	(57,738)	(43,438)
Transfers between current and non-current	-	-	(35,115)	4,088
Closing balance	659,318	474,106	777,386	635,551

(a) Provision 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, 2019 are described below:

(i) Provisions made by the parent company

Description	Position	12/31/2019 Balance	12/31/2018 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.	133,041	50,502
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.	298,882	296,218
Claims for indemnities for material (pension, fixed medical expenses etc.) and moral damages due to exposure to benzene gas during working hours.	Pending judgment.	8,105	12,368
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.	3,920	14,467
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.	117,829	11,668
Action for annulment filed aiming at challenging the tax assessment notices issued by the tax authorities of Rio Grande do Sul claiming ICMS allegedly due by Usiminas.	Pending judgment by higher courts.	45,566	43,884
Other civil and environmental proceedings	-	17,078	23,506
Other labor claims.	-	28,079	14,796
Other tax proceedings.	-	6,818	6,697
		659,318	474,106

(ii) Provisions made by the subsidiary Soluções Usiminas

Description	Position	12/31/2019 Balance	12/31/2018 Balance
Tax Assessment Notice in which tax authorities seek the payment of Value-Added Tax on Sales and Services (ICMS/RS) in connection with an alleged irregularity on the recording of presumed credits.	Awaiting the development of the case at an appellate court.	1,059	16,688
Labor proceedings consist mainly of claims by former employees in connection with disputes about the amount of compensation paid on terminations.	Pending judgment.	62,628	61,399
Other civil proceedings.	-	7,403	8,693
Other tax proceedings.	-	9,365	10,453
		80,455	97,233

	12/31/2019	12/31/2018
Provisions by the Parent company	659,318	474,106
Provisions by Soluções Usiminas	80,455	97,233
Provisions by the other companies	37,613	64,212
Total Consolidated	777,386	635,551

(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, and which include:

(i) Parent company's contingencies

Description	Position	12/31/2019 Balance	12/31/2018 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.	95,577	93,680
Tax proceedings claiming the reversal of ICMS/SP credits arising from the difference in material classification between tax authorities and Usiminas records.	Pending judgment by the trial court.	42,398	41,698
Tax assessment notice issued by the Federal Revenue Secretariat to require the settlement of tax liabilities related to the Excise Tax (IPI).	Pending judgment by trial courts at administrative and judicial levels.	48,071	41,573
Tax proceedings in which tax authorities seek the reversal of ICMS/SP credits on materials considered as consumables (refractory items and others).	Several case records, declaratory actions and tax collection proceedings, suspended or pending decision by higher courts.	1,251,279	1,216,891
Tax proceeding in which tax authorities seek the reversal of ICMS/SP credits used by Usiminas upon contracting transportation services.	Pending judgment by the trial court.	54,437	53,109
Action challenging the denial of the discontinuance of the payment in installments of IRPJ under Law 11,941/09.	Pending judgment by the appellate court.	-	96,741
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.	40,993	40,305
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.	644,131	625,856
Request to offset IPI, PIS and COFINS payable against a credit from an undue payment of CSLL, which was not approved.	Pending judgment at an administrative level.	47,620	48,340
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 and health and occupational safety.	Pending judgment at an administrative level.	50,981	50,016
Tax assessment notice in which tax authorities seek the payment of ICMS due to the alleged improper use of tax credits on the purchase of consumables used in the export of goods.	Pending decision at the administrative level and judgment by the trial court.	315,085	306,624

Description	Position	12/31/2019 Balance	12/31/2018 Balance
Action for annulment filed aiming at challenging the tax assessment notices in which tax authorities seek 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 higher courts.	109,538	105,427
Tax assessment notice related to the collection of IRPJ and CSLL on income earned abroad.	Pending judgment at an administrative level.	115,433	115,433
Tax assessment notice in which tax authorities seek the payment of ICMS related to the suspension of tax payment on the shipments of fuel to a thermoelectric plant (manufacturing by transformation).	Discussion at the administrative level has terminated and the matter has been challenged in court.	62,701	60,187
Tax assessment notice in which tax authorities seek the payment of ICMS in connection with the alleged improper use of tax credits on the purchase of consumables.	Pending judgment at an administrative level.	33,159	32,226
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.	539,686	372,344
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.	279,147	276,608
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.	Appeal to the High Court of Justice (STJ) was rejected.	-	57,414
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.	Appeal to the High Court of Justice (STJ) was rejected.	-	51,847
Tax assessment notice in which tax authorities seek the payment of ICMS in connection with the non-prepayment of the tax due upon the receipt of goods from other Brazilian states (different rates).	Pending judgment at an administrative level.	466,716	86,925
Objection filed against the decision that recognized only partially the credit rights established in a final and unappealable court decision determining the exclusion of ICMS amounts from the calculation basis of PIS/COFINS-Imports	Pending judgment at an administrative level.	1,111,807	-
ICMS - Tax collection proceeding filed by the State of São Paulo related to the collection of a debt arising from the Company indicating the Manaus Free Trade Zone as the destination of goods, but such indication was not supported by the related document of admission to the location benefiting from incentives.	Pending judgment at an administrative level.	47,285	-
Tax Assessment Notice requiring the payment of penalty of one per cent on the customs value of the goods, as provided for in Article 84 of the Provisional Measure No. 2.158-35/01 combined with Article 69, paragraph 1 of Law No. 10.833/03 and Article 711, item III of Customs Regulations	Pending judgment at an administrative level.	24,761	-
Occupancy Charge levied on lands owned by the Navy related to the property where the port of Praia Mole/ES is located	The claim is being examined by court appointed experts.	41,555	34,753
Proceeding claiming the increase in the payments related to the annual contract entered into and the payments due.	-	31,485	-
Proceeding claiming the increase in the payments related to the annual contract entered into and the payments due.	-	14,411	-
Tax collection proceeding filed by the Federal Tax Authorities requiring the payment of tax liabilities related to inclusion in the official registration of outstanding debts applied by the former National Superintendency of Supply (SUNAB).	-	13,987	-
Other civil and environmental proceedings	-	89,229	136,226
Other labor claims.	-	65,655	43,048
Other tax proceedings.	-	427,006	686,869
		6,064,133	4,674,140

(ii) Usiminas Mecânica's contingencies

Description	Position	12/31/2019 Balance	12/31/2018 Balance
Action claiming reimbursement of direct and indirect expenses determined in the manufacturing and supply phases due to a disagreement between Usiminas Mecânica and the customer.	Pending judgment.	719,962	661,686
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.	627,647	557,636
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.	129,246	115,264
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.	14,980	13,240
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.	166,353	96,629
Other civil and environmental proceedings	-	40,532	37,022
Other tax proceedings.	-	27,122	25,981
		1,725,842	1,507,458

(iii) Soluções Usiminas' contingencies

Description	Position	12/31/2019 Balance	12/31/2018 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.	17,617	16,943
Labor proceedings mainly consisting of claims by former employees in connection with disputes about the amount of compensation paid on terminations.	Pending judgment.	150,847	100,966
Other tax proceedings.	-	80,815	76,373
Other civil proceedings.	-	14,434	14,056
		263,713	208,338

(iv) Mineração Usiminas' contingencies

Description	Position	12/31/2019 Balance	12/31/2018 Balance
Arbitration proceeding, whereby the Plaintiff requests the reimbursement of the damages and additional costs allegedly incurred during the performance of the construction works of Nova ITM Friável - Flotação in the city of Itatiaiuçu-MG.	Expert inspection carried out and pronouncement of the parties on the expert report.	-	11,269
Tax assessment notice for the collection of PIS and COFINS on the use of credits on services related to the activity of the legal entity.	Pending judgment at an administrative level.	37,663	36,081
Judicial proceeding challenging the exclusion of freight and insurance expenses incurred in the selling phase of the mineral product from the calculation and payment of the CFEM.	Pending judgment by the appellate court.	29,962	-
Other civil proceedings.	-	12,728	17,916
Other labor claims.	-	6,014	10,069
Other tax proceedings.	-	3,923	12,045
		90,290	87,380

	12/31/2019	12/31/2018
Parent company's contingencies	6,064,133	4,674,140
Usiminas Mecânica's contingencies	1,725,842	1,507,458
Soluções Usiminas' contingencies	263,713	208,338
Mineração Usiminas' contingencies	90,290	87,380
Other companies' contingencies	23,897	23,117
Total Consolidated	8,167,875	6,500,433

(c) Contingent assets

At December 31, 2019, the main proceedings in which the Company is the plaintiff are presented below:

(i) Compulsory loan - Eletrobrás

The Company is a plaintiff in a proceeding 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.

A final and unappealable decision was rendered with respect to the declaratory action relating to the Cubatão branch, whereby the Company is claiming the amount of R$868,195. On November 25, 2019, the 19th Federal Court of Rio de Janeiro issued a decision in which it recognized the amount of R$305,848 as undisputed for the enforcement of the judgment, considering that Eletrobrás itself expressly required the approval of this amount, monetarily restated up to August 30, 2019. Accordingly, the Company recorded this amount in its financial statements for the year ended December 31, 2019, in current assets, as a corresponding entry to "Other operating income" and "Finance result", in the amounts of R$117,337 and R$188,511, respectively. In addition, the Company has continued to claim in court the unrecognized amount that it believes is owed by Eletrobrás.

A final and unappealable decision was rendered with respect to the declaratory action relating to the Ipatinga branch, whereby the Company is claiming the amount of R$1,387,296. On December 19, 2018, the 2nd Federal Court of the Federal District issued a decision in which it recognized the amount of R$676,023 as undisputed for the enforcement of the judgment, considering that Eletrobrás itself expressly required the approval of this amount, monetarily restated up to July 1, 2016. Accordingly, the Company recorded this amount in its financial statements for the year ended December 31, 2018, under "Receivables - Eletrobrás", in non-current assets, as a corresponding entry to "Other operating income" and "Finance result", in the amounts of R$186,010 and R$490,013, respectively. On October 16, 2019, the Company received from Eletrobrás the total updated amount of R$751,404. In addition, the Company continues to claim in court the unrecognized amount that it believes is owed by Eletrobrás.

(ii) PIS and COFINS - Imports

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 basis 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$794,104 was offset up to December 31, 2018. In the year ended December 31, 2019, no amounts were offset.

(iii) Inclusion of ICMS in the calculation basis of PIS and COFINS

In May 2018, a final and unappealable decision was issued on the petition for writ of mandamus filed in 2010 by the Company, its subsidiary Usiminas Mecânica S.A. and its jointly-controlled subsidiary Unigal Ltda., which challenged the inclusion of the Value-Added Tax on Sales and Services (ICMS) in the calculation basis of PIS and COFINS. As a result of the favorable outcome, referring to the period from June 2005 to December 2014, the Company determined, together with its external consultants, the amounts of taxes unduly collected, considering the aspects related to the issue with regard to the quantification of credits, especially the Private Letter Ruling No. 13 - COSIT of the Brazilian Federal Revenue Secretariat, the method of monetary restatement of the amounts, as well as the prospects of its realization by offsetting against federal taxes payable. Accordingly, the Company recorded the amount of R$789,160 in its financial statements for the year ended December 31, 2018, under "Taxes recoverable", of which R$364,815 in current assets and R$424,345 in non-current assets, as a corresponding entry to "Other operating income" and "Finance result" in the amounts of R$410,932 and R$378,228, respectively. In the same period, the amount of R$803,249 was recorded in Consolidated under "Taxes recoverable", of which R$378,904 in current assets and R$424,345 in non-current assets, as a corresponding entry to "Other operating income" and "Finance result" in the amounts of R$418,744 and R$384,505, respectively. In the year ended December 31, 2019, the following amounts were offset: R$425,255 in the Parent company and R$445,533 in Consolidated.

In 2019, a final and unappealable decision was issued on the other judicial proceedings filed by the Company, its subsidiaries Usiminas Mecânica S.A. and Mineração Usiminas S.A. and its jointly-controlled subsidiary Unigal Ltda., which also challenged the inclusion of the Value-Added Tax on Sales and Services (ICMS) in the calculation basis of PIS and COFINS. As a result of the favorable outcome, referring to several periods beginning in November 2001, the Company determined, together with its external consultants, the amounts of taxes unduly collected, considering the aspects related to the issue with regard to the quantification of credits, especially the Private Letter Ruling No. 13 - COSIT of the Brazilian Federal Revenue Secretariat, the method of monetary restatement of the amounts, as well as the prospects of its realization by offsetting against federal taxes payable. Accordingly, the Company recorded the amount of R$115,899 in its financial statements for the year ended December 31, 2019, under "Taxes recoverable" in non-current assets, as a corresponding entry to "Other operating income" and "Finance result" in the amounts of R$63,266 and R$52,633, respectively. In the same period, the amount of R$156,561 was recorded in Consolidated under "Taxes recoverable", of which R$37,782 in current assets and R$118,779 in non-current assets, as a corresponding entry to "Other operating income" and "Finance result" in the amounts of R$86,860 and R$69,702, respectively.

26 Environmental restoration provision

At December 31, 2019, the subsidiary Mineração Usiminas S.A. had an environmental restoration provision for areas under development of R$231,591 (December 31, 2018 – R$203,707).

The expenditures for environmental restoration were recorded as part of the costs of these assets against the provision that will support such expenses, and take into consideration the management´s estimates. The estimates of expenses are reviewed periodically, adjusting, whenever necessary, the amounts previously recorded.

27 Retirement benefit obligations

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

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Balance sheet obligations for:				
Pension benefits	815,365	546,681	828,332	546,681
Post-employment medical benefits	702,997	487,159	746,464	487,547
	1,518,362	1,033,840	1,574,796	1,034,228

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Income (expenses) recognized in the statement of income related to (Note 33 (b))				
Pension benefits	(41,738)	(53,957)	(41,738)	(53,957)
Post-employment medical benefits	(44,169)	(37,960)	(44,005)	(37,960)
	(85,907)	(91,917)	(85,743)	(91,917)

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Actuarial gains (losses) recognized directly in other comprehensive income (losses)	(660,118)	(309,014)	(662,557)	(309,031)
Increase (decrease) due to the effect of business combination / divestiture / transfer	34,165	-	34,165	-
Decrease in assets (asset ceiling) in other comprehensive income - paragraph 58, CPC 33 and IAS 19	240,386	249,865	240,386	249,865
Accumulated actuarial gains (losses) recognized in other comprehensive income (i)	(385,567)	(59,149)	(388,006)	(59,166)

(i) At December 31, 2019, total balance in the Parent company includes the amount of R$35,852 (December 31, 2018 – R$137) and total balance in Consolidated includes the amount of R$2,439 (December 31, 2018 – R$17) related to actuarial gains (losses) of subsidiaries and jointly-controlled subsidiaries, recorded under the equity method of accounting.

27.1 Supplementary pension plans

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

On March 29, 2012, the Supervisory authority (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

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.

(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: retirement pension based on years of contribution, permanent disability retirement, old-age retirement pension, special retirement pension and pension on death. Furthermore, the beneficiaries of this plan are entitled to: supplementary sick pay, assistance for a residential home and funeral assistance.

(ii) Benefit plan 2 (USIPREV)

Variable contribution 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 the monthly contribution to form a savings reserve. Upon granting of the benefit, the member may opt for receiving benefits in a monthly annuity ranging between 0.5% and 1.5% of his/her 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 balance into a monthly life annuity. In this case, during the payout phase, USIPREV will be similar to a Defined-benefit-type plan.

The benefits provided by this plan comprise: programmed retirement, vesting, portability, disability retirement; sick pay and pension on death – pre and post retirement. The beneficiaries are also entitled to: Self-funded retirement plan, Vesting, Redemption and Portability.

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

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

It provides the following benefits converted into life annuity: length-of-service retirement pension, permanent disability retirement pension, old-age retirement pension, special retirement pension and pension on death. It also provides: sick pay, assistance for a residential home, birth allowance and funeral assistance.

The beneficiaries of this plan are also entitled to: Self-funded retirement plan, Vesting, Redemption and Portability.

(iv) COSIPREV

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

The benefits provided by this plan comprise: programmed retirement, benefit for total disability, death benefit and sick pay.

The beneficiaries of this plan are also entitled to: Self-funded retirement plan, Vesting, Redemption and Portability.

27.2 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, 2019, the debit balance of the referred to debts payable by the Company to Previdência Usiminas for PB1 and PBD plans amounted to R$705,618 (December 31, 2018 - R$550,748).

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 the normal 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).

The Company sought in court a provisional remedy claiming the suspension of the requirement to pay to Previdência Usiminas the monthly installments provided for in the Instrument for Acknowledgment of Debt, which had as its purpose the program for amortization of insufficient reserves of the PB1 Benefit Plan, as well as that Previdência does not reverse the amounts allocated to the Social Security Funds established in 2016, 2017 and 2018, until the judgment of the main proceeding. The provisional remedy was granted and thereby the requirement to make the scheduled installments was suspended. The Company is awaiting the judgment of the main proceeding, whose purpose is that the program for amortization of insufficient reserves of the PB1 Benefit Plan be reviewed, considering that such Plan is in a surplus situation. Currently the Company is under negotiation with Previdência Usiminas, looking for a definitive solution for the matter.

The PBD plan debit balance is determined at the end of each year, based on a direct actuarial revaluation of the total of the mathematical provisions for benefits granted and to be granted. During the subsequent year, as defined by the system of actuarial revaluation, the liability is adjusted by the monthly surplus or deficit determined in the PBD plan and by the amount of the payments falling due in the period. The debt balance should be paid in 172 installments, which correspond to the amount of all monthly installments calculated based on the Price Table, with interest of 6% per annum and monthly restatement based on the National Consumer Price Index (INPC).

The collateral of the PBD plan debt comprises assets amounting to approximately R$146,058 at December 31, 2019 and 2018.

27.3 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				
					12/31/2019
	PB1	PBD	USIPREV	COSIPREV	TOTAL
Present value of actuarial liability	(4,733,936)	(2,006,045)	(1,259,467)	(1,716)	(8,001,164)
Fair value of assets	5,677,901	1,637,148	1,125,747	24,658	8,465,454
	943,965	(368,897)	(133,720)	22,942	464,290
Asset ceiling	(1,280,686)	-	23,587	(22,556)	(1,279,655)
	(336,721)	(368,897)	(110,133)	386	(815,365)

	Parent company and consolidated				
					12/31/2018
	PB1	PBD	USIPREV	COSIPREV	TOTAL
Present value of actuarial liability	(3,957,061)	(1,724,394)	(1,056,430)	(2,431)	(6,740,316)
Fair value of assets	4,991,783	1,574,446	1,102,517	28,320	7,697,066
	1,034,722	(149,948)	46,087	25,889	956,750
Asset ceiling	(1,034,722)	-	(42,585)	(25,324)	(1,102,631)
Minimum requirements (additional liabilities)	(400,800)	-	-	-	(400,800)
	(400,800)	(149,948)	3,502	565	(546,681)

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.

USIPREV and COSIPREV plans have a Pension Fund from members' account balances not used in benefit payouts. As provided for in the plans' regulations, this Fund may be used to fund these plans in the future. At December 31, 2019, the Pension Fund portion attributed to Usiminas amounts to R$41,721 (December 31, 2018 - R$59,941).

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

	Parent company and consolidated	
	12/31/2019	12/31/2018
Opening balance	(6,740,316)	(6,225,952)
Current service cost	(713)	(591)
Cost of interest	(602,939)	(587,060)
Benefits paid	557,656	540,953
Actuarial gains (losses)	(1,214,852)	(467,666)
	(8,001,164)	(6,740,316)

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

	Parent company and consolidated	
	12/31/2019	12/31/2018
Opening balance	7,697,066	7,290,766
Expected return on assets	1,153,433	760,665
Actual contributions during the year	120,846	186,588
Benefits paid	(557,656)	(540,953)
Actuarial gains (losses)	51,765	-
Closing balance	8,465,454	7,697,066

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

	Parent company and consolidated	
	12/31/2019	12/31/2018
Current service cost	(713)	(591)
Cost of interest	(742,869)	(755,404)
Expected return on assets	701,844	702,038
	(41,738)	(53,957)

The charges shown above were recognized in "Other operating income (expenses)" and in "Finance result" in the statement of income.

Expected contributions to the post-employment benefit plans for 2020 total R$17,949.

Actuarial assumptions

	12/31/2019	12/31/2018
Discount rate	(i)	(i)
Inflation rate	3.60%	4.30%
Expected return on assets – PB1 and PBD	6.92%	9.31%
Expected return on plan assets - USIPREV	7.12%	9.41%
Expected return on plan assets – COSIPREV	6.4%	8.99%
Future salary increases	From 1.10% to 2.90%	From 1.66% to 3.04%
Growth in the benefits of the Government Social Security	3.60%	4.30%

(i) At December 31, 2019, the actual discount rate presents the following actuarial assumptions by plan: PB1, 3.20%; PBD, 3.20%; USIPREV, 3.40%; and COSIPREV, 2.60%.
(ii) At December 31, 2018, the actual discount rate presents the following actuarial assumptions by plan: PB1, 4.8%; PBD, 4.8%; USIPREV, 4.90%; and COSIPREV, 4.45%.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience (Note 27.5).

27.4 Experience adjustments

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

							Parent company and consolidated
							12/31/2019
	PB1	PBD	USIPREV	COSIPREV	Total retirement plans	Healthcare plan	TOTAL
Present value of defined benefit obligation	(4,733,936)	(2,006,045)	(1,259,467)	(1,716)	(8,001,164)	(702,997)	(8,704,161)
Fair value of plan assets	5,677,901	1,637,148	1,125,747	24,658	8,465,454	-	8,465,454
Plan surplus (deficit)	943,965	(368,897)	(133,720)	22,942	464,290	(702,997)	(238,707)
Experience adjustments on plan liabilities	37,452	11,031	20,118	275	68,876	39,497	108,373
Return on plan assets higher (lower) than the discount rate	472,100	2,757	(17,332)	(5,995)	451,530	-	451,530

							Parent company and consolidated
							12/31/2018
	PB1	PBD	USIPREV	COSIPREV	Total retirement plans	Healthcare plan	TOTAL
Present value of defined benefit obligation	(3,957,061)	(1,724,394)	(1,056,430)	(2,431)	(6,740,316)	(487,159)	(7,227,475)
Fair value of plan assets	4,991,783	1,574,446	1,102,517	28,320	7,697,066	-	7,697,066
Plan surplus (deficit)	1,034,722	(149,948)	46,087	25,889	956,750	(487,159)	469,591
Experience adjustments on plan liabilities	(16,196)	16,609	(53,972)	613	(52,946)	(6,610)	(59,556)
Return on plan assets higher (lower) than the discount rate	(39,891)	89,857	7,674	977	58,617	-	58,617

27.5 Actuarial assumptions and sensitivity analysis

	Parent company and consolidated			
				12/31/2019
Significant actuarial assumptions	**PB1**	**PBD**	**USIPREV**	**COSIPREV**
Present value of obligation	(4,733,936)	(2,006,045)	(1,259,467)	(1,716)
Discount rate applied to plan liabilities	6.92%	6.92%	7.12%	6.92%
Mortality table applied to plans (i)	BREMS 2015	AT-2000 reduced by 10%	AT-2000 reduced by 50% (M) and 40%(F)	AT-2000 reduced by 30%
Disability mortality table (i)	AT-83 Basic	AT-83 Basic	AT-83 Basic	N/A
Sensitivity analysis on plan obligations discount rate				
1% increase on actual rate	(514,870)	(214,476)	(159,026)	(64)
1% decrease on actual rate	432,290	180,548	128,775	59
Sensitivity analysis on Mortality Table				
Reduced by 10%	(145,346)	(61,576)	(22,412)	40

(i) Segregated by sex.

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

27.6 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 Saúde Usiminas health care plan. The Plan is open for new enrollments to all employees and retirees. The main characteristics of the Saúde Usiminas plan are the following:

(i) Plan regulated 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 contracted with Fundação São Francisco Xavier, a company that operates health care plans;
(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 characteristics above, the key actuarial assumption is the long-term increase in medical services costs, which totaled 7.69% p.a. in the year ended December 31, 2019 and 2018.

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

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Opening balance	(487,159)	(401,464)	(487,547)	(401,464)
Current service cost	1,014	1,216	1,178	1,216
Cost of interest	(45,183)	(39,176)	(45,219)	(39,176)
Benefits paid	10,896	11,223	10,896	11,223
Actuarial gains (losses)	(182,565)	(58,958)	(225,644)	(59,346)
Closing balance	(702,997)	(487,159)	(746,336)	(487,547)

27.7 Retirement plan assets

Retirement plan assets comprise the following:

	12/31/2019		12/31/2018	
	Amount	%	Amount	%
Company shares	336,663	4	390,216	5
Federal government securities	4,932,586	58	4,523,932	60
Fixed income	2,364,235	28	2,100,621	27
Real estate investments	98,509	2	266,777	3
Other	733,461	8	415,520	5
	8,465,454	100	7,697,066	100

The pension plan assets include 34,109,762 common shares of the Company, at the fair value of R$336,663 (December 31, 2018 – 34,109,762 common shares at the fair value of R$390,216).

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.

28 Equity

(a) Share capital

At December 31, 2019, 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 are common shares; 547,752,163 are Class A preferred shares and 66,261 are Class B preferred shares, as shown below:

	Common shares	Class A Preferred shares	Class B Preferred shares	Total
Total shares at December 31, 2019	705,260,684	547,752,163	66,261	1,253,079,108
Total treasury shares	(2,526,656)	(20,962,367)	-	(23,489,023)
Total shares except treasury shares	702,734,028	526,789,796	66,261	1,229,590,085

Under the bylaws, the Board of Directors is authorized to increase the Company's capital through the issue of up to 11,396,392 preferred shares of the existing class.

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, 2019, the reserves were as follows:

- Premium on 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 stock - The Company held in treasury 2,526,656 common shares and 20,962,367 Class A preferred shares at December 31, 2019 (December 31, 2018 - 2,526,656 common shares and 21,250,817 Class A preferred shares).

- 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 39).

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

- 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) Equity adjustments

Equity adjustments refer substantially to:

(i) Result from equity transaction: corresponds to changes in shareholding interest without change of control. At December 31, 2019 and 2018, the credit balance of R$845,238 mainly 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 27). At December 31, 2019, the debit balance of this account totals R$1,351,197 (December 31, 2018 – R$965,630).

(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, 2019, the credit balance of this account totals R$98,922 (December 31, 2018 – R$110,062).

(d) Dividends and interest on capital

Proposed dividends and interest on capital related to the profit for 2019 were as follows:

	12/31/2019	12/31/2018
Profit for the year	213,265	726,658
Legal reserve (5%)	(10,663)	(36,333)
Calculation basis of dividends and interest on capital	202,602	690,325
Proposed minimum dividends and interest on capital (25%), net of Withholding income tax (IRRF)	50,650	172,581
Proposed dividends	50.650	80,294
Proposed interest on capital	-	92,287
IRRF on interest on capital	-	11,455
Total	50.650	184,036
Amount per share (ON) (i)	R$0.039500	R$0.143559
Amount per share (PN) (i)	R$0.043450	R$0.157914

(i) At December 31, 2018, calculated based on the gross amount of R$184,036.

Under CVM Decision 683/12, interest on capital was imputed to the mandatory minimum dividends at its net value, net of the related withholding income tax.

Changes in dividends and interest on payable are presented below:

Nature		Parent company		Consolidated
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Dividends payable at the beginning of the year	172,762	55,479	202,809	75,644
Payment of taxes and interest on capital	(172,305)	(55,255)	(255,464)	(125,469)
Proposed interest on capital and dividends	50,650	172,581	120,469	252,677
Dividends forfeited	-	(43)	-	(43)
Total net dividends payable at the end of the year	51,107	172,762	67,814	202,809

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

29 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; there are no different segments within the same company.

A summary of the main operations of each of the reportable segments of Usiminas follows:

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 railway cargo terminals. The sales of iron ore are mainly intended for the Steelworks segment.
Steel metallurgy	Manufacture and sale of steel products. A portion of the sales is for the steel transformation and capital goods segments.
Steel transformation	Transformation and distribution of steel products.
Capital assets	Manufacture of equipment and installations for several industries.

Management reviews the internal managerial reports for each segment periodically.

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

							12/31/2019
	Mining and logistics	Steel metallurgy	Steel transformation	Capital assets	Subtotal	Eliminations and adjustments	Total
Gross sales and services revenue	2,150,683	15,553,347	4,731,633	460,960	22,896,623	(4,718,056)	18,178,567
Sales of products	2,150,683	15,516,560	4,670,634	153,463	22,491,340	(4,602,706)	17,888,634
Sales of services	-	36,787	60,999	307,497	405,283	(115,350)	289,933
Deductions	(161,524)	(2,834,175)	(1,001,287)	(49,056)	(4,046,042)	816,194	(3,229,848)
Revenue	1,989,159	12,719,172	3,730,346	411,904	18,850,581	(3,901,862)	14,948,719
Cost of sales	(1,144,277)	(11,774,272)	(3,540,125)	(388,438)	(16,847,112)	3,772,983	(13,074,129)
Gross profit (loss)	844,882	944,900	190,221	23,466	2,003,469	(128,879)	1,874,590
Operating expenses	(180,382)	(444,925)	(100,210)	(39,446)	(764,963)	(157,116)	(922,079)
Selling expenses	(116,163)	(109,302)	(45,430)	(13,144)	(284,039)	(4,476)	(288,515)
General and administrative expenses	(24,387)	(333,053)	(57,323)	(26,908)	(441,671)	14,766	(426,905)
Other income (expenses)	(100,343)	(275,789)	2,543	667	(372,922)	(14,472)	(387,394)
Share of results of subsidiaries, jointly-controlled subsidiaries and associates	60,511	273,219	-	(61)	333,669	(152,934)	180,735
Operating profit (loss)	664,500	499,975	90,011	(15,980)	1,238,506	(285,995)	952,511
Finance result	4,443	(496,228)	(6,898)	2,585	(496,098)	(13,741)	(509,839)
Profit (loss) before income tax and social contribution	668,943	3,747	83,113	(13,395)	742,408	(299,736)	442,672
Income tax and social contribution	(171,709)	186,075	(28,337)	(88,742)	(102,713)	36,732	(65,981)
Profit (loss) for the year	497,234	189,822	54,776	(102,137)	639,695	(263,004)	376,691
Attributable to							
Controlling interests	350,855	189,822	37,729	(102,137)	476,269	(263,004)	213,265
Non-controlling interests	146,379	-	17,047	-	163,426	-	163,426
Assets	4,690,187	24,016,527	1,621,282	429,350	30,757,346	(4,420,314)	26,337,032
Total assets include: Investments in associates (except goodwill and investment properties	473,194	32,475	-	2,403	508,071	-	508,071
Additions to non-current assets (except financial instruments and deferred tax assets)	166,644	686,406	14,329	8,803	876,182	(12,576)	863,606
Current and non-current liabilities	709,654	9,915,126	489,123	276,021	11,389,924	(618,576)	10,771,348

	Mining and logistics	Steel metallurgy	Steel transformation	Capital assets	Subtotal	Eliminations and adjustments	12/31/2018 Total
Gross sales and services revenue	1,227,958	15,365,081	4,165,297	409,091	21,167,427	(4,303,322)	16,864,105
Sales of products	1,227,958	15,344,132	4,103,698	192,292	20,868,080	(4,211,921)	16,656,159
Sales of services	-	20,949	61,599	216,799	299,347	(91,401)	207,946
Deductions	(142,911)	(2,794,713)	(927,424)	(56,373)	(3,921,421)	794,096	(3,127,325)
Revenue	1,085,047	12,570,368	3,237,873	352,718	17,246,006	(3,509,226)	13,736,780
Cost of sales	(748,797)	(10,605,498)	(3,044,476)	(349,829)	(14,748,600)	3,226,906	(11,521,694)
Gross profit (loss)	336,250	1,964,870	193,397	2,889	2,497,406	(282,320)	2,215,086
Operating expenses	3,805	(898,313)	(106,347)	(186,412)	(1,187,267)	114,452	(1,072,815)
Selling expenses	(87,787)	(186,890)	(46,251)	(11,667)	(332,595)	(4,809)	(337,404)
General and administrative expenses	(26,124)	(334,802)	(57,862)	(35,243)	(454,031)	14,009	(440,022)
Other income (expenses)	55,006	(440,056)	(2,234)	(139,432)	(526,716)	(29,023)	(555,739)
Share of results of subsidiaries, jointly-controlled subsidiaries and associates	62,710	63,435	-	(70)	126,075	134,275	260,350
Operating profit (loss)	340,055	1,066,557	87,050	(183,523)	1,310,139	(167,868)	1,142,271
Finance result	23,997	81,926	12,719	5,293	123,935	(30,890)	93,045
Profit (loss) before income tax and social contribution	364,052	1,148,483	99,769	(178,230)	1,434,074	(198,758)	1,235,316
Income tax and social contribution	(81,466)	(404,120)	(34,978)	15,886	(504,678)	98,057	(406,621)
Profit (loss) for the period	282,586	744,363	64,791	(162,344)	929,396	(100,701)	828,695
Attributable to							
Controlling interests	200,713	744,363	44,627	(162,344)	827,359	(100,701)	726,658
Non-controlling interests	81,873	-	20,164	-	102,037	-	102,037
Assets	4,294,012	24,543,528	1,718,978	435,876	30,992,394	(4,468,543)	26,523,851
Total assets include:							
Investments in associates (except goodwill and investment properties	430,474	23,580	-	2,462	456,516	-	456,516
Additions to non-current assets (except financial instruments and deferred tax assets)	77,133	408,960	93,509	10,586	590,188	(2,721)	587,467
Current and non-current liabilities	598,830	10,195,809	609,913	151,121	11,555,673	(729,213)	10,826,460

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

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

30 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	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Sales of products				
Domestic market	14,241,225	13,701,027	15,157,487	14,230,571
Foreign market	1,275,335	1,642,896	2,731,147	2,425,588
	15,516,560	15,343,923	17,888,634	16,656,159
Sales of services				
Domestic market	32,207	18,131	285,485	205,128
Foreign market	4,448	2,818	4,448	2,818
	36,655	20,949	289,933	207,946
Gross revenue	15,553,215	15,364,872	18,178,567	16,864,105
Deductions from revenue	(2,834,144)	(2,794,793)	(3,229,848)	(3,127,325)
Net revenue	12,719,071	12,570,079	14,948,719	13,736,780

31 Expenses by nature

		Parent company		Consolidated
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Depreciation, amortization and depletion	(827,884)	(854,048)	(991,785)	(1,029,535)
Employee benefit expenses	(853,425)	(863,268)	(1,371,421)	(1,268,092)
Raw materials and consumables	(8,840,720)	(8,069,548)	(8,584,897)	(7,808,345)
Scheduled maintenance	(159,132)	(111,461)	(163,216)	(108,572)
Freight charges and insurance	(462,844)	(380,099)	(869,818)	(608,628)
Distribution costs	(80,047)	(98,840)	(201,632)	(193,198)
Third-party services	(833,672)	(900,505)	(1,061,410)	(1,088,516)
Judicial charges	(26,929)	(28,165)	(39,250)	(34,748)
Income (expenses) in litigation, net	(195,185)	(155,528)	(201,921)	(146,767)
Loss on the sale of excess electricity (i)	46,416	9,530	47,753	12,058
Result on the sale/reduction of PP&E, intangible assets and investments	3,408	2,781	5,687	(267)
PIS/COFINS credits on imports	-	36,063	-	36,063
Impairment of assets, net	(13,358)	(529,268)	(16,426)	(472,787)
Credits - Eletrobrás	117,337	186,010	117,337	186,010
Inclusion of ICMS in the calculation basis of PIS and COFINS	63,266	410,932	86,860	418,744
Provision for impairment of trade receivables	23,567	(34,481)	18,120	(41,918)
Other	(606,751)	(459,025)	(950,924)	(706,361)
	(12,645,953)	(11,838,920)	(14,176,943)	(12,854,859)
Cost of sales	(11,930,865)	(10,861,424)	(13,074,129)	(11,521,694)
Selling expenses	(109,302)	(186,890)	(288,515)	(337,404)
General and administrative expenses	(321,265)	(322,966)	(426,905)	(440,022)
Other operating income (expenses), net	(284,521)	(467,640)	(387,394)	(555,739)
	(12,645,953)	(11,838,920)	(14,176,943)	(12,854,859)

(i) At December 31, 2019, the Company had receivables from the sale of excess electricity amounting to R$36,122 in the Parent company and R$37,678 in Consolidated (December 31, 2018 – R$23,202 and R$23,685, respectively), which are recorded in Other current assets.

32 Employee expenses and benefits

		Parent company		Consolidated
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Salaries and social charges	(629,513)	(631,664)	(1,063,988)	(963,407)
Social security charges	(126,724)	(120,871)	(186,963)	(173,206)
Retirement plans and post-employment medical benefits	(45,103)	(29,380)	(45,004)	(29,380)
Bonuses	(12,455)	(15,916)	(13,396)	(15,934)
Profit sharing	(22,257)	(48,495)	(39,736)	(65,206)
Retirement plan costs	(2,933)	(3,253)	(3,270)	(3,572)
Other	(14,440)	(13,689)	(19,064)	(17,387)
	(853,425)	(863,268)	(1,371,421)	(1,268,092)

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

33 Operating income (expenses)

(a) Selling and general and administrative expenses

		Parent company		Consolidated
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Selling expenses				
Personnel	(27,032)	(29,268)	(66,642)	(66,918)
Third-party services	(13,323)	(13,632)	(17,863)	(17,432)
Depreciation and amortization	(2,997)	(3,067)	(4,162)	(4,150)
Distribution costs	(80,047)	(98,840)	(201,632)	(193,198)
Changes in the provision for impairment of trade receivables	23,567	(34,481)	18,120	(41,918)
General expenses	(9,470)	(7,602)	(13,336)	(13,788)
	(109,302)	(186,890)	(288,515)	(337,404)
General and administrative expenses				
Personnel	(155,683)	(145,600)	(197,996)	(192,273)
Third-party services	(74,147)	(80,071)	(104,675)	(114,114)
Depreciation and amortization	(27,085)	(31,209)	(33,168)	(38,864)
Management fees	(22,823)	(28,045)	(31,115)	(35,817)
General expenses	(41,527)	(38,041)	(59,951)	(58,954)
	(321,265)	(322,966)	(426,905)	(440,022)

(b) Other operating income (expenses)

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Other finance income				
Revenue from sale of electricity	395,035	359,440	401,251	365,836
PIS/COFINS credits on imports (i)	-	36,063	-	36,063
Recovery of tax contingencies referring to litigation	1,988	3,786	2,056	5,867
Sales of investments, fixed assets and intangible assets	11,216	36,180	14,864	39,512
Recovery of costs	20,184	3,539	31,305	7,861
Recovery of insurance claims expenses	95,609	29,440	95,609	29,440
Recovery of expenses	12,348	14,592	17,428	23,611
Revenue from sundry sales	6,837	4,880	7,752	5,411
Reintegra Project	-	13,155	-	13,155
Credits - Eletrobrás	117,337	186,010	117,337	186,010
Inclusion of ICMS in the calculation basis of PIS/COFINS (ii)	63,266	410,932	86,860	418,744
Other income	16,518	9,028	13,117	3,507
	740,338	1,107,045	787,579	1,135,017
Other operating expenses				
Expenses for the sale of electricity	(312,430)	(316,662)	(316,733)	(319,938)
Impairment of assets	(13,358)	(529,268)	(16,426)	(472,787)
Idle expenses	(219,119)	(271,194)	(276,862)	(364,040)
Expenses related to insurance and claims	(8,251)	(9,669)	(8,253)	(9,808)
Judicial charges	(26,929)	(28,165)	(39,250)	(34,748)
Income (expense) from litigation, net	(195,185)	(155,528)	(201,921)	(146,767)
PIS and COFINS on the sale of electricity	(36,189)	(33,248)	(36,765)	(33,840)
Technological research	(29,101)	(25,891)	(29,101)	(25,891)
Profit on the sale/reduction of PP&E, investment and intangible assets	(7,808)	(33,399)	(9,177)	(40,312)
Taxes (INSS, ICMS, Municipal real estate tax (IPTU), etc.)	(12,984)	(9,526)	(24,264)	(19,294)
Environmental control	(9,859)	(3,246)	(9,859)	(3,246)
Post-employment benefits (pension and health care)	(45,103)	(29,380)	(45,004)	(29,380)
Inventory adjustment	(29,290)	(21,475)	(29,290)	(21,475)
Provisions for losses with taxes	-	(55,825)	(27,889)	(96,760)
Pre-project expenses	(35,490)	(21,048)	(35,490)	(21,048)
Other expenses	(43,763)	(31,161)	(68,689)	(51,422)
	(1,024,859)	(1,574,685)	(1,174,973)	(1,690,756)
	(284,521)	(467,640)	(387,394)	(555,739)

(i) Refers to the offset of credits approved by the Brazilian Federal Revenue Secretariat (RFB), as described in Note 24 (c).
(ii) As described in Note 25 (c).

34 Finance result

	Parent company		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Finance income				
Interest from customers	14,276	16,954	24,875	34,487
Income from financial investments	25,976	35,517	73,467	64,286
Indexation accruals	8,091	12,050	20,256	26,939
Indexation of PIS/COFINS credits Imports (i)	-	19,636	-	19,636
Interest on Eletrobrás credits (ii)	263,892	490,013	263,892	490,013
Indexation of judicial deposits	5,120	10,074	8,322	14,922
Interest on tax credits	16,741	5,193	18,827	8,902
Inclusion of ICMS in the calculation basis of PIS/COFINS (ii)	52,633	378,228	69,702	384,505
Accretion of present value adjustment of receivables	81,248	71,859	81,248	71,859
Reversal of the provision for interest on contingencies referring to litigation	54,637	42,294	57,738	43,438
Other finance income	10,519	13,749	3,695	10,160
	533,133	1,095,567	622,022	1,169,147
Finance costs				
Interest on borrowings and taxes payable in installments	(366,533)	(387,220)	(366,120)	(389,755)
Result on swap transactions	4,167	2,719	(1,696)	2,719
Indexation accruals	(68,112)	(112,302)	(88,294)	(128,823)
PIS/COFINS on interest on capital	(10,364)	(7,278)	(10,364)	(7,278)
PIS/COFINS on other finance income	(18,700)	(45,651)	(21,653)	(47,692)
Interest on provisions for litigation	(156,073)	(98,082)	(176,634)	(109,787)
Accretion of present value adjustment of trade payables	(71,626)	(46,172)	(92,410)	(68,802)
Charges on actuarial liability	(40,803)	(62,537)	(40,803)	(62,537)
Commissions on borrowings and other charges	(127,246)	(19,474)	(128,353)	(19,474)
Other finance costs	(10,230)	(78,151)	(20,366)	(81,278)
	(865,520)	(854,148)	(946,693)	(912,707)
Foreign exchange gains/losses, net	(195,399)	(205,614)	(185,168)	(163,395)
	(527,786)	35,805	(509,839)	93,045

(i) Refers to the restatement of credits approved by the Brazilian Federal Revenue Service (RFB), as described in Note 25 (c).
(ii) As described in Note 25 (c).

35 Earnings (loss) per share

Basic and diluted

Basic and diluted earnings (loss) per share are calculated by dividing the profit (loss) attributable to the Company's stockholders by the weighted average number of common and preferred shares issued during the period excluding common shares acquired by the Company and held in treasury (Note 28).

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 39).

	Parent company and consolidated					
			12/31/2019			12/31/2018
	Common shares	Preferred shares	Total	Common shares	Preferred shares	Total
Basic and diluted						
Basic and diluted numerator						
Profit (loss) available to owners of the parent	116,877	96,388	213,265	398,334	328,324	726,658
Basic and diluted denominator						
Weighted average number of shares, excluding treasury shares	702,734,028	526,711,832	1,229,445,860	702,734,028	526,009,649	1,228,743,677
Earnings (loss) per share (R$) per share (R$)	0.17	0.18	-	0.57	0.62	-

36 Commitments

At December 31, 2019, the Company had several commitments with third parties totaling R$3,823,326 in the Parent company and R$4,406,170 in Consolidated. The expected due dates of such commitments were 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	277,350	86,340	-	-	363,690
Suppliers	1,201,685	1,012,251	510,701	734,999	3,459,636
	1,479,035	1,098,591	510,701	734,999	3,823,326

	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	436,412	89,810	-	-	526,222
Suppliers	801,715	664,099	553,135	734,999	2,753,948
Operating Leases	51,000	154,000	154,000	767,000	1,126,000
	1,289,127	907,909	707,135	1,501,999	4,406,170

(a) Capital commitments

At December 31, 2019, capital commitments total R$363,690 in the Parent company and R$526,222 in Consolidated and are mainly intended for adaptations, refurbishment and improvements of the primary areas of Ipatinga, enhancing the quality and reducing costs, maintenance, technological update of equipment as well as environmental protection projects.

(b) Commitments with suppliers

At December 31, 2019, commitments with suppliers total R$3,459,636 in the Parent company and R$2,753,948 in Consolidated and arise mainly from take-or-pay arrangements, and contracts for the purchase of electricity and raw materials.

(c) Operating leases

Operating leases relate to the lease of mineral rights. At December 31, 2018, the related amount corresponds to R$1,126,000 in Consolidated.

37 Transactions with related parties

The Company's shareholding is as follows:

12/31/2019

Stockholder	Common shares		Preferred shares		Total	
	Number	%	Number	%	Number	%
Nippon Steel Corporation (i)	220,320,979	31.24	3,138,758	0.57	223,459,737	17.83
Ternium Investments S.A.R.L. (i)	198,766,651	28.18	6,987,367	1.28	205,754,018	16.42
Previdência Usiminas (i)	34,109,762	4.84	-	-	34,109,762	2.72
Confab Industrial S.A. (i)	36,502,746	5.18	1,283,203	0.23	37,785,949	3.02
Prosid Investments S.C.A. (i)	29,202,198	4.14	1,026,563	0.19	30,228,761	2.41
Ternium Argentina S.A. (i) (ii)	14,601,097	2.07	513,281	0.09	15,114,378	1.21
Metal One Corporation (i)	759,248	0.11	-	-	759,248	0.06
Mitsubishi Corporation do Brasil S.A. (i)	7,449,544	1.05	59,048	0.01	7,508,592	0.60
Usiminas in treasury	2,526,656	0.36	20,962,367	3.83	23,489,023	1.87
Other stockholders	161,021,803	22.83	513,847,837	93.80	674,869,640	53.86
Total	**705,260,684**	**100.00**	**547,818,424**	**100.00**	**1,253,079,108**	**100.00**

12/31/2018

Stockholder	Common 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
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 Industrial S.A. (i)	36,502,746	5.17	1,283,203	0.23	37,785,949	3.01
Prosid Investments S.C.A. (i)	29,202,198	4.14	1,026,563	0.19	30,228,761	2.41
Ternium Argentina S.A. (i) (ii)	14,601,097	2.07	513,281	0.09	15,114,378	1.21
Metal One Corporation (i)	759,248	0.11	-	-	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	21,250,817	3.88	23,777,473	1.91
Other stockholders	161,021,803	22.83	513,618,435	93.75	674,640,238	53.84
Total	**705,260,684**	**100.00**	**547,818,424**	**100.00**	**1,253,079,108**	**100.00**

(i) Controlling stockholders as established in the stockholders' agreement
(ii) Siderar S.A.I.C. had its corporate name changed to Ternium Argentina S.A.

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

(a) Assets

						Parent company
			12/31/2019			12/31/2018
	Trade receivables	Dividends receivable	Other receivables	Trade receivables	Dividends receivable	Other receivables
Controlling interests	10,220	-	1,651	22,033	-	2,355
Non-controlling interests	2,369	-	-	-	-	-
Subsidiaries	251,727	40,220	100,223	354,235	71,255	97,740
Jointly-controlled subsidiaries	90	-	-	68	-	-
Associates	4,047	-	-	26,076	346	-
Other related parties (i)	66,534	-	-	34,444	-	-
Total	334,987	40,220	101,874	436,856	71,601	100,095
Current	334,987	40,220	46,384	420,856	71,601	55,026
Non-current	-	-	55,490	16,000	-	45,069
Total	334,987	40,220	101,874	436,856	71,601	100,095

(i) At December 31, 2019, the balance of trade receivables mainly refers to the sale of flat-rolled products to the Ternium Group (R$66,187).

					Consolidated
		12/31/2019			12/31/2018
	Trade receivables	Other receivables	Trade receivables	Dividends receivable	Other receivables
Controlling interests	10,220	1,651	22,033	-	2,355
Non-controlling interests	2,369	-	-	-	-
Jointly-controlled subsidiaries	90	-	68	-	-
Associates	4,054	-	26,588	13,562	-
Other related parties (i)	67,346	-	34,591	-	-
Total	84,079	1,651	83,280	13,562	2,355
Current	84,079	-	67,280	13,562	13
Non-current	-	1,651	16,000	-	2,342
Total	84,079	1,651	83,280	13,562	2,355

(i) At December 31, 2019, the balance of trade receivables mainly refers to the sale of flat-rolled products to the Ternium Group (R$66,999).

Receivables from related parties mainly arise from sales transactions. The receivables are unsecured in nature and are subject to interest. At December 31, 2019 and 2018, no provisions were recorded for receivables from related parties.

(b) Liabilities

						Parent company
			12/31/2019			12/31/2018
	Trade payables	Other payables	Borrowings	Trade payables	Other payables	Borrowings
Controlling interests	291	2,300	-	398	23,795	178,561
Subsidiaries	168,297	104,335	3,087,316	70,413	96,905	-
Jointly-controlled subsidiaries	69,332	-	-	96,073	-	-
Associates	698	-	-	2,313	1,356	-
Other related parties (i)	142,543	70	-	138,937	-	-
Total	381,161	106,705	3,087,316	308,134	122,056	178,561
Current	381,161	2,370	79,921	308,134	25,160	2,934
Non-current	-	104,335	3,007,395	-	96,896	175,627
Total	381,161	106,705	3,087,316	308,134	122,056	178,561

(i) At December 31, 2019, these payables refer to the purchase of plates from Ternium Brasil Ltda.

					Consolidated
		12/31/2019			12/31/2018
	Trade payables	Other payables	Trade payables	Other payables	Borrowings
Controlling interests	341	2,300	200	23,793	178,561
Non-controlling interests	-	8,394	-	19,957	-
Jointly-controlled subsidiaries	70,135	-	96,807	-	-
Associates	37,707	123,254	34,674	136,305	-
Other related parties (i)	142,543	5,489	138,937	6,667	-
Total	250,726	139,437	270,618	186,722	178,561
Current	250,726	17,599	270,618	52,468	2,934
Non-current	-	121,838	-	134,254	175,627
Total	250,726	139,437	270,618	186,722	178,561

(i) At December 31, 2019, these payables refer to the purchase of plates from Ternium Brasil S.A.

At December 31, 2018, a borrowing of R$178,651 from Nippon Usiminas Co. Ltd., the controlling stockholder of Usiminas, is recorded.

(c) Results

	Parent company					
			12/31/2019			12/31/2018
	Sales	Purchases	Finance and operating result	Sales	Purchases	Finance and operating result
Controlling interests	313,229	6,395	(11,186)	265,161	23,010	(37,947)
Non-controlling interests	481,910	-	-	-	-	-
Subsidiaries	4,020,220	674,694	(234,703)	3,818,817	493,177	(17,840)
Jointly-controlled subsidiaries	-	375,823	(6,337)	198	528,122	(2,713)
Associates	27,269	120,241	315	35,677	143,110	30
Other related parties (i) (ii)	244,858	1,982,769	(1,917)	389,190	2,850,151	43,726
Total	5,087,486	3,159,922	(253,828)	4,509,043	4,037,570	(14,744)

(i) At December 31, 2019, total sales to other related parties mainly refer to sales by Usiminas S.A. to the Ternium Group, amounting to R$201,768.

	Consolidated					
			12/31/2019			12/31/2018
	Sales	Purchases	Finance and operating result	Sales	Purchases	Finance and operating result
Controlling interests	313,229	6,607	(11,186)	265,161	25,735	(37,864)
Non-controlling interests	481,919	-	-	362	61,514	-
Jointly-controlled subsidiaries	1,904	380,968	(6,337)	2,428	533,447	(2,713)
Associates	27,661	320,873	315	65,211	283,934	(22,600)
Other related parties (i) (ii)	247,603	1,982,769	(1,924)	391,476	2,851,728	44,948
Total	1,072,316	2,691,217	(19,132)	724,638	3,756,358	(18,229)

(i) At December 31, 2019, total sales to other related parties refer mainly to sales by Usiminas S.A. to the Ternium Group, amounting to R$204,308.
(ii) At December 31, 2019, total purchases from other related parties refer mainly to the purchase of steel plates from Ternium Brasil Ltda. in the amount of R$1,981,882.

The nature of the most significant related-party transactions is described in Note 37(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 was as follows:

	Parent company and consolidated	
	12/31/2019	12/31/2018
Fees	15,248	13,785
Social charges	3,934	3,863
Retirement plans	343	236
Provision for variable compensation	3,298	10,161
	22,823	28,045

At December 31, 2019, the amount paid to key management was R$17,908 (December 31, 2018 – R$22,290).

(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.
- Sale of products to Ternium Argentina S.A.
- Purchases of iron ore from Mineração Usiminas to be used in the production process.
- Sales of products to Soluções Usiminas for transformation and distribution.
- Sales of products to Usiminas Electrogalvanized 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).
- Sales of iron ore from Mineração Usiminas to Sumitomo Corporation.
- Purchase of plates from Ternium Brasil Ltda.

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

38 Insurance

The insurance policies taken out by the Company and certain of its subsidiaries provide cover considered sufficient by management. At December 31, 2019, these policies covered buildings, products and raw materials, equipment, machinery, furniture, objects, fittings and installations at the insured establishments and respective facilities of the Company, Usiminas Mecânica, Unigal and Usiroll, with value at risk of US$12,941,209 thousand (December 31, 2018 - US$12,002,992 thousand), and an "All Risks" policy with a maximum indemnity of US$600,000 thousand per claim. At December 31, 2019 and 2018, 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, 2020.

39 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:

- to align interests between executives and stockholders;
- to stimulate the creation of sustainable value;
- to attract and retain talents; and
- to maintain 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, 2019, the Plan included four programs:

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

For the years ended December 31, 2019 and 2018, the Company’s management decided not to launch new programs.

(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 invest 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	Exercise price (USIM5)	Vesting period	Options granted		
				Basic	Bonus	Total
2011	10/03/2011	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. Also, the Company grants bonus options. The maximum period to exercise the options is 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 year	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%
Vesting 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

Program 2012

	1st year	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%
Vesting 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 year	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%
Vesting 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 year	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%
Vesting 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.

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

			12/31/2019			12/31/2018
			Program			Program
	2014	2013	2012	2014	2013	2012
Options:						
Outstanding at beginning of the year	609,259	866,064	764,176	1,821,875	1,242,005	1,280,031
Made during the year	(288,452)	-	-	(952,917)	(28,626)	(161,826)
Canceled during the year	-	-	-	(259,699)	(347,315)	(354,029)
Expired during the year	-	-	(764,176)	-	-	-
Outstanding options at end of the year	320,807	866,064	-	609,259	866,064	764,176

At December 31, 2019 and 2018, there was no impact from the Stock Option Plan on the statement of income of the Parent company and Consolidated, considering that the expenses, in compliance with the terms of each program in force, were fully recognized up to October 31, 2017. Also, the amount of R$820 was reversed to “Retained earnings (Accumulated deficit)” as a result of the exercise of options during 2019 (cancellations and exercise of options at December 31, 2018 - R$ 10,343). Therefore, this amount resulted in an impact on the Company’s capital reserves.

In accordance with the regulations of the Plan, which establishes seven years of duration for each program, in November 2019, the term of the right to exercise the options of the Program 2012 expired. Therefore, the remaining balance of said Program, totaling R$3,309, was fully reversed to "Retained earnings (Accumulated deficit)".

40 Guarantees

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

			Parent company		Consolidated
Assets pledged as collateral	**Liabilities secured**	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Cash and cash equivalents	Litigation	40,547	40,000	40,547	40,000
Inventories	Litigation	669	145,374	669	145,374
Property, plant and equipment (i)	Litigation	504,453	593,878	548,366	642,888
Property, plant and equipment	Borrowings	3,571	3,829,345	25,632	3,851,406
		549,240	4,608,597	615,214	4,679,668

(I) The Company has assets valued at market value given as guarantee of the debt with Previdência Usiminas related to the PBD retirement plan (Note 27.2).

41 Non-cash transactions

In the year ended December 31, 2019, non-cash investing and financing transactions were carried out, and the most significant ones were the following: (i) interest and charges on borrowings capitalized in property, plant and equipment in the amount of R$13,865 (Parent company and Consolidated); (ii) offset of judicial deposits as a corresponding entry to the provision for litigation in the amount of R$30,969 (Parent company) and R$50,049 (Consolidated); and (iii) environmental restoration provision as a corresponding entry to property, plant and equipment in the amount of R$8,720 (Consolidated).

Board of Directors

Ruy Roberto Hirschheimer
Chairman

Elias de Matos Brito
Board Member

Luiz Carlos de Miranda Faria
Board Member

Oscar Montero Martinez
Board Member

Rita Rebelo Horta de Assis Fonseca
Board Member

Ronald Seckelmann
Board Member

Yoshiaki Shimada
Board Member

Yuichi Akiyama
Board Member

Statutory Audit Board

Wanderley Rezende de Souza
Chairman

Fabricio Santos Debortoli
Board Member

Paulo Frank Coelho da Rocha
Board Member

Sérgio Carvalho Campos
Board Member

Tácito Barbosa Coelho Monteiro Filho
Board Member

Executive Board

Sergio Leite de Andrade
CEO

Alberto Akikazu Ono
Vice-President - Finance and Investor Relations

Kohei Kimura
Vice-President - Technology and Quality

Miguel Angel Homes Camejo
Vice-President - Commercial Area

Takahiro Mori
Vice-President - Corporate Planning

Túlio César do Couto Chipoletti
Vice-President - Industrial Area

Lucas Marinho Sizenando Silva
Accountant CRC-MG 080.788/O