

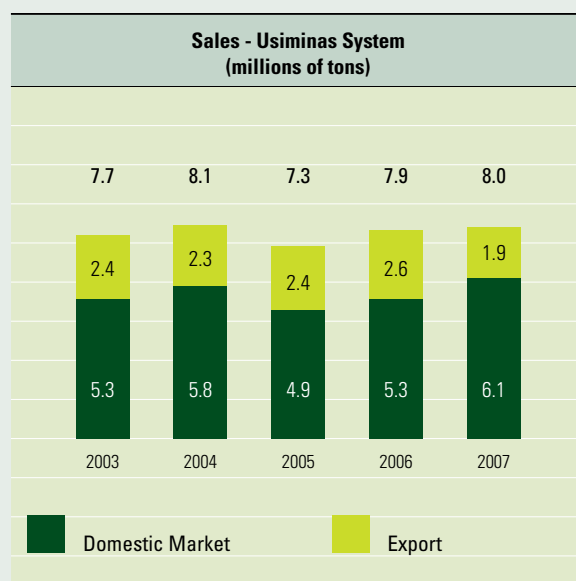
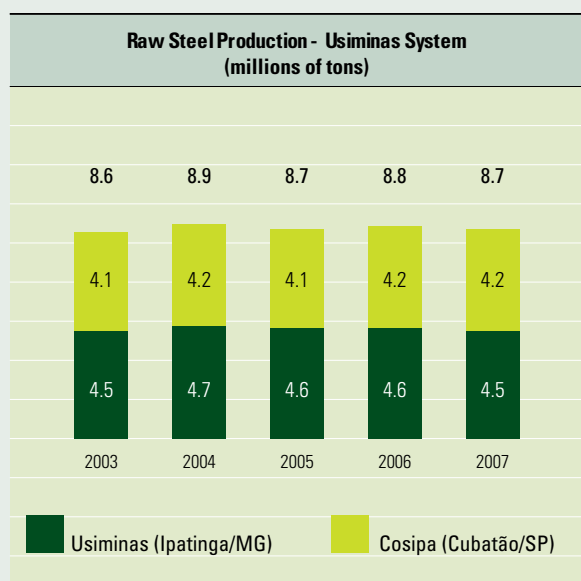
SUSTAINABILITY REPORT

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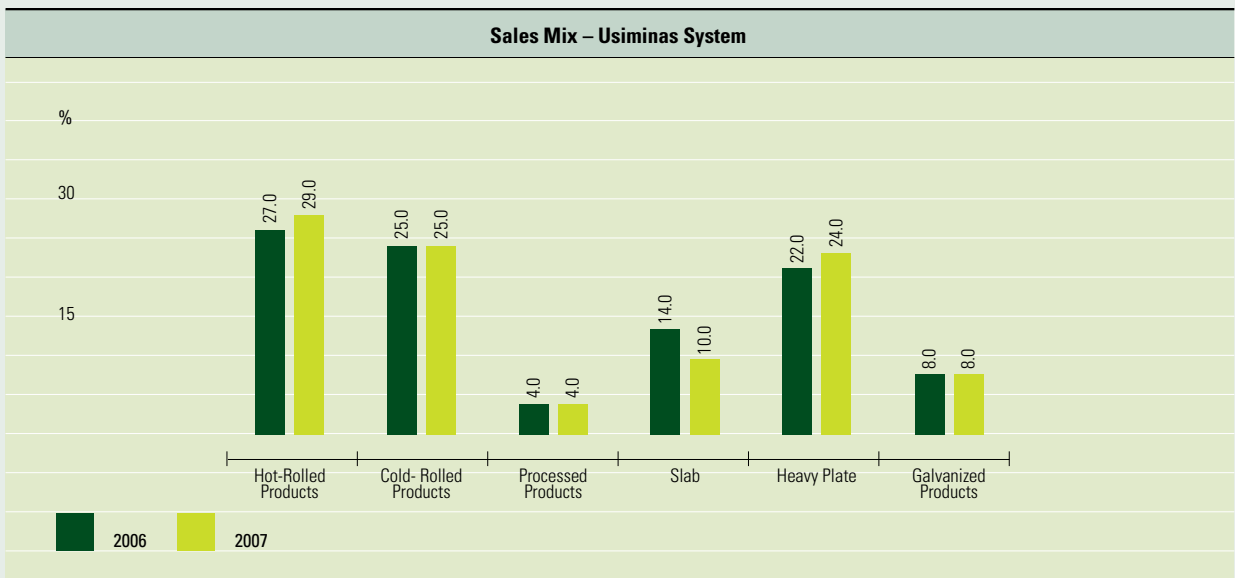
USIMINAS

SUMMARY OF OPERATIONAL, SOCIAL, ENVIRONMENTAL AND ECONOMIC-FINANCIAL HIGHLIGHTS – USIMINAS SYSTEM IN NUMBERS

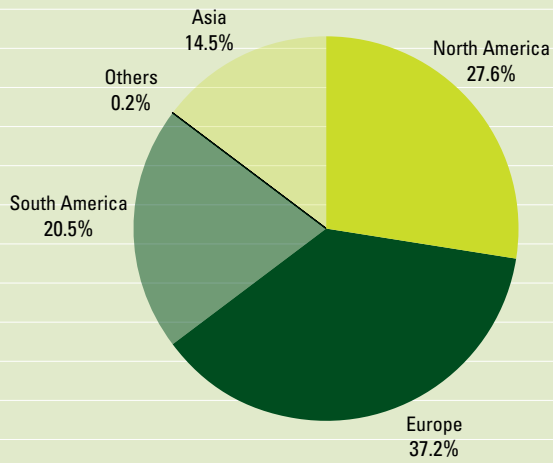
Operating Indicators - Production and Sales						
THOUSAND TONS	2003	2004	2005	2006	2007	Chg. 2007/2006
<i>System Production - Raw Steel</i>	8,621	8,951	8,661	8,770	8,675	-1.1%
Usiminas	4,524	4,738	4,549	4,616	4,461	-3.4%
Cosipa	4,097	4,213	4,112	4,154	4,214	1.4%
<i>Sales - Usiminas System</i>	7,710	8,062	7,348	7,945	7,990	0.6%
Domestic Market	5,342	5,874	4,947	5,288	6,113	15.6%
% Domestic Market	69%	72%	67%	67%	77%	
Exports	2,368	2,278	2,401	2,657	1,877	-29.4%
% Exports	31%	28%	33%	33%	23%	
<i>Sales - Usiminas</i>	4,044	4,295	3,817	4,285	4,200	-2.0%
Mercado Interno	3,183	3,453	2,945	3,208	3,538	10.3%
% Mercado Interno	79%	80%	77%	75%	84%	
Exports	861	842	872	1,077	662	-38.5%
% Exports	21%	20%	23%	25%	16%	
<i>Sales - Cosipa</i>	3,666	3,767	3,531	3,660	3,790	3.6%
Domestic Market	2,159	2,331	2,002	2,080	2,575	23.8%
% Domestic Market	59%	62%	57%	57%	68%	
Exports	1,507	1,436	1,529	1,580	1,215	-23.1%
% Exports	41%	38%	43%	43%	32%	



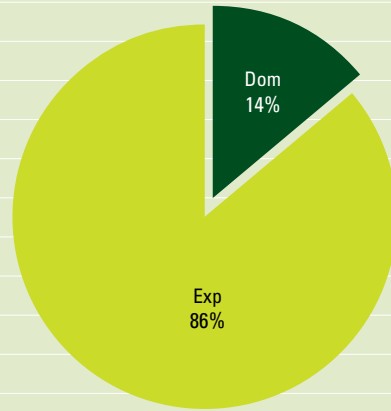
Financial Indicators - Consolidated						
R\$ million	2003	2004	2005	2006	2007	Chg. 2007/2006
Gross Profit	11,096	16,017	17,058	16,365	18,513	13.1%
Domestic Market	8,611	12,211	13,663	12,886	15,949	23.8%
Exports	2,485	3,806	3,395	3,479	2,564	-26.3%
Net Revenue	8,660	12,243	13,041	12,415	13,825	11.4%
Gross Profit	3,067	5,606	5,415	4,268	4,888	14.5%
Gross Margin	35.4%	45.8%	41.5%	34.4%	35.4%	
Operating Income Before Financial Result (Ebit)	2,526	4,983	4,760	3,560	4,452	25.0%
Operating Margin	29.2%	40.7%	36.5%	28.7%	32.2%	
EBITDA	3,072	5,541	5,525	4,368	5,003	14.5%
EBITDA Margin	35.5%	45.3%	42.4%	35.2%	36.2%	
Net Income	1,306	3,019	3,918	2,515	3,172	26.1%
Net Margin	15.1%	24.7%	30.0%	20.3%	22.9%	
Total Assets	15,573	16,967	18,195	18,697	20,699	10.7%
Shareholders' Equity	3,999	5,949	8,753	10,418	12,474	19.7%
Net Indebtedness	6,744	3,486	2,012	760	(952)	
Net Debt/EBITDA	2.2	0.6	0.4	0.2	0.0	
Net Debt/Shareholder's Equity	1.7	0.6	0.2	0.1	0.0	
Remuneration to shareholders	-	1,069	1,115	850	1,116	31.2%
Return on Equity	-	75%	66%	34%	35%	
Number of shares - thousand	225,286	225,286	225,286	225,286	337,929	50.0%
Market Value	7,351	12,154	12,526	18,163	27,541	51.6%



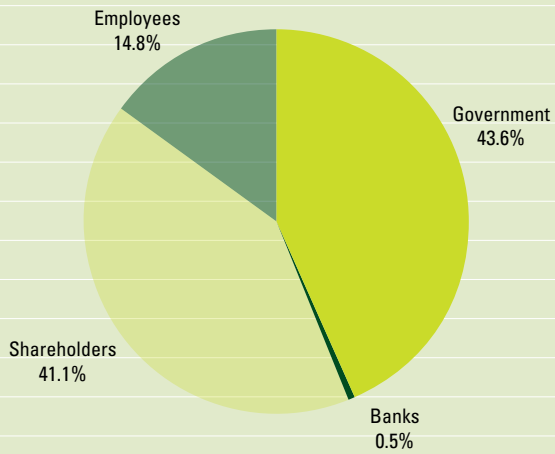
Destination of Exports - 2007



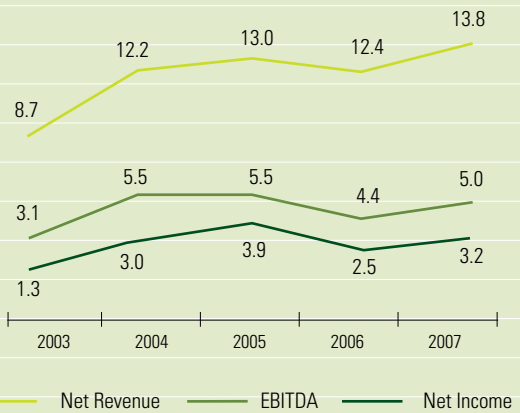
Consolidated Gross Sales - 2007



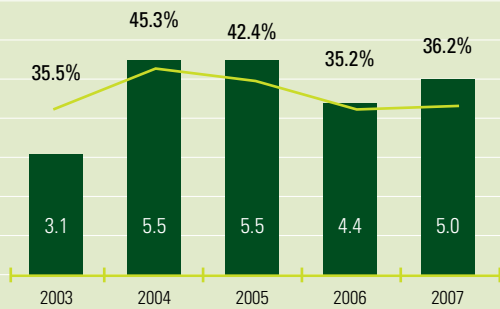
**Distribution of Added Value - 2007
R\$ 7.8 billion**



**Growth of Consolidated Results
(R\$ billion)**



EBITDA (R\$ billion) and Margin (%)

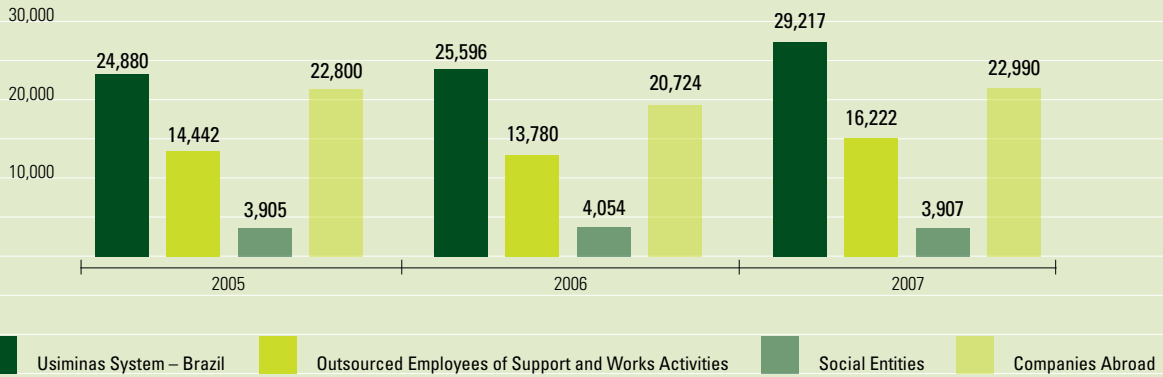


**Technological Research Investments
Intendente Câmara Mill**



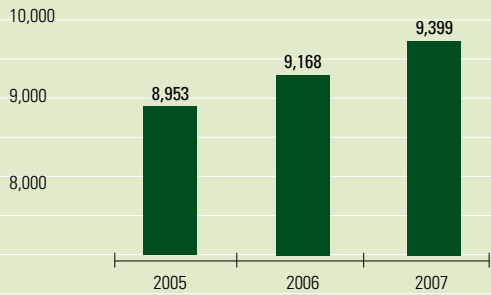
Direct Jobs in Brazil and Abroad

N° of Employees



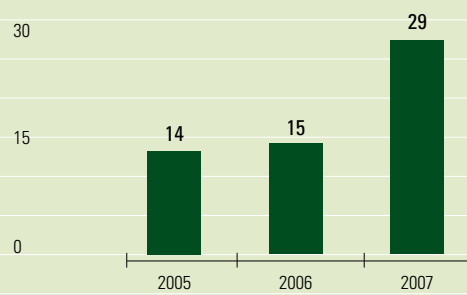
Usiminas System – Brazil Number of Graduated Apprentices

N° of Apprentices



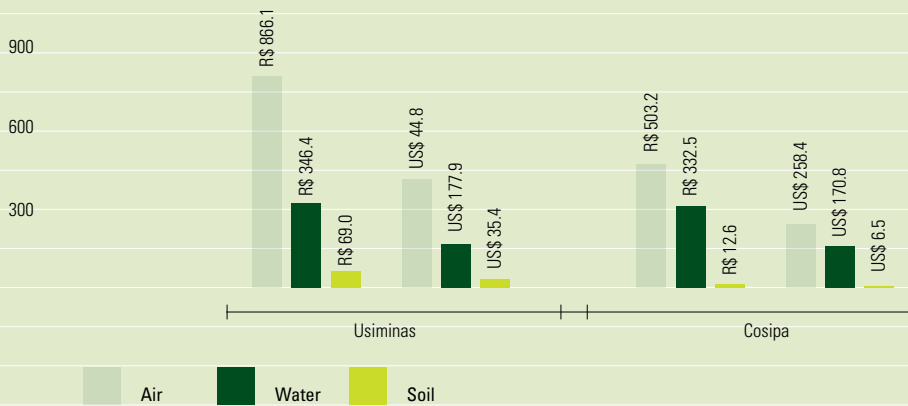
Fundação São Francisco Xavier Márcio Cunha Hospital – Ipatinga MG Number of Kidney Transplants Performed

N° of Transplants



Usiminas and Cosipa – Accumulated Investments in Environmental Impact Control Equipments and Processes

\$ thousand







MINNAS



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ABOUT THIS PUBLICATION

In 2007, Usiminas was the only steel mill in Brazil to adopt the third Generation of Guidelines, or simply G3, of the Global Report Initiative (GRI), used in the 2006 Balance Sheet, qualified among the 77 best in the world in a list of 800 competitors. Until now, Usiminas published its Social Report and Annual Report separately. This year, for the first time, it brings together the two publications in this Sustainability Report, aiming the A classification of GRI.

The content details the strategic actions, from the economic, social and environmental point of view, of Usiminas System's companies in Brazil throughout 2007.

Relationship with diversified publics that are interested in its activities is also a highlight of this publication, giving continuity to the efforts of Usiminas System to constantly improve its communication with shareholders, analysts, investors, government entities, employees, communities affected by our business and social environmental protection and preservation entities.

Concern with transparency and information clarity was worth the effort in three opportunities, 2003, 2004 and 2006, through the acknowledgement of National Association of Finance, Administration and Accounting Executives (Anefac) as one of the ten companies whose accounting statements are the most transparent in the country, offering information with the highest degree of credibility in the market.



MESSAGE FROM THE MANAGEMENT

The year of 2007 was a milestone for Usiminas System. We posted excellent operating and sales results, with an increase of 13.1%, which enabled us to hit record revenue generation of R\$ 18.5 billion. This historic performance is a direct result of a revision made in our strategic plan during the year, specially due to domestic market's intense expansion.

Steel consumption in Brazil increased 19.7% in 2007, totaling 22 million tons. In order to meet this growth, Usiminas turned 77% of its production to the local market, a figure we were unable to reach for the past ten years, when sales to the domestic market accounted for approximately 70% of total sales.

This sales strategy led to very significant results in the year. The R\$ 3.2 billion profit surpassed 26.1% over that in 2006. EBTIDA (profit before taxes, interest, shares, provisions, depreciations and amortizations) was R\$ 5.0 billion, up 14.5% in relation to last year.

While rescaling the product offer for the local market, in order to protect our leading market share, our production capacity was reached its limit. In our understanding, the Brazilian economy, over the next years, will grow to levels close to those reached last year, also increasing the demand for steel.

For 2008, we expect a growth in demand for flat rolled steel products of around 10% and for that reason we expect to make 80% of our products available for local

consumption, an unprecedented fact in our history. This strategy is in line with our policy to supply our customers in that which refers to sales assurance and delivery of products, always with the quality desired and within the specified deadlines.

In the long-term strategy, we will give continuity to Usiminas System's expansion, in accordance with the Vision 2015 plan, by announcing the Development Plan involving total investments of US\$ 9.9 billion, the largest ever made by the local steel industry. This amount will be used to upgrade our industrial processes and expand our production capacity, adding even more value to our product mix.

In order to guarantee the raw material needed for our production, at the same time we reduce possible risk arising from fluctuations in the global iron ore market, we have worked towards entering the mining sector, peaking, at the beginning of 2008, with the acquisition of mining group J. Mendes, an organization dedicated in the mineral extraction and considered to be the last large scale investment in the iron quadrilateral of the state of Minas Gerais. Through this development, Usiminas System has assured its place in the whole productive steel chain: Iron ore mining, production, processing and delivery of steel.

The assurance that the investments will add, today and in the future, the value expected for our business is in the implementation of actions that integrate more and more participation in the Ipatinga/MG and Cubatão/SP mills, increasing the synergy between the operating, managerial and production functions of both, besides the creative talent of the work teams on their ongoing pursuit to attend the needs of our customers with more quality. This is the target of the Transformation Project started in 2007, which will enable Usiminas System to effortlessly face the increasingly more globalized, exchange-oriented and competitive market that has transformed the steel sector.

We are, however, aware that the record performance and the strategic actions would not be enough to assure a leading position in the domestic market and the role of international market player if the Usiminas System were not permanently engaged in the pursuit of sustainability. The environmental investments of the Usiminas System companies and the external social investments (communities) totaled R\$ 172,607 thousand. Considering the benefits granted to employees, this amount adds up to R\$ 519,448 thousand.

Along with good results, we received valuable recognition from Brazil and from the world. In 2007, we became the only steel mill of the Americas to be related to the renowned Dow Jones Sustainability Index of the New York Stock Exchange; we were granted the award for Best Publicly Traded Company by the Association for Capital Markets Professionals and Investors (Apimec); we placed ourselves as the first company in Brazil and the fifth in the world that most generates value to the shareholder, according to the Value Creators Report prepared by the Boston Consulting Group; and received the investment grade rating from three of the most important risk analysis agencies: Fitch Ratings, Standard & Poor's and Moody's. This grade was maintained even after the investment made to purchase the mining company J. Mendes. These are triumphs that enrich not only the activity of the company but, mostly, the work of our team.

The transparency and respect for the investor is a principle of Usiminas which, in October, adhered to the Level I of Corporate Governance of the Sao Paulo Stock Exchange (known as Bovespa), which reinforces these commitments. We are confident and optimistic in relation to Usiminas System's future, whose dimension will equal to our needs. We believe that our strength and

consequently, our capacity to overcome challenges is in our team, which believes, perseveres and shares the values, principles and vision for the future of the group. Sustainable growth is, to us, more than simply a way of generating business: It is the security that we are able to continuously generate value in the long term, perpetuating the solidity of a System focused on maintaining our leadership in the Brazilian flat rolled steel market and the position of global market player.

Rinaldo Campos Soares
CEO



The background features a series of thin, light green wavy lines that create a sense of movement and depth. A solid dark green horizontal bar is positioned in the middle-right section of the page, containing the text 'COMPANY PROFILE'. Below this bar, a thin, bright yellow horizontal line runs across the width of the page.

COMPANY PROFILE

USIMINAS SYSTEM

Usiminas System is the largest and most modern steelmaking complex in Latin America. It is comprised of 16 companies that engage in steel manufacturing and the businesses in which steel has a strategic role.

With its head office in the city of Belo Horizonte (in the state of Minas Gerais), Usiminas System has a production capacity of 9.5 million tons of steel per year, representing over 25% of Brazilian production and is a global player in the steel sector.

The Usiminas System operates in Brazil in the production, distribution and processing of flat-rolled steel, structural shapes, stamping, production of capital goods and industrial logistics areas. It holds a 52% share of the Brazilian market for flat rolled products, meeting the needs of various industrial segments (automobile, shipbuilding, construction, agricultural and highway machinery, electronic equipment and large-diameter pipe, among others), in addition to the distribution (retail) sector. With cutting-edge technology, the System offers a complete line of flat products, slabs and coated steels.

In 2007, the Usiminas System started the biggest and most daring plan in the development of Brazilian steel segment, with investments of US\$ 9.9 billion by 2015, aimed at increasing the production of the industrial plants of the mills of Ipatinga (Minas Gerais state) and Cubatão (São Paulo state). In line with the Vision 2015, the plan seeks to strengthen its position of leadership in the local market, and in parallel, adjust its position to the new global market order.

The permanent focus on sustainability, which guides its strategies and actions, led Usiminas in 2008 to move into the mining business area, with inexorable investments in the acquisition of a large iron mining asset available in the southeast region of Brazil, with a useful life estimated at 25 years.

With its solid organizational culture and a management based on sustainability, the Usiminas System is committed to the generation of value for its shareholders in a responsible manner towards society. The constant search for operational excellence has granted the Usiminas System a prominent position in the main global rankings of best corporate practices.

USINAS SIDERÚRGICAS DE MINAS GERAIS S. A. – USIMINAS

Headquarter	Rua Professor José Vieira de Mendonça, 3.011 Belo Horizonte – MG CEP 31310-260
Foundation	April 25, 1956
Number of employees	25,080 (consolidated)
	8,191 (parent company)
	16,222 (outsourced)
	3,907 (social entities established or directly supported)
Capital Stock	R\$ 8.1 billion
Company Market Capitalization	R\$ 27.5 billion
Number of shares	337.928.730
Nominative Common	168.420.228
<i>Stock Exchange Listing</i>	
Bovespa	USIM3, USIM5 and USIM6
NYSE	ADR level 1 - USNZY
Latibex	XUSI and XUSIO

Date - 12/31/2007

[Usiminas' strategy is guided by its sustainability that, in 2007, initiated the biggest and most daring plan to develop the steel segment]

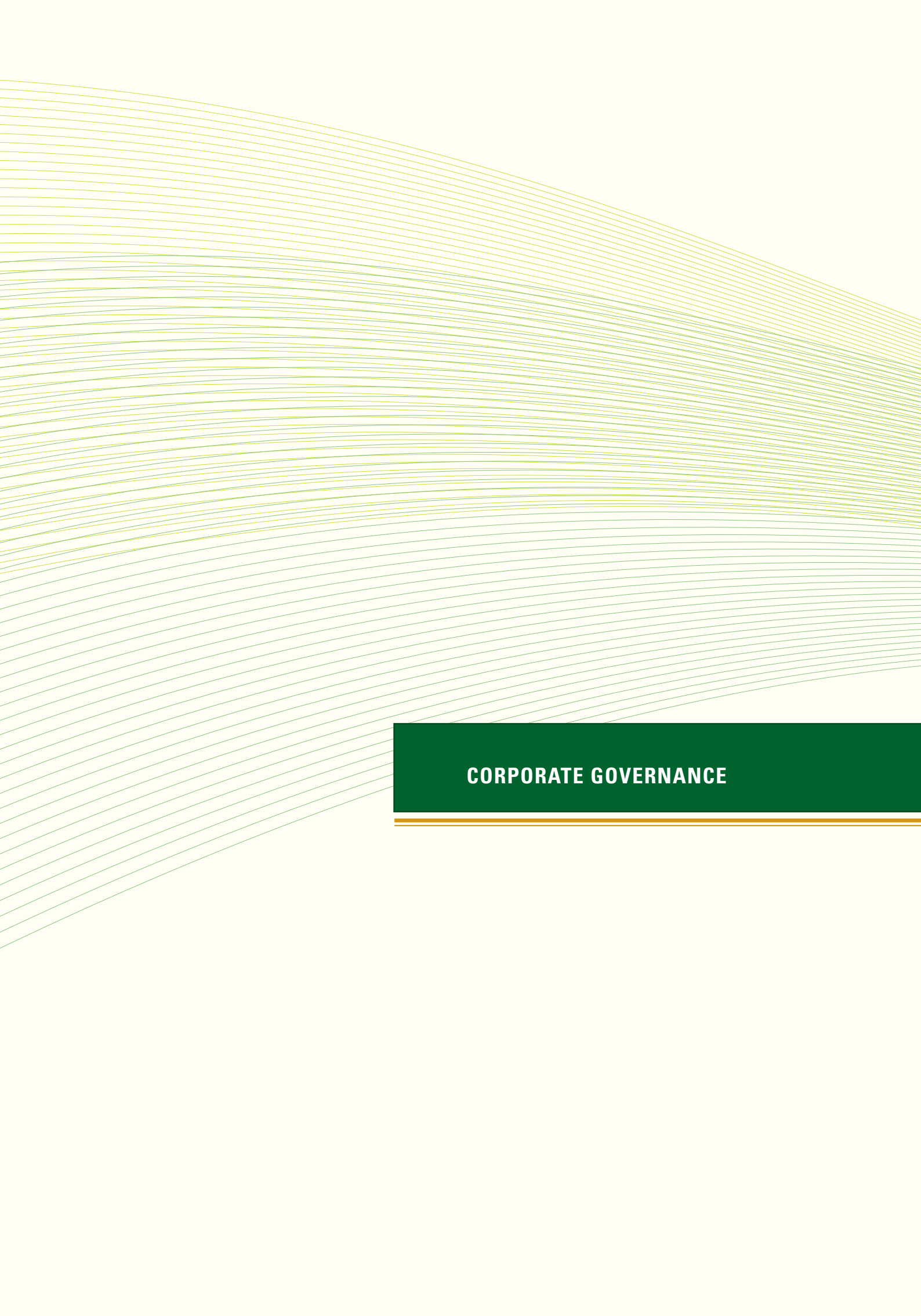


View of Blast Furnace 3 of Intendente Câmara Mill

Business	Company	Company Control	Activities
Steel Making	USIMINAS Ipatinga		Leading company in the Usiminas System. Produces and sells cold and hot-rolled flat steel, plate, slab and coated steel.
	COSIPA Cubatão	USIMINAS: 100%	Produces uncoated flat steel (slab, heavy plates, hot and cold-rolled steel).
	TERNIUM	USIMINAS: 14.25%	Steel products. Holds Hylasamex and Imsa (Mexico); Siderar (Argentina); and Sidor (Venezuela).
	UNIGAL Ipatinga	USIMINAS: 79% Nippon Steel: 21%	Galvanized plate and steel coil.
Capital Goods and Pressing	USIMINAS MECÂNICA Ipatinga	USIMINAS: 99.97%	Manufactures equipment and large-scale metal structures.
	USIPARTS Pouso Alegre	USIMINAS: 99.09%	Produces painted cabs and complete assemblies for the automotive sector.
Logistics	USIFAST Betim	FASAL: 50%	Acts as an integrated logistics system, like a national, multi-modal operator for industry.
	MRS Juíz de Fora	USIMINAS: 11.13%	Railway transport.
	RIO UNIDOS Guarulhos	RIO NEGRO: 99.98%	Highway transport.
	PORTO TPPM Vitória	USIMINAS AND CONDOMINIUM: 33.3%	Maritime transport.
	PORTO TMPC Cubatão	USIMINAS AND CONCESSIONAIRE: 100%	Maritime transport.
Distribution and Services	FASAL Santa Luzia	USIMINAS: 50%	Improves and distributes steel products for the domestic and export markets.
	RIO NEGRO Guarulhos	USIMINAS: 64%	Processes and sells galvanized, cold and hot-rolled coils.
	DUFER São Paulo	COSIPA: 51%	Transforms coils into plate, rolls, strips and blanks and distributes products.
	USIAL Vitória	USIMINAS: 98% USIMINAS MECÂNICA: 2%	Manufactures and sells steel artifacts.
	USIROLL Ipatinga	USIMINAS: 50%	Provides services and correction technology.
Social	FUNDAÇÃO SÃO FRANCISCO XAVIER - Ipatinga		Provides health, educational and cultural services to the Steel Valley community.
	CONSUL Ipatinga		Usiminas employees' consumer cooperative.
	CAIXA DOS EMPREGADOS		Usiminas employees' pension fund, a closed Private Social Security Entity.
	FEMCO		Cosipa's employees' pension fund, closed Private Social Security Entity.

 Parent company
 Subsidiary
 Wholly-owned Subsidiary
 Share in Control
 Others





CORPORATE GOVERNANCE



Recognition of Differentiated Practices

The good Corporate Governance practices of Usiminas have gone beyond the national boundaries. Its commitment with the sustainable creation of value for shareholders, respecting the environment and the society, was confirmed by the Company's inclusion in the Dow Jones Sustainability World Index (DJSI), which accompanies the share's performance of leading companies in their sectors at a global and regional level, in terms of corporate sustainability – Usiminas is the only representative in the steel sector in the Americas.

Only seven Brazilian companies are included in the DJSI, which takes into consideration the social-environmental efforts, transparency of information, risk management, labor practices, solidness of the brand and of the standards for the supply chains, besides governance quality.

According to Sustainable Asset Management (SAM), a Swiss group in charge of the methodology for the Index, the results of this annual revision will influence the investment decisions of asset managers in 15 countries that licensed the family of Dow Jones indexes for a variety of funds based on sustainability.

In Brazil, in October of 2007, Usiminas adhered to the Level 1 of Corporate Governance of the São Paulo Stock Exchange (Bovespa). This means that the System is voluntarily committed to rendering information to the market in a clear and transparent way, besides reaffirming its commitment to manage its business in order to value the equity of the shareholders through instruments that generate more stock liquidity.

The adhesion to level 1 of Bovespa elevates the governance standards of the steel mill and its relationship with the capitals market, minority shareholders and investors. It also assures the introduction of the Company into the Stock Index with Differentiated Corporate Governance (IGC).

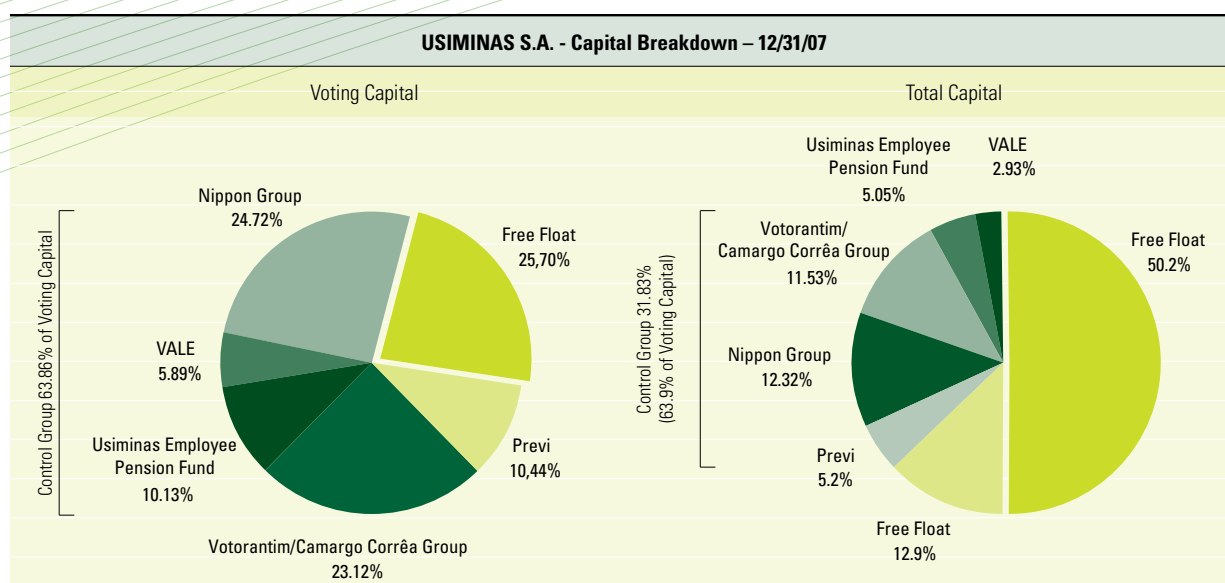
Management principles aim at developing long-term relations with customers and suppliers. In its relationships and contracts, besides the Brazilian laws for agreements, treaties and universal accepted principles related to corporate governance, environmental and human rights, it privileges the quality parameters of the products and services rendered, as well as the interpersonal relationship with shareholders, employees, communities, governmental and non-governmental entities.

The achievement of the commitments of Usiminas, as well as the monitoring of good governance practices, is accompanied by Internal Corporate Auditing subordinated to the Board of Directors. In May 2007, the creation of Internal Committees to give assistance to the Board of Human Resource and Auditing areas, formed by members of the Board of Directors, was approved.

Shareholder Breakdown

Usiminas' shares are listed and traded in the São Paulo Stock Exchange (Bovespa), in the Madrid Stock Exchange (Latibex), in New York over-the-counter (OTC) and in the form of ADRs (American Depository Receipts).

The capital stock of the Company is divided into 337,928,730 shares, of which approximately 50% are common shares (voting) and 50% are preferred shares.



Board of Directors

The attributions of the Board of Director are to set business guidelines for Usiminas by offering guidance in management, besides establishing the performance control criteria. It is formed by twelve effective board members – and its respective substitutes – elected by a General Shareholders' Meeting to serve two years terms with permission to be reelected.

The Board's responsibility is to elect the Executive Board and determine their at-

tributions, as well as oversee the annual budgets, the investment programs and participation in other companies, among other prerogatives.

Breakdown of the Board 12/31/2007

- Bertoldo Machado Veiga (Chairman)*
- Albano Chagas Vieira*
- Antonio Luiz Benevides Xavier*
- Gabriel Stoliar*
- Hidemi Kawai*
- Humberto Eudes Vieira Diniz*

José Olímpio da Silva
Marcelo Pereira Malta de Araújo
Rinaldo Campos Soares
Toshimi Sugiyama
Wilson Nélio Brumer
Yuki Iriyama

Executive Board

The mission of the Executive Board is to establish guidelines to Usiminas System's managers, guiding them in internal and external relations. It is required to act ethically, focused on the interests of many interested parties of each company and, at the same time, ensure the high quality of the products and services offered to society and promote corporate social-environmental responsibility.

The Usiminas System has a unified Executive Board, comprised of a Chief Executive Officer and another six directors, divided into the areas of Finance and Investor Relations, Industrial, Domestic Market Sales, Foreign Market Sales, Development and Special Relations. Likewise the Board of Directors, the officers have two-year terms with the possibility of reelection.

Breakdown of Executive Board

Rinaldo Campos Soares
(CEO)
Gabriel Márcio Janot Pacheco
(Development Director)
Hiroyuki Nakagawa
(Special Relations Director)
Idalino Coelho Ferreira
(Sales Director - Domestic Market)
Omar Silva Júnior
(Industrial Director)

Paulo Penido Pinto Marques
(CFO and Investor Relations Director)
Renato Vallerini Júnior
(Sales Director - Foreign Market)

Permanent Fiscal Council

Comprised of five members elected at a General Shareholders' Meeting, the Permanent Fiscal Council's purpose is to oversee the acts of the administrators and to verify compliance of their duties with applicable law and Company's by-laws.

Fiscal Council members review the financial statements and are also in charge of issuing opinions regarding investment plans, budgets as well as proposals related to changes in the capital stock, distribution of dividends and transformations, mergers or spin-offs related to the System's companies.

Breakdown of the Fiscal Council

José Ruque Rossi (President)
Antônio Joaquim Ferreira Custódio
Leonardo Luiz Meireles Freitas
Roberto Rocha Gomes
Masato Ninomiya

Internal Committees

The internal committees is comprised of four members of the Board of Directors, appointed at the General Shareholders' Meeting. Its main objective is to assess the Board of Directors in the areas of Human Resources and Auditing.

Human Resources Committee – Antônio Luiz Benevides Xavier, Bertoldo Machado Veiga, Shinya Higuchi and Wilson Nélio Brumer;

Auditing Committee – Bertoldo Machado Veiga, Gabriel Stoliar, Hidemi Kawai and Wilson Nélio Brumer.

Internal Auditing

The main purpose of Usiminas' Internal Auditing is to evaluate all the processes and companies of the Usiminas System by constantly examining the efficiency of the Internal Control System, which guarantees compliance with policies and strategic objectives by means of an organizational structure, norms and procedures. This monitoring prioritizes the aspects of prevention, control and reduction of any risks that may impact on equity, interests or the image of the organization.

In 2007, a new methodology was implemented to reinforce the identification and prioritization tools of the auditable processes, the "Internal Auditing Based on Risks." The implementation counted on the support of specialized international consulting.

The methodology is integrated to the concepts of the Committee of Sponsoring Organizations (COSO) and enables the guidance of auditing efforts, through the participation of managers, based on criteria for Strategic Relevance, Financial Materiality, Fraud Risks, Legal and Image Risks.

The same criterias are adopted to oversee the recommended improvement actions.

Independent and External Auditors

Usiminas, in compliance with CVM Instruction 381/2003 and in line with its internal policies, assures that contracts and services currently provided by independent audi-

tors to the Company and its subsidiaries are only related to external auditing jobs.

Management Model

Usiminas' management model is one of the main characteristics of the organizational culture, which contemplates the ongoing search for higher corporate excellence levels, as well as innovation and continuous improvement of processes, products and services, always focused on the quality of relations with different parties interested in their activities (customers, employees, society, the government, suppliers and shareholders).

Management quality is a priority that must be guided by the Integrated Management System, which contemplates the following guidelines:

- Ethical conduct in business and compliance with legal and regulatory requirements linked to products, processes, people and facilities that act as management driving agents;
- Strategies, action plans and processes are guided as a result of the promotion of satisfaction and gaining of customer loyalty;
- Preservation of people's health and wellbeing, whose value, qualification, involvement, motivation and safety based on the prevention of accidents are permanent targets of corporate actions;
- Pollution prevention; identification and control of environmental aspects; reduction of solid waste; quality of river effluents and atmospheric emissions; rational use of water, energy and raw materials are primordial requirements for the development of all activities.





Coil Shipment Courtyard - Intendente Câmara Mill





STRATEGIC MANAGEMENT

Mission

Usiminas' Mission, defined by the Board of Directors, is:

- To create value for society through steel and steel-related activities;
- To validate each step of the production process, by supplying high-quality, competitive goods and services, generating return for shareholders, and contributing to the well-being and development for employees and their communities;
- To continually seek to expand the Company's horizons and reconcile economic goals with the social demands of the community.

Vision

Consolidate leadership in the Brazilian market of flat rolled steels and become a major player in the international market for slabs and rolled products.

Strategic Objectives

In 2007, Usiminas System's business activities began to be directed towards new

strategic objectives defined in 2006. They are:

Global competitiveness

Permanently incorporating new supply, processes and products technology:

- developing research with the speed required for the global business environment;
- maximizing synergies in value chains;
- promoting alliances and partnerships grounded on new corporate values;
- adopting advanced and efficient management models.

Corporate Governance

Meet shareholders expectations by optimizing results:

- legitimating the maximization of profit through a fundamental and fair return on investments;
- maintaining systems that guarantee strict conformity with the best international standards;

- ensuring transparency, participation and communication with the Brazilian and international capitals markets;
- continually controlling and managing risks;
- meeting the requirements of publicly held corporations, valued by the market.

Suppliers and customers

To differentiate ourselves in the business chains in which we are integrated:

- maintaining our established market leadership.
- sharing R&D, synergies and interests.
- maintaining healthy, long-term reciprocal relationships.
- meeting needs and expectations, and guaranteeing satisfaction by taking advantage of the Company's potential

Personnel

To create the conditions in which people are one of the differentiating factors in the Usiminas System:

- promoting an environment of motivation and ongoing learning;
- developing an applying talent;
- sharing values;
- overcoming challenges through cooperation and teamwork.

Social and environmental responsibility

To guarantee the credibility and public reputation of the companies which comprise the Usiminas System:

- developing products that conform to high technical standards and are ecologically correct;
- implementing solutions that preserve the environment for future generations;
- taking structural actions that favor social and sustainable inclusion;
- developing environmental management policies that involve activities at all industrial plants;
- investing on training, well-being and life quality of its employees.

Risk Management

Management system continuously monitors Usiminas's risk factors. The mapping of these risks, as well as the assessment of the efficacy of control actions is part of the internal auditing methodology focused on the preventive aspect.

Due to preventive actions, the Company sustains itself on a solid base and is capable of facing sudden fluctuations in the economy maintaining its investment levels. Likewise, the indebtedness is maintained at safe levels.

Annually, all areas in charge of implementing corporate processes give recommendations for improvements for control systems in order to keep them updated and able to face new market challenges.

Risks related to Industrial operation

The new Development Plan will reduce the operational risks that are part of the steel-

making activity's essence. The Schedule established by the Company is within the 2015 vision and includes strategies, such as the acquisition of mining group J. Mendes and the Transformation Project, which will ensure the supply of several essential raw materials for the production plan in the operational stability of the System's companies. In addition, the Company establishes long-term agreements with strategic suppliers of raw materials, energy, general material and services.

Financial and exchange risks

In 2007, a year in which Usiminas widened the scope of its production to the domestic market, equivalent of 86.1% of consolidated gross revenue, the Brazilian real rose sharply in relation to the U.S. dollar. The other 13.9% of revenue was obtained from sales to foreign market, generating a natural hedge and a stable source of a currency that, despite 2007 prices, continued strong and reliable.



Cold Rolling 2 – Usiminas

Management System's risk management places Usiminas in a solid base to confront the economy's fluctuation

Technological risks

The Center for Research and Development is responsible for developing and testing all stages of the technological process and reducing risks therein. This way, Usiminas reduces its dependency on international technical assistance and has a technical staff standing by, prepared to intervene in the case of problems. It also enables the continuous enhancement of the technical assistance policies of the Company, in products and services sales as well as in after sales, besides following trends for the sectors operation and products technological innovation.

To guarantee legal, technical and financial interests in inventions and improvements obtained in the technological area, since the 1970's, the Usiminas System has relied on a patent structure based on the global philosophy of the Company's technological development. As a result, it is the leader in the number of letters patent in the Latin American steel industry. Until 2007, the System had filed 618 patent applications in the National Institute of Industrial Property (INPI) and 51 with similar agencies outside Brazil, resulting in 395 patent letters in Brazil and 23 abroad.

In 2007, Usiminas earned R\$ 14.7 million selling technology, double the amount invested in acquisitions.

Market risks

Dependent on the importation of raw materials, the steel industry is vulnerable to sudden changes in the global economic scenario. As a general rule, international prices of raw materials and finished products have remained relatively stable, but are constantly monitored by the System through commercial policies that are designed to accommodate new market realities.

In recent years, for example, the influence of the Chinese market (whether with respect to the purchase of raw materials, or the supply of products) has dictated the high and low trends in the steel industry, demanding special attention to signs that point to changes in market movements. The acquisition of J. Mendes' mining operations in mid-February of 2008 is part of the strategy to minimize the impacts arising from the volatility of international raw material prices.

Another risk factor is the energy issue, regarding new levels of oil prices, which influence the price of other energy sources, as well as bottlenecks in Brazilian energy offer. Aware of this, Usiminas System will implement, according to the expansion plan, a new thermoelectric power plant in Ipatinga (in the Minas Gerais state) and has developed energy savings and rationalization plans in its industrial plants.

Usiminas extended until 2014, the electrical energy supply agreement with CEMIG which estimates the supply of 308.5 MW.

Environmental risk

The most significant environmental impacts are at the mills in Ipatinga and Cubatão. Such risks are continually monitored, enabling the development of an ongoing improvement process, which is certified under norm ISO 14001, which acknowledges organizations concerned with profitability as well as management of environmental impacts.

Information security

The Planning and Production Programming Systems of Ipatinga and Cubatão mills have been standardized for years, unlike the administrative systems, that were unified through SAP which, in 2007, was implemented in the manufacturing sector, covering the Reduction area. This enables the expansion of an integrated and single management for both steel mills.

The solutions implemented to assure the System's information flow security are:

- Technology and Information Security Committee's institutionalization, an executive committee with quarterly meeting, and the Information Security Group, a technical group with meeting held twice a month;
- Corporate Information Security Education Program, with campaigns and seminars at both mills;

- Implementation of anti-spam and anti-virus software;
- Internet content control;
- Hacker protection;
- Vulnerabilities and adaptation analysis to the best security practices.

Solutions in progress:

- Management of upgrading security in servers and stations;
- Logical access control in critical servers;
- Website contingency studies;
- Information security integration with Management System based on the ISO 27001 norm;
- Disaster x Recovery of critical servers.

Implementation of a Management Information System was also started in 2007 and will consolidate important information for Decision Support. Therefore, hardware and software system was re-adapted to meet the needs of the team responsible for the Expansion Project – Vision 2015.

Investment project risks

The investments aimed at increasing capacity and production quality contemplate a guarantee of continuity and value added to business in the future.

Project management of investment implementation is carried out by an experienced team that uses modern technological resources.

Risks and control mechanisms identification procedures are being reviewed by internal and external experts aiming the evaluation of needs and characteristics that lead to the most efficient risks mitigation related to the attainment of investment costs, terms and investment performance.

Strategy

In 2007, favorable events in the domestic economy led Usiminas System to achieve the best results in its history. This excellent performance, however, would not have guaranteed the domestic market leadership and the role of major player in the international market if it was not permanently engaged in the search for sustainability, based on three fundamental values: responsibility, credibility and corporate intelligence, able to add long term value in a sustained manner.

Continuous innovating challenge in order to meet customer's requirements led Usiminas to make adjustments in its strategy throughout 2007, when the Brazilian steel sector registered the highest growth rate of the last ten years.

In order to meet the increasing demand, Usiminas turned 77% of its production to the local market, equal to 6.1 million tons. In the past ten years, when the market was stable, this proportion stood at 70% to local market and 30% to foreign market.

By choosing to strengthen the domestic market's offer to meet the growth of Brazi-

lian economic activity, Usiminas reached its capacity limit. To prevent a negative impact on the strategy to permanently supply products with higher added value to customers, avoiding the spot market, lacking pre-established contracts, Usiminas System imported 15 thousand tons of hot dip galvanized products and 120 thousand tons of heavy plates, guaranteeing product delivery and protection of its current market share of 52%.

Brazilian economy's growth rate will most likely continue at its current rate for the next years. Therefore, the Company's objective for 2008 is to place 80% of its products in the domestic market and 20% in the foreign market, an unprecedented fact in its history. To achieve this goal, Usiminas has already put into motion its Development Plan that comprises the largest investment ever in the local steel sector, and its Transformation Project, implemented in August 2007, aimed at developing a single planning model for both mills, preparing the group for growth and strategic direction for the next years. This will result in a operational and cultural restructuring of its business and logistics areas. After the full implementation of this project, Usiminas System will be able to reach all its objectives of higher-added value for its products and services as it will become increasingly more qualified to continue supplying its clientele with dedication, speed and efficiency.

Transformation Project

The challenge of innovating continuously to meet client's needs and expand Usiminas System's sustainable leadership in the domestic market as well as in the foreign market, led to the Transformation Project in August 2007. This was the result of a diagnosis made at the end of 2006 with the purpose of creating a flexible and integrated planning model to prepare Usiminas for a strategic growth and direction of the next years.

The project is expected to be concluded by the end of 2009 and is developed on five foundations (Strategy, Processes, People, Infrastructure and Technology). Its scope includes matters such as Single Acceptance of Orders, the Single Sales and Operation Plan, the Supplying Cost Model, the Centralized Management of Transports and a proposal for a service level for each customer and product.

In addition to the mills integration, a model that establishes a customer care strategy and that runs through the whole production chain is sought to ensure a guided and suitable relationship, whose value is perceived by the customer and practiced by all areas. The new model also plans on approximating marketing, sales, production planning and logistics areas by changing the management model to a systemic approach for better results and more sustainability.

Through the incorporation of best practices in sales and production planning process, the Transformation Project proposes the use of a standardized products langua-

ge for the processes of Sales, Marketing, Logistics and Production areas (Single Sales and Operation Plan). This will enable more accuracy in sales expectations, which combined with the implementation of new tools and new process designs, will enable the better performance of the whole chain.

This project's implementation will cause a business outlook transformation to Usiminas System, increasing its focus on customers and transforming it into processes and technologies. It is also a preparation for targets planned up to 2015 and maintenance of good results.

The Transformation Project combined with investments and strategic definitions, will allow a possible increase in added value of products and services as Usiminas System will be more capable of supplying the market with speed and efficiency. Consequently, we will easily face the ever more globalized, changing and competitive market that has become the global steel industry.

Intangible Assets

Usiminas has one of the 10 most valuable brands in the country. This is a result of high quality products offer, trust relationship with customers and suppliers, technological control, value generation to investors and strong organizational culture, attributes that insures Usiminas System to have a value above that defined by its assets.

The market value of R\$ 27.5 billion by the end of 2007 and around 120% over the R\$ 12.5 billion in net assets, is a result of the reputation and image that the Company has achieved.



Coil Shipment Courtyard



Coil Transfer

The Usiminas System uses the most advanced steelmaking technology in the world and relies on a continuous acquisition process of new models, in particular from Nippon steel Corporation, with which it has already signed many agreements involving technology transfer.

The Company is also dedicated, in its own lab, to development new technology and research that are aimed at enhancing the product quality with greater reliability, obtaining more added value.

Awards and Certifications

In 2007, Usiminas was granted the following awards and acknowledgements:

- Ranked among the 10 companies that have the most valuable brands in Brazil, according to the last Interbrand ranking, main international consulting firm for brands evaluation.
- Elected by *Correio Brasiliense* newspaper as the company that most contributed to Brazilian economic advances in the steel industry category.

- Classified among the 10 best companies in IDHO (Human Organizational Development Index) that evaluates the employee treatment, citizenship and social responsibility, financial results and corporate governance.

“Caring for the World” Award with emphasizing the “transparency” subject.

- Largest Private Investor in the Country Title in libraries, granted by the Brasil Reader Institute
- Industrial Eco-efficiency Award that acknowledges Company’s major role in environmental preservation, granted by FIEMG and CEMIG.
- European green seals: Usiminas is the first Brazilian company to obtain such certification, which acknowledges products that cause the least environmental impact during the productive process in relation to similar products.
- Qualitas Award, granted by Fiat, at the best national supplier in 2007.
- Supplier of the Year award from auto-maker General Motors, for the second consecutive time.

[Usimina’s market value surpasses the sum of its assets]









INVESTMENTS AND OUTLOOK

Investments

The year of 2007 marked the steady return of private investments in Brazil, local and foreign. Sector growth and easier credit encouraged Usiminas to speed up the Development Plan's implementation. According to Company's analysis over the next years, Brazilian economy will grow at a similar rate as that registered this year, despite the turbulence in the global economy caused by US real estate sector crisis.

Usiminas System's investment plan is the largest and boldest in the history of Brazilian steel industry, in which US\$ 9.9 billion will be invested. In line with Vision 2015, the plan includes a boost in productive capacity by 6.2 million tons of steel per year, which strengthens its leading position in the local market and expands the internationalization strategy and the organizational structuring of the business, gradually decreasing its dependence on iron ore and a global trend of the sector.

The investments began at the Intendente Câmara mill in Ipatinga (in the Minas

Gerais state) with the implementation of a new thermoelectric power plant and a new coke plant, in addition to a large technological upgrading program. The expansion plan estimated at US\$ 4.1 billion will increase the unit's production by 3.2 million tons/year of liquid steel. The highlight will be rolled products production to add more value to the product mix. A total of 500 thousand tons of heavy plates, 150 thousand tons of hot rolled products and 500 thousand tons of hot-dipped galvanized products, mostly for the auto industry, will be added. Equipments supply bidding began in 2007 and the forecast for the mill will to begin operating with the production of 8.2 million tons/year of liquid steel is the first-half of 2011.

The term of the next stage of expansion, which predicts a production capacity increase of 3 million tons/year of liquid steel is in the evaluation phase. With investments of US\$ 2.7 billion, the forecast is that it will start up in 2012 existing a possibility of anticipation in light of the demand.

Cubatão mill will include a new hot rolled line for the production of 2.3 million tons/

year, starting in the first quarter of 2011 (first phase) and 3.8 million tons/year in the second phase. Starting in April 2008, it will also begin upgrading its Continuous Casting machine nº 3, which will increase the steel mill's production capacity by 325 thousand tons/year of liquid steel, enabling the production of more noble steels adding value to the product lines. The reform project for blast furnace nº 1 is scheduled for May 2008, in line with the plans to increase production

Verticalization of business

The heating up of global competition and steel industry downsizing through merg-

ers, acquisitions and associations that have been occurring in the sector, led Usiminas System to analyze strategic alternatives for sustained growth and market gain in several directions such as the verticalization of production.

The acquisitions are aligned to its long-term strategy, preserving the Expansion Plan of Usiminas and Cosipa mills and their full payment capacity.

Mining

In the evaluation of Usiminas System, local steel industry is undergoing a swift reorganization. Companies have been presenting historical operational results and market values. The outlook is that



Coil Dispatch



they will advance even more over the next years. These changes are causing a great deal of disparity not only in production scale and in market share, but also at a technological level, in product mix and other aspects of its competitive position.

Based on this future evaluation, Usiminas System decided in 2007 to verticalize further its production. As a result, at the beginning of 2008, it announced the acquisition of the entirety of J. Mendes mining group, Somisa and Global Mineração shares, dedicated to iron ore exploration in the region of Itaúna in the Iron Quadrilateral of Minas Gerais state.

The acquisition will gradually shrink the Company's dependence of raw material. Integrated business model creates value, gives more stability in margin and competitiveness in relation to integrated mills, besides offering more competitiveness in view of non-integrated steel industry, being also a natural hedge for the ore that Usiminas will buy in the future.

The verticalization decision was also important because with the increase in iron ore price of around 200% in the last five years, mills noticed that they were transferring good part of the value to raw material manufacturers. In addition, for verticalization and consolidation to gain more bargaining power, they became a global trend in the sector.

The deal's initial payment was US\$ 925 million. Acquisitions are in line with Company's long-term strategy, maintaining the expansion plan of its mills and their full

payment capacity. J. Mendes acquisition value may reach US\$ 1.9 billion, which will be paid in installments throughout 2008 and 2009, proportionally to the reserve's real capacity and up to the limit of 1.4 billion tons. The Company will pay for each extra 100 millions tons of iron ore. If the iron content degree is lower (today it is estimated at 47%), the value will drop.

J. Mendes group produced 4.3 million tons of iron ore in 2007, for a capacity close to 6 million, billed R\$ 244 millions. Its four mines have total resources estimated at 2.7 billion to 3 billion tons, expected reserves of 1.1 billion to 1.8 billion tons and useful life of about 25 years.

With investments of US\$ 750 million, Usiminas' plan is to increase the production of J. Mendes' four mines to 29 million tons in 2013, convinced of an increase in global demand for yet another four or five years, driven mainly by China, which has ores with low iron content. This forces the country to continue its raw material import policy in order to sustain its steel industry growth.

The first stage, which will extend until 2009, will require a disbursement of around US\$ 150 million to increase its mining company's production capacity to 13 million tons. This first-stage investment includes about US\$ 30 million of geological research to evaluate the exact volume of iron ore reserve in the four areas.

The second stage will begin in 2010, when Usiminas System will invest about US\$ 600 million. The project predicts a construction of a large facility to concen-

trate the ore in order to enrich iron ore's metallic content, from 46% - 48% to 66%, a degree considered suitable for blast furnaces of steel mills. After all stages are concluded, that is, when ore production from J. Mendes reaches 29.2 million tons, Usiminas System will use between 17 and 18 million tons and the remainder will be sold through closed contracts, competing in an increasingly more valued market.

Through such investments, Usiminas plans to have a product mix with 2 million tons of granulated products, 20 million of sinter feed and 7 million of pellet feed.

Usiminas System currently consumes around 15 million tons per year of iron ore for a production of around 9 million tons of steel.

The outlook is to supply Cosipa mill in Cubatão (in the São Paulo state) in its whole by 2010. For this to happen a railway line of 28 km will have to be built to interconnect the mine to MRS logística's tracks, of which Usiminas is one of the controlling shareholders. By 2015, Usiminas System will guarantee the sale of 2 million tons per year, contracted amount that J. Mendes has with Vale, the largest supplier of Usiminas, which consumes 13 million tons per year, and should keep up this volume for the Ipatinga mill.

Outlook

Usiminas System's analyses point towards the local economy continuing to register the same growth rates over the next years, despite the risk of negative impacts generated by the real estate crisis in the US.

In a scenario of moderate fluctuation in US economy, domestic steel sector should perform similarly to 2008, however, with lower growth rates, given that the basis of comparison will occur on higher numbers. In a growth scenario between 4% and 5% of GDP, the Brazilian Steel Industry and (IBS) estimates an increase of 8% to 10% in steel demand with consumption of about 24 million tons. Domestic sales are also expected to grow, approximately 10%.

The fact of 2008 being a municipal election year also adds to the expectation of continuing growth. For production, it is expected 37 million tons of crude steel a year. Civil construction and auto industry will continue to be the sector's main drivers, followed by oil and gas, besides industrial and agricultural machinery. In the foreign market, tendency is for the market to become more competitive after the introduction of new international players, which can cause an impact on Brazilian imports.

[Steel demand for 2008 should grow between 8% and 10%]



Rolling Bridge Operator





BUSINESS PERFORMANCE

Economic Scenario

The global economic scenario in 2007 was similar as 2006 in several aspects. The performance of developing countries takes center stage again, especially China and India, with GDP growths of around 10%. US suffered a setback in economic growth, mainly triggered by the real state crisis, which generated relevant stock exchange losses, as well as an increase in the unemployment rate and in fuel cost which restricted the country's consumption pace.

Internally, GDP's expected growth of around 5%, falling interest rates (Selic), increase in credit offers for production and consumption, increase in income and in economically active population and signs of large-scale public investments returns, within an environment of global economic growth, were facts that showed growth of Brazilian economy in 2007 occurred in a consistent manner.

In exchange terms, likewise to 2006, Brazilian real began to appreciate in relation to US dollar. At the end of last year, US\$ 1 equaled R\$ 2.14. By the end of 2007, dollar closed at R\$ 1.77, a depreciation of 16% in

the period or 11% in the annual average and forecast for 2008 is of stability. The concern for the next years is to keep up the pace of economic growth, even with the interest rates still at a high level of 11.25%, with expectation of stability, and with strong pressure on prices and respective inflation increase.

The Steel Sector

Foreign Market

Global steel production hit 1.3 billion tons in 2007, according to data from the Iron and Steel Institute (IISI), up 8.3% in relation to the previous year, with China in the position of largest global producer accounting for 448 million tons a year, while Brazil occupies the ninth position, with 33.6 million tons a year.

Despite strong domestic demand, high production enabled China to export 60 million tons a year, generating impacts in market dynamics which, added to a decreasing demand in the US during the second semester, further increased the sector's levels of competition and competitiveness, forcing

the companies to rescale their growth and market protection strategies.

Analyses of the Brazilian Steel Institute (IBS) shows that market may be affected if the US recession intensifies, despite high offer and consumption levels.

In US economics' moderate scenario, however, 2008 can be excellent for the sector. IISI predicts a consumption of 1.28 billion tons with Chinese demand standing at 443.8 million, up 6.8%. There is a tendency of high prices, sustained by a higher cost matrix due to a increases in raw materials for the sector's productive process (energy, coal and iron ore, among others).

Domestic Market

According to the Brazilian Steel Institute (IBS), local steel market registered a strong growth in 2007. Sales climbed 18% in comparison with 2006, reaching 20 million tons; consumption was 22.7 million tons, 19.7% over the amount posted in the previous year, while production rose 10%, hitting 33.6 million tons.

Increase in steel demand is a reflex of the return, after a few years, of consistent

investments in the country's foreign and local private sectors, as well as domestic consumption rhythm. The auto industry registered a record performance, producing around 2.973 million units in 2007 (Anfavea data), representing a growth of 14% in relation to 2006. Civil construction also boosted the market growing around 5%.

Rolled products production also registered an all-time record in 2007. Considering flat rolled products, raw material for automobile manufacture, production rose 9.2%, reaching 15.7 million tons. Local sales of this product totaled 11.7 million tons in 2007, an increase of 17.8%.

Production of long rolled products, mainly used in civil construction, rose 8.8% with production hitting 9.8 million tons.

This growth heated up the market which was stable for more than ten years, costing, however, a decrease in foreign sales – 23.6% lower in flat rolled products (2.9 million tons) and 23.8% in long hot rolled products (or a drop of 1.8 million tons).

[Brazilian economy increased consistently during 2007]





PEE-26/171-9

Brazil - Domestic Demand for Flat Rolled Products			
In thousand of tons	2006	2007	Chg. 2007/06
Automobiles	1,150	1,384	20.4%
Auto parts	1,527	1,813	18.7%
Shipbuilding	34	51	48.2%
Agricultural and Highway Machinery	198	250	26.3%
Industrial Equipment	235	288	22.2%
Electronic Equipment	374	376	0.5%
Household Appliances	325	369	13.6%
Receptacles	670	655	-2.1%
Construction	787	978	24.4%
Re-rolling	287	294	2.5%
Small-diameter Pipe	784	1,160	48.1%
Shapes	167	201	20.2%
Distribution	2,863	3,132	9.4%
Large-diameter Pipe	327	517	58.2%
Others	174	201	15.5%
Total	9,902	11,669	17.8%

The Usiminas System

Production levels of Usiminas remained stable in 2007. Both mills of the group produced together 8.7 million tons of crude steel in the period, slightly below 2006 production of 8.8 million.

In quality terms, they continued to meet its customers' requirements, with a material defect index of 9 parts per million, constituted as a guarantee of products' higher added value per million.



[Ipatinga (in the state of Minas Gerais) and Cubatão (in the state of São Paulo) mills produced together a total of 8.7 million tons of crude steel in 2007]

Operating Indicators - Production and Sales						
In thousand of tons	2003	2004	2005	2006	2007	Chg. 2007/2006
<i>System Production - Raw Steel</i>	8,621	8,951	8,661	8,770	8,675	-1.1%
USIMINAS (IPATINGA/MG)	4,524	4,738	4,549	4,616	4,461	-3.4%
COSIPA (CUBATÃO/SP)	4,097	4,213	4,112	4,154	4,214	1.4%
<i>Sales - Usiminas System</i>	7,710	8,062	7,348	7,945	7,990	0.6%
Domestic Market	5,342	5,784	4,947	5,288	6,113	15.6%
% Domestic Market	69%	72%	67%	67%	77%	
Exports	2,368	2,278	2,401	2,657	1,877	-29.4%
% Exports	31%	28%	33%	33%	23%	
<i>SALES - USIMINAS</i>	4,044	4,295	3,817	4,285	4,200	-2.0%
Domestic Market	3,183	3,453	2,945	3,208	3,538	10.3%
% Domestic Market	79%	80%	77%	75%	84%	
Exports	861	842	872	1,077	662	-38.5%
% Exports	21%	20%	23%	25%	16%	
<i>SALES - COSIPA</i>	3,666	3,767	3,531	3,660	3,790	3.6%
Domestic Market	2,159	2,331	2,002	2,080	2,575	23.8%
% Domestic Market	59%	62%	57%	57%	68%	
Exports	1,507	1,436	1,529	1,580	1,215	-23.1%
% Exports	41%	38%	43%	43%	32%	

Usiminas System's sales hit the mark of 8.0 million tons in 2007, 0.6% up from the performance registered in 2006 of 7.9 million tons. A change in production's strategic direction to meet local consumption, which for the past ten years has stood at an average of 70% to attend internal demand and 30% for exports, was the year's highlight. During this period, rising local demand, which climbed 18%, compelled Usiminas to direct 77% of its production to the Brazilian market and 23% to the foreign market.

Sales to the domestic market

Usiminas System sold 6.1 million tons to the domestic market, up 15.6% in relation to 2006. To honor its long-term commit-

ment with its customers, Usiminas chose to import 15 thousand tons of hot-dipped galvanized products and 120 thousand tons of heavy plates in order to assure its overall market share of 52% and the leading position in Brazil.

Heavy plates products posted the most significant increase in sales, climbing 41% due to good performances of large-diameter pipe, shipping, industrial and road equipment and civil construction sectors. Hot rolled products represented the second greatest increase in sales, rising 16%, followed by electro-galvanized products with 11%, triggered mainly by the auto sector's growth, and cold rolled products with 10%.

Usiminas System - Domestic Flat Rolled Products					
	Sales (In thousand of tons)			Market Share	
	2006	2007	Var. 2007/06	2006	2007
Automobiles	677.8	822.2	21.3%	59.0%	59.4%
Auto parts	948.6	1,112.2	17.2%	62.1%	61.3%
Shipbuilding	34.2	50.7	48.2%	100.0%	100.0%
Agricultural and Highway Machinery	189.4	231.4	22.2%	95.7%	92.4%
Industrial Equipment	234.7	279.3	19.0%	99.7%	97.0%
Electronic Equipment	242.3	273.5	12.9%	64.8%	72.7%
Household Appliances	121.9	128.8	5.7%	37.5%	35.0%
Receptacles	86.0	91.0	5.8%	12.8%	14.2%
Construction	310.8	342.9	10.3%	39.5%	35.2%
Re-rolling	52.3	49.2	-5.9%	18.2%	16.7%
Small-diameter Pipe	423.7	453.6	7.1%	54.1%	39.1%
Shapes	163.1	201.6	23.6%	97.7%	99.9%
Distribution	1,211.2	1,372.6	13.3%	42.3%	43.8%
Large-diameter Pipe	320.2	453.6	41.7%	98.0%	87.7%
Others	119.3	141.5	18.6%	68.1%	69.8%
Total	5,136.0	6,004.1	16.9%	51.9%	51.5%

Foreign Market

Exports corresponded to 23% of Usiminas' total sales in 2007, equal to 1.9 million tons, down 29.4% in relation to the previous year. The decrease reflects the Company's strategy to guarantee local market supply. The most significant export market was Europe, with a share of 37.2%, followed by North American countries with 27.6%, South America with 20.5%, Asia with 14.5% and others with 0.2%.



[37.2% of Usiminas' exports were to the European market]

Usiminas System Export Markets 2007 - Main Countries			
Country	Tons	Participation (%)	Accumulated Participation (%)
Germany	417,805	22.3%	22.3%
USA	307,667	16.4%	38.7%
Mexico	203,462	10.8%	49.5%
Argentina	194,986	10.4%	59.9%
Spain	168,649	9.0%	68.9%
Thailand	126,995	6.8%	75.7%
India	87,842	4.7%	80.4%
Chile	83,208	4.4%	84.8%
Taiwan	45,415	2.4%	87.2%
Venezuela	43,246	2.3%	89.5%
Others	198,025	10.2%	
Total	1,877,300	-	100.0%

Business: Steel Making

Intendente Câmara Mill

The 2007 Numbers	
Employees	8,191
Sales	4.2 million tons
Net Revenues	R\$ 7.4 billion
EBITDA	R\$ 2.7 billion
Net Income	R\$ 3.2 billion

In the year in which is completed 45 years of activity, Ipatinga mill's sales to local market grew 10.3% in relation to 2006, reaching 3.5 million tons. Total sales in 2007 reached 4.2 million tons, against 4.3 million tons in the previous year. Crude steel production of 4.5 million tons stood slightly under the 2006 figure of 4.6 million tons.

Ipatinga mill will receive an investment of US\$ 5.2 billion to boost its productive capacity by 3.2 million tons per year. This includes the construction of Coke Plant 3, scheduled to begin operating in the second half of 2009, can produce up to 750 thou-

sand tons of coke - input used in the production of pig iron.

Currently, the mill has two coke plants operating. Coke plant nº 1, that has capacity to produce 550 thousand tons of mineral coke per year and has been operating for 44 years, will be closed as soon as the new coke plant starts up.

With investments that also contemplate the implementation of Steelmaking mill nº 3 and a technological updating program, schedule is that Ipatinga mine will begin operating with 8.2 million tons/year of liquid steel by the first-half of 2011.

José Bonifácio de Andrada e Silva mill

The 2007 Numbers	
Employees	5,619
Sales	3.8 million tons
Net Revenue	R\$ 6.0 billions
EBTIDA	R\$ 2.0 billions
Net Income	R\$ 1.1 billion
COMPANY CONTROL - USIMINAS	100%

In 2007, Cubatão mill increased its sales by 3.6% in comparison with 2006, reaching 3.8 million tons against 3.7 million tons in the previous year. Local market was the highlight, which absorbed 2.6 million tons, against 2.1 million in 2006, representing a 23.8% increase. Exports represented 1.2 million tons versus 1.6 million tons in 2006, down 23.1%.

Some annual production records were reached emphasizing the heavy plates production, which hit 1 million tons, 40 thousand tons over that in 2006. Total crude steel production stood at 4.2 million tons, stable in relation to 2006.

The integrated yield of rolled products rose considerably, reaching a record of 92.5%, climbing 1.7% over the past four years, which means a gain of 65 thousand tons of products without the corresponding increase in raw materials and production inputs.

Cubatão mill will include a new hot rolled line for a production of 2.3 million tons/year, starting in the first quarter of 2011 (first phase) and 3.8 million tons/year in the second phase, following the expansion plan. Starting in April 2008, it will also begin upgrading Continuous Casting machine nº 3, which will increase the steel mill's production capacity by 325 thousand tons/year of liquid steel, enabling the production of more noble steels and adding value to the product lines. Reform project for Blast Furnace nº 1 is scheduled to start in May 2008, aiming the production boost.

The activities within the "agenda for creation of value" project, aimed at improving substantially Usiminas System gross margin via a cutback in costs and an increase in revenue, and that will target all the mill's areas, generated a total of R\$ 303 million. Within the plan's strategic actions, "Decrease in Generation of Inventory Plates in the Steelmaking Process" and "Cutback of Argon Acquisition" are the most important ones.

Another high point of the year was the record transport of third-party cargoes from Cubatão Port, accounting for 1.3 million tons against 896 thousand tons in 2006 generating a gross revenue of R\$ 41.0 million, against R\$ 25.9 million in 2006 and an EBITDA of R\$ 14.5 million over the R\$ 12.6 million in 2006.

Capability to offer services to third parties rose sharply when the port's dredging was concluded, permitting higher-capacity ships to dock. The project started in April with Port Stage I, which comprises the Navigation Channel entrance. Operation License for Stage II was obtained in November and includes the Docking Berths.

UNIGAL

The 2007 Numbers	
Employees	162
Sales	452 million tons
Net Revenue	R\$ 205.0 million
EBTIDA	R\$ 180.0 million
Net Income	R\$ 68.0 million
COMPANY CONTROL - USIMINAS	79.34%

Unigal ended 2007 with a real production above its installed capacity: around 455 thousand tons of hot-dipped galvanized steel (installed capacity is 400 thousand tons a year).

With 90% of its production geared towards the domestic market, 88% was aimed at the auto industry. In order to increase the sector's offer, which grew at a brisk pace in 2007, Unigal invested R\$ 25 million to remodel its galvanization lines, increasing the productive capacity to 480 thousand tons per year and improving the product's quality.

Ternium

The 2007 Numbers	
Employees	20,827
Sales	10.530 thousand tons
Net Revenue	US\$ 2.4 billions
EBITDA	US\$ 2.2 billions
Net Income	US\$ 1.0 billion
COMPANY CONTROL - USIMINAS	14.25%

Ternium is among the largest producers of steel in the Americas. With plants in Mexico (Hylsamex), Argentina (Siderar) and Venezuela (Sidor), has the capacity to produce 11.6 million tons per year.

Its distribution network covers the whole continent with commercial branches offices set up in the planet's main consumer complexes.

Business: Capital Goods

USIMINAS MECÂNICA (UMSA)

The 2007 Numbers	
Employees	7,423
Net Revenue	R\$ 804.0 million
EBITDA	R\$ 117.0 million
Net Income	R\$ 74.2 million
COMPANY CONTROL - USIMINAS	99.99%

One of the main companies in the capital goods sector in Brazil, UMSA registered an all-time sales record in 2007, surpassing the mark of R\$ 1.2 billion. The acquisition of important contracts consolidated the image of Usiminas Mecânica in the market as a company that strictly meets its deadlines and offers high quality in contracted products.

Last May, an investment of R\$ 20 million to build its fifth blanks factory in Cubatão, with an installed capacity of 4 thousand tons a month and that started in 2006, was concluded.

R\$ 7 million will be invested in Ipatinga to expand its welded shapes, metallic structures and bridges factories, besides acquisition of new machinery to create a new center for slab preparation. With this, the company will boost its metallic structure capacity from the current 3 thousand tons to 4 thousand tons a month. Expansion work, started in September 2007, will be

Usiminas Mecânica registered record sales in 2007

concluded in January 2008. The investment also includes expansion of blanks factory and acquisition of a new laser cutting machine, which will increase its blanks line production capacity by 300 tons per month.

One of the main contracts executed in 2007 is the supply and assembly of metallic structures for Steelmaking and Continuous Casting buildings of Companhia Siderúrgica do Atlântico (CSA) amounting to R\$ 246 million, in a total of 26 thousand tons of metallic structures.

During the same year, the construction of 20 thousand tons of structures and equipments was concluded for the new sintering unit of Gerdau-Açominas in Ouro Branco, Minas Gerais state, which at its peak, employed around 1.7 thousand workers.

Within business diversification strategy, UMSA signed in August a contract with Siff Énergies do Brasil, a company specialized in renewable energy, to manufacture 15 thousand tons of cut, blasted and painted plates, which will be used to manufacture 107 wind towers to be installed in the state of Ceará by the end of 2008

USIPARTS

The 2007 Numbers	
Employees	1,164
Net Revenue	R\$ 202.0 million
EBTIDA	R\$ 29.0 million
Net Income	R\$ 11.4 million
Company Control - Usiminas	9.09%

Usiparts invested R\$ 80 million in 2007 in a new stamping line able to process 2 thou-

sand tons of steel a year. Therefore increasing its stamping production by 30% and should grow 20% in annual gross sales.

During 2007 Company started up its production of automobile cabins for the Indian automaker Mahindra & Mahindra, an agreement for a production of 3 thousand cabins. In addition, it gained two more customers: automakers Honda and PSA Peugeot Citröen.

Business: Logistics

USIFAST

The 2007 Numbers	
Employees	725
Net Revenue	R\$ 229 million
EBTIDA	R\$ 24 million
Net Income	R\$ 10 million
COMPANY CONTROL - FASAL	50%

Usifast, qualified to operate as a Dry Port (so called because it is a customs area that is 500 kilometers from the sea), offers its customers the possibility of selling imported raw materials without having to pay re-export charges. In 2007, it invested R\$ 25 million in operational capacity and increased sales by 25%, reaching R\$ 250 million, mainly from transportation of steel plates from the mills to customers throughout the country and for the clearance and delivery of imported merchandise at its customs area in Betim, metropolitan region of Belo Horizonte.

It estimates a growth of more than 20% in 2008, which will be supported by a acquisition program of 60 new heavy-load trucks, which still depend on negotiations with automakers. Currently, it has 600 trucks, all with less than four years of use.

MRS LOGÍSTICA

The 2007 Numbers	
Employees	3,564
Sales	126,300 thousand tons
Net Revenue	R\$ 2.2 billion
EBTIDA	R\$ 1.0 billion
Net Income	R\$ 548 million
Company Control - Usiminas	11.13%

MRS Logística transported 126.3 million tons in 2007 and should keep up this pace of growth in 2008. Company has been investing to reinforce its fleet so it can increase transport capacity and meet rising demand.

Last year, 208 locomotives were acquired that will be delivered in lots until December of 2008. Until July of this year, it is also expected to arrive 1,402 new cars.

Total fleet of MRS is 517 locomotives, of which 475 will be used for cargo transportation and 42 for services, without counting 15 units that arrived in January, and 12,921 cars.

Company was also granted an environmental license to build a long-distance conveyor, a piece of equipment with an 18-kilometer conveyor that will speed up transportation of 7 million tons of iron ore

per year from Planalto Paulista region, where is located the city of São Paulo, to Cosipa in Cubatão (in the São Paulo state).

Rios UNIDOS

The 2007 Numbers	
Employees	283
Net Revenue	R\$ 53 million
EBTIDA	R\$ 5.0 million
Net Income	R\$ 1.0 milhão
COMPANY CONTROL - RIO NEGRO	99.98%

Specialized in the road transportation of flat-rolled steel products, Rios Unidos was established to assure supply and transport control of production from Rio Negro in order to guarantee delivery deadlines and products integrity.

Business: Distribution and Service

FASAL

The 2007 Numbers	
Employees	286
Net Revenue	R\$ 404 million
EBTIDA	R\$ 50 million
Net Income	R\$ 36 million
Company Control - Usiminas	50.00%

Fasal, which processes and distributes steel products, grew 54% in 2007 while increase in distribution market stood at 29%.

During the year, Company consolidated its internationalization projects to expand its foreign operations. Besides being an agent

for export operations in the US, Fasal will take on the role of exporter in new retail markets abroad by setting up branch offices in strategic countries.

RIO NEGRO

The 2007 Numbers	
Employees	937
Sales	533,943 tons
Net Revenue	R\$ 734 million
EBTIDA	R\$ 76 million
Net Income	R\$ 49 million
Company Control - Usiminas	64.43%

In 2007, Rio Negro opened new industrial facilities at Taubate plant (in the Sao Paulo state) due to a investment of R\$ 40 million for new equipments that includes a press blanking line and laser welding, aimed at meeting greater demand, mainly of auto industry, that has been outsourcing more and more services resulting in a increase of stamped and welded blanks orders.

The new laser welder is already works at a capacity of 6 thousand tons a month. In addition, new employees were hired to fill work shifts.

Domestic market sales were a highlight, growing 23.20% in comparison with 2006 (289 thousand tons against 234.7 thousand tons). Total production jumped from 606.7 thousand tons last year to 671.8 thousand tons in 2007, up 10.74%.

Company also invested to improve efficiency by renewing around 20% of its truck fleet.

DUFER

The 2007 Numbers	
Employees	368
Sales	232.7 thousand tons
Net Revenue	R\$ 212million
EBTIDA	R\$ 19 million
Net Income	R\$ 12 million
Participação Acionária da COSIPA	51.00%
Participação Acionária da Thyssen Krupp Services	49.00%

Dufer, which completed 50 years of operations in 2007, invested R\$ 5 million in longitudinal coil cutting line, increasing its processing capacity by 50 thousand tons a year. The equipment and its peripherals, such as the packaging and scrap line, are installed in an area of 5,100 square meters, equipped with four 10-ton each rolling bridges.

With the purpose of improving its process flow as a whole and its operational logistics, this area will also house a cutting line for cold rolled coils coated with sheets, besides three guillotines for blanks and strips production, equipment that will be transferred from other Dufer units in order to centralize operations.

This change will enable a productivity gains in these lines and in other existing ones and will significantly reduce internal transportation of semi-finished materials between many Dufer plants.

Installation of new equipments will increase processing capacity from 140 thousand tons of steel to 200 thousand tons per year. Company also focused on increasing sales by speeding them up without affecting its commitment with customers in terms of delivery deadline and quality of products and services.



Blast Furnace – José Bonifácio de Andrada e Silva Mill





**USIMINAS SYSTEM
AND ITS SUPPLIERS**

Usiminas System's suppliers are in charge of providing materials, inputs and services that sustain Company's operations and prioritize this public's value, focusing on ethics, transparency and seriousness by attending mutual interests.

The continuous work of developing suppliers implementing Quality Management, Environment, Health and Occupational Safety systems, as well as adopting long-term relationships, has led to a creation of a suppliers belt next to Usiminas System's main industrial units, creating competitive advantages for companies and at the same time favoring the generation of formal jobs and social and economic development of adjoining communities.

The procurement process management seeks to harmonize System's companies' interests with suppliers' profile by working along four main fronts:

- Responsible budgetary and inventory management;

- Working with raw material suppliers;
- Working with continuously used products and services suppliers, governed by conditions stipulated in specific contracts;
- Working with spare parts, incidental and non-durable consumer goods suppliers.

Outsourced Goods and Services

For raw material supply such as charcoal, ores, ferroalloy and refractory materials, among others, Usiminas System has partnerships with large companies that adopt similar policies to those practiced by System's companies, certified nationally and internationally in terms of quality, care with the environment and corporate social responsibility.

Regarding products and services supply, all signed contracts establish terms of legal obligations accomplishments related to the environment and to formal procurement of

workers as a result of Brazilian labor laws and conventions of International Labor Organization (OIT). They also include clauses that refer to social responsibility and human rights, as well as development and dissemination of 10 Principles of UN Global Compact, to which Usiminas adheres.

System's strict standards overlay these provisions concerning environmental impact control, prohibiting child labor and a series of actions relating to quality, environment, occupational health and safety, verifiable by means of random inspections made by contract managers.

Usiminas System's suppliers rely on online IT support available at e-Fornecedores (e-

Suppliers) gateway, which enables processes follow-up and transparency.

Furthermore, suppliers are reviewed via "Supplier Development Process – PDF" in different supply stages, where they are receive a rating on issues such as quality, environment and labor relations, among others. This evaluation is available for consultation by any supplier using an access password via the e-Suppliers gateway, allowing their continuous development vis-à-vis requirements

Annually, outstanding suppliers are honored in a specific awards ceremony.

**[Usiminas System values its suppliers
focusing on ethics, transparency
and seriousness]**



Coal Courtyard – Intendente Câmara Mill



Usiminas System's Suppliers Awarded in 2007

USIMINAS

General Materials Category

QUAKER CHEMICAL INDÚSTRIA E COMÉRCIO LTDA. - Supplier of special lubricants for Cold and Hot Rolling and Fire-Resistant Hydraulic Fluids

Raw and Refractory Materials Category

MAGNESITA S.A – Company dedicated to production and sale of wide range refractory materials and related services.

Contracts and Services Category

WHITE MARTINS GASES INDUSTRIAIS LTDA. – Operates in industrial and medicinal gas production areas and related services. Represents Praxair in South America.

COSIPA

General Materials Category

SIGNODE BRASILEIRA S.A. – Supplies thermally-treated steel tapes for coil and steel plates packaging and equipments for manual and automatic application of packaging components

Raw and Refractory Materials Category

CIA DE FERRO LIGAS DA BAHIA FERBASA – Company dedicated to production of iron chromium for steel industry.

Contracts and Services Category

ORMEC ENGENHARIA LTDA. - Operates in steel industry service area, such as: Packaging, storage, product outflow, logistics planning, among others.

**Suppliers that stand out
in its activity areas are recognized
by Usiminas with annual awards**



Sintering - Intendente Câmara Mill



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**USIMINAS SYSTEM
AND ITS CUSTOMERS**

Usiminas System's customers are mostly local and international large-scaled industries, certified in its environmental practices, in health and occupational safety, in social responsibility and in product quality that reach the end of its production chain to its final consumer in the form of construction materials, automobiles and appliances, among others.

Since they are not conventional consumers, Usiminas System opts to maintain specialized customer support and technical assistance teams instead of a conventional customer service center. It also counts on access via internet portals through the

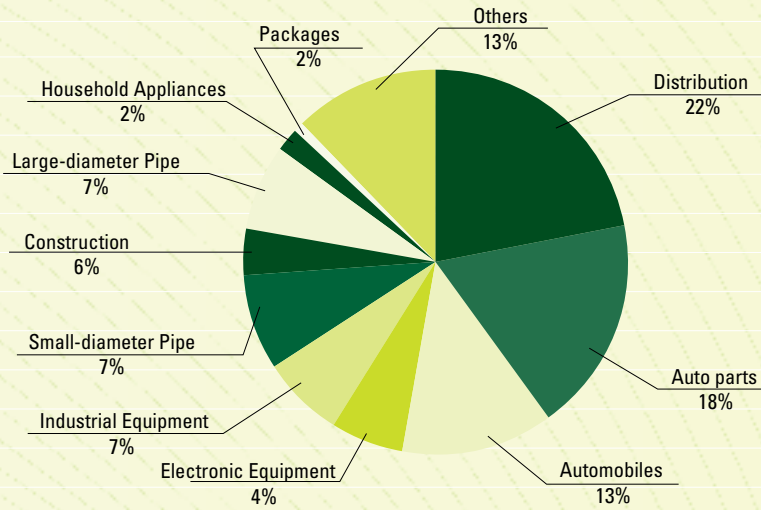
"Talk to Us" tool, which is made available to any person, company or entity, even if it isn't a potential client.

Research & Development Center gives support to this contact by developing innovative technological solutions, processes and products in a partnership not only with customers, but also with suppliers, universities and research entities, which provides Usiminas System with necessary conditions to meet future requirements.

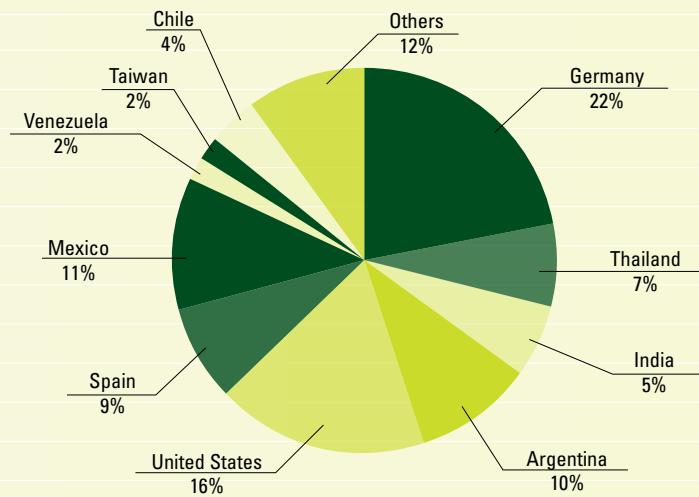
In Brazil in 2007, Usiminas System accounted for 52% of overall demand, supplying products according to customer specifications.

Usiminas System's customers are mainly large-scale industries certified in its environmental practices and in social responsibility

Domestic Market Sales Distribution per Segment – Consolidated 2007



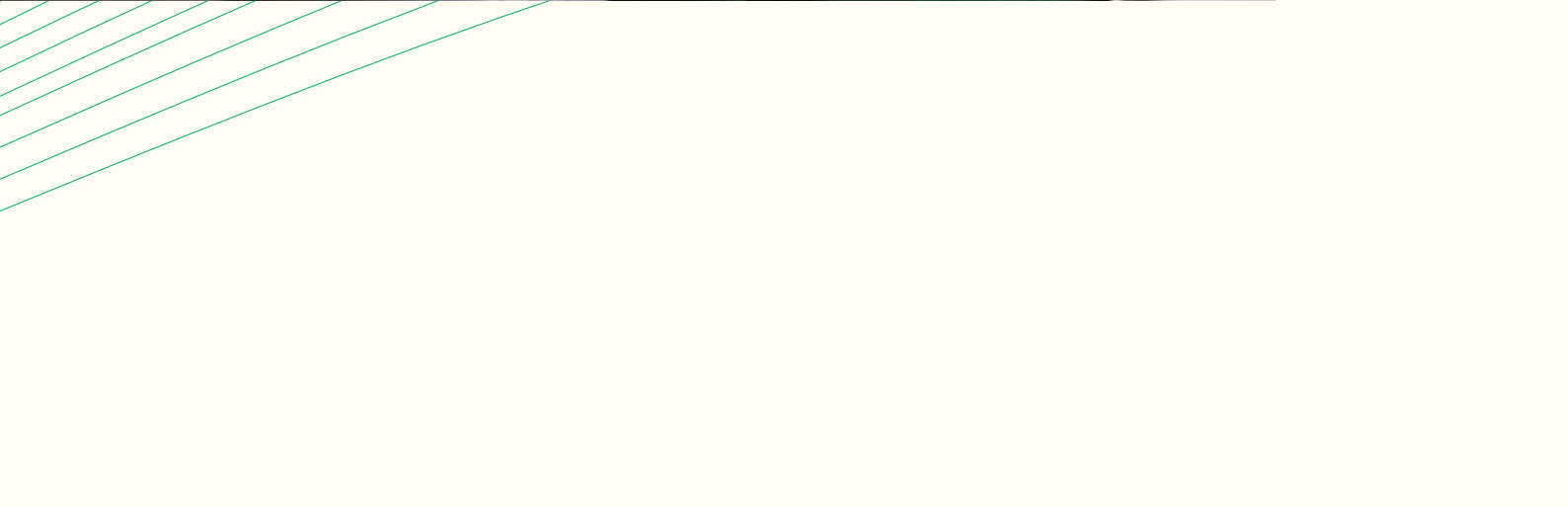
Export Distribution - Consolidated 2007





Slab Reheating Furnace







**ECONOMIC FINANCIAL
PERFORMANCE**

Net Revenue

Net revenue reached R\$ 13.8 billion in 2007, up 11.4% from 2006. This performance reflects better prices and product mix, in addition to a rise in local market sales, which climbed 24.9% during 2007. Exports fell 26.9% in 2007 in comparison with the prior year as a result of sales being directed to local market and a depreciation of around 11.0% in 2007 of the US dollar in relation to the Brazilian real.

Net revenue per ton (related to sales of Ipatatinga and Cubatão Mills) totaled R\$ 1,639 in 2007, up 11% over 2006.

Cost of Goods Sold and Gross Profit

In 2007, COGS totaled R\$ 8.9 billion, up 9.7% in relation to 2006 due to a rise in consumption of acquired slabs and heavy plates, a greater volume of construction work and large repairs, and readjustments of raw materials, however, this last one being partially offset by gains arising from the appreciation of the Brazilian real in relation to the US dollar. Higher price ave-

rage per ton led to a 1% increase in gross margin. Posted gross profit was R\$ 4.9 billion, up 14.5% in relation to 2006.

Operating Income Before Financial Expenses (EBIT)

Operating expenses stood at R\$ 436.8 million in 2007, down 38.3% from 2006, due to greater operating efficiency. Its comparison with net revenue was 3.1% against 5.7% in 2006.

Sales expense fell 9.1% due to less expense with port fees as a result of a decrease in export volume. Sales expense margin reached 1.7% in 2007 against 2.1% in 2006.

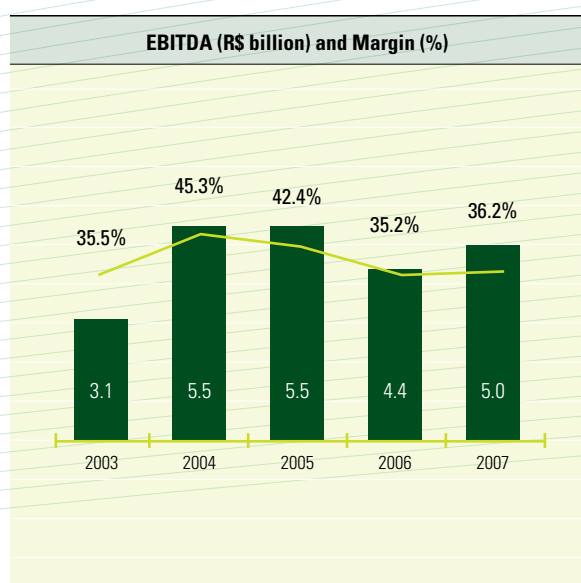
General and administrative expenses climbed 13.7% in comparison with the same year-ago period as a result of labor readjustments and new admissions. General and administrative expenses over net revenue ratio remained stable at 2.3%.

Other operating expenses represented a revenue of R\$ 122.5 million, against an expense of R\$ 162.7 million posted in 2006. This nonrecurring variation results

of a reversal in tax contingencies and less inventory adjustments.

Operating profit before financial expenses and participations accrued R\$ 4.5 billion in 2007, up 25.0% over 2006. As a result, operating margin improved throughout the year and registered a gain of 3.6 percentage points in the yearly comparison.

EBITDA (earnings before interest, taxes, participations, provisions, depreciations and amortizations) totaled R\$ 5.0 billion in 2007 and EBITDA margin totaled 36.2%, one percentage point above that in 2006.



Financial Result and Debt Structure

Net financial expenses in 2007 amounted to R\$ 6.3 million versus R\$ 331.8 million in 2006 basically due to:

- decrease in swap expenses of R\$ 180.0 million;
- gains from judicial deposits adjustments totaling R\$ 73.0 million;
- increase in gains from investments totaling R\$ 76.0 million;
- gains from a decrease in financial charges on debt of R\$ 56.0 million;
- exchange gains of R\$ 84.0 million due to a appreciation of the Brazilian real in relation to the US dollar.

These gains were partially offset by updating the actuarial debt of R\$ 125.0 million related to Usiminas' Employee Fund, which in 2007 was recognized as a debt.

On December 31, 2007, total consolidated debt was R\$ 3.0 billion, lower than the R\$ 3.5 billion at the end of 2006.

[Net revenue grew 11.4% from 2006 to 2007]

Indebtedness	Dec/31/07			Dec/31/06		
	R\$ million	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency
Short-term	133,228	457,131	590,359	305,879	464,148	770,027
Long-term	841,079	1,567,863	2,408,942	619,929	2,091,160	2,711,089
Gross Indebtedness	974,307	2,024,994	2,999,301	925,808	2,555,308	3,481,116
Cash and Financial Investments			3,950,937			2,721,062
Net Indebtedness			(951,636)			760,054

Equity Income

Equity income result from subsidiaries was R\$ 9.2 million, down from R\$ 150.2 million in 2006. This decrease is largely due to appreciation of Brazilian real in Ternium investments. Currency effects on investments abroad were negative by R\$ 252.0 million in 2007 against R\$ 101.0 million in 2006.

Net Income

Consolidated net income was R\$ 3.2 billion, up 26.1% in relation to the prior-year, with

a net margin of 22.9% against the 20.3% in 2006. This performance corresponds to a return on shareholders' equity of 34.4%.

Growth in net revenue resulted from higher average prices, improvement in product mix and more operating and financial efficiency.

Investments

Investments in fixed assets totaled R\$ 1.2 billion in 2007, much higher than the R\$ 524.7 posted at the end of 2006.



These funds were used for technological upgrading of equipments and mill's environmental protection, following schedule established by Management.

At Ipatinga mill, investments totaled R\$ 496.0 million for technological upgrading (R\$ 82 million), marine terminal (R\$ 32 million), environmental protection (R\$ 92 million), thermoelectric power plant (R\$ 123 million) and others (R\$ 167 million).

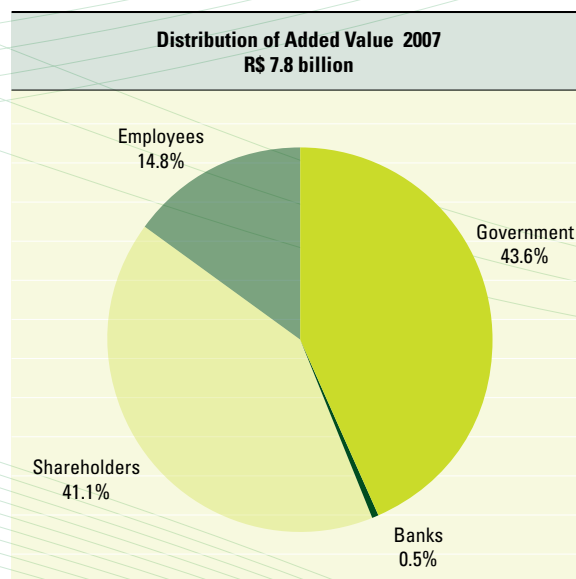
At Cubatão mill, investments totaled R\$ 631.0 million and were used for technological upgrading of Blast Furnace 1 (R\$ 72 million), upgrading of Continuous Casting nº 3 (R\$ 66 million), adequacy of battery of coke ovens nº 1 to 5 (R\$ 355.0 million), remodeling of doors and washers for coke batteries (R\$ 51.0 million) and others (R\$ 87 million)

At other units of Usiminas System, R\$ 66

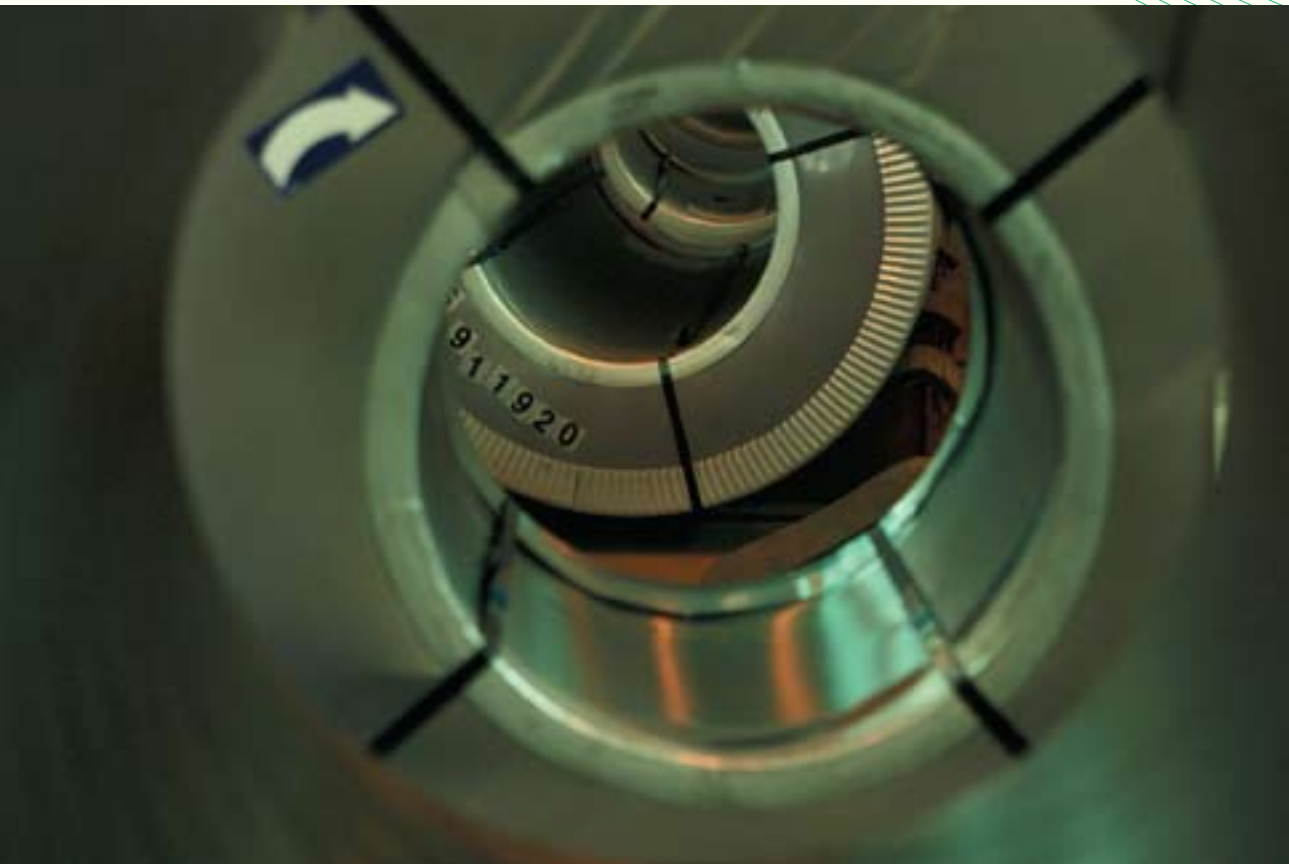
million was spent.

Added value

Indicator that shows capacity to generate and distribute wealth to society, Added Value of Usiminas climbed to R\$ 7.8 billion in 2007, up 18.2% over 2006.



[Common shares (USIM3) valued 30% in 2007]





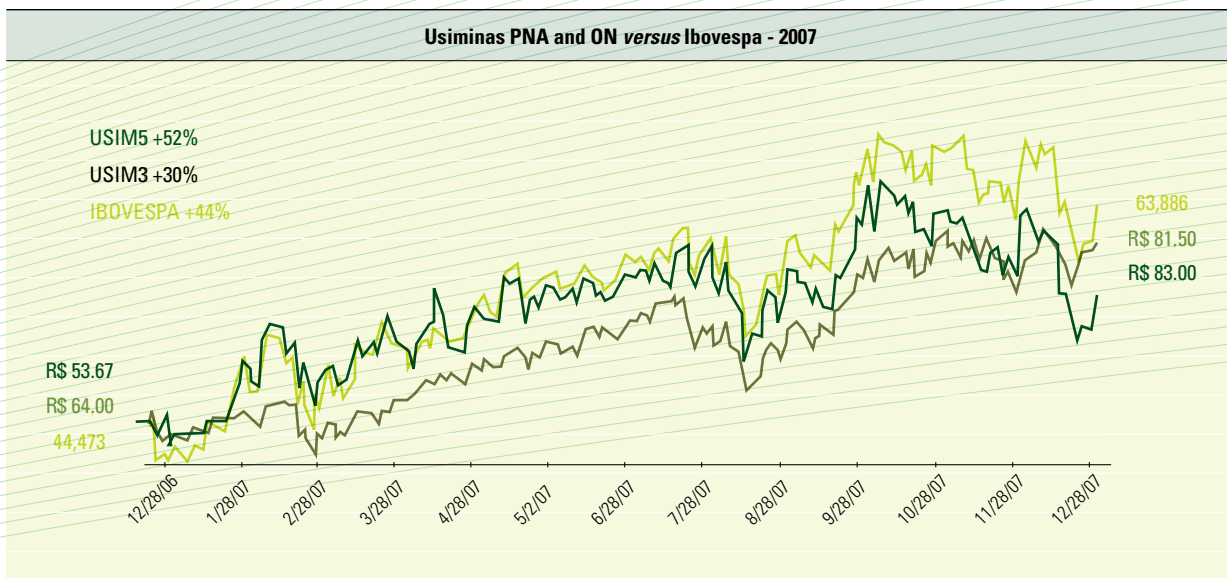
STOCK MARKET

Bovespa Performance – Bovespa Index

In 2007, class “A” preferred shares (USIM5) appreciated 52% and common shares (USIM3) appreciated 30% while

São Paulo Stock Exchange Index (Ibovespa) appreciated 44%.

Usiminas remained in fourth place among those companies with larger weight on Ibovespa.



Usiminas is the first Brazilian steel industry to receive Investment Grade by the three most leading rating agencies of the world

Daily average financial volume hit R\$ 128 million in 2007 against R\$ 79 million in 2006.

Summary of Stock Performance PNA (USIM5) on the Bovespa						
	2003	2004	2005	2006	2007	2007/2006
Number of Trades	114,369	261,711	356,953	346,813	433,785	25%
Daily Average	457	1,051	1,434	1,410	1,771	
Quantity Traded - thousand shares	200,034	256,886	319,103	270,574	439,341	62%
Daily Average	800	1,032	1,282	1,100	1,793	
Financial Volume - R\$ million	3,186	9,902	15,514	19,452	31,267	61%
Daily Average	13	40	62	79	128	
Final Quotation per Share	32.63	53.95	55.60	80.50	81.50	1%
Market Capitalization - R\$ million	7,351	12,154	12,526	18,163	27,541	52%

ADR Performance in the US

In 2007, Usiminas' preferred Type A shares traded in the United States as Level 1 "USNZY" in the OTC market, and appreciated 82%. On 12/31/07, they were quoted at US\$ 45.70.

Latibex Madrid Performance

Shares listed in Latibex – "XUSI" – (preferred shares) continues to occupy a prominent position in 2007 among the most traded (in volume) and appreciated 65%, quoted at €31.26 on 12/31/07. XUSIO shares (common), started to be traded in this market on 05/03/07, and appreciated 10%, quoted at €32.07 at the end of 2007

Shareholder Remuneration

In 2007, Usiminas paid R\$ 1.1 billion to its shareholders under the form of Dividends and Interest on Own Capital.

Stock dividends

On November 27, Extraordinary Shareholders' Meeting of Usiminas approved a capital increase of R\$ 2.7 billion, increasing from R\$ 5.4 billion to R\$ 8.1 billion, through reserves capitalization, with issuance of new shares, and credit of 1 (one) new bonus share for each group of 2 (two) shares held. Date of performance and reserve capitalization, occurred on the same day.

Relevant Facts of 2007

Secondary Offering of shares belonging to CVRD/PREVI:

Announcement regarding the start of a public offering for secondary distribution of 16,399,269 common shares was published on April 27. Such shares were issued by Usinas Siderúrgicas de Minas Gerais S.A. – Usiminas owned by Compa-

nhia Vale do Rio Doce – CVRD and private pension entity of Banco do Brasil Employees (Caixa de Previdência dos Funcionários do Banco do Brasil – PREVI).

Offers' closing was announced on May 07, informing that initial shares offered totaled 16,399,269 and 2,409,890 represented supplementary shares, summing 8,809,159 shares. Public offering's total amount was R\$ 2,069,007,490.00.

Investment grade

In 2007, Usiminas became the first steel producer in the country to receive an investment grade from the three main rating agencies in the world - Fitch Ratings, Standard & Poor's and Moody's.

APIMEC Award

In July 2007, APIMEC – the Association of Capital Markets Analysts and Professionals – granted Usiminas the “Publicly-Traded Company” award for 2006. This award is currently recognized by Capital Markets as a benchmark in quality of services and regularity of information, ethics, transparency and innovative management in companies.

Dow Jones Sustainability World Index

In September 2007, Usiminas became the first Brazilian steel mill and the third in the world to be listed in Global Dow Jones Sustainability Index. Announcement was made by the Swiss Institute, SAM (Sustainable Asset Management), in charge of

index's methodology. Forty-two companies were identified as “new global leaders in sustainability” and Usiminas was among them. Annual DJSI review influences investment decisions in 15 countries.

In order to be included in DJSI, a company must have its corporate practices analyzed, as well as its social environmental activities, transparency, corporate governance, risk management and work practices and it must have a solid name, among other aspects.

Bovespa – Level 1 of Corporate Governance:

Usiminas entered Level 1 of Corporate Governance of Bovespa on October 11th. Voluntary adhesion process reinforces Company's commitment to Management's transparency principles and respect towards its investors. As of this date, Company began to take part in the index of shares with Differentiated Corporate Governance (IGC).

USIMINAS enters Shareholder-Friendly ranking according to Institutional Investor.

In December of 2007, Usiminas was ranked as one of the most transparent, Shareholder-friendly companies in Brazilian category of Natural Resources, according to a US survey publication, Institutional Investor, which included more than 115 local and foreign financial institutions.

USIMINAS is the Brazilian company that most added value to its shareholders

Usiminas was considered the fifth company in the world and the first in Brazil to most add value to its shareholders, with an annual average return of 76% between 2002 and 2006, according to Value Creators Report - 2007, drawn up by Boston Consulting Group.

Among 600 global scale companies, Usiminas stood out in this survey, which measures share value appreciation and dividend payments. Usiminas appears only behind Vallourec and Indian-owned Mahindra & Mahindra, Larsen & Toubro and Bharat Heavy Electricals. Boston Consulting Group (BCG) is a leader in strategic management consulting founded in 1963 and has 66 offices in 38 countries

USIMINAS RECEIVES RECOGNITION FROM LATINFINANCE DEALS

Usiminas won the Deals of the Year 2007 award in Best Follow-on Equity Issue category according to US publication, LatinFinance. Through this publication, institutional investors evaluate companies'

performance and assets in each region, that most offers real valuation for their investments.

Participation in events

USIMINAS attended various local and international conferences for capital market analysts and investors.

In addition to these meetings, it offered 10 public presentations throughout the year for Association of Capital Market Analysts and Investors (APIMEC) in several Brazilian capital cities and also in the Minas Gerais state.

It also participated in events for individual investors at meetings organized by the National Investors Institute (INI) besides attending Expomoney in São Paulo and Belo Horizonte, a fair aimed at financial education for individuals interested in personal finances and exploring different modes of investment.

Usiminas's participation in all these events aims at further narrowing its relationships and taking Company information to financial markets.



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SOCIAL PERFORMANCE



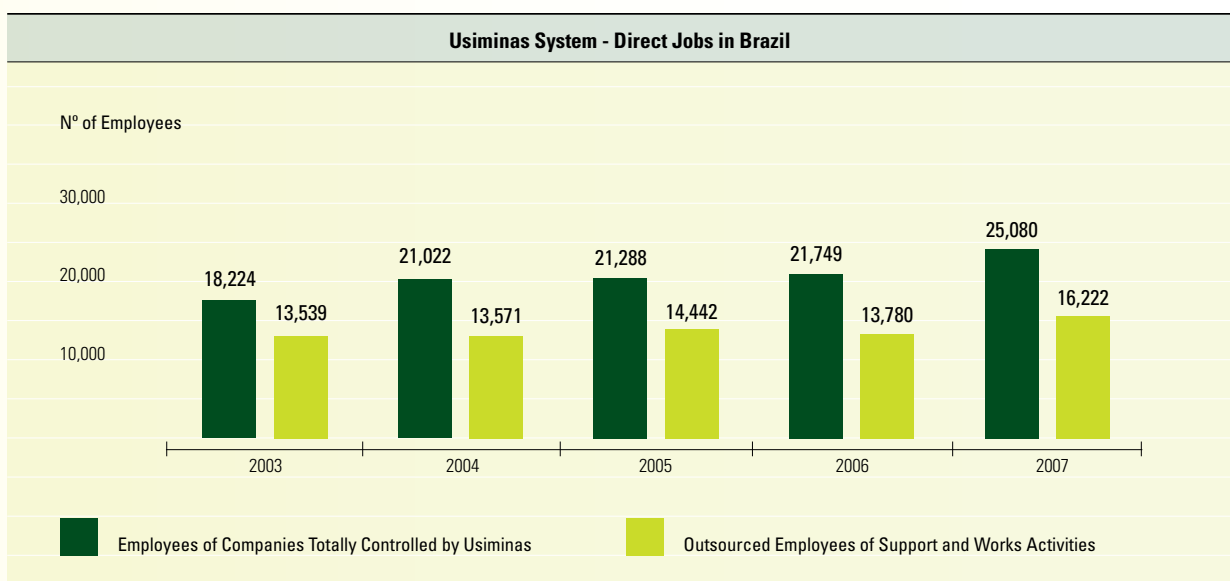
The Usiminas System and its Employees

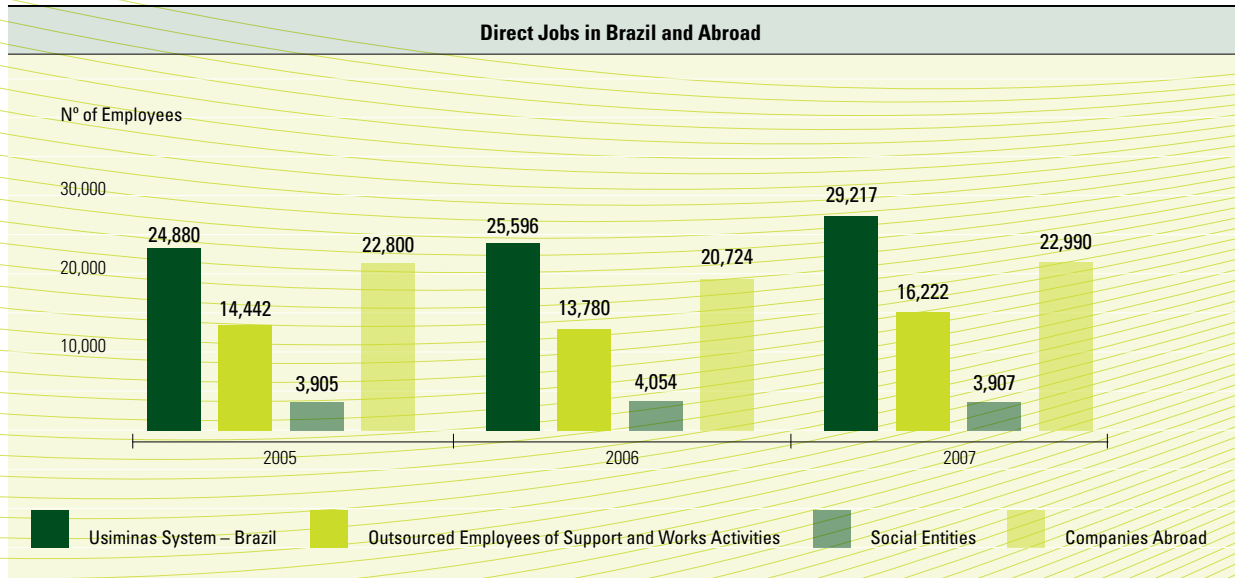
Usiminas System's companies recorded 25,080 employees as of December 31, 2007, which added to 16,222 employees in outsourced support activities and 3,907 employees in directly established or supported social entities, totaled 45,209 jobs.

If the 3,564 employees maintained by MRS Logística S/A and 573 from its outsourced support activities were added, total figure

would increase to 49,338 direct jobs in Brazil, generating 6,169 new employees during 2007.

On a global basis, if 20,827 employees and 2,163 outsourced from permanently support activities rendered to Ternium S/A and its subsidiaries SIDERAR S/A in Argentina, SIDOR S/A in Venezuela and Hylsa S/A and Grupo Imsa, S.A.B. of C.V. y Subsidiarias in Mexico are added, total amount would jump to 72,336 direct jobs.





In Brazil, Usiminas System's companies invested R\$ 346.80 million in 2007 in social benefits to its employees and their families (including supplementary pensions, catering, social, medical, hospital and dental care, education, leisure, sports and insurance).

Remuneration totaled R\$ 1.5 million when adding benefits and compulsory social charges. Educational, training and professional development programs received investments of R\$ 13.02 million.

Interaction between the Company and its Employees

Management model adopted by Usiminas System takes into consideration regional cultural characteristics and highlights, as a matter of principle, channeling of employees expectations through a direct relationship with their immediate superiors, with labor unions and spontaneous leaders members of Internal Accident Prevention Committees and voluntary groups who

work on issues such as quality, environment, work safety and social activities in communities.

All employees, unionized and non-unionized, are covered by Conventions and Collective Agreements that provide for Work Relations, always in compliance with and in addition to Brazilian labor regulations and International Labor Organization's deliberations concerning labor protection, human diversity, and child and slave labor. Such Agreements and Conventions are annually renewed through negotiations with labor unions. Usiminas is a signatory of UN Global Compact to promote implementation of its 10 principles along its entire production chain.

All Usiminas System's companies hold regular meetings between supervisors and managers with all their subordinate employees, at which occasion they are given the opportunity to, anonymously or not, voice doubts, opinions, critiques and claims with reference to the Company.

At Usiparts Sistemas Automotivos, such contact between the Company and its employees results in general improvement actions for better internal communication, team engagement and a better internal ambience.

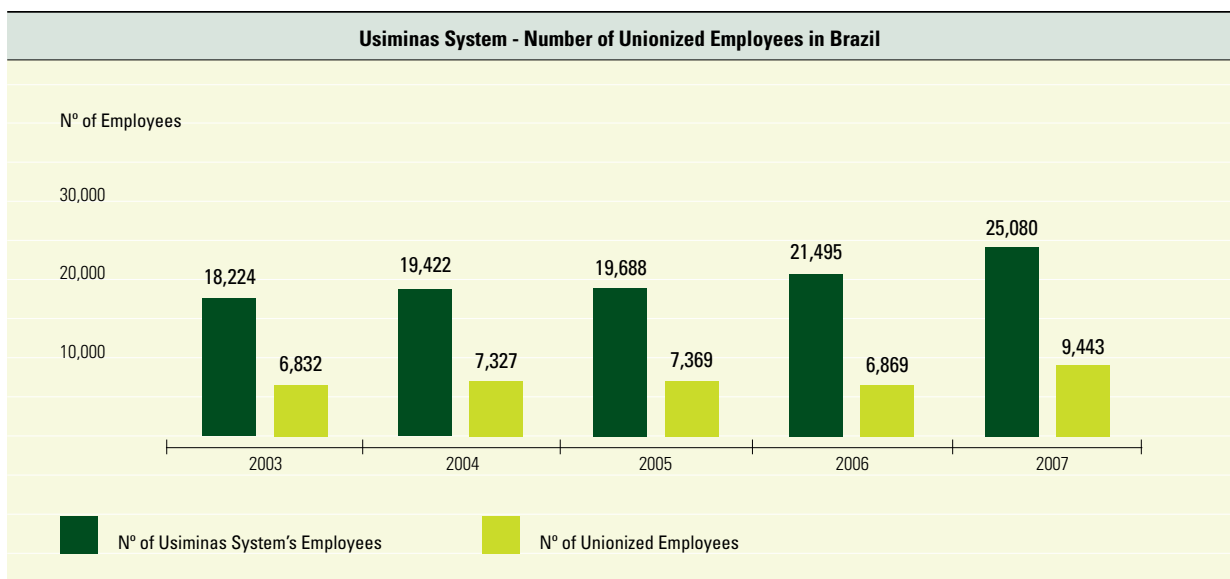
Employees of Usiminas Mecânica, who have actively participated in the Company since 2001, have developed an Integrated Solutions for Quality program. Currently organized in 131 groups with 1,062 members and after more than 37 thousand hours of courses related to quality management, they implemented 5,614 projects characterized by energy efficiency, operational procedures, costs, safety conditions and work comfort improvements, besides contributing to motivation and a good internal environment.

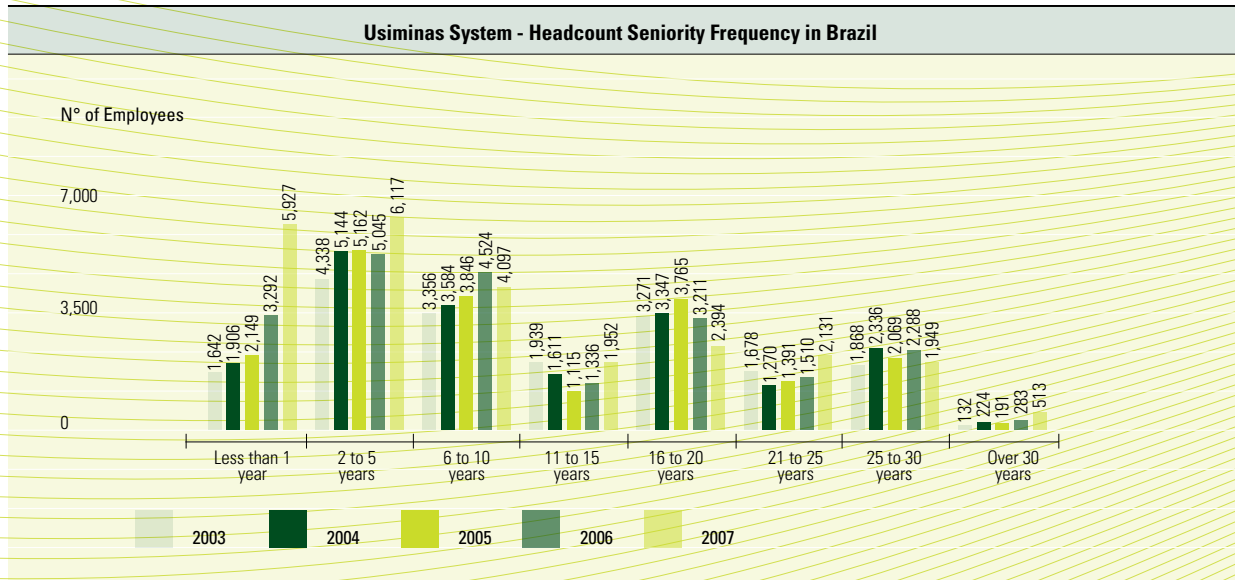
Under the slogan "Health and Life Quality, a matter of attitude," Rio Negro implements programs that include speeches, examinations and in-house contests intended to promote a healthier, more balanced life style in a productive and harmonious workplace.

Usiminas System's companies develop, among others, specific programs for family visits to the factory, accompanied by lectures about Company's plans and activities. Such visits culminate in a lunch at Company's mess hall, where employees share with their families this moment of their daily routine, a moment in which the process witnesses the needs and aspirations of the family group.

In addition, Usiminas System's people management model encourages dialogue through programs such as "Meet the President," in which employees spontaneously establish direct contact with Company's senior management, a moment in which the needs and aspirations of the companies and the employees is made evident.

These interactions between companies and employees enable program development that result in equitable, non-paternalistic, thoroughly planned benefits, contemplating employees and their families' expectations.





Employee management

In order to guarantee sustainable results, people management strategy is aimed at obtaining short, medium and long term results, via policies that seek to attract and retain good professionals aligned with organizational culture and practices.

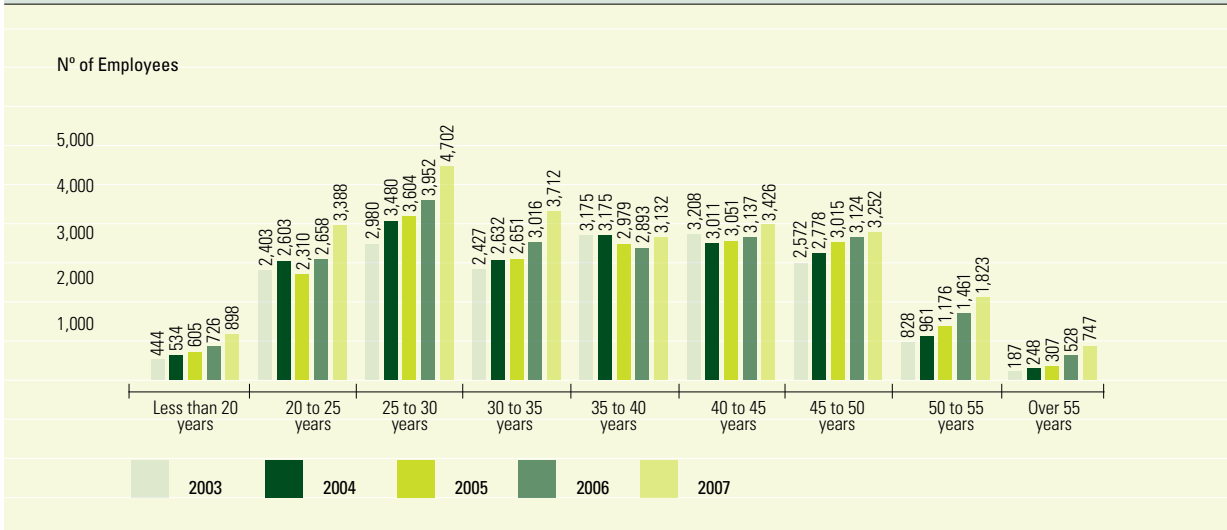
Management system by competencies structures employees professional profile for its search of sustainable results, given that

it is kept up not only by training and career development plans but also by other people management processes, such as referrals for promotion.

Remuneration system adopts the most up-to-date market practices, among which the alignment with business results, through a profit and/or result sharing program. Supplementary pensions and healthcare are also offered to employees and their family members.

[Interactions between companies and employees result in equal results]

Usiminas System - Headcount Frequency by Age Bracket



Education and training

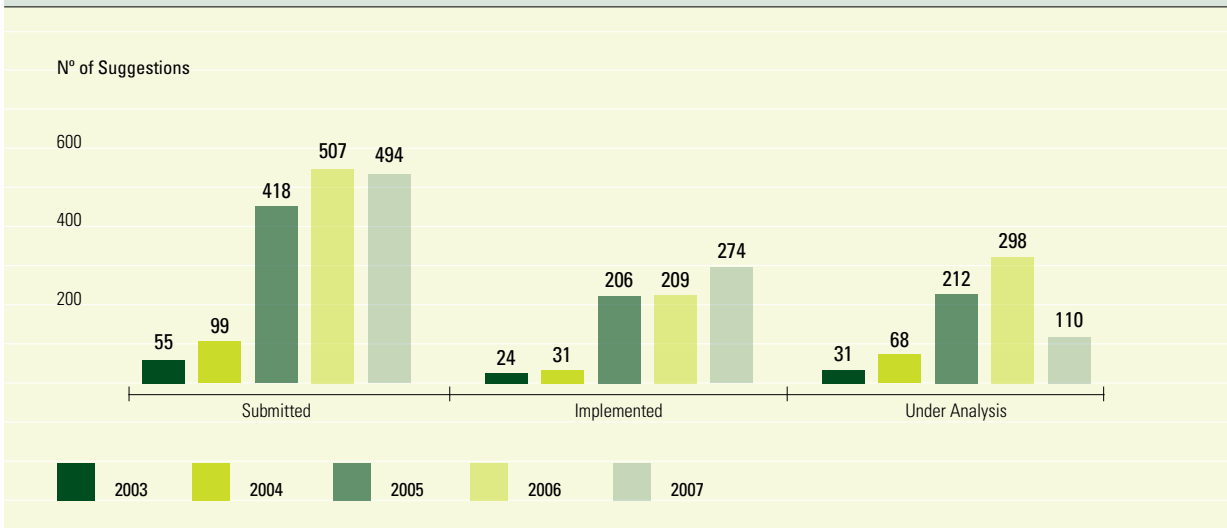
In order to create opportunities for employees' professional enhancement, programs dedicated to training, development and professional improvement are offered by all Usiminas System's companies.

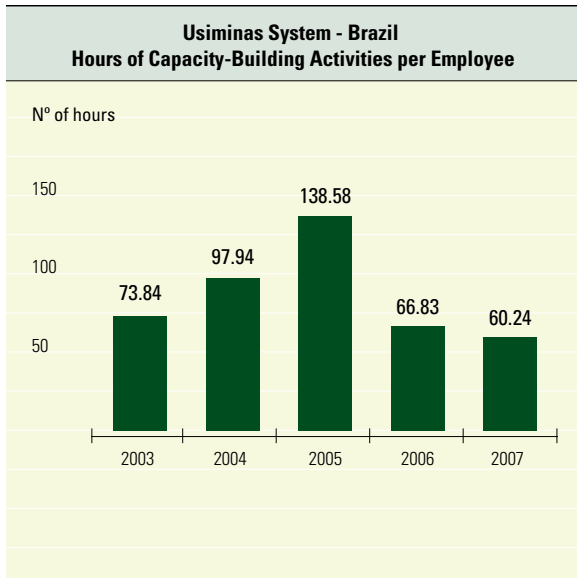
One of the drivers for employee development is Corporate Education Process, who-

se programs are aimed at their personal, technical and managerial development. They are conducted in-house and at other institutions, both in Brazil and abroad.

In addition to professional development courses, Company also offers graduate courses (specializations, MBAs and PhDs) in areas such as management, quality,

Usiparts Sistemas Automotivos – Employee Suggestion Program



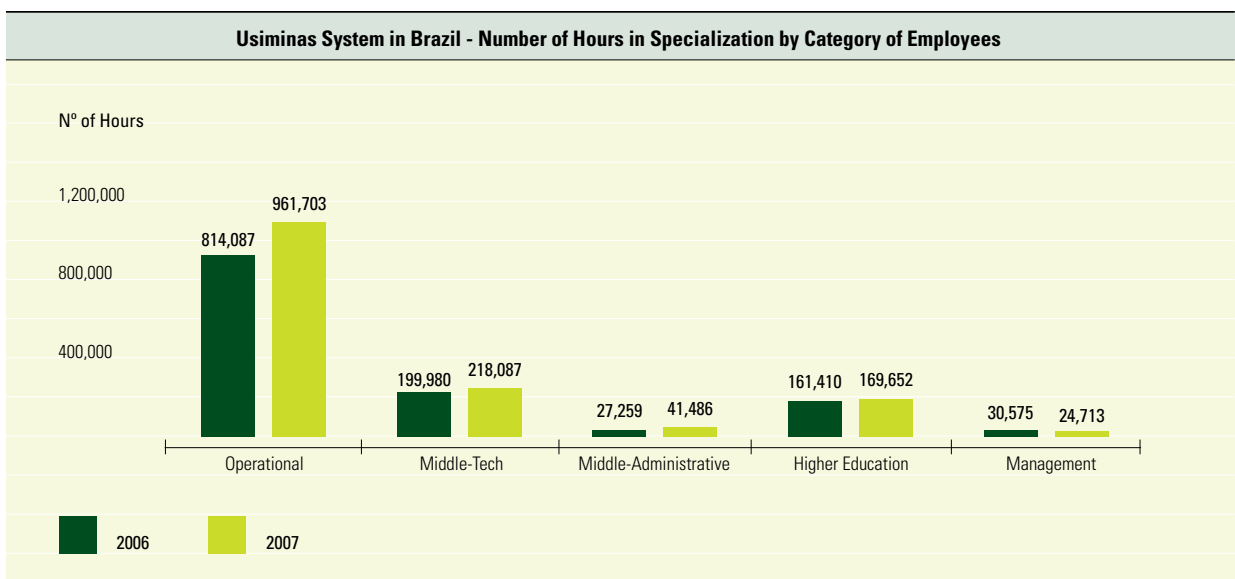


marketing, technology and environment, always carried out in partnership with universities and colleges that are benchmarks in their respective areas.

These courses are open to customers and suppliers, enriching exchange of experiences and contributing to an increasingly tighter integration among production chain

agents. Courses offered raised Usiminas System's percentage of higher education employees with higher education and supplementary background to 34.31%.

At both mills, 100% of managerial staff and 62% of medium-level education staff is formed by employees trained and selected in-house. In order to maintain diversity,



staff recycling occurs mainly between operators, prioritizing professionals from Professional Training Centers for Companies or, as locally known, SENAI, in the communities where they operate, and in training of its staff with higher-level of education, prioritizing young, recently graduated college students who have no professional experience.

Requalification and self-development

Through self-development programs, Usiminas System promotes realignment of its employees and third parties' professional profiles in ongoing construction and support activities.

This initiative is a way that companies have to prepare professionals for new technological demands in production and business structures.

This initiative is aimed also at professional training facing factors such as re-adaptation to compatible roles with physical roles and companies' productive processes restructuring.



Health and safety: a question of principles

Health and life quality at work are commitments assumed by all Usiminas System's professionals, especially those in supervisory positions.

Before beginning industrial activities, brief meetings are held in all Usiminas System's companies, during which employees participate in Daily Safety Dialogues under the leadership of their immediate supervisors. Matters discussed include work conditions, risks and preventive measures to be adopted during scheduled activities. Outcome is stronger commitment of all employees towards team's and his/her safety.

At Intendente Camara Mill in Ipatinga (in the Minas Gerais state), this shared commitment gave rise to Voluntary Safety Groups, that were spontaneously created in operating areas, and whose objective is to disseminate prevention concepts and care of fellow workers' health and integrity, expanding actions of Internal Accident Prevention Committee (CIPA).

They also participate in Studies of Accident Hypotheses, in which employees, either anonymously or not, can enter his/her remarks into a computerized system to inform their perception of accident-prone activities. All information is evaluated, and most complex cases are solved by Work Medicine and Safety experts.

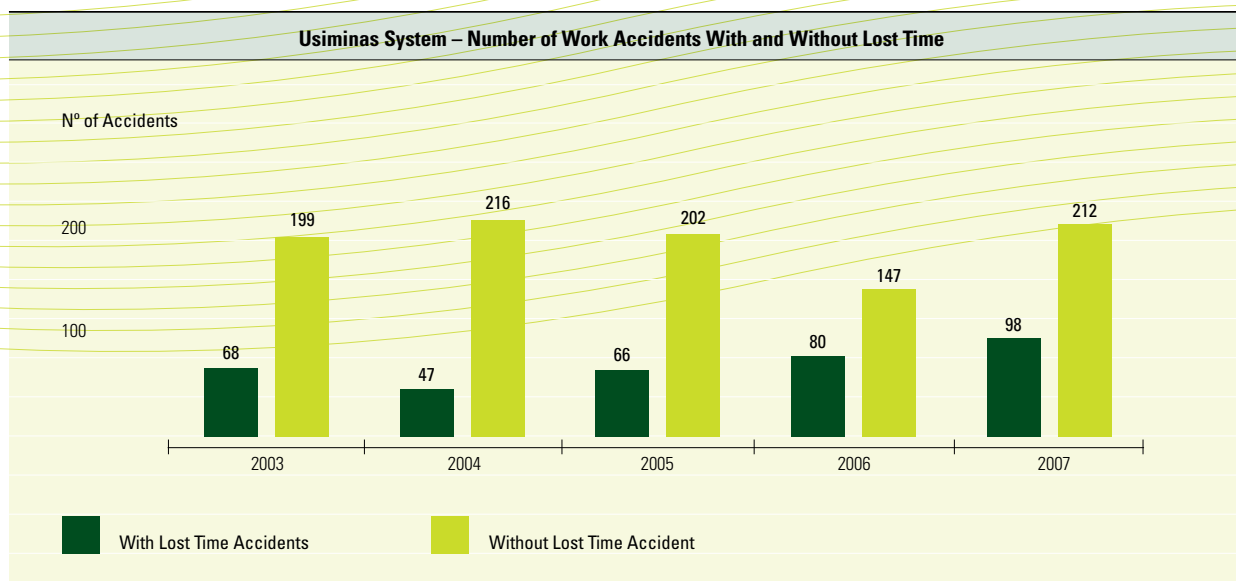
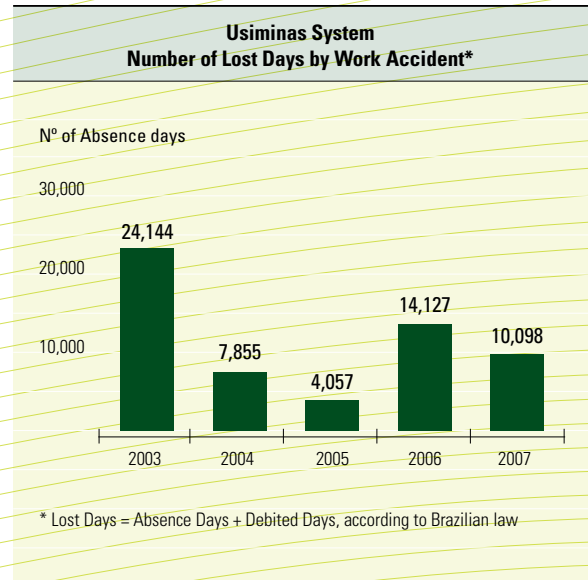
Together with expert personnel, groups prepare the so-called "Operation Standards," an analysis of every activity performed by employees from quality,

rationality, environmental impact and specially hygiene and work safety issues.

As established by contract, third parties that provide services to System's companies are obliged to strictly adhere to these standards, besides attending specific Occupational Safety and Environmental standards. Requirements, social responsibility and sustainable development concepts are extended throughout entire supplier network.

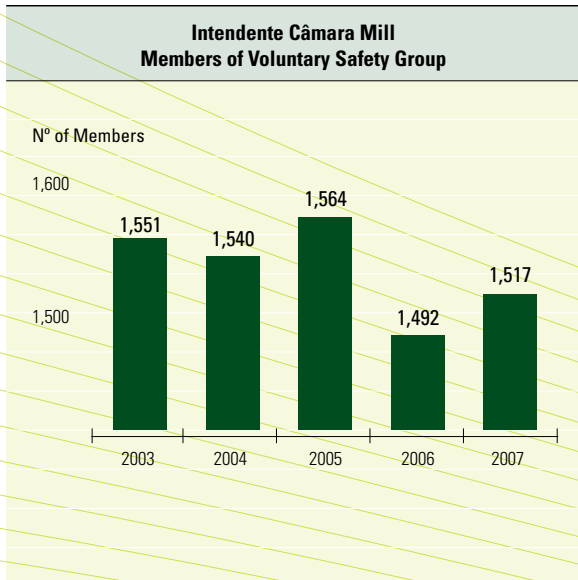
At José Bonifácio de Andrada e Silva mill in Cubatão (in the São Paulo state), activities parameters are also established by occupational safety and medicine experts, involving operating areas and decisive participation of employees that execute them, organized in 505 Voluntary Safety Groups formed by 4,136 employees. In 2007, 2,384 employees also participated in Motivational Cells aimed at quality, environmental and work safety issues.

All potential risks verified by employees are recorded in Health and Safety Communication system. For significant cases, occupational safety and medicine unit opens a Noncompliance Report, guaranteeing a implementation of corrective actions and verification of action plan's efficiency.









If, even then, an accident occurs with or without lesions on employees or service providers, it will be immediately disclosed in internal computer networks to all operating units employees through a Disclosure with Participation program. Different supervision levels meet weekly with their employees to analyze circumstances of accidents that occurred and to prepare and record, together with Work Safety units, a plan aimed at adopting preventive measures.

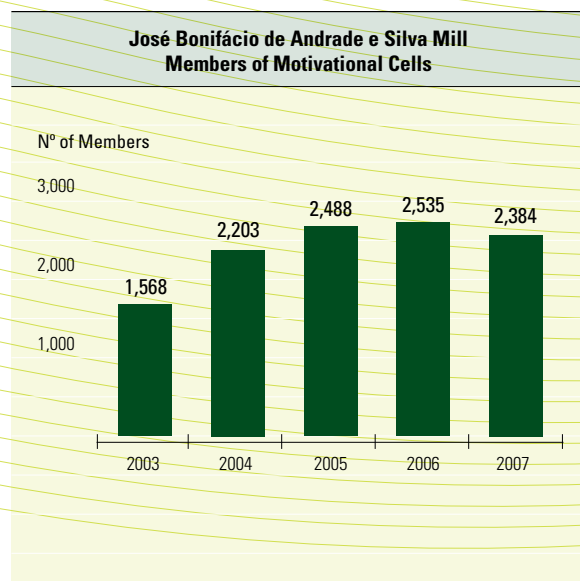
These and other programs and activities are part of Integrated Management System that established a clear policy covering actions related to environment, safety and occupational health, all developed under online follow-up via computerized internal network reaching all employees.

Occupational Health Center (CSO) installed at José Bonifácio de Andrada e Silva mill, inaugurated in May 1996, promo-

tes preventive employee health actions, besides complying with legal aspects concerning Occupational Medicine. CSO is a part of Occupational Medicine, Safety and Environmental Service and provides social, dental, physiotherapy, round-the-clock medical services and collection of material for laboratory exams, at no cost to employees.

Despite efforts made, it is important to note that 2 fatal accidents occurred in Usiminas System's companies.

One occurrence involved a Unigal employee, 31 year old, who worked as a maintenance mechanic and had been working for 7 years with no prior accidents in his professional records. He was considered to be apt for the activity by occupational health exams and as a result of training received. On the morning of November 17, 2007, he repaired a coil-stripping machine together with



operation and maintenance team, releasing the equipment for operation at 12:00 p.m. and then going on their meal and rest break. At 1:30 p.m., the employee, without warning his maintenance and operation colleagues, certainly for the purpose of perfection, returned to the equipment and began to operate it from a position within its range of action, possibly to examine its functionality, and was struck on the head causing immediate death. A team of work safety specialists, in combination with employees' commission for accident prevention, after thorough analysis, recommended a revision of activity's risk analysis, implementation of a work permission system, a study concerning a possibility of installing a physical block on the control panels and equipment's screening off, all to be concluded on 12/30/2007. They also recommended an inventory of critical tasks for each piece of equipment listing the related dangers and risks, to be concluded on 06/30/08.

The other occurrence was on kilometer 503 of BR 262 highway, city of Luz in the Minas Gerais state, on 11/10/2007 at 11:30 p.m. It involved an employee of Usifast Logística Indústria S/A, a cargo driver that had been employed for 1 year and 4 months and had 09 years of professional driving experience and considered to be apt for the activity after defensive driving courses and by periodic exams carried out by Company's occupational medicine. Regarding Usifast's vehicle,

accident analysis concluded that monitoring and speed, indicated by a tachograph, recorded ideal road conditions, including at the moment of the accident, and demonstrates that he was transiting in the right direction on its lane following traffic norms. According to accident report drawn up by Highway Patrol, the other cargo vehicle was being driven by a person suspected to have been driving under the influence of alcohol, who lost control, hit Usifast's vehicle and caused the immediate death of our employee. Although accident causes were originated by a third party, Company emphasized the defensive driving courses that it was already promoting.

Medical, dental and hospital care

Healthcare actions promoted by Usiminas System are focused on preventive medicine. These are health promotion, social care, occupational health and medical, hospital and dental assistance programs, the latter involving expense-sharing. More than 115 thousand individuals, including employees, their dependents and retirees of Usiminas, Cosipa, Usiminas Mecânica, Unigal, Usiroll and Usiparts receives healthcare coverage through Fundação São Francisco Xavier (FSFX). This coverage includes hospital stays, consultations, diagnostic imaging examinations and highly complex medical procedures.

Besides offering quality dental care, Integrated Dental Center focuses on the



Marcio Cunha Hospital – Ipatinga



improvement of population's health conditions in general, through awareness of common risk factors of mouth-related diseases and preventive actions and guidance. This activity model has enabled the city of Ipatinga to register one of the lowest indexes of lost, filled or cavity-ridden teeth (DPOC in Portuguese) in the country.

This center has 31 service units distributed in three clinics:

- Dental Clinic for Health Promotion – dedicated to preventive dental care for people of all ages, according to individual needs;
- Basic Restorative Dental Clinic – aimed at restorations and aesthetic treatment;
- Specialties Clinic – targeted at surgical and root canal treatment, arising from occlusion problems.

Cosipa sponsors a program called “Steel Teeth” to encourage children from 5 to 12

years old to take care of their teeth, using theater, video sessions, drawings and lectures, besides practical teeth-brushing lessons.

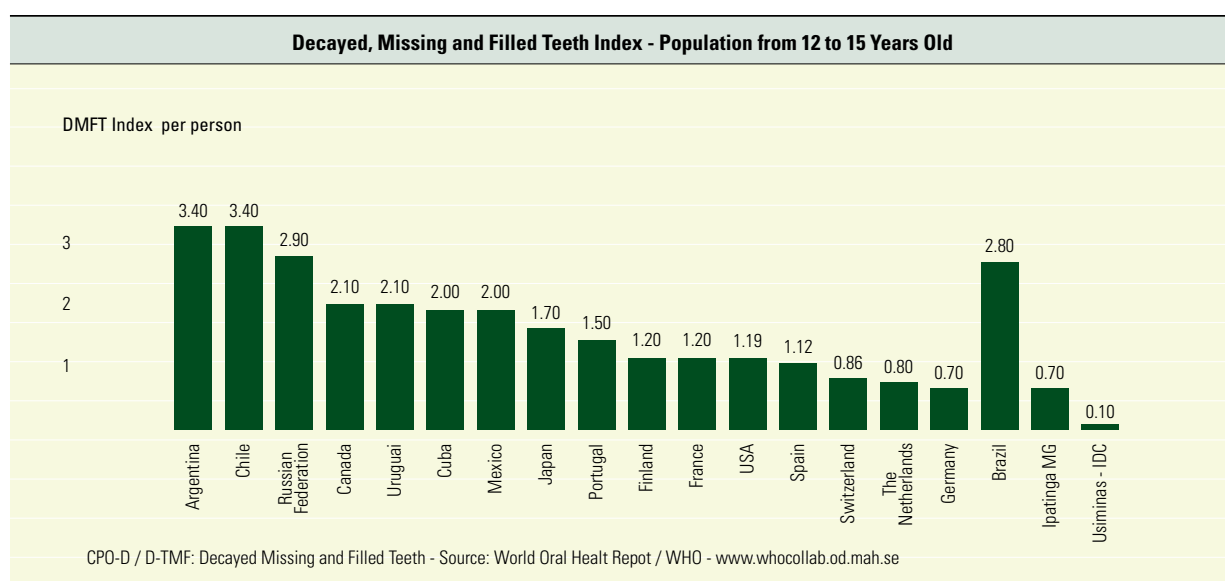
As new companies join Usiminas System, benefits provided by Fundação São Francisco Xavier are extended to this new community, observing customs, habits and employees and their families needs.

Pension Funds

Caixa dos Empregados da Usiminas and Fundação Cosipa de Seguridade Social (FEMCO) were established for the purpose of providing supplementary pension benefits. Besides providing employees with stable living standards during retirement, they play an important role in talent attraction and retention at Usiminas System's companies.

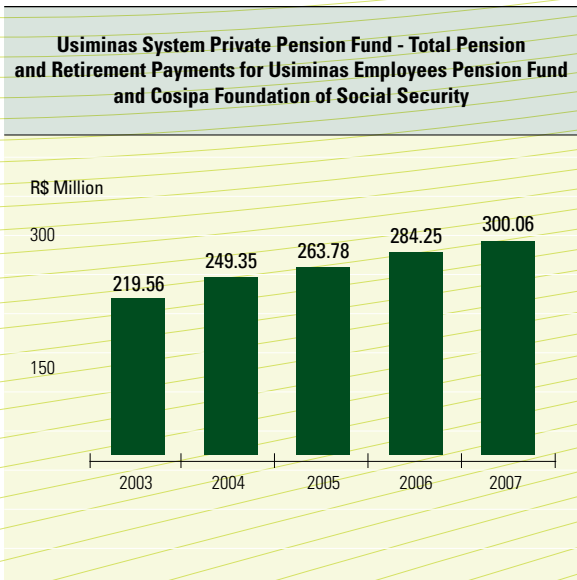
In 2007, social security plans paid out continuous benefits to 18,311 retirees and pensioners, totaling R\$ 300.06 million.

Also in 2007, 13,048 participants received extended loans of R\$ 44.5 million, whi-



ch reflects another important role of the entities.

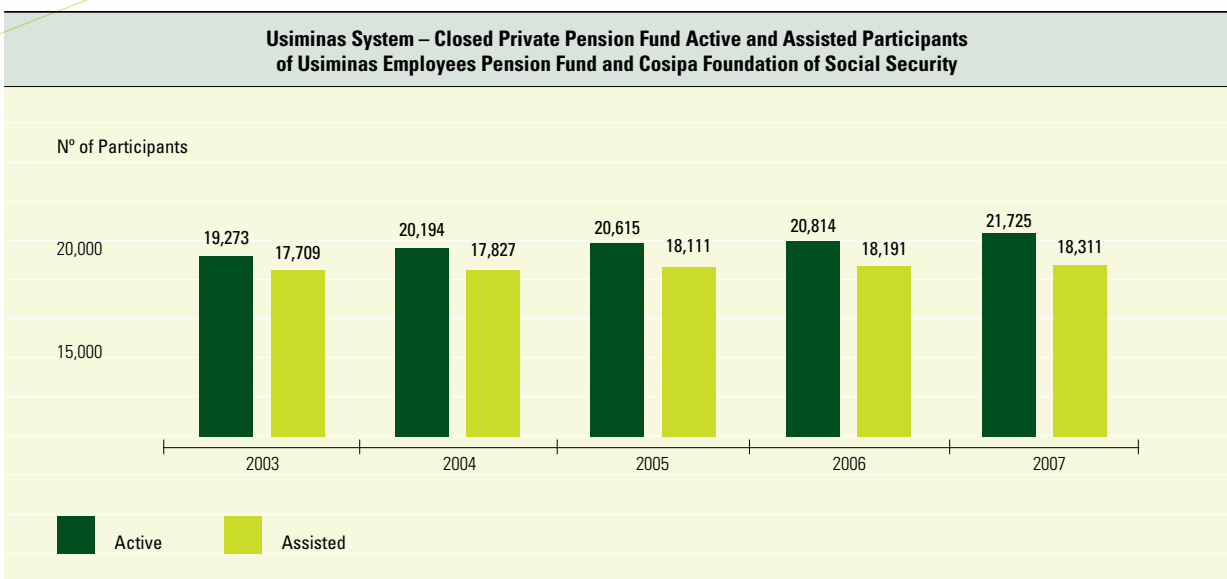
Participation of sponsoring companies in the benefit reserve building relative to both social security entities amounted to 5.95% of total participant's payroll.

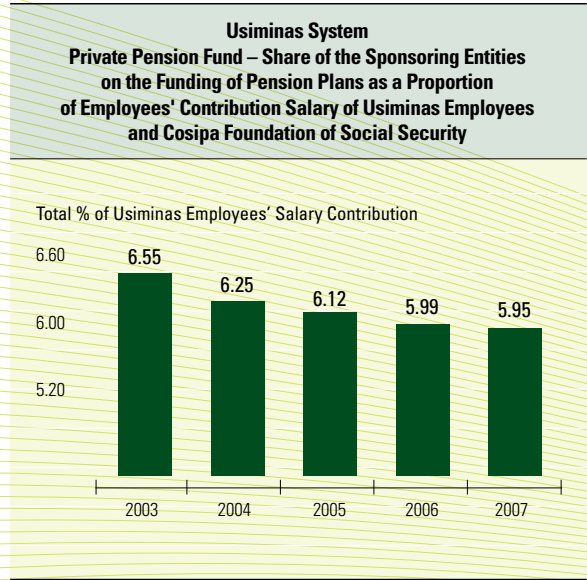
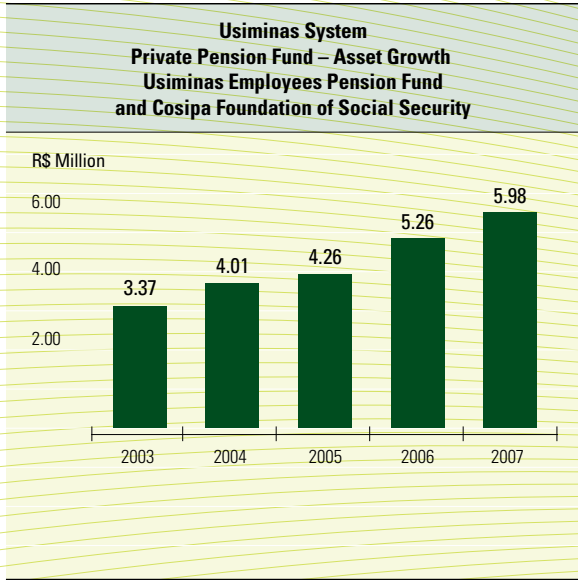


Together with System's companies social service, retirement preparation programs are offered to employees approaching retirees and their families, dealing with behavioral concerns related to retirement and health care.

FEMCO has a standing operating agreement with Universidade Católica de Santos (Unisantos), offering favorable conditions for their members and beneficiaries to have access to remaining slots in higher education program for senior citizens.

Both entities seek to permanently improve their services to all active and assisted participants and, in addition to customized service rendered by entities' units and to their institutional bulletins, enhanced their media resources enabling more interactivity to communications via intranet and internet.

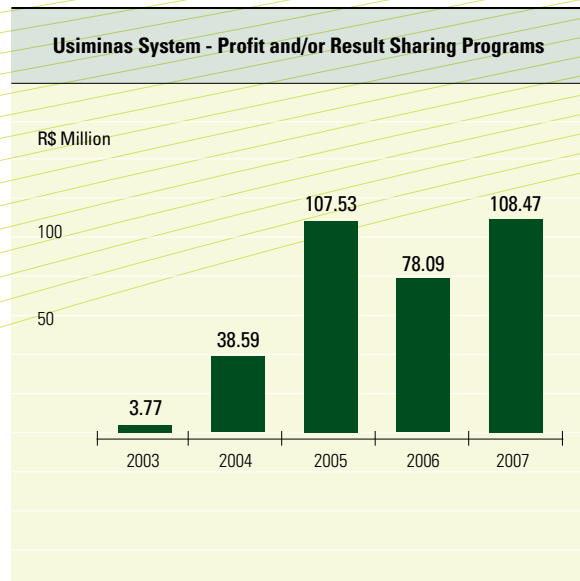
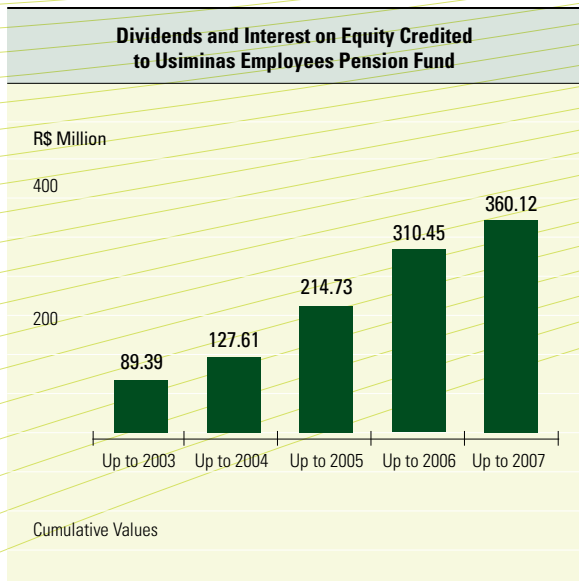




Participatory programs

Employees hold an equity interest (10.13% of voting capital) of Usiminas S/A, held through Caixa dos Empregados da Usiminas, an entity that has already received more than R\$ 360.12 million in dividends and interest on own capital distributed to its shareholders.

Operating, market, environmental and social goals, whose reach or overreach result in extra remuneration, are established through Employee Profit and/or Result Sharing programs, drafted after discussions with Trade Unions and Employee Committees nominated by fellow workers in each of System's companies.



Operational, market, environmental and social goals resulted in additional remuneration

Commitments Taken

	Commitments Taken	Progress in 2007	Future Commitments
Employee Profile	Employee schooling increase through elementary, high school and graduate courses access.	Development of elementary and high school educational programs, resulted in a high school and college schooling average level equal to 69.15% In TOTAL amount of employees in 12/31/2007.	Keep up the initial goals increasing to 72% the schooling of employee's level with high school and/or college education until 2009.
Occupational Safety and Medicine	Expand employees participation in the Work Exercise Program Maintain programs aimed at continuous reduction of accidents with time loss at System's companies	Usiminas Program was expanded regarding employees' participation. Other System's companies and third parties that provide support and construction services have gradually expanded adhesion of their employees.	Maintain programs aimed at the continuous reduction of accidents with time loss at System's companies
Support to Urban Development	Construction conclusion of 320 dwellings for Housing Plan until 2008: Residencial Amaro Lanari Júnior, with completion and key delivery scheduled for April 2008. Residencial Vila do Parque with completion and key delivery scheduled for the second half of 2008.	Residencial Amaro Lanari: delivery scheduled for June/2008; Residencial Vila do Parque: In a renegotiation stage with the Builder regarding definition of 160 units feasibility.	Conclusion and delivery, to employees, of 160 new dwellings of Residencial Amaro Lanari in June/2008. Residencial Vila do Parque: A second feasibility study will be performed by the end of 2008.
Improving the Quality of Living	Respecting regional peculiarities, the "Live to the Limit!" Project should be extended to other System's companies	In May 2007, the "Live to the Limit!" Program was launched at Cosipa, bringing together existing projects aimed at life quality and seeking to identify needs for new actions.	The "Live to the Limit!" Program will aim at consolidating companies where it is already structured, besides implementing new fronts and enhancing the actions that have already been developed, in an attempt to reach a greater number of employees and family members.



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**THE USIMINAS SYSTEM
IN THE COMMUNITIES**

Usiminas System maintains an ongoing relationship with representatives of NGOs, organizations of public interest (OCSIPs) and of organized community, channeling wishes and monitoring productive activities impacts. At places where the Company's presence is more important in relation to the community's, such as in Cubatão (in the Sao Paulo state) and in Ipatinga (in the Minas Gerais state), specific organizational structures are maintained to deal with these matters.

A good example of this "hearing the community" approach is the Community Advisory Panel program, developed by Ciesp (Industrial Center of the State of São Paulo), including Cosipa and 38 other companies. This program convenes monthly meetings with community leaders, representatives from the local public administration, teaching institutions, class entities and non-governmental organizations, when community's expectations are methodically identified. A multidisciplinary group from Cosipa analyzes these and other expectations, implementing or advancing with social and environment-related projects.

In 2007, Usiminas System allocated R\$ 4.73 million to Municipal Children and Adolescent Rights Council in the cities of Ipatinga and Pouso Alegre (in the Minas Gerais state) and Cubatão, Praia Grande, São Vicente, Santos and São Paulo (in the state of São Paulo). Such funds were donated to Children and Adolescent Fund (FIA) for application in programs and actions to assist children and youths who are at risk, victims of violence, homeless, devoid of family support or structure, as well as preventing child labor.

The "Athletes of Nature" program, developed by Associação Esportiva e Recreativa Usipa, in Ipatinga (in the Minas Gerais state), is outstanding among these programs and is geared towards children and adolescents between 8 and 14 years of age in conditions of social vulnerability. In 2007, this Program assisted 150 children and youths with support from social assistants, physical education teachers, child educators and environmental educators.

Dufer and Cosipa have decisively contributed to "Embark on Reading" libraries

implementation and maintenance near São Paulo state's subway stations Paraíso and Tatuapé. The main goal is to foster reading habit as a mean of social inclusion.

At Usiparts, managers and senior executives participate in Pouso Alegre Industrial District Association (Assedipa), discussing Company's and communities' interests with other regional entities and leaders, such as public transportation, public security, education, infrastructure and the environment. The community also approaches the Company, by visiting industrial plants. On these occasions, investments, policies and guidelines relating to environment, occupational health and safety, as well as aspects relating to the quality of living are presented.

Rio Negro, after listening to the community represented by its employees, invests in initiatives to support children and elderly through voluntary actions of 40% of its employees.

Close contact with the community enabled Cosipa to take active part in jobs' development that resulted in "Agenda 21 of Cubatão" program. This program was carried out under a participatory approach and open to all interested and involved publics,

gathering more than 1,700 people among City Council members and Specific Themes Debaters. These projects were joined together in the publication "Cubatão 2020 – The City We Want", which describes action plans and projects to be implemented by 2020 for the city's sustainable development, according to a clear and well-defined schedule, which will be supervised by the people who helped to prepare it and the cities.

Agenda 21 of Cubatão's first assessment was held on August 29 and 30 of 2007 at a Seminar for Sustainable Development of Cubatão – Agenda 21. During this meeting, which brought together 600 representatives of society's different sectors, actions and projects related to the 17 themes of Agenda 21 were presented.

One of the highlights was a presentation of actions to maximize labor's local use. Labor Assistance Center, resulted of a joint action between City Government of Cubatão, São Paulo State Government, companies of Cubatão's industrial complex and leading community associations, was revamped and led to the hiring of 6,420 workers between March and December 2007, of which 61% are city residents.

[Agenda 21 of Cubatão made possible the hiring of 6,420 workers in the city's Industrial Complex]

Support to Urban Development

Usiminas System develops, through steel technology for civil construction and its applications, construction solutions in accordance with market's needs and potential. Company contributes with housing solutions and has developed Housing Projects of Social Interest used by city government and housing companies throughout the country. Other technologies such as "Light Steel Framing" and Electro-Welded Shapes enhance Usiminas' portfolio of technical products and solutions with productivity boosts.

The following are highlights of the actions promoted using Usiminas System's housing projects technology in 2007:

- 2,500 metallic frames for Housing Company of Minas Gerais state (Cohab/MG);
- 200 frames for Caixa Econômica Federal in Itabira, Minas Gerais state;
- 6 housing units for assistance work at Irmão Jorge Spiritual Center;
- 12 kits for elderly homes in Brasília, the federal district capital.

Moreover, Usiminas System is engaged in an educational and know-how transfer program with respect to steel solutions for civil construction and architectural applications through agreements with specialized teaching establishments. In 2007, in a partnership with Fumec (Universidade Fundação Mineira de Educação e Cultura), Usiminas supported the creation of a post graduation course in Steel Construction, whose target is to prepare specialist architects and engineers to work with steel

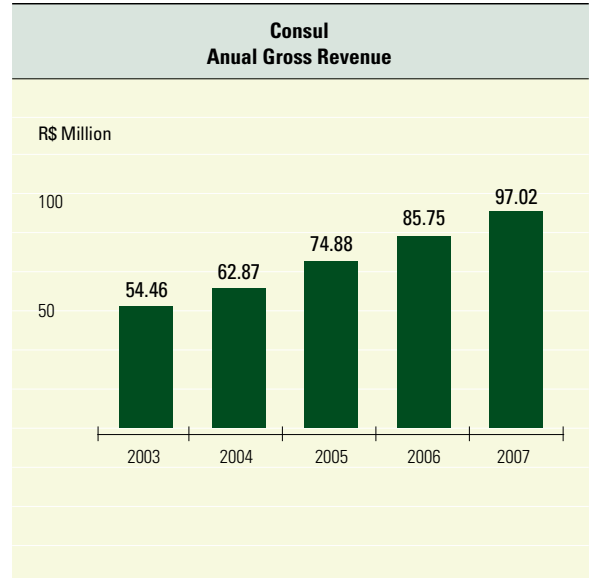
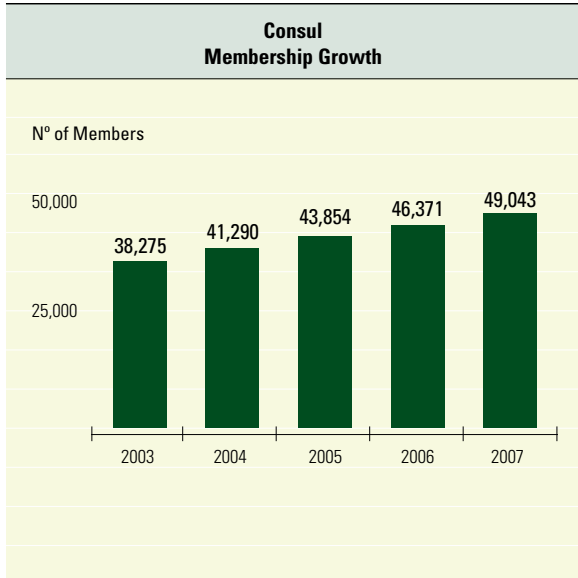
structures and to qualify engineering and architecture professors. In February of 2007, a Steel Framing course for builders was held at SENAI in the Minas Gerais state.

Cooperativism

Cooperativa de Consumo dos Empregados da Usiminas Ltda. (Consul) was established to ensure supply of quality consumer goods at competitive prices. Consul is a cooperative open to the community and notable for its pricing policy and also for its generation of direct and indirect jobs. It is a 4.8 thousand m² store and counts on 30 computerized checkouts offering more than 23 thousand items.

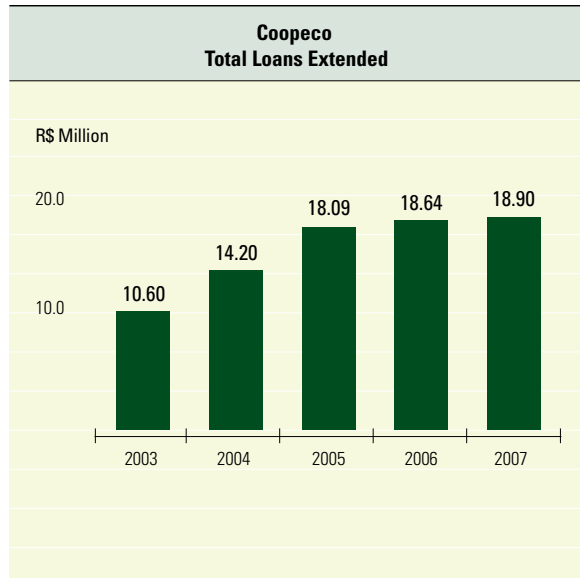
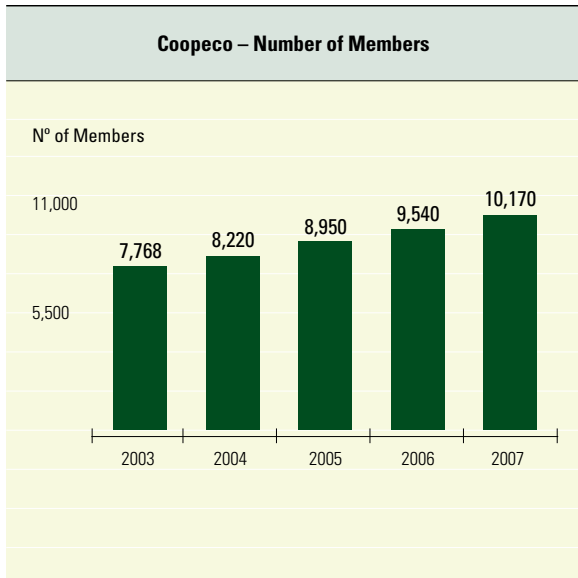
In 2007, Consul was granted "Cooperative of the Year" award due to its initiative to help set up Cooperativa Caratinga de Produtores Hortícolas Ltda (Cooperhorta), promoting life quality, income and permanence of horticulture in the field, besides offering quality products to its cooperative members. This Award was granted by Brazilian Cooperative Organization, National Cooperativism Apprentice Service (Sescoop) and Globo Rural magazine.

Cooperativism concept is also disseminated throughout the community by Cooperativa de Economia e Crédito Mútuo dos Empregados da Usiminas e Empresas Coligadas Ltda (Coopeco) and by Cooperativa de Crédito dos Empregados of Usiparts. Both are chartered to promote savings and finance their participants' needs or business ventures - credit line has benefited 77.17% of cooperative members in 2007.



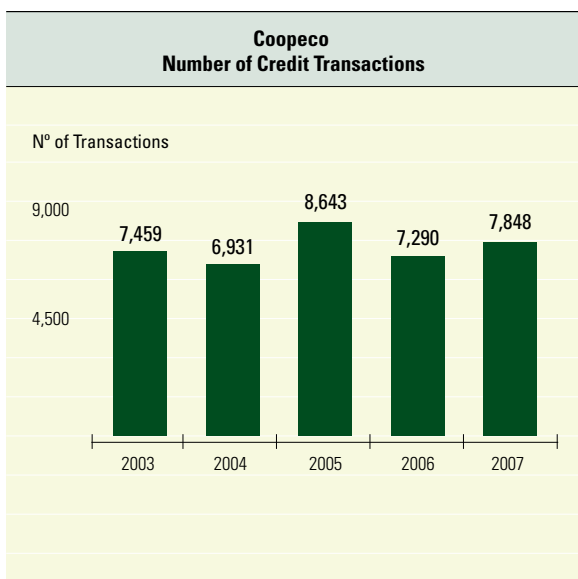






Integrated to over 1,350 branch offices of Banco Cooperativo do Brasil S/A (Bancoob), of which it is a founder, Coopeco offers all services provided by a regular commercial bank by operating checking accounts, collections, accepting payments for utilities and making financial investments.

Restating its concept of an economically feasible credit cooperative and reflecting



its member's confidence, actual return on the capital paid in by its members increased 17.18%. From its earned surplus (profitability), Coopeco earmarked 12% as the maximum compensation for members' capital.

Voluntary work in the Communities

Usiminas System's companies encourage their employees to participate in voluntary social development initiatives, including working with nurseries, neighborhood communities, churches, elderly homes, hospitals and medical and social service stations, besides acting with NGOs that aim drug addiction recovery and environmental protection, restoration and education.

At Ipatinga mill and at Usiminas Mecânica, a group known as "Standard Workers", whose members are elected by direct vote of each company's sector, coordinate campaigns in favor of more than 130 community entities and underprivileged families.

In December of every year, employees participate in “V Day”, a proposal of Corporate Citizenship Council of Industry Federation of the Minas Gerais state (FIEMG): 24-hours of voluntary actions that bring together people and companies that, as a group, organize on this day a pro-benefit activity to benefit their respective communities.

Also in Ipatinga, Intendente Câmara Steel Mill’s Professional Development Center’s students participate in activities to improve municipal schools, in another voluntary initiative.

At José Bonifácio de Andrada e Silva Steel Mill, employees established “Company of Volunteers”, an initiative that assists entities in Santos, underprivileged neighborhood communities, through actions in the following programs:

- “School Tutoring at the Mill” - prepares employees and third parties for examinations in technical schools by offering tutoring in Chemistry, Physics, Math and Portuguese;
- “Mantiqueira Project” - promotes citizenship principles through daily activity of tutorials, theater workshops, environmental awareness programs and IT lessons offered on the mill’s premises. It is focused on children and adolescents exposed to physical, social and health risks born into dysfunctional families or parents with little schooling or unemployed and who live in Pedreira da Mantiqueira Community in Cubatão, an illegal occupancy area. In 2007, the Project increased its number of volunteers, was acknowledged by Municipal

Children and Adolescent Rights Council and, going beyond its initial proposal, managed to welcome 12 adults into high school courses offered by the Company;

- “Cosipa at School Project” - aims implementing a quality management system in public schools of Santos, São Vicente and Cubatão. It is developed in one school of each of these cities and benefits around 3,000 students, 150 teachers, 30 school workers and 9 technical coordinators every year. It focuses on five main subjects: “School Management System”, “School Environment Improvement”, “Schooling”, “Teacher Qualification”, and “Community Involvement”. The Volunteer Company also offers tutoring classes in Portuguese and Math, dance lessons and a music workshop.

With participation of more than 40% of employees, “Internal Volunteers” of Rio Negro dedicate themselves to social and environmental projects. Trained in specific voluntary work courses, they accomplished in 2007:

Rio Negro also develops the internal and nearby community “Selective Collection” program, selecting materials that can be recycled and, thus, generating financial resources for assistance entities.

Through volunteers’ initiatives, Rio Negro received a title of “Illuminated Company” by Casas André Luiz, a non-profit philanthropic entity that helps the disabled.

Health in the Community

Fundação São Francisco Xavier offers health and hospital care to 21 cities in the

micro region of eastern Minas Gerais state. Through Márcio Cunha Hospital, a regional health benchmark population has access to an advanced physical structure and excellent human and technological resources.

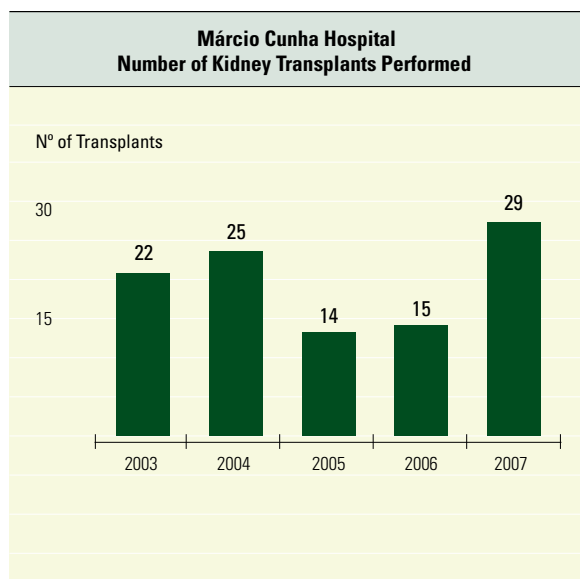
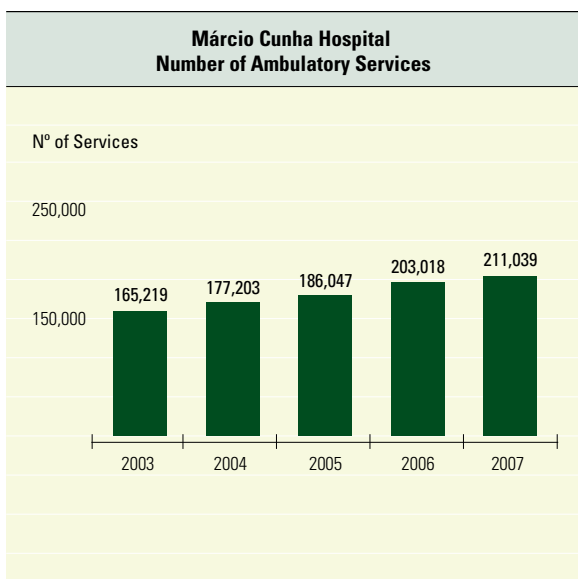
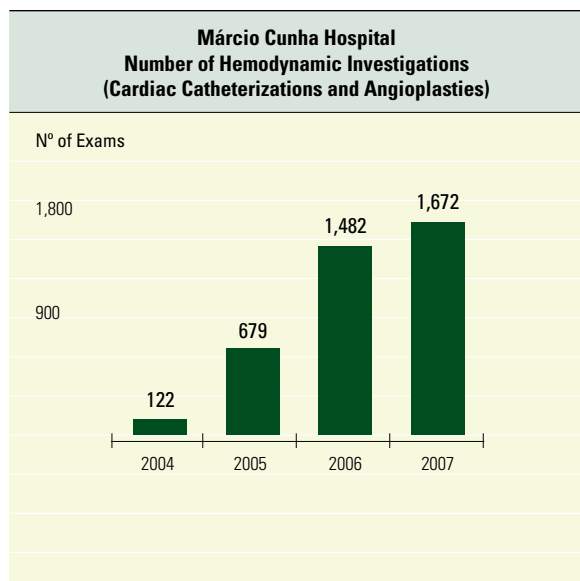
In addition to the hospital, Integrated Dental Center develops an extensive preventive program aimed at controlling cavities and gum diseases. Through this work, Fundação São Francisco Xavier contributes towards making Ipatinga’s cavity index one of the lowest in the country.

Márcio Cunha Hospital

Márcio Cunha, first Brazilian hospital to obtain “Hospital Accreditation in Degree of Excellence,” offers services in 30 medical specialties. Features 472 beds plus 8 day-hospital beds, servicing 620 thousand inhabitants of the micro region close to Intendente Câmara Mill, covered by government’s free health care system (SUS), a level of medical healthcare in the same standards as those that Usiminas System

offers to its employees and families.

In 2007, it received investments of R\$ 9.98 million for construction work, installations, equipments and IT supplies. Another R\$ 1.33 million was invested in staff’s training and development. It also renewed Quality Management of Clinical Pathology Lab Management certification according to NBR standard ISO 9001:2000 and also the



entire Hospital in accordance with Manual of Hospital Service Organizations.

Integrated Dentistry Center

Besides offering quality dental care, Center focuses on improvement of general health conditions of its population, through awareness of mouth related diseases' common risk factors and preventive actions guidance. This activity model has enabled Ipatinga to register one of the lowest indexes of lost, filled or cavity-ridden teeth (DPOC) in the country.

Healthcare plans

Usisaúde is a low cost healthcare plan that guarantees quality and service diversity and flexibility of benefits. Offered as individual and collective/corporate plans, it offers healthcare to more than 125 thousand plan members using a range of 4,000 local medical, clinical and lab healthcare sites and more than 140 hospitals in the states of Minas Gerais, São Paulo and Espírito Santo.

In 2007, service polls with plan members and service providers, indicated a customer's satisfaction rate of over 98%.

Education in the Community

Usiminas System encourages children's and adolescents' education in the communities, operating not only in basic education, but also in professional qualification. Adults are offered the possibility of vocational training to provide a competitive edge in the work market.

São Francisco Xavier School

Open to the community, this school offers

preschool learning up to high-school for around 2,950 students. In national high-school exams (ENEM) held in 2007, its students scored an average of 85% above students from other Brazilian learning institutions.

School's quality of education earned a pioneer achievement in Brazil; the certificate of compliance with standard ISO 9001, relating to teaching and installation infrastructure quality. This school offered to the 120 students from 1st to 7th grade the CSFX Integral: an opportunity to combine learning with play and sports, throughout normal teaching grid, curricular follow-up outside the classroom and complementary activities, such as visual arts, drama, music, sports, more in-depth knowledge of foreign languages, leisure and cultural activities. Besides teaching benefits, CSFX Integral offers parents who work outside their homes the opportunity to have their children daily assisted by educators from 7:15 a.m. to 5:15 p.m.

"Be More Project" is also worthy of mention. With investments of R\$ 2.1 million, it has benefited 480 students, of which 211 were granted study scholarships.

Integrated to the "Be More Project," the "Room for Talent" program works with 269 underprivileged children who have high degrees of talent and skills, singled out from community's public school network through specific scientific methodology. After confirming the profile, these children are accompanied by CSFX specialists and, in addition to schooling offered by the child's school, they participate in specific and customized programs aimed at improving their confirmed potential.

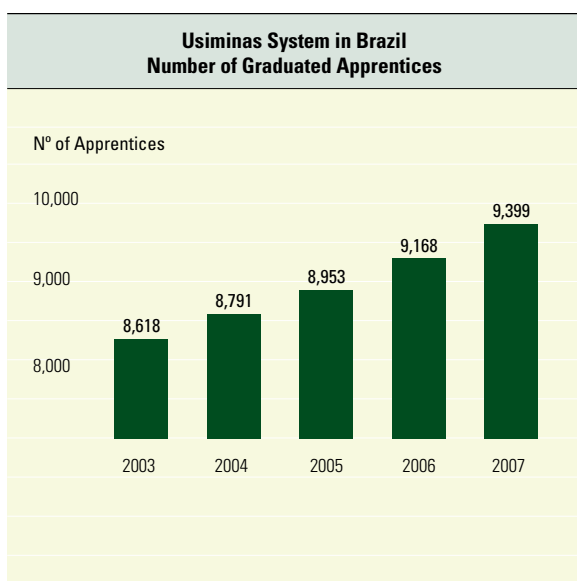
During 2007, Usiminas aided in the construction of 28 school buildings for the community managed by public institutions.

Apprentice Training

Professional Training Center of Intendente Câmara Steel Mill trains minor apprentices in mechanics, electricity, lathe operation, welding, electronics and steelmaking operations. Going beyond a technical training, apprentices have discipline lessons focused citizenship, rights and obligations towards society, environmental education, occupational safety, health and civism.

Of the current personnel employed in industrial operation and maintenance activities of Intendente Câmara Steel Mill, 32% studied at Vocational Training Center.

Cosipa and Usiparts develop identical programs, training 1,033 and 111 professionals, respectively, until 2007.



Professional Recycling

The Self-development Program trains and recycles professionals for new market requirements. In 2007, Usiminas System offered 3,767 individuals from nearby communities adult courses in the technical areas of welding, mechanics, electricity and electronics, management, language courses, human relations and information technology.

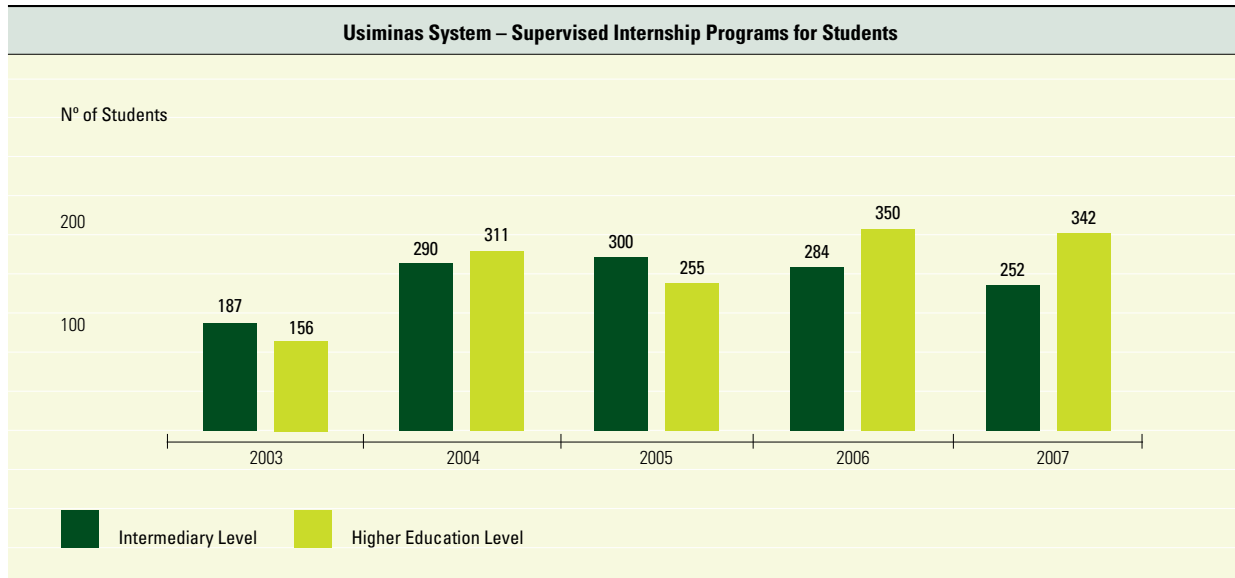
In partnership with SENAI of Cubatão, José Bonifácio de Andrada e Silva Mill developed a Qualification Project for Underprivileged Towns in Cubatão, training adults in Mechanical Maintenance, Electrical Industrial Installations, Welding, Boilers and Scaffolding Assembly. The project has trained around 300 professionals since its beginning.

Course's methodology is prepared based on demand perception by specialized employees. With the help of Labor Assistance Station, students are indicated for jobs at regional companies.

Supervised Internship

With the purpose of aligning training goals with companies' reality, Usiminas System's internship programs are structured in stages previously established jointly with educational entity.

Supervised Internship Program implemented by Usiminas Mecânica, requires certain jobs to be adapted to APAE students in Ipatinga (in the Minas Gerais state) shortcomings.



Supervised internships enable identification of talents for future employment by the System.

Sports and leisure

Usiminas System’s companies have at their disposal over 20 large facilities designed for their employees, families and communities’ leisure and sports activities. They are self-sustainable clubs, run by their own members and offer not only sports activities but also cohesion and teamwork.

Associação dos Funcionários da Cosipa (AFC) has a gym installed near José Bonifácio de Andrada e Silva Steel Mill, a Leisure Center in Santos and a Boating Leisure Center in São Vicente, with more than 260,000 m².

AFC, together with Cosipa and Santa

Cecília University, also develops “Education Through Sports” project. Benefiting 360 students from three municipal public schools of Santos, São Vicente and Cubatão, program’s goal is to raise the interest of 6th to 9th graders in sports, specially volleyball and indoor soccer.

Associação Esportiva e Recreativa Usipa, in Ipatinga (in the Minas Gerais state), is a Brazilian benchmark in the development of specialized sports. It is equipped with a cutting-edge infrastructure for the performance of many sports modes and counts with a heated Olympic-size pool, multiple sport courts, training center, track fields, lodging and full social facilities, enabling emergence of new and talented athletes who have won medals in local and international competitions.





Culture in the Community

Since 1993, Usiminas Cultural Institute (Usicultura) uses culture as a social inclusion and human and social development tool by encouraging many different cultural and artistic manifestations, mainly in communities living in its facilities vicinities. By aligning private initiatives to the public policies, Usicultura seeks to develop local actions from a global standpoint, while sharing the outcome with society.

Based on demands perceived through direct contact with communities, artistic and cultural environment, and as an acknowledgement of cultural diversity across different Brazilian regions, Usicultura has assigned priority to the following areas:

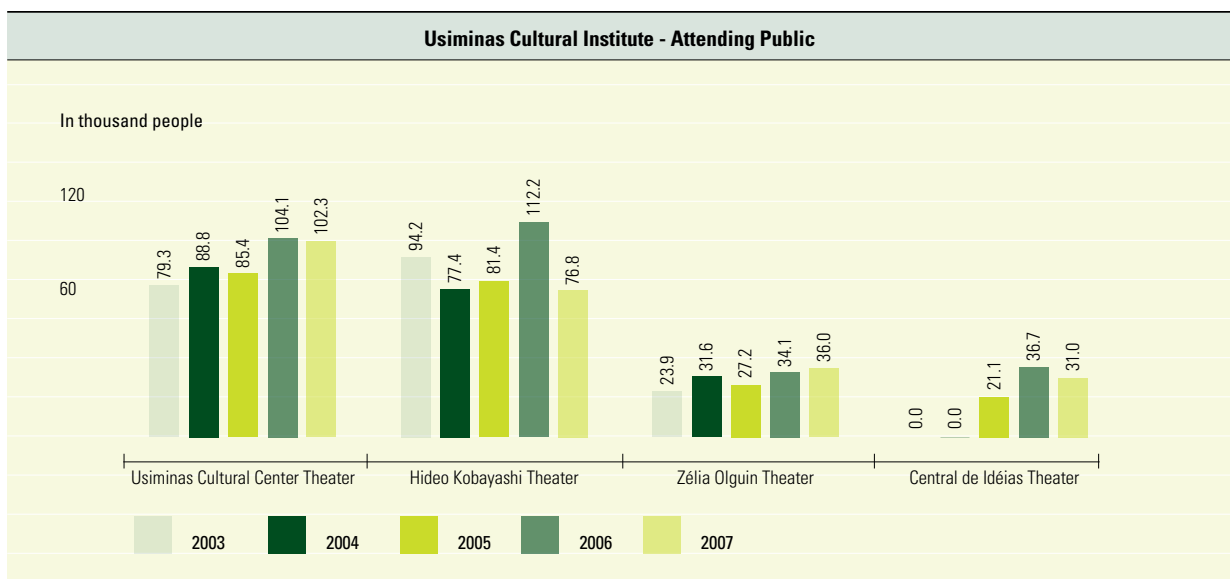
- construction, refurbishment, revitalization and maintenance of artistic and cultural spaces;
- incentive production and presentation of events in Usicultura's own spaces or third parties' aiming to increase public attendance in shows and events.;

- support for maintenance of artistic groups, professionals and markets;
- aeducation and art-oriented activities.

Cultural Spaces and Infrastructure

Besides supporting cultural events, Usicultura also invests and maintains cultural areas. Based on planned actions, it applies concepts of attracting public, accessibility, research of new languages and democratization of access in its sales management.

Usicultura has invested in construction and/or revitalization of important facilities. Among infrastructure works carried out, highlights in Belo Horizonte (in the Minas Gerais state) are facilities such as Palácio das Artes, Usiminas Theater at Public Library of Luiz de Bessa, Cine Horto Warehouse, Public Archive of Minas Gerais state, Arte da Pampulha Museum, Abílio Barreto Historical Museum, Art and Museu de Artes e Ofícios, Giramundo Museum, the Trampulim Research Center and Artistic Education Foundation. In other cities, high-



lights are Municipal Theater of São João Del Rei, Unileste Theater (Coronel Fabriciano), Vânia Campos Theater (Itaúna), Usina Gravatá Theater (Divinópolis), Municipal Theater of Uberlândia, Municipal Theater of Franzen de Lima (Nova Lima), Guaxupé Theater and Theater of Uberaba.

In Ipatinga, Usicultura is in charge of two large and acclaimed cultural areas' management: Zélia Olguim Theater and Usiminas Cultural Center Theater. In São Paulo, it will open in 2008, the Cosipa Cultura Theater. Moreover, it has implemented seven libraries in several cities throughout the country for general public. Management of its own cultural areas is targeted at quality and diversified programming, always establishing direct public, producer and artists contact. In addition, it enables access to local's best productions with subsidized prices.

Artistic and Cultural Production

Based on planning to encourage creation and sustainable development of cultural production, exhibition and consumption complexes, communities have contacts with the best of local and international artistic activity, establishing interactions and integration of ideas, processes and concepts.

In events held mainly in Usicultura's own areas, the following are developed: "Artistic Residency", "Talents", "Music in the Garden" and "Spettacolo".

Support to Artistic Groups

One of the approaches adopted by Usicultura is to support professional train-

ing and skill-building of artistic groups, managers and other specialized personnel working in arts and culture segments, thus fostering this segment's technical structuring.

Main groups and events that counted on the support of Usicultura were the following: Giramundo Group, Trampulim Group, Perna de Palco Group, Armatrix, Mimullus Dance Company, Rua de Uberlândia Ballet Company, Farropilha Group, Corpo de Prova Company; Palácio das Artes Dance Company, Hibridus Dance Company, Luna Lunera Company, Campaign to Popularize Theater and Dance and Global Drama Meeting.

Educational Action

The Educational Action was created by Usicultura in 2003 with the objective of developing a program of art-education for the community. Actions proposed aim at mediating and enhancing public relations in relation to different artistic languages by promoting culture's appropriation and value.

It is developed through projects focused on people qualification for artistic perception through guided and supervised visits to exhibitions, backstage forays, educational shows, training of art-educators and distribution of gifts to the public promoted by Usicultura.

Educational Action also develops programs to train artists through courses geared towards qualification, improvement and updating in visual arts aimed at educating and developing regional techniques and artistic enhancements.

For encouragement of artistic expressions, Usicultura promoted the 2nd Usiminas Visual Art Award. Works of Rita Bordone and Pedro Bastos were chosen. They will receive throughout the year, R\$ 1,500.00 worth of scholarship per month to develop

their work and, at the end of 12 months, will exhibit their work at Hideo Kobayashi Gallery in Cultural Center of Usiminas.

In 2007, Educational Action reached more than 28 thousand people in cultural and



Usiminas Centro Cultural Theater – Ipatinga

art-education diffusion programs, including students from 340 public and private schools, universities, handicapped groups with special needs and from welfare institutions.

Usicultura, beyond Educational Action program's objectives, gives special attention to "Typographia Graphic Memory" Project, that works with children and adolescents in risk situations through etching and printing activities, and courses for artistic and graphical training.


Commitments Taken

Social Commitments			
	Commitments	2007 Progress	Future Commitments
Support to Urban Development	<p>Complete the construction of 320 dwellings for the Housing Plan by 2008:</p> <p>Residencial Amaro Lanari Júnior, conclusion and keys delivery schedule for April.</p> <p>Residencial Vista Parque scheduled to be concluded in the second half of 2008.</p>	<p>Residencial Amaro Lanari : Property should be delivered in June/2008;</p> <p>Residencial Vila do Parque: In a re-negotiation stage with the Builder to define feasibility of building 160 units.</p>	<p>Completion and delivery of 160 new dwellings to employees</p> <p>Residencial Amaro Lanari in June/2008.</p> <p>Residencial Vila do Parque: A second feasibility study will be performed by the end of 2008.</p>
Community health	<p>Continue to improve healthcare, hospital and complementary exam services offered to the public in general.</p>	<p>Márcio Cunha Hospital expanded all healthcare procedures at its facilities, through the execution of surgeries, renal transplants, dialysis procedures, internment and outpatient care.</p>	<p>Continue to improve healthcare, hospital and complementary exam services offered to the public in general.</p>
Community Education	<p>Continue the "Be More" Project through the "Room for Talent" program.</p>	<p>In 2007, "Be More" Project increased its investments by 53.23% reaching 480 youngsters.</p>	<p>Continue the "Be More" Project actions.</p>
Sports- Participation in games	<p>Usiminas System employee teams participation in the Employee Games Edition promoted by SESI</p>	<p>The team represented by Usiminas System in the World Employee Swimming Meet, organized by International Sports Confederation and SESI, obtained 23 medals, of which six were gold, eleven were silver and six, bronze.</p>	<p>Usiminas System employee teams in the Employee Games Edition promoted by SESI.</p>
Integration with the Community	<p>Company closeness to the community: Enable the curricular internship of students from technical schools or colleges, get closer to schools and companies through visits and technical follow-up; encourage employees in their voluntary actions.</p>	<p>Students from technical schools and colleges were received as guests. 252 high school students and 342 college students had opportunities of supervised curricular internship.</p>	<p>Keep up the offer of training and qualification events to the community.</p>
Cultural areas and Infrastructure	<p>Continue investment policy for infrastructure projects and cultural equipment maintenance.</p>	<p>Continue with Cosipa Culture Theater's construction, at the São Paulo Steel Center.</p>	<p>Inaugurate the Cosipa Culture Theater.</p>









**THE USIMINAS SYSTEMS AND THE
ENVIRONMENT**

For Usiminas System's companies, conservation and rational use of natural resources, environmental preservation and advance for development of an environmentally friendly mindset among its employees, suppliers and community are permanent commitments. Such commitments are associated with an integrated ecological plan that is guided by principles of sustainable development implemented with respect for current and future generations.

Environmental Investments

Constant investments aim at lessening impacts caused by production processes. These investments have resulted in minimized impacts and substantial environmental improvements, in parallel to healthier and safer workplaces.

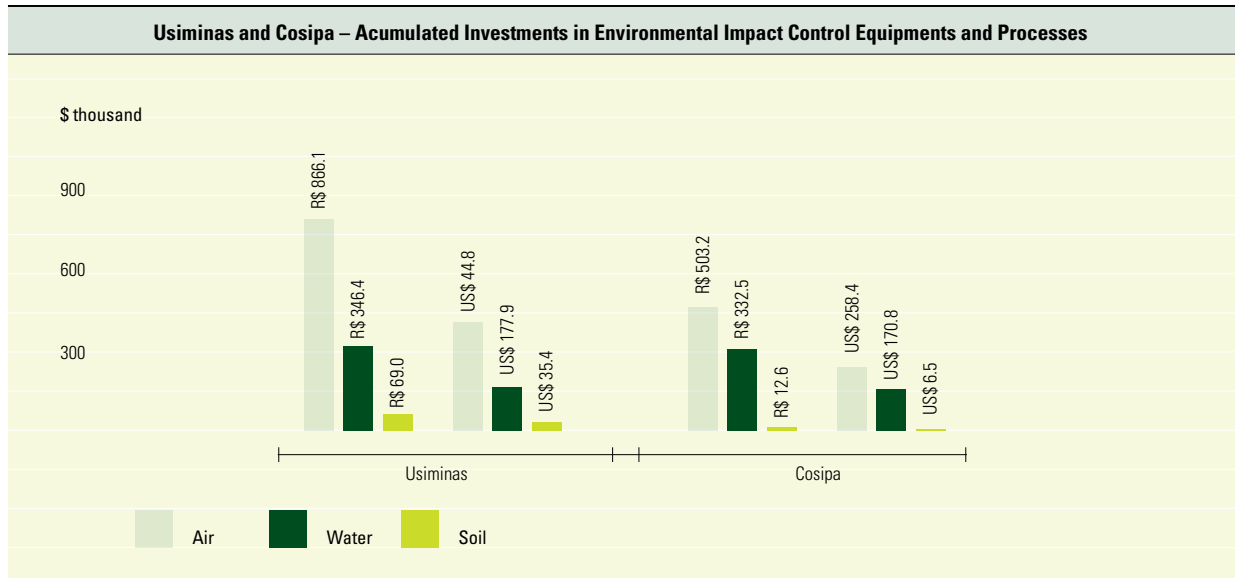
At Intendente Câmara Steel Mill in Ipatinga

(in the Minas Gerais state), R\$ 92.02 million were invested in 2007, amounting to R\$ 1.28 billion (US\$ 658.2 million) since the steelworks beginning.

At José Bonifácio de Andrada e Silva Steel Mill in Cubatão (in the São Paulo state), investments in equipment for environmental impact control reached R\$ 33.13 million in 2007. In the period from 1994 through 2007, they represented R\$ 815.2 million (US\$ 435.7 million). International certifications prove System's companies concern relating to environmental impact of their industrial activities. Environmental Management Systems at Intendente Câmara and José Bonifácio de Andrada e Silva mills, as well as other Systems companies, are certified under the ISO14001:2004 Standard.

In 2007, Intendente Câmara Mill, in order to expand its control over environmental impacts caused by outputs of its production

[International certifications prove Systems companies' commitment regarding the environment]



chain, met the requirements and obtained certification of its products according to European Guidelines relative to product's life cycle used in the auto industry, the ELV Guideline – End of Live Vehicles. Also in 2007, it obtained a certification of its products under the European Guideline concerning hazardous substances, RoHS – Restriction of Hazardous Substances.

Environmental Guidelines

Operating guidelines in terms of environmental, social, economic and technological impacts are established for all initiatives of Usiminas, linking concepts of sustainable development and social accountability to operating gains and generation of revenues through responsible sales of industrial process byproducts. These guidelines establish that Management should create value on an economic, social and environmental scale, enabling Company's sustainable development and that are described in its Sustainability Report included hereby.

Licensing of Processes

All processes introduced or modified in Usiminas System's production activities are licensed by the respective environmental agencies and meet legal and regulatory requirements.

Intendente Câmara Mill has two environmental licenses which apply to all operating areas. In 2007, with the purpose of revalidating and unifying its licenses, the mill drew up an Environmental Performance Evaluation Report (Rada), regarding the last two years which was formally sent to the State Environmental Policy Council (Copam). This request is under analysis.

In terms of expansion projects, the mill was granted a preliminary and installation license by Copam to expand its Hot Rolling Strip and met, within the schedule, all conditions to implement Coke Plant nº 3.

Cosipa, in line with São Paulo state laws, has renewable operating licenses issued by Companhia de Tecnologia de Saneamento

Ambiental de São Paulo (Cetesb), including those referring to activities of hired or borrowed companies such as Dufer S/A – a Usiminas Systems company located within COSIPA plant.

Environmental Indicators

Among Usiminas System's companies, the most significant environmental impacts are caused by Intendente Câmara Steel Mill and the José Bonifácio de Andrada e Silva Steel Mill's activities. These impacts are subject to a specific management approach, which provides input for ongoing improvements. They are monitored and controlled according to differentiated parameters and methodologies in compliance with specific state regulations where companies are located.

Main environmental impacts from the steel-making process on the atmosphere relate to particulated products, sulfur and nitrogen oxides, and volatile organic compounds. Main effects on water are alterations in pH levels and temperature, presence of ammonia, suspended solids, cyanide, phenol, oils and greases, and changes in the biochemical oxygen demand. Main solid wastes consist of slag, oily sludge, mud, ferrous scrap and dusts produced by steelmaking processes.

In 2007, environmental impacts of Usiminas System's activities were compatible with Brazilian and international legal standards.

Materials

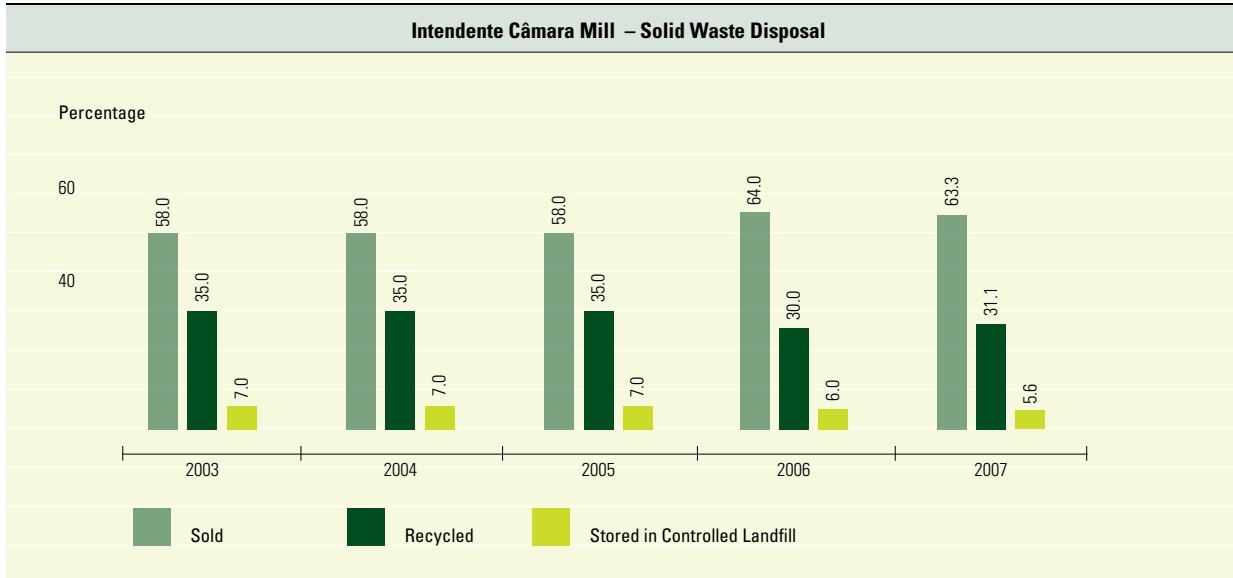
Among main materials used in steel production at two of Usiminas System's mills are: raw materials (ores, fluxes and ferroalloys) and processing consumables (such as oils and greases), the latter used also by other System companies, non-renewable resources that amount to approximately 13.5 million tons per year, on top of recycled materials. This volume represented a 1.24% reduction in comparison with 2006, despite the production increases registered by all of System companies.

Solid Waste

Due to steelmaking process characteristics, solid wastes are generated in significant amounts at Ipatinga and Cubatão mills. Other System's companies generate relatively minor amounts of solid waste, producing steel scrap that is recycled back into the steelmaking process.

Both steel mills adopt a Solid Waste Management Program based on the 4 R's philosophy: Reduce, Reutilize, Recycle and Recover. This reduction is an ongoing goal, and solid wastes left over are fed back into the production processes, or sold to companies licensed by local entity that oversees environment matters, or stored in special landfills that are tightly controlled, awaiting future applications. These industrial wastes find application as raw material for cement industry, railbed ballast and soil

[All environmental licenses and delegation of water intake and use by Usiminas System's companies are available in a detailed manner in the Usiminas website (www.usiminas.com)]

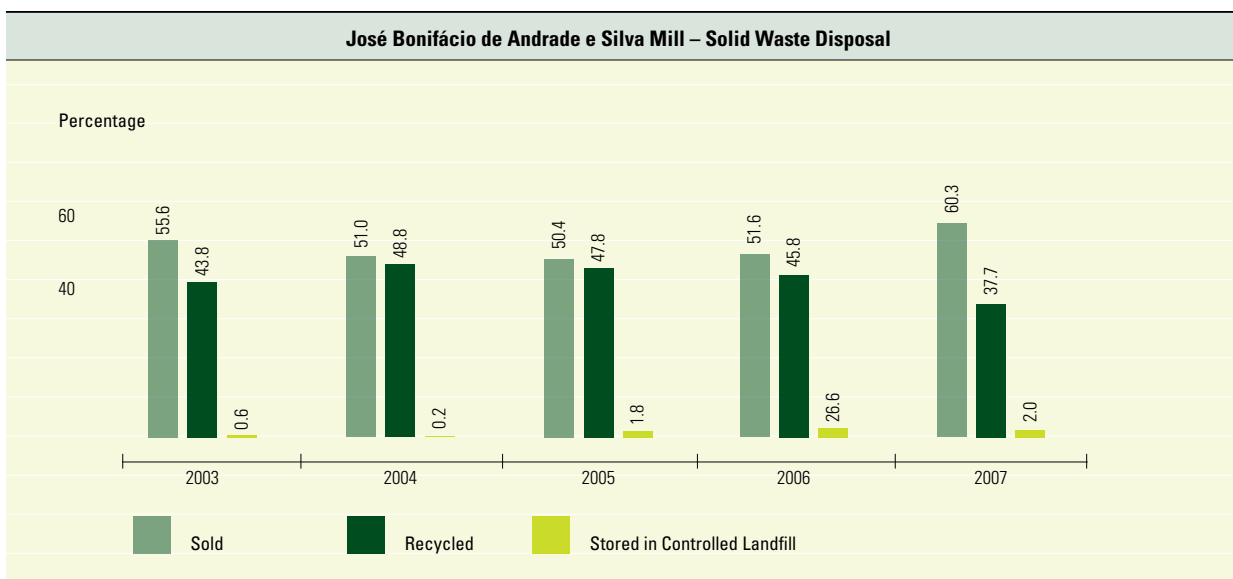


acidity correction agent, among others. Commercialization of these residues in 2007 resulted in revenues of R\$ 90.4 million between the two mills.

In 2007, Intendente Câmara mill generated 3,532,698 tons, corresponding to a specific generation of 791.82 kg/ton of raw steel produced. Of these, 1,098,202 tons were recycled internally, 198,621 tons were

placed in company controlled landfills and 2,235,875 tons were sold.

At José Bonifácio de Andrada e Silva mill, solid waste generation was 3,163,737 tons, equal to specific generation of 709.13 kg/ton of raw steel produced. Of these, 1,906,167 tons were sold, 1,194,077 tons were recycled internally and 63,493 tons were placed in company controlled landfills



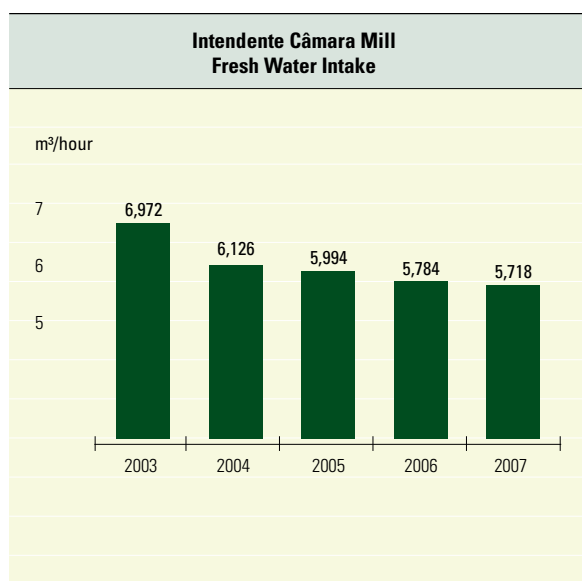
At Usiminas Mecânica, Unigal, Usiparts, Dufer and Rio Negro, as well as other companies whose main activity is metallurgy, main solid wastes consist of steel scrap, which is recycled by System's steel mills. They represent approximately 98% of residue weight generated in these companies.

Water Resources

Steelmaking requires large volumes of water to cool down production facilities and steel products, with significant losses through evaporation. Both Usiminas System's steel mills seek to reduce their water consumption by means of recirculation and use optimization.

Intendente Câmara mill uses freshwater only in its production processes, taken from Piracicaba River, with an average flow of 5,718 m³/hour.

Total water volume captured in 2007 was 50,089,680 m³, down 1.12% in comparison with the amount captured in 2006.



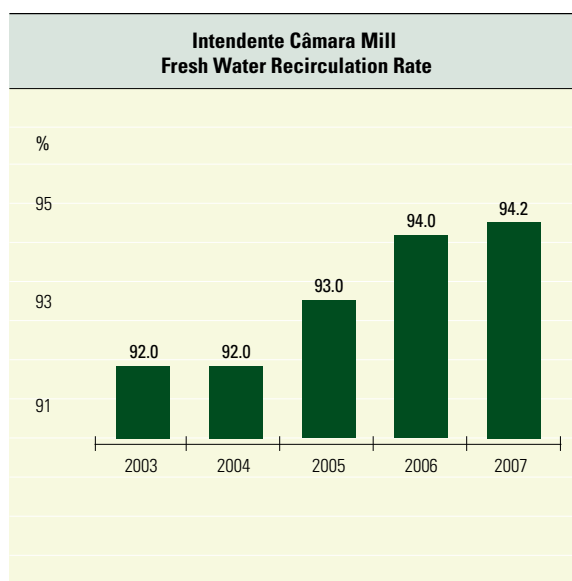
Through 20 centers of industrial water recirculation, Intendente Câmara Mill, obtained an average recirculation index of 94.2%, representing a total of 813,235,914 m³/year, enabling a specific consumption of 11.23 m³ per ton of raw steel produced.

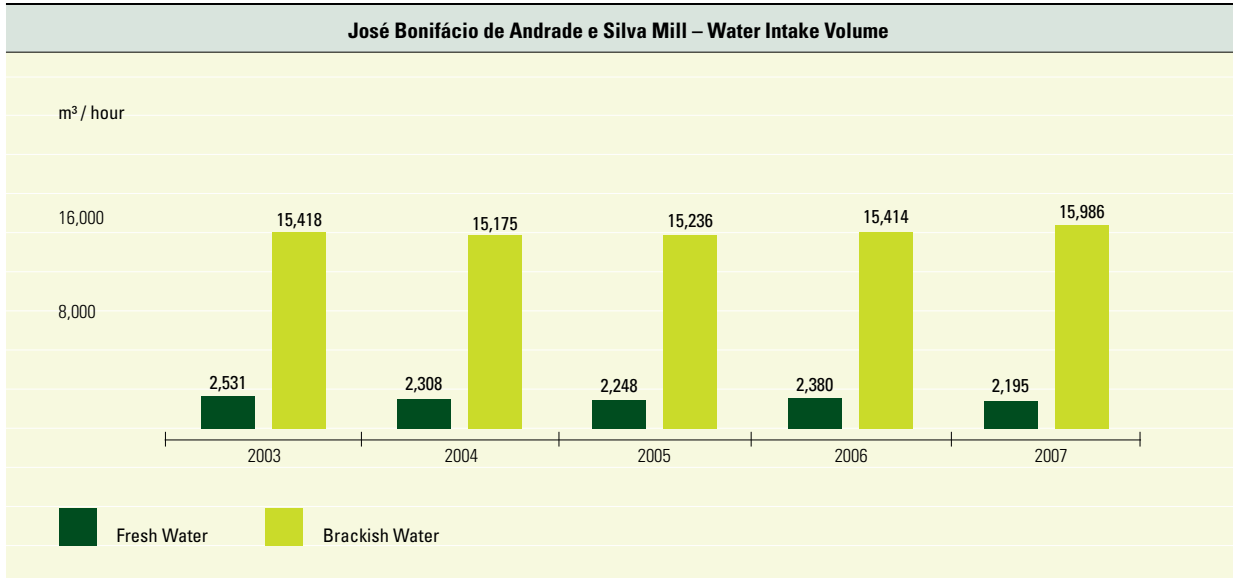
José Bonifácio de Andrada e Silva Mill uses freshwater from Mogi and Quilombo Rivers and their effluents and brackish water from Morrão River. Water volume captured in 2007 was 19,228,200 m³ of fresh water and 140,011,080 m³ of brackish water.

Out of overall freshwater capture volume only 3.62% is used, since most of that total (96.5%) corresponds to water recirculated in industrial processes.

Total volume of water captured by José Bonifácio de Andrada e Silva Mill in 2007, including fresh and brackish water, was of 159,239,280 m³, with a 76.92% average recirculation rate, representing a recirculation volume of 530,474,650 m³ in the year.

Unigal uses in its industrial processes part



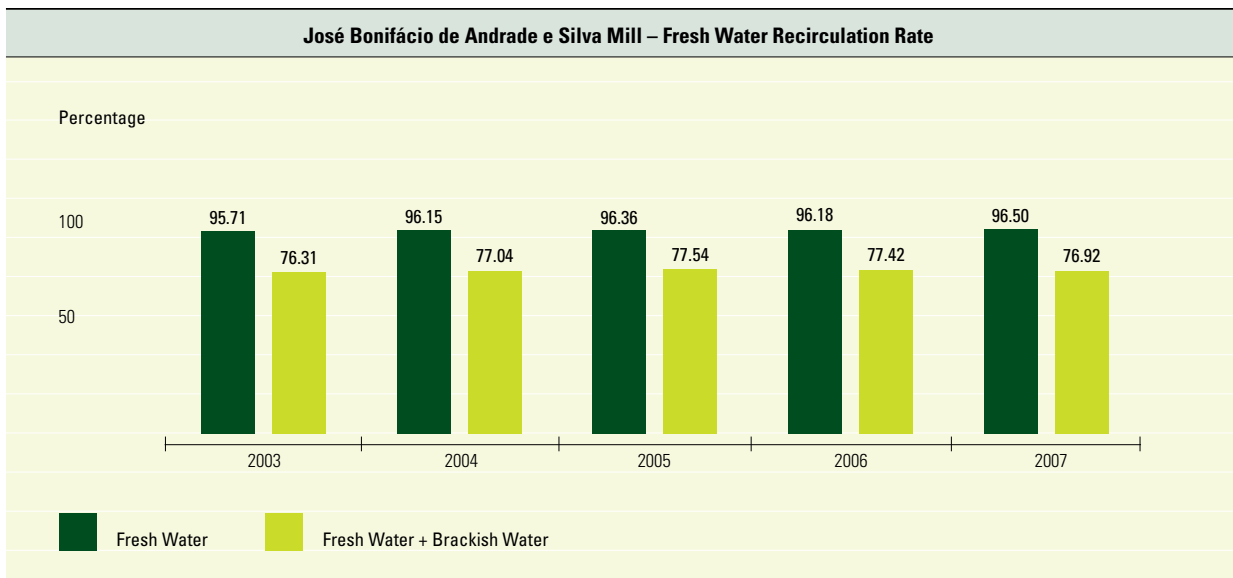


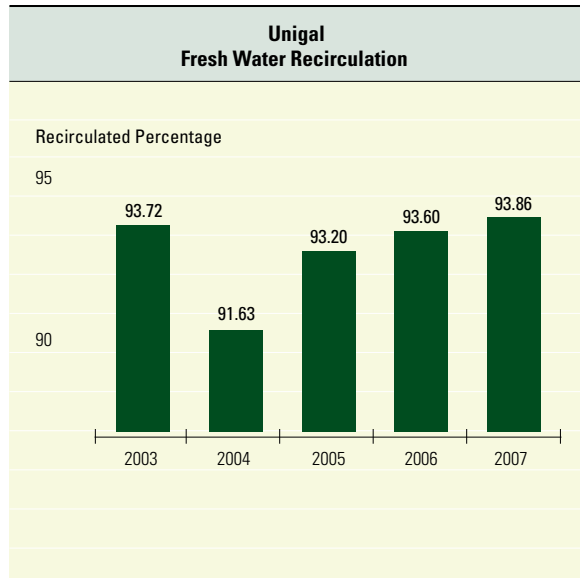
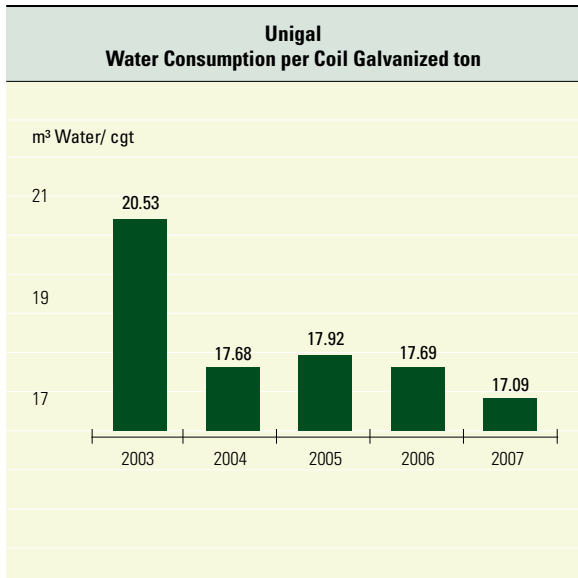
of Intendente Câmara Steel Mill’s water intake. In 2007, Usiminas received 601,885.62 m³, and recirculation systems led to a 93.86% recirculation rate.

In the period between 2003 to 2007, through technology improvements aimed at increasing efficiency of production processes in terms of water usage, Unigal was able to reduce its specific consumption by 39.96%.

Water used by the Usiminas Mecânica units is for sanitary use and for watering gardens and is not used in its industrial processes.

Rio Negro and Dufer are supplied with water by Basic Sanitation Utility of São Paulo State (SABESP), and their water consumption registered 111,118 m³ and 8,124 m³ respectively, during the year of 2007.





Unifast, Fasal and Usiparts were supplied by the Sanitation Utility of Minas Gerais (COPASA) and received 9,312 m³, 9,160 m³ and 71,136 m³, respectively.

Liquid effluents

Impacts of liquid effluents generated by Usiminas System's companies are mitigated by means of massive investments in production process improvement and treatment stations.

In 2007, R\$ 1.6 million were invested to improve control of liquid effluents in Intendente Câmara Mill, totaling R\$ 346.4 million

(US\$177.9 million). In the case of José Bonifácio de Andrada e Silva Mill, investments amounted to approximately R\$ 332.5 million (US\$ 170.8 million) from 1995 through 2007, for settling, flocculation and filtering treatment processes.

Before being discharged back into Piracicaba River, liquid effluents are monitored at a treatment station and at a general outfall of Intendente Câmara Steel Mill, with the following average results:

Intendente Câmara MIII- Liquid Effluents Monitored at the General Outfall							
Parameters	Ammonia (mg/L)	Cyanide (mg/L)	Phenols (mg/L)	Suspended Solids (mg/L)	Oils and Greases (mg/L)	pH	Chemical Oxygen Demand (mg/L)
Legal Standard/ COPAM	5	0.2	0.2	60	20	6 to 9	90
Average 2003	1.21	0.041	0.003	26.04	3.33	7.31	5.67
Average 2004	2.05	0.060	0.002	39.69	3.11	7.50	5.44
Average 2005	2.41	0.065	0.003	53.24	3.10	7.35	5.51
Average 2006	3.33	0.090	0.001	46.80	3.05	7.36	5.44
Average 2007	3.25	0.083	0.003	47.47	3.47	7.33	9.54

mg/L: milligrams per liter

Intendente Câmara MIII- Average Values of Monitored Liquid Effluents															
Parameters	Biological Treatment Station						Oil Residue Treatment Station					Acid Neutralization Station			
	COD mg/L	Phenol mg/L	Ammonia mg/L	Oil mg/L	SS mg/L	pH	COD mg/L	Oil mg/L	pH	SS mg/L	SV60 mg/L	Soluble Iron mg/L	pH	SS mg/L	SV60 mg/L
Legal Standard/ COPAM	90	0.2	5	20	60	6 to 9	90	20	6 to 9	60	1	10	6 to 9	60	1
2003	86.26	0.012	1.21	13.98	46.13	7.74	ND	12.86	7.01	18.66	0.13	0.46	7.50	18.16	0.16
2004	86.42	0.008	0.20	11.43	41.63	7.77	ND	10.55	7.15	21.20	0.11	0.38	7.44	18.49	0.38
2005	92.53	0.008	0.51	7.86	47.48	7.75	ND	9.95	7.05	20.31	0.73	0.44	7.51	20.34	0.24
2006	79.89	0.010	0.58	8.66	43.92	7.61	18.80	9.27	7.07	19.71	0.12	0.32	7.16	17.90	0.16
2007	120.63	0.013	1.077	12.11	80.96	7.64	56.59	7.90	7.26	21.67	0.1	0.32	7.43	23.71	0.21

COD - Chemical Oxygen Demand

SS - Suspended Solids

mg/L - milligrams per Liter

Results of effluents from the Intendente Câmara Mill monitoring are proof of its compliance with legal standards established by COPAM Normative Resolution nº 10/1986 and CONAMA Resolution nº 357/2005,

except for COD and Suspended Solids parameters in Biological Treatment Station. Company is investing at a construction of a new biological treatment plant.

Intendente Câmara Mill - Electrolytic Galvanization Effluents Treatment Station												
Parameters	ABS mg/L	Hexa Chrome mg/L	Tri Chrome mg/L	COD mg/L	Soluble Iron mg/L	Oil mg/L	pH	SS mg/L	Nickel mg/L	SV60 mg/L	Zinc mg/L	Turbidity mg/L
Legal Standard/ COPAM		0.5	0.5	90	10	20	6 to 9	60	1	1	5	-
Average 2003	0.047	0.05	0.07	9.47	0.17	3.87	7.17	15.21	0.07	0.12	2.65	2.95
Average 2004	0.02	0.05	0.05	2.97	0.11	2.62	7.37	18.50	0.05	0.5	2.74	4.36
Average 2005	0.01	0.05	0.05	2.15	0.10	2.27	7.21	19.44	0.05	1.06	2.71	3.34
Average 2006	0.01	0.05	0.05	2.69	0.13	1.93	7.16	13.40	0.05	0.25	2.37	1.95
Average 2007	0.005	0.05	0.05	4.73	0.14	2.12	7.35	8.29	0.05	0.1	1.67	1.69

mg/L - milligrams per liter



Seedlings - Zoo-botanic Park



At José Bonifácio de Andrada e Silva Steel Mill, liquid effluents undergo specific treatment and are disposed at three different

points of Morrão River and its estuary. This Steel Mill posted the following average liquid effluent ratings in 2007:

José Bonifácio de Andrada e Silva Mill - COSIPA Average Values of Liquid Effluents from Final Releases - Points A							
Parâmetros	Ammonia (mg/l)	Cyanide (mg/l)	Phenols (mg/l)	Sedimentary Materials (ml/l)	Oils and Greases (mg/l)	pH	BOD (mg/l)
Legal Standard	20	0.2	0.5	1	20	5 to 9	60
Average 2003	1.6	0.03	0.09	0.16	13.1	7	10.3
Average 2004	1.7	0.04	0.1	0.1	15.2	7.3	7.4
Average 2005	1.8	0.014	0.1	0.1	16.2	7.2	6.3
Average 2006	2.1	0.01	0.05	0.1	14.7	7.1	3.8
Average 2007	2.5	0.01	0.025	0.1	9.17	7.5	9.2

mg/L - milligrams per liter

José Bonifácio de Andrada e Silva Mill - COSIPA Average Values of Liquid Effluents from Final Releases - Points B							
Parameters	Ammonia (mg/l)	Cyanide (mg/l)	Phenols (mg/l)	Sedimentary Materials (ml/l)	Oils and Greases (mg/l)	pH	BOD (mg/l)
Legal Standard	20	0.2	0.5	1	20	5 to 9	60
Average 2003	3.71	0.039	0.091	0.37	15.1	7	30.4
Average 2004	6.4	0.18	0.1	0.25	16	7.6	18.9
Average 2005	8.1	0.02	0.1	0.2	17	7.6	13.4
Average 2006	4.5	0.01	0.05	0.1	17	7.1	10.5
Average 2007	4.8	0.01	0.025	0.21	11.18	7.7	33.2

mg/L - milligrams per liter

José Bonifácio de Andrada e Silva Mill - COSIPA Average Values of Liquid Effluents from Final Releases - Points C							
Parameters	Ammonia (mg/l)	Cyanide (mg/l)	Phenols (mg/l)	Sedimentary Materials (ml/l)	Oils and Greases (mg/l)	pH	BOD (mg/l)
Legal Standard	20	0.2	0.5	1	20	5 to 9	60
Average 2003	2.44	0.059	0.09	0.18	13.4	7	12.6
Average 2004	2.33	0.039	0.09	0.15	14.5	7.4	8.1
Average 2005	2.6	0.01	0.1	0.13	16.2	7.1	6.3
Average 2006	2.9	0.01	0.06	0.1	15.4	7.3	3.7
Average 2007	3.7	0.01	0.022	0.11	8.97	7.55	10.17

mg/L - milligrams per liter

At Usiminas Mecânica, water effluents are industrial, originating from parts and equipment washers and from sanitary use. Its control is provided through water and oil separation boxes, septic tanks equipped with biological filters and their own treatment station. Between 2003 and 2006, even though Suspended Solids were above applicable

legal standards, they complied with another condition established in the law with respect to its actual reduction efficiency rate of at least 90% after treatment. In 2006, improvements were introduced which resulted in better performances as is shown in 2007. Below are the average results of effluents' indicators:

Average Liquid Effluents Values , Separation Unit, Usiminas Mecânica: USICORT Unit - Betim - MG					
Parameters	Tensoactive Agent (mg/L)	Suspended Solids (mg/L)	Chemical Oxygen Demand (mg/L)	Oils and Greases pH	pH
Legal Standard	2.0	60	60	20	6 to 9
Average 2002	1.57	76.72	515.59	7.72	7.42
Average 2003	1.24	23.67	353.67	9.05	7.19
Average 2004	0.74	38.45	253.73	6.20	7.39
Average 2005	1.12	24.90	184.21	7.77	7.47
Average 2006	0.01	19.76	229.3	5.03	7.19
Average 2007	0.006	32.54	34.32	5.9	7.03

mg/L - milligrams per liter



Anta Pond – Intendente Câmara Mill

At Unigal, monitoring of treated effluents registered the following averages from 2003 through 2007:

UNIGAL - Galvanizing Line Effluents Treatment Station										
Parameters	pH	Suspended Solids (mg/L)	Oil (mg/L)	Soluble Iron (mg/L)	Chemical Oxygen Demand (mg/L)	Detergents (ABS) (mg/L)	Trivalent Chromium (mg/L)	Hexavalent Chromium (mg/L)	SS-60 * (mg/L)	Zinc (mg/L)
Legal Standards COPAM	6 to 9	60	20	10	90	2	1	0.5	1	5
Average 2002	7.41	6.3	3.58	0.26	8.67	0.18	0.06	<0.05	0.80	0.07
Average 2003	7.16	11.2	3.20	0.26	12.38	0.07	0.13	<0.05	0.12	0.25
Average 2004	7.28	7.00	2.25	0.14	5.68	0.02	0.10	<0.05	0.11	0.15
Average 2005	6.96	11.33	2.37	0.21	1.85	0.02	<0.05	<0.05	0.10	0.18
Average 2006	7.04	7.59	1.51	0.21	2.3	0.02	0.08	<0.05	0.10	0.26
Average 2007	6.90	13.0	3.50	0.76	4.35	0.01	<0.05	<0.05	0.10	0.75

* - Sedimentary Solids in 60 minutes in milliliters per liter

g/L: milligrams per liter

At Usiparts, its effluents are treated at their own station, consisting of a biological line and two physical-chemical lines, whose

monitoring during the period presented the following average values:

USIPARTS – Monitoring at the output of the Biological and Physical -Chemical Treatment Stations - Average Values										
Parameters	Biological Oxygen Demand (mg/L)	Chemical Oxygen Demand (mg/L)	Soluble Iron (mg/L)	Detergent (A.B.S) (mg/L)	Sedimentary Material (mg/L)	Nickel (mg/L)	Oils and Greases (mg/L)	PH	Suspended Solids (mg/L)	Zinc (mg/L)
Legal Standard/ COPAM	60	90	10	2.0	1.0	1.0	20	6.5 - 8.5	100	5.0
Average 2002	200.0	460.0	1.9	0.1	<0.1	0.2	2.0	7.3	29.0	0.3
Average 2003	104.5	260.0	3.15	0.3	0.7	2.9	41.1	6.6	49.4	2.8
Average 2004	51.0	418.0	ND	0.41	ND	8.14	79.0	6.99	187.0	20.8
Average 2005	152.33	343.83	0.25	0.14	ND	0.72	13.42	7.47	38.17	0.39
Average 2006	98.08	242.42	0.11	0.23	0.02	0.19	10.08	7.36	17.83	0.13
Average 2007	35.0	132.0	0.05	0.18	0.06	0.21	3.75	7.11	12.0	0.12

mg/L: milligrams per liter ND: Non-detectable





Ipanema Park – Ipatinga

At Rio Negro, waste water goes through a treatment station designed for treating liquid effluents from pickling lines and is

disposed into Sabesp' sewer system. Monitoring showed leading index's concentrations as follows:

Rio Negro – Pickling Line Effluent Treatment				
Parameters	Legal Standard	Average 2005	Average 2006	Average 2007
Oils and Greases	20 mg/L	19.0	7.0	7.7
Nickel	1 mg/L	not detected	0.06	0.04
Zinc	5 mg/L	0.14	0.39	0.22
Soluble Iron	10mg/L	1.70	13.5	13.0

Atmospheric Emissions

Air quality monitoring on internal areas and around Usiminas System's steelmaking and metallurgical complexes is carried out at emission sources and through monitoring stations that assess atmospheric's performance emissions control processes and equipments.

Investments in atmospheric emission control equipments at Intendente Câmara Mill, amounted to R\$ 65.04 million during 2007 representing accumulated investments of R\$ 866.1 million (US\$ 444.8 million).

Tracking and control of emissions at its sources is done through periodic monitoring of 85 stacks. Pollutants measured vary according to each process, being particulate matter and exhaust gases (SO₂, NO₂, CO and CO₂) the main ones, and are measured after fuel-burning processes. During fuel burning, the Mill has gauges, which permanently measure SO₂, NO₂ and CO gases, enabling possibility of immediate action to control its emissions.

Company uses sleeve filters, electrostatic precipitators, and gas washers, situated

mainly in steel mill's areas to control atmospheric emissions at its source. During storage and handling of raw materials, water sprinklers are used to reduce dust dispersion in order to prevent wind dispersions.

Installation of a dust reduction system in the primary exhaust of Sinter Feed 2 machine and in a new loading car at Coke Plant 2, in addition to upgrading of chloridric acid regenerating plants 1 and 2, led to particulate reduction matter by 0.10 Kg/tab, equivalent to 7.2% of the specific global index obtained in 2007, which was 1.39 Kg/tab. Air quality in areas around the steel mill in Ipatinga is monitored by six stations in Bom Retiro, Castelo, Cariru, Bairro das Águas, Escritório Central and Novo Cruzeiro neighborhoods.

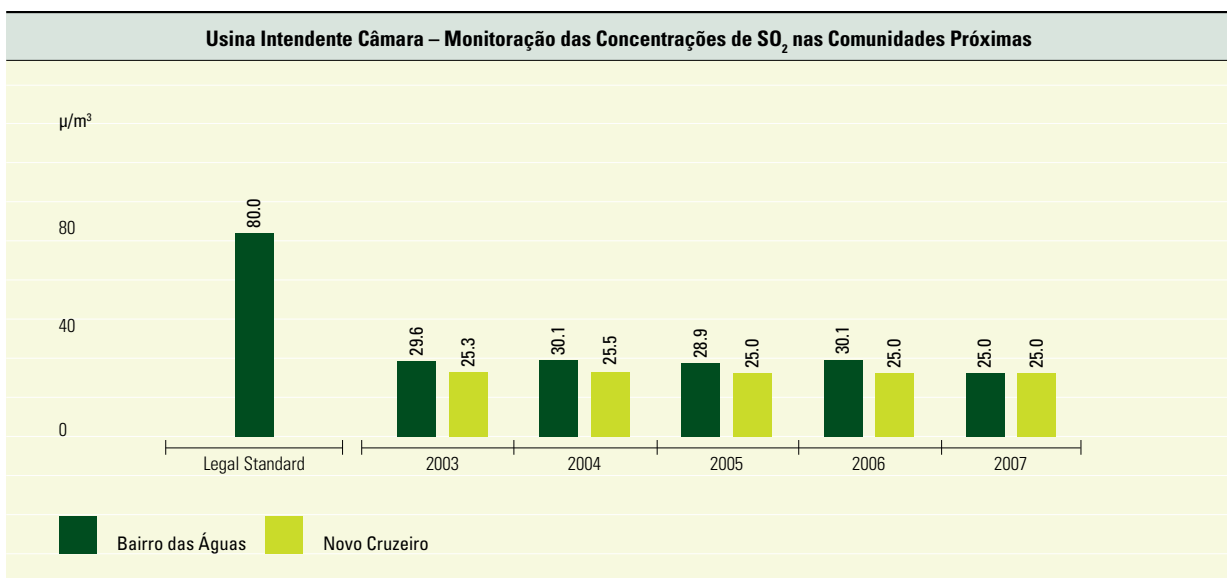
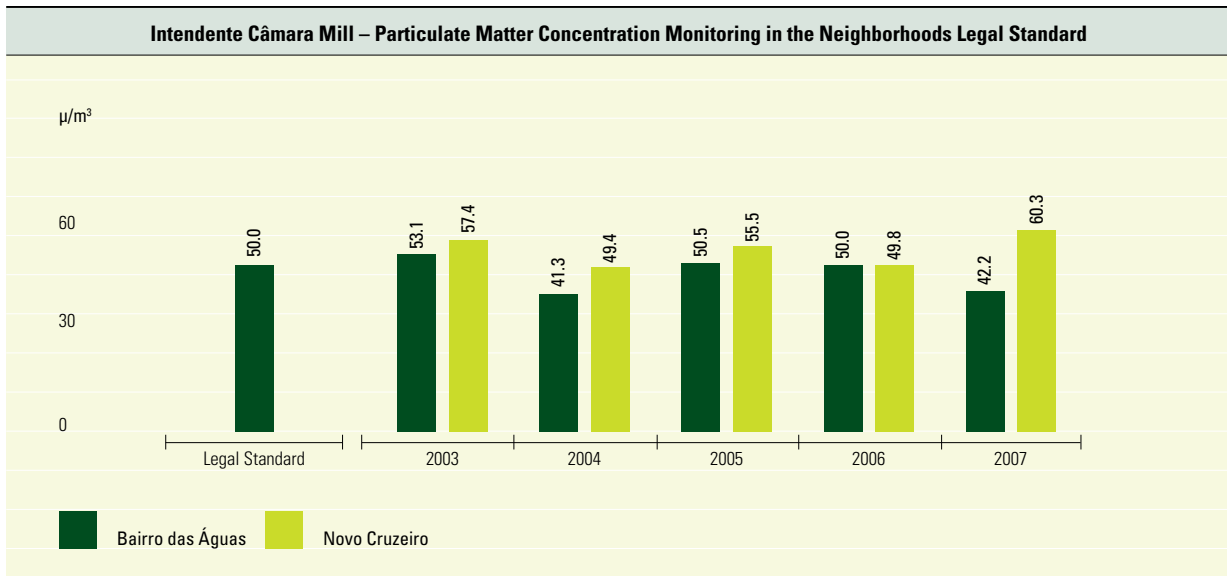
Screening of air quality, using data from these 6 stations, is processed in a mathematical model of pollutant dispersion called Breeze that enables immediate assess and analysis of pollution dispersion.

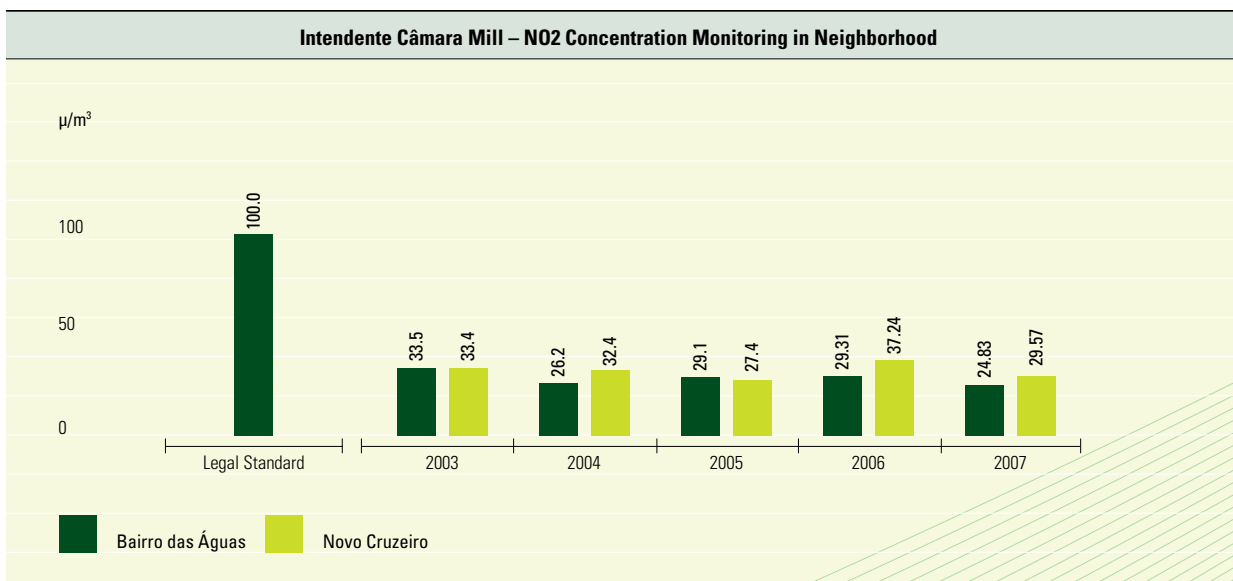
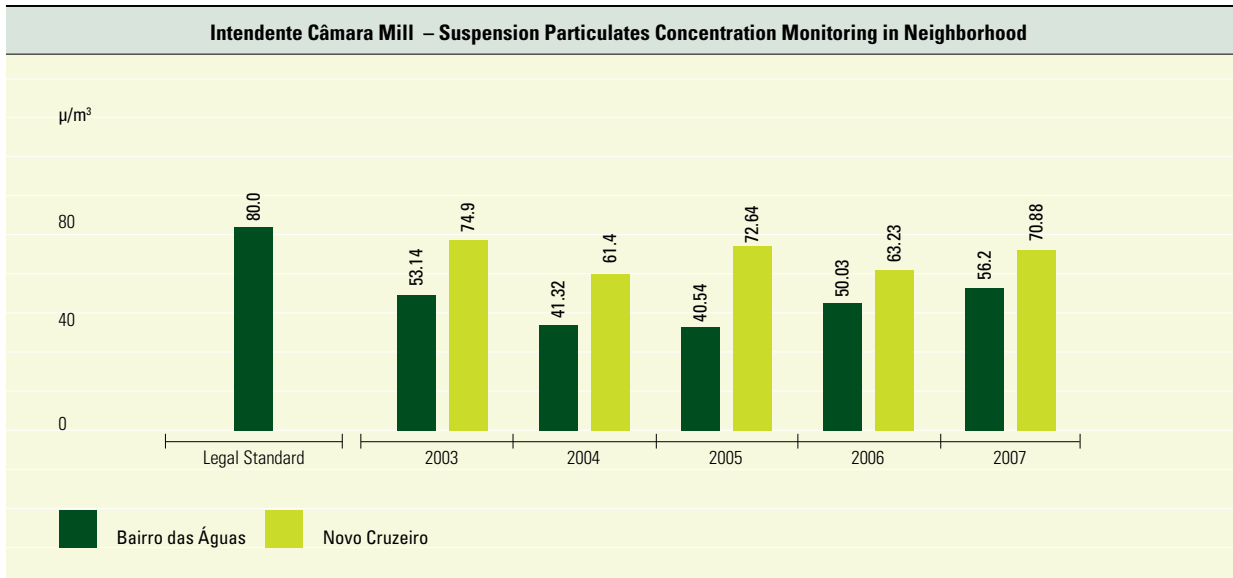
Prevailing meteorological conditions in Ipatinga and atmospheric emission sources'

location in the steel Mill, make Bairro das Águas and Novo Cruzeiro's monitoring stations the most representative ones for air quality assessment's sake, especially since

the latter is influenced by high amounts of traffic on public roads.

José Bonifácio de Andrada e Silva Mill invested around R\$ 503.2 million (US\$ 258.4





million) in atmospheric emission control systems from 1995 to 2007. It was the first company in Cubatão's industrial center (in the São Paulo state) to install stack emission online monitoring through a system connected with Companhia de Tecnologia e Saneamento Ambiental de São Paulo (Cetesb/SP), which enables continuous monitoring of potential steel mill's atmospheric emission.

Such monitoring is performed by means of performance assessment of 62 environmental protection systems and by means of process control and monitoring of 45 fixed sources whose results meet legal standards. Moreover, 14 of such sources are permanently monitored through specific device that measures light absorption coefficient of emitted gases.

The following average values resulted from monitoring:

José Bonifácio de Andrada e Silva Steel Mill - Atmospheric Emission Monitoring						
Parameters	Blast Furnace 1			Blast Furnace 2		
	Particulate matter (mg/Nm ³)	SOx (mg/Nm ³)	NOx (mg/Nm ³)	Particulate matter (mg/Nm ³)	SOx (mg/Nm ³)	NOx (mg/Nm ³)
Legal Standard	75	2,500	100	75	2,500	100
Average 2002	47.5	ND*	ND*	29.75	ND*	ND*
Average 2003	20.41	63.71	47.44	36.65	101.60	ND*
Average 2004	23.58	20.35	14.12	27.86	96.9	ND*
Average 2005	21.5	62.2	1.6	26.54	2.5	1.75
Average 2006	20.71	21.51	7.28	16.34	48.16	4.7
Average 2007	17.7	7.56	28.1	17.6	95.8	1.74

* Not detected

José Bonifácio de Andrada e Silva Mill - Atmospheric Emissions Monitoring						
Parameters	Sinter Plant 2			Sinter Plant 3		
	Particulate matter (mg/Nm ³)	SOx (mg/Nm ³)	NOx (mg/Nm ³)	Particulate matter (mg/Nm ³)	SOx (mg/Nm ³)	NOx (mg/Nm ³)
Legal Standard	75	2,500	100	75	2,500	100
Average 2002	68.1	ND*	ND*	67.2	189	188
Average 2003	67.3	276	ND*	43	311	70
Average 2004	23.58	20.35	14.12	27.86	95.9	37
Average 2005	67.5	266	60.5	46.6	323	34
Average 2006	79.8	262.8	37.24	44.76	262.8	37.24
Average 2007	49.7	262.8	1.85	60.9	223.4	1.8

* Not detected

At Unigal, atmospheric emissions monitored at their respective sources posted

the following average values compared to stipulated parameters:

UNIGAL - Atmospheric Emissions Monitored at their Respective Sources							
Place	Parameters	Legal Standard	Average 2003	Average 2004	Average 2005	Average 2006	Average 2007
Continuous Re-heating Furnace	Particulate matter (mg/Nm ³)	800	17.72	38.14	28.4	29.14	17
	SO ₂ (mg/Nm ³)	<2,500	385.6	485.47	277.28	307.4	42
	Zinc (µg /Nm ³)	50	0.13	0.626	0.25	0.001	ND*
Galvannealing Furnace	Particulate matter (mg/Nm ³)	800	9.4	18.28	2.54	1.85	2.51
	SO ₂ (mg/Nm ³)	<2,500	12.83	1.14	7.81	2.86	1.60
	Zinc (µg /Nm ³)	50	0.56	1.47	0.06	0.203	0.030
Chromium Plating Exhaust System	Particulate matter (mg/Nm ³)	800	2.84	8.92	3.66	1.63	2.51
	Chromium (mg/ Nm ³)	5.0	0.32	ND	0.001	0.001	0.030
Chromium Plating Dryer	Particulate matter (mg/Nm ³)	<150	7	6.19	1.7	2.5	2.8
	Chromium (mg/ Nm ³)	5.0	0.02	ND*	ND*	0.006	0.030

* Not detected

At Usiparts Sistemas Automotivos, atmospheric emissions are characteristic of sanding processes, as well as of application and cure of industrial paintwork. Emissions are fully absorbed by exhaust systems of installed equipments, consisting of uptake hoods, conduits, exhaust fans and stacks

(control system licensed by environmental agency).

End-emissions by these controlled systems are sampled regularly and assessed against applicable parameters and legal environmental standards.

USIPARTS - Atmospheric Emissions Monitored at their Respective Sources					
Source	Emissions	Legal Standard (ppm)	Average 2005	Average 2006	Average 2007
Painting Cabins	Volatile Organic Compounds - VOC	100 PPM	2.33	14.59	11.30
	Particulate matter	150 PPM	7.95	13.39	9.60
	Lead	5 PPM	< 0.17	< 0.0072	0.003
Enamel Curing Oven	Volatile Organic Compounds	100 PPM	4.07	16.55	7.90
	Particulate matter	150 PPM	8.80	11.27	12.10
Paint Room Exhaust System	Volatile Organic Compounds	100 PPM	3.77	5.05	15.30
	Particulate matter	150 PPM	3.20	6.03	16.80
Sanding Cabins	Particulate matter	150 PPM	6.26	5.69	22.50

PPM – Parts per million



Ipanema Park – Ipatinga

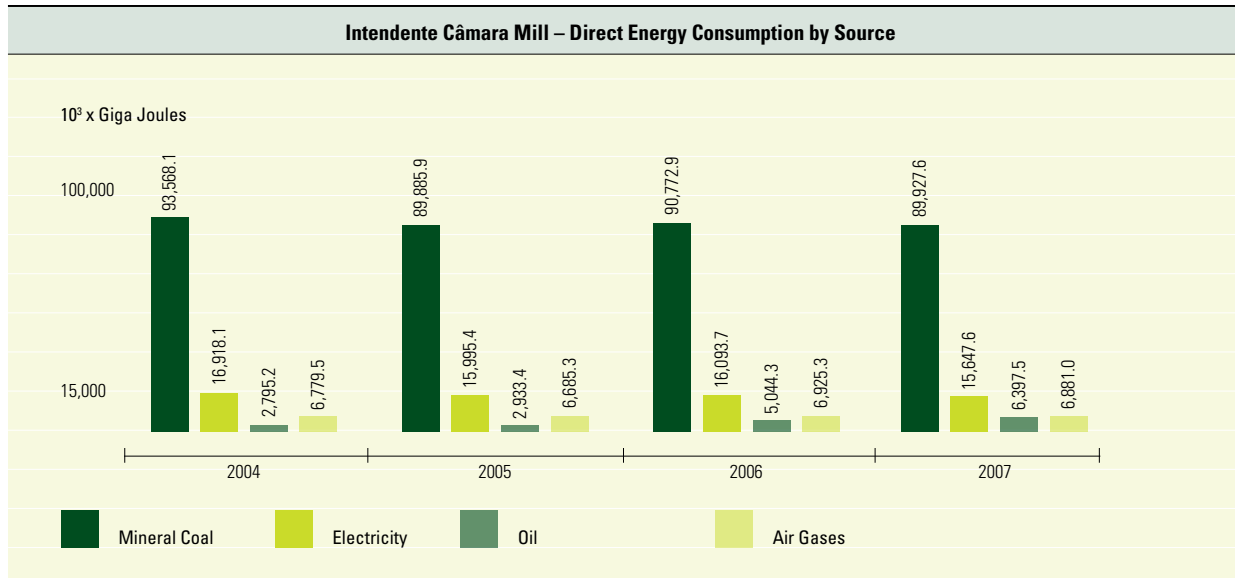
Usifast controls smoke emissions from its own fleet by monitoring gas emissions from the diesel engine exhaust. In doing so, besides lowering fuel consumption and extending vehicle life – enabling operational improvements and cost reductions – they help upgrade air quality.

In 2007, Usiminas Mecânica improved its painting and sand blasting activities, with simultaneous installation of appropriated filters, enabling these activities to be environmentally controlled. Monitoring of these filters registered the following averages:

Usiminas Mecânica – Ipatinga - Atmospheric Emissions from the Painting Cabins			
<i>Painting Cabin - Stack I</i>	Legal Standard	2006	2007
Particulate matter- Fixed + Fugitive Sources	150 mg/Nm ³	10.45	7.49
Volatile Organic Compounds VOC	100 mg/Nm ³	8.08	6.45
Heavy Metals - Fixed Sources	5 mg/Nm ³	3.13	0.14
<i>Painting Cabin – Stack II</i>			
Particulate matter- Fixed + Fugitive Sources	150 mg/Nm ³	9.69	6.37
Volatile Organic Compounds VOC	100 mg/Nm ³	9.57	5.30
Heavy Metals - Fixed Sources	5 mg/Nm ³	3.37	0.14
<i>Painting Cabin - Stack III</i>			
Particulate matter- Fixed + Fugitive Sources	150 mg/Nm ³	*	6.00
Volatile Organic Compounds VOC	100 mg/Nm ³	*	12.04
Heavy Metals - Fixed Sources	5 mg/Nm ³	*	0.03
<i>Painting Cabin - Chimney IV</i>			
Particulate matter- Fixed + Fugitive Sources	150 mg/Nm ³	*	12.02
Volatile Organic Compounds VOC	100 mg/Nm ³	*	9.60
Heavy Metals - Fixed Sources	5 mg/Nm ³	*	0.04
<i>Painting Cabin - Stack V</i>			
Particulate matter- Fixed + Fugitive Sources	150 mg/Nm ³	*	9.00
Volatile Organic Compounds VOC	100 mg/Nm ³	*	1.22
Heavy Metals - Fixed Sources	5 mg/Nm ³	*	0.02
<i>Sand Blasting - Blanks</i>			
Particulate matter- Fixed + Fugitive Sources	150 mg/Nm ³	11.86	16.75
<i>Sand Blasting - I</i>			
Particulate matter- Fixed + Fugitive Sources	150 mg/Nm ³	65.48	10.70
<i>Sand Blasting - II</i>			
Particulate matter- Fixed + Fugitive Sources	150 mg/Nm ³	21.01	13.14
<i>Sand Blasting - III</i>			
Particulate matter- Fixed + Fugitive Sources	150 mg/Nm ³	*	7.70

* Installations which began operation between the end of 2006 and the beginning of 2007

[Productive processes from other Usiminas System's companies do not present significant environmental impacts]



Energy Matrix

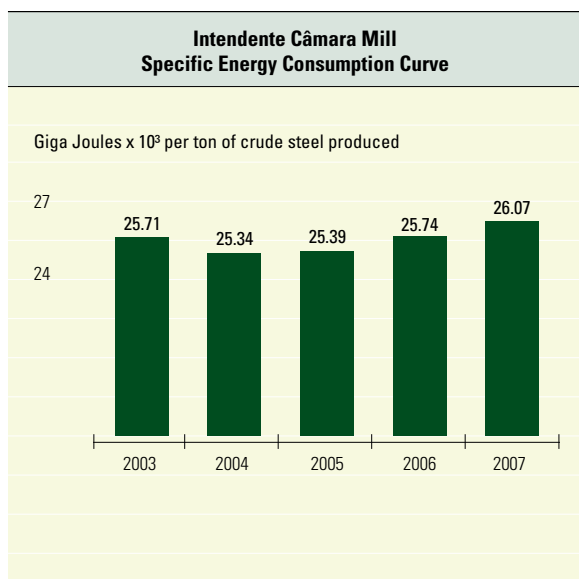
Electricity, companies' main energy source, is acquired through utilities concessionaires connected to Brazilian transmission and distribution system, whose generation profile, in 2007, had an 81.55% contribu-

tion from renewable resources according to data supplied by the National Electrical Power Agency (ANEEL).

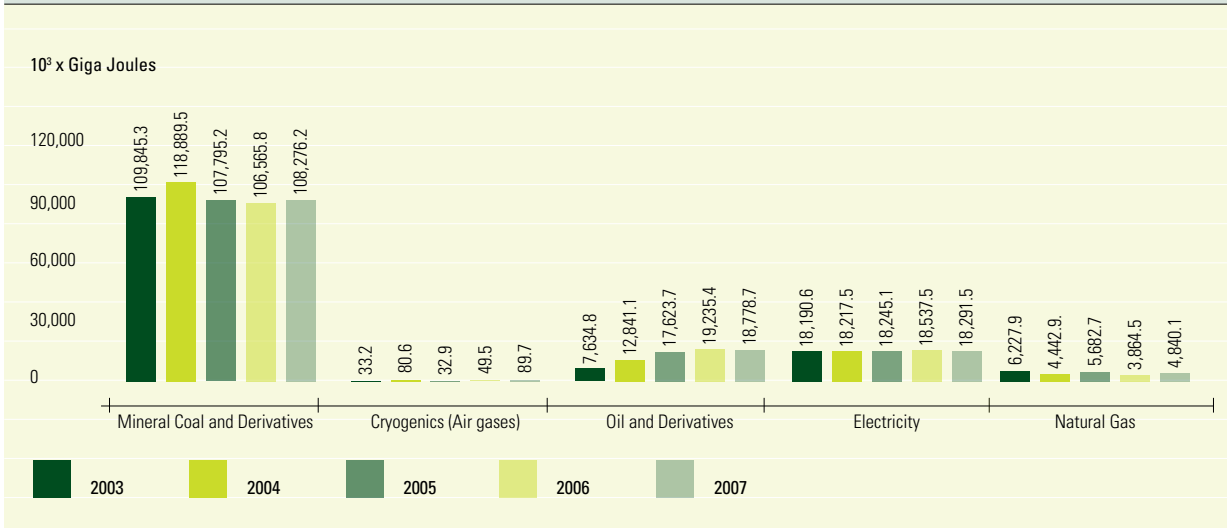
Coal is a main source for generating mill's electrical energy of Usiminas System. Coke, iron reduction and steel refining processes generate gases and liquid fuels that are cleaned, stored and reused in various stages of production processes and in electric power generation. Gases reuse improved the energy matrix's use, which supplies 29% of both mills demand.

In 2007, Intendente Câmara Mill posted a direct power consumption of 166,424,601.4 GJ, taking into account all sources of primary energy.

At José Bonifácio de Andrada e Silva Mill, overall consumption was 150,276,178.8 GJ, with specific consumption of 24.67 GJ per ton of crude steel produced, lower than Intendente Câmara Mill due to use of natural gas in its energy matrix.



José Bonifácio de Andrade e Silva Mill – Energy Consumption Curve



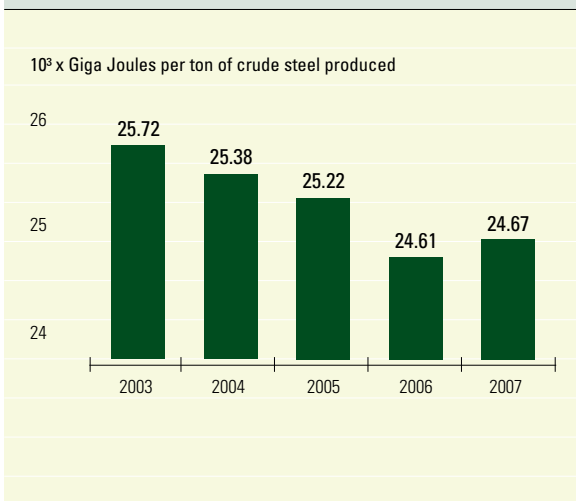
In 2007 Ipatinga unit of Usiminas Mecânica consumed a total of 235,499.3 GJ in electrical energy acquired from a local utility concessionaire and 85,187.63 GJ from oil derivatives such as liquefied petroleum gas, gasoline and diesel oil.

Usifast used electrical energy acquired from local utility concessionaire in 2007 and, to power its fleet of vehicles, it used diesel oil, gasoline and liquefied petroleum gas.

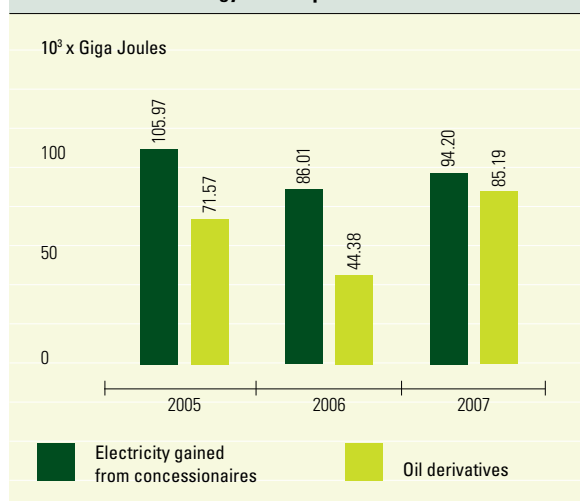
Carburant alcohol was also used, in a volume corresponding to 0.04% of total energy consumed, registering the following consumption equivalent in Gigajoules.

Usifast - Energy Consumption by Source		
Year	Electrical Energy	Oil and Derivatives
2005	2,236.2 Gj	2,365,065.0 Gj
2006	2,357.4 Gj	3,782,431.0 Gj
2007	2,678.0 Gj	3,993,451.5 Gj

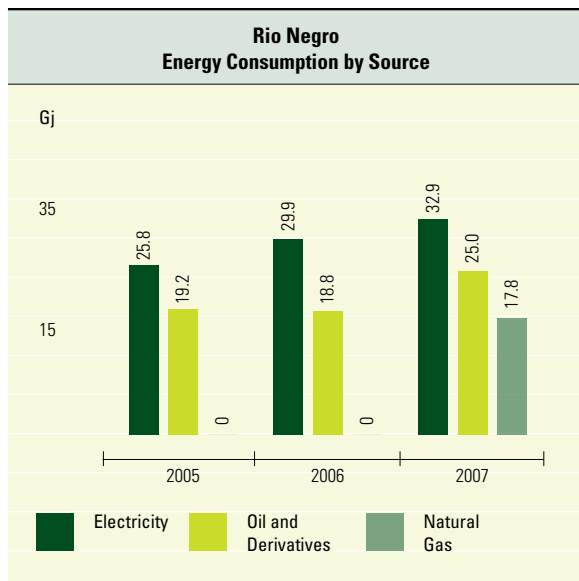
José Bonifácio de Andrade e Silva Mill Specific Energy Consumption Curve



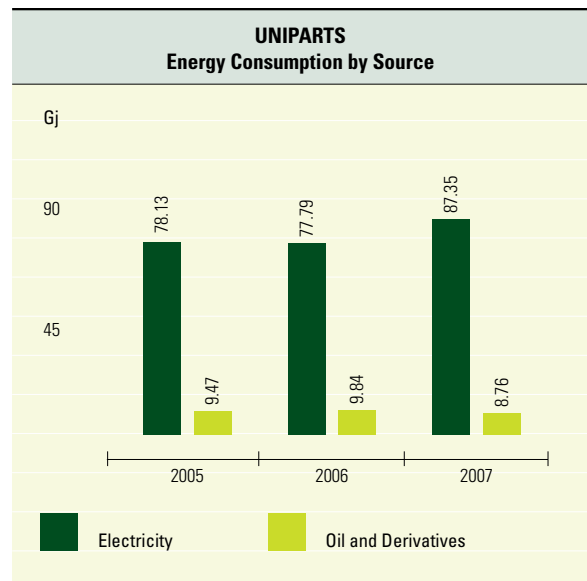
Mecânica Mill– Ipatinga Plant Energy Consumption Curve



Rio Negro, in order to meet its needs to expand its activities in 2007, began to use natural gas in its processes, along with electrical energy acquired from local utility concessionaire, liquefied petroleum gas, diesel oil and heavy oil, registering the following consumption equivalent in giga joules:

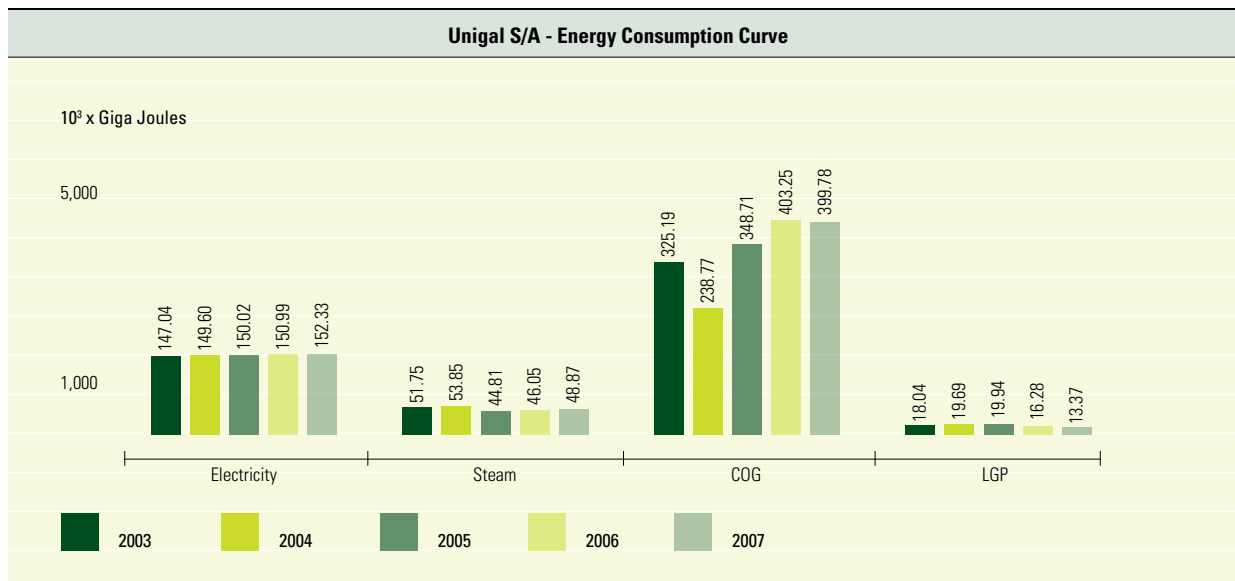


Usiparts consumes electricity acquired through local power utility concessionaire for activities of press stamping, soldering, industrial painting and assembly. Furthermore, it uses liquefied petroleum gas (LPG) to power its equipment for moving cargo internally and in its industrial mess hall kitchen. It registered the following total consumption:



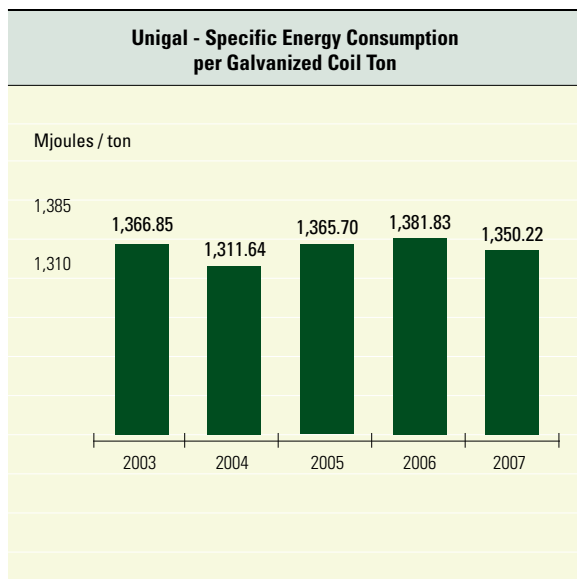


Zoo-botanic Park



Industrial unit at Unigal uses liquefied petroleum gas (LPG), electrical power acquired from local utility concessionaires, and gases generated by industrial process at Usiminas, from its Coke Oven Gas (COG), which is created through the coke process of coal, as well as steam produced.

Company	2005	2006	2007
USIROLL	4,082.4	4,172.3	4,181.1
FASAL	3,065,802.1	3,411,586.8	3,685,683.6
DUFER	4,680.0	5,592.6	6,453.8



Other System's companies use electricity acquired from local providers of power distribution as their primary energy source.

Suppliers, Service Providers and Customers

Usiminas System's companies strive to extend its guidelines of Integrated Management Systems, including Environmental Management techniques, to its entire production chain.

Suppliers are assessed in terms of their activities' environmental impacts, through Usiminas and Cosipa Supplier Development Process. In 2007, 120 critical and strategic suppliers were revalidated in terms of their environmental conditions by the procurement department and 312 operating environmental licenses were obtained from environmental agencies.

Through provisions in their contracts, service providers comply with guidelines stipu-

lated by the Environmental Management Systems in terms of their activities' impact, always participating in campaigns, technical seminars and discussions. The VIII Environment Week at Intendente Câmara Mill was held with presentation of technical projects concerning control of environmental impact in work areas used by third-parties within the Mill, courses, theatrical representations, prize distribution and acknowledgement for those employees who stood out. Both mills also require, in their contracts, that companies present an Environmental Control Plan that includes staff training, motivational campaigns, suitable operating practices and environmental impact control.

For its customers, Usiminas System provides information about its products as well about care of its products in terms of handling. Steel, a product which is 100% recyclable, has an aggressive market for scrap sale, which prevents it from being discarded into nature.

Celebrating its XXIX Environment Week at Intendente Câmara Mill and with the intention of improving its relationship with local community, seminars were held in-house as well as contests involving clients and suppliers. This year, General Motors do Brasil and Kurita do Brasil Ltda were awarded as most prominent in relation to environmental management, and were acknowledged for their contribution to programs and projects' performances based on environmental responsibility concept.

Community Involvement

Similar to social and cultural areas, Usiminas System's companies are endowed with methodical mechanisms for interacting with community on environmental matters,

perceiving concerns and developing specific programs.

Usiminas, Usiminas Mecânica and Unigal are members of Piracicaba River Basin Committee, representing Brazilian Steel Industry Institute (IBS).

Usiminas also takes part in Rio Doce Basin Committee in compliance with Federal Law nº 9.433/98, which established National Policy of River Resources, as a representative of the Industry and Mining Group. It also participates in a Rio Doce State Park Advisory Council in compliance with Law nº 9.985/2000, which established National System of Conservation Units, as private sector's head representative. Company is also the alternate on State Council for Water Resources (CERH), representing IBS. As an associate, it participates in Business Environmental Council for Minas Gerais State Industry Federation (FIEMG).

Cosipa reaches out to the communities through an Advisory Community Panel promoted by 38 companies in Cubatão at the São Paulo State Industry Center (CIESP), attending monthly meetings with city government representatives and neighborhood leaders from the city of Cubatão, teaching institutions and trade associations.

Cosipa participates as well in the Water Basins Committee and in the Coastal Management and Ecological Zoning Committee for Santos on the coast of São Paulo.

System's companies also support the establishment and functioning of regional NGOs that run environmental education projects and rehabilitation programs for areas degraded by human occupancy.

Among its main community programs, the following are worthy of mention:

Agenda 21 for Cubatão

Close contact with the community enabled Cosipa to take active part in developing jobs that resulted in the Agenda 21 program in Cubatão under a participatory approach, with more than 1,700 people among City Council members and debaters on specific themes.

With everyone's contribution, diagnostics and action plans were developed, which resulted in projects with well-defined responsibilities and deadlines in the following areas. Logistics (17); Urban Planning, Road System and Population Mobility (18); Tourism (17); Housing and Illegal Land Occupation (13); Basic Sanitation (10); Air and Water Quality and Environmental Risks (10); Permanent Protection Areas and Conservation Units (7); Healthcare (40); Education, Environmental Education and Professional Training (26); Culture (21); Sports and Leisure (26); Income Generation (11); Social Assistance (21); Public Security (16); and Public Administration (16).

All 282 projects were joined together in the publication "Cubatão 2020 – The City We Want", which describes the entire work methodology, analyses and situation's diagnostic, target scenarios and action plans to be implemented by 2020. At the same time, a booklet was prepared with Actions and Projects Time Schedule, distributed to the population in general, so that people could accompany each project's execution, thus participating today in transforming and constructing the city's future.

The first meeting to assess Agenda 21 for Cubatão's progress was held on August 29th

and 30th at the Sustainable Development Seminar of Cubatão – Agenda 21, with almost 600 representatives from varied sectors of society.

Two of the projects implemented are considered environmental area's benchmarks. Air Quality Report program, shown on regional TV during prime time every Friday evening since July 2007, compares air quality in the central urban area of Cubatão with other regions of the State of São Paulo. According to data acquired directly from CETESB, out of 25 programs aired between July and December, 68% showed that air quality of Cubatão was better than that in Ibirapuera Park and 32% showed the air quality to be the same.

Besides this, in September, an Informative Air Quality Panel was unveiled, a modern electronic panel located on one of the main city avenues which informs air quality in the downtown area and the Industrial Complex.

Green Areas Program

Usiminas System is engaged in a number of programs to recover and restore native vegetation in several areas previously deteriorated by human occupancy.

In 2007, 52,952 seedlings were planted in the urban wooded areas in Ipatinga, Minas Gerais state to replace green areas which were lost due to fires and wreckage.

A total of 393,479 trees were planted in an area of 185.3 hectares on the banks of the Piracicaba and Doce Rivers under the Riverbank Forest Project, in a partnership with NGO Relictos Foundation and State Forest Institute.

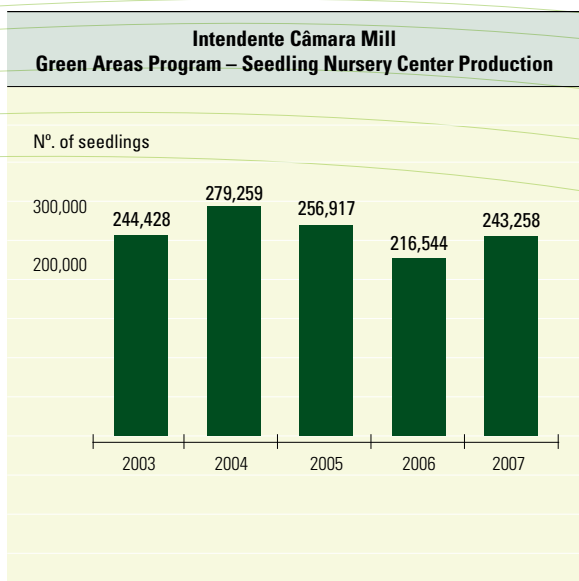
With the initial objective of favoring tree pollination and obtaining seeds for Gre-

en Area Program, Usiminas expanded its beekeeping program – Usimel – in its reforestation areas. In total, six beehives produced 5.7 tons of honey in 2007. Part of this production is consumed internally and the rest is donated to 37 welfare entities in Steel Valley, among which are rest homes and daycare centers.

“São Paulo Orchard – More Green, More Life” project introduced by São Paulo State Environment Bureau to promote environmental reclamation of Pinheiros River banks in the city of São Paulo. At José Bonifácio de Andrada e Silva Mill, a Directive Plan for Landscaping has been underway since 1999. This program increased its total green area to 1,154 thousand m², resulting in an average of over 96 m² of green area per employee, well above the minimum level recommended by World Health Organization (WHO).

Wildlife Protection

Biodiversity Center of USIPA – CEBUS is active in the protection of natural assets



with an emphasis on wildlife and is another of Usiminas System’s interests.

This Center works with the protection of regional wildlife and is registered in the Brazilian Institute of the Environment and Renewable Natural Resources - (IBAMA) under nº 247.002. Cebus welcomes wild animals in many different situations, some seized by the Forest Rangers, or by Ibama itself, while others are donated privately. Most of these animals require special care during their recovery, which requires work of experts, veterinarians and biologists, as well as experienced animal handlers.

In 2007, CEBUS received 66 animals from Ibama and Forest Police for special care, and was able to recover 14 that were returned to nature. Several animals have given birth, highlighting the birth of two Jaguaticara (Ocelot) kittens, which are known to be difficult to raise in captivity.

CEBUS ended 2007 with 623 animals from 68 different species, among which 15% are included on the List of Endangered Brazilian Animals.

Moreover, Cebus team helped Social Inclusion of Children and Youths Program – Athletes of Nature, which assists 150 children and teenagers. This Center promotes several environmental education actions, including workshops on sustainability, medicinal plants, phototherapy, composting techniques, recyclable material reutilization, hygiene and sanitary education.

Environmental Education

Every Usiminas System company is engaged in environmental education cam-

paings, whose focuses on employees as well as on the community.

At Intendente Câmara Steel Mill, all new employees undergo training courses during which global and specific environmental issues are discussed. In addition, they are given training on Environmental Management System and participate of in-company contests, events and motivational campaigns. During 2007, the Mill gave also several specific training courses for technicians, experts and managers, among which it is worth mentioning the courses on Interpretation of Standard ISO 14001:2004, Measurement Uncertainty and Auditor Qualification based on Standards ISO 14001 and OHSAS 18.001.

With the purpose of increasing environmental awareness in the eastern region of Minas Gerais state, Usiminas sponsors Xerimbabo Project for Environmental Education since 1984. During its 23rd edition in 2007, with the theme "I want to Live - a Brazilian List of Endangered Species," the pro-

ject was aimed at showing the importance of each species existence and of fauna and flora in relation to our human existence.

This plea was directed to 149,119 visitors from 98 cities and 637 schools, a 1.6% increase from 2006, reaching the mark of 1.75 million visitors throughout its 23 years of existence.

In line with other System's companies, Rio Negro took advantage of yet another Internal Environment Week organization to stress the importance of environmental precepts among its employees, family members and nearby communities through informative booklets and lectures.

Commitments Taken

Goals and targets are constantly reworked, in order to control significant impacts and ensure ongoing improvement of Usiminas environmental performance. This program was reviewed in 2006, with the following commitments established for 2007 and 2008.

[Xerimbabo Project addressed the Brazilian List of Endangered Species with the plea: I Want to Live]

Commitments Taken			
Commitments	2007 Progress	Future Commitments	
Air	<p>Install new car for carrying coal at Coke Plant nº 2 until August/2007.</p> <p>Improve atmospheric emissions of HCl 1 and 2 Regeneration Plants until April/2007.</p> <p>Install new electrostatic precipitator for Sinter Plant Machine nº.2 and improve electrostatic precipitator at Sinter Plant Machine nº 3 until September/2007.</p>	<p>New car for carrying coal installed at Coke Plant nº. 2 in August/2007.</p> <p>Atmospheric emissions improvements concluded at HCl 1 and 2 Regeneration Plants in April/2007.</p> <p>New electrostatic precipitator installed for Sinter Plant Machine nº 2 in September/2007 and upgrading of the electrostatic precipitator for Sinter Plant Machine nº. 3 postponed until 2008.</p>	<p>Upgrading of the electrostatic precipitator for Sinter Plant Machine nº 3 until March/2008.</p> <p>Install a gas desulphurization system at the Coke Plant by December /2009.</p>
Water	<p>Specific water consumption lower than or equal to 11.2 m³/ton.</p> <p>Water capture from Piracicaba River lower than or equal to 98.7 m³/min</p>	<p>11.23 m³/ton specific water consumption in 2007.</p> <p>Water capturing from Piracicaba River of 95.4 m³/min.</p>	<p>Improve the effluents from the Biological Treatment Stations of the Coke Plants by February/2009.</p> <p>Install a system for the intake and treatment of rain water in Coke Plant areas and Carbochemicals until July/2009.</p>
Soil	<p>Obtain a disposal of solid waste classes IIA and IIB lower than 6% of total destination until December/2007.</p> <p>Implement project for Controlled Landfill – Feitosa III's Improvements until December/2007.</p> <p>Continue operation of organic vapor and water treatment station in order to decontaminate Poço Redondo area.</p>	<p>Obtained a disposal of solid waste classes IIA and IIB of 5.6% of the total destination in 2007.</p> <p>Implemented in 2007 the project for improvement of Controlled Landfill - Feitosa III.</p> <p>During 2007, the water and organic vapor treatment station was maintained.</p>	<p>Obtain sale of solid waste > 60% of total destination until December/2008.</p> <p>Obtain a disposal of solid waste <6% of total destination until December/2008.</p> <p>Continue with water and organic vapor treatment station in order to decontaminate Poço Redondo area.</p>

A goal to reduce the production of scrap metal was established with the intention of

reducing the waste of Unigal generated by its productive process.

Commitments	2007 Results	Future Commitments
Waste	Reduction of Energy Consumption	Reduction from 1,381.83 to 1,350.22 Mj joules of energy for the production of one ton of galvanized coil, a reduction of 2.34% during the year.

[A commitment: obtain a solid residue condition under 6%]

At Cosipa, the same program was reviewed in 2007, establishing the following commitments for the period of 2008:

Impact	Commitments	2007 Progress	Future Commitments
Air	Install self-adjusting doors on the coke battery ovens and refitting furnace walls in order to eliminate gas leaks until Dec/2007.	59 % of the battery doors installed. This corresponds to the implementation of 74 doors at group I and 165 doors at battery group II.	Installation of self-adjusting doors on coke battery ovens in order to eliminate gas leaks until September/2008.
	Stop the use of cooling fluid R11 (CFC), due to its impacts on the Ozone Layer, until Feb/2007.	Elimination of cooling fluid R 11's use (CFC). Commitment concluded.	
Water	Implement improvements in the STAA so as to eliminate effluents eventual releases with a temperature over the standard of 40°C, until 12/30/2007.	The improvements were implemented.	Implement project to reuse effluents from the STAA, as well as make-up in the cooling towers of the new ovens until Dec/2011.
	Reutilization of rainwater from the settling boxes of yard C2, using the effluents for to moisten the yard until Dec/2007.	Measures were concluded so rain water from yard C2 settling boxes could be to moisten the yard.	
Soil	Treat and/or dispose of 100% of oily slurries, eliminating 60,000 tons of waste held in provisional bays until Dec/2007.	Nearly 80,000 t of oily slurries was removed and disposed of, surpassing the initial forecast. In January/08 it became evident that the removal of over 52,000 t more would be necessary to complete the removal.	Treat and/or dispose of accumulated stock of oily slurries in the provisional bays. Currently negotiating with environmental agency a deadline for the total removal of the waste. Keep track of generated volume.
	Reduce the consumption and therefore the resulting wood waste in steel products shipping until Dec/2007.	Measures were adopted for controlling wood waste generation in the shipping of products.	

Usiminas Mecânica will implement an environmental investment program in its production units in 2008, in order for their

performance indicators to comply with accepted standards:

	Commitments	2007 Results	Future Commitments
Water	Operate Sewage Treatment Station at an operating rate equal to or higher than 95% in 2007.	The Sewage Treatment Station operated at an average rate of 98.41% in 2007.	Keep the Sewage Treatment Station operating performance at an average of 95% in 2008.
Air	Control painting processes' atmospheric emissions.	The treatment intake of atmospheric effluents was expanded at Factory I. 2007 atmospheric monitoring showed that the system is operating efficiently.	Maintain atmospheric emissions suited to the requirements of established legal standards.
Energy	Maintain in 2007 electricity and LPG consumption rationalization programs according to established targets per ton produced, adjusting the sectors consumption targets.	Logistic, Equipment and Structures departments achieved electric power consumption reduction goals; the LPG consumption also matched reduction goals in the Blanking department.	Maintain in 2008, the electricity and LPG consumption rationalization program, adjusting the sectors consumption targets.

The following environmental commitments were established by Usiparts Sistemas Automotivos:

Impact	Commitments	2007 progress	Future Commitments
Air	Monitor annually the painting room stack, curing oven and exhaustion system of the painting room	Monitoring was carried out in 2006 and 2007.	Paint slurry removal system installation in the painting cabin.
Water	Press filters installation in the pre-treatment line to remove phosphate slurry in order to minimize metal content (nickel, zinc and manganese and others) in the industrial effluents.	Installation completed 2006.	Paint slurry removal system installation in the painting cabin. Reutilization of part of the water currently disposed for package washing.
	Ultra filtration membranes Installation in the e-coat system in order to enable whole water volume's recirculation.	Installation completed 2007.	Reutilization of part of the waste water to be used in the washing of internal packaging.
	Perform monthly analysis of effluent Treatment Stations, in order to meet regulations and guarantee water quality.	Operational Upgrading of the ETE's aiming to improve the COD. Weekly and Monthly Monitoring performed.	Change the Physical-Chemical Purifier In order to improve Treated Effluents.
Soil	Environmental evaluation and improvement of the tool yard.	Study made by CSD-Geoklock was approved by the environmental agency.	Concrete pavement of 1,790m ² in the tool yard.
		Execution of concrete pavement and contaminant collection system in 514 m ² of yards.	Completion of spillage containment system, including connection to the ETS.
			Covering of an area of 3,154 m ² in the tool yard. Implement the project to increase green areas.



Internal Área of Intendente Câmara Mill





ECONOMIC AND SOCIAL INDICATORS

Annual Social Statement / 2007 Company: Usinas Siderúrgicas de Minas Gerais S/A – USIMINAS In R\$ thousand				
1 - Calculation Base	2007		2006	
	USIMINAS	Usiminas System	USIMINAS	Usiminas System
Net Revenues - NR	7,403,017	13,824,843	6,789,508	12,415,318
Operating Income - OI (1)	2,465,192	4,451,576	2,021,024	3,560,027
Gross Payroll - GP	705,094	1,334,976	619,162	1,122,510

2 - Internal Social Indicators	Value (thousand)		% GP		% NR		Value (thousand)		% GP		% NR	
	USIMI-NAS	Usiminas System	USIMI-NAS	Usiminas System	USIMI-NAS	Usiminas System	USIMI-NAS	Usiminas System	USIMI-NAS	Usiminas System	USIMI-NAS	Usiminas System
Catering	20,649	54,060	2.93%	4.05%	0.28%	0.38%	17,582	39,779	2.84%	3.54%	0.26%	0.32%
Mandatory Social Security	130,123	282,184	18.45%	21.14%	1.76%	2.04%	116,469	281,730	18.81%	25.10%	1.72%	2.27%
Supplementary Pension Fund	117,677	140,700	16.69%	10.54%	1.59%	1.02%	93,391	75,802	15.08%	6.75%	1.38%	0.61%
Healthcare	15,200	39,004	2.16%	2.94%	0.21%	0.28%	14,292	31,547	2.31%	2.81%	0.21%	0.25%
Industrial Safety and Health	22,137	54,843	3.14%	4.11%	0.30%	0.40%	18,891	27,605	3.05%	2.46%	0.28%	0.22%
Education (2)	0	528	0.00%	0.04%	0.00%	0.00%	0	442	0.00%	0.04%	0.00%	0.00%
Culture	0	0	0.00%	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	0.00%
Professional Development and Capacity-Building (2)	7,167	12,443	1.02%	0.93%	0.10%	0.09%	6,060	9,244	0.98%	0.82%	0.09%	0.07%
Day-care Centers or Allowances	0	41	0.00%	0.00%	0.00%	0.00%	0	21	0.00%	0.00%	0.00%	0.00%
Insurance	1,147	2,173	0.16%	0.16%	0.02%	0.02%	1,129	2,026	0.18%	0.18%	0.02%	0.02%
Transporting	2,916	2,507	0.41%	1.88%	0.04%	0.18%	3,211	17,528	0.52%	1.56%	0.05%	0.14%
Employee Profit-Sharing Scheme	64,159	95,482	9.10%	7.15%	0.87%	0.69%	36,720	69,771	5.93%	6.22%	0.54%	0.56%
Others	9,972	17,972	1.41%	1.35%	0.13%	0.13%	8,984	15,825	1.45%	1.41%	0.13%	0.13%
Total - Internal Social Indicators	391,147	724,507	55.47%	54.27%	5.28%	5.24%	316,729	571,320	51.15%	50.90%	4.66%	4.60%

3 - External Social Indicators	Value (thousand)		% OI		% NR		Value (thousand)		% OI		% NR	
	USIMI-NAS	Usiminas System	USIMI-NAS	Usiminas System	USIMI-NAS	Usiminas System	USIMI-NAS	Usiminas System	USIMI-NAS	Usiminas System	USIMI-NAS	Usiminas System
Education	0	140	0.00%	0.00%	0.00%	0.00%	0	1,709	0.00%	0.05%	0.00%	0.01%
Culture	16,509	26,761	0.67%	0.60%	0.22%	0.19%	14,721	20,276	0.41%	0.57%	0.22%	0.16%
Healthcare and Sanitation	0	0	0.00%	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	0.00%
Sports	1,043	3,238	0.04%	0.07%	0.01%	0.02%	0	0	0.00%	0.00%	0.00%	0.00%
Combating hunger / Food security	0	103	0.00%	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	0.00%
Others	11,727	15,588	0.48%	0.36%	0.16%	0.11%	13,960	13,986	0.39%	0.39%	0.21%	0.11%
Total contributions to society	29,279	45,830	1.19%	1.03%	0.40%	0.33%	28,681	35,971	0.81%	1.01%	0.42%	0.29%
Taxes (social security excluded)	1,728,245	3,184,307	70.08%	71.53%	23.35%	23.03%	1,408,734	2,704,713	39.57%	75.97%	20.75%	21.79%
Total - External Social Indicators	1,757,524	3,230,137	71.26%	72.56%	23.74%	23.36%	1,437,415	2,740,684	40.38%	76.98%	21.17%	22.08%

4 - Environmental Indicators	Value (thousand)		% OI		% NR		Value (thousand)		% OI		% NR	
	USIMINAS	Usiminas System	USIMINAS	Usiminas System	USIMINAS	Usiminas System	USIMINAS	Usiminas System	USIMINAS	Usiminas System	USIMINAS	Usiminas System
Investment related to corporate operating/ production	92,018	126,777	3.73%	2.85%	1.24%	0.92%	70,265	107,893	3.48%	3.03%	1.03%	0.87%
Investment in external programs and/or projects	0	0	0.00%	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.00%	0.00%
Total Environmental Investments (3)	92,018	126,777	3.73%	2.85%	1.24%	0.92%	70,265	107,893	3.48%	3.03%	1.03%	0.87%
Regarding the establishment of annual targets for minimizing waste generation and consumption in general by the production/ operation areas, and enhancing the efficient use of natural resources, the Company	<input type="checkbox"/> Has no targets <input type="checkbox"/> Complies 0 - 50% <input type="checkbox"/> Complies 51 - 75% <input checked="" type="checkbox"/> Complies 76 - 100%						<input type="checkbox"/> Has no targets <input type="checkbox"/> Complies 0 - 50% <input type="checkbox"/> Complies 51 - 75% <input checked="" type="checkbox"/> Complies 76 - 100%					

5 - Staff Indicators	2007		2006	
	USIMINAS	Usiminas System	USIMINAS	Usiminas System
Headcount at end of period	8,191	25,080	8,074	21,495
Nº of Hires in Period	471	8,235	404	1,807
Nº of Outsourced Personnel	7,482	16,252	6,782	12,780
Nº of Interns/ On-the-job Trainees	281	594	271	634
Nº of Employees over 45 years of age (4)	2,554	5,853	2,527	5,113
Nº of Women working for the Company (4)	339	1,229	325	899
% Management Positions held by Women (4)	0.05%	0.09	0.05%	0.08%
Nº of Negroes working for the Company (4)	483	1,551	464	1,496
% of Management Positions held by Negroes (4)	0.00%	0.06%	0	0.02%
Nº of Disabled or Special Need Employees (5)	160	513	138	502

6 - Significant Information on the Exercise of Corporate Citizenship	2007		2008 Targets			
	USIMINAS	Usiminas System	USIMINAS	Usiminas System		
Ratio between the highest and lowest remuneration in the Company	40.15	52.96	37	53		
Total number of work accidents	18	90	14	80		
Outreach and environmental projects implemented by the Company were defined by:	<input checked="" type="checkbox"/> senior officers	<input type="checkbox"/> senior officers and managers	<input type="checkbox"/> all employees	<input checked="" type="checkbox"/> senior officers	<input type="checkbox"/> senior officers and managers	<input type="checkbox"/> all employees
Workplace safety and health standards were defined by:	<input type="checkbox"/> senior officers and managers	<input type="checkbox"/> all employees	<input checked="" type="checkbox"/> all employees plus CIPA	<input type="checkbox"/> senior officers and managers	<input type="checkbox"/> all employees	<input checked="" type="checkbox"/> all employees plus CIPA
With regard to trade union freedom, the right to collective bargaining and in-house worker representation, the Company:	<input type="checkbox"/> is not involved	<input type="checkbox"/> follows ILO standards	<input checked="" type="checkbox"/> encourages and complies with ILO standards	<input checked="" type="checkbox"/> is not involved	<input type="checkbox"/> follows ILO standards	<input checked="" type="checkbox"/> encourages and complies with ILO standards
The supplementary pension fund covers: (6)	<input type="checkbox"/> senior officers	<input type="checkbox"/> senior officers and managers	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> senior officers	<input type="checkbox"/> senior officers and managers	<input checked="" type="checkbox"/> all employees
Profit or earnings sharing scheme includes:	<input type="checkbox"/> senior officers	<input type="checkbox"/> senior officers and managers	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> senior officers	<input type="checkbox"/> senior officers and managers	<input checked="" type="checkbox"/> all employees

When selecting suppliers, the same ethical, social accountability and environmental responsibility standards as adopted by the Company:	<input type="checkbox"/> are not considered	<input type="checkbox"/> are recommended	<input checked="" type="checkbox"/> are required	<input type="checkbox"/> are not considered	<input type="checkbox"/> are recommended	<input checked="" type="checkbox"/> are required
With regard to employee participation in volunteering programs, the Company:	<input type="checkbox"/> is not involved	<input type="checkbox"/> support	<input checked="" type="checkbox"/> organizes and encourages	<input type="checkbox"/> is not involved	<input type="checkbox"/> support	<input checked="" type="checkbox"/> organizes and encourage
Total number of consumer complaints and criticisms:	At the company - 0	At Procon - 0	In Courts - 0	At the company - 0	At Procon - 0	In Courts - 0
% complaints and criticisms answered or resolved:	At the company - 0	At Procon - 0	In Courts - 0	At the company - 0	At Procon - 0	In Courts - 0
Overall value added to distribute (In R\$ thousand):	2007			2006		
	Usiminas System: R\$ 7,803,903			Usiminas System: R\$ 6,562,725		
Distribution of Value Added (DVA):	44.64% - Government			39.91% - Government		
	14.80% - Staff			14.94% - Staff		
	8.26% - Stockholders			12.96% - Stockholders		
	0.35% - Third Parties			6.81% - Third Parties		
	31.95% - Withheld			25.28% - Withheld		

7 - Other information

Usinas Siderúrgicas de Minas Gerais S/A - USIMINAS

CNPJ Corporate Taxpayers' Registry nº: 60.894.730/0001-05

Economic Sector: Steel and Metallurgy

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Usiminas does not employ child or forced labor, has no involvement with prostitution nor with child or teenage sexual abuse, and is not involved with corruption.

Our Company values and respects diversity, both internally and externally.

(1) – Before expenses and net financial income, equity income, goodwill and negative goodwill amortization, and interest.

(2) – Investments in education are understood by the Company as resulting from programs and projects integrated with Investments in Professional Qualification and Development.

(3) – Environmental investments are understood by the Company as projects and programs integrated with internal and external repercussions.

(4) – The companies in Usiminas System do not accept any type of prejudice, whether racial, religious, political or any other type whatsoever. The figures reflect the employees' spontaneous individual statements, in compliance with legal requirements for preparing the information presented in the RAIS, in compliance with Brazilian law.

(5) – In compliance with the conduct adjustment agreement signed with the Labor Department of Justice, the quotas required by Brazilian law exclude operating positions which, according to the laws which guarantee labor safety, would be incompatible or would expose disabled individuals to accidents. There are other disabled employees who work normally at the Company whose condition has not yet been certified by accredited organization.

(6) – Supplementary pension funds cover all employees of the companies that adhered as Sponsors.

PROGRESS REPORT ON GLOBAL COMPACT

Global Compact is a UN initiative to promote responsible corporate citizenship as a way to foster the progress of a more sustainable and inclusive global economy.

Upon compliance with all the applicable requirements, Usiminas formalized its

adherence on April 10, 2005 committing to follow and publicize the ten principles derived from United Nations declarations.

Table below shows the relation between Global Compact subjects and Company's actions that have contributed to the implementation of proposed principles.

Subject	Principles	Actions and Programs described in this Report
Human Rights Principles	1. Respect and protection of human rights;	Corporate Governance, page: 22 Strategic Management, page: 30 to 31 The Usiminas System and its Suppliers, page: 68 to 69 The Usiminas System and its Customers, page: 76 Interaction between the Company and its Employees, page: 97 to 99 The Usiminas System in the Communities, page: 116 to 117
	2. Avoid human right abuses;	Corporate Governance page: 22 Strategic Management, page: 30 to 31 The Usiminas System and its Suppliers, page: 68 to 69 The Usiminas System and its Customers, page: 76 Interaction between the Company and its Employees, page: 97 to 99 The Usiminas System in the Communities, page: 116 to 117
Labor Rights Principles	3. Uphold the freedom of labor association;	Interaction between the Company and its Employees, page: 97 to 99 Economic and Social Indicators, page: 176
	4. Eliminate all forms of forced labor;	Corporate Governance page: 22 Strategic Management, page: 30 to 31 The Usiminas System and its Suppliers, page: 68 to 69 The Usiminas System and its Customers, page: 76 Interaction between the Company and its Employees, page: 97 to 99 The Usiminas System in the Communities, page: 116 to 117 Economic and Social Indicators, page: 176
	5. Abolition of child labor;	Corporate Governance page: 22 Strategic Management, page: 30 to 31 The Usiminas System and its Suppliers, page: 68 to 69 The Usiminas System and its Customers, page: 76 Interaction between the Company and its Employees, page: 97 to 99 The Usiminas System in the Communities, page: 116 to 117 Economic and Social Indicators, page: 176
	6. Eliminate discrimination in the workplace;	Interaction between the Company and its Employees, page: 97 to 99 Economic and Social Indicators, page: 176
Environmental Protection Principles	7. Support a precautionary approach to environmental challenges;	Management Model, page: 25 Strategic Management, page: 30 to 31 The Usiminas System and the Environment, page: 138 to 139 Environmental Guidelines, page: 139 Suppliers, Service Providers and Customers, page: 163 to 164 Community Involvement, page: 164 to 167
	8. Promote greater environmental responsibility;	Management Model, page: 25 Strategic Management, page: 30 to 31 The Usiminas System and the Environment, page: 138 to 139 Environmental Guidelines, page: 139 Suppliers, Service Providers and Customers, page: 163 to 164 Community Involvement, page: 164 to 167
	9. Encourage environmentally friendly technologies;	Management Model, page: 25 Strategic Management, page: 30 to 31 The Usiminas System and the Environment, page: 138 to 139 Environmental Guidelines, page: 139 Suppliers, Service Providers and Customers, page: 163 to 164 Community Involvement, page: 164 to 167
Anti-Corruption Principle	10. Work against all forms of corruption, including extortion and bribery.	Corporate Governance, page: 22, 25 Strategic Management, page: 30, 31 to 34 Economic and Social Indicators, page: 176

GRI INDEX

We present below the list of third generation indicators (G3) proposed by Global Reporting Initiative for annual sustainability reports' preparation. They contain general information about economic,

social and environmental performances of Usiminas System. This list will serve as a reference for these indicators localization throughout this publication, based on which, Usiminas is a self-declared Level A in this publication.

GENERAL INDICATORS	
<i>Strategy and Analysis</i>	
1.1. Statement of the president or CEO about the relevance of sustainability to the Company and its strategy	11 - 13
1.2. Statement of the main effects, risks and opportunities	28-33, 44-49, 52-53,
ORGANIZATIONAL PROFILE	
2.1 Company name	17, 180
2.2 Main brands, products and services	16, 19
2.3 Operational structure of the organization and main divisions, operational units, subsidiaries and joint ventures	19
2.4 Headquarter localization	17, 180
2.5 Amount of countries where it operates and name of those with greater or particularly relevant to sustainability	19, 58
2.6 Legal type and nature of the property	17, 23
2.7 Market supplied (including geographic listing, sectors serviced, type of customers, beneficiaries)	58
2.8 Company size (number of employees, net sales, total capitalization, total assets)	17
2.9 Main decisions during the period covered by the report referent to location or changes in operations, including opening, closing and expansion of operational units	9, 16, 35 – 36, 44 - 48
2.10 Awards received	39

PARAMETERS FOR THE REPORT	
<i>Profile of Report</i>	
3.1 Period covered by report	January 1st to December 31st of 2007
3.2 Date of previous report (if any)	Referent to 2006
3.3 Periodicity of report	Annual
3.4 Person to contact for questions related to report or its content	176, 182 – 183
<i>Scope</i>	
3.5 Process for the definition of report's content, including the process to determine materiality and prioritization of matters within the report and identification of interested parties that Company expects they will use the report	68, 76, 91, 97, 116, 164
3.6 Limit of the report (countries/region, divisions/facilities/joint ventures/subsidiaries)	19
3.7 Statement of any specific limitations In relation to the scope of the report	9
3.8 Base for the preparation of the report, which refers to joint ventures, not wholly-owned subsidiaries, leased facilities, outsourced operations and other situations that may significantly affect the comparability between periods or between reporting organizations	19
3.9 Techniques of data measurement and calculation bases, including cases and techniques that support the estimates applied to the compilation of indicators and other information of the report	Presented together with the data and calculations to which they refer
3.10 Explanation of nature and consequences of any information restructuring supplied in previous reports and their reasons (ex.: mergers, acquisitions, changes in the year, nature of the business, measurement methods)	19 (61 – acquisition of IMSA Group)
3.11 Significant changes in comparison with the previous year in that which refers to the scope, limitations or measurement methods applied in the report	19
3.12 Table that identifies the location of the standard disclosures of the report	176-179

3.13 Current policy and practice related to the search of independent verification for the report. If it is not included in the verification report, explain the scope and the base of any independent verification, as well as the nature of the relationship with the auditor. Auditing and assurance	There is no external verification of the report
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GOVERNANCE, COMMITMENTS AND ENGAGEMENT

4.1 Organization's governance structure, including committees, under the highest level of governance in charge of specific tasks, such as the establishment of strategies or the supervision of the organization	21-25
4.2 Specify if the president or the highest officer of the governance is also a CEO (In this case, which function and what are the reasons for this breakdown)	23 - 24
4.3 For organization that have a unitary administrative structure, state the number of senior members that are independent or non-executive members	23
4.4 Mechanisms for shareholders and employees to make recommendations or give guidance to senior management	25
4.5 Ratio of remuneration for senior members, senior management and officers (including decision-making agreements) and performance of the organization (including social and environmental performance)	Attachment – Accounting Statements
4.6 Senior management processes to assure that conflicts of interest are avoided	23-25
4.7 Process to determine the qualifications and skills required from the members of senior management to define organization's strategy, including matters related to economic, social and environmental performance	23-25
4.8 Statement of mission and values, codes of conduct and principles developed internally and relevant to the economic, environmental and social performance, as well as the stage of implementation	30-31
4.9 Senior management procedures to supervise the identification and management on behalf of economic organization, environmental and social performance, including identification and risk management and relevant opportunities, as well as adherence or compliance with the internationally accepted standards, codes of conduct and principles	23-25, 76, 91, 97, 116, 164
4.10 Processes for evaluating the performance of senior management, in particular regarding the economic, environmental and social performance	23-25, 76, 91, 97, 113, 116, 133, 164, 168 - 170
<i>Commitment with external initiatives</i>	
4.11 Explain if the principle of precaution is used by the organization and, if so, how is the approach	31-34
4.12 Letters, groups of principles or other voluntary initiatives developed externally, of economic, environmental and social nature, which the organization adopts or endorses	94, 96, 177
4.13 Significant participation in associations (such as industry associations) and/or national/international defense organizations	114-117
<i>Engagement of interested parties</i>	
4.14 Group list of interested parties engaged by the organization	25, 68, 76, 94, 114, 136
4.15 Base for the identification and selection of interested parties to be engaged	25, 68, 76, 97-99, 116-117, 164 - 165

4.16 Approaches for the engagement of interested parties, including the frequency of engagement by type and by groups of interested parties	25, 68, 76, 94, 114, 136
4.17 Main issues and concerns that were raised through the engagement of interested parties and the measures that the organization has adopted to deal with	25, 68, 76, 97-99, 116-117, 164 - 165

PERFORMANCE INDICATORS

<i>Economic Performance</i>	
EC1. Direct generated and distributed economic value, including revenues, operating costs, remuneration of employees, donations and other community investments, accrued profit and payments to suppliers of capital and governments.	82 - 85, 174
EC2. Financial implications and other risks and opportunities for activities of the organization due to climactic changes.	34, 138
EC3. Coverage of the defined benefit pension plan obligations that the organization offers.	83, 109 - 111
EC4. Significant financial aid received from government.	174
EC5. Variation of proportion of lowest salary compared to local minimum wage in important operational units (additional).	175, The Usiminas System does not pay salaries below the local minimum wage.
EC6. Policies, practices and proportions of expenses with local suppliers, in important operational units.	68-69
EC7. Procedures for local hiring and proportion of senior management members recruited in the local community in important operational units.	96 – 99, 176
EC8. Development and impact of investments in infrastructure and services offered, mainly for public benefit, through commercial engagement, in kind or pro bono activities.	116-118, 133
EC9. Identification and description of significant indirect economic impact, including the extent of the impact (additional).	116-118, 133

ENVIRONMENTAL PERFORMANCE

EN1. Materials used by weight or volume.	140
EN2. Percentage of material used from recycling.	140 - 142
EN3. Consumption of direct energy listed by source of primary energy.	159 - 163
EN4. Consumption of indirect energy listed by primary source.	159 - 163
EN5. Economized energy due to improvements in conservation and efficiency. (additional)	159 - 163
EN6. Initiatives to supply products and services with low energy consumption, or that use energy generated by renewable resources, and the reduction in the need for energy resulting from these initiatives. (additional)	159 - 163
EN7. Initiatives to reduce the consumption of indirect energy and reductions obtained. (additional)	159 - 163
EN8. Total of water outtake by source.	142 - 144
EN9. River sources significantly affected by water outtake. (additional)	142 - 144

EN10. Percentage and total volume of recycled and reused water.(additional)	142 - 144
EN11. Location and size of area owned, leased or managed within protected areas or adjacent to them and areas with a high rate of biodiversity outside protected areas.	The Usiminas System does not operate in critical or environmentally protected areas.
EN12. Description of significant impact in the biodiversity of activities, products and services in protected areas and in areas with a high rate of biodiversity outside the protected areas.	The Usiminas System does not operate in critical or environmentally protected areas.
EN13. Protected or restored habitats. (additional)	The Usiminas System does not operate in critical or environmentally protected areas.
EN14. Strategies, measures in effect and future plans for the management of impacts on biodiversity. (additional)	164-170
EN15. Number of species on the IUCN Red List and in national habitat conservation lists in areas affected by operations, listed by level of extinction risk. (additional)	The Usiminas System does not operate in areas where its activities can endanger species on the IUCN Red List
EN16. Total direct and indirect emissions of greenhouse effect gases, by weight.	153-158
EN17. Relevant indirect emissions of gases that cause the greenhouse effect, by weight.	153-158
EN18. Initiatives to reduce emissions of greenhouse effect gases and the reductions obtained. (additional)	153-158
EN19. Emissions of substances that can destroy the ozone layer, by weight.	153-158
EN 20. NOx, SOx and other significant atmospheric emissions, by type and weight.	153-158
EN21. Total disposal of water, by quality and destination.	144-150
EN22. Total weight of waste, by type and method of disposal.	140-142
EN23. Total number and volume of significant spills.	144 - 150
EN24. Weight of transported, imported, exported or treated waste considered to be dangerous under the terms of the Basel Convention – Attachment I, II, III and VIII – and percentage of loads of waste transported internationally. (additional)	The Usiminas System's companies do not transport waste included under the terms of the Basel Convention
EN25. Identification, size, status of protection and value of biodiversity of bodies of water and their significant habitats affected by water disposals and draining performed by the reporting organization. (additional)	142 - 144

EN26. Initiatives to mitigate environmental impact of products and services and the extent of reduction of these impacts.	168 -170
EN27. Percentage of products and their recovered packaging in relation to the total of products and services sold by product category.	140-142
EN28. Monetary value of significant fines and total number of non-monetary sanctions resulting from noncompliance with environmental laws and regulations.	There were no occurrences in 2007
EN30. Total of investments and gains in environmental protection, by type. (additional)	138 – 139; 175

SOCIAL PERFORMANCE – LABOR PRACTICES AND DECENT EMPLOYMENT

LA1. Total of workers by job type, employment contract and region.	96 - 100
LA2. Total amount and turnover rate of employees by age, gender and region.	96 - 100, 175
LA3. Benefits offered to fulltime employees that are not offered to temporary or part-time employees, listed by main operations. (additional)	97, 107 - 109, 123
LA4. Percentage of employees covered by collective negotiation agreements.	97
LA5. Minimum period for advance notice related to operational changes, including if this procedure is specified in the collective negotiation agreements.	Established in labor conventions
LA6. Percentage of employees represented in formal safety and health committees, comprised of managers and workers, who help in the monitoring and counseling of occupational safety and health programs. (additional)	97 - 98
LA7. Rate of occupational lesions, diseases, lost days, absenteeism and death related to work, by region.	102 - 107
LA8. Education, training, counseling, prevention and risk control programs in progress to aid employees, their family members or members of the community in relation to serious diseases.	102 - 109
LA9. Topics related to safety and health covered by formal agreements with unions. (additional)	97
LA10. Average of training hours per year, by employees, listed by functional category.	100 - 102
LA11. Programs for skill management and ongoing training that support the workers' employability continuity and to manage the end of career. (additional)	102, 109 - 110
LA12. Percentage of employees that receive regular analyses of performance and career development. (additional)	99
LA13. Breakdown of groups in charge of corporate governance and list of employees by category, according to gender, age, minorities and other diversity indicators.	176
LA14. Proportion of base-salary between men and women, by functional category.	The Usiminas System does not adopt any form of control of information that can be used to discriminate by gender.

SOCIAL PERFORMANCE – HUMAN RIGHTS

HR1. Total percentage and number of significant investment contracts that include clauses that refer to human rights or that were submitted to assessment regarding human rights.	68-69
HR2. Percentage of main suppliers and contracted companies that underwent assessments referring to human rights and consequent measures adopted.	68-69
HR3. Total hours of training for employees in policies and procedures related to aspects of human rights relevant to the operations, including the percentage of employees that received training. (additional)	100 - 102
HR4. Total number of cases of discrimination and measures taken.	The Usiminas System's companies do not allow any form of prejudice, whether racial, religious, political, gender-related or any other
HR5. Identified operations in which the right of exercising the freedom of collective association may be running a significant risk and the measures taken to support this right.	97 - 98
HR6. Operations identified as of significant risk of a child labor occurrence and measures taken to contribute towards child labor abolition.	The Usiminas system's companies do not use child labor
HR7. Operations identified as of significant risk of forced or similar to slave labor and the measures taken to contribute towards eradicating forced or analogous-to-slave labor.	The Usiminas System's companies do not use similar to slave labor
HR8. Percentage of security staff trained in policies or procedures of the organization related to aspects of human rights that are relevant to the operations. (additional)	100 - 102
HR9. Total number of cases of violation of rights of Indian tribes and measures taken. (additional)	The Usiminas System's companies do not have facilities which are geographically close to areas populated by Indian tribes

SOCIAL PERFORMANCE – SOCIETY

S01. Nature, scope and efficiency of any programs and practices to evaluate and manage the impact of operations in the communities, including entry, operation and exit.	116 – 118, 133
S02. Total percentage and number of business units submitted to risk evaluations related to corruption.	25, 31, 34
S03. Percentage of employees trained in anti-corruption policies and procedures of the organization.	100 - 102
S04. Measures taken in response to cases of corruption.	No cases of corruption were registered
S05. Positions regarding public policies and participation in the preparation of public policies and lobbies.	114 - 117

S06. Total amount of financial contribution and in kind for political parties, politicians or related institutions, listed by country. (additional)	The contributions to parties comply with the Brazilian electoral law in regard to values and their public disclosure
S07. Occurrence of lawsuits for unfair competition, antitrust and monopoly practices and their results. (additional)	No occurrences
S08. Monetary value of significant fines and total number of non-monetary sanctions resulting from noncompliance with laws and regulations.	None of Usiminas System's company was fined for noncompliance with laws and regulations

SOCIAL PERFORMANCE – RESPONSIBILITY FOR THE PRODUCT

PR1. Phases of products' lifecycle and services in which the impact on health and safety are evaluated with the purpose of improvement, and the percentage of products and services subject to these procedures.	31, 164
PR2. Total number of cases of noncompliance with regulations and voluntary codes related to impacts caused by products and services on health and safety during the lifecycle, listed by type of result. (additional)	The Usiminas System's companies are certified in compliance with international standards related to quality, environment, health and occupational safety
PR3. Type of information about products and services required by labeling procedures, and percentage of products and services subject to such requirements.	164
PR4. Total number of cases of noncompliance with regulations and voluntary codes related to information and labeling of products and services, listed by type of result. (additional)	No occurrences
PR5. Practices related to customer satisfaction, including results of surveys that measure their satisfaction. (additional)	The Usiminas System's companies are certified in compliance with international standards related to quality.
PR6. Programs of adhesion to laws, standards and voluntary codes related to marketing announcements, including advertising, promotion and sponsorship.	68 - 69, 97
PR7. Total number of cases of non compliance total with regulations and voluntary codes related to marketing announcements, including advertising, promotion and sponsorship, listed by type of result. (additional).	No occurrences
PR8. Total number of proven complaints related to violation of privacy and loss of customer data.(additional)	No occurrences
PR9. Monetary value of fines (significant) for noncompliance with laws and regulations related to the supply and use of products and services.	None of Usiminas System's company was fined for noncompliance of laws and regulations related to the supply and use of products and services

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<p>Dufer S/A Rua Dianópolis, 750 São Paulo – SP CEP 03 126-007 www.dufer.com.br</p>	<p>Claudio Antônio Arcoverde Credie Chief Executive Officer</p>
<p>Usiminas Mecânica S/A – UMSA Rua Prof. José Vieira de Mendonça, 3011 Belo Horizonte – MG CEP 31 310-260 www.usiminasmecanica.com.br</p>	<p>Guilherme Muylaert Antunes Chief Superintendent Officer</p>
<p>Rio Negro Comércio e Indústria de Aço S/A Av. Monteiro Lobato, 2.805 Bairro São Roque – Guarulhos – SP CEP 07 190-902 www.rionegro.ind.br</p>	<p>Carlos Jorge Loureiro Chief Executive Officer</p>
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<p>Caixa dos Employees da Usiminas - CEU Rua Prof. José Vieira de Mendonça, 3011 Belo Horizonte – MG – CEP 31310-260 www.caixausiminas.com.br</p>	<p>José Olímpio da Silva President</p> <p>José Ruque Rossi Financial Director</p> <p>Antônio Furtado de Araújo Benefit Director</p>
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Planning Assistance

Work Team: Usiminas System

Human Resources and Administration Department
Internal Auditing Department
Social Communication Department
Environment and Urban Planning Department
Controller Department
Marketing Department
Investor Relations Department
General Management of Mills
Remuneration and Benefits Management

Coordination

FIRB – Financial Investor Relations

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