



2010 ANNUAL REPORT

**USIMINAS** 



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# Message from the Board of Directors

The year 2010 brought about challenges never before experienced by the Brazilian steel industry. The new global economic order and the position of Brazil in this environment created a scenario of solid growth and fierce competition, which required an intense adaptation of the strategies of all players. Usiminas responded accordingly to the challenges presented by the market.

It is worth pointing out that Brazil is in a unique situation. The privileged position of foreign exchange reserves, which provides stability and a comparative advantage over other economies, enabled the country to become a part of the group of countries selected for investments, which has contributed to economic growth, as well as to the appreciation of our currency.

The currency appreciation and slow growth in the developed countries have triggered a striking phenomenon of steel imports into the country, which resulted in a significant change in market conditions. The domestic industry was also affected by the sharp increase in the cost of most raw materials for the production of steel. As a natural reaction to protect its share, it reduced its margins. A pronounced increase in inventory followed across the entire steel production chain.

This scenario found Usiminas in the process of resuming its production. It must be acknowledged that this was a period of great internal effort to readjust the operations, which had the support and understanding of our clients. This was only possible thanks to the ties developed through years of closeness and trust in the quality of the products and services rendered.



*Usiminas Board of Directors (from left to right):  
Aloísio Macário Ferreira de Souza, Toru Obata, Luiz Anibal de Lima Fernandes,  
Israel Vainboim, Albano Chagas Vieira, Francisco Caprino Neto, Rita Rebelo Horta de  
Assis Fonseca, Rômél Erwin de Souza, Fumihiko Wada.*

Within this new competitive environment, Usiminas reviewed its expansion plan from a different standpoint: prioritizing efficiency in terms of the ongoing drive for increased production volume. The strategic option was, therefore, to intensify the program of investments in the existing plants, which should result in increasing the productivity and competitiveness of the Company. These conditions are indispensable for facing the new challenges.

We also identified the opportunity to harness the full potential for energy generation from our own plants, as well as to achieve greater efficiency in consumption. These practices are fully aligned with our goal of promoting sustainable development. For Usiminas, sustainability is also an attribute of competitiveness and value creation as it ensures that the Company is forward-thinking.

Driven by this desire to be increasingly prepared to cope with changes in the business environment, Usiminas also continued with the expansion of its capacities and leadership, initiated in 2009. In this sense, it advanced sharply with the increased participation of leaders in decision making, as well as in deepening the culture of valuing individual and collective achievements.

In 2011, the Brazilian steel sector will continue to cope with imports, but the adjustment of inventories in the first half of the year and the new reality in prices should reduce the share of imported steel and increase local production. Brazil has established itself as a prominent country in the global steel industry, where efficiency prevails throughout the chain, which reinforces the focus of Usiminas on the enhancement of productivity. We are certain that the investments made in recent years in increasing the quality of products to meet specific market segments, such as exploration of the pre-salt region, will also lead to results for the Company.

The ability to adapt to the business environment reveals Usiminas's preparedness to achieve its strategic vision, which is to be a steel group with global reach that is innovative, sustainable and among the most profitable groups in the sector. The events of 2010 have strengthened the Company's competitive advantages, so that Usiminas remains attentive to the needs of clients and capable of generating value for shareholders, employees and all of Brazilian society.

**Israel Vainboim**

Chairman of the Board of Directors

Panoramic view of the Ipatinga Plant / MG



# Message from the President

**Usiminas, the Brazilian market leader in flat steel, reached the end of fiscal year 2010 aware of the challenges and opportunities posed by the business environment in the country. If on one hand the Brazilian economy showed remarkable resilience after the crisis, with growth of annual GDP of 7.5%, on the other the steel industry and various other industrial chains did not fully benefit from this market recovery.**

The main reasons for this paradox were not just the traditional economic problems such as high taxes, logistical bottlenecks, lack of investment in infrastructure and the high cost of inputs. The overvaluation of the Real created the necessary conditions for the country to register in 2010 record numbers in direct and indirect import of steel, which totaled, respectively, 5.9 million tons (154% higher than in 2009), and 4.2 million tons (an increase of 59%).

However, even with this scenario, Usiminas's financial, operational and commercial indicators recovered when compared to 2009. Strategic steps were taken in 2010 to make the Company even more competitive, creating value for its shareholders, clients, investors, partners, employees and society in general. Our four business lines - Mining, Steelmaking, Steel Transformation and Capital Goods - capitalized on synergies, from upstream to downstream, encompassing the entire steel production chain, with focus on products and services with high added value. Investments totaled R\$ 3.2 billion in 2010, a Company record.



*Executive Board (from left to right):  
Seated: Wilson Nélio Brumer, Ronald Seckelmann, Sergio Leite de Andrade.  
Standing: Vanderlei Raffi Schiller, Yasuo Takeda, Eduardo Borges de Andrade Filho,  
Omar Silva Júnior.*

In the Mining business line, with the creation of the subsidiary Mineração Usiminas, we gathered the four mines located in the region of Serra Azul (MG), part of the shares of the MRS railroad and the land in Itaguaí (RJ), which allows for future port facilities. We added a strategic partner to the business - Sumitomo Corporation - recognized worldwide for its broad expertise in trading commodities. We also established a business partnership with the MMX group in the areas of port logistics and joint mining. And consolidating all this, we started the cycle of investments of R\$ 4.1 billion to quadruple the current production of iron ore by 2015, which will translate into a natural hedge against fluctuations in its price as well as market opportunities.

In our activities in the Steelmaking business line, we adjusted our investments to the new business environment. This involved expanding the studies to increase the production capacity of the current operations of the Company, through optimization of the Ipatinga and Cubatão plants. With this, we plan to achieve gains in quality, cost reductions, and a balance between the production capacity of steel and rolling mills, in addition to improving the energy efficiency of Usiminas. On the other hand, we decided to cancel the project to build a new plant in the municipality of Santana do Paraíso (MG) - the excess steel capacity worldwide and the low attractiveness of the project, given the current conditions in the steel market, made the investment economically unviable.

We proactively geared our investments to modernize and increase production of steel with advanced technological content. Among the projects completed, the inauguration of Coke Plant 3 and the implementation of the technology for the accelerated cooling of heavy plates in Ipatinga can be highlighted. Other strategic projects, such as the duplication of the galvanizing line and the new hot strip mill, also advanced.

In the Steel Transformation business line, 2010 was marked by an unprecedented initiative in the Brazilian flat steel market: the creation of Rede Usiminas, a group of distributors, processors and service centers that chose to work exclusively with the Usiminas brand of steel. Soluções Usiminas, in turn, reached the end of 2010 in the lead of the distribution industry, according to the INDA ranking, and Automotiva Usiminas developed investments towards its objective to achieve revenue of R\$ 1 billion over the next five years.

In the Capital Goods segment, Usiminas Mecânica has an impressive portfolio of clients and works with positive prospects, especially in regard to oil and gas, and infrastructure markets, which should be boosted with the approach of the World Cup and the Olympics Games.

In the social field, we preserved our historic role of fostering the development of the communities in which we operate. A signatory of the UN Global Compact since 2004, Usiminas has reaffirmed its commitments to this initiative by promoting effective actions in fighting corruption and upholding human rights, decent working conditions and the environment.

For 2011, we are optimistic that the government that recently took office will be able to create the necessary conditions for advancing the country's cycle of sustained development, to enhance the competitiveness of the Brazilian industrial sector. Therefore, it is necessary to assess and fight unfair practices in international trade and establish regulatory milestones that preserve equal conditions of competition for supply chains. After all, Brazilian industry cannot disregard the economic stability and the good prospects for GDP growth, nor underuse its potential to generate wealth and jobs for the country.

We remain confident and focused on capturing the maximum value and making the best of our potential, always with care and ethics, and in line with market movements. Day by day, our 35,000 employees dedicate their great talent to the development of this great Company. There will be many challenges, but if we persevere with solutions, 2011 will certainly be a year of many accomplishments.

**Wilson Nélio Brumer**

Chief Executive Officer



# Statement by the Administration

To the best of our understanding, we certify that the consolidated financial statements in accordance with applicable accounting standards accurately and properly represent the assets, liabilities, financial position and profit of Usiminas. We also attest that this Annual Report contains a timely, convenient and accurate assessment of the development and business performance, the position, and the main risks and challenges faced by the Company.

**Ronald Seckelmann**

Executive Vice-President of Finance,  
Investor Relations and Information Technology

**Wilson Nélio Brumer**

Chief Executive Officer

*Fernando Ferreira Mazzine – Production Engineer  
João Luiz Nunes de Melo – Safety Engineer  
Coke Plant - Ipatinga/MG*



Bruno Serafim Parra and Sérgio Funayama de Castro – Production Engineers  
Hot Strip Rolling – Cubatão Plant/SP

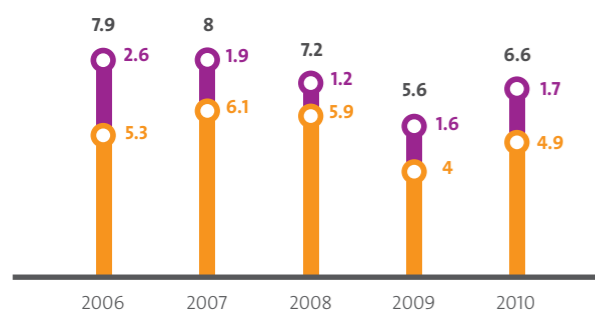
## USIMINAS IN NUMBERS

| Usiminas annual performance - 2006 to 2010 |         |         |         |         |           |                |
|--|---------|---------|---------|---------|-----------|----------------|
| Main indicators (consolidated)             |         |         |         |         |           |                |
| R\$ Million                                | 2006    | 2007    | 2008    | 2009*   | 2010*     | Var. 2010/2009 |
| Gross Revenue                              | 16,365  | 18,513  | 21,182  | 14,830  | 17,236    | 16.2%          |
| Domestic Market                            | 12,886  | 15,949  | 18,827  | 12,873  | 15,129    | 17.5%          |
| Export Market                              | 3,479   | 2,564   | 2,355   | 1,957   | 2,107     | 7.6%           |
| Net Revenue                                | 12,415  | 13,825  | 15,707  | 10,924  | 12,962    | 18.7%          |
| Gross Profit                               | 4,268   | 4,888   | 6,008   | 1,484   | 2,530     | 70.5%          |
| Gross Margin                               | 34.4%   | 35.4%   | 38.3%   | 13.6%   | 19.5%     | -              |
| Operating Income before Financial Result   | 3,560   | 4,452   | 4,978   | 1,007   | 1,902     | 88.9%          |
| Operating Margin                           | 28.7%   | 32.2%   | 31.7%   | 9.2%    | 14.7%     | -              |
| EBITDA                                     | 4,368   | 5,003   | 6,008   | 1,716   | 2,650     | 54.4%          |
| EBITDA Margin                              | 35.2%   | 36.2%   | 38.3%   | 15.7%   | 20.4%     | -              |
| Net Income                                 | 2,515   | 3,172   | 3,224   | 1,275   | 1,584     | 24.2%          |
| Net Margin                                 | 20.3%   | 22.9%   | 20.5%   | 11.7%   | 12.2%     | -              |
| Total Assets                               | 18,697  | 20,699  | 27,580  | 25,941  | 31,820    | 22.7%          |
| Shareholders' Equity                       | 10,418  | 12,474  | 15,029  | 16,001  | 19,029    | 18.9%          |
| Net Indebtedness                           | 760     | -952    | 3,185   | 2,871   | 3,588     | 25.0%          |
| Net Debt/EBITDA                            | 0.2     | 0.0     | 0.5     | 1.7     | 1.4       | -              |
| Net Debt/ Shareholders' Equity             | 0.1     | 0.0     | 0.2     | 0.2     | 0.2       | -              |
| Remuneration to Shareholders - Total       | 850     | 1,116   | 1,137   | 470     | 550       | 17.0%          |
| Payout                                     | 34%     | 35%     | 35%     | 37%     | 35%       | -              |
| Return on Equity                           | 29%     | 30%     | 26%     | 8%      | 10%       | -              |
| Number of Shares - Thousand                | 225,286 | 337,929 | 506,893 | 506,893 | 1,013,786 | 100.0%         |
| Market Value                               | 18,163  | 27,541  | 13,442  | 25,035  | 19,424    | -22.4%         |

(\*) The financial statements comply with the IFRS (International Financial Reporting Standards).

| Breakdown of Consolidated Gross Revenue – 2010 |       |
|--|-------|
| Domestic Market                                | 87.7% |
| Export Market                                  | 12.3% |

| Production of crude steel (million tons) |      |      |      |      |
|--|------|------|------|------|
| 2006                                     | 2007 | 2008 | 2009 | 2010 |
| 8.8                                      | 8.7  | 8.0  | 5.6  | 7.3  |



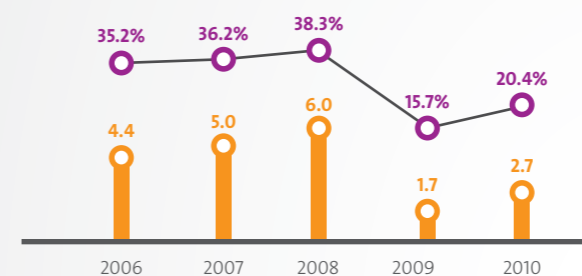
Physical sales  
Million tons  
● Domestic market ● Export market

| Major export markets for Usiminas - 2010 |                        |             |
|--|------------------------|-------------|
| Country                                  | Volume (thousand tons) | Share       |
| China                                    | 267                    | 16%         |
| Colombia                                 | 154                    | 9%          |
| Chile                                    | 143                    | 9%          |
| Argentina                                | 138                    | 8%          |
| Thailand                                 | 114                    | 7%          |
| USA                                      | 103                    | 6%          |
| Taiwan                                   | 89                     | 5%          |
| Spain                                    | 81                     | 5%          |
| Others                                   | 562                    | 34%         |
| <b>Total</b>                             | <b>1,651</b>           | <b>100%</b> |

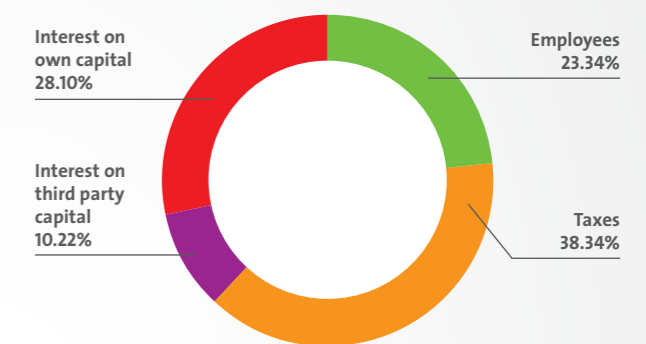
| Breakdown of consolidated net revenue - % |      |      |      |
|---|------|------|------|
|   | 2008 | 2009 | 2010 |
| Hot-rolled steel                          | 24.8 | 24.8 | 28.2 |
| Cold-rolled steel                         | 21.9 | 24.3 | 28.3 |
| Processed products                        | 3.0  | 2.9  | 3.6  |
| Slabs                                     | 4.5  | 3.6  | 3.2  |
| Heavy plates                              | 26.2 | 18.9 | 20.5 |
| Hot-dipped galvanized steel               | 6.9  | 9.2  | 8.5  |
| Electro galvanized steel                  | 3.7  | 4.2  | 3.7  |
| Iron ore                                  | 1.1  | 0.8  | 0.8  |
| Resale                                    | 6.5  | 11   | 1.7  |
| Others                                    | 1.4  | 0.3  | 0.1  |

|             | 2006 | 2007 | 2008 | 2009* | 2010* |
|-------------|------|------|------|-------|-------|
| Net revenue | 12.4 | 13.8 | 15.7 | 10.9  | 13.0  |
| Net income  | 2.5  | 3.2  | 3.2  | 1.3   | 1.6   |
| EBITDA      | 4.4  | 5.0  | 6.0  | 1.7   | 2.7   |

(\* The financial statements comply with the IFRS (International Financial Reporting Standards).



Consolidated EBITDA (R\$ billion) and margin (%)



Distribution of value added - 2010  
R\$ 5.6 billion

| Income Statement per business line – Unaudited* pro-forma |            |            |              |              |                      |           |               |            |              |              |
|---|------------|------------|--------------|--------------|----------------------|-----------|---------------|------------|--------------|--------------|
| R\$ Million   | Mining     |            | Steel        |              | Steel Transformation |           | Capital Goods |            | Consolidated |              |
|   | 2010       | 2009       | 2010         | 2009         | 2010                 | 2009      | 2010          | 2009       | 2010         | 2009         |
| Net Sales   | 960        | 407        | 11,496       | 9,701        | 2,433                | 1,976     | 1,447         | 952        | 12,962       | 10,924       |
| Cost of Goods Sold  | (288)      | (161)      | (10,048)     | (8,897)      | (2,190)              | (1,813)   | (1,260)       | (770)      | (10,432)     | (9,440)      |
| Gross Profit  | 672        | 246        | 1,448        | 804          | 243                  | 163       | 187           | 182        | 2,530        | 1,484        |
| Operating (Expenses)/ Revenue                             | (90)       | (72)       | (229)        | (163)        | (202)                | (171)     | (107)         | (71)       | (628)        | (477)        |
| Operating Income (Loss) before Financial Result           | 582        | 174        | 1,219        | 641          | 41                   | (8)       | 80            | 111        | 1,902        | 1,007        |
| <b>EBITDA</b>   | <b>638</b> | <b>202</b> | <b>1,819</b> | <b>1,261</b> | <b>102</b>           | <b>33</b> | <b>111</b>    | <b>132</b> | <b>2,650</b> | <b>1,716</b> |
| <b>EBITDA margin</b>                                      | <b>67%</b> | <b>50%</b> | <b>16%</b>   | <b>13%</b>   | <b>4%</b>            | <b>2%</b> | <b>8%</b>     | <b>14%</b> | <b>20%</b>   | <b>16%</b>   |

(\* Results recorded via participation in subsidiaries and affiliated companies.

| Ratings on global scale | Standard & Poor's | Moody's     | Fitch Rating |
|-------------------------|-------------------|-------------|--------------|
| 2008                    | BBB Stable        | Baa3 Stable | BBB Stable   |
| 2009                    | BBB Stable        | Baa3 Stable | BBB Stable   |
| 2010                    | BBB Stable        | Baa3 Stable | BBB Stable   |

#### Breakdown of employees per business line – 2009/2010

| Business line        | Own staff     |               |
|----------------------|---------------|---------------|
|                      | 2009          | 2010          |
| Mining               | 1,035         | 1,238         |
| Steelmaking          | 12,442        | 13,587        |
| Steel Transformation | 3,978         | 4,198         |
| Capital Goods        | 12,148        | 15,863        |
| <b>Total</b>         | <b>29,603</b> | <b>34,886</b> |

#### Environmental performance

| Main environmental indicators (consolidated)                | 2009   | 2010           |
|---|--|----------------|
| Non-renewable materials (t)                                 | 13,197,056   | 28,881,407     |
| Direct energy (Gj)  | 118,583,578  | 272,468,624    |
| Electricity (Gj)  | 11,551,977   | 13,300,881.23  |
| Water (m <sup>3</sup> )                                     | 170,965,113  | 182,872,259    |
| Direct and indirect emissions (in tons of CO <sub>2</sub> ) | 12,691,116   | 17,013,870     |
| Wastewater discharge (m <sup>3</sup> )                      | 140,767,495  | 139,246,371.50 |
| Waste disposal (t)  | 5,091,162  | 6,762,823.20   |
| Reduction in the consumption of materials and inputs        | In 2010, in the Steelmaking business line, 10% of the materials used in the production of steel were obtained through recycling. In the case of Mining, the percentage was 50% of total inputs used. |                |



Slitter Line – Soluções Usiminas  
Industrial Department – Guarulhos - São Roque/SP



Superintendência de Equipamentos  
Usiminas Mecânica – Ipatinga/MG

With operations throughout the steel production chain, Usiminas Group ranks as the largest and most modern flat steel production complex in Latin America. With start-up of operations in 1962, the Company initiated, in 2008, a major renovation process, which was consolidated in 2010. The focus of this project was on competitiveness, vertical integration, production integration, operational efficiency, investments in innovation, improvement of customer service and offering products with higher added value.

As part of this movement toward change and restructuring, in 2010, based on its vision, values and strategies, Usiminas strengthened performance in four major business lines:

- **1.** Mining
- **2.** Steelmaking
- **3.** Steel Transformation
- **4.** Capital Goods

The **Mining** business line includes the mining assets in the Serra Azul region, located in the Minas Gerais iron ore region, in addition to land in the Sepetiba Bay (RJ), where the Company is developing a study on the installation of its port terminal. In 2010, through an unprece-

dent partnership with the Sumitomo Corporation, Usiminas created Mineração Usiminas S.A. (MUSA), in which the Company holds a 70% stake - the remaining 30% belongs to the Japanese company.

Usiminas also holds a stake in MRS Logística, the concessionaire that controls, operates and monitors the Southeast Network of Rede Ferroviária Federal (RFFSA).

The **Steelmaking** activity has its production concentrated in the plants of Ipatinga (MG) and Cubatão (SP). Usiminas has the nominal capacity to produce 9.5 million tons of crude steel per year, accounting for more than 22% of Brazilian production.



*Robson Rezende –Automotive Operator  
Paint Line – Automotiva Usiminas  
Pouso Alegre/MG*

Created through a joint venture between Usiminas (70% stake) and Nippon Steel Co. (30% stake), Unigal Usiminas focuses mainly on the production of hot-dipped galvanized coils. Galvanized steel is used mainly in the automotive, appliance and construction industries.

Two private mixed-use marine terminals also belong to the Steelmaking business line: The Private Terminal of Praia Mole (Terminal Privativo de Praia Mole - TPPM), in Espírito Santo, in which Usiminas has equity participation, and, the Private Terminal of Cubatão (Terminal Marítimo Privativo de Cubatão - TMPC), in São Paulo. Both are located outside of the organized ports of Vitória (ES) and Santos (SP).

The **Steel Transformation** business line comprises the companies Soluções Usiminas and Automotiva Usiminas. Created in 2009, Soluções Usiminas was consolidated in 2010 from the merger of six assets: Fasal, Rio Negro, Dufer, Zamprogna, Usial and Usicort. The company's capital is divided among Usiminas (68.9%), Metal One

Corporation (20%) and the Sleumer family (11.1%). The company operates in three business units: distribution, services and pipes.

Automotiva Usiminas is the only company to produce complete assemblies and truck cabs painted in the final color, in both solid and metallic colors. Given its close relationship with the auto industry, it also plays an important role as a sensor for this market and its particularities for Usiminas. Through Automotiva Usiminas, the Company is able to meet market demands and qualified to develop strategic actions for the future.

Usiminas also operates in the **Capital Goods** segment, through Usiminas Mecânica, one of the largest companies in this sector in the country. Usiminas Mecânica provides high value-added products, serving the following segments: structures and metallic bridges; industrial equipment and industrial assemblies; industrial maintenance; foundry; railway cars; blanks (steel shapes cut according to the client's needs) and stamping; steelmaking; and oils and gas.

Construction also draws the attention of Usiminas. The company significantly expanded its market share in 2010 when it acquired a 30.7692% stake in Codeme, which operates in the segment of construction of steel structures, and in Metform, which produces and sells metal tiles, steeldecks and roofing systems.

The operation seeks to maximize synergies between the companies in the Usiminas Group, to leverage its portfolio and to serve an expanding market, both for the private industrial sector and governmental programs in the areas of housing, tourism, and oil and gas. These are in addition to Usiminas's investments for the hosting of the 2014 World Cup and the 2016 Olympic Games.

Usiminas ended 2010 with a staff of 34,886 own employees and 25,257 outsourced workers, and 3,091 people working in social institutions established or directly supported by the Company.

The main domestic clients operate in the industrial sectors of capital goods, automotive, oil and petrochemical, infrastructure and ship building. The Company also exports to all continents, especially the neighboring countries of Latin America, as well as China, South Korea, the USA and Spain.



*Edson Pereira da Silva and Jorge da Silva Jureidini  
Quality Inspectors – Sheet Metal Shop  
Usiminas Mecânica – Ipatinga/MG*

### Vision:

To be an innovative steelmaking group with global reach and sustainable growth, positioned among the most profitable groups in the sector.

### VALUES

#### People:

Usiminas has confidence in people and applies the concepts of autonomy, cooperation and commitment.

#### Consistency:

the Company is trustworthy, stable and firm. There is continuity in our actions and focus on results.

#### Technique:

Usiminas has the know-how and extensive knowledge, experience and unquestionable ability to perform and solve problems.

#### Meticulousness:

Usiminas has a very thorough focus, from the smallest detail to the big picture.

#### Openness:

Usiminas is receptive and transparent, with curiosity and willingness regarding the development and implementation of ideas.

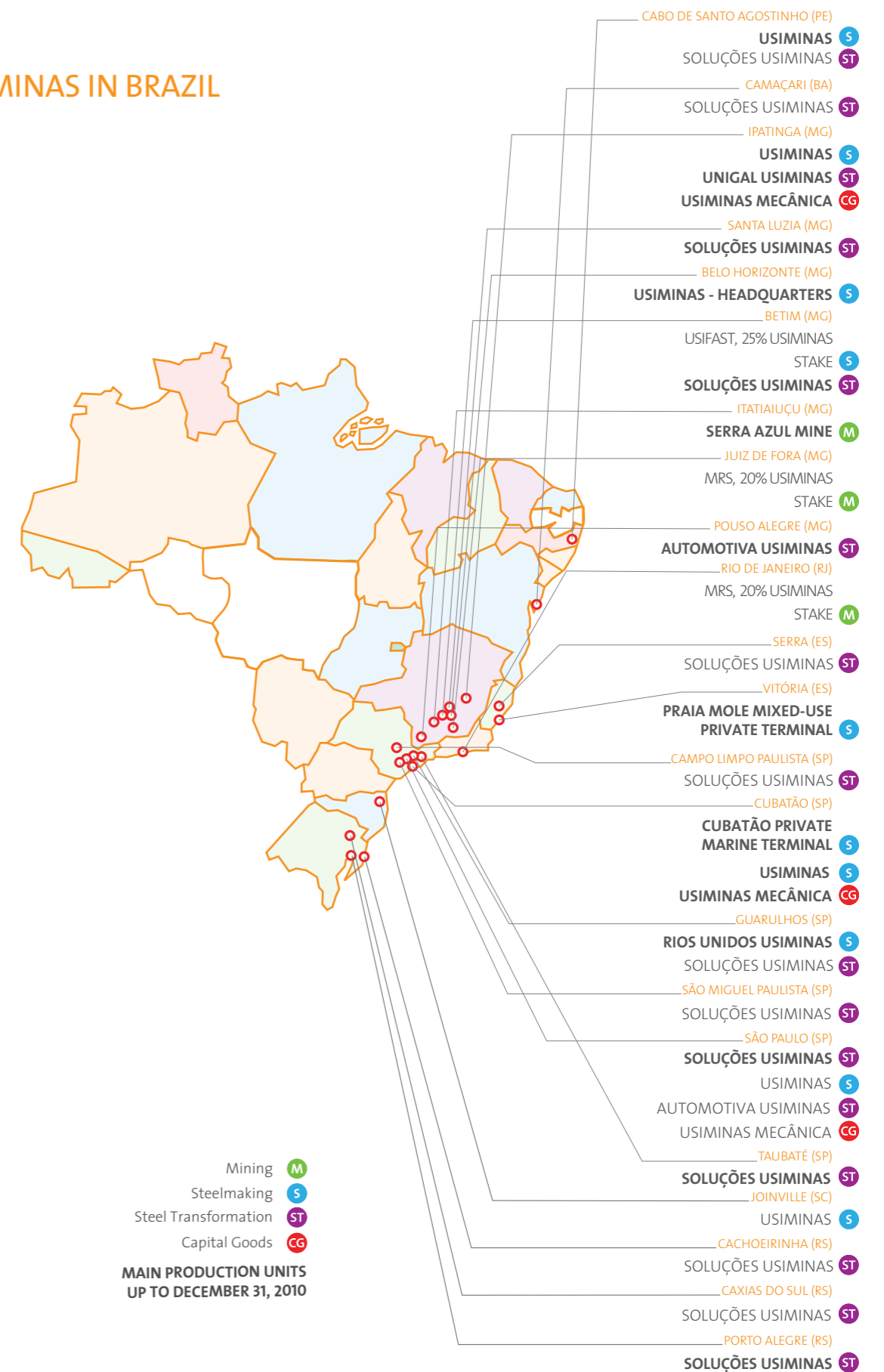
#### Sustainability:

Usiminas believes that the future is built upon decisions and actions taken today.

#### Results:

Usiminas sets challenging individual and collective goals that reflect the Company's potential and contribute to improving business results.

## USIMINAS IN BRAZIL



**Usiminas advanced in the renewal of management processes and improved its corporate governance practices in 2010, supported by communication, monitoring and control mechanisms. Usiminas's capital is divided into 1,013,786,190 shares..**



*Bruno A. Lacerda and Clodoaldo Alves dos Santos  
Production Operators  
Blast Furnace No 1 Control Room  
Cubatão Plant/S*

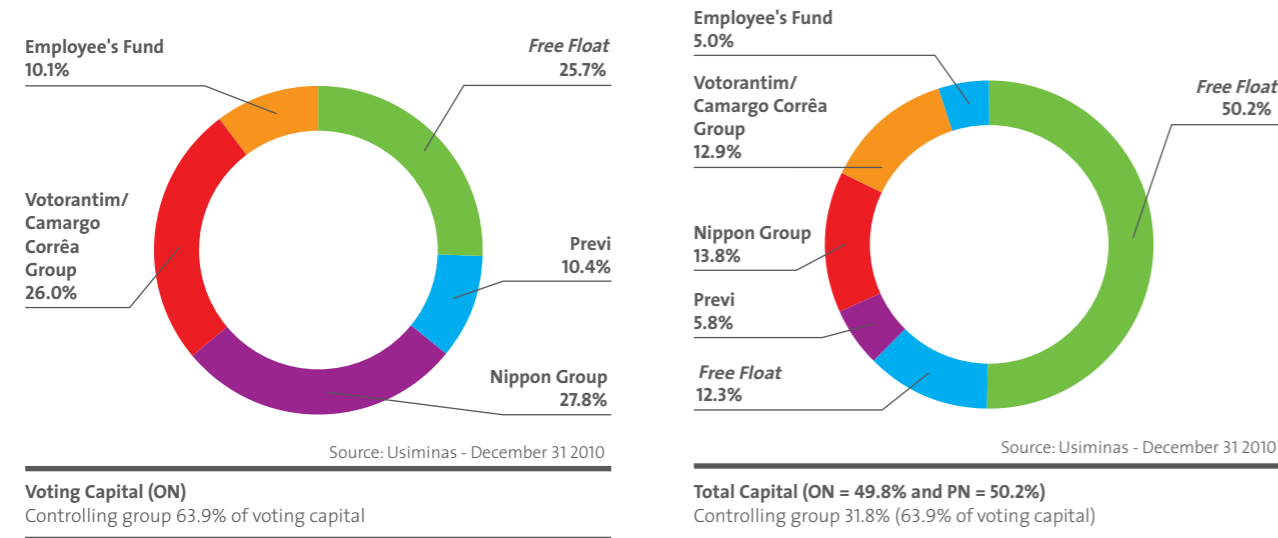
## SHAREHOLDING STRUCTURE

The Company has, in the stock market, a total of 49.8% of common shares (ON) and 50.2% of preferred shares (PN). Stocks with voting rights (ON) currently have the following distribution: Nippon Group (27.8%), Votorantim/Camargo Corrêa Group (26.0%), Previ (10.4%), Caixa dos Empregados da Usiminas (Employees' Fund) (10.1%) and shareholders in the market (free float) (25.7%).

The Company's stocks are currently traded in some of the major international markets. The stocks are listed on BM&FBOVESPA, under tickers USIM3, USIM5 and USIM6; New York Stock Exchange (Over-the-Counter, or OTC), as American Depository Receipt (ADR) level 1, under tickers USNZY and USDMY; and Madrid (Latibex), under tickers XUSI and XUSIO. Usiminas participates in the Level 1 Governance of the São Paulo Stock Exchange (Bolsa de Valores de São Paulo – BM&FBOVESPA).



## SHAREHOLDING STRUCTURE



## BOARD OF DIRECTORS

The mission of Usiminas's Board of Directors is to exercise its legal and statutory powers, seeking to maximize value, protect assets and promote the Company's continued growth while respecting its values and its social role. Currently, there are nine effective directors who do not hold executive positions in the Company, including an independent director - and respective deputies - elected directly by the General Assembly for a term of two years with the possibility of reelection. The Board ordinarily meets four times a year, following a pre-determined schedule and, extraordinarily, whenever necessary to the social interests.

In 2010, to maintain the improvement in the flow of information between the directors and further increase the security of the data available, the Company maintained an active Board Portal, a channel with restricted access exclusively for Usiminas directors, in which documents and information of interest are stored.

In the Portal, the documents and specific subjects are available to directors in order to preserve the confidentiality required in compliance with corporate governance rules, including the possibility of conflict of interests and relationships among stakeholders. The topic is also addressed in the Internal Bylaws of the Board of Directors. Among other duties, these provide for the formal statement, prior to each meeting, on any particular or

conflicting interest with the Company. In this case, the Board member refrains from participating, discussing and voting in the respective meeting.

### Composition of the Board of Directors

Israel Vainboim Chairman  
 Albano Chagas Vieira  
 Aloísio Macário Ferreira de Souza  
 Francisco Caprino Neto  
 Fumihiko Wada  
 Luiz Anibal de Lima Fernandes  
 Rita Rebelo Horta de Assis Fonseca  
 Rômél Erwin de Souza  
 Toru Obata

### PERMANENT FISCAL COMMITTEE

The Fiscal Committee operates permanently as the supervisory body of the administrative management actions. Members, elected by the General Assembly, have the following assignments, among others: analyze the financial statements; provide an opinion on the investment plans and capital budgets; and issue expert opinions in the case of changes in capital, distribution of dividends or any corporate reorganization through transformation, incorporation, merger or spin-off.

### Composition of the Permanent Fiscal Committee

Marco Antônio Bersani  
 Adalgiso Fragoso de Faria  
 Carlos Roberto Nassif Campolina  
 Masato Ninomiya

## INTERNAL COMMITTEES

Usiminas Board of Directors has two internal committees - Human Resources and Audit - with the purpose of advising, educating and supporting decision making on specific issues. The committees consist of up to five members, who may be members of the Board itself (full or surrogates), and the following may participate in the meetings of these committees: managers, employees, experts or any other person who contributes to the better understanding of the issues covered. Each committee has its Bylaws, approved by the Board of Directors, which determine its operating rules, assignments and responsibilities.

### Members of the Internal Committees of the Board of Directors

#### Human Resources Committee

Francisco Caprino Neto – Coordinator  
 Toshimi Sugiyama  
 Rômél Erwin de Souza  
 Aloísio Macário Ferreira de Souza  
 Israel Vainboim

#### Audit Committee

Toshimi Sugiyama – Coordinator  
 Rita Rebelo Horta de Assis Fonseca  
 Luiz Anibal de Lima Fernandes  
 Aloísio Macário Ferreira de Souza  
 Israel Vainboim

## EXECUTIVE BOARD

The Executive Board conducts the business management with a focus on the interests of the different groups with which it interacts. As with members of the Board of Directors, the directors serve a two-year term and may be reelected. Their mission is to establish guidelines for other managers of Usiminas, guiding them in internal and external relations.

### Members of the Executive Board

#### Chief Executive Officer

Wilson Nélio Brumer

#### Vice-President Director, Development

Eduardo Borges de Andrade Filho

#### Vice-President Director, Industrial

Omar Silva Júnior

#### Vice-President Director, Finance, Investor Relations and Information Technology

Ronald Seckelmann

#### Vice-President Director, Business

Sergio Leite de Andrade

#### Vice-President Director of Human Resources and Organizational Development

Vanderlei Raffi Schiller

#### Vice-President Director, Special Relations:

Yasuo Takeda

Usiminas also relies on the following managers:

#### Director of Planning and Management Control

Alberto Akikazu Ono

#### Director of Procurement

Antônio Carlos da Rosa Pereira

#### Director of Sales Industry and Distribution

Ascanio Merrighi de Figueiredo Silva

#### Director of Information Technology

Carlos Roberto Katayama

#### Director of Research and Innovation

Darcton Policarpo Damiano

#### Director of Market Development

Denise Baumgratz de Miranda Freitas

#### Director of Institutional Relations

Eduardo Lery Vieira

#### Director of Finance

Eduardo Moreira Pereira

#### Director, Automotiva Usiminas

Flávio Edson Del Soldato

#### Director of Ipatinga Plant

Francisco Luís Araújo Amério

#### Director, Usiminas Mecânica

Guilherme Muylaert Antunes

#### Director of Cubatão Plant

José Erasmo Andrade Pereira

#### Director, Legal

José Luiz Gomes Talarico

#### Director of Logistics

Leonardo Almeida Zenobio

#### Director of Engineering and Expansion

Marco Paulo Penna Cabral

#### Director of Corporate Communications

Maria Lígia Costa Reis Dutra

#### Director, Soluções Usiminas

Mario Antônio Porto Fonseca

#### Director of Strategic Planning

Nils Tarnow

#### Director of Mergers, Acquisitions and Alliances

Ricardo Wagner Righi de Toledo

#### Director of Automotive Sales

Romel Erwin de Souza

#### Director of Foreign Trade

Roy Vieira Vivian

#### Director of Mining

Wilfred Theodoor Bruijn

## CODE OF CONDUCT

Usiminas promoted internally, throughout 2010, a broad process of developing its Code of Conduct. Some issues in the document affect other documents, such as Supplier Guide, Investment Rules, and Conflict of Interest.

The Code, which has just been approved by the Board and soon is to be released, must move beyond being a corporate instrument of control and standardization. It must be, in practical terms, a guide for the relationships of its employees with other stakeholders.

## MANAGEMENT REMUNERATION

In the Annual General Meeting on April 30, 2010, Usiminas shareholders approved the amount of R\$ 30 million to remunerate directors of the Company in this fiscal year.

## STRATEGIC REMUNERATION OF THE BOARD

The Company's Board of Directors established, in May 2010, a new remuneration policy for members of its Executive Board. This policy is based on market practices, which take into account the added value to the Company, its shareholders and other stakeholders, established through fulfillment of quantitative and qualitative goals associated with overall company performance.

The amounts for 2010 comprised a fixed portion and a bonus. The bonus is paid in two installments. The first, corresponding to 50% of the total in December 2010, is based on an estimate of achieving the goals. The second, corresponding to the remaining balance, will be paid after the final determination of the performance parameters, based on the audited balance sheet of 2010 and approved by the Board of Directors.

## STRATEGIC REMUNERATION OF THE BOARD

The remuneration policy for members of the Board, also established in May 2010, was based on a study conducted by the Ray Group, a global management consulting business. The policy established a fixed amount for each director, independent from the remuneration of Executive Directors.

| Remuneration of directors - from January to December 2010 (R\$) |                          |                         |                       |                          |
|---|--------------------------|-------------------------|-----------------------|--------------------------|
| Body  | Statutory Board          | Board of Directors      | Fiscal Committee      | Total                    |
| No of members   | 7                        | 9                       | 4                     | 20                       |
| Salary or pay   | N/A                      | N/A                     | N/A                   | N/A                      |
| Direct and indirect benefits                                    | R\$ 280.203,54           | –                       | –                     | <b>R\$ 280,203.54</b>    |
| Remuneration for participation in committees                    | N/A                      | N/A                     | N/A                   | N/A                      |
| Others (Fees)   | R\$ 6,204,353.18         | R\$ 2.672.788,88        | R\$ 468.266,56        | <b>R\$ 9,345,408.62</b>  |
| Bonus   | R\$ 2,431,408.58         | –                       | –                     | <b>R\$ 2,431,408.58</b>  |
| Profit sharing  | N/A                      | N/A                     | N/A                   | N/A                      |
| Remuneration for participation in meetings                      | N/A                      | N/A                     | N/A                   | N/A                      |
| Commissions   | N/A                      | N/A                     | N/A                   | N/A                      |
| Others  | R\$ 4,032,960.71         | N/A                     | N/A                   | <b>R\$ 4,032,960.71</b>  |
| Post-employment benefits  | N/A                      | N/A                     | N/A                   | N/A                      |
| Benefits generated by cessation of term at office               | N/A                      | N/A                     | N/A                   | N/A                      |
| Stock-based compensation  | N/A                      | N/A                     | N/A                   | N/A                      |
| <b>TOTAL</b>  | <b>R\$ 12,948,926.01</b> | <b>R\$ 2,672,788.88</b> | <b>R\$ 468,266.56</b> | <b>R\$ 16,089,981,45</b> |
| Burden  | R\$ 2,674,246.38         | R\$ 455,624.48          | R\$ 93,653.44         | <b>R\$ 3,223,524.30</b>  |
| <b>Total with burden</b>  | <b>R\$ 15,623,172.39</b> | <b>R\$ 3,128,413.36</b> | <b>R\$ 561,920.00</b> | <b>R\$ 19,313,505.75</b> |
| N/A = not applicable  |                          |                         |                       |                          |

## INTERNAL AUDIT AND RISK MANAGEMENT

Subordinate to the Board of Directors, the Usiminas Audit Department is responsible for evaluating the Company's internal control and risk management system and supporting the decisions of the Executive Board and Board of Directors.

In 2010, the Department ensured the maintenance of corporate governance levels and maturity in using the risk-based audit methodology.

The Audit Plan prioritized the processes of greater exposure to strategic risks, which were developed from the following evaluation factors: strategic relevance; financial materiality; fraud risks; and legal and image risks. The result of the audits provided improvements in the internal control structure and also contributed to the adoption of preventive measures aimed at reducing the risks of the Company.

In addition to the internal audit activities, the Audit Department is also responsible for the following activities related to risk management, which is currently under implementation:

- The Sarbanes-Oxley (SOX) Project, which aims to assess the internal control related to financial statements, with the objective of structuring the Company to meet the requirements of the Sarbanes-Oxley Act. This is a US law governing public companies listed on stock markets in the United States. The project, besides promoting greater transparency, ensures a greater degree of confidence in financial reports and prepares the Company to trade its stocks on foreign markets. It also effectively contributes to expanding the communication of the concept of risk throughout the organization, providing greater transparency of roles, responsibilities and authority among hierarchical levels, and giving Usiminas the corporate governance standards equivalent to the best market practices.
- The Self-assessment project (Control Self-Assessment), which aims to manage operational risks, enabling the business areas related to methodologies, tools and knowledge to enhance their activities in Third Party Contract Management, as well as supporting the process of evaluating service providers.

For 2011, the Work Plan of the Audit Department, approved by the Board of Directors, solidifies the continued practice of Usiminas's Corporate Governance and risk management.

### **CANAL ABERTO (OPEN CHANNEL)**

As an integral part of Usiminas's control system, Canal Aberto, managed by the Compliance Committee (comprising representatives of the Vice-President of Human Resources and Organizational Development, Legal Department and Audit Department) is one of the main tools to identify, monitor and mitigate risks relating to corrupt practices, whether against public authorities or at a private level.

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**This management tool creates a space for communication not only for employees, but also clients, suppliers, investors and society in general.**

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Canal Aberto was created in early July 2009 to receive reports of irregularities observed in the operations of the Company. This management tool creates a space for communication not only for employees but also clients, suppliers, investors and society in general to warn the company about possible cases of fraud, corruption, bribery, harassment and theft, with guaranteed confidentiality and reliability.

The initiative allows for anonymous communication and is aligned with good governance practices and compliance with the SOX precepts. The Compliance Committee handles and advises on every claim with transparency. Those claims that are judged to be valid are included in the Internal Audit report and forwarded to the Audit Committee, which, in turn, informs the Board of Directors. Canal Aberto can be accessed through the Internet, intranet, phone or letter.

In 2010, the Compliance Committee handled a total of 436 messages received, which resulted in terminations due to fraud and corruption acts, reorientation of managers in dealing with their subordinates, as well as repositioning of the company in the transportation, occupational health and safety system.

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**Canal Aberto allows for anonymous communication and is aligned with good governance practices and compliance with the Sarbanes-Oxley (SOX) precepts.**

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*New Hot Dip Galvanizing Line  
Unigal Usiminas - Ipatinga/MG*

**The year 2010 was marked by an upturn in the global economy, driven by the level of activity in emerging countries. After the most critical period of turbulence in the global economy, Brazil, Russia, India and China (the so-called BRICs), dictated the pace of the recovery, though low growth in Europe and the United States still persists. The economic performance of the four emerging countries was differentiated in the international scenario. In Brazil, increasing investment, employment, credit supply and demand enabled the GDP to grow by approximately 7.5% in 2010.**

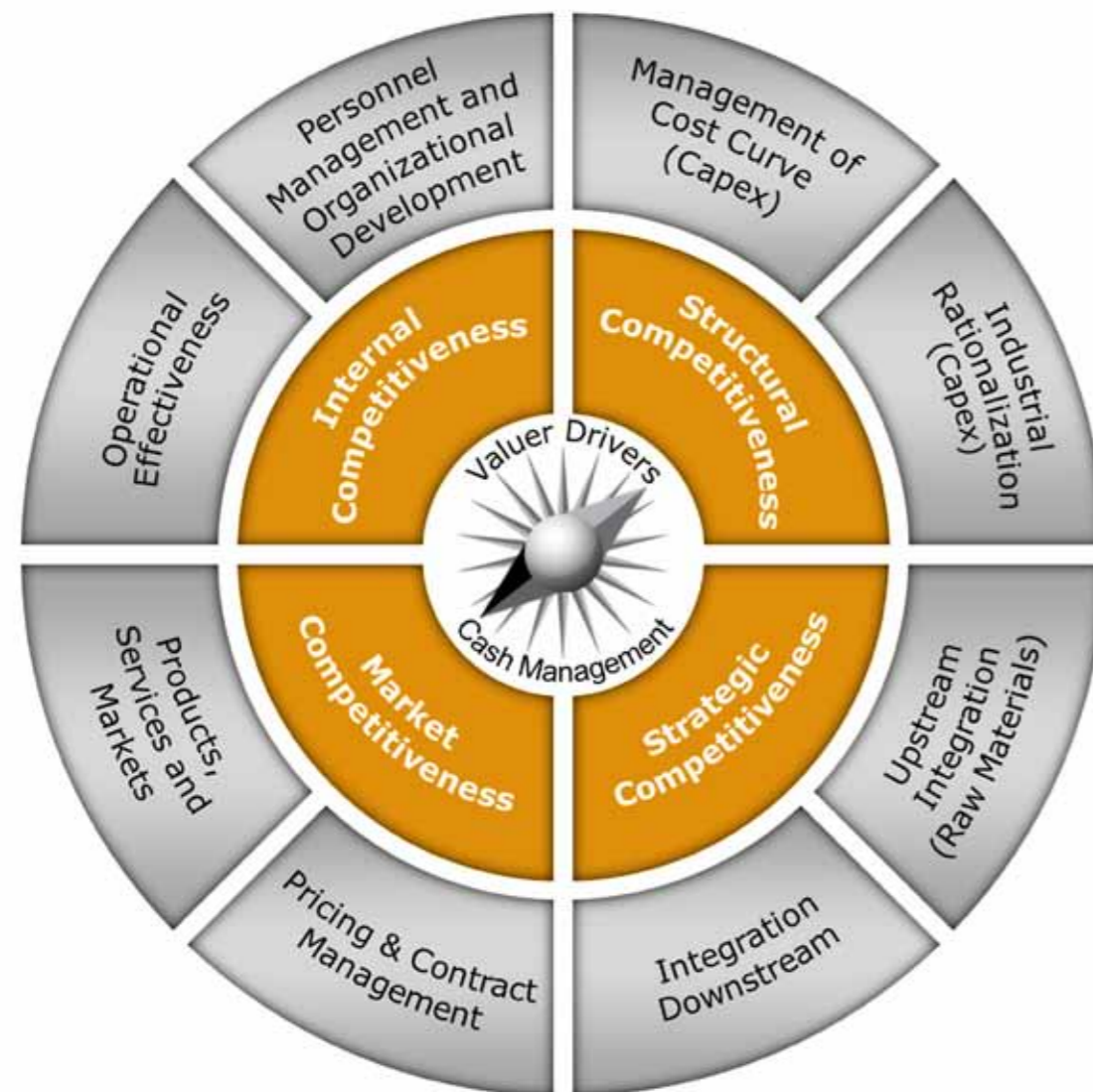
The steel industry experienced unusual developments in 2010. The Brazilian steel market grew at record levels, aided by the good performance registered in nearly all sectors of the economy. However, this growth, combined with the high exchange rate, stimulated imports, affecting the growth of industry as a whole, and in particular the steel industry.

According to figures released by Instituto Aço Brasil - IABr (Brazilian Steel Institute), imports of flat steel reached a volume of nearly 3 million tons in 2010. This total was well above the historical average, and an advance of around 160% compared to the volume imported in 2009. This fierce competition, which feeds deindustrialization, and the significant growth in costs of raw materials, inputs and labor, which could not be fully transferred to the prices of steel products, affected the profitability of the plants, and thus Usiminas.

## NEW GUIDELINES

In this scenario, which should not change in the short term, Usiminas had to adapt quickly to the new competitive environment. The Company decided to increase its competitiveness in the broadest sense, improving the performance of its entire value chain. Based on that decision, the strategy is for the Company to remain well positioned ahead of its competitors, especially foreign competitors.

The image below represents the main focus of activities in 2011:



## MAIN MANAGEMENT FOCUSES DEFINED IN 2010

- Integration of businesses across the production chain (from mining to steel transformation and production of capital goods) to expand the margins of Usiminas Group.
- Reduction in operating costs with focus on competitiveness.
- Alignment between employees and the Company's strategies for Usiminas to overcome its challenges.
- Client-centered services, by adding value and services, to recover markets and margins.
- Cash generation to enable investments and increase competitiveness.

To achieve its objectives, the Company also improved its management tools, intensifying the focus on cost reduction, integration and verticalization of assets, operational efficiency, adding value to its products and on full support to clients.

Thus, Usiminas acted to maintain its solid foundation, in decisions that will help overcome current adversities in the steel industry. Usiminas aims to remain profitable, competitive and a market leader in flat steel in Brazil and Latin America.

Given this business environment, in 2010 the Company remained based on four business lines – Mining, Steelmaking, Steel Transformation and Capital Goods – as well as its seven values – Openness, Meticulousness, Consistency, People, Results, Sustainability and Technique – and its unique vision - “To become an innovative steelmaking group with global reach, and sustainable growth, positioned among the most profitable companies in this sector”. Moreover, it remains focused on five strategic drivers that guide its growth and value creation:

- expansion of domestic capacity – increase output of the existing plants and be competitive in costs;
- upstream integration (backwards in the value chain) – ensure competitiveness through access to raw materials, creating hedge (protection) against changes in the value chain;
- downstream integration (forward in the value chain) – secure a foothold in growth markets, integrating the businesses of the Group and creating added value in new markets;
- expansion of the portfolio of products and services – ensure added value, reducing the dependence on a few product lines and achieving growth markets;
- internationalization – penetrate attractive markets outside Brazil, accelerating the growth of the Company.

## SUSTAINABILITY STRATEGY

Usiminas's main development in sustainability management, in 2010, was the further identification of topics that are critical to the perpetuation of the Company's businesses. This followed a second round of review of materiality initially developed in 2009. This work is a fundamental starting point to establish the prioritization of performance management and thus evolve in practices that enable value creation with balanced outcomes from economic, social and environmental standpoints.

In 2010, the process of identifying topics relevant to sustainability included consultations via questionnaires and interviews with representatives of seven targets of Usiminas. 50 clients, 42 suppliers, 29 community representatives, 52 shareholders, 12 government representatives and 11 experts were included. To support the analysis, we developed a study of benchmarking practices of ten companies in the steel industry in Brazil and abroad.

Likewise, all Usiminas's strategic policies and documents in force throughout 2010, which allowed the intersection of external interests and internal strategies, were considered. The study generated a matrix with ten relevant aspects, which were grouped into five priority topics:

- Ethics and business performance
- Development and retention of employees
- Innovation and efficient use of natural resources
- Occupational health and safety of employees
- Risk management and sustainable development

It can be noted that all topics are recurrently addressed by the Company and some will be further addressed in 2011, such as the efficient use of the potential energy of the steel plants. Likewise, topics such as ethics, risk management, people development, innovation, and occupational health and safety are objects of permanent focus.

With regard to integration and planning of actions, the Company intends to approve and communicate to the four business lines, in 2011, the Corporate Sustainability Guidelines in order to align the performance of all managers in their daily business activities. The Guidelines present Usiminas's strategy in relation to sustainability and propose a management structure for the topic within the Company.

Materiality also progresses in terms of dialog with stakeholders. Sustainability improvements in 2011 should again involve the main stakeholders of the Company: investors, suppliers, clients, government, internal public, community and sustainability experts.



### ISE PORTFOLIO

At the end of 2010, Usiminas was no longer part of the Índice de Sustentabilidade Empresarial - ISE (Corporate Sustainability Index) of BM&BOVESPA, of which it had been a part since 2009. The absence of Usiminas, however, does not indicate that the Company has abandoned its strategic guidelines towards sustainable development, but rather the fact that, considering the ISE methodology, the Company's performance was not sufficient to overcome the performance of other companies whose stocks were included in the new portfolio. However, a 48-year track record and the annual results of economic, social and environmental performance by the Usiminas Group, presented in this report, confirm its commitment to continue advancing in the adoption of increasingly sustainable practices.

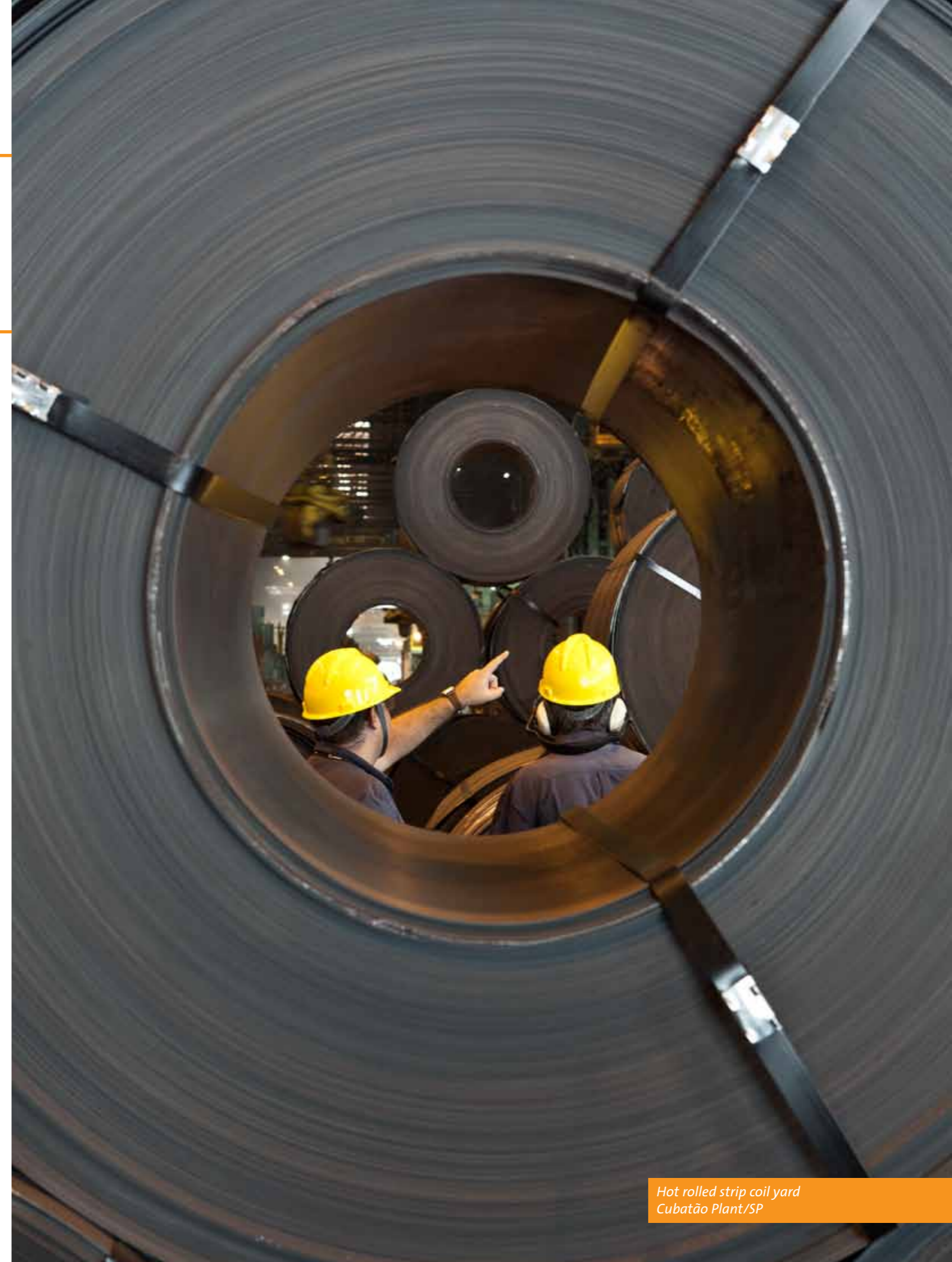
### COMMITMENTS

In recent years, Usiminas published commitments defined according to the action plans of all its areas and departments. From the formalization of Corporate Sustainability Guidelines, the Company intends to move towards integrated sustainability management in its four business lines. At this point, it will be possible to make commitments that create sustainable value for all Usiminas employees and stakeholders. This evolution will be available on the Company's website, which will also allow a more dynamic follow-up on the objectives defined and outcomes achieved.

It will be possible to make commitments that create sustainable value for all Usiminas employees and stakeholders.



Part stamped for the automotive sector  
Automotiva Usiminas - Pouso Alegre/MG



Hot rolled strip coil yard  
Cubatão Plant/SP



## COMPETITIVENESS OF THE PLANTS

Usiminas made adjustments to its investment program to adjust to the new business environment. In 2010, the Board of Directors decided to cancel the project to build the plant in Santana do Paraíso (MG). However, investments to expand the competitive capacity of the existing plants were maintained.

In 2010, Usiminas invested approximately R\$ 3.2 billion, the highest annual figure in its history. The Company strengthened its strategic positioning and increased its investments in the development and optimization of its plants, in addition to mining and research and innovation. Throughout the year, 90 different investments were made, with emphasis on building the new galvanizing line at Unigal Usiminas; the Hot Rolling Mill 2 line, in the Cubatão Plant; and Coke Plant 3 at the Ipatinga Plant, as well as the implementation of the Heavy Plate Accelerated Cooling Column at the Ipatinga Plant. By 2015, Usiminas plans to invest approximately R\$ 11 billion in its four business lines.

In Ipatinga (MG), Usiminas invested in Coke Plant 3 - the first step towards self-sufficiency in coke, to be achieved in 2013. In order to meet the increased demand from the automotive and appliances industries (two segments with high potential for business) for these steel products, the Company invested in the expansion of its production capacity of galvanized steel.

In Cubatão (SP), investments in the new hot strip rolling mill continued. With these, the Company expects to increase its share in strategic markets in the industrial segment.

*Leandro da Silva Souza - Maintenance Technician  
Heavy Plate Rolling - Ipatinga Plant/MG*

The largest volume of investments is geared towards the Mining business line, which should receive investments of nearly R\$ 4.1 billion by 2015, to be used in industrial facilities, equipment, dams and shipping terminals. With these investments, production should jump from the current 7 million tons to 29 million tons/year in 2015.

## OUTLOOK

The growth outlook for the Brazilian economy in coming years is favorable. It is expected that the country's economy will grow between 4% and 5% p.a. In turn, in China and India, among other large buyers of commodities, the growth trend should be maintained at levels higher than Brazil's. Europe and the United States should continue on a path of low growth, al-

though, in the opinion of some analysts, they should not fall into recession.

The expectation is that the domestic market will remain stimulated by the purchasing power of the population and decrease in unemployment. The expected production and consumption of steel should rise due to the reduction of inventories of steel products as well as a decrease in steel imports - in this case, because of restrictions on unfair pricing practices.

The good prospects for the domestic economy also gained a new momentum with the consolidation of the new rules for oil exploration in the pre-salt region. Furthermore, in various sectors of the economy, there are signs of continued growth, and therefore, Usiminas will be

directly benefited. Among these are the construction industry, with strong stimulus to the segment of affordable housing as well as housing intended for the population with greater income. In addition to the works planned for the 2014 World Cup and the Olympic Games in 2016, the Federal Government, through the Programa de Aceleração do Crescimento - PAC (Growth Acceleration Program) should advance the construction and modernization of infrastructure, especially roads, ports and airports. The automotive industry should continue to expand, as well as capital goods and the ship building industry. In all these industries, Usiminas is the leading supplier of steel products.

## UNPRECEDENTED PARTNERSHIP

In the mining area, the Company took a major leap in 2010 by establishing a new partnership with Japan's Sumitomo Corporation. This partnership acquired a 30% stake in Mineração Usiminas for R\$ 2.137 billion, corresponding to US\$ 1.255 billion. Sumitomo Corporation agreed to pay MUSA an additional amount of up to US\$ 674 million (so that the total payment can reach US\$ 1.929 billion). In addition to capital investment, Sumitomo Corporation, one of the major Japanese traders of commodities, will add marketing expertise to the business, since it has great knowledge of the global market for iron ore.

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**The first phase of these investments, which was approved by the Board of Directors at the end of 2010, will reach R\$ 550 million.**

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The mines, which produced 5.5 million tons of ore in 2009, closed 2010 with 6.8 million tons of ore produced, a volume 24.9% higher than the previous year. The goal is to increase production to 29 million tons by 2015.

The first phase of these investments, which was approved by the Board of Directors at the end of 2010, will reach R\$ 550 million. Thus, the production capacity of the mine will reach 12 million tons per year in 2012. For this, the main projects are the construction of a pellet feed (pellet fines) concentrator and the creation of a new sinter feed (sinter fines) processing plant.



*Francimar Aguiar de Queiroz – Laboratory Technician  
Mineração Usiminas – Itatiaiuçu/MG*

### MMX, NEW ALLIANCE

Also in 2010, Usiminas announced an agreement for the use of the LLX Sudeste Port, starting in 2012, for a period of five years; such agreement may be extended. The expectations are to initially export 3 million tons, but with gradual expansion of shipments to 4 million tons in 2013, 8 million in 2014, 12 million in 2015 and an additional 12 million tons in 2016. Furthermore, the agreement foresees the joint exploration of the Pau de Vinho mine, in Serra Azul (MG).

### ITAGUAÍ AREA

Instituto Estadual do Ambiente – Inea (State Environmental Institute) approved, in the beginning of 2010, Usiminas's plan to decontaminate the area of the Company in Baía de Sepetiba (RJ). The land, which previously belonged to the bankrupt estate of Ingá Mercantil, was purchased in 2008 by Usiminas, which agreed to remediate the environmental problem.

The approved project foresees the envelopment of industrial waste with an impervious cover to contain the contaminated material, preventing its contact with the external environment. The idea is to use approximately 1.3 million tons of isolated waste to fill the entire area.

The preparation work began in 2009. The remediation process began in 2010 and should require approximately R\$ 98 million. The expected duration of the decontamination work is 18 months. Upon completion of the activities, the Company will proceed with the studies for the installation of its own port terminal in Itaguaí (RJ).



### Integrated Operations Center

In 2010, Usiminas continued the work of its Integrated Operations Center (Centro Integrado de Operações - CIO), which started in 2009 in Ipatinga (MG), with the purpose of monitoring the activities foreseen in the steel production phases.

Considered by experts one of the most modern integrated centers in global steel business, the CIO relies on 23 professionals from various phases of the production process, working in three shifts. This ensures faster and more efficient production by allowing changes in the procedures of each phase, with the aim of achieving better results.

The operations center represents the perfect translation of gains in competitiveness, since it provides a dynamic integration of all key areas of the Company.

### Exclusive technology – Specialty Steel

In 2010, Usiminas went a step further to differentiate itself from its competitors by starting the production of heavy plates of high strength steel, with limits at or above 490N/mm<sup>2</sup>. The initiative was made possible thanks to the fact that the company is the exclusive owner, in Brazil, of the Continuous on Line Control Process (CLC) technology. The technology transfer agreement was executed, in 2009, with Nippon Steel Co.

The CLC technology consists of the combined use of controlled rolling and accelerated cooling. Thus, the equivalent carbon can be greatly reduced, since the desired resistance is obtained in the cooling phase. The method provides excellent low temperature tensile strength and excellent results in welding operations.

Steels processed by the CLC technology are extensively used around the world, particularly in ship building, offshore and line pipes, construction and pressure vessels and industrial machinery.

CLC steels are distinct because they have refined grain and low-carbon content, alloying elements and equivalent carbon. Additionally, they ensure optimum metallurgical control during the phases of steel refining, casting, rolling and accelerated cooling.



(continued)

### Exclusive technology – Specialty Steel

To meet this demand for products with higher added value, through the partnership with Nippon Steel, the Company also began to develop its products using the Continuous on Line Control Process technology, an investment which, in 2010 alone, reached R\$ 539 million. The technique allows the production of steel through the Thermo Mechanical Control Process (TMCP), an innovative and high-tech methodology already used by the steel industry worldwide. This is the first time the technology has been transferred from Japanese plants to a steel plant in another country.

The technology is present in the Sincron family of premium products from Usiminas, with higher added value and different characteristics compared to a normal heavy plate. Sincron was specially designed to conciliate, control and integrate processes, enabling clients to achieve gains in terms of time and productivity.

### CIVIL CONSTRUCTION

Civil construction in steel is a strategic market focus for Usiminas. The Company plans to develop new businesses in the sector through partnerships or by joining companies specialized in construction of residential buildings in steel, such as in the case of investments already made in two companies of the sector - Codeme (which operates in the segment of steel structures) and Metform (a manufacturer of metal shingles, steeldeck and roofing systems).

Estimates are that by 2015, due to the booming civil construction industry, sales of products to this segment will account for 50% of total sales, up from the current 22%.

**Civil construction in steel is a strategic market focus for Usiminas. The Company plans to develop new businesses in the sector through partnerships or by joining companies specialized in construction of residential buildings in steel.**

The projections are also favorable for projects related to the 2014 World Cup and the Olympic Games in 2016, which should boost the level of economic activity, with positive effects on the steel market. Usiminas maintains internal working groups that have closely monitored the new business opportunities that may arise with the hosting of these sporting events.

**In this construction technology, the concrete structure is replaced by steel structures, which presents a series of economic and environmental advantages.**

In this construction technology, the concrete structure is replaced by steel structures, which presents a series of economic and environmental advantages. Among them are the shorter execution time, the rationalization of materials and labor, the quality assurance offered by an industry that relies on highly qualified personnel, the organization of the construction site, the reduced weight of transported material, and the recyclable nature of steel.



Usiminas steel for civil construction



Rodrigo de Oliveira Barbosa - Overhead Crane Operator  
Pipe storage warehouse - Soluções Usiminas  
Campo Limpo Paulista/SP

| Usiminas Consolidated |  |   |                    |
|-----------------------|--|---|--------------------|
| Mining                | Steelmaking  | Steel Transformation  | Capital Goods      |
| Mineração Usiminas*   | Ipatinga Plant<br>Cubatão Plant<br>Unigal<br>Interest in Ternium** | Soluções Usiminas<br>Usiminas Automotiva<br>Interest in Metform and<br>Codeme** | Usiminas Mecânica* |

\*Controlled by the Company.

\*\* Results accounted via participation in subsidiaries and affiliated companies.

## MINING

In the mining area, Usiminas advanced strategically in the market by establishing an unprecedented partnership with Japan's Sumitomo Corporation, one of the largest commodity traders in the world. Mineração Usiminas S.A. (MUSA) was created to concentrate the Company's mineral assets located in the region of Serra Azul (MG).

Thus, Usiminas strengthened its position in the supply of raw materials to its own plants and increased its efficiency by more closely integrating the mining and logistics activities with the steel activities. In addition to the capital investment, the century-old Sumitomo Corporation brings expertise to the business, since it has extensive knowledge of the global iron ore market.

In 2010, 6.8 million tons of ore were produced, 24.9% more than in 2009. Of this total, 1 million tons were marketed with third parties, 1.8 million tons were transferred to the Ipatinga Plant, and an additional 3.2 million tons were transferred to the Cubatão Plant.

**In the mining area, Usiminas advanced strategically in the market by establishing an unprecedented partnership with Japan's Sumitomo Corporation.**

## EXTENDED PARTNERSHIP

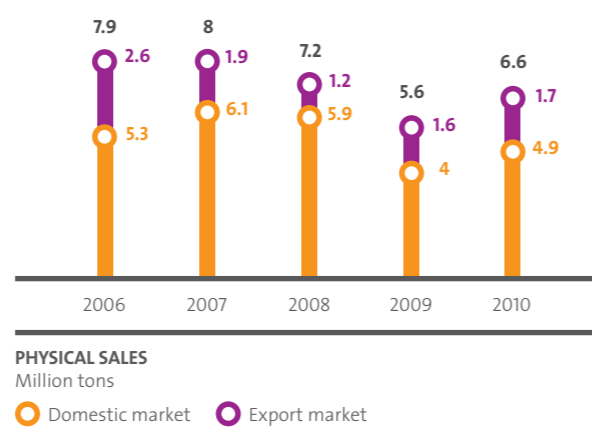
Usiminas informed, through Relevant Fact, that the mining companies Usiminas, MMX, and LLX executed, on February 11, 2011, the definitive agreements that establish:

- Provision by LLX Sudeste Operações Portuárias Ltda. (LLX Sudeste), a subsidiary of PortX, to Mineração Usiminas, of port operations services in Port Sudeste;
- Lease, by Mineração Usiminas to MMX, of the Pau de Vinho mine.

Thus, Mineração Usiminas will be able to export its iron ore by 2012, and it will have the option to renew the agreement for one to five years. With the lease agreement, the company and MMX expect to obtain significant synergies between the operations of the Serra Azul and Pau de Vinho mines.

## STEELMAKING

The production of brute steel rose by 29.5% in 2010, from 5.6 million tons in 2009 to 7.3 million tons. Overall sales totaled 6.6 million tons, an increase of 16.6% over the previous volume (5.6 million tons). Usiminas geared 74.9% of sales to the domestic market and 25.1% to the export market.



## DOMESTIC MARKET

Usiminas sales in the domestic market reached 4.9 million tons in 2010, representing 74.9% of the total, surpassing by 21.5% the result of 2009. The representativeness of the segments in sales was in line with the performance shown in the previous year.

In the analysis by segment, the major networks accounted for 41% of sales of the Usiminas Group, demanding two million tons, followed by companies associated with the automotive sector, with a 34% share (or 1.7 million tons), and the industrial sector with a 25% share, equivalent to 1.2 million tons.

| Economic sector | Volume (thousand tons) | Share       |
|-----------------|------------------------|-------------|
| Automotive      | 1,656                  | 34%         |
| Industrial      | 1,231                  | 25%         |
| Large Network   | 2,027                  | 41%         |
| <b>Total</b>    | <b>4,914</b>           | <b>100%</b> |

## EXPORT MARKET

Exports of rolled and processed steel by the Usiminas Group corresponded to 25.1% of physical sales, totaling 1.7 million tons in 2010, a 4% increase over the previous year. The devaluation of the exchange rate was the factor that most contributed to exports not showing significant growth. The major client markets were China, Colombia, Chile, Argentina and Thailand.

| Country      | Volume (Thousand tons) | Share       |
|--------------|------------------------|-------------|
| China        | 267                    | 16%         |
| Colombia     | 154                    | 9%          |
| Chile        | 143                    | 9%          |
| Argentina    | 138                    | 8%          |
| Thailand     | 114                    | 7%          |
| USA          | 103                    | 6%          |
| Taiwan       | 89                     | 5%          |
| Spain        | 81                     | 5%          |
| Others       | 562                    | 34%         |
| <b>Total</b> | <b>1,651</b>           | <b>100%</b> |

## UNIGAL USIMINAS

Unigal Usiminas consolidated in 2010 the expansion of the hot-dipped galvanizing line, which will expand to 550,000 tons/year from the current production capacity of 480,000 tons/year and generate 120 direct jobs. The investment will produce hot-dipped galvanized steel coils, with pure zinc coating (GI) or zinc-iron

alloy (GA) for use in dashboards in the automotive industry, appliances and civil construction. It is expected that the expansion project will be completed in the first half of 2011.

## TERNIUM

On January 31, 2011, the Company, together with its wholly owned Danish subsidiary Usiminas Europa A/S (Usiminas Europa) received approval by the Board of Directors, as per the meeting held on the same day, and signed an agreement regulating rights to record a public offering (the Agreement) with Ternium SA., a company incorporated under the laws of Luxembourg (Ternium), and Techint Holdings S.ar.l (Techint), parent company of Ternium that operates under the laws of Luxembourg.

Ternium filed a registration statement with this Council (registration request) using Form F-3 with the Securities and Exchange Commission in the United States (SEC) for the public offering of up to all stocks issued by Ternium owned by Usiminas Europa (subject to certain conditions) in the form of American Depositary Shares (ADSs) listed on the New York Stock Exchange (the Offering), less the number of stocks that Ternium and Techint agreed to acquire, as below.

According to the Agreement, and subject, among other conditions, to consummation of the Offering, Ternium and Techint agreed to acquire from Usiminas Europa US\$ 100 million and US\$ 150 million, respectively, of Ternium's stocks owned by Usiminas for the same price per stock of the Offering, totaling US\$ 250 million.

On January 31, 2011, Usiminas had (indirectly through Usiminas Europa) representative interest of 14.25% of the total capital of Ternium. Each ADS represents the right to receive 10 (ten) common stocks of Ternium.

Through Public Announcements issued on February 10 and 21, Usiminas reported to shareholders and the general public that the transaction value totaled US\$ 1,028,634,213.60, this being US\$ 778,634,208.00 of the public offering and US\$ 250,000,005.60 of the transaction with Ternium and Techint.

With the completion of the sale of its stocks, Usiminas no longer holds any stake in Ternium.

## STEEL TRANSFORMATION

### SOLUÇÕES USIMINAS

In 2010, the Company consolidated the company Soluções Usiminas. The company was created from the merger of the assets of Fasal, Rio Negro, Zamproгна and Usial, which were companies processing and distributing steel, and the industrial plant Usicort.

The creation of Soluções Usiminas serves the strategic objective of delivering products with high added value to distribution markets, services and pipes. With 14 units strategically spread across five Brazilian states, it operates more closely to its clients, which helps reduce costs and lead times. It serves, among others, the appliance, automotive, auto parts, civil construction, distribution, electronics, and machinery and equipment segments.

Through an unprecedented initiative, the Company also encouraged the formation of Rede Usiminas de Distribuição (Usiminas Distribution Network), which comprises 11 companies capable of marketing 1.5 million tons of steel per year.

## AUTOMOTIVA USIMINAS

At Automotiva Usiminas, the project for the expansion of production capacity was initiated. With the consolidation of two investments, the company created a new line of paint and another line of truck cabs, which entered production in 2011.

The company meets the demands of vehicle manufacturers, allocating a larger volume of products to the segment of heavy vehicles (trucks and buses), such as parts, components and stamped assemblies, welded and painted to major automakers in the country.

In the expansion process, the Company plans to obtain R\$ 500 million in revenue in 2011, which should rise to R\$ 1 billion in 2016.

In addition to matching the growth of current clients, Automotiva Usiminas works to offer new services, by adding value to steel supplied by the plants and transforming sheets into products such as cabs and components for trucks, buses and light commercial vehicles, and small parts for light vehicles. The company owns a single production unit, located in Pouso Alegre (MG).

## CAPITAL GOODS

### USIMINAS MECÂNICA

This company is an important arm within the strategy of the Usiminas Group of adding value to products and seeking to expand the delivery of manufactured goods to the end user.

Usiminas Mecânica is among the largest companies in capital goods in the country, serving the following markets: structure and metal bridges; equipment and industrial assemblies; industrial maintenance; foundry; railway cars; blanks (steel shapes cut according to customer needs) and stamping; steelmaking; and oil and gas.





| Income statement per business line- unaudited pro forma* |            |            |              |              |                      |           |               |            |              |              |
|--|------------|------------|--------------|--------------|----------------------|-----------|---------------|------------|--------------|--------------|
| R\$ Million  | Mining     |            | Steel        |              | Steel Transformation |           | Capital Goods |            | Consolidated |              |
|  | 2010       | 2009       | 2010         | 2009         | 2010                 | 2009      | 2010          | 2009       | 2010         | 2009         |
| Net Sales  | 960        | 407        | 11,496       | 9,701        | 2,433                | 1,976     | 1,447         | 952        | 12,962       | 10,924       |
| Cost of Goods Sold                                       | (288)      | (161)      | (10,048)     | (8,897)      | (2,190)              | (1,813)   | (1,260)       | (770)      | (10,432)     | (9,440)      |
| Gross Profit   | 672        | 246        | 1,448        | 804          | 243                  | 163       | 187           | 182        | 2,530        | 1,484        |
| Operating (Expenses)/ Revenue                            | (90)       | (72)       | (229)        | (163)        | (202)                | (171)     | (107)         | (71)       | (628)        | (477)        |
| Operating Income (Loss) before Financial Result          | 582        | 174        | 1,219        | 641          | 41                   | (8)       | 80            | 111        | 1,902        | 1,007        |
| <b>EBITDA</b>  | <b>638</b> | <b>202</b> | <b>1,819</b> | <b>1,261</b> | <b>102</b>           | <b>33</b> | <b>111</b>    | <b>132</b> | <b>2,650</b> | <b>1,716</b> |
| <b>EBITDA margin</b>                                     | <b>67%</b> | <b>50%</b> | <b>16%</b>   | <b>13%</b>   | <b>4%</b>            | <b>2%</b> | <b>8%</b>     | <b>14%</b> | <b>20%</b>   | <b>16%</b>   |

(\*)Results recorded via participation in subsidiaries and affiliates.

## PERFORMANCE OF THE BUSINESS LINES

### MINING

In 2010, the Mining business line generated net revenue of R\$ 960.0 million, 135.9% higher than in 2009, due to higher volumes marketed and better prices. Gross profit totaled R\$ 671.8 million, an increase of 173.6% over the previous year, and the gross margin was 70%, up 9.7 percentage points, due to the higher volume and prices. EBITDA had an even more significant increase, of 215.8%, reaching R\$ 638.2 million and a margin of 67%.



## STEELMAKING

Steelmaking presented net revenue of R\$ 11.5 billion in 2010, 18.5% over the previous year. This performance primarily reflects the higher volumes marketed and prices. Gross profit reached R\$ 1.4 billion, a growth of 80.1% over 2009, and the gross margin was 12.6%, which exceeded by 4.3 percentage points the gross margin of the previous year, due to the spreading of fixed costs. EBITDA totaled R\$ 1.8 billion, 44.3% higher than in 2009, and the margin also showed an evolution, going from 13.0% to 15.8% in 2010.

Unigal Usiminas's results in 2010 showed significant advances compared to the previous year. Sales volume grew by 12% and net revenue showed a growth of 43%, totaling R\$ 290 million. EBITDA and net income totaled, respectively, R\$ 252 million and R\$ 169 million.

## STEEL TRANSFORMATION

The higher volume marketed and the prices in the Steel Transformation business line in 2010 reflected in an increase of net revenue by 23.1% of approximately R\$ 2.4 billion, gross profit of R\$ 243.4 million (increase of 49%) and EBITDA of R\$ 101.6 million, a 200.7% leap over 2009. The gross margin was 10.0%, 1.7 percentage points above the previous year, and the EBITDA margin of 4.2% was 2.5 percentage points higher, reflecting mainly the spread of fixed costs.

Soluções Usiminas generated net revenue of R\$ 2.0 billion in 2010, a result 11.1% higher than in 2009, helped by higher volumes marketed and better prices charged by the company in the period. Automotiva Usiminas, in turn, sold R\$ 407 million in the previous fiscal year, compared to R\$ 278 million in 2009, an increase of 46% mainly due to the higher volume.

## CAPITAL GOODS

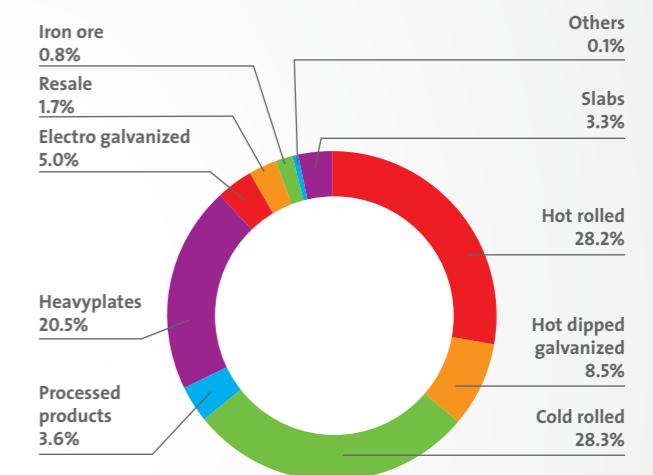
In 2010, the Capital Goods business line generated net revenue of R\$ 1.4 billion, 52.0% higher than in 2009. Gross profit reached R\$ 187.3 million, an increase of 2.8% over the previous year. The gross margin was 12.9%, or 6.2 percentage points lower than the previous year. This was due to the entrance of imported products and the reduction of margins, caused by the high competitiveness in the sector, coupled with the reflection of the global economic crisis in the capital goods market. EBITDA totaled R\$ 111.4 million, a decrease of 15.6% compared to 2009, and the margin also declined, from 13.9% to 7.7% in 2010.

## CONSOLIDATED PERFORMANCE

Usiminas's consolidated gross revenue in 2010 reached R\$ 17.2 billion, 16.2% higher than in 2009. This performance reflects higher volume and the improved mix of products sold, both domestically and in the export market. Sales growth was 16.6% (+21.5% domestically and +4.0% in export markets), with the domestic market and its share in the Company's total revenue, reaching 87.8%, being noteworthy. The average depreciation of the US dollar by 11.9% during the year did not allow exports to show a better performance, limiting the growth of Usiminas's revenue by 7.6%.



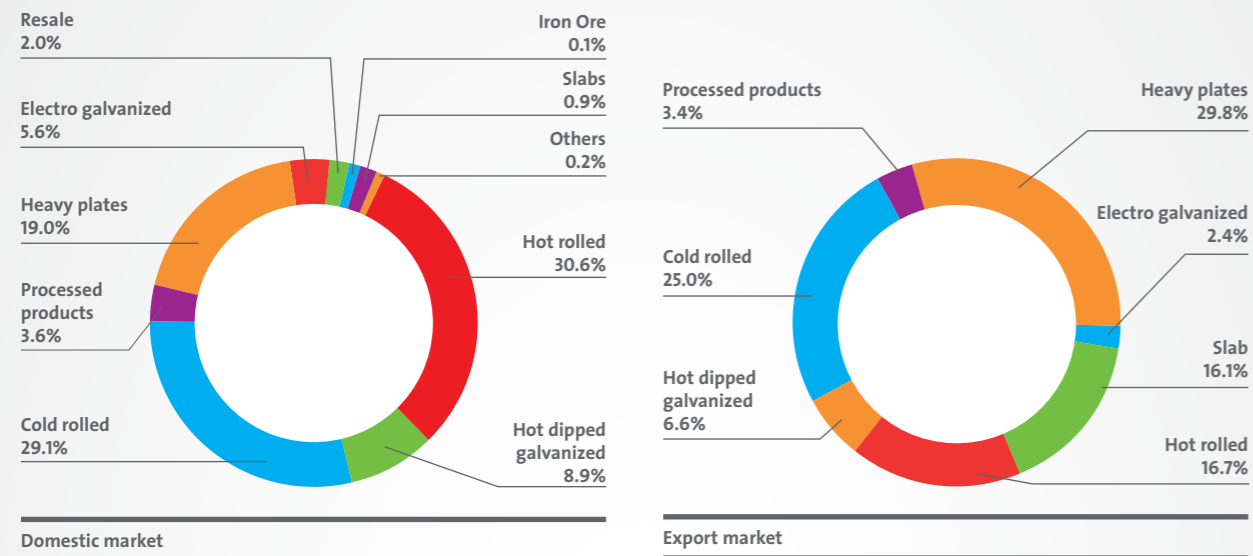
Net revenue reached R\$ 13.0 billion in 2010 and grew by 18.7% over 2009, due mainly to the greater volume and increase in average prices. The hot-dipped galvanized rolled products, heavy plates and processed steel products were those which increased their share in revenue.



Breakdown of net revenue - 2010

In 2010, the highlights in the generation of revenue in the domestic market were rolled products and heavy plates. In the export market, the rolled products also showed growth in revenue and representativeness in the segment.

## BREAKDOWN OF NET REVENUE – 2010



## COST OF PRODUCTS SOLD AND GROSS PROFIT

The costs of products sold (Custos dos Produtos Vendidos - CPV) increased by 10.5%, and totaled R\$ 10.4 billion in 2010. The additional amount reflects the higher volume and readjustment of raw material prices.

Gross profit totaled R\$ 2.5 billion in 2010 and expanded by 70.5% compared to 2009. This performance reflects the spread of fixed costs due to the higher sales volume. The ratio of gross profit to net revenue corresponded to the gross margin of 19.5%, i.e. 5.9 percentage points higher than the ratio for the previous year.

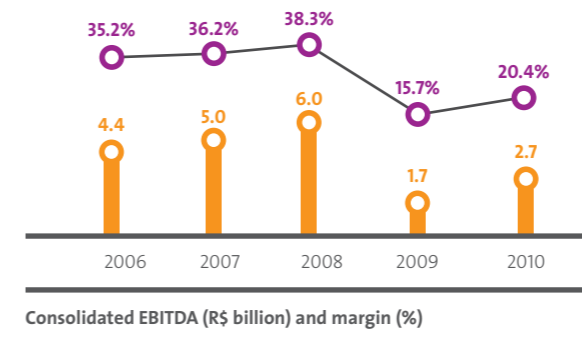
## OPERATING EXPENSES

Operating expenses increased from 4.4% of net revenue in 2009 to 4.8% in 2010, reaching R\$ 628.4 million, due mainly to increased expenses from product distribution. For the same reason, expenses for sales totaled R\$ 374.3 million, an amount that raised the share in net income from 2.6% to 2.9%. General and administrative expenses totaled R\$ 527.2 million and the ratio to revenue of 4.1% remained practically unaltered. Other operating income and expenses totaled R\$ 273.1 million, 3.7% higher than the amount recorded in 2009.

## OPERATING INCOME BEFORE FINANCIAL RESULTS (EBIT)

Operating Income Before Financial Results and Interests (EBIT) totaled R\$ 1.9 billion in 2010, resulting in an EBIT margin of 14.7%, a result that is 5.5 percentage points higher than in 2009.

EBITDA (operating income before financial expenses, stakes in subsidiaries and affiliates, plus depreciation and additions and exclusions not affecting cash) was R\$ 2.7 billion, up by 54.4% over 2009, resulting in an EBITDA margin of 20.4%.



Consolidated net income reached R\$ 1.6 billion in 2010, a result 24.2% higher than in 2009.

## FINANCIAL RESULTS

The net financial result for 2010 amounted to revenue of R\$ 13.2 million, compared to R\$ 608.8 million in 2009, primarily due to foreign exchange gains of R\$ 189.3 million, resulting from the appreciation of the Real. In the previous year, exchange gains of R\$ 967.3 million were determined. The appreciation of the Real against the US dollar was of 25.5% in 2009 and 4.3% in 2010.

## INTERESTS IN SUBSIDIARIES AND AFFILIATES

Interests in subsidiaries totaled R\$ 235.9 million in 2010, a result 40.8% higher than 2009. This performance is mainly due to the better results of Ternium.

## NET INCOME

Consolidated net income reached R\$ 1.6 billion in 2010, a result 24.2% higher than in 2009, with a net margin of 12.2%, compared to 11.7% in the previous year.

## INDEBTEDNESS

| Indebtedness – Consolidated    |                  |                  |                  |                  |                  |                  |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| R\$ milhões                    | Dec/31/09        |                  |                  | Dec/31/10        |                  |                  |
|                                | Local Currency   | Foreign Currency | Total            | Local Currency   | Foreign Currency | Total            |
| Short term                     | 542,375          | 288,467          | 830,842          | 493,994          | 418,634          | 912,628          |
| Long term                      | 1,900,169        | 3,222,978        | 5,123,147        | 3,560,308        | 3,669,146        | 7,229,454        |
| <b>Gross debt</b>              | <b>2,442,544</b> | <b>3,511,445</b> | <b>5,953,989</b> | <b>4,054,302</b> | <b>4,087,780</b> | <b>8,142,082</b> |
| Cash and financial investments | 2,687,393        | 395,654          | 3,083,047        | 4,005,736        | 548,149          | 4,553,885        |
| <b>Net indebtedness</b>        | <b>(244,849)</b> | <b>3,115,791</b> | <b>2,870,942</b> | <b>48,566</b>    | <b>3,539,631</b> | <b>3,588,197</b> |

Total consolidated indebtedness on December 31, 2010 was R\$ 8.1 billion (equivalent to US\$ 4.9 billion), against R\$ 6 billion (equivalent to US\$ 3.4 billion) at the end of 2009. This growth is associated with the pace of investments and procurement of funding for the execution of investments planned for the future.

At the end of 2010, debt consisted of 50% loans/financing in local currency and 50% in foreign currency. Of the total volume, 11% had short-term maturity and the remaining 89% had long-term maturity.

Since it holds assets and liabilities in foreign currency, mainly in US dollars, Usiminas engaged in swap transactions in order to reduce

costs, protect itself from exchange exposure and cope with interest, avoiding the disparity between currencies.

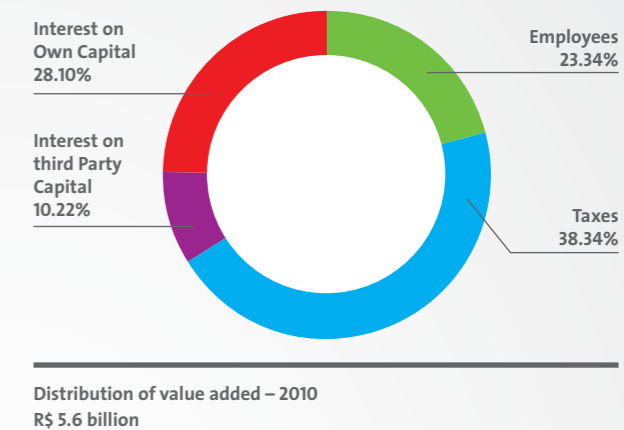
On December 31, 2010, the net debt/shareholders' equity ratio was equivalent to 0.2 and its ratio to EBITDA was 1.4. The Usiminas administration understands that the debt conditions and investments are adequate to support future needs arising from investments, working capital and debt relief.

The consolidated financial position changed from net debt of R\$ 2.9 billion at the end of 2009 to R\$ 3.6 billion at the end of 2010.

## GENERATION AND DISTRIBUTION

### OF WEALTH

Usiminas is responsible for generating wealth directly and indirectly through payments to shareholders, job creation, tax payments and social contributions. In 2010, the added value totaled R\$ 5.6 billion, distributed among taxes (38.34%), remuneration of third party capital (10.22%), employees (23.34%) and return on equity (28.10%).

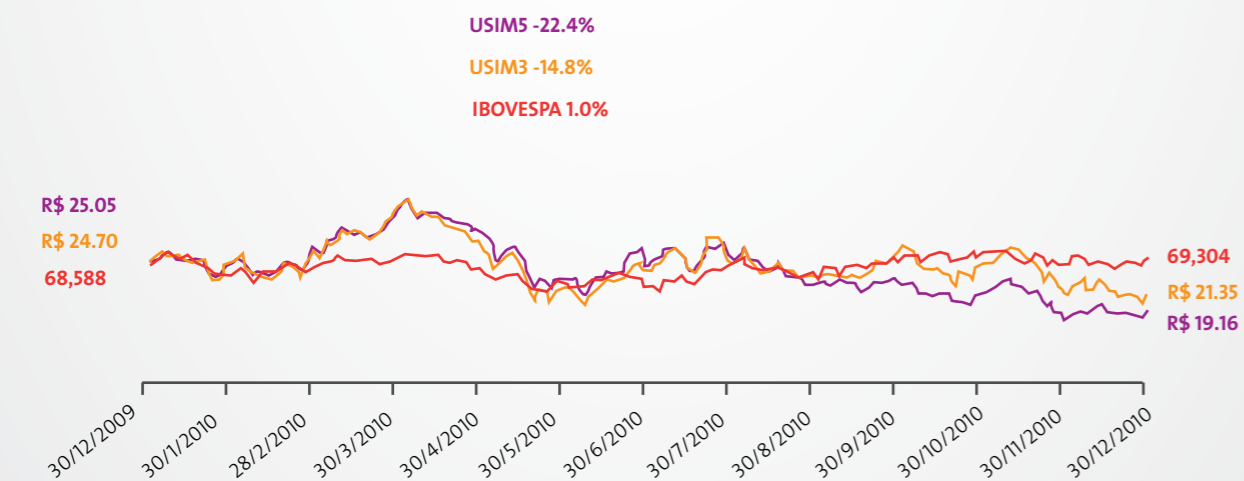


## CAPITAL MARKET

Usiminas stocks are traded in Brazil on Bolsa de Valores e Mercadorias e Futuros under tickers USIM3, USIM5 and USIM6; in the United States, the Company has Level 1 ADRs traded in the Over-the-Counter market, under tickers USDMY and USNZY. In Spain, the Company's stocks are traded on the Latibex under tickers XUSI and XUSIO.

## PERFORMANCE ON THE BM&FBOVESPA

In 2010, the common share (USIM3) ended the year at R\$ 21.35, and the preferred share (USIM5) at R\$ 19.16, with a devaluation of 14.8% and 22.4% respectively compared to the closing of December 31, 2009. In the same period, Ibovespa presented growth of 1.0%. By the end of the fiscal year, the market value of Usiminas was R\$ 19.4 billion.



Usiminas PNA (USIM5) and ON (USIM3) versus Ibovespa 2010

## FOREIGN STOCK EXCHANGES

### PERFORMANCE AT THE OTC – NEW YORK

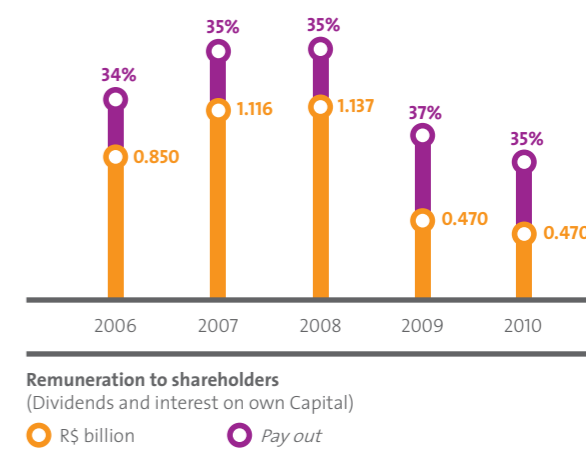
Usiminas has the following ADRs traded in the OTC market in the United States: the USDMY, backed by ordinary shares, and USNZY, backed by preferred class A shares. On December 31, 2010, ADR USNZY, of greater liquidity, was traded at US\$ 12.05, with depreciation of 17.0% in the year. ADR USDMY closed at US\$ 11.54.

### PERFORMANCE AT LATIBEX – MADRID

In 2010, XUSI shares (preferred) decreased by 13.1% compared to the closing of 2009, ending the fiscal year at € 8.50. XUSIO shares (ordinary shares) also decreased in value by 3%, closing the year at € 9.56.

## REMUNERATION TO SHAREHOLDERS

Usiminas distributed to its shareholders a total of approximately R\$ 550 million in dividends/interest on own capital referring to the 2010 fiscal year, which meant a payout of approximately 35%.



## DIALOG WITH INVESTORS

Actions related to communication with shareholders, analysts and investors conducted by Usiminas throughout 2010 sought to provide further information on capital markets and strengthen the relationships in order to add value to shareholders. Usiminas acted with transparency in delivering these high-quality services.

To serve the more than 64,000 shareholders of the Company, APIMEC public presentations (Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais - Association of Analysts and Professionals of Investment in Capital Markets) were held in several Brazilian capitals. During the year, ten Apimec public presentations were held.

As for the events for individual investors (individuals), the Company participated in three editions of "Expomoney," geared towards financial education, which consisted of free lectures and exhibitions for those interested in taking care of personal finances or knowing and exploring all

As a way of meeting the demands of analysts and investors, the Company held 467 meetings, involving 643 institutions around the world.

investment options. Usiminas was present in 37 lectures and national and international road shows, interacting directly with foreign investors.

As a way of meeting the demands of analysts and investors, the Company held 467 meetings, involving 643 institutions around the world. The Company also promoted 14 visits to its various industrial units, including the iron ore mines in Itatiaiuçu (MG), Ipatinga Plant (MG) and Cubatão Plant (SP).

| Investor Relations - meetings and public events held in 2010 |                           |                          |          |              |                 |           |
|--|---------------------------|--------------------------|----------|--------------|-----------------|-----------|
| National Conferences   | International Conferences | Visits to Business Units | Meetings | Institutions | APIMEC Meetings | Expomoney |
| 9  | 28                        | 14                       | 467      | 643          | 10              | 3         |

### RECOGNITION

The Investor Relations team of Usiminas was appointed by Institutional Investor magazine, from a poll of “sell-side” and “buy side” analysts, as the third best team in the Metal and Mining industry in Latin America, which comprises 25 companies.

### DIGITAL INTERACTION

Usiminas increased interaction on the Investor Relations website, which posted a 46% increase in the number of hits in 2010 compared to 2009, with approximately 52,000 visitors, and provided some tools with more technologically advanced features. This provided users with a faster and more dynamic navigation in the search for information, and reinforced the Company’s effort towards greater transparency.



Valdir Alves Júnior, Antônio Marcos S. Silva, Cláudio Souza da Silva, Rubens de Jesus, Fábio Martins Maia  
Production Programmers - Operational Control Center  
Cubatão Plant/SP



Operational Control Center  
Cubatão Plant/SP



*Jaqueline Abreu Alvarenga - Research Technician  
Technology Center - Ipatinga Plant/MG*

## RESEARCH AND INNOVATION

**Usiminas's Research and Innovation Department, established in late 2008, was restructured in 2009, with the definition of the main lines of work and goals for the coming years. The department focuses on initiatives in research and development, knowledge and innovation management and technology transfer. With the restructuring, the processes previously spread throughout various sectors of the Company have been unified.**

One of the first measures was to develop indicators to accurately measure the investment and the revenue of Usiminas in innovation, through numbers such as the ideas captured that effectively became projects and the number of employees directly involved in research and innovation processes.

In recent years, Usiminas's investments in research and innovation have grown and should triple by 2011, increasing from R\$ 25 million, allocated in 2008, to R\$ 75 million.

Innovation has always been part of Usiminas's strategy, and is expressed in the vision of the Company. But in addition to historically maintaining investments in research and development, the biggest challenge is disseminating knowledge to the workforce internally.

The Comunidades de Práticas project (Communities of Practices) represents one of the most important initiatives carried out by Usiminas's Knowledge Management Department, since it systematizes the transmission of information between employees of the Company. Competitive Intelligence and Benchmarking cells are also part of the Department.

Knowledge Management, which is present throughout the Company, includes:

- Identifying best practices internally and on the market;
- Detecting technological innovation developed in Usiminas companies, and monitoring their implementation;
- Determining external opportunities that can foster innovation in the Company;
- Monitoring technology and market development, and seeking information to facilitate decision making;
- Managing documents;
- Encouraging the proposal of ideas.

In addition to operating a Technology Center geared towards the development of steel products and processes in Ipatinga (MG), the Company decided to build a second research facility in Rio de Janeiro. In November 2010, the cornerstone of the Center for Technology, which will be installed in Ilha do Fundão, was launched in partnership with Universidade Federal do Rio de Janeiro (UFRJ).

The new research unit of the steel plant is especially geared towards the study and development of steel solutions for the sectors of oil and gas, ship building and offshore, with a focus on meeting the demands of future oil exploration

in the pre-salt layer. The research will be developed in partnership with Instituto Alberto Luiz Coimbra de Pós-graduação e Pesquisa de Engenharia (COPPE), UFRJ.

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### Usiminas is the private company that registered the most patents, between the years 2005 and 2009, according to a survey released in 2010 by Instituto Nacional de Propriedade Industrial (INPI).

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Among other partnerships with research institutions and universities, Usiminas maintains a traditional technical partnership with Nippon Steel Co., one of its shareholders and a leading technology provider.

It is worth mentioning that Usiminas is the private company that registered the most patents between the years 2005 and 2009, according to a survey released in 2010 by Instituto Nacional de Propriedade Industrial (INPI). During this period, in the overall ranking of companies, which included state-owned enterprises, the Company ranked second, just behind Petrobras.

### BOLSA DE IDEIAS

Intended for the presentation of proposals for projects and innovations, **Bolsa de Ideias** consists of a computerized and decentralized program, using a questionnaire as the main tool, to facilitate the flow of suggestions for improvement made by employees.

The criteria for judging the proposals are: comprehensiveness, simplicity, financial benefit, innovation and effectiveness. In the view of managers, simpler and more usable ideas can be adopted in just one day, while more complex ideas require up to 80 days.

In 2010, Bolsa de Ideias recorded 2,839 ideas, among which 823 were analyzed, but were not put into practice. Of the total, 1,449 have been filed and can be retrieved by the evaluators, while 304 are still under review. Another 89 are awaiting implementation and 174 were adopted by different units, 59 of which are capable of replication in other units of the Company.

The ideas captured are sent to a relevant unit, for example, to the Cubatão and Ipatinga plants, and to Usiminas Mecânica, among others, as well as to several areas - steelworks, reduction, environment, occupational health and safety, etc.

Currently, 446 employees participate in the evaluation process of ideas, of which 250 are local reviewers responsible for the initial review, 36 are committee reviewers responsible for multidisciplinary ideas and 160 are implementation leaders, who decide whether or not to implement the idea.

Each idea required an average investment of R\$ 12,365.57 in 2010, and the total investment amounted to R\$ 2,151,609.30. The average financial return per idea was estimated at R\$ 104,269.93 and the total annual financial return at R\$ 18,142,968.34.

### RECOGNITION

In 2010, Usiminas was included in the Sustainability Yearbook 2010, an international sustainability yearbook prepared by the SAM Group (Sustainable Asset Management), a Swiss entity that organizes the Dow Jones Sustainability Index. The Company is the only steel producer located in the Americas to be included in the prestigious publication. In the 2010 edition, over 1,200 companies were evaluated, representing 58 sectors. In all, 46 companies in the steel sector were considered.

Also in 2010, Usiminas became one of the top 50 “Empresas do Bem”, listed by IstoÉ Dinheiro magazine. According to the publication the ranking highlighted social and environmental projects.

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**Usiminas was the only steel company to appear in the ranking “Transparency in Sustainability among the 2010 IBovespa Listed Companies”.**

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The work for the development of the new brand, held between 2008 and 2009, resulted in winning first place in the Prêmio Aberje (Associação Brasileira de Comunicação Empresarial), in the national category Brand Communication.

Usiminas was the only steel company to appear in the ranking “Transparency in Sustainability among the 2010 IBovespa Listed Companies”, sponsored by the Spanish consultancy company Management & Excellence and published by Razão Contábil magazine. The Company ranked 7th, an improvement over the previous edition, in which it had ranked 29th. The ranking assesses 117 criteria divided into three areas: Corporate Social Responsibility; Corporate Governance and Sustainability.

**AWARDS & CERTIFICATIONS**

In 2010, Usiminas was the only steelmaker in the country to receive Selo Anpei de Empresa Inovadora (Anpei Seal for Innovative Company). Only 81 companies have the seal of the Associação Nacional de Pesquisa e Desenvolvimento das Empresas Inovadoras - Anpei (National Association for Research and Development of Innovative Companies).

Usiminas won the 2<sup>nd</sup> ABAP-MG Sustainability Award in 2010, for its contribution to the cultural and socio-environmental development of Minas Gerais. The Company was the winner in the “Cultura Ativa” (“Active Culture”) category, which highlights companies that were involved in the appreciation of local culture and increased the public’s access to culture and cultural programs.

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**In 2010, Usiminas was the only steelmaker in the country to receive Selo Anpei de Empresa Inovadora (Anpei Seal for Innovative Company).**

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The 2010 edition of Top of Mind showed that Usiminas was the company with greatest recall among residents of the Santos region. In the survey, the Company was mentioned by 50.4% of respondents, giving it first place in the ranking for the eighth consecutive time.

**CERTIFICATIONS**

In 2010 Usiminas also received the ISO 9001 certification: 2008 for its two plants - Ipatinga (MG) and Cubatão (SP). The Company is the first steel industry in Brazil to be certified in a unified manner by the Norwegian Det Norske Veritas (DNV), one of the world’s major classification societies. The certification demonstrates the integration of quality management in the Company, with respect to corporate processes (sales, logistics, technical assistance, marketing, procurement, etc.). This means that, in its operations, Usiminas adopts processes that are performed under the same standards, regardless of the location.

Before obtaining this unified certification, Usiminas was one of the top ten companies in Brazil to obtain the ISO 9001 certification in 1992 through the Ipatinga Plant. The Cubatão Plant obtained the ISO 9001 certification in 1995.

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**The Company is the first steel company in Brazil to be certified in a unified manner by the Norwegian Det Norske Veritas (DNV).**

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Ana Paula da Silva Pereira – Assembly Line  
Automotiva Usiminas – Pouso Alegre/MG





*Gabrielle Cristiny Moreira – 6<sup>th</sup> grade  
Student at Colégio São Francisco Xavier  
Ipatinga/MG*

Throughout 2010, Usiminas increased investments in social projects, while it strengthened its relationships with its various stakeholders - employees, shareholders, investors, clients, suppliers, government and communities located in the vicinity of its units - through the institutionalization of corporate policies.

Guided by the firm intention of matching the search for its legitimate interests in operations in the industrial sector, and in particular in the steel industry, with the development of the country's economy, the Company also encouraged dialog and maintained a transparent and democratic conduct with government representatives.

With regard to personnel management, 2010 was a period of development of new policies and practices of human development, which began to be structured by the Company in 2009. For 2011, the goal defined is consolidating and strengthening the new initiatives.

## PERSONNEL

Usiminas's personnel management policy focuses its efforts in modernizing the interpersonal relation processes. More than simply reviewing the concepts and the practices adopted, the Human Resources and Organizational Development Vice-Presidency wants to establish new bases for relations between the Company, the management staff and employees, clearly defining their roles in achieving the strategic objectives of the Company.

Main Guidelines for Personnel Management:

- Consider employees as partners co-responsible for the results of the Company, supporting their initiatives in the workplace and community, with the principles of ethics and mutual respect;
- Promote actions that favor the development of potential, considering employees the main agents of this process and their creative contributions, initiative, commitment and constant pursuit of quality and productivity to be essential;

- Consider the members of the management structure and employees as the main people responsible for the communication and enforcement of the ideals of the Company in relation to environmental preservation and quality of life;
- Maintain remuneration consistent with market practices, recognizing employee contributions to the results of their unit and the Company;
- Structure corporate communication channels between units and employees, promoting integration, flexibility and organizational rationality, as well as the quality of collective work relations;
- Seek synergies and establish partnerships in the area of Human Resources, through interactions with companies and representative entities both nationally and internationally.

## OCCUPATIONAL PROFILE

Usiminas ended 2010 with more than 5,283 permanent employees. Total employees rose to 34,886 people, up from 29,603 in 2009, an increase of 17.8%. The number of outsourced workers dropped from 28,666 to 25,257, or 11.9% less. An additional 3,091 people were allocated to the social institutions established or directly supported by the Company (São Francisco Xavier Foundation).

Employment levels increased, especially in the Capital Goods business line (30.6%) and Mining (19.6%).

The distribution of staff by geographical region maintained the same trend of recent years, concentrating in the Southeastern region.

### Distribution of employees per business line – 2009/2010

| Business line        | Own workforce |               |
|----------------------|---------------|---------------|
|                      | 2009          | 2010          |
| Mining               | 1,035         | 1,238         |
| Steelmaking          | 12,442        | 13,587        |
| Steel Transformation | 3,978         | 4,198         |
| Capital Goods        | 12,148        | 15,863        |
| <b>Total</b>         | <b>29,603</b> | <b>34,886</b> |

| Business line        | Number of hires |               |
|----------------------|-----------------|---------------|
|                      | 2009            | 2010          |
| Mining               | 496             | 509           |
| Steelmaking          | 686             | 1,923         |
| Steel Transformation | 361             | 1,116         |
| Capital Goods        | 7,569           | 13,794        |
| <b>Total</b>         | <b>9,112</b>    | <b>17,342</b> |

| Business line        | Interns    |            |
|----------------------|------------|------------|
|                      | 2009       | 2010       |
| Mining               | 28         | 9          |
| Steelmaking          | 166        | 214        |
| Steel Transformation | 40         | 21         |
| Capital Goods        | 81         | 125        |
| <b>Total</b>         | <b>315</b> | <b>369</b> |

| Business line        | Number of people with disabilities |            |
|----------------------|------------------------------------|------------|
|                      | 2009                               | 2010       |
| Mining               | 3                                  | 52         |
| Steelmaking          | 266                                | 271        |
| Steel Transformation | 119                                | 101        |
| Capital Goods        | 273                                | 272        |
| <b>Total</b>         | <b>661</b>                         | <b>696</b> |

| Business line        | Employees over 45 years of age* |              |
|----------------------|---------------------------------|--------------|
|                      | 2009                            | 2010         |
| Mining               | 150                             | 69           |
| Steelmaking          | 3,078                           | 1,204        |
| Steel Transformation | 803                             | 313          |
| Capital Goods        | 1,850                           | 1,174        |
| <b>Total</b>         | <b>5,881</b>                    | <b>2,760</b> |

(\*) Data for 2010 refer to employees over 50 years of age.

| Business line        | Number of women |              |
|----------------------|-----------------|--------------|
|                      | 2009            | 2010         |
| Mining               | 75              | 98           |
| Steelmaking          | 712             | 871          |
| Steel Transformation | 461             | 317          |
| Capital Goods        | 495             | 620          |
| <b>Total</b>         | <b>1,743</b>    | <b>1,906</b> |

## REMUNERATION POLICY

The Company's remuneration policy aims to ensure the competitiveness of salaries, benefits and short-term incentives, as well as the attraction and retention of human resources required to achieve strategic results, considering the customary remuneration levels in the steel market.

The remuneration plan is based on job descriptions/job positions, technically ranked through the Hay methodology. This methodology considers well defined characteristics regarding requirements and prerequisites, knowledge, skills, complexity, responsibilities and major

| Business line        | Number of blacks |              |
|----------------------|------------------|--------------|
|                      | 2009             | 2010         |
| Mining               | 35               | 79           |
| Steelmaking          | 551              | 637          |
| Steel Transformation | 231              | 285          |
| Capital Goods        | 318              | 364          |
| <b>Total</b>         | <b>1,135</b>     | <b>1,365</b> |

internal and external relations grouped according to these characteristics. Salary ranges are assigned for each group with minimum and maximum thresholds, the parameter being the average per job/position from a salary survey developed in a universe of peer companies of comparable size.



## WAGE

Wages paid by Usiminas to all of its employees remained above the minimum wage of R\$ 510.00, effective in December 2010. In the same period, the lowest wage paid by the Company was R\$ 510.40. The highest wage was R\$ 63,133.08.

In 2010, the breakdown of Usiminas's workforce by gender, age and some minorities remained roughly the same.

| Breakdown of the workforce by gender (%) |             |            |
|--|-------------|------------|
| Business line                            | Men         | Women      |
| Mining                                   | 92.1        | 7.9        |
| Steelmaking                              | 93.6        | 6.4        |
| Steel Transformation                     | 92.4        | 7.6        |
| Capital Goods                            | 96.1        | 3.9        |
| <b>Usiminas</b>                          | <b>94.5</b> | <b>5.5</b> |

| Breakdown of the workforce by minorities (%) |            |                          |
|--|------------|--------------------------|
| Business line                                | Blacks     | People with disabilities |
| Mining                                       | 6.4        | 4.2                      |
| Steelmaking                                  | 4.7        | 2.0                      |
| Steel Transformation                         | 6.8        | 2.4                      |
| Capital Goods                                | 2.3        | 1.7                      |
| <b>Usiminas</b>                              | <b>3.9</b> | <b>2.0</b>               |

| Breakdown of the workforce by age (%) |                       |                                |                       |
|---------------------------------------|-----------------------|--------------------------------|-----------------------|
| Business line                         | Under 30 years of age | Between 30 and 50 years of age | Above 50 years of age |
| Mining                                | 43.1                  | 51.4                           | 5.6                   |
| Steelmaking                           | 33.4                  | 57.8                           | 8.9                   |
| Steel Transformation                  | 34.7                  | 57.9                           | 7.5                   |
| Capital Goods                         | 48.8                  | 43.8                           | 7.4                   |
| <b>Usiminas</b>                       | <b>40.9</b>           | <b>51.2</b>                    | <b>7.9</b>            |

On average, the base salary for men is 10% below the salary received by women. The only exception is at the level of Directors, where historically most positions have been occupied by men.

## Ratio of the base salary between men and women, per business line and functional category.

| Capital Goods           |                |
|-------------------------|----------------|
| Base salary             | Difference (%) |
| Board                   | -              |
| Management              | 67.19          |
| Supervisor              | 56.60          |
| Middle Level Technician | 54.42          |
| Administrative          | 101.25         |
| Operational             | 86.25          |

| Steelmaking             |                |
|-------------------------|----------------|
| Base salary             | Difference (%) |
| Board                   | 128.21         |
| Management              | 90.00          |
| Supervisor              | 56.41          |
| Middle Level Technician | 100.00         |
| Administrative          | 75.76          |
| Operational             | 76.54          |

| Steel Transformation    |                |
|-------------------------|----------------|
| Base salary             | Difference (%) |
| Board                   | -              |
| Management              | 116.12         |
| Supervisor              | 44.02          |
| Middle Level Technician | 67.60          |
| Administrative          | 88.25          |
| Operational             | 72.83          |

| Mining                  |                |
|-------------------------|----------------|
| Base salary             | Difference (%) |
| Board                   | -              |
| Management              | -              |
| Supervisor              | 87.74          |
| Middle Level Technician | 104.50         |
| Administrative          | 83.45          |
| Operational             | 94.30          |

| Usiminas                |                |
|-------------------------|----------------|
| Base salary             | Difference (%) |
| Board                   | 128.21         |
| Management              | 94.99          |
| Supervisor              | 56.60          |
| Middle Level Technician | 76.38          |
| Administrative          | 95.47          |
| Operational             | 86.25          |



| Breakdown of the staff – 2010 |               |              |               |                      |               |
|-------------------------------|---------------|--------------|---------------|----------------------|---------------|
| By functional level           | Capital Goods | Mining       | Steelmaking   | Steel Transformation | Consolidated  |
| Board                         | 1             | 1            | 20            | 2                    | 24            |
| Management                    | 81            | 15           | 236           | 61                   | 393           |
| Supervisor                    | 433           | 31           | 696           | 128                  | 1,288         |
| Middle Level Technician       | 332           | 127          | 2,604         | 166                  | 3,229         |
| Administrative                | 1,092         | 196          | 2,610         | 876                  | 4,774         |
| Operational                   | 13,924        | 868          | 7,421         | 2,965                | 25,178        |
| Contractors                   | 1,377         | 1,078        | 22,263        | 539                  | 25,257        |
| <b>Total</b>                  | <b>17,240</b> | <b>2,316</b> | <b>35,850</b> | <b>4,737</b>         | <b>60,143</b> |
| By type of contract           | Capital Goods | Mining       | Steelmaking   | Steel Transformation | Consolidated  |
| Fixed period of time          | 0             | 0            | 41            | 0                    | 41            |
| Undetermined period of time   | 15,863        | 1,238        | 13,546        | 4,198                | 34,845        |
| Interns                       | 125           | 9            | 214           | 21                   | 369           |
| Trainees                      | 0             | 0            | 0             | 0                    | 0             |
| Part Time                     | 2             | 0            | 0             | 0                    | 2             |
| <b>Total</b>                  | <b>15,990</b> | <b>1,247</b> | <b>13,801</b> | <b>4,219</b>         | <b>35,257</b> |
| By region                     | Capital Goods | Mining       | Steelmaking   | Steel Transformation | Consolidated  |
| South                         | 0             | 0            | 10            | 840                  | 850           |
| Southeast                     | 15,341        | 1,238        | 13,573        | 3,322                | 33,474        |
| Midwest                       | 5             | 0            | 0             | 0                    | 5             |
| Northeast                     | 5             | 0            | 4             | 36                   | 45            |
| North                         | 512           | 0            | 0             | 0                    | 512           |
| <b>Total</b>                  | <b>15,863</b> | <b>1,238</b> | <b>13,587</b> | <b>4,198</b>         | <b>34,886</b> |

## TRAINING AND EDUCATION

The investment in training and professional development is one of the priorities for Usiminas's administration, in terms of personnel management. This investment has made it possible to train and retain talent, which contributes to the improvement of operations as a whole, resulting in a constant generation of shareholder value.

The number of training hours provided by the Company increased by 24.8%, registering increases in all functional categories, going from 1,076,007 hours in 2009 to 1,343,367 hours in 2010. This year's result amounts to 38.5 hours on average per employee (see table with aggregate totals). The number of hours per employee rose by 5.9%.

The number of participants in training courses also increased, from a total of 29,603 in 2009 to 34,886 in 2010. The events for the employees in the administrative and operational areas showed the highest increases in the number of participants.

Usiminas further provided, throughout 2010, a total of 252,737 training hours in occupational safety, with the participation of representatives of the four main business lines and other segments, seeking to promote changes in behavior that can be replicated by the teams. Altogether, the trainings were attended by 18,520 people.

### Average number of training hours per employee and functional category per year

| Functional category     | Capital Goods   |                                     |                    | Mining          |                                     |                    |
|-------------------------|-----------------|-------------------------------------|--------------------|-----------------|-------------------------------------|--------------------|
|                         | Number of hours | Number of employees in the category | Hours per employee | Number of hours | Number of employees in the category | Hours per employee |
| Board                   | 14.5            | 1                                   | 14.5               | 24.0            | 1                                   | 24.0               |
| Management              | 5,769.1         | 81                                  | 71.2               | 417.0           | 15                                  | 27.8               |
| Supervisor              | 18,470.8        | 433                                 | 42.7               | 2,284.5         | 30                                  | 76.2               |
| Middle Level Technician | 11,394.1        | 332                                 | 34.3               | 4,503.5         | 127                                 | 35.5               |
| Administrative          | 53,834.5        | 1,092                               | 49.3               | 9,048.5         | 197                                 | 45.9               |
| Operational             | 292,446.2       | 13,924                              | 21.0               | 19,785.2        | 868                                 | 22.8               |
| <b>Total</b>            | <b>381,929</b>  | <b>15,863</b>                       | <b>24.1</b>        | <b>36,063</b>   | <b>1,238</b>                        | <b>29.1</b>        |

| Functional category     | Steelmaking     |                                     |                    | Steel Transformation |                                     |                    |
|-------------------------|-----------------|-------------------------------------|--------------------|----------------------|-------------------------------------|--------------------|
|                         | Number of hours | Number of employees in the category | Hours per employee | Number of hours      | Number of employees in the category | Hours per employee |
| Board                   | 1,797           | 20                                  | 89.9               | 3                    | 2                                   | 1.5                |
| Management              | 16,077          | 236                                 | 68.1               | 2,881                | 61                                  | 47.2               |
| Supervisor              | 44,684          | 647                                 | 69.1               | 8,380                | 128                                 | 65.5               |
| Middle Level Technician | 164,777         | 2,985                               | 55.2               | 4,945                | 166                                 | 29.8               |
| Administrative          | 103,248         | 2,278                               | 45.3               | 31,908               | 876                                 | 36.4               |
| Operational             | 409,355         | 7,421                               | 55.2               | 137,320              | 2,965                               | 46.3               |
| <b>Total</b>            | <b>739,939</b>  | <b>13,587</b>                       | <b>54.5</b>        | <b>185,436</b>       | <b>4,198</b>                        | <b>44.2</b>        |

| Functional category     | Total Usiminas 2009 |                                     |                    | Total Usiminas 2010 |                                     |                    |
|-------------------------|---------------------|-------------------------------------|--------------------|---------------------|-------------------------------------|--------------------|
|                         | Number of hours     | Number of employees in the category | Hours per employee | Number of hours     | Number of employees in the category | Hours per employee |
| Board                   | -                   | -                                   | -                  | 1,839               | 24                                  | 76.6               |
| Management              | 17,818              | 437                                 | 40.77              | 25,144              | 393                                 | 64.0               |
| Supervisor              | 61,941              | 2,020                               | 30.66              | 73,820              | 1,238                               | 59.6               |
| Middle Level Technician | 158,957             | 5,142                               | 30.91              | 185,620             | 3,610                               | 51.4               |
| Administrative          | 41,663              | 1,987                               | 20.97              | 198,039             | 4,443                               | 44.6               |
| Operational             | 795,658             | 20,017                              | 39.75              | 858,906             | 25,178                              | 34.1               |
| <b>Total</b>            | <b>1,076,007</b>    | <b>29,603</b>                       | <b>36.45</b>       | <b>1,343,367</b>    | <b>34,886</b>                       | <b>38.5</b>        |

## EMPLOYEE TURNOVER

In 2010, Usiminas fired 11,941 employees. The 33% increase in terminations from 2009 to 2010 is related, however, to the completion of custom projects developed by the Capital Goods business line in the previous fiscal year. Altogether, there were 9,950 firings (9,832 men and 118 women), which represent 83% of all terminations.

In the Mining business line, 312 employees were laid off (301 men and 11 women); in Steelmaking, 1,072 (998 and 74); and in Steel Transformation, 617 (554 and 63, respectively).

With the closing of job posts, the employee turnover rate was significant compared to 2009, closing the year at 34.2% (see tables).

### Employee turnover rate, by gender, age and region – 2010

| Business line                  |               |        |             |                      |              |
|--------------------------------|---------------|--------|-------------|----------------------|--------------|
| By gender                      | Capital Goods | Mining | Steelmaking | Steel Transformation | Consolidated |
| Male                           | 64.5          | 26.4   | 7.8         | 14                   | 35.4         |
| Female                         | 19            | 11.2   | 8.5         | 19.9                 | 14           |
| By age                         |               |        |             |                      |              |
| Under 30 years of ages         | 71.5          | 26.5   | 9.4         | 17.4                 | 44.5         |
| Between 30 and 50 years of age | 55.1          | 24.4   | 6.2         | 12.2                 | 26.7         |
| Above 50 years of age          | 50.1          | 23.2   | 13.4        | 18.5                 | 29.8         |
| By region                      |               |        |             |                      |              |
| South                          | 0             | 0      | 0           | 13.1                 | 12.9         |
| Southeast                      | 60.3          | 25.2   | 7.9         | 14.8                 | 33.3         |
| Midwest                        | 0             | 0      | 0           | 0                    | 0            |
| Northeast                      | 620           | 0      | 0           | 19.4                 | 84.4         |
| North                          | 129.1         | 0      | 0           | 0                    | 129.1        |

### Total terminations by gender, age and region in each business line – 2010

| Business line                  |               |            |              |                      |               |
|--------------------------------|---------------|------------|--------------|----------------------|---------------|
| By gender                      | Capital Goods | Mining     | Steelmaking  | Steel Transformation | Consolidated  |
| Male                           | 9,832         | 301        | 998          | 554                  | 11,675        |
| Female                         | 118           | 11         | 74           | 63                   | 266           |
| By age                         |               |            |              |                      |               |
| Under 30 years of age          | 5,528         | 141        | 426          | 253                  | 6,348         |
| Between 30 and 50 years of age | 3,834         | 155        | 485          | 296                  | 4,770         |
| Above 50 years of age          | 588           | 16         | 161          | 58                   | 823           |
| By region                      |               |            |              |                      |               |
| South                          | 0             | 0          | 0            | 110                  | 110           |
| Southeast                      | 9,258         | 312        | 1,072        | 490                  | 11,132        |
| Midwest                        | 0             | 0          | 0            | 0                    | 0             |
| Northeast                      | 31            | 0          | 0            | 7                    | 38            |
| North                          | 661           | 0          | 0            | 0                    | 661           |
| <b>Total</b>                   | <b>9,950</b>  | <b>312</b> | <b>1,072</b> | <b>607</b>           | <b>11,941</b> |

### UNION RELATIONS

The relationships established by Usiminas with representatives of several labor unions, over the years, have been guided by transparency, mutual respect, ethics and continuous dialog. The Company's position is to maintain open communication channels so that any standoffs are resolved via negotiation, and conflicts are avoided.

Usiminas recognizes the right of free association of employees and respects their participation in unions. It does not practice any form of discrimination with regard to those who are unionized. The collective bargaining involving the companies of the Usiminas Group covers a total of 14 municipalities and its 14 major unions are spread across six states of the federation.

The collective bargaining agreements include all employees of Usiminas. In turn, the employees of companies providing services to the Company are assured of all the conditions agreed upon in the collective bargaining agreements or their respective professional categories.

Collective agreement instruments also include other topics such as relationship with the union; working hours; overtime; additional pay; and occupational safety and health. They cover, for example, assessment of ergonomic conditions of work stations, personal protective equipment and work clothes, accident reporting (with lost time, leave of absence) to the union, vocational rehabilitation and measures to protect workers' health and physical integrity.

A time limit for notification of operational changes within the Company has not been specified in the collective bargaining agreements. In this case, only the Rio Unidos Logística de Transporte de Aço unit provides a minimum of 15 days in advance to inform employees of possible operational changes.



## AGREGAR PROJECT

In 2010, Usiminas advanced in its relations with its contractors by hiring through the Agregar Project (Add Project) – the name is an acronym for **A**ção, **G**overnança, **R**econhecimento, **E**stratégia, **G**estão, **A**linhamento and **R**esultado (Action, Governance, Recognition, Strategy, Management, Alignment and Results).

The change in relations with contractors came from a diagnosis to learn what activities and under what conditions they worked within the Company. The results gave rise to a new hiring policy. Thus, the Company and the contractors are now avoiding legal, economic, fiscal, labor and security risks, among others, in addition to sharing Usiminas's values.

Changes in Usiminas's relations with contractors are not aimed exclusively at reducing costs or even the quality of hiring this type of labor. Rather, the idea is to incorporate within the staff of the Company qualified specialists in their respective fields.

## MAP OF PATHS AND CAREERS

Through a 2010 initiative, Usiminas employees found at their disposal, in a clear and transparent manner, the entire structure of the Company's positions and, thus, how they could plan their careers and professional development within the Company.

With close to 35,000 employees, Usiminas recorded, in 2010, a monthly average of six requests for guidance on new career levels, which represented approximately 0.2% per month, and about 2% per year.

Based on the Map of Paths and Careers, Usiminas made available to those interested the Programa de Oportunidade Profissional - POP (Professional Opportunity Program), through which the Company communicates job openings. In 2010, 632 job positions were opened and 403 applicants were internally selected to fill new positions or roles in the Company.

## JOVENS TALENTOS (YOUNG TALENTS)

In 2010, Usiminas created the Programa Jovem Engenheiro (Young Engineer Program), in order to sustain the growth of the Company, through hiring and training early-career professionals who wish to work in technical areas in steelmaking processes. The initiative represents an opportunity to increase perceptions of training in engineering in general, especially technical careers in engineering.

In 2010, the program received the registrations of 8,500 young engineers from all regions of the country, and selected 80 professionals. They started the program activities on January 17, 2011 in Belo Horizonte and in the Plants of Cubatão (SP) and Ipatinga (MG). All will participate in a technical development program and, in a subsequent

phase, will continue with their careers in the areas they had initially joined.

With a duration of 12 months, the program's curriculum includes several courses in the area of steelmaking. The members will attend the course Cadeia Produtiva da Usiminas (Usiminas Production Chain), which will help them to develop an overview of the Company and market. In addition, the program offers specific courses on the processes, through modules on Occupational Safety, Environment, Products and Applications, Supply Chain, Maintenance Management, Sales Planning, Programming and Production Control, Quality, Costs and Logistics.

## INTERNAL COMMUNICATION

Usiminas perceives internal communication as a strategic tool for the involvement and motivation of teams and also as a means to keep its employees aligned with company guidelines. The communication initiatives adopted by the Company have guaranteed access of employees, with great transparency, to the information that influences their day-to-day work, helping to increase knowledge and understanding of the direction of Usiminas. In this sense, the highlights for 2010 were the implementation of programs that bring senior management closer to employees, the reformulation of an important internal communication medium, the creation of a direct channel between employees

and the company, and the implementation of programs that contribute to the integration of employees' family members with Usiminas.

## MEETING WITH THE PRESIDENT AND LUNCH WITH THE PRESIDENT

Usiminas values the bonding and the contact among the various teams of employees at all levels. The Company believes that, through this strategy, important messages are well absorbed by the teams. In 2010, senior management's relationship with employees was enhanced with the creation of "Meeting with the President" and "Lunch with the President", activities in which the company's CEO, Wilson Brumer, accompanied by vice-presidents, has direct contact with employees.

During the Meeting with the President, senior management periodically visits the business units to share with employees the results and corporate strategies of Usiminas companies. It is an opportunity to dialog. In addition to watching a presentation on relevant topics to the Company, employees can ask questions that are promptly answered by the executives. In 2010, Meeting with the President had the participation of more than 7,000 employees, in 14 visits made throughout the year. To share access to information, the initiative is communicated through the Meeting with the President summary, dis-

tributed to all employees through electronic and printed media.

Each edition of Lunch with the President relies on the participation of employees that represent the major units in the Group. Besides the opportunity of visiting the Company's headquarters in Belo Horizonte, during lunch, the employees sit at the president's table and have a chance to talk face to face with the Company's chief executive. Subsequently, the recorded meeting is available on the intranet and in printed media, with the purpose of expanding the scope of the issues discussed. In 2010, there were eight editions of the Lunch, involving 77 participants.

### UNIVERSO USIMINAS MAGAZINE

In the constant effort to improve Company's internal communication vehicles, in 2010, the Universo Usiminas magazine was launched. The magazine included topics relating to markets and aimed to expand the employees' understanding of the Company. The new publication also seeks to present the main topics related to the Company, contributing to a better absorption of key messages and greater involvement of employees who participate by writing the articles. Using modern graphic resources and photos, in addition to a format that allows greater mobility, Universo Usiminas leads employees to a more consistent reading about the company where they work.

### CONTACT US (FALE CONOSCO)

Previously geared towards external audiences, in 2010 Contact Us (Fale Conosco) was extended to all employees, through the Company's intranet. As such, an important communication channel with employees of Usiminas was consolidated, especially due to its accessibility and speed of response, since all messages are answered within 48 hours.

### INTEGRATION WITH FAMILIES

In 2010, Usiminas took action to approach the families of its employees, improving the bonding between the Company and employees themselves. The company distributed 11,223 school kits to employees with children aged between 6 to 14 who attend elementary or middle school. The kit - comprising a backpack, notebooks and other school supplies - was delivered to all business units.

Employees' children also had the chance to get to know the business unit of their parents through the project Férias na Usiminas (Vacation at Usiminas). In July, during school vacation, visits were organized for 1,957 children aged 5-11 to the headquarters, Ipatinga plant, Cubatão plant and Mineração Usiminas. In addition to attending a special program, children had the chance to visit the workplace of their parents.

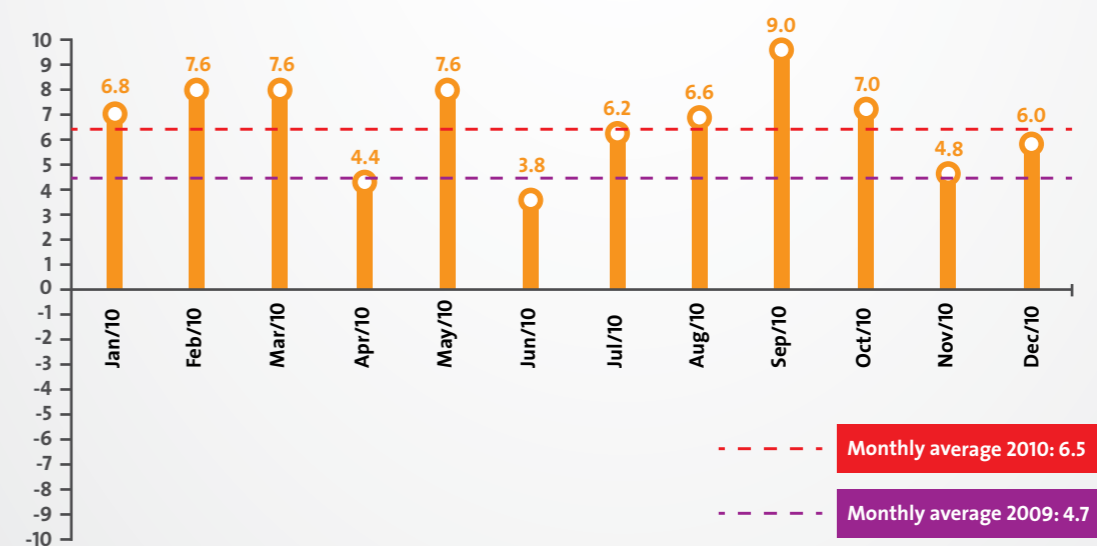
### EXTERNAL COMMUNICATION

The image of Usiminas is presented to the public in order to keep the public informed of the Company's interests. In this sense, advertising - both institutionally and marketing - is an important brand management tool, in addition to promoting the contact between this brand and current and potential clients. The company's image is also reinforced through participation in major events of the steel industry and steel consumer markets, such as fairs, seminars and congresses.

The Company constantly communicates relevant news in the press about its performance and meets the requests of journalists with flexibility and transparency. Usiminas uses a monthly indicator of image in the news me-

dia, which allows the evaluation of results and eventual adjustments in the communication strategy throughout the year. The resulting image balance is computed based on the positive and negative reports on the Company in the media. The index is measured in points, which can vary between +10 and -10.

In 2010, Usiminas's monthly average was 6.5 positive points. The result represented an improvement compared to the previous year's average of 4.7. Improvement in the indicator is the result of a much greater proactive effort in the Company's communication area and in the communication of material and advisory to spokespersons, as well as less reporting on negative topics related to the Company's overall performance.



Source: MIA Indicadores / RPI Comunicação



### FORA DE SÉRIE (EXTRAORDINARY)

In line with company guidelines, in 2010 the Fora de Série project was resumed, aiming to straighten ties with clients and to present products and solutions in Usiminas's major areas of activity. Two bimonthly newsletters are sent to trading partners. Each newsletter focuses on a specific consumer segment. The project is executed with the support of the Marketing Department, which decides with the Corporate Communication area on which topics should be addressed in each issue.

### COMPLEMENTARY PENSION

Usiminas currently has two closed pension entities, Caixa dos Empregados da Usiminas (Usiminas Employee Fund) and Fundação Cosipa de Seguridade Social - Femco (Cosipa Social Security Foundation), which manage two pension plan programs, both involving voluntary contributions.

The program managed by Caixa dos Empregados consists of two plans, with total coverage of approximately R\$ 3.7 billion: Benefit Plan 1 (Plano de Benefícios 1 - PB1), which has been closed to new members since November 1996, and Benefit Plan 2 (USIPrev), with variable contributions. In the case of PB1, the resources come from a fund, and the liabilities are formed from register data and estimates made on December 31, 2009.

Femco has two pension plans under its administration/ Plano de Benefício Definido - PBD (Defined Benefit Plan), which has been closed to new members since December 2000, has 194 active members and 8,152 assisted members (retirees and pensioners). Plano Misto de Benefícios Previdenciários nº 1 - COSIprev (Mixed Plan of Social Security Benefits), with defined contributions, has been closed to new registrations since May 2009. This plan currently has 4,439 active members and 452 assisted members (retirees and pensioners).

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**On December 31, 2010, the total invested in the PBD reached R\$ 1.1 billion while COSIprev totaled R\$ 402 million.**

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In these two plans, the resources come from contributions from sponsors, from members and from the return on investment. Since it is a defined contribution plan, COSIprev does not show deficits and/or surpluses. The PBD plan registered R\$ 9.9 million in 2010.

On December 31, 2010, the total invested in the PBD reached R\$ 1.1 billion while COSIprev totaled R\$ 402 million.

### SABER VIVER (LEARN TO LIVE) PROGRAM

Started in 2010, with two-year cycles, the Saber Viver program aims to prepare Usiminas employees with a formal employment contract for retirement. The objective is to enable the vision of new perspectives of life for professionals who are in that phase of their careers. The program only accepts voluntary registrations.

In order to identify the number of people eligible for retirement, the Company utilizes its internal database, guided by the concept of social responsibility to employees. Moreover, it follows the guidelines of Estatuto do Idoso (Statute of the Elderly), in compliance with Política Nacional do Idoso (National Policy for the Elderly), which is based on Law 8,842, of January 1994: create and encourage the maintenance of programs of preparation for retirement, in the public and private sectors, at least two years prior to the employees' retirement.

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**As of January 2011, a group of 69 employees had benefited from the Saber Viver program - 11 of whom were located in the Company's headquarters.**

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The survey indicated a total of 1,365 employees with over 55 years of age in the staff of the Company, invited to attend the lecture of awareness, where they received information about the entire structure of the program.

As of January 2011, a group of 69 employees had benefited from the Saber Viver program - 11 of whom were located in the Company's headquarters; 20 in Cubatão; 17 in Pouso Alegre; and 21 in Ipatinga.

### Programs for the management of competencies and lifelong learning

Approximately 80.3% of investments in education made by Usiminas in 2010 went to training, and 14.2% to language and graduation programs. The remaining 5.5% were distributed among graduate programs, adult education, elementary, middle and high schools, and programs for retirees (Saber Viver). Usiminas invests both internally and externally (grants), based on the 23 competencies defined in the performance management process.

| Programs                           | Capital Goods                 |                     |                            | Mining                        |                   |                            |
|------------------------------------|-------------------------------|---------------------|----------------------------|-------------------------------|-------------------|----------------------------|
|                                    | Number of employees benefited | Amount invested     | Total scholarships awarded | Number of employees benefited | Amount invested   | Total scholarships awarded |
| Languages                          | 29                            | 61,232.46           | 43                         | 5                             | 6,468.22          | 5                          |
| Graduation                         | 88                            | 222,291.56          | 89                         | 11                            | 20,212.45         | 11                         |
| Post-graduation                    | 21                            | 57,338.14           | 24                         | 8                             | 19,670.74         | 8                          |
| Saber Viver                        | -                             | -                   | -                          | -                             | -                 | -                          |
| Adult education                    | 35                            | 86,460.00           | 117                        | 55                            | 88,005.00         | 55                         |
| Masters                            | -                             | -                   | -                          | -                             | -                 | -                          |
| Elementary, middle and high School | -                             | -                   | -                          | -                             | -                 | -                          |
| General training                   | 9,871                         | 2,539,419           | Not applicable             | 1,238                         | 307,466           | Not applicable             |
| <b>Total</b>                       | <b>10,044</b>                 | <b>2,966,741.23</b> | <b>273</b>                 | <b>1317</b>                   | <b>441,822.25</b> | <b>79</b>                  |

| Programs                                 | Steelmaking                   |                      |                            | Steel Transformation          |                   |                            |
|--|-------------------------------|----------------------|----------------------------|-------------------------------|-------------------|----------------------------|
|  | Number of employees benefited | Amount invested      | Total scholarships awarded | Number of employees benefited | Amount invested   | Total scholarships awarded |
| Languages                                | 200                           | 963,758.90           | 267                        | 21                            | 52,763.42         | 25                         |
| Graduation                               | 353                           | 775,986.54           | 353                        | 28                            | 75,217.00         | 28                         |
| Post-graduation                          | 47                            | 275,533.05           | 47                         | 5                             | 11,191.56         | 9                          |
| Saber Viver (preparation for retirement) | 69                            | 54,219.48            | Not applicable             | 0                             | 0.00              | 0                          |
| Adult education                          | -                             | -                    | -                          | 29                            | 60,278.00         | 29                         |
| Masters                                  | 4                             | 7,747.01             | 4                          | -                             | -                 | -                          |
| Elementary, middle and high School       | 66                            | 180,292.83           | 100                        | -                             | -                 | -                          |
| General training                         | 12161                         | 8,983,654.96         | Not applicable             | 4,043                         | 466,812           | Not applicable             |
| <b>Total</b>                             | <b>12900</b>                  | <b>11,241,192.77</b> | <b>771</b>                 | <b>4,126</b>                  | <b>666,262.33</b> | <b>91</b>                  |

| Programs                           | Total Usiminas                |                   |                            |
|------------------------------------|-------------------------------|-------------------|----------------------------|
|                                    | Number of employees benefited | Amount invested   | Total scholarships awarded |
| Languages                          | 255                           | 1,084,223         | 340                        |
| Graduation                         | 480                           | 1,093,708         | 481                        |
| Post-graduation                    | 81                            | 363,733           | 88                         |
| Saber Viver                        | 69                            | 54,219            | Not applicable             |
| Adult education                    | 119                           | 234,743           | 201                        |
| Masters                            | 4                             | 7,747             | 4                          |
| Elementary, middle and high School | 66                            | 180,293           | 100                        |
| General training                   | 27,313                        | 10,139,862        | Not applicable             |
| <b>Total</b>                       | <b>28,387</b>                 | <b>13,158,529</b> | <b>1,214</b>               |

#### ASSESSMENT SYSTEM

In 2010 Usiminas advanced with the implementation of a new model for Performance Management and the assessment of skills, including hiring goals and skills, strategic integration with the Balanced Scorecard and committees for ranking of performance and calibration.

The implementation of the new model includes all companies in the Group. The performance

assessment process is instrumental in defining both the scope and content of training programs and employee development.

Next year, 3,864 managers will be assessed, which represents 11% of staff (own). Among them, a group of 737 employees will move to the variable remuneration regime. The results of the competencies should give rise to an Individual Development Plan (Plano de Desenvolvimento Individual - PDI) and provide support to the 2011 Annual Training Plan.

**In 2010 Usiminas advanced with the implementation of a new model for Performance Management.**

| Percentage of employees with regular performance and career development reviews, by business line |                     |  |
|---|---------------------|--|
| Business line   | Number of employees | Employees who receive performance assessment (%) |
| Capital Goods   | 15,863              | 4.8%   |
| Mining  | 1,238               | 9.6%   |
| Steelmaking   | 13,587              | 19.1%  |
| Steel Transformation  | 4,198               | 9.3%   |
| <b>Total Usiminas</b>   | <b>34,886</b>       | <b>11.1%</b>                                     |

## HEALTH AND SAFETY: PRIORITY

Usiminas took important steps in health and safety management in 2010, and strengthened its continuous commitment to attention and investment in the sector, through the creation of the Comitê de Alta Liderança (Top Leadership Committee).

With the participation of the president and vice presidents of the Company, the focus of the committee is to promote strategic alignment, define and lead all the initiatives and needs pertaining to occupational health and safety. Thus, some initiatives are highlighted, such as, for example, the consolidation of the MAISS program (acronym for Mudança, Atitude e Integração em Saúde e Segurança - Change, Attitude and Integration in Health and Safety), which aims to develop preventive actions against the risks of accidents and occupational diseases.



Jorge José Fonseca – Industrial Operator  
Soluções Usiminas – Santa Luzia/MG

Usiminas trained all employees in leadership positions associated with the operational areas, retained 100% of employees with representation in formal health and safety committees before the Comissão Interna de Prevenção de Acidentes - CIPA (Internal Commission for Prevention of Accidents), shifted security engineer positions to operational areas and conducted campaigns and events aimed to disseminate messages, stressing the importance of health and safety actions on a daily basis to all employees.

With regard to health in the workplace in 2010, the following initiatives can be highlighted:

- installation of a call center to serve beneficiaries of Saúde Usiminas (Usiminas Health);
- health and immunization campaigns;
- programs for the prevention of hypertension and tobacco smoking, in addition to short courses with a focus on musculoskeletal diseases;
- training on general principles of occupational hygiene and risk control;
- social services guidance to employees and their families affected by serious diseases.

To learn more about health programs, visit: [www.usiminas.com](http://www.usiminas.com)

| Tools for accident prevention   |  |
|---|--|
| <b>Anjo da Guarda (Guardian Angel)</b>                                      | System to oversee the development of operational and maintenance activities through online monitoring, aimed at immediate correction of discrepancies detected and production of training materials for safe practices.                        |
| <b>Análise de Risco de Tarefa (Task Risk Assessment)</b>                    | Tool used before the development of activities (maintenance/operation) not in the scope of the team's routine. Descriptive forms for all phases of the activities, containing the inherent risks and control measures to be adopted, are used. |
| <b>Auditoria Comportamental (Behavioral Audit)</b>                          | Observation of the behavior of employees and the appropriate approach, either to congratulate them, or to help them recognize and correct deviations.  |
| <b>Bloqueio Físico (Physical Block)</b>                                     | Tool that motivates employees in the quest for continuous improvement, with the implementation of physical block (mechanical, electrical, pneumatic and hydraulic devices), and increases the level of demand in risk control management.      |
| <b>Divulgação com Participação (DCP) (Communication with Participation)</b> | Report passed on to employees after an accident, including the description, analysis and conclusion of the investigation and actions to eliminate or mitigate the risks.   |
| <b>Índice de Prática Segura (IPS) (Safe Practice Index)</b>                 | Indicator that shows the adherence level of employees to the standards and safety practices in the execution of tasks through a percentage indicator.  |
| <b>Inspecções de segurança (Safety inspections)</b>                         | Visits by groups of employees to departments to make sure safety standards are being met. Inspections are made twice a week.   |
| <b>Paralisações de serviços (Downtime)</b>                                  | Downtime after the identification of serious and imminent risk during audits or safety inspections for settlement of deviations. Downtime can end only after analysis by the area manager and occupational safety professional.                |

## OCCUPATIONAL INDICATORS

In 2010, Usiminas registered a 7.7% decrease in the Injury Rate (Taxa de Lesões - TL) and a 100% reduction in the rate of Occupational Diseases (Taxa de Doenças Ocupacionais - TDO) compared to 2009. The decrease in occurrences positively reflects the decrease in the number of accidents due to the maturity of the health and safety management system, consolidated under the MAISS program.

In the same period, the absenteeism rate increased by 87.8% due mainly to the high number of absences recorded among workers at construction sites of Usiminas Mecânica.

| Injury rates, occupational diseases, lost days, absenteeism and work-related deaths, by business line* |                  |          |             |                      |                |           |
|--|------------------|----------|-------------|----------------------|----------------|-----------|
| Occupational health and safety indicators  | Business Lines   |          |             |                      | Total Usiminas |           |
|  | Capital Goods    | Mining   | Steelmaking | Steel Transformation | 2009           | 2010      |
| Injury Rate  | 1.63             | 1.70     | 1.05        | 4.27                 | 1.56           | 1.44      |
| Rate of Occupational Diseases**  | 0.00             | 0.00     | 0.00        | 0.00                 | 0.45           | 0.00      |
| Total Days Lost  | 134.30           | 628.99   | 50.25       | 253.55               | 70.15          | 104.45    |
| Total Absenteeism**  |                  | 8,614.33 | 6,210.73    | 2,222.36             | 5,373.11       | 10,090.44 |
| <b>Total deaths in the period</b>  | <b>15,251.90</b> | <b>2</b> | <b>5</b>    | <b>1</b>             | <b>4</b>       | <b>13</b> |

(\*) Data include events involving Usiminas's own staff, in addition to contractors, typical accidents and accidents while commuting.

(\*\*) Rates refer to Usiminas's own staff only.

### The MAISS Program relies on five main pillars:

- **Clear commitment from the leadership:** leadership: leaders are examples to be followed.
- **Line responsibility:** leaders are responsible for everyone in their area, and this responsibility cannot be delegated.
- **Management of deviations:** losses are avoided, because every loss is preceded by one or more deviations.
- **Continuous learning:** there is a continuous search for knowledge, which is instrumental for health and safety.
- **Focus on human behavior:** gains in health and safety result from changes of behavior and attitude of people at all levels of expertise.

## CLIENTS

The new operating strategies of Usiminas's companies in the Brazilian steel market maintained the focus on the client. The other points of attention set for 2011 are safety, costs and management.

Throughout 2010, much of the effort made by the Usiminas Group in obtaining market share, which was intensified by the significant increase in imports of flat steel, among other steel products, shifted to maintaining and attracting new clients. With this challenge in mind, the Company maintained the investments to add value to product lines manufactured at the Cubatão and Ipatinga plants, while consolidating the movement, initiated in 2009, to group the steel transformation activities under a new company – Soluções Usiminas. This company already holds more than 20% market share and has a capacity to process more than 2 million tons of steel per year.

Soluções Usiminas, which is structured into three business units - distribution, services and pipes - has a network of 14 manufacturing plants spread across five Brazilian states, which allows greater proximity to clients, in addition to reducing costs and contract lead times. All operations are supported by a modern steel processing infrastructure and technology to meet, in a customized manner, the demands of different sec-

With the strategic redefinition of the Usiminas Group, Soluções Usiminas's mission is to enhance its relationship with clients, aiming to ensure products at competitive prices and high value added.

tors: automobile, auto parts, civil construction, electronics, capital goods, and home appliances, among others. The clients have the option to acquire steel parts in the shape, size and quantity they want, as well as complete solutions.

With the strategic redefinition of the Usiminas Group, Soluções Usiminas's mission is to enhance its relationships with clients, aiming to ensure products have competitive prices and high added value. In this change process, in 2010, Automotiva Usiminas's capacity was also expanded, while Usiminas Mecânica improved its expertise in the area of manufactured products.

## INTEGRATION

In its ongoing process of aiming to capture and understand clients' needs the Company has successfully conducted the workshop "Usiminas no Cliente" ("Usiminas at the Client"). The event, conducted by marketing management for the Superintendence of Automotive Sales, has accomplished the goal of strengthening the policy defined by the current administration, to strengthen all of the Group's relationships.

The assessment is that, based on a close relationship, it becomes possible to open a communication channel, allowing the Company to anticipate the needs of its clients and the market itself, in a process that is essential for decision making and sustainable development.

The workshop on integration with the client is performed by a multidisciplinary team formed by experts in sales, marketing, logistics and technical assistance. Depending on the profile of the clients attending the event, professionals of Soluções Usiminas also join this team.



Continuous Casting  
Cubatão Plant/SP

## CLIENT SATISFACTION

One of Usiminas's biggest challenges is to reinforce to clients the idea that the Company is not simply another supplier, but rather a true business partner. One of the competitive differentials to achieve this objective is the constant monitoring, conducted since 1995, of how clients perceive the Company.

Through surveys and interviews conducted in the areas of procurement, receiving, quality control and production with its main clients, the Company detects the needs and demands of the market and consolidates the results in the report "Usiminas na Visão do Cliente" ("Usiminas from a Client's Standpoint"). This report is distributed to the units involved so they can analyze and make arrangements where necessary to improve service.

The image below shows the different stages of this process:



Structured individual interviews

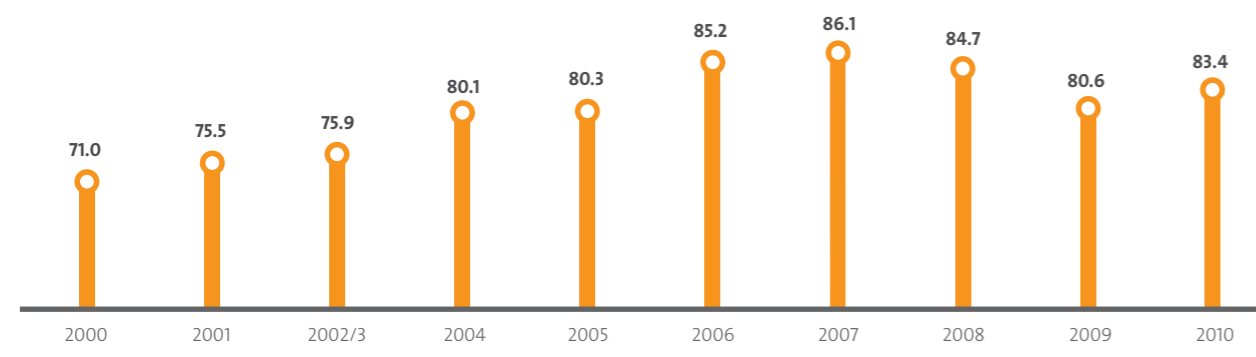
The planned actions are followed by reports prepared by the departments involved in the process. The marketing units monitor the implementation of the proposed actions. Usiminas provides relevant services to certain clients, utilizing multi-disciplinary teams, and the technical areas are deployed to develop new products in the search for solutions.

**One of the competitive differentials to achieve this objective is the constant monitoring, conducted since 1995, of how clients perceive the Company.**

Since 2009, the Company has unified the process of evaluating client satisfaction, which includes the Ipatinga and Cubatão plants. In 2010, the result was higher than the result of the previous year, thanks to improvement in certain aspects, including the delivery of products.

Surveys have also been expanded. In addition to the Steelmaking business line, for the first time the methodology was applied in the Mining and Capital Goods business lines (Usiminas Mecânica) as well as Steel Transformation (Automotiva & Soluções), as shown in the table.

| Overall client satisfaction index – 2009/2010 |             |        |               |                      |          |
|---|-------------|--------|---------------|----------------------|----------|
| Business Lines                                |             |        |               |                      |          |
| Year  | Steelmaking | Mining | Capital Goods | Steel Transformation |          |
|   |             |        |               | Automotiva           | Soluções |
| 2009  | 80.6        | -      | -             | -                    | -        |
| 2010  | 83.4        | 59.8   | 77.7          | 73.3                 | 79.9     |



Evolution of the General Client Satisfaction Index (%)

### PRODUCT CERTIFICATION

Since 2007, Usiminas has been certified by a Restriction of Hazardous Substances (RoHS) directive for the protection of the environment and health of people working with electrical and electronic equipment and by End of Life Vehicles (ELV) regulations for passenger vehi-

cles sold in the European Union, which minimizes the environmental impact represented by vehicles at the end of their useful life, by collecting, reusing and recycling their components.

The Materials Safety Data Sheet (MSDS) records the documentation that provides the basic knowledge of Usiminas products to clients, in addition to information on safety, security, health and environment, according to Norm NBR 14725-4:2009.

All flat-rolled products marketed by Usiminas have RoHS quality certificates, ELV and MSDS. For the automotive industry, the Company also uses the International Material Data System (IMDS), which provides automakers with evidence of compliance with national and international laws or regulations for use of materials. In 2010, Usiminas registered 364 products in the IMDS.

For 2011, the Company has established the following goals: include the RoHS and ELV logos in the certificates of Automotiva and Soluções Usiminas products, prepare the Materials Safety Data Sheet of Coal Chemical products, and participate in the development of the ABNT Norm on eco-labels for steel products.

All flat-rolled products marketed by Usiminas have RoHS quality certificates, ELV and MSDS.

### PARTNER SUPPLIERS

In 2010, the Usiminas Procurement Department maintained its responsible performance with regard to the Company's suppliers. Once again, the Company sought to improve existing sustainable practices in its relationships with suppliers in order to ensure their better performance.

The Company conducted, in 2010, the "Sustainable Dialog with Suppliers." The initiative aims to promote sustainable practices of the Group while aligning the performance of suppliers with its set of guidelines. The event had the participation of 50 partners.

Another important action in 2010 occurred during Semana do Meio Ambiente das Empresas Contratadas (Contractor Environment Week), when the Company was able to guide service providers on how to align with Usiminas's sustainable practices, in addition to having the opportunity to discuss and become aware of how to develop business with a view towards sustainability.

Usiminas was successful and obtained a satisfactory response by encouraging suppliers to reduce their dependence on the Company.

Usiminas confirmed in 2010 that its suppliers obtained more credibility and relevance in the marketplace, given the kind of relationship they have with the Company. Thus, they are better prepared to diversify its customer base throughout the national territory.

**Usiminas was successful and obtained a satisfactory response by encouraging suppliers to reduce their dependence on the Company.**

### STRICT SELECTION

In the Steelmaking and Capital Goods business lines, the current model for assessment of contractors considers points relating to quality, service, meeting deadlines, labor relations, human rights, child labor, forced labor, social discrimination, the environment and occupational health and safety, covering all providers of strategic services to Steelmaking. For 2011, the goal is to maintain this rating, spread the "sustainability" concept to suppliers, promote the qualification of local suppliers and establish educational campaigns, focusing on fighting child prostitution, alcoholism, drugs and stimulants.

In 2010, a pre-register, which will be the means of access to new suppliers as of 2011, was developed at the Company. A mandatory questionnaire was included in this process, covering issues of social responsibility and human rights.

In 2011, the Mining and Steelmaking business lines intend to update the information and documents from the base of strategic and critical suppliers, including a questionnaire to evaluate requirements for social and environmental responsibility, which should be answered by these suppliers.

### LOCAL INCENTIVE

For a local supplier to be contracted by Usiminas, some criteria are essential: environmental and social responsibility, certifications and costs. Additionally, there are other equally important factors such as logistics arrangements, technical training and transportation modes.

In Steelmaking, Capital Goods and Mining, domestic suppliers have a management partnership in manufacturing equipment and are closer to Usiminas, thanks to the realization of joint work with local associations and unions. These suppliers also have priority in the Company's purchases, being included, whenever possible, in the bidding calendar.

In turn, the Procurement Department of the Steel Transformation business line considers the competitiveness factor for prioritizing local purchasing.

**For a local supplier to be contracted by Usiminas, some criteria are essential: environmental and social responsibility, certifications and costs.**

| Proportion of spending on local suppliers, by business line – 2010 |                                      |   |                                |
|--|--------------------------------------|---|--------------------------------|
| Business Lines   | Spending with local suppliers *(R\$) | Total spending with local suppliers (R\$) | Budget for local suppliers (%) |
| Capital Goods  | 280,797,494                          | 788,797,494                               | 36%                            |
| Mining   | 7,370,913                            | 98,903,788                                | 7%                             |
| Steelmaking  | 2,066,650,151                        | 5,586,273,366                             | 37%                            |
| Steel Transformation (Soluções Usiminas)                           | 21,391,265                           | 237,984,658                               | 9%                             |
| Steel Transformation (Automotiva Usiminas)                         | 5,222,437                            | 379,593,151                               | 1%                             |
| <b>Total Usiminas</b>  | <b>2,381,432,260</b>                 | <b>7,091,552,457</b>                      | <b>34%</b>                     |

(\*)The Steelmaking, Capital Goods and Mining business lines consider local suppliers those who are located in the metropolitan area of the Steel Valley (Ipatinga, Santana do Paraíso, Timóteo and Coronel Fabriciano), and also those located within a 100-km radius of Ipatinga. In the Santos region, the municipalities of Cubatão, Santos, São Vicente, Guarujá and Praia Grande are considered local; in Minas Gerais, local suppliers are located in the belt formed by the municipalities of Itatiaiuçu, Mateus Leme, Itaúna, Igarapé and Brumadinho, and, within a 100-km radius, within the state, of the municipality of Pouso Alegre.

## COMMITMENT GUIDE

With the release of the Supplier Guide, Usiminas has sought a closer relationship with its trading partners. In 2010, the publication became more clear, objective and less formal. In an educational manner, suppliers are informed about the Company's needs, and begin to align with its values.

The guide provides useful information on how to register and on Usiminas's requirements in hiring, in terms of quality of products and services offered. It also includes the forms of behavior deemed appropriate by Usiminas in specific areas such as information security, social and environmental responsibility, occupational health and safety and quality management.

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**The Supplier Guide also discusses issues related to human rights, one of the principles followed and most strongly emphasized by Usiminas.**

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At the same time, suppliers are also encouraged to pass on sustainable values and practices to production chains to which they belong, disseminating concepts considered instrumental by Usiminas in relation to best practices and corporate citizenship.

The Supplier Guide also discusses issues related to human rights, one of the principles followed and most strongly emphasized by Usiminas. With this, in addition to clarifications on the matter, suppliers are also informed of what should be respected, appreciated and followed in their commercial agreements signed with the Company.

## WORK ETHICS

In 2010, there was no evidence of incidents of child labor or forced/slave labor in Usiminas's production chain.

The Company established a work group comprising representatives of the legal, procurement, sales, human resources and institutional relations areas, to discuss a draft of the new Code of Conduct, which, among other aspects, also addresses this subject. The discussions had the participation of all managers and their respective teams. The document has already been approved by the Administration Council and is about to be released.

## LOCAL HIRES

Usiminas focuses, whenever possible, on hiring professionals from local communities. In relation to senior management positions (superintendents, directors and vice-presidents), the Company hires these professionals in accordance with their profile and qualifications, regardless of their location. However, the total number of local employees hired is not systematically monitored.

## INSTITUTIONAL RELATIONS

Usiminas maintains a transparent and periodic dialog with government representatives at municipal, state and federal levels. To do this, it relies on the Board of Institutional Relations, through which it acts upon the interests of the Company and of the industries in which it operates. It also regularly monitors the major topics in the National Congress and the Legislative Assemblies of the states in which it operates, being involved, at a municipal level, in the development of public policies related to economic development, public health, environment, culture and sport.

When dealing with representatives of the Executive, Legislative and Judicial branches, at all government levels, the Company acts individually or jointly with professional associations and/or industry, always in accordance with the applicable rules and legislation.

In 2010, Usiminas participated in the development of the following policies and projects:

- Structuring the new Urban Master Plan of Ipatinga;
- Continued support to Agenda 21, in Cubatão;
- Strategic Planning of Health in Cubatão, in partnership with the local municipal authorities and São Francisco Xavier Foundation;
- Discussions in Congress on the issues such as work loads, climate change and taxation;
- Partnership with the Municipality of Porto Alegre on the donation of a Screening Center for Urban Waste, with the purpose of providing work and income for residents of Vila Chocolate (Chocolate Project);
- Establishment of partnerships with governmental and private entities and willingness to participate in ongoing discussions on the Company's mining areas in the municipalities of Mateus Leme, Igarapé, Itaúna, and Itatiaiuçu, among other locations.



## ELECTORAL CONTRIBUTIONS

With regard to limits established by specific legislation and to the standards set by the Supremo Tribunal Eleitoral – TSE (Supreme Electoral Court), Usiminas contributed, in 2010, a total of R\$ 7,358,060.00 for the funding process of political-electoral campaigns. In 2011, the Company does not expect to make financial contributions for new election processes.

Usiminas's participation in the Brazilian electoral process has been guided by the following basic precepts, consistent with its values:

1. Strict compliance with current legislation;
2. Commitment of candidates/parties to ethical principles including those advocated by the Global Compact;
3. Donations made exclusively to candidates and parties with electoral committees registered in the Electoral Justice;
4. Transparency and traceability of donations;
5. Search for the improvement of public governance at all three government levels;

6. Commitment to candidates who advocate the provision of sustainable development;
7. Strengthening of citizenship and democratic values.

## FIGHTING CORRUPTION

Among the tools and action policies in the fight against bribery and corruption practices adopted by Usiminas, covering all business lines, are the **Audit Plan**, the **SOX Project**, the **Self-assessment Project**, the **Supplier Guide** and the new **Code of Conduct**.

The **Audit Plan** investigates reports received through “Canal Aberto” and develops activities and projects to improve internal controls. In 2010, the processes posing the highest risk to the Company's strategic objectives were prioritized.

The **SOX Project** structures the Company to meet the requirements of the Sarbanes-Oxley act for the process of evaluating controls related to the reports. The project aims at transparency, ensures reliable financial reports and allows for greater clarity of roles, responsibilities and authority between the various hierarchical levels.

The **Self-assessment Project** enables the operational areas, in terms of methodology and tools to create a knowledge base that allows the improvement of activities in management of agreements with contractors and supports the evaluation process of service providers.

The **Supplier Guide** contains the main rules and conducts that govern trade relations with all Usiminas's suppliers. In early 2011, the Company expects to complete the implementation and communication of the new code of conduct among all employees, to be a reference for good relations with stakeholders.

In 2010, there was no specific training addressing the fight against corruption. However, Usiminas has already signed the Pacto pela Integridade e Combate à Corrupção (Pact for Integrity and Fight Against Corruption) developed by Instituto Ethos, defined as one of the Company's medium-term strategies. For 2011, training will be developed in conjunction with the release of the **Code of Conduct**.

## OFFICIAL RESOURCES

Traditionally committed to the socioeconomic and cultural development of the country, the Company uses the state and federal incentive laws to allocate resources to projects and communities in its area of influence, seeking to ensure that the benefits of its actions are directed to its stakeholders. In 2010, Usiminas transferred R\$ 574,000 to Financiadora de Estudos e Projetos (FINEP). The remaining funds (generated by ICMS and Income Tax (IR) credits) were allocated to the promotion of cultural, sporting and technological innovation programs, to the costing of the meals program for workers, as well as donations to the Fundo para a Infância e Adolescência (FIA) (Childhood and Adolescence Fund) – read more in the Community subchapter. Of a total of R\$ 42.5 million recorded in 2010, 76% correspond to the use of federal incentive laws, and 24% to state laws.

## COMMUNITY

Usiminas integrates the sustainability concept in all business areas, developing actions of an economic, social and environmental nature for different stakeholders, including the communities surrounding its units and industrial plants. Thus, it seeks to strengthen ties to promote the engagement of stakeholders involved, directly or indirectly, with the Company's everyday activities.

With this conduct, and through an entity in the Institutional Relations Department, as well as the performance of the Sustainability Office, Usiminas maintains contact with all its stakeholders, seeking, to the fullest extent possible, to address the demands presented by these stakeholders. In certain cases, especially when they represent advances and improvements, they are incorporated into the Company's management, thus changing its operating procedures.

Currently, the Usiminas Group sponsorship policy relies on a corporate committee responsible for the allocation of 60% of total resources to selected projects, and five local committees (Automotiva Usiminas, Usiminas - Ipatinga/MG, Usiminas Cubatão/SP, Usiminas Mecânica and Mineração Usiminas), which decide on the

remaining 40%. This decentralized strategy ensures greater transparency and efficiency in the approval and monitoring of projects.

## COLLECTIVE PROJECTS

Committed to the socioeconomic, environmental and cultural development of the country, Usiminas closed 2010 with a total of R\$ 29.4 million invested in projects in all 31 municipalities in which it operates. Responsible for managing investments in the areas of sports and culture, Instituto Cultural Usiminas managed resources allocated by the Usiminas Group companies to over 80 projects throughout the year, totaling investments of R\$ 19.5 million.

The allocation of these resources is done through direct investment, tax deductions permitted by federal and state laws to promote culture and sports, and Law 8,069/90, which created the Childhood and Adolescence Fund (FIA), an instrument that enables companies to allocate up to 1% of Income Tax due to the Municipal Councils for the Rights of Children and Adolescents.

In 2010, Usiminas earmarked R\$ 1.8 million for FIA, benefiting 31 cities - from Porto Alegre (RS), the headquarters of the unit Soluções Usiminas, to Itatiaiuçu, one of the municipalities in the area of activity of Mineração Usiminas, in the region of Serra Azul. In addition to always allocating the regulatory cap of 1%, the Company encourages employees and collaborators to do the same, since, according to the legislation, individuals can allocate up to 6% of their Income Tax to the Fund. An estimated group of 49,000 children benefited from projects funded by FIA in 2010, supported by Usiminas. Thus, the Company reached all municipalities where it has significant operations and those locations where most of its employees reside.

## CULTURAL RECOGNITION

Recognition of the role performed by Usiminas towards the development of its stakeholders came in 2010 through the Ministry of Culture, which recognized the Company as one of the major drivers of culture in the Country. In addition, the Company was appointed by the State Department of Culture as the company that allocates most resources to cultural production in Minas Gerais, through the State Law for the Promotion of Culture.

In 2010, in addition to the traditional calendar of actions of Instituto Cultural Usiminas - which invested about R\$ 6.7 million in initiatives such as Ação Educativa (Education Action), Espetáculos Didáticos (Educational Shows), Exhibitions and the Central Library of Ideas - other projects were launched. In the second half of the year, the cities of Santana do Paraíso, Mateus Leme and Itatiaiuçu hosted the Usiminas Circuit of Culture, with workshops, theatrical performances and film presentations that attracted an estimated audience of 7,500 people for events in public squares in these cities.

### Sporting and cultural investment made by Usiminas based on incentive laws (Federal and State level) – 2010

| Rouanet Law   | Sport Law     | State Law      | Total          |
|---------------|---------------|----------------|----------------|
| R\$ 7,425,000 | R\$ 1,798,000 | R\$ 10,287,000 | R\$ 19,510,000 |

For more information, visit: [www.institutoculturalusiminas.com](http://www.institutoculturalusiminas.com)

## LOCAL PARTNERSHIPS

In addition to trying to integrate itself into the communities in which it operates, Usiminas plays, in many localities, the role of promoter of ongoing or planned projects and socio-economic programs in favor of local development. As such, and in partnerships with governments and third-sector entities, the Company contributes to the generation of wealth through a dedicated procurement plan.

In the city of Ipatinga (MG), for example, in 2010, Usiminas joined several private and public agencies to work together to create the Economic Development Council for the Steel Valley (Conselho de Desenvolvimento Econômico do Vale do Aço). Through this initiative, the Company established partnerships with services providers and suppliers of materials and equipment from the city and region, recording a volume of purchases of approximately R\$ 400 million.

In Cubatão (SP), the Company strengthened its partnership with the municipal government in favor of environmental preservation, creation of jobs and improvement of health conditions. This extended to the Company's signing, in the second half of the year, of a memorandum of understanding focused on public health. Thus, in 2011, the idea is to conduct studies to develop programs and management actions aimed at improving

health services in the municipality through the exchange of experiences among professionals and the local city government and the São Francisco Xavier Foundation. This foundation, which was established in 1969 by Usiminas, operates in the areas of health and education.

The partnership was an extension of other agreements signed, developed and supported by Usiminas and the Cubatão municipal government in 2010, such as the programs Pró-Comércio (Pro-Trade), Pacto pelo Emprego (Pact for Employment) and Agente Socioambiental (Socio-environmental Agent).



## NEW JOBS

The creation of job positions was also aided by Usiminas's partnership with the city of Cubatão. In 2010, Posto de Atendimento do Trabalhador (Workers Health Center - PAT) conducted the mediation of local labor for a total of 6,900 job positions. Of these, 86.2% were opened by Usiminas and companies that provide services directly to the Company.

### Investment in infrastructure and other public services (R\$)

|  |                     |
|--|---------------------|
| Ipatinga Airport   | 2,800,000           |
| Conservation of urban forests in the Steel Valley                      | 949,231.09          |
| Centro Cultural Usiminas, Teatro Zélia Olguin, Fundação Clóvis Salgado | 5,060,000.00        |
| Conservation of public roads in the region of Mineração Usiminas       | 200,000             |
| <b>Total investments</b>   | <b>9,009,231.09</b> |

## PROJETOS CIDADÃOS (CITIZENS' PROJECTS)

By investing in projects involving communities, Usiminas relies on partnerships with third sector non-governmental organizations and local governments. But the company also develops its own projects, including the **Xerimbabo** and **Mantiqueira projects**.

The **Xerimbabo project**, named for the native word meaning pet, was created in 1984, in Ipatinga (MG). The project promotes environmental education, disseminates information about the conservation of biodiversity and provides leisure activities to visitors. In 2010, the project received more than 150,000 visitors from va-

rious towns in Minas Gerais and even from other states. Formed by youths, adults, students and educators, the beneficiaries of the project was able to reflect on the role of each species and on the scope and relationship of humans with biodiversity. Since 1974, the Xerimbabo project has been visited by approximately 2 million people.

The **Mantiqueira project**, initiated in 2003, seeks to promote the citizenship of underprivileged children and adolescents of the Pedreira da Mantiqueira community, which is next to the Cubatão Plant. This encourages the awareness of rights and obligations of participants so that they can contribute to improving the conditions

of where they live. The population is also encouraged to help improve the academic performance of students. Classes are held in the Cubatão plant itself.

In 2010, the project served approximately 70 children and adolescents in the Pedreira da Mantiqueira community. They took classes on notions of citizenship, tutoring and computers. In addition, they participated in workshops on art, culture, sports, dance and environmental awareness programs.

Usiminas also maintains two cultural spaces of its own, under the management of Instituto Cultural Usiminas (Usiminas Cultural Institute): Centro Cultural Usiminas (Usiminas Cultural Center) and Teatro Zélia Olguin (Zélia Olguin Theater), both located in Ipatinga (MG).

## USIMINAS NA ESCOLA

### (USIMINAS AT SCHOOL)

Initiated in 1998, Usiminas na Escola works in elementary and middle schools of the municipal network of Santos, São Vicente and Cubatão, in the Santos region. It develops a system of quality management in education, to transform the

target schools into centers of reference in school management, in addition to strengthening and expanding the awareness of students of moral and ethical values in the exercise of their rights and obligations as citizens.

The program operates focuses on five areas:

- school management system;
- education through sports;
- project on professional guidance and motivation;
- environmental education;
- involvement of the community.

The target public of Usiminas na Escola consists of students, parents, teachers and communities in the region of Santos, São Vicente and Cubatão and the municipal board of education of Santos and Cubatão. The activities take place at a school in each city, as occurred in 2010 as per the Technical Cooperation Agreement signed with the city authorities of the three municipalities, in line with their respective boards of education.

In the balance for the year, the project served approximately 3,000 students, 150 teachers, 30 employees and six technical coordinators.

## SÃO FRANCISCO XAVIER FOUNDATION

With just over 3,000 employees, the São Francisco Xavier Foundation, a philanthropic private entity of great social importance in the Steel Valley, currently and independently manages Hospital Márcio Cunha, the School São Francisco Xavier, and Centro de Odontologia Integrada e o Serviço Especializado em Segurança e Medicina do Trabalho (SESMT Coletivo) (Center for Integrated Dental Services and Specialized Service in Occupational Safety and Health), in Ipatinga (MG).

SESMT Coletivo assists service providers in the internal area of Usiminas with occupational health and safety, according to the criteria established by a regulatory provision of the Ministry of Labor. In 2010, 24,164 examinations and 65,908 complementary exams were performed.

A center of excellence in health in the Eastern region of Minas Gerais, Hospital Márcio Cunha provides medical, hospital and diagnostic services with recognized human and technological resources, as well as advanced physical infrastructure. With its two units, which offered 486 beds in December 2010, it operates in 45 medical specialties and services 35 cities, with a population estimated at 730,000 inhabitants. In 2010, the hospital performed a total of 221,786 consultations, 31,763 hospitalizations, 6,100 deliveries, 15,215 surgeries, more than 1.175 million examinations and 82,360 consultations in the emergency room, of which 22.4% were for patients in Sistema Único de Saúde - SUS (Unified Health System).



Hospital Márcio Cunha 1  
Ipatinga/MG

## SUPPORT TO EDUCATION

Committed to democratizing access to education and aware of the importance of education for personal and professional growth, Usiminas maintains a scholarship program in Colégio São Francisco Xavier (CSFX). Since 2009, employees' dependents may apply for the benefit, with an 85% discount in tuition.

The initiative is part of Usiminas's new social investment policy, whose premises are democratizing access to education, culture, sports and leisure activities and targeting priority actions for communities in regions in which the Company operates. In 2010, the program included 570 students, direct dependents of employees of the operational areas. To pay the tuition fees, the Company earmarked R\$ 2.17 million (this total includes dropouts during the

period) to the São Francisco Xavier Foundation, the administrator of the School, which closed the year with 2,657 students enrolled.

Founded in 1962, Colégio São Francisco Xavier has a quality management system for elementary, middle and high School, certified according to the ISO standards since 1997. It has an area of 40,000 square meters, with science and computer education laboratories, a library, sports courts, a soccer field, and an amphitheater. In August 2010, it began offering technical courses in Nursing and Clinical Analysis and an MBA in Management of Health Organizations (in partnership with the School of Medical Sciences of Minas Gerais/Fundação Educacional Lucas Machado), in addition to English and Spanish lessons, together with the language school Greenwich Schools.



Daniel Ferreira Martins – 6th grade  
Marcela Almeida Silva – 7th grade  
Students at Colégio São Francisco Xavier  
Ipatinga/MG

## USISAÚDE

The Usisaúde Foundation, established by the São Francisco Xavier Foundation on December 14, 2009, assumed the portfolio of health plans of FSFX, under the name Usisaúde. In 2010, with 777 new registrations, the number of beneficiaries increased to 135,999 people, 86.83% of which are related to Usiminas plans and 13.17% are related to market plans.

Until 2009, beneficiaries were served by 7,599 accredited companies in Brazil. In 2010, a group of 842 new accredited companies joined the network. In partnership with Usiminas, in 2010 Usisaúde launched the program “Atitude rima com Saúde (in loose translation - “Attitude rhymes with Health”) for all employees who are users of the plan.

| Projects maintained by the Usisaúde Foundation |  |
|--|--|
| <b>Educar</b>                                  | Facilitates access of beneficiaries to information on health quality, promoting primary prevention of diseases, protection and health.   |
| <b>Gerar</b>                                   | Aimed at mothers and fathers to be, it provides guidance on pregnancy, newborns and labor. There are four meetings, lasting three hours each. Gynecologists, nutritionists, dentists and analysts of health promotion are part of the team for this project. Pregnant women who sign up for the project receive a kit with four educational booklets.  |
| <b>Planejar</b>                                | The goal is to guide on the importance and the appropriate forms of family planning. It consists of just one meeting, lasting 2h40min., in a participatory and playful manner. The beneficiaries receive an educational booklet.   |
| <b>Respirar</b>                                | Aimed at children from zero to 14 years of age who have asthma, bronchitis or difficult breathing. The goal is to prevent crises and reduce the risk of hospitalization through the proper control of the disease, the guidelines on care for the child's environment and the correct use of medication. This project consists of specialized medical support (usually from a pediatric pulmonologist). The participating children also receive annual vaccination against influenza and educational material, and are also exempt from co-pay of up to five consultations in accordance with agreed upon care plan. |
| <b>Inspirar</b>                                | Intended for those who want to stop smoking and lead a healthier life style.   |
| <b>Equilibrar</b>                              | Focuses on nutritional education, encouraging and reinforcing healthy eating habits for beneficiaries, especially those who are overweight or obese.   |
| <b>Movimentar</b>                              | In order to have good health it is necessary to exercise regularly. The objective of this project is to encourage participants to incorporate this habit in an enjoyable way, as a means to lead a healthier lifestyle.  |
| <b>Antecipar</b>                               | Guides and encourages employees about the importance of carrying out the screening tests for breast, cervical, prostate and bowel cancer.  |
| <b>Transformar</b>                             | Focusing on important aspects related to adolescent health, it aims to reduce the main problems of this age group. It addresses issues such as sexuality, healthy eating, physical activity, and preventing pregnancy, among others.   |
| <b>Compartilhar</b>                            | Aimed at people 60 years of age or older. It aims to guide on the importance of health in every sense and help maintain healthy behavior and positive well-being.  |
| <b>Acompanhar</b>                              | For those over 60 years of age, people with high dependency for daily activities, patients with chronic diseases and those who have difficulty in locomotion and seeking medical care. The goal is to guide these beneficiaries and their families in appropriate health care, preventing complications of these diseases.   |
| <b>Cuidar</b>                                  | Aimed at people with diabetes, hypertension and heart disease, the goal is to reduce hospitalizations and decrease the chances of complications from these diseases.   |
| <b>Buscar</b>                                  | Assists participants in improving their mental health. The goal is to enable a better quality of life and enhance daily well-being.  |

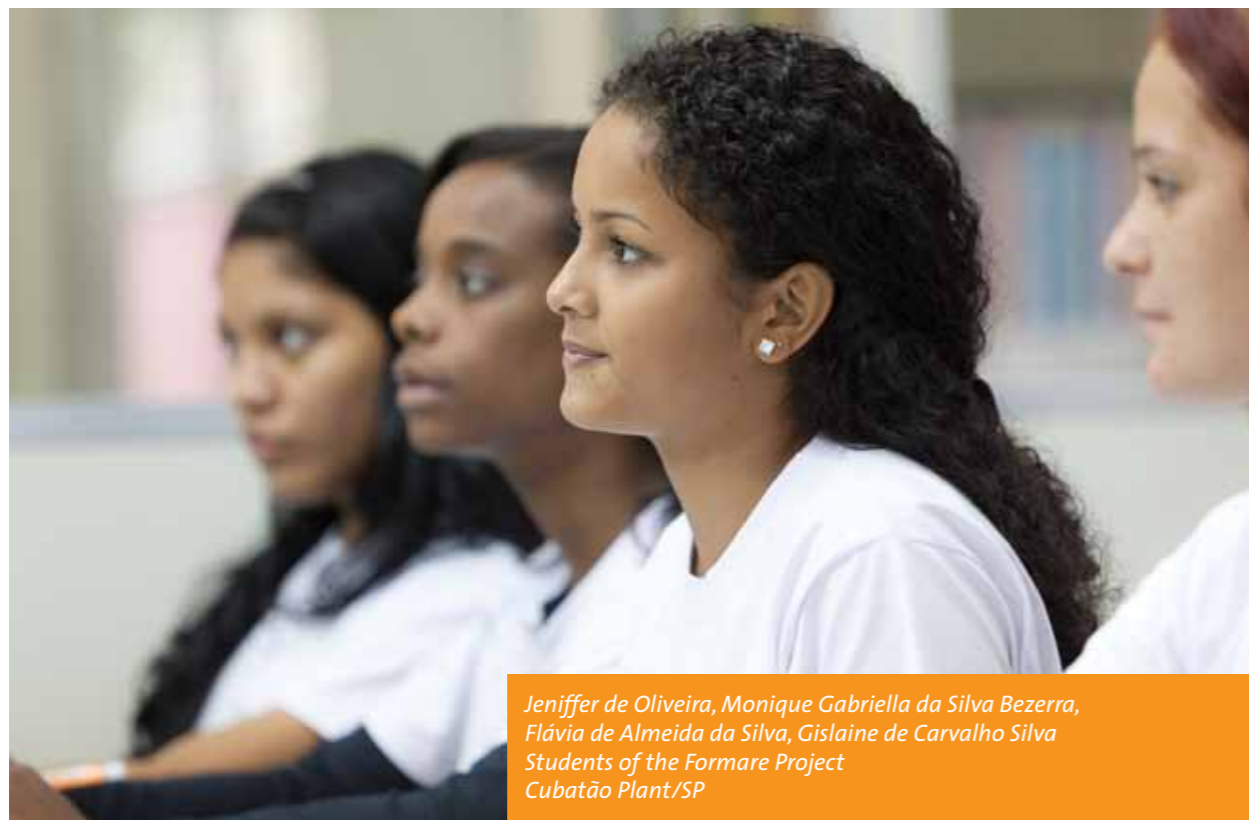
## AGENDA 21

In 2010, Usiminas continued its support to the standing committee of Agenda 21 in the municipality of Cubatão (SP). Here the implementation of actions envisaged by the sustainable development model by the year 2020, in partnership with the municipality and Centro das Indústrias do Estado de São Paulo (Ciesp), covers nine direct areas of interest to the community.

As one of its main goals, the Company defined the adoption of the strategic guidelines of the agenda suggested by the United Nations (UN), which represents an efficient model to encourage local development in all municipalities where it operates.

The areas targeted by the project in Cubatão are:

- Public administration;
- Culture;
- Urban suitability;
- Education;
- Sports;
- Environment;
- Training;
- Health;
- Training in the surrounding communities, to provide labor for Usiminas.



*Jeniffer de Oliveira, Monique Gabriella da Silva Bezerra, Flávia de Almeida da Silva, Gislaine de Carvalho Silva  
Students of the Formare Project  
Cubatão Plant/SP*

## SOCIAL REINTEGRATION

The Project for Convict Rehabilitation and Reintegration created by Usiminas aims to provide new employment opportunities and income for inmates and former inmates deemed fit to reintegrate into the labor market. Currently, the Company has a group of 17 employees hired in 2009 by Associação de Proteção e Assistência aos Condenados – APAC (Association of Protection and Assistance to Convicts), of Itaúna (MG) and Nova Lima (MG). In 2010, there were no new hires.

Automotiva Usiminas received from Instituto Minas pela Paz, in early February, a certificate of recognition for its performance in Projeto Regresso (Reintegrate Project). Created in partnership between the government of Minas Gerais, the Institute, and private companies, the initiative creates new work opportunities for convict rehabilitation and reintegration of former convicts into society.

Usiminas is one of the founders of Instituto Minas pela Paz and pioneered the development of the Projeto Regresso, hiring former convicts from the APACs. In supporting the initiative, Automotiva Usiminas equipped one of the warehouses of the APAC Pouso Alegre (MG), enabling the work of 20 rehabilitating convicts in reusing the packaging of the products it manufactures.

In addition to the project conducted within the APAC, Automotiva Usiminas hired three former convicts to work at the plant in Pouso Alegre. The idea is to carry out seven hires in 2011.



**By maintaining the commitment to reducing the impacts of its activities on the environment, in 2010 Usiminas continued a set of actions, some of them articulated with stakeholders, in order to consistently and continuously improve its environmental management.**

With an emphasis on integrated performance, whose guiding principle is the harmony of economic, social and environmental dimensions, the Company is preemptively concerned with solid waste, air emissions and noise; promotion of rational use of water, energy and inputs; and the improvement of the quality of effluents, as the most essential requirements for the development of its activities.

In 2010, Usiminas made a corporate inventory of emissions of carbon dioxide (CO<sub>2</sub>), considering 2009 as the baseline, and established procedures for its monitoring in the coming years. Information obtained by the survey, combined with a study on opportunities for mitigation of atmospheric emissions, allowed Usiminas to establish a corporate strategy to reduce the volume of emissions of greenhouse gases (GHG), and, at the same time, capture new business opportunities in this field.

In the view of Usiminas, climate change may become a relevant factor in its competitiveness and, therefore, it has actively monitored and participated in forums that discuss regulatory policies, in line with the actions of Instituto Aço Brasil (Brazil Steel Institute).

In the field of certifications, Usiminas was the first in the Brazilian steel industry - and the second in the world - to obtain ISO 14001 certification. In 2010, the products marketed by the Company complied, as usual, with the stringent environmental requirements of the international directives RoHS and ELV, the so-called "selos verdes" ("green seals") that monitor initiatives to protect the soil, water and air against pollution, restricting the use of certain substances such as lead, mercury and cadmium.



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Ipatinga/MG*

In 2010, Usiminas also continued the significant actions in its relationship with the external public. The main action concerns the Xerimbabo project - the oldest environmental education project in Brazil, whose objective is to promote environmental awareness, especially of students in the public school system. Throughout the year, the project received more than 150,000 visitors, coming from several towns of Minas Gerais and even other states. The participating public, comprising youths, young adults, students and educators, had the chance to reflect on the role of species and the extent and relationship of humans with biodiversity. Since it was established in 1984, the project has received more than 2 million visitors.

### THE CLIMATE AND THE BUSINESSES

Usiminas seeks to maintain an active role in the discussions and identification of situations of risk. Thus, it has been monitoring the forums established to regulate policies, in line with the actions of Instituto Aço Brasil (Brazil Steel Institute) and actively participating in them.

**Usiminas seeks to maintain an active role in the discussions and identification of situations of risk.**

Likewise, the financial opportunities have also been identified, primarily through the UN's Clean Development Mechanism. The financial viability of the Company's projects has included the potential benefit of carbon credit, to increase the value of investments as reflected in the mitigation of GHG emissions in accordance with the additionality principle proposed by the Kyoto Protocol.

### SOLID WASTE

In this fiscal year, the purchase of scrap, especially by the top 40 clients, was again a subject discussed internally. In 2011, with the structuring of the various sectors involved with the guidelines of the National Policy on Solid Waste, Usiminas plans to discuss again with its suppliers and clients the structure required to develop this activity.

Of all business lines, in 2010 Steelmaking once again accounted for the generation of the most waste. In this unit, 96% of the waste generated was directed to marketing and recycling, and the remaining 4% was available for treatment.

In 2010, in the Ipatinga plant, 94.5% of the waste generated was marketed and recycled. The remaining 5.5% went to landfills or was sent for treatment. In the Cubatão plant, 96.4% of the waste generated during the year was marketed and recycled, and only 3.67% disposed of in landfills.

Altogether, in 2010 the marketing of waste by Usiminas was responsible for generating revenue of around R\$ 59 million.

### MININ

In the mines in the region of Serra Azul (MG), Sistema de Gestão Ambiental - SGA (Environmental Management System) was consistently operated in 2010, based on the ABNT ISO 14.001:2004 standard, with the purpose of achieving environmental protection and the prevention of pollution by industrial activity processes.

The implementation of the SGA is part of the project for the structuring and establishment of Sistema Integrado de Gestão - SIG (Integrated Management System) Mining, with reference to management standards ABNT ISO 9001:2008 and OHSAS 18.001:2007, which began in June 2009 and whose certification will be completed in 2011. This management tool shows the performance, through the control of the impacts of activities on the environment, consistent with the policies and objectives previously established.

The design of the Environmental Management System should be incorporated into all levels of the Company, with the implementation of procedures in the daily routines of each process. As such, in 2011, the Mining business line aims to obtain ISO 14.000:2004 certification.

In the mining region, the hydrological study and monitoring complied with the rules and parameters established by Federação Estadual do Meio Ambiente - Feam (State Foundation for the Environment).



Lagoa da Anta  
Inside the Ipatinga Plant/MG



## PREVENTIVE MANAGEMENT

With regard to solid waste management, Mining made significant advances in 2010. In 2011, the idea is to implement the selective collection system for all facilities of the unit.

In the Cubatão plant, the dredging works of the Piaçaguera Canal, in the Private Marine Terminal, advanced in 2010 with the completion of the section with the correction of the curve for the entrance to the canal, as planned in Phase I of the project. The operation followed the appropriate environmental recommendations for performing proper disposal of the dredged sediment (ocean disposal).

In the Ipatinga plant the activities of the Project for Paving and Covering of the Internal Areas of the Coke Plants and Coal Chemicals were also completed, a way to prevent possible infiltration of steelmaking inputs into the soil of the industrial plant. Altogether, an area of 8,270 m<sup>2</sup> was paved, and another, with an extension of 22,727 m<sup>2</sup>, covered.



Cubatão Port Terminal  
Cubatão Plant/SP

## ECO-EFFICIENCY MANAGEMENT

The activities and progress made in key projects undertaken by the Company are shown below.

### IPATINGA PLANT

#### Air emissions

- Completed in March 2010, the installation of charging car N<sup>o</sup>. 06, which is already in operation in Coke Plant N<sup>o</sup>. 2. A total investment of R\$ 2.24 million, and designed with a sealed loading system in the coke ovens, the new car reduced by 90% fugitive emissions of gases and particulate matter in the coal charging process.
- Implementation complete and operation initiated in Coke Plant N<sup>o</sup>. 3, designed with new technologies that achieve levels of air emissions smaller than those provided in the current legislation.
- Reform of battery N<sup>o</sup>. 3 of Coke Plant N<sup>o</sup>. 2 was initiated in October 2010, with an investment of R\$ 4,860,000. The work will enable the installation in Coke Plant N<sup>o</sup>. 2 of new technologies to control air emis-

- sions, similarly to what has been done in Coke Plant N<sup>o</sup>. 3, especially in relation to the processes of discharging of coal, burning of coke gas and quenching of coke. These technologies could result in a reduction of up to 80% of emissions of particulate matter.
- Use of natural gas in blast furnace N<sup>o</sup>. 3 (replacing coal injected into tuyeres) and in scarfing in the steelworks (instead of LPG). In addition to allowing changes in the mix of energy matrix, the project will also reduce emissions of particulate matter and Greenhouse Gas (GHG), since natural gas is classified as a clean fuel.



### Energy efficiency

- Adoption of the Energy Efficiency Program, which seeks to raise awareness and disseminate best practices in energy efficiency. One of the actions of the program promoted the implementation of the Energy Efficiency Seal, which, during the Usiminas Environment Week in June 2010, awarded the areas that showed the best performance of combustion furnaces through the creation of better operational practices.

### Managing noise emissions

- In addition to the monitoring of noise already done, the Inventory/Mapping of Sources of Emission of Sound Pressure of the Ipatinga Plant was prepared, aiming to obtain technical and scientific data for management of key impacts, by mapping the acoustic conflict of the Company areas to the community.
- Installation of an acoustic barrier in the coal crusher to reduce the propagation of noise caused by the equipment.

### Care with waste

- A project on this topic is being developed in partnership with Fundação Gorceix - UFOP) (Gorceix Foundation). The goal is to adjust the volume expansion of the steel slag for use as railway ballast by means of a technical and scientific work.
- A study whose goal is to develop briquettes based on steelworks sludge is also under development, for reuse of this input in the blast furnaces.

### Natural gas

In 2010, the Ipatinga plant began using natural gas in its production processes. The immediate applications are:

- In Blast Furnace No 3, the fuel partially replaces the coal injected into the tuyeres;
- In steelmaking, natural gas replaces LPG, which represents 70% of the total consumption of the area.

In addition to saving resources and streamlining production, natural gas also provides environmental benefits because it is a cleaner energy source than petroleum and coal products.

Currently, the plant operates with the average availability of 260 cubic meters per day of natural gas in the blast furnace and scarfing.

Natural gas has not yet begun to be used in the hot rolling units (hot strip rolling and heavy plates), cold rolling (in box annealing furnaces, hydrochloric acid recovery furnaces and the continuous annealing line) and hot-dipped galvanizing lines 1 and 2, which use fuel oil in the pro-

duction process. However, the forecast is that the replacement by natural gas should occur by March 2013.

### CUBATÃO PLANT

In the Cubatão industrial plant, the refurbishment of Boiler N°. 3 was made in 2010 at a cost of R\$ 11.5 million. The other boilers were not refurbished, since Usiminas is studying the creation of a new thermoelectric power plant. Considering that the refurbished of Boiler N°. 3 aimed to adapt the equipment (only one of the boilers), the gains and environmental benefits of this modernization were not measured.



Seedling Nursery of the Usiminas Biodiversity Center  
Ipatinga/MG

### Emissions of particulate matter

Reform of the electrostatic precipitator of Sintering 2 was initiated, with the expansion of its filtering capacity and the adoption of new technology (Coromax). The investment is around € 12.68 million, and includes the reform of the electrostatic precipitator at Sintering 3 and the secondary pneumatic conveyor of Sintering 2 (the latter two activities are ongoing and due for completion in 2011).

### Care with waste

- Operation of wood waste shredder - hiring company for wood processing (beginning in August), at a cost of R\$ 97,000 (cumulative from August to December 2010).
- Development of alternative for sludge recycling from the steelmaking process, increasing the recycling rate of waste with return of product to the steelworks - without investment (held in partnership with another company).

### Waste recycling

The Program for Solid Waste Management, implemented in the Ipatinga and Cubatão plants, is based on the 4Rs concept - Reduce, Reuse, Recycle and Recover.

In the Ipatinga unit, in 2010, a total of 35,400 tons of steelworks sludge was recycled (LDG thick sludge); and a volume of 1.21 tons was marketed. Currently, Usiminas performs tests to reclaim the metal content of the sludge and to produce briquettes, which can be used in blast furnaces.

In Cubatão, the volume of recycled steelworks sludge totaled 54,000 tons, comprising sales to other companies.

#### Recycled sludge

Steelworks sludge, whose main component is iron oxide, consists of waste derived from industrial process in the steelworks (area where steel is produced). Due to its chemical composition, Usiminas carried out studies that made it possible to use the material as an input in the sintering process, one of the steps in the production of steel.

The Company began marketing steelworks sludge, which had previously been disposed of in industrial landfills. The Company found in the industrial sector, particularly among manufacturers of ceramics (which also use blast furnace sludge in their processes), a more appropriate destination for this steelmaking byproduct, and with a financial return.

### MONITORED EMISSIONS

The municipality of Ipatinga received four digital panels, which it installed nearly two years ago at four different public locations, which indicate the air quality in addition to weather information.

The measurement is performed through four stations that comprise the Rede Automática de Monitoramento da Qualidade do Ar e Meteorologia - RAMQAM (Automated Network for Monitoring of Air Quality and Meteorology) in the municipality of Ipatinga. In 2010, all measured values met the standards set by the environmental legislation.

The stations, equipped with modern analysis technology, conduct continuous monitoring of pollutants, sending the data online, each hour, to Usiminas, Fundação Estadual do Meio Ambiente - FEAM (State Environment Foundation), the Prosecutor's Office and the city hall. The information transmitted by the digital panel is based on the calculation of the Índice de Qualidade do Ar - IQA (Air Quality Index), regulated by environmental agencies, and used internationally. The classification of air quality to which people are exposed can vary from "good" to "critical".

The continuous monitoring stations, installed by Usiminas in Ipatinga, are not designed solely to evaluate the operations of the plant, but the air quality across the city, including influential fac-

tors, such as industrial emissions of various companies, automotive fuel emissions, motorcycles, buses and trucks, fires, topography, weather, etc.

### BIOLOGICAL TREATMENT

In 2010 the Company also opened the Biological Treatment Station in the Ipatinga plant, with a reactor that has already started operation. The other equipment that will comprise the entire plant, such as the ammonia distiller and tertiary treatment, will be completed in 2011.

### SORTING CENTER

In partnership with the municipality of Porto Alegre, and with the support of specialists, in 2010 Soluções Usiminas decided to build and donate a municipal waste sorting center, installed inside a housing development under construction in the state capital.

In addition to the sorting center for municipal waste, the development will have a plaza, day-care and community kitchen.

Designed by engineers and architects of Soluções Usiminas, the entire Sorting Center is made of metal, and should be completed in the first half of 2011. The sorting center will have all the necessary equipment for residents to recycle urban waste from various processes.

## RECOVERY OF GREEN AREAS

Usiminas has been maintaining, for years, the area surrounding the Ipatinga plant - an extension of 2,946 hectares of green areas. The space, intended for environmental preservation and production of seedlings, also houses a beekeeping program. In 2010, 26,549 seedlings of native species of the Atlantic Forest were planted in the areas of the Company.

In 2010, Parque Zoobotânico da Usiminas (Usiminas Zoological Botanical Park) was renamed Centro de Biodiversidade da Usiminas - Cebus (Usiminas Biodiversity Center). The Company installed on the site a warehouse to store fuel, fertilizers and pesticides, meeting the legal requirements of environmental safety. Moreover, it expanded the nursery area intended for the maturity of seedlings, with the construction of fences and irrigation and drainage systems, which will allow production (potential) of 70,000 seedlings. In 2010, 119,882 seedlings of native trees, ornamental and fruit species.

The Company's program for green areas and the internal landscape of the industrial area is maintained by the nursery. In 2010, the Mining business line, for example, received 2,380 seedlings for reforestation and landscaping from Cebus, in the mining area. Another 6,190 seedlings were also donated during the Xerimbabo Project, held in Itatiaiuçu (MG).

In 2010, Usiminas continued the Riparian Forest program, which aims to restore and maintain the vegetation cover on the left bank of the Piracicaba and Doce rivers, in the municipalities of Coronel Fabriciano, Ipatinga and Santana do Paraiso in the Steel Valley, a total area of 185 hectares. With the program, the Company managed to ensure maintenance of vegetation cover in this whole area, with mowing, fencing and firebreaks that limit the entire area.

The Company also continued the activities provided for in the Termo de Compromisso de Recuperação Ambiental (Term of Commitment to Environmental Recovery), signed with the State Forestry Institute and the Public Environmental Prosecutor of the District of Ipatinga, for the planting of native species.

## PRESERVED AREAS

The industrial plant in Ipatinga, which occupies an area of 7.997 km<sup>2</sup>, is located next to Rio Doce State Park, an Area of Biosphere Reserve of the Atlantic Forest recognized by UNESCO, the United Nations Educational, Scientific and Cultural Organization. The complex, however, is not located in the vicinity of the Conservation Unit.

In turn, the facilities that house the administrative and industrial activities in steel production, in the Cubatão Plant, occupy 12.5 km<sup>2</sup> of an area adjacent to Serra do Mar State Park and mangroves. The park has a management plan, whose preparation took into account the current reality of the region, namely the existence of an industrial center.

The industrial complex of Cubatão is also located in an Área de Proteção Permanente - APP (Permanent Protection Area), including riverbanks, tops, hills and all the archaeological heritage of the Sambaquis do Morro do Casqueirinho.



Scarlet Ibis – Usiminas conservation area in Cubatão/SP

## MATERIALS

*In the steelmaking process, manufacturing and processing of steel require the use of an extensive list of raw materials and inputs. In 2010, Usiminas consumed 28.8 million tons, considered the main non-renewable raw materials and inputs required for production, against a total of 13.2 million tons in 2009 (see tables).*

### Materials used by weight or volume, by business line in 2010

| Capital Goods                               |                                      |
|---|--------------------------------------|
| Main non-renewable raw materials and inputs | Consumption of materials by type (t) |
| Welding consumable                          | 1,499                                |
| Rolled non-flat                             | 3,289                                |
| Rolled flat                                 | 31,155                               |
| Paints, solvents and pastes                 | 258                                  |
| <b>Total</b>                                | <b>36,201</b>                        |

| Steel Transformation                        |                                      |
|---|--------------------------------------|
| Main non-renewable raw materials and inputs | Consumption of materials by type (t) |
| Steel                                       | 1,064,583                            |
| <b>Total</b>                                | <b>1,064,583</b>                     |

| Mining                                      |                                      |
|---|--------------------------------------|
| Main non-renewable raw materials and inputs | Consumption of materials by type (t) |
| Ores  | 9,370,577                            |
| <b>Total</b>                                | <b>9,370,577</b>                     |

| Steelmaking                                 |                                      |
|---|--------------------------------------|
| Main non-renewable raw materials and inputs | Consumption of materials by type (t) |
| Aluminum                                    | 22,443                               |
| Anthracite                                  | 183,954                              |
| Argon                                       | 8,088                                |
| Natural                                     | 71,835                               |
| Lime and fluxes                             | 2,922,565                            |
| Coal  | 3,625,319                            |
| Coke  | 70,211                               |
| Petroleum coke                              | 675,498                              |
| Ores  | 10,830,132                           |
| <b>Total</b>                                | <b>18,410,045</b>                    |

Carlos Gandra – Application Technician  
Usiminas Biodiversity Center  
Ipatinga/MG

| Consolidated                                |                                      |
|---|--------------------------------------|
| Main non-renewable raw materials and inputs | Consumption of materials by type (t) |
| Steel                                       | 1,064,583                            |
| Aluminum                                    | 22,443                               |
| Anthracite                                  | 183,954                              |
| Argon                                       | 8,088                                |
| Natural                                     | 71,835                               |
| Lime and fluxes                             | 2,922,565                            |
| Coal  | 3,625,319                            |
| Welding consumable                          | 1,499                                |
| Coke  | 70,211                               |
| Petroleum coke                              | 675,498                              |
| Rolled non-flat                             | 3,289                                |
| Rolled flat                                 | 31,155                               |
| Ores  | 20,200,709                           |
| Paints, solvents and pastes                 | 258                                  |
| <b>Total of non-renewable materials (t)</b> | <b>28,881,407</b>                    |

### Percentage of materials used from recycling

In Steelmaking, 10% of materials used in manufacturing steel are recycled, while in the Mining business line, the percentage is 50% of the total. In contrast, The Capital Goods and Steel Transformation business lines do not use materials of this nature in their industrial processes.

| Steelmaking                            |                  |               |
|--|------------------|---------------|
| Materials used from recycling (t)      | Tonnage          | Percentage    |
| Steel slag scrap                       | 594,835          |               |
| Slag from LD converter                 | 20               |               |
| Pig iron slag                          | 90,514           |               |
| FOFO (Cast Iron) – acquired externally | 53,352           |               |
| Light scrap                            | 242,267          |               |
| Heavy scrap                            | 72,502           |               |
| Plant scrap                            | 34,551           |               |
| Sludge                                 | 58,337           |               |
| Fines                                  | 445,733          |               |
| <b>Total weight (t)</b>                | <b>1,592,111</b> | <b>10.47%</b> |

| Mining                            |                  |               |
|-----------------------------------|------------------|---------------|
| Materials used from recycling (t) | Tonnage          | Percentage    |
| Reprocessed ore                   | 4,704,132        |               |
| <b>Total weight (t)</b>           | <b>4,704,132</b> | <b>50.20%</b> |

| Consolidated                           |                  |               |
|--|------------------|---------------|
| Materials used from recycling (t)      | Tonnage          | Percentage    |
| Steel slag scrap                       | 594,835          |               |
| Slag from LD converter                 | 20               |               |
| Pig iron slag                          | 90,514           |               |
| FOFO (Cast Iron) – acquired externally | 53,352           |               |
| Light scrap                            | 242,267          |               |
| Heavy scrap                            | 72,502           |               |
| Plant scrap                            | 34,551           |               |
| Sludge                                 | 58,337           |               |
| Fines                                  | 445,733          |               |
| Reprocessed ore                        | 4,704,132        |               |
| <b>Total weight (t)</b>                | <b>6,296,243</b> | <b>25.62%</b> |

Explanatory notes:

1) The “Total - Usiminas” line encompasses only the amounts related to the Mining and Steelmaking business lines, since the others do not use recycled materials.

2) To calculate the percentage of recycled material, the scrap value (total), sludge and fines were used, compared with the amount of ore (used in Steelmaking and Mining), coal and coke for Steelmaking and Mining.

### ENERGY

Steelmaking showed a significant increase in production in 2010. The expansion of activities in this business line explains the growth in purchasing and power generation in relation to the previous year. In totaling the electricity purchased, Usiminas also adds to its process the emissions

resulting from power generating companies. The 2009 Annual Report did not contain this information.

### Energy saved due to improvements in conservation and efficiency

In 2010, Steelmaking reduced its energy consumption by 0.1% due to rationalization and efficiency measures, which is equivalent to saving 148,592 gigajoules (GJ). In Ipatinga, the result was achieved through the project Theme Leader Energy Efficiency; in Cubatão, by the projects to reduce coke gas in sintering and a reduction in energy in the water treatment and recirculation system in the rolling mills.

### Consumption of direct energy by primary energy source

| Capital Goods                                  |                  |
|--|------------------|
| Non-renewable sources (GJ)                     |                  |
| LPG  | 4,706,354        |
| <b>Total consumption of direct energy (GJ)</b> | <b>4,706,354</b> |

| Steelmaking                                    |                    |
|--|--------------------|
| Non-renewable sources (GJ)                     |                    |
| Coal <sup>1</sup>                              | 114,738,043        |
| Gasoline                                       | 2,468              |
| Diesel   | 168,641            |
| Fuel oil                                       | 5,946,674          |
| Natural gas                                    | 4,191,048          |
| LPG  | 325,014            |
| Coke purchased <sup>2</sup>                    | 8,275,845          |
| <b>Subtotal</b>                                | <b>133,647,732</b> |
| Renewable sources (GJ)                         |                    |
| Hydrous ethanol                                | 115                |
| Oxygen   | 3,247,286          |
| Nitrogen                                       | 3,216,653          |
| Argon  | 77,030             |
| <b>Subtotal</b>                                | <b>6,541,083</b>   |
| <b>Total consumption of direct energy (GJ)</b> | <b>140,188,817</b> |

| Steel Transformation                           |                  |
|--|------------------|
| Non-renewable sources (GJ)                     |                  |
| Gasoline                                       | 207              |
| Diesel   | 8,950            |
| Fuel oil                                       | 56,707           |
| Natural gas                                    | 3,736,807        |
| LPG  | 8                |
| <b>Total consumption of direct energy (GJ)</b> | <b>3,802,680</b> |

| Mining   |                    |
|--|--------------------|
| Non-renewable sources (GJ)                     |                    |
| Diesel   | 123,770,774        |
| <b>Total consumption of direct energy (GJ)</b> | <b>123,770,774</b> |

| Usiminas                                       |  |                    |                    |
|--|--|--------------------|--------------------|
| Non-renewable sources (GJ)                     |  | 2009               | 2010               |
| Coal <sup>1</sup>                              |  | 948,208            | 114,738,043        |
| Gasoline                                       |  | 4,022              | 2,675              |
| Diesel   |  | 302,115            | 123,948,365        |
| Fuel oil                                       |  | 5,039,608          | 6,003,381          |
| Natural gas                                    |  | 3,028,371          | 7,927,855          |
| LPG  |  | 273,642            | 5,031,376          |
| Coke purchased <sup>2</sup>                    |  | 10,230,622         | 8,275,845          |
| <b>Subtotal</b>                                |  | <b>113,699,218</b> | <b>265,927,540</b> |
| Renewable sources (GJ)                         |  | 2009               | 2010               |
| Hydrous ethanol                                |  | 224                | 115                |
| Oxygen   |  | 2,328,617          | 3,247,286          |
| Nitrogen                                       |  | 2,489,507          | 3,216,653          |
| Argon  |  | 66,012             | 77,030             |
| <b>Subtotal</b>                                |  | <b>4,884,360</b>   | <b>6,541,084</b>   |
| <b>Total consumption of direct energy (GJ)</b> |  | <b>118,583,578</b> | <b>272,468,624</b> |

Explanatory notes:

- 1) In the industrial plant of Cubatão, the item coal includes the consumption of anthracite.
- 2) Coke purchased = coke consumed - coke produced.
- 3) The purchase of metallurgical coke varies with the installed production capacity of coke and steel production. In 2010, the variation is explained by the increase in the Company's own production.

### Consumption of indirect energy, by primary energy source

| Consumption of electricity (GJ) | Capital Goods    | Mining          | Steelmaking          | Steel Transformation | Total energy (GJ)    |
|---------------------------------|------------------|-----------------|----------------------|----------------------|----------------------|
| Electricity purchased           | 86,111.74        | 8,690.00        | 10,275,292.00        | 215,368.29           | 10,585,462.03        |
| Electricity generated           | 0,00             | 0,00            | 2,713,558.00         | 1,861.20             | 2,715,419.20         |
| <b>Total</b>                    | <b>86,111.74</b> | <b>8,690.00</b> | <b>12,988,850.00</b> | <b>217,229.49</b>    | <b>13,300,881.23</b> |

### WATER RESOURCES

Usiminas's industrial and mineral exploration operations also require large volumes of water. In the production of steel, it is used as a solvent, catalyst, cleaning agent, and cooling agent and in dispersion of pollutants. The only sources of water uptake used by the Company are the rivers located near its steel plants.

Most of the water used by the Company recirculates within its own facilities. Once processed, a part of it, always in a smaller volume, is returned to rivers.

As authorized through legal grants, Usiminas takes up water from the Quilombo River (only for human consumption) and Mogi River (industrial use), in São Paulo, and in Piracicaba River, in Minas Gerais. In 2010, the industrial plant in Ipatinga accounted for an uptake of 1.6% of the average annual volume of the Piracicaba River, while in the Cubatão unit it accounted for 10.5% of the average annual volume of the Quilombo River and its tributaries (Brites and Morrão Rivers).

In 2010, there was no uptake of water or effluent from another organization. In the same period, there was a significant increase in operations to take up groundwater due to the grant of seven new licenses for tubular wells in the Mining business line. The unit also considered the Tesp and Taubaté terminals, not recorded in 2009. The Steel Transformation business line completed the integration of its units and assumed control of the consumption data from 12 distinct regional units.

Only Steelmaking recycles and reuses a significant percentage of water. In 2010, the plants reused 1.41 billion cubic meters (m<sup>3</sup>), equivalent to 95% of the total volume of water consumed in the period. In 2009, the volume recycled/reused was 1.3 billion m<sup>3</sup>.

**Most of the water used by the Company recirculates within its own facilities.**

## Total water uptake by source and business line – 2010

| Total consumption by source (m³)   | Mining            | Steelmaking        | Steel Transformation <sup>(1)</sup> | Total water consumption (m³) |
|--|-------------------|--------------------|-------------------------------------|------------------------------|
| Surface water, including wetlands, rivers, lakes and oceans <sup>(2)</sup> | 3,262,574         | 171,718,199        | 0                                   | 174,980,773                  |
| Groundwater  | 7,676,388.00      | 0                  | 33,274                              | 7,709,662                    |
| Municipal supply or other providers  | 1,078.00          | 0                  | 180,746                             | 181,824                      |
| <b>Total water consumption</b>   | <b>10,940,040</b> | <b>171,718,199</b> | <b>214,020</b>                      | <b>182,872,259</b>           |

Explanatory notes:

1) In 2009, it was reported, incorrectly, that Steel Transformation had consumed water from another organization. The correct information is that the company was supplied by a water tanker, since it was in the process of obtaining grants for water uptake. In 2010, when the grants were legally authorized, this type of supply became unnecessary.

2) In 2009, the volume of surface freshwater corresponds to the subtraction of the volume of brine/seawater used by the plant in Cubatão. That is, the volume of “surface freshwater” is also considered in the total volume of “surface water, including wetlands, rivers, lakes and oceans” (double counting).

## AIR EMISSIONS

### Initiatives to reduce emissions of greenhouse gases and reductions achieved

In 2010, Usiminas did not register the reductions in total emissions resulting from its operations. However, the Company created some programs, including Projeto Sinergia (Synergy Project), aiming to improve operating results through increased efficiency of processes, in addition to the rationalized use of natural resources and energy. Among more than 200 projects, the following can be highlighted: the use of natural gas in blast furnace N° 3 and in scarfing in the steelworks; the reduced consump-

tion of fuel oil and electricity in the hot rolling mill; and initiatives to increase the internal use of LD gas (LDG).

With the same purpose, the Energy Efficiency Program seeks to increase awareness and dissemination of good practices as a means of obtaining a reduction in fuel consumption. The program provides for the assessment and classification of combustion furnaces of the Ipatatinga plant, recognized with the Energy Efficiency Seal.

### Other relevant indirect emissions of greenhouse gases, by weight

The scope of the Corporate Inventory of Greenhouse Gas did not consider the emissions generated in transporting employees. At this stage of the work, the priority is the generating sources in production and logistics processes, which record much more significant volumes.

### NOx, SOx and other significant air emissions, by type and weight

Atmospheric emissions caused by Usiminas's operations, especially flue gas and fugitive emissions, decreased significantly compared with the 2009 results. The decrease is mainly due to changes made in the Ipatatinga plant, where Coke Plant 3, went into operation with very strict emission levels, and the downtime for refurbishment of battery N° 3 of Coke Plant 2.

Moreover, in 2010, the new charging car N° 6 of Coke Plant 2 also went into operation, which helps the reduction of fugitive emissions. In the coal chemicals area, the systems for capturing and processing volatile organic compounds began operating.

| Emissões (t)*                   | Total (t) 2009 | Total (t) 2010 |
|---------------------------------|----------------|----------------|
| NOx                             | 20,683         | 20,913         |
| SOx                             | 12,605         | 16,346         |
| Volatile organic compounds      | 327            | 338            |
| Emissões de chaminé e fugitivas | 10,535         | 150            |
| Material particulado            | 12,386         | 13,175         |
| <b>Total</b>                    | <b>56,536</b>  | <b>50,922</b>  |

(\*)Emissions refer to Steelmaking and represent the total emitted by Usiminas, since the other units emit negligible quantities.

### DIRECT AND INDIRECT EMISSIONS OF GREENHOUSE GASES, BY WEIGHT

Usiminas uses the CO2 reporting for IISI Sector Approach (WSA) methodology to calculate the volume of GHG emissions. For 2010, the data presented in the table below refer only to Steelmaking.

| Direct emissions (in tons of CO <sub>2</sub> )*                             | Steelmaking       |
|---|-------------------|
| Generation of electricity, heat or steam                                    | 1,438,127         |
| Physical-chemical processing  | 15,182,760        |
| Transport of materials, products and waste                                  | (- 247,417)       |
| Indirect emissions (in tons of CO <sub>2</sub> )*                           |                   |
| Generation of purchased electricity, heat or steam - in tCO <sub>2</sub> ** | 145,567           |
| <b>Total direct and indirect emissions (in tons of CO<sub>2</sub>)</b>      | <b>16,519,037</b> |

(\*)Using the conversion factor proposed by WSA (1MWh = 0,051 t CO<sub>2</sub>), based on an annual average, since the data for December were not available until the closing date of the indicator.

(\*\*)In totaling the electricity purchased (EN4), Usiminas considers emissions from power generating companies. The 2009 Annual Report did not provide this information.



| Emissions of substances that destroy the ozone layer, by weight * |                 |                                 |                          |
|---|-----------------|---------------------------------|--------------------------|
| Type of gas   | Consumption (t) | ODP (Ozone depleting potential) | Equivalent tons of CFC11 |
| FREON 22  | 0.88            | 0.055                           | 0.048                    |
| SUVA 124  | 0.71            | 0.022                           | 0.016                    |
| SUVA 134A   | 0.77            | 0.000                           | 0.000                    |
| ISCEON MO59   | 0.92            | 0.000                           | 0.000                    |
| SUVA 407c   | 0.31            | 0.000                           | 0.000                    |
| R-22  | 4.06            | 0.055                           | 0.223                    |
| R-124   | 1.39            | 0.022                           | 0.031                    |
| R-134A  | 2.90            | 0.000                           | 0.000                    |
| R-141B  | <b>0.63</b>     | <b>0.110</b>                    | <b>0.069</b>             |

(\*) The indicator was reported only by the Steelmaking business line.

## EFFLUENTS

Discharge of water used in the operations of Usiminas companies was lower in 2010. In line with environmental protection, the Company requires that effluents derived from its processes undergo a rigorous treatment before being released back into the environment, in a process that includes three steps: sedimentation, flocculation and filtration. This is the best way for the material discharged to meet the federal regulatory standards, in the areas where the Company operates.

### Total water discharge by quality and destination

In 2010, in the Steelmaking business line, 139.2 million m<sup>3</sup> of water were discharged from the General Outfall (Ipatinga), and launched into the Piracicaba River (Ipatinga) and the Estuary (Cuba-

tão) from release points A, B and C (Cubatão). None of this water was reused by another organization.

In 2009, the volume of discharge totaled 140 million m<sup>3</sup>. In Ipatinga, the water from the Wastewater Treatment Plants (ETEs) meets the standards of quality set forth by State Decree 8,468/76 (Art. 18), CONAMA 357 (Article 34), Copam Regulatory Determination/CERH MG-01/2008 and/or the Self-Monitoring Plan defined in the Operating License.

In the Steel Transformation business line, 32,451.5 m<sup>3</sup> of water were discharged from the Porto Alegre and Pouso Alegre General Outfalls, and were released, respectively, in the public sewage network and in the Gravataí River in Pouso Alegre.

## SOLID WASTE

The industrial process in the activities of steel-making and metallurgy generates a significant amount of solid waste. In the operations of Usiminas, the volume reached approximately 6.7 million tons in 2010. In total, these materials accounted for 24.3% of the mass produced of 27.8 million tons in the year. In the same period, the Company sold 3.7 million tons and recycled an additional 2.7 million tons. The volume of hazardous waste amounted to 141 thousand tons. In this case, there is a specific procedure, which involves the full co-processing, recycling and treatment in internal facilities of the industrial unit, for further placement of this waste in the market.

As for the disposal of waste in controlled landfills, there are environmental costs. Aware of this fact and focused on conducting business based on sustainability, the Company sells, through its Special Sales area and integrated with the environmental management system of Usiminas, for waste generated, except that used in the process.

The supply of waste on the market stimulates the development of partnerships with investors, universities and corporations interested in new business opportunities. The Special Sales area also sells coal chemicals and cast and forged marketable products and services. The goal is to manage to have all waste generated in the industrial processes, and not internally reused, marketed with technical and environmental safeguards.

**The supply of waste on the market stimulates the development of partnerships with investors, universities and corporations interested in new business opportunities.**



| Total weight of waste, by type and disposal method |                |              |                  |                      |                  |
|--|----------------|--------------|------------------|----------------------|------------------|
| Non-hazardous waste                                | Business Lines |              |                  |                      |                  |
|  | Capital Goods  | Mining       | Steelmaking      | Steel transformation | Consolidated     |
|  | Weight (t)     | Weight (t)   | Weight (t)       | Weight (t)           | Weight (t)       |
| Sanitary landfill*                                 | 619            | 147          | 84,642           | 879                  | 86,287           |
| Internal recycling                                 | -              | -            | 2,588,375        | 43,276               | 2,631,651        |
| Marketing  | -              | 942          | 3,721,678        | -                    | 3,722,620        |
| Disposal - own industrial landfill                 | -              | -            | 181,218          | -                    | 181,218          |
| <b>Total</b>                                       | <b>619</b>     | <b>1,089</b> | <b>6,575,913</b> | <b>44,155</b>        | <b>6,621,776</b> |
| Hazardous waste                                    | Capital Goods  | Mining       | Steelmaking      | Steel transformation | Consolidated     |
|  | Weight (t)     | Weight (t)   | Weight (t)       | Weight (t)           | Weight (t)       |
|  | Co-processing  | 20           | 361              | 13,824               | 76               |
| Internal recycling                                 | -              | -            | 97,445           | -                    | 97,445           |
| Treatment  | -(ZERO)        | -            | 2,273            | 1,500                | 3,773            |
| Marketing  | -              | 1,589        | 165              | 23,794               | 25,548           |
| <b>Total</b>                                       | <b>20</b>      | <b>1,950</b> | <b>113,707</b>   | <b>25,370</b>        | <b>141,047</b>   |

(\*) Landfill outside the company, duly licensed. In Cubatão, household waste and industrial waste sent to landfills are considered.

## MITIGATION OF IMPACTS

Management of eco-efficiency is one of the premises of the work at Usiminas. Thus, it emphasizes, in all processes and assessment of impacts, on the priority of long-term availability of renewable or nonrenewable natural resources. For the Company, there is no way to separate its activities from the processes to reduce impacts, whose management is integrated into the management of the business itself.

## Initiatives to mitigate environmental impacts of products and services and the extent of reduction of these impacts \*

| Use of materials |                      |   |
|------------------|----------------------|---|
| Capital Goods    | Initiative           |   |
|                  | Extension of impacts |   |
| Mining           | Iniciativa           | Repowery and installation of new equipment at the processing plant, allowing the use of material previously considered fine tailings.         |
|                  | Extension of impacts | Recovery of ore at the mine will be significantly expanded with the use of fines, after concentration, thus increasing the mineable reserves. |
| Steelmaking      | Initiative           | Apply the GE Fanuc software to control the parameters of the oil lubrication systems for the hot strips. <b>Cubatão</b>                       |
|                  | Extension of impacts | Decrease in oil consumption in the Hot Strip Mill. <b>Cubatão</b>   |

| Use of water  |                      |   |
|---------------|----------------------|---|
| Capital Goods | Initiative           | Guidance campaign on the correct use of the sanitary sewer system of the company. |
|               | Extension of impacts | Minimize maintenance related to clogging of the company's sewer network.          |
| Mining        | Iniciativa           |   |
|               | Extension of impacts |   |
| Steelmaking   | Initiative           | Use of rainwater in the cooling tower (TRQ # 2) for make up. <b>Cubatão</b>       |
|               | Extension of impacts | Reduction in the uptake of water from the Mogi River. <b>Cubatão</b>              |

| Emissions     |                      |   |
|---------------|----------------------|---|
| Capital Goods | Initiative           | Refurbishment of the Blasting booth N° 3 and installation of closed system (sealed) for the dust collector filters in the blasting system of Plant I.   |
|               | Extension of impacts | Reduce atmospheric emissions.   |
| Mining        | Iniciativa           |   |
|               | Extension of impacts |   |
| Steelmaking   | Initiative           | <p><b>Ipatinga</b></p> <p>1) Use of natural gas in blast furnace N° 3 (in substitution of coal) in scarfing in the steelworks (in substitution of LPG).</p> <p>2) Entry into operation of charging car N° 6 for Coke Plant 2.</p> <p>3) Beginning of the refurbishment of battery N° 3 of Coke Plant 2.</p> <p><b>Cubatão</b></p> <p>Reform of the electrostatic precipitator (ESP) at Sintering plant N° 2, with the expansion of its filtering capacity. A new technology (called Coromax) was implemented.</p> |
|               | Extension of impacts | <p><b>Ipatinga</b></p> <p>1) Reduction of atmospheric emissions and the flexibility of the energy matrix to meet the plant's output.</p> <p>2) Reduction of fugitive emissions of particulate matter.</p> <p>3) Reduction of air emissions to the levels of the CONAMA Resolution 382/2006 and improving air quality.</p> <p><b>Cubatão</b></p> <p>Decrease in emissions of particulate matter into the atmosphere.</p>   |

| Noise Pollution |                      |  |
|-----------------|----------------------|--|
| Capital Goods   | Initiative           |  |
|                 | Extension of impacts |  |
| Mining          | Iniciativa           |  |
|                 | Extension of impacts |  |
| Steelmaking     | Initiative           | <p><b>Ipatinga</b></p> <p>1) Preparation of an inventory / mapping of sources of emission of sound pressure of the Ipatinga plant aiming to obtain technical and scientific data for the management of major impacts by preparing maps of the acoustic conflict areas of the Company with the community..</p> <p>2) Deployment of an acoustic barrier in order to mitigate coal crusher noise impact at point 3.</p> |
|                 | Extension of impacts | <p><b>Ipatinga</b></p> <p>1) Presentation of the inventory to areas of Usiminas in order to verify the possible adjustments to the equipment in production.</p> <p>2) Ongoing evaluation of the efficiency of the acoustic barrier by a company contracted to perform the measurements.</p>  |



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Coke Plant - Ipatinga Plant/MG

| Waste         |                      |  |
|---------------|----------------------|--|
| Capital Goods | Initiative           | Selective Waste Collection Campaign.   |
|               | Extension of impacts | Better results in the selective collection and final disposal of waste.  |
| Mining        | Iniciativa           |  |
|               | Extension of impacts |  |
| Steelmaking   | Initiative           | <p><b>Ipatinga</b></p> <p>1) Project in partnership with Gorceix Foundation (UFOP) regarding the adequacy of the volume expansion of steel slag for use as railroad ballast by means of a technical or scientific work.</p> <p>2) Development of the marketing potential of blast furnace slurry to ceramics companies duly licensed by the environmental agency.</p> <p><b>Cubatão</b></p> <p>1) Operation of waste wood shredder.</p> <p>2) Development of alternative to the recycling of steelmaking process sludge, increasing the recycling rate of waste products with a return to the Steelmaking segment.</p> |
|               | Extension of impacts | <p><b>Ipatinga</b></p> <p>1) Project undergoing final testing in railroad simulators.</p> <p>2) Project under evaluation of the main ceramic companies, considering the quantitative consumption of material and method for the licensing suitability for the ceramic companies.</p> <p><b>Cubatão</b></p> <p>1) Increased marketing of wood waste, reducing the stock in the company.</p> <p>2) Less waste disposal in landfills and substitution of raw material in the steelworks.</p>  |

## ENVIRONMENTAL FINES

In 2010, the value of environmental fines imposed and paid by Usiminas totaled R\$ 356,951.19, relating to 32 incidents.

### Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

| Business Line | Event   | Cases brought by arbitration mechanisms   | Amount (R\$)                       |
|---------------|---|---|------------------------------------|
| Capital Goods | 01: release of wastewater outside the parameters set forth in applicable legislation.   | Infraction Notice - Regional Superintendence of Environment of the Eastern Minas Gerais | 50,001.00                          |
| Mining        | 16*: infraction notices relating to solid waste, environmental degradation and non-compliance with environmental conditions.  | Fines – Supram  | 2,099.90                           |
| Steelmaking   | 01 (Ipatinga): term of agreement between the Prosecutor of the State of Minas Gerais and Usiminas, for remediation of contaminated areas due to improper disposal of hazardous waste in the past. | Prosecutor of the State of Minas Gerais   | To be defined                      |
|               | 01 (Ipatinga): infraction notice giving rise to a warning for a project because of failure to meet deadlines set forth in the conditions of the environmental License.                            | Regional Environmental and Sustainable Development Superintendence - SUPRAM LM          | Warning                            |
|               | 05 (Cubatão): emission of particulate matter and storage of waste.  | Cetesb fines  | 304,850.29                         |
|               | 08 (Cubatão): emission of particulate matter and storage of waste.  | Cetesb warnings   | Values are not applied to warnings |
| <b>Total</b>  | <b>32 lines</b>   |   | <b>356,951.19</b>                  |

(\*)The totals cited correspond to the amounts paid in 2010, referring to three of the 16 fines applied. In the case of the other offenses, Usiminas is awaiting finalization of the defense process to effect payment.

## ENVIRONMENTAL INVESTMENTS

Total expenditures and investments in environmental protection made by Usiminas were lower in 2010 compared to 2009. During this period, the amounts disbursed by the Company went from R\$ 590 million to R\$ 42 million (not considering investment in the area of engineering). Even so, the resources allocated to treatment and waste disposal, such as the amount invested in environmental education, showed significant increases over the previous year. In the former case, it increased from R\$ 8 million to R\$ 20.7 million; in the latter, the increase was from R\$ 734,000 to R\$ 1.27 million (see table).

In the Capital Goods business line, investment in waste treatment amounted to R\$ 78,000, with an additional R\$ 62,000 invested in external certification. The amounts recorded in the Steelmaking and Steel Transformation business lines are shown in the tables below.

### Total investment and expenditures on environmental protection, by type

| Steelmaking  |                   |
|--|-------------------|
| Treatment and disposal of waste, treatment of emissions, cost of purchase and use of emissions certificates (R\$) *  |                   |
| Environmental cost, environmental preservation and recovery  | 17,535,312        |
| Treatment and disposal of waste  | 20,554,864        |
| <b>Total</b>   | <b>38,090,176</b> |
| Education and training, external services, environmental management, external certification of management systems, personnel for general environmental management activities, and research and development (R\$) |                   |
| Environmental management   | 120,940           |
| Environmental education  | 1,270,000         |
| External certification   | 16,920            |
| Specialized consultancies  | 600,000           |
| <b>Total</b>   | <b>2,007,860</b>  |

| Steel Transformation  |                  |
|---|------------------|
| Treatment and disposal of waste, treatment of emissions, cost of purchase and use of emissions certificates (R\$) *   |                  |
| Environmental cost, environmental preservation and recovery   | 1,282,987        |
| Treatment and disposal of waste   | 56,962           |
| <b>Total</b>  | <b>1,339,949</b> |
| Education and training, external services, environmental management, external certification of management systems, personnel for general environmental management activities, and research and development (R\$). |                  |
| Environmental management  | 284,425          |

| Usiminas  |                   |
|---|-------------------|
| Treatment and disposal of waste, treatment of emissions, cost of purchase and use of emissions certificates (R\$) *   |                   |
| Environmental cost, environmental preservation and recovery   | 18,818,299        |
| Treatment and disposal of waste   | 20,689,963        |
| <b>Total</b>  | <b>39,508,262</b> |
| Education and training, external services, environmental management, external certification of management systems, personnel for general environmental management activities, research and development (R\$). |                   |
| Environmental management  | 405,365           |
| Environmental education   | 1,270,000         |
| External certification  | 78,920            |
| Specialized consultancies   | 600,000           |
| <b>Total</b>  | <b>2,354,285</b>  |

(\*) Investments in engineering were not considered.



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**The Usiminas 2010 Annual Report presents the strategic actions and economic, social and environmental performance, in Brazil, between January 1st and December 31st, 2010. The report follows the guidelines set forth by the Global Reporting Initiative (GRI) and reached the A+ application level, with assurance on the environmental information by PwC. GRI encourages reporting to be increasingly incorporated into the daily activities of organizations through processes aligned with the management, aiming to enable continuous improvement.**

Following the best practices in the publication of reports indicated by the organization, the materiality process was held for the second year to identify relevant topics to be prioritized in the preparation of the content. In 2010, the process included consultation via questionnaires and interviews with representatives of seven Usiminas audiences, which involved 50 clients, 42 suppliers, 29 community representatives, 52 shareholders, 12 government representatives and 11 specialists. To support the analysis, we developed a study on benchmarking practices of ten companies in the steel industry in Brazil and abroad.

In order to prepare the materiality matrix, analysis of each of the consultations was conducted. The subjects were selected according to criteria ranging from impacts and opportunities related to Usiminas and the sector, to the relation with the Company's strategic commitments. The subjects were classified in the matrix according to the views of stakeholders and their relevance to the management. The ten most important issues for Usiminas are:

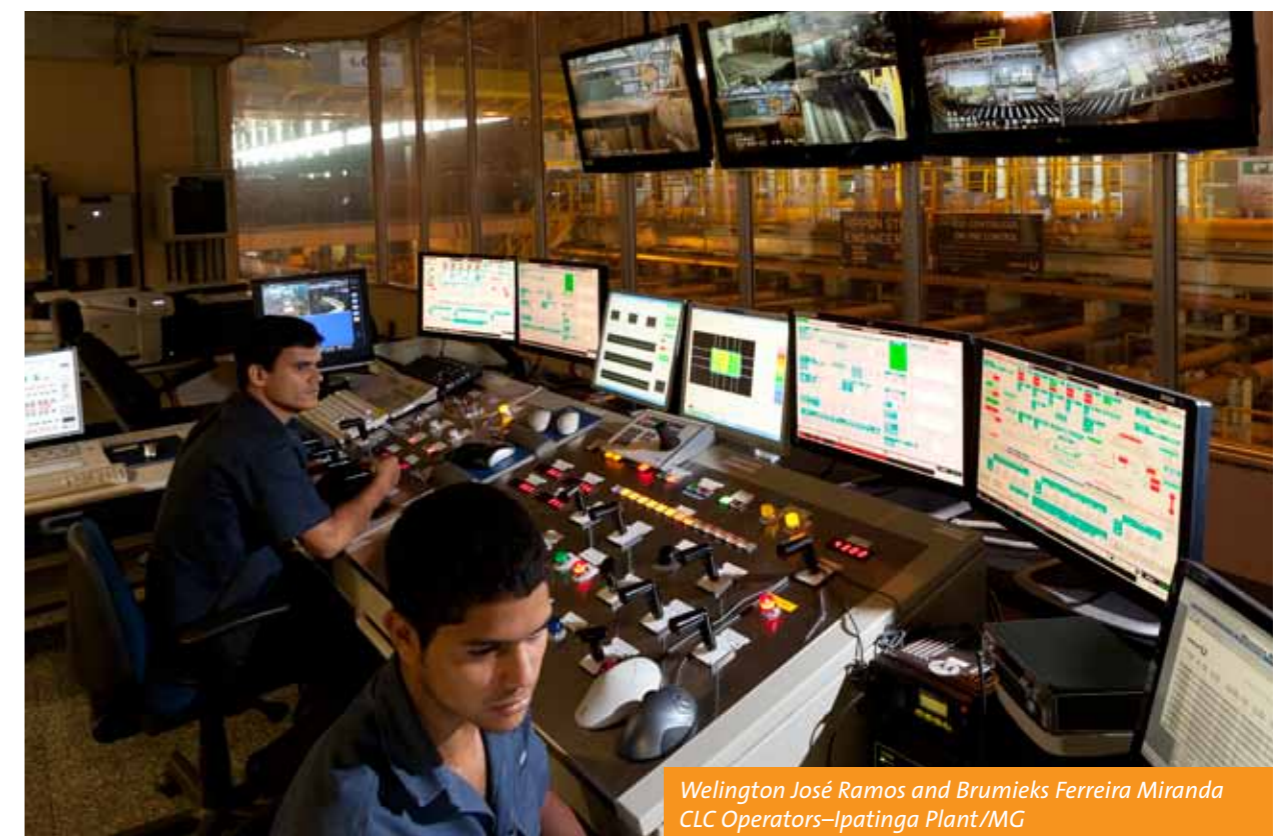
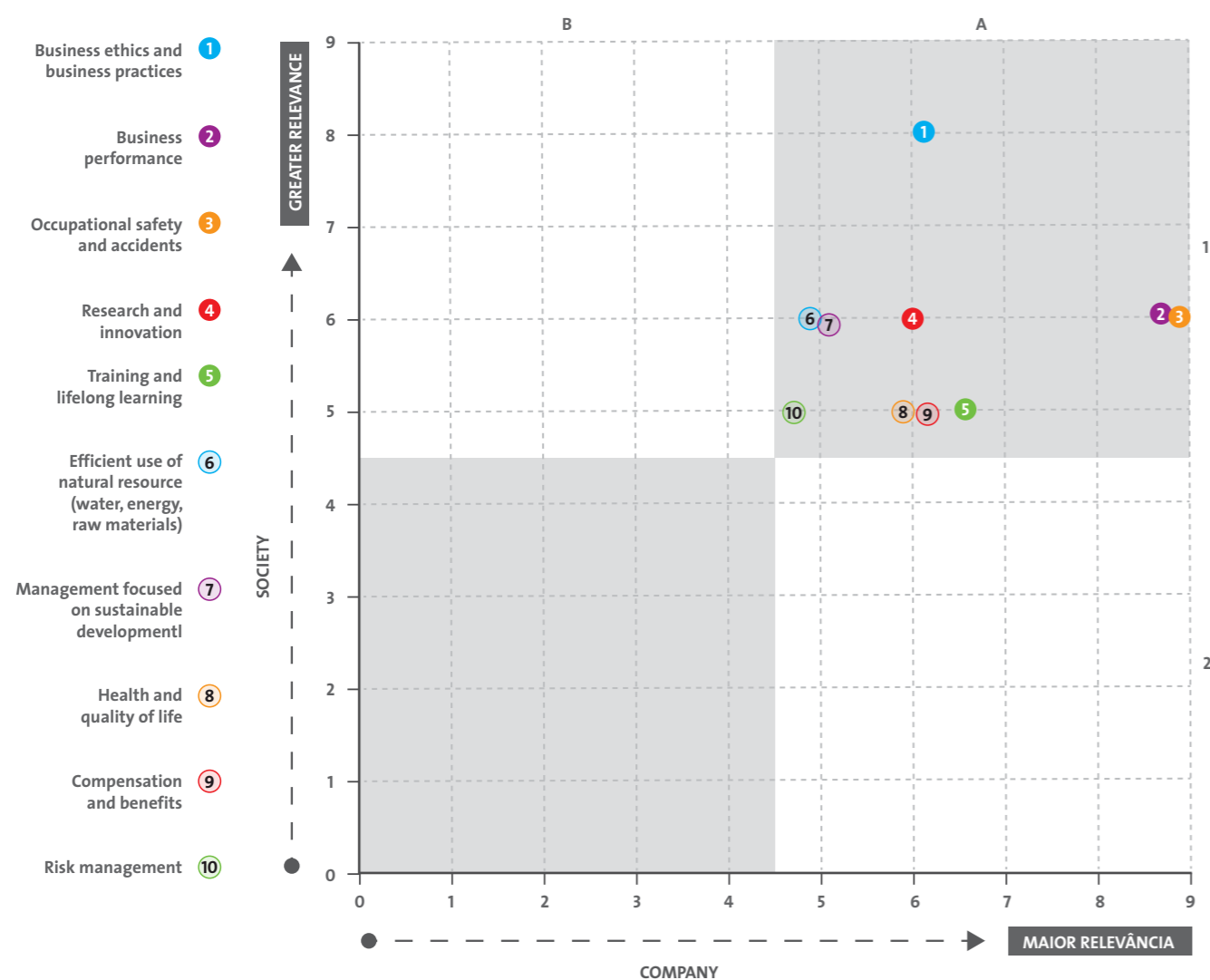
Most of the items considered material in this study indicate a tendency of the Company to seek, as a management priority, the development of its business and the deepening of its relationship with publicist employees. Other topics of interest to other stakeholders, such as suppliers, community and government, have not appeared among the priorities due to the low return of consultations with representatives of these stakeholders.

As in 2009, Usiminas follows the evolution process in the consolidation of social and environmental indicators, including information from all units of the Company, in line with the process of management integration. Possible limitations of coverage of some indicators are pointed out in the explanatory notes accompanying the tables and charts. This is an ongoing process in continuous improvement at Usiminas, which seeks to deepen the sustainability management.

ly Traded Companies (Abrasca) to disseminate information of interest to shareholders. The article also indicates the correlation between the content and the ten principles of the Global Compact, which allows its additional use as a Notice of Status of the Company's performance.

The Usiminas Annual Report aims to monitor the Company's evolution. To assess this publication, visit Usiminas's online sustainability portal ([www.usiminas.com](http://www.usiminas.com)) and answer the evaluation questionnaire.

Based on best practices of accountability and reporting, this Annual Report also follows the guidelines of the Brazilian Association of Publi-



## LEVEL OF APPLICATION

In early 2011, GRI modified its system of Level of Application, and no longer authorizes the publication of related icons. For this reason, this edition of the report does not include the self-declared seal of application A+, as in previous years.

The 2010 Usiminas Annual Report meets the requirements for a level A+ GRI Application, according to the parameters presented in the table below:

| Level of Application Report |  | C   | C+                      | B  | B+                      | A  | A+                      |
|-----------------------------|--|---|-------------------------|--|-------------------------|--|-------------------------|
| Report Content              | G3 Profile   | Respond to items: 1.1; 2.1 a 2.10; 3.1 a 3.8, 3.10 a 3.12; 4.1 a 4.4, 4.14 a 4.15                                   |                         | Report all items for Level C, plus: 1.2; 3.9, 3.13; 4.5 a 4.13, 4.16 a 4.17  |                         | Same requirement as Level B  |                         |
|                             | Information on G3 Management Approach                    | Not required  | With External Assurance | Information of Management Approach for each Indicator Category   | With External Assurance | Disclosure of Management Approach for each Indicator Category  | With External Assurance |
|                             | G3 Performance Indicators & Sector Supplement Indicators | Report at least ten Performance Indicators, including at least one of each area: social, economic and environmental | With External Assurance | Report at least 20 Performance Indicators, including at least one of each area: economic, environmental, human rights, labor, society and product responsibility | With External Assurance | Respond on each core G3 and Sector Supplement* indicator with due regard to the materiality principle by either: (a) responding the indicator or (b) explaining its omission | With External Assurance |

\* Sector supplement in its final version



| Profile information   |   |           |
|---|---|-----------|
| Item  | Description   | Page      |
| <b>1 Strategy and analysis</b>  |   |           |
| 1.1   | Statement from the most senior decision-maker.  | 9-11      |
| 1.2   | Description of key impacts, risks, and opportunities.   | 9-11      |
| <b>2 Organizational profile</b>   |   |           |
| 2.1   | Name of the organization.   | 21 and 22 |
| 2.2   | Primary brands, products, and/or services.  | 21 and 22 |
| 2.3   | Operational structure of the organization, including main divisions, operating units, subsidiaries and joint ventures.  | 21-23     |
| 2.4   | Location of organization's headquarters.  | 25        |
| 2.5   | Countries where the organization operates or that are especially relevant for the sustainability issues addressed by the report.  | 25        |
| 2.6   | Nature of ownership and legal form.   | 27        |
| 2.7   | Markets served (including breakdown of geographies, sectors served and types of clients/beneficiaries).   | 23        |
| 2.8   | Scale of the reporting organization.  | 23        |
| 2.9   | Significant changes during the reporting period, concerning size, structure or shareholding structure.  | 21-23     |
| 2.10  | Awards received in the reporting period.  | 74        |
| <b>3 Report parameters</b>  |   |           |
| 3.1   | Reporting period.   | 151       |
| 3.2   | Date of most recent previous report (if any).   | -         |
| <b>The 2009 Annual Report was published in April 2010</b>   |   |           |
| 3.3   | Reporting cycle (annual, biannual, etc.).   | -         |
| <b>Usiminas publishes the Company report annually</b>   |   |           |
| 3.4   | Contact data for questions regarding the report.  | 90-153    |
| 3.5   | Process for defining report content.  | 151-153   |
| 3.6   | Boundary for the report (such as countries, divisions, subsidiaries, facilities acquired, joint ventures and suppliers).  | 151       |
| 3.7   | Statements on specific limitations on the scope or boundary of the report.  | -         |
| 3.8   | Basis for preparing the report in terms of joint ventures, subsidiaries, facilities acquired, outsourced operations and other entities that can significantly affect comparability between periods and/or organizations.              | 21-23     |
| 3.9   | Data measurement techniques and the calculation bases.  | 151-153   |
| 3.10  | Restatements of information provided in previous reports.   | -         |
| <b>Changes are informed throughout the text in the report</b>   |   |           |
| 3.11  | Significant changes compared with previous years, in terms of scope, boundary or measurement methods applied in the report.   | -         |
| <b>Eventual limitation in scope of certain indicators are shown in explanatory notes that accompany the charts and tables</b> |   |           |
| 3.12  | Table identifying the location of information contained in the report.  | 156-159   |
| 3.13  | Policy and current practices with regard to seeking external assurance for the report.  | 164-167   |
| <b>4 Governance, commitments and engagement</b>   |   |           |
| 4.1   | Governance structure of the organization.   | 28-30     |
| 4.2   | Chair of the highest governance body.   | 29        |
| 4.3   | Number of independent directors or non-executive directors of the highest governance body, and their attributions.  | 28        |
| 4.4   | Mechanisms for shareholders and employees to provide recommendations or offer guidelines to the highest governance body.  | 34        |
| 4.5   | Linkage between compensation for members of the highest governance body, senior managers and executives (consider termination arrangements) and the performance of the organization (including social and environmental performance). | 31 and 32 |
| 4.6   | Processes in place for the highest governance body to assure that conflicts of interest are avoided.  | 28 and 29 |
| 4.7   | Process to determine the qualifications and expertise of members of the highest governance body to define the organization's strategy on topics related to economic, environmental and social issues.                                 | -         |
| 4.8   | Mission or value statements, codes of conduct and principles relevant to economic, environmental and social performance as well as the status of their implementation.  | 24        |
| 4.9   | Procedures of the highest governance body to supervise the identification and management of the economic, environmental, and social policies.   | 28-29     |



(continued)

| Item | Description  | Page         |
|------|--|--------------|
| 4.10 | Processes for self-assessment of performance of the highest governance body, especially in terms of economic, environmental and social performance.              | -            |
| 4.11 | Explanation of whether and how the organization applies the precautionary principle.   | 33           |
| 4.12 | Externally developed charters, principles or other initiatives of an economic, environmental and social nature to which the organization subscribes or endorses. | 11, 112, 118 |
| 4.13 | Participation in associations and/or national/international advocacy organizations.  | 107          |
| 4.14 | List of stakeholder groups engaged by the organization.  | 40 and 41    |
| 4.15 | Basis for identification and selection of stakeholders with which to engage.   | 40 and 41    |
| 4.16 | Approaches to stakeholder engagement, including frequency, type and stakeholder groups.  | 40 and 41    |
| 4.17 | Key topics and concerns raised through stakeholder engagement, and which the organization has pledged to address.  | 40 and 41    |

#### Management approach and performance indicators

| Economic Performance Indicators |   | Page    | Global Compact |
|---------------------------------|---|---------|----------------|
| EC1                             | Direct economic value generated and distributed.  | 163     | -              |
| EC2                             | Financial implications and other risks and opportunities related to the activities of the organization due to climate change.   | 122     | 7              |
| EC3                             | Coverage of the pension plan of defined benefits provided by the organization.  | 92      | -              |
| EC4                             | Significant financial assistance received from government.  | 109-111 | -              |
| EC5                             | Variation in the ratio of the lowest wage compared to the local minimum wage in major operating units.  | 81      | 1              |
| EC6                             | Policy, practices, and ratio of spending on locally-based suppliers.  | 105     | -              |
| EC7                             | Procedures for local hiring and ratio of senior management hired from the local community in major operating units.   | 107     | 6              |
| EC8                             | Development and impact of investments in infrastructure and services provided, primarily for public benefit, through commercial engagement, financial resources or pro bono activities. | 113     | -              |

| Environmental Performance Indicators |  | Page        | Global Compact |
|--------------------------------------|--|-------------|----------------|
| EN1                                  | Materials used by weight or volume.  | 133 and 134 | 8              |
| EN2                                  | Percentage of recycled materials used.   | 134 and 135 | 8 and 9        |
| EN3                                  | Direct energy consumption by primary energy source.  | 135 and 136 | 8              |
| EN4                                  | Indirect energy consumption by primary source.   | 137         | 8 and 9        |
| EN5                                  | Energy saved due to conservation and efficiency improvements.  | 135         | 8              |
| EN8                                  | Total water withdrawal by source.  | 138         | 8 and 9        |
| EN9                                  | Water sources significantly affected by withdrawal of water.   | 137         | 8              |
| EN10                                 | Percentage and total volume of water recycled and reused.  | 137         | 8              |
| EN11                                 | Location and size of land owned, leased, managed within or adjacent to protected areas, and areas of high biodiversity levels outside the protected areas. | 130         | 8              |
| EN12                                 | Description of significant impacts on biodiversity by activities, products and services in protected areas with a high level of biodiversity.              | -           | 8              |

**In 2010, the significant impacts caused to biodiversity by Usiminas's activities and operations were not monitored. However, in 2011, the Company plans to develop a methodology to assess such impact.**

|      |   |             |            |
|------|---|-------------|------------|
| EN16 | Total direct and indirect greenhouse gas emissions, by weight.          | 139         | 8          |
| EN17 | Other relevant indirect greenhouse gas emissions, by weight.            | 139         | 8          |
| EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved. | 138         | 7, 8 and 9 |
| EN19 | Emissions of ozone-depleting substances, by weight.                     | 140         | 8          |
| EN20 | NOx, SOx and other significant air emissions, by type and weight.       | 139         | 8          |
| EN21 | Total water discharge by quality and destination.                       | 140         | 8          |
| EN22 | Total weight of waste by type and disposal method.                      | 141 and 142 | 8          |
| EN23 | Total number and volume of significant spills.                          | -           | 8          |

**There were no significant spills in 2010.**



(continued)

| Environmental Performance Indicators             |   | Page      | Pacto Global |
|--|---|-----------|--------------|
| EN26   | Initiatives to mitigate environmental impacts of products and services.   | 142 e 143 | 7, 8 and 9   |
| EN27   | Percentage of products sold and their packaging materials that are reclaimed by category.   | 122       | 8 and 9      |
| EN28   | Monetary value of fines and total number of sanctions for noncompliance with environmental laws and regulations.  | 147       | 8            |
| EN29   | Significant environmental impacts of transporting products and other goods and materials used in the operations of the organization, as well as transport of workers. |           | 8            |
| <b>This indicator was not monitored in 2010.</b> |   |           |              |
| EN30   | Total investments and expenditures on environmental protection, by type.  | 148 e 149 | 7 e 9        |

| Performance Indicators - Labor Practices and Decent Work |   | Page    | Pacto Global |
|--|---|---------|--------------|
| LA1  | Total workforce by employment type, employment contract, and region.  | 83      | -            |
| LA2  | Total number and rate of employee turnover by age group, gender, and region.  | 85 e 86 | 6            |
| LA4  | Percentage of employees covered by collective bargaining agreements   | 87      | 1 and 3      |
| LA5  | Description of notifications (time limits and procedures).  | 87      | -            |
| LA6  | Percentage of total workforce represented by formal health and safety committees.   | 97      | -            |
| LA7  | Rates of injury, occupational diseases, lost days, absenteeism and work-related fatalities, by region.  | 98      | 1            |
| LA8  | Education, prevention and risk management programs to provide assistance to employees, their families or community members regarding serious diseases.                          | 97      | 1            |
| LA9  | Health and safety topics covered in formal agreements with tradeunions.   | 87      | 1            |
| LA10   | Average hours of training per year, per employee, broken down by employee category.   | 84      | 6            |
| LA11   | Programs for skills management and lifelong learning that support the continued employability of employees and manage career endings.   | 93      | -            |
| LA12   | Percentage of employees receiving regular performance and career development reviews.   | 96      | -            |
| LA13   | Composition of the groups responsible for corporate governance and breakdown of employees per category according to gender, age, minorities, and other indicators of diversity. | 81      | 1 and 3      |
| LA14   | Ratio of basic salary of men to women by employee category.   | 81 e 82 | 1 and 3      |

| Human rights  |  | Page | Pacto Global  |
|---|--|------|---------------|
| HR1   | Percentage and number of significant investment agreements that include human rights clauses or that have undergone assessment in terms of human rights. |      |               |
| <b>Contracts for services and civil works, which provide human rights clauses, were subjected to audit during the period covered. In 2011, Usiminas aims to review and update the provisions concerning human rights.</b> |  |      |               |
| HR2   | Percentage of critical suppliers and contractors that have undergone assessment on human rights and the measures taken.                                  | 104  | 1, 2, 3 and 4 |
| HR4   | Total number of incidents of discrimination and actions taken.   |      | 1, 2 and 3    |
| <b>As in 2009, no cases of discrimination were registered in 2010.</b>  |  |      |               |
| HR5   | Freedom of association policy and degree of application.   | 87   | 1, 2 and 3    |
| HR6   | Operations with significant risk of child labor, and measures taken to contribute to its abolition.  | 106  | 1, 2 and 3    |
| HR7   | Operations with significant risk for incidents of forced or slave labor, and measures taken to contribute to its eradication.                            | 106  | 1, 2 and 3    |



(continued)

| Society   |  | Page        | Pacto Global |
|---|--|-------------|--------------|
| SO1   | Programs and practices that assess and manage the impacts of operations on communities   |             | -            |
| <b>Usiminas does not have a structured program that evaluates the impacts of its operations on the communities surrounding its units and industrial plants</b>  |  |             |              |
| SO2   | Percentage and total number of business units analyzed for corruption-related risks.   | 108 and 109 | 10           |
| SO3   | Percentage of employees trained in anti-corruption policies and procedures of the organization.                                    | 109         | 10           |
| SO4   | Actions taken in response to cases of corruption.  | 34          | 10           |
| SO5   | Position adopted in terms of public policies and participation in public policy development and lobbying.                          | 107         | 10           |
| SO6   | Total value of financial contributions and cash to political parties, politicians and related institutions broken down by country. | 108         | 10           |
| SO7   | Number of lawsuits for unfair competition, anti-trust and monopoly practices and their outcomes.                                   |             | -            |
| <b>There is only one pending court case that deals with the imposition of fines by the Conselho Administrativo de Defesa Econômica (Cade) (Administrative Council for Economic Defense) in 1997, for the alleged formation of a cartel by Usiminas, CSN and Cosipa. The legal action awaits trial in superior courts.</b> |  |             |              |
| SO8   | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.        |             | -            |
| <b>The Company received no fine or penalty due to noncompliance with laws and regulations in 2010.</b>  |  |             |              |

| Responsibility for Products  |   | Page        | Pacto Global |
|--|---|-------------|--------------|
| PR1  | Phases of the life cycle of products and services in which impacts on health and safety are assessed for improvement, and the percentage of products and services subject to these procedures.                    | 102         | 1            |
| PR2  | Total number of cases of noncompliance with regulations and voluntary codes concerning health impacts caused by products and services on health and safety during the life cycle, broken down by type of outcome. |             | -            |
| <b>In 2010, no instances of noncompliance were recorded in Usiminas units. For 2011, the Company's goal is to keep the same performance (without incidents).</b>                             |   |             |              |
| PR3  | Type of information about products and services required by labeling procedures.  | 103         | 8            |
| PR4  | Nonconformities related to labeling of products and services.   |             | -            |
| <b>In 2010, there were no complaints from clients about the lack of labeling of products and services marketed by Usiminas. In 2011, the Company intends to keep the same index.</b>         |   |             |              |
| PR5  | Practices related to customer satisfaction, including results of surveys.   | 101 and 102 | -            |
| PR6  | Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.  |             | -            |
| <b>Usiminas adheres to the Brazilian Code of Advertising Self-Regulation, which follows recommendations made by the International Code of Advertising Practice.</b>                          |   |             |              |
| PR7  | Cases of noncompliance related to communication of products and services, including advertising, promotion and sponsorship broken down by type of outcome.  |             | -            |
| <b>In 2010, there were no cases of noncompliance with regulations and voluntary codes concerning marketing communications. In 2011, the expectation is to maintain the same performance.</b> |   |             |              |
| PR8  | Total number of substantiated complaints regarding breaches of client privacy.  |             | -            |
| <b>As in 2009, there were no cases of breach of client privacy. In 2011, the goal is to ensure the same result</b>   |   |             |              |
| PR9  | Fines for noncompliance with laws and regulations concerning the provision and use of products and services.  |             | -            |
| <b>The company did not receive any fines or penalties of this nature throughout 2010. The goal for 2011 is to maintain the same result.</b>  |   |             |              |



Sports Training Educational Centers  
Janeth Arcain - Cubatão/SP  
Support through the Federal Law for the Promotion of Sports

| 1 – Calculation Base                      | 2010 Total (thousand R\$) |                |               | 2009 Total (thousand R\$) |                |               |
|---|---------------------------|----------------|---------------|---------------------------|----------------|---------------|
| Net Revenue                               | 12,962,395                |                |               | 10,924,140                |                |               |
| Operating Income (OI)                     | 1,902,463                 |                |               | 1,006,881                 |                |               |
| Gross Payroll (GP)                        | 1,586,794                 |                |               | 1,341,099                 |                |               |
| 2 – Internal Social Indicators            | Total (thousand R\$)      | % over GP      | % over NI     | Total (thousand R\$)      | % over GP      | % over NI     |
| Meals                                     | 95,567                    | 6.02%          | 0.74%         | 67,170                    | 5.01%          | 0.61%         |
| Compulsory Social Charges                 | 426,705                   | 26.89%         | 3.29%         | 411,612                   | 30.69%         | 3.77%         |
| Private Pension                           | 20,567                    | 1.30%          | 0.16%         | 63,305                    | 4.72%          | 0.58%         |
| Health                                    | 62,238                    | 3.92%          | 0.48%         | 45,481                    | 3.39%          | 0.42%         |
| Occupational Health and Safety            | 124,961                   | 7.88%          | 0.96%         | 69,939                    | 5.22%          | 0.64%         |
| Education                                 | 2,849                     | 0.18%          | 0.02%         | 867                       | 0.06%          | 0.01%         |
| Culture                                   | 187                       | 0.01%          | 0.00%         | 0                         | 0.00%          | 0.00%         |
| Training and Professional Development     | 18,337                    | 1.16%          | 0.14%         | 14,913                    | 1.11%          | 0.14%         |
| Daycare and Daycare Allowance             | 1                         | 0.00%          | 0.00%         | 2                         | 0.00%          | 0.00%         |
| Profit Sharing                            | 59,975                    | 3.78%          | 0.46%         | 58,448                    | 4.36%          | 0.54%         |
| Others                                    | 70,052                    | 4.41%          | 0.54%         | 21,769                    | 1.62%          | 0.20%         |
| <b>Total – Internal Social Indicators</b> | <b>881,439</b>            | <b>55.55%</b>  | <b>6.80%</b>  | <b>753,506</b>            | <b>56.19%</b>  | <b>6.90%</b>  |
| 3 – External Social Indicators            | Total (thousand R\$)      | % over GP      | % over NI     | Total (thousand R\$)      | % over GP      | % over NI     |
| Education                                 | 2,210                     | 0.12%          | 0.02%         | 0                         | 0.00%          | 0.00%         |
| Culture                                   | 14,624                    | 0.77%          | 0.11%         | 10,941                    | 1.19%          | 0.10%         |
| Health and Sanitation                     | 0                         | 0.00%          | 0.00%         | 0                         | 0.00%          | 0.00%         |
| Sports                                    | 1,579                     | 0.08%          | 0.01%         | 776                       | 0.08%          | 0.01%         |
| Food Safety and Fighting Hunger           | 161                       | 0.01%          | 0.00%         | 279                       | 0.03%          | 0.00%         |
| Others                                    | 35,801                    | 1.88%          | 0.28%         | 26,521                    | 2.89%          | 0.24%         |
| <b>Total Contributions to Society</b>     | <b>54,375</b>             | <b>2.86%</b>   | <b>0.42%</b>  | <b>38,517</b>             | <b>4.19%</b>   | <b>0.35%</b>  |
| Taxes (Less Social Charges)               | 1,873,414                 | 98.47%         | 14.45%        | 2,219,663                 | 241.52%        | 20.32%        |
| <b>Total – External Social Indicators</b> | <b>1,927,789</b>          | <b>101.33%</b> | <b>14.87%</b> | <b>2,258,180</b>          | <b>245.71%</b> | <b>20.67%</b> |



(continued)

| 4 – Environmental Indicators   | Total (thousand R\$)   | % over GP   | % over NI  | Total (thousand R\$)                                   | % over GP   | % over NI  |
|--|--|---|--|--|---|--|
| Investments related to production/company operations   | 178,232  | 9.37%   | 1.37%  | 85,556   | 9.31%   | 0.78%  |
| Investments in external programs and/or projects   | 425  | 0.02%   | 0.00%  | 119  | 0.01%   | 0.00%  |
| <b>Total investments in the environment</b>  | <b>178,657</b>   | <b>9.39%</b>  | <b>1.38%</b>   | <b>85,675</b>  | <b>9.32%</b>  | <b>0.78%</b>   |
| Regarding the establishment of “annual goals” to minimize waste and general consumption during production/operations, and increase the efficient use of natural resources, the Company | <input type="checkbox"/> does not have goals<br><input type="checkbox"/> complies 0 to 50%<br><input type="checkbox"/> complies 51 to 75%<br><input checked="" type="checkbox"/> complies 76 to 100% |   | <input type="checkbox"/> does not have goals<br><input type="checkbox"/> complies 0 to 50%<br><input type="checkbox"/> complies 51 to 75%<br><input checked="" type="checkbox"/> complies 76 to 100% |  |   |  |
| 5. Functional Body Indicators  | 2010   |   | 2009   |  |   |  |
| Number of employees at end of the period   | 34,886   |   | 29,603   |  |   |  |
| Number of admissions during the period   | 17,342   |   | 9,112  |  |   |  |
| Number of outsourced employees   | 25,246   |   | 28,666   |  |   |  |
| Number of trainees   | 369  |   | 315  |  |   |  |
| Number of employees over the age of 45   | 5,861  |   | 5,881  |  |   |  |
| Number of women working in the company   | 1,906  |   | 1,743  |  |   |  |
| % of management positions held by women  | 0.07%  |   | 0.00%  |  |   |  |
| Number of African descendents working in the company   | 1,365  |   | 1,135  |  |   |  |
| % of management positions held by African descendents  | 0.01%  |   | 0.00%  |  |   |  |
| Number of people with disabilities or special needs  | 696  |   | 661  |  |   |  |
| 6. Relevant information concerning the Practice of Corporate Citizenship   | 2010 Total (thousand R\$)  |   |  | Goal 2011  |   |  |
| Ratio between the highest and lowest salary  | 123.69   |   |  | -  |   |  |
| Total number of accidents at work  | 927  |   |  | -  |   |  |
| The social and environmental projects developed by the company were defined by:  | <input type="checkbox"/> administration  | <input checked="" type="checkbox"/> administration and management | <input type="checkbox"/> all employees   | <input type="checkbox"/> administration                | <input checked="" type="checkbox"/> administration and management | <input type="checkbox"/> all employees               |
| The standards of safety and cleanliness in the workplace were defined by:  | <input type="checkbox"/> administration and management   | <input type="checkbox"/> all employees                            | <input checked="" type="checkbox"/> all CIPA members   | <input type="checkbox"/> administration and management | <input type="checkbox"/> all employees                            | <input checked="" type="checkbox"/> all CIPA members |

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(continued)

| 6. Relevant information concerning the Practice of Corporate Citizenship   | 2010 Total (thousand R\$)  |  |  | Goal 2011   |  |  |
|--|--|--|--|---|--|--|
| Concerning employees' freedom of association, the right to collective bargaining and internal representation, the Company: | <input type="checkbox"/> is not involved   | <input type="checkbox"/> follows norms by ILO          | <input checked="" type="checkbox"/> promotes and follows ILO | <input type="checkbox"/> will not be involved   | <input type="checkbox"/> follow norms by ILO           | <input checked="" type="checkbox"/> promotes and follows ILO |
| Private Pension covers:  | <input type="checkbox"/> administration  | <input type="checkbox"/> administration and management | <input checked="" type="checkbox"/> all employees            | <input type="checkbox"/> administration   | <input type="checkbox"/> administration and management | <input checked="" type="checkbox"/> all employees            |
| Sharing of profits or results includes:  | <input type="checkbox"/> administration  | <input type="checkbox"/> administration and management | <input checked="" type="checkbox"/> all employees            | <input type="checkbox"/> administration   | <input type="checkbox"/> administration and management | <input checked="" type="checkbox"/> all employees            |
| In selecting suppliers, the same ethical standards and social and environmental responsibility adopted by the Company:     | <input type="checkbox"/> are not considered  | <input checked="" type="checkbox"/> are suggested      | <input type="checkbox"/> are required                        | <input type="checkbox"/> are not considered   | <input checked="" type="checkbox"/> are suggested      | <input type="checkbox"/> are required                        |
| Regarding the participation of employees in volunteer work, the company:   | <input type="checkbox"/> is not involved   | <input type="checkbox"/> supports                      | <input checked="" type="checkbox"/> organizes and promotes   | <input type="checkbox"/> is not involved  | <input type="checkbox"/> supports                      | <input checked="" type="checkbox"/> organizes and promotes   |
| Total number of complaints and criticisms from consumers:  | At the Company 3,738   | At Procon Zero   | In Court Zero  | At the company ___ND_   | At Procon Zero   | In Court Zero  |
| % of complaints and criticisms addressed or resolved:  | At the Company 100%  | At Procon ___ND_%                                      | In Court ___ND_%   | At the company 100%   | At Procon ___ND_%                                      | In Court ___ND_%   |
|  | 2010   |  |  | 2009  |  |  |
| Total value added for distribution (thousand reais):   | 5,636,407  |  |  | 5,416,650   |  |  |
| Distribution of Value Added:   | 38.34% government<br>23.34% employees<br>9.97% shareholders<br>10.22% third party<br>18.13% retained |  |  | 45.35% government<br>20.76% employees<br>8.70% shareholders<br>9.08% third party<br>16.11% retained |  |  |
| 7. Additional Information  | -  |  |  |   |  |  |



# Independent Auditors' Limited Assurance Report on the Annual Report for 2010 of Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS



*Magno Luís Pinto and Leonardo Amaral Ramos  
PCP Analysts – Integrated Operations Center  
Ipatinga Plant/MG*

To the Board of Directors

Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS

## INTRODUCTION

We have been engaged to perform a limited assurance engagement on the Annual Sustainability Report for 2010 of Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS, prepared under the responsibility of the Company's management. This responsibility includes designing, implementing and maintaining internal control over the proper preparation and presentation of the Annual Sustainability Report. Our responsibility is to provide a limited assurance report on the information disclosed in the Annual Sustainability Report of Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS for the year ended December 31, 2010.

## PROCEDURES APPLIED

Our limited assurance work was performed in accordance with the Brazilian standard for assurance engagements other than audit and review, NBC TO 3000, issued by the Federal Accounting Council (CFC). This standard requires compliance with ethical standards and planning and performing the service to obtain a limited assurance that no issue has been brought to our attention that may lead us to believe that the Annual Sustainability Report for 2010 of Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS is not fairly presented in all its material respects in accordance with the criteria described below (Scope and limitations).

In a limited assurance engagement, the procedures to obtain evidence are more limited than in a reasonable assurance service; therefore, the level of assurance obtained is lower than that which would be obtained in a reasonable assurance service. The procedures selected depend on the independent auditor's judgment, including the evaluation of risks that the information in the Annual Sustainability Report does not significantly meet the criteria defined below (Scope and limitations). Within the scope of our work, the procedures conducted included, among others, the following: (i) planning the work, taking into consideration the relevance and the volume of information presented in the Annual Sustainability Report for 2010 of Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS; (ii) obtaining an understanding of the internal controls; (iii) examining, on a test basis, evidence that supports the quantitative and qualitative data in the Annual Sustainability Report; (iv) interviewing the managers responsible for the information; and (v) comparing the financial information with the accounting records. Therefore, the procedures applied were deemed sufficient to allow a limited level of assurance and, consequently, do not include all those required for issuing a broader assurance report, as set forth in said standard.

### SCOPE AND LIMITATIONS

The objective of our work was to verify whether the data included in the Annual Sustainability Report for 2010 of Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS, with respect to the obtaining of qualitative information and measurement and calculation of quantitative information complies with criteria and guidelines for sustainability reports from the Global Reporting Initiative (GRI-G3). Opinions, historical information, descriptive information and information resulting from subjective evaluations are not included in the scope of the work performed.

### CONCLUSION

Based on our limited assurance work, we are not aware of any significant change that should be made to the information included in the Annual Sustainability Report of Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS for the year ended December 31, 2010, for this information to be fairly presented, in all material respects, in accordance with the criteria described above (Scope and limitations).

Belo Horizonte, March 25, 2011.

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5 "F" MG

**Carlos Augusto da Silva**  
Contador CRC 1SP197007/O-2 "S" MG

## CREDITS

### General Coordination

Institutional Relations Department

### Work Team

Business Vice Presidency

Development Vice Presidency

Finance, Investor Relations and Information Technology Vice Presidency

Human Resources and Organizational Development Vice Presidency

Industrial Vice Presidency

Special Relationships Vice Presidency

Automotiva Usiminas

Automotive Sales Department

Corporate Communications Department

Cubatão Plant

Engineering and Expansion Department

Finance Department

Foreign Trade Department

Industrial Sales and Distribution Department

Information Technology Department

Ipatinga Plant

Legal Department

Logistics Department

Market Development Department

Mergers, Acquisitions and Alliances Department

Mineração Usiminas Department

Planning and Management Control Department

Procurement Department

Research and Innovation Department

Soluções Usiminas

Strategic Planning Department

Usiminas Mecânica

### Coordination and Contents

Report Comunicação

### Consulting for the Communication of Economic-Financial Data

Financial Investor Relations (FIRB)

### Graphic Design

Tom Comunicação

### Digital Version

Bhtec

### Photos

Daniel Mansur

Ronaldo Ito

Leonardo Galvani Horta

### Printing

Rona Editora



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**USIMINAS** 