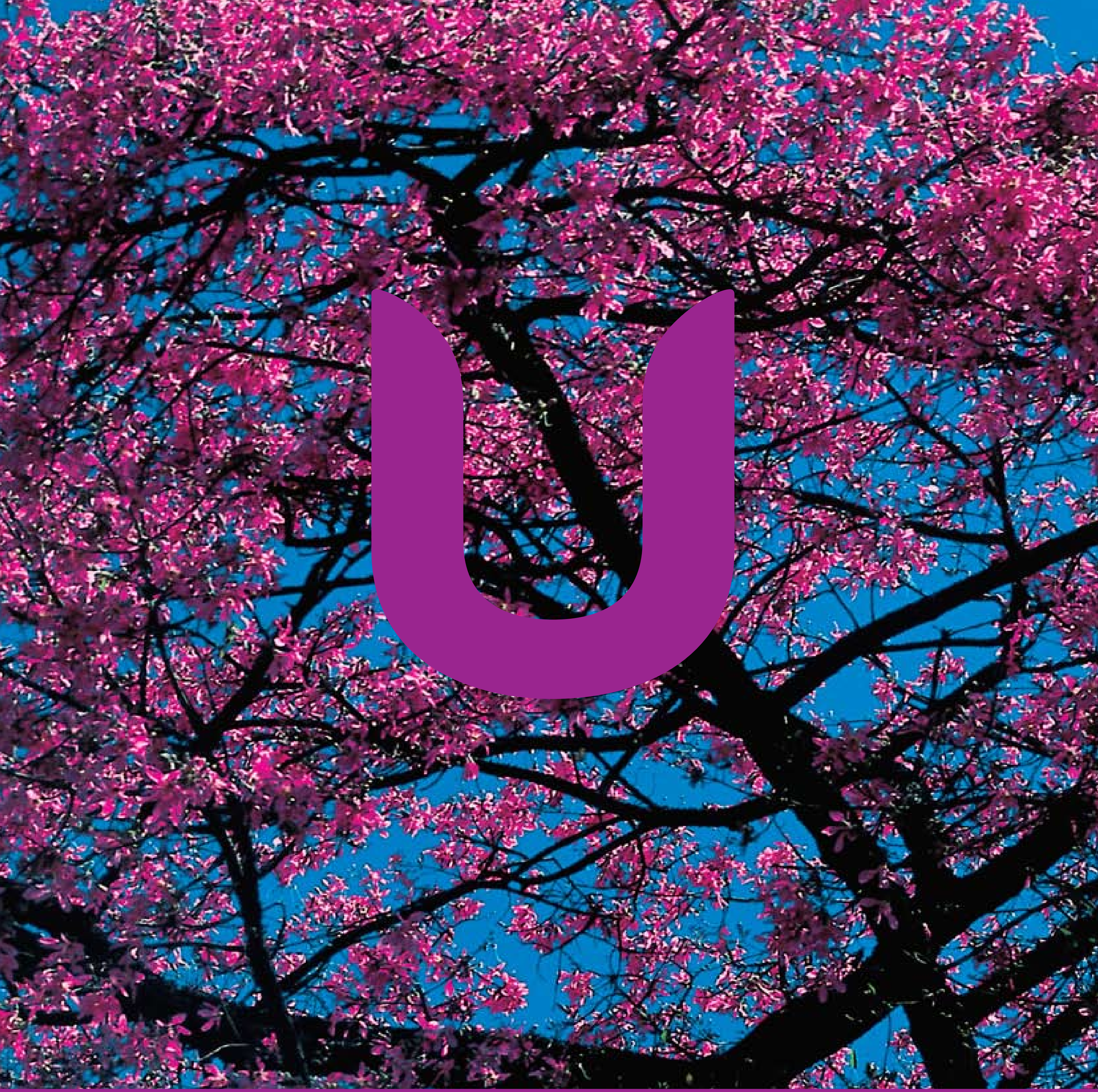

ANNUAL REPORT 2008

USIMINAS

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USIMINAS

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ABOUT THIS PUBLICATION

ABOUT THIS PUBLICATION

The contents of Usiminas Annual Report details strategic actions – from economic, social and environmental standpoints – performed in Brazil along 2008, highlighting the corporate management's intensive renewal process. For the second year running, it adopts third-generation Global Reporting Initiative (GRI) guidelines, or simply G3, an international framework for reporting sustainability. Just like the previous edition, the company endeavored to reach GRI Application Level A.

As part of the sustainability improvement process at the organization, this report tries to expand the scope of indicator collection and management by means of an integrated corporate sustainability policy implemented at the end of 2008, although it does not evenly reach all Usiminas units yet. This is a commitment to be pursued in the next edition.

To assist in defining priority topics to be approached, a quality survey was conducted with representatives from four publics: employees, suppliers, customers and specialists. Their contributions allowed prioritizing the topics approached in this edition. Additional information is available at the Usiminas website – www.usiminas.com – and is indicated in the chapters.

General references to Usiminas in this Report consider controlled companies and companies with shared control by Usinas Siderúrgicas de Minas Gerais S.A. (Usiminas) in 2008: Companhia Siderúrgica Paulista – Cosipa (Cosipa), Usiparts S.A. Sistemas Automotivos (Usiparts), Usiminas Mecânica S.A. (Usiminas Mechanical), Usiminas International Ltd. (Usiminas International), Rio Negro Comércio e Indústria de Aço S.A. (Rio Negro), Usiminas Europa A/S (Usiminas Europe), Usiminas Commercial Ltd. (Usiminas Commercial), Usimpex Industrial S.A. (Usial), Unigal Ltda (Unigal), Fasal S.A. Comércio e Indústria de Produtos Siderúrgicos (Fasal) and Usiroll – Usiminas Court Tecnologia em Acabamento Superficial Ltda. (Usiroll).

This document also follows recommendations by the Brazilian Association of Publicly Held Companies (Abrasca) for disclosure of information on the interest of shareholders. It is also the first piece of information featuring the Company's new visual identity.

With a history marked by socially responsible activities, Usiminas is open to receive input from stakeholders amid a new cycle of development and value generation. In the next pages, you will find more about our journey toward a sustainable future.

Nice reading.

MESSAGE FROM THE BOARD OF DIRECTORS

USIMINAS

MESSAGE FROM THE BOARD OF DIRECTORS

In last years, the global steel geography has been increasingly altered toward raw-material producing regions. For sustainability's sake, there is no economic reason for shipping large ore amounts throughout the planet. In this scenario, Usiminas has the opportunity to play a leading role in the global steel market. That is our vocation.

The incorporation of mining activities in 2008 demonstrates that the Company is permanently aware of its market dynamics and endeavors to be a benchmark competitor in Brazil and South America. We have a cohesive, strong group of shareholders willing to push Usiminas forward by adding value to steel production. We should add solutions and services to our quality steel production to make our valuable proposal indispensable to our customers.

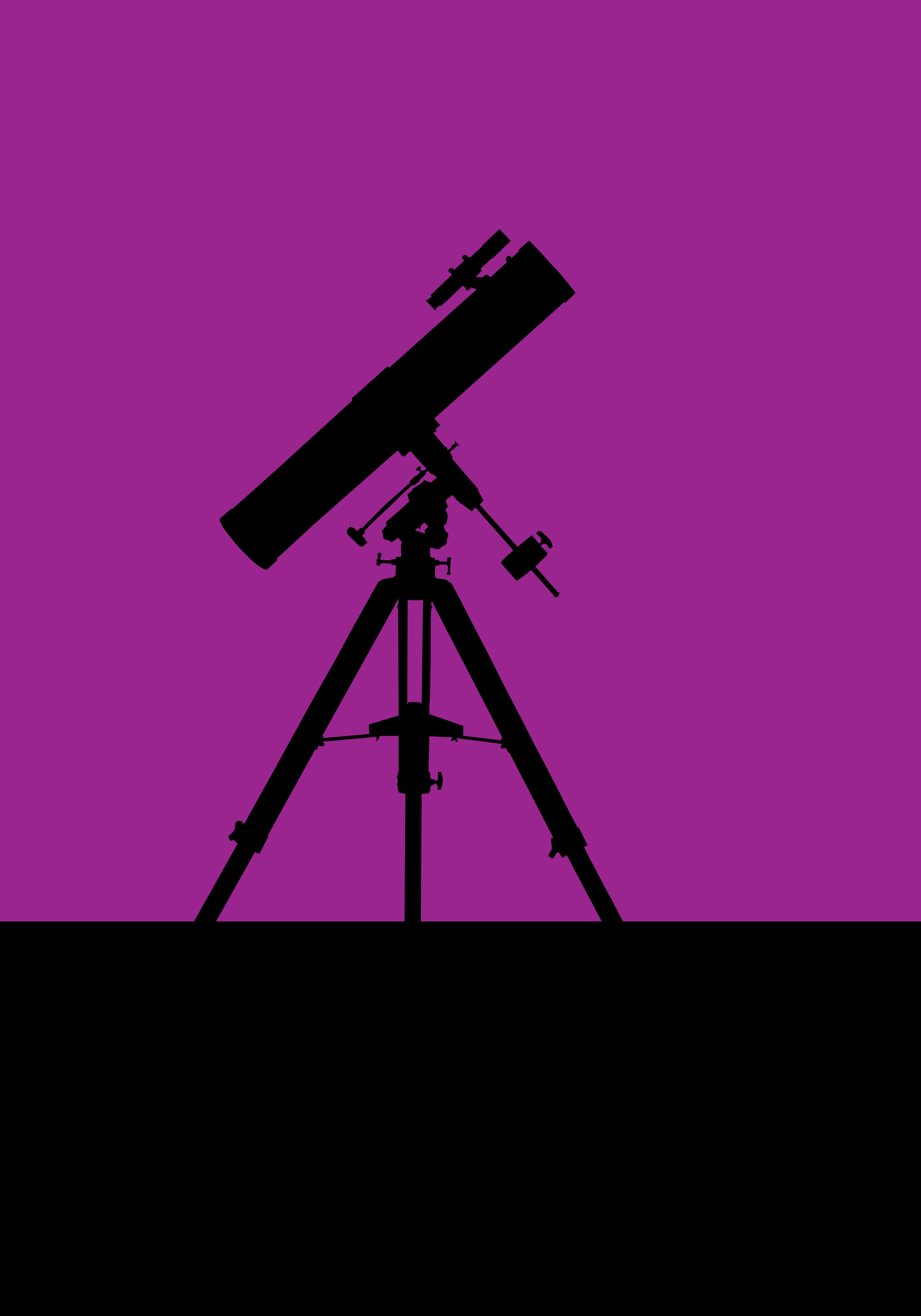
We envision three strategic challenges ahead: constantly enhance our corporate governance practices, increasingly preparing the Company to be adroit and determined toward our stated objectives; keep our historic internal market leadership in flat steel and increase market share; expand our international presence, always from the standpoint of adding value to our business.

We are aware that the global economic crisis – that strongly impacted our industry from September 2008 – will impact the speed of investments in materializing our vision of future. We will not renounce to preserving the solidity of our Company, whilst not neglecting the opportunities that will open up to us in moments of economic strength reorganization.

The new configuration of our administration will be a deciding factor in our ability to face the future challenges. Renewal is a natural process in organizations which – like ours – endeavor to perpetuate its value generation to society. We should honor Rinaldo Campos Soares, who accomplished a remarkable work directing Usiminas for 18 years and now is a member of our Board of Directors. His invaluable contribution could not have better continuity. His successor, Marco Antônio S. C. Castello Branco, is the professional nominated to conduct Usiminas into a new growth cycle, aligned with the expectations of all our stakeholders.

Finally, on behalf of Usiminas shareholders, I would like to acknowledge the Executive Board and all our employees and partners for the extraordinary results achieved in 2008. While the global economy is under a moment of uncertainty, we at Usiminas have no doubt: we will produce excellent results, in the short-, medium- and long-run.

Wilson Nélio Brumer
Chairman of the Board of Directors



MESSAGE FROM THE CEO

USIMINAS

MESSAGE FROM THE CEO

Usiminas started a self-renewal process in 2008. The search for better results in an increasingly global market – under transformation and competitive – led to an organizational remodeling of the Company. The internal restructuring process is a response to shareholders' aspirations to make Usiminas increasingly more modern, adroit and proactive in pursuing opportunities. Our major target is to ensure the perenniality and ability to sustain value generation.

The task of reinvigorating a successful organization is challenging in itself and, as from September 2008, ingredients of the global economic crisis were added, abruptly interrupting a growth cycle in steel production and establishing a new scenario to be dealt with. Our austere, provident cash management policy allows us going safely through this moment of market uncertainty. Our results for the year, although influenced by the demand reduction experienced in the fourth quarter, were the best ever achieved by the Company: we had record-breaking net revenues of R$ 15.7 billion; EBITDA cash generation totaled R$ 6.0 billion, with 38.4% margin and 20.1% growth over the previous year; and consolidated net profit of R$ 3.2 billion, slightly higher than 2007.

The new Usiminas design was conceived exactly to ensure increased capacity to react to market movements and to new international reality. We are decentralizing decision-making by defining five business units, guided by activity type, not by geography anymore. In 2009, we will pursue the effective integration of Usiminas, so as to realize synergetic gains and multiply business opportunities.

Integration is an ambition that is materialized in the Usiminas brand, which underwent a renewal process in 2008 and culminated with the announcement of March 18, 2009. The new visual identity expresses the values that represent the past, present and future of the Company: consistency, technique, meticulousness, and openness. We are recognized by our technical capacity and meticulousness in making our products. We are consistent in purposes and practices, and endeavor to be increasingly open to build a better future along with society.

For that reason, we are renewing the Company's personnel, and opening up space for a new corporate positioning in face of the challenging competitive environment. We encourage the attraction and development of talent, foster entrepreneurship, proposition of ideas, teamwork, rise and formation of successors, and the pleasure for taking over responsibilities and for being recognized for attained results. Always aligned with our recognized meticulousness and care with technology and quality of our products.

The reformulation of our structure and corporate culture is a fundamental aspect to support the Usiminas' growth strategy. To this end, the investment plan, which will place the Company in a new productivity and profitability baseline, is well structured and its implementation pace is adaptable to demand requirements.

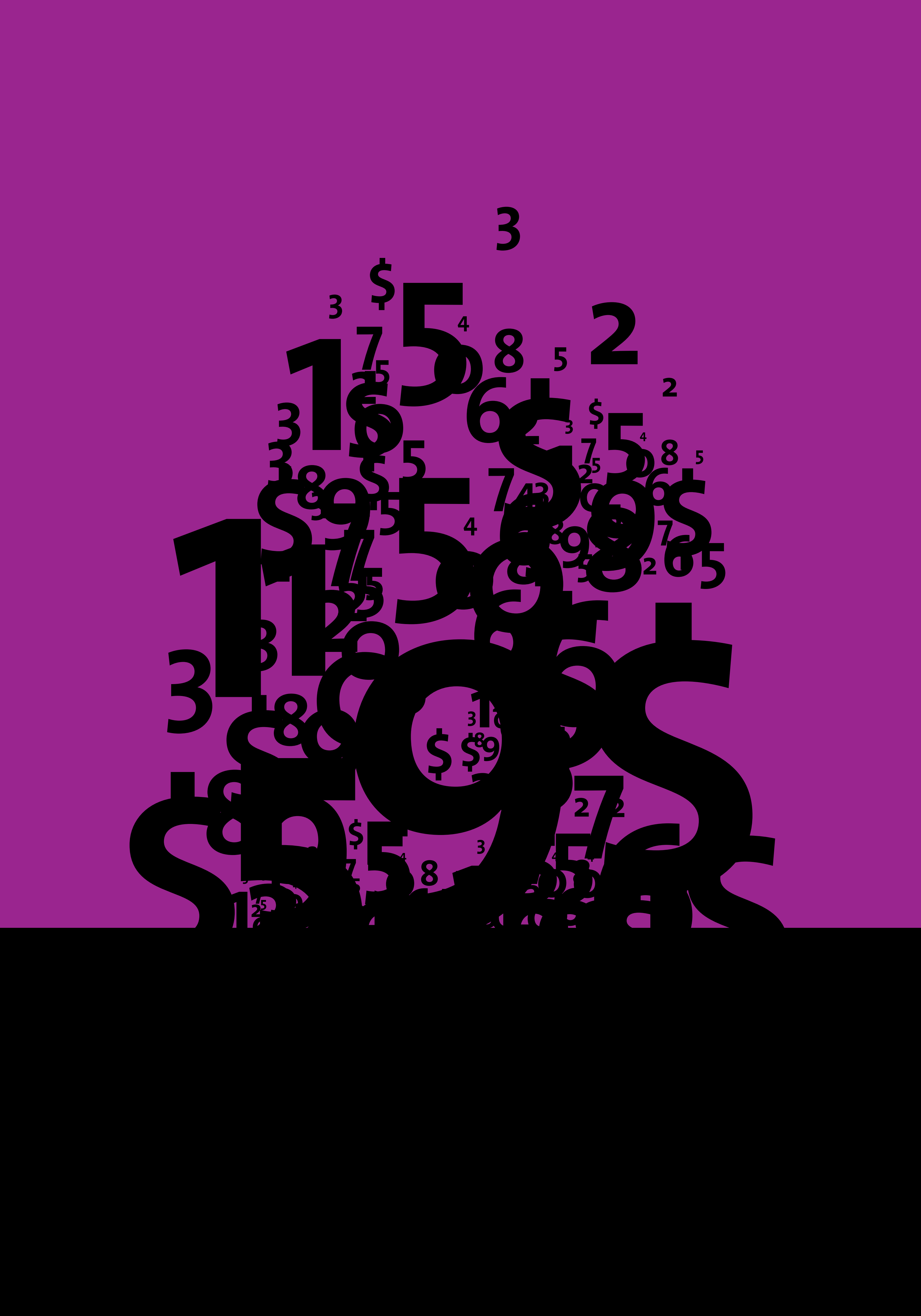
The process of implementing vertical structures, with debut in the mining sector and expanded participation in distribution, on the one hand reduces raw material cost pressures, and on the other hand reinforces our position in the domestic market, which is still the main focus of our activities.

By identifying a large growth room in distribution and service chain, formerly operated in fragmented way, all controlled companies will gather together in the Usiminas Solutions business unit as from 2009, which will potentialize our direct sales. To that end, we closed the year with the consolidation of Dufer control and Zamprogna acquisition. Located in Porto Alegre, Zamprogna will allow incrementing our portfolio and expanding our participation in the country's Southern Region.

Therefore, we will be better prepared to face the challenges of 2009. We believe that the impact of the global economic crisis will be lower in the domestic market to where 80% of our production is directed. However, it will certainly be reflected in our first-quarter results, with a trend to revert as from the second quarter of the year. In our favor is the maintenance of the Brazilian economic growth, yet at a lower pace. We aim at continuing to grow in a sustainable way, at expanding our capacity to add value to our businesses and, therefore, build the basis for our future actions.

We aim to be a major partner in the Country's growth, and to occupy niches in the international market for which we are already prepared. Usiminas will not renounce to its condition as leader in the domestic market and will expand its role in the global scenario.

Marco Antônio S. C. Castello Branco
Chief Executive Officer

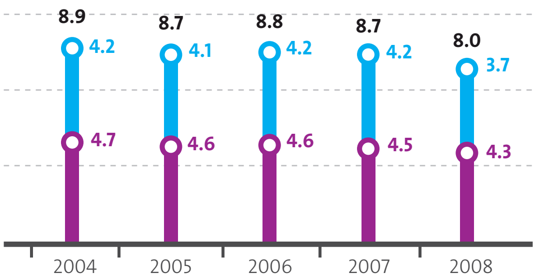


OPERATIONAL AND ECONOMIC-FINANCIAL SYNOPSIS
USIMINAS IN FIGURES

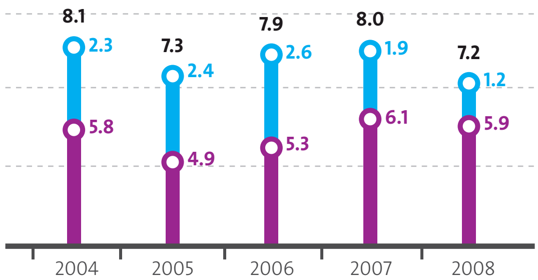
USIMINAS

OPERATIONAL AND ECONOMIC-FINANCIAL SYNOPSIS
USIMINAS IN FIGURES

Operating Indicators - Production and Sales						
Thousand tons	**2004**	**2005**	**2006**	**2007**	**2008**	**Chg. 2008/2007**
Production - Raw Steel	**8,951**	**8,661**	**8,770**	**8,675**	**8,022**	**-7,5%**
- Ipatinga/MG	4,738	4,549	4,616	4,461	4,269	-4.3%
- Cubatão/SP	4,213	4,112	4,154	4,214	3,753	-10.9%
Total Sales	**8,062**	**7,348**	**7,945**	**7,990**	**7,176**	**-10.2%**
- Domestic Market	5,784	4,947	5,288	6,113	5,949	-2.7%
% Domestic Market	*72%*	*67%*	*67%*	*77%*	*83%*	
- Export Market	2,278	2,401	2,657	1,877	1,227	-34.6%
% Exports	*28%*	*33%*	*33%*	*23%*	*17%*	
Sales - Ipatinga/MG	**4,295**	**3,817**	**4,285**	**4,200**	**4,047**	**-3.6%**
- Domestic Market	3,453	2,945	3,208	3,538	3,599	1.7%
% Domestic Market	*80%*	*77%*	*75%*	*84%*	*89%*	
- Export Market	842	872	1,077	662	448	-32.3%
% Exports	*20%*	*23%*	*25%*	*16%*	*11%*	
Sales - Cubatão/SP	**3,767**	**3,531**	**3,660**	**3,790**	**3,129**	**-17.4%**
- Domestic Market	2,331	2,002	2,080	2,575	2,350	-8.7%
% Domestic Market	*62%*	*57%*	*57%*	*68%*	*75%*	
- Export Market	1,436	1,529	1,580	1,215	779	-35.9%
% Exports	*38%*	*43%*	*43%*	*32%*	*25%*	
Iron Ore						
- Production	-	-	-	-	**3,816**	-
- Sales	-	-	-	-	**3,992**	-

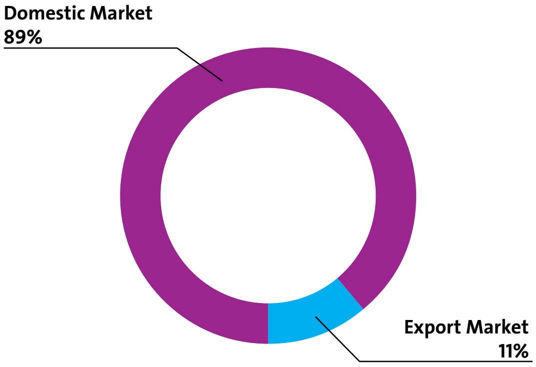


RAW STEEL PRODUCTION
MILLION TONS
Ipatinga - MG Cubatão - SP

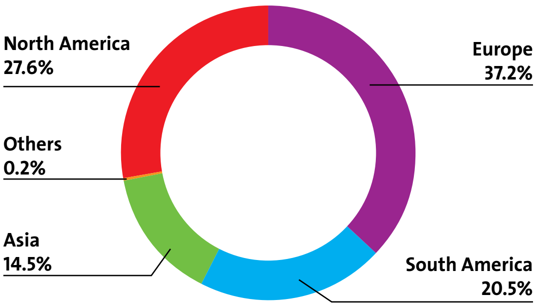


SALES
MILLION TONS
Domestic Market Export Market

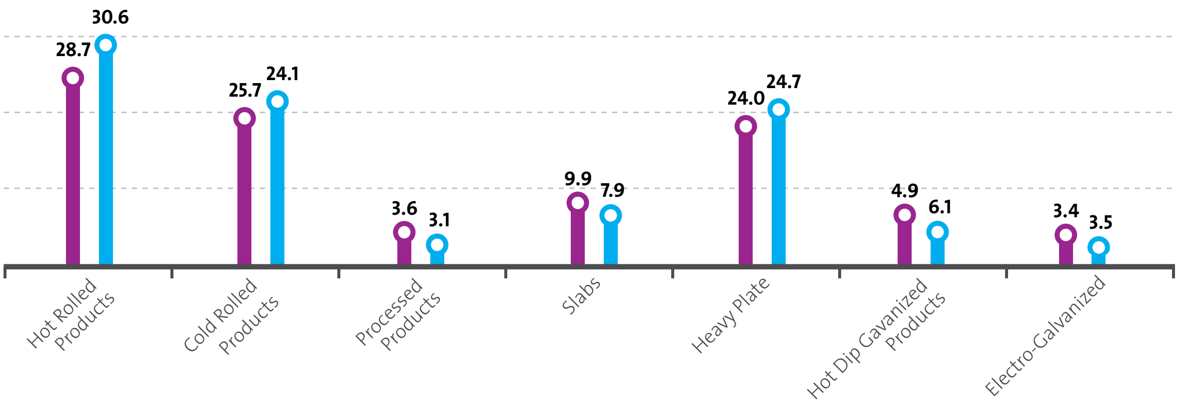
Financial Indicators - Consolidated						
R$ million	**2004**	**2005**	**2006**	**2007**	**2008**	**Chg. 2008/2007**
Gross Revenue	16,017	17,058	16,365	18,513	21,182	*14.4%*
- Domestic Market	12,211	13,663	12,886	15,949	18,830	*18.1%*
- Export Market	3,806	3,395	3,479	2,564	2,352	*-8.3%*
Net Revenue	12,243	13,041	12,415	13,825	15,707	*13.6%*
Gross Profit	5,606	5,415	4,268	4,888	6,008	*22.9%*
Gross Margin	*45.8%*	*41.5%*	*34.4%*	*35.4%*	*38.3%*	
Operating Income Before Financial Result (EBIT)	4,983	4,760	3,560	4,452	4,978	*11.8%*
Operating Margin	*40.7%*	*36.5%*	*28.7%*	*32.2%*	*31.7%*	
EBITDA	5,541	5,525	4,368	5,003	6,008	*20.1%*
EBITDA Margin	*45.3%*	*42.4%*	*35.2%*	*36.2%*	*38.3%*	
Net Income	3,019	3,918	2,515	3,172	3,224	*1.7%*
Net Margin	*24.7%*	*30.0%*	*20.3%*	*22.9%*	*20.5%*	
Total Assets	16,967	18,195	18,697	20,699	27,580	*33.2%*
Shareholders' Equity	5,949	8,753	10,418	12,474	15,029	*20.5%*
Net Indebtedness	3,486	2,012	760	(952)	3,185	
Net Debt/EBITDA	0.6	0.4	0.2	0.0	0.5	
Net Debt/Shareholder's Equity	0.6	0.2	0.1	0.0	0.2	
Remuneration to Shareholders	1,069	1,115	850	1,116	1,137	*1.9%*
Pay Out	35.4%	28.5%	33.8%	35.2%	35.3%	
Return on Equity	75.5%	65.9%	28.7%	30.4%	25.8%	
Number of Shares - thousand	225,286	225,286	225,286	337,929	506,893	*50.0%*
Market Value	12,154	12,526	18,163	27,541	13,442	*-51.2%*



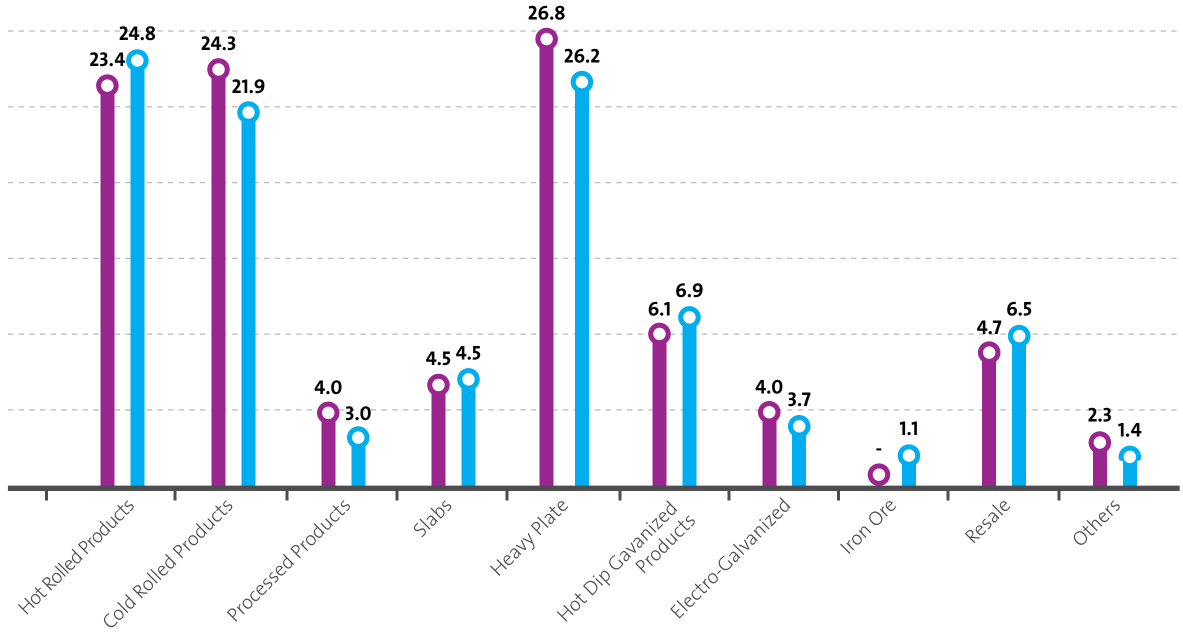
CONSOLIDATED GROSS SALES - 2008
Domestic Market Export Market



EXPORT MARKET DESTINATION - 2008

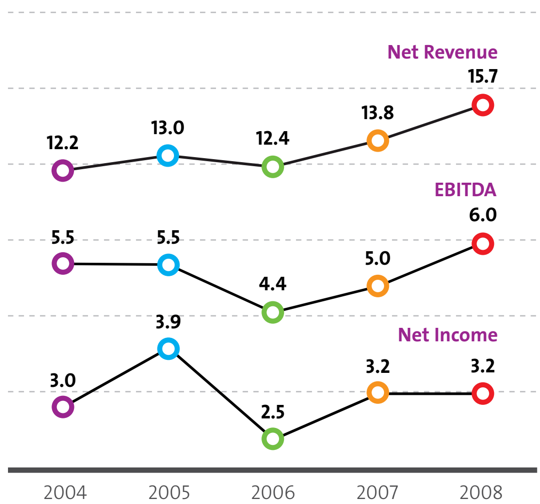


CONSOLIDATED SALES MIX - %
2007 2008



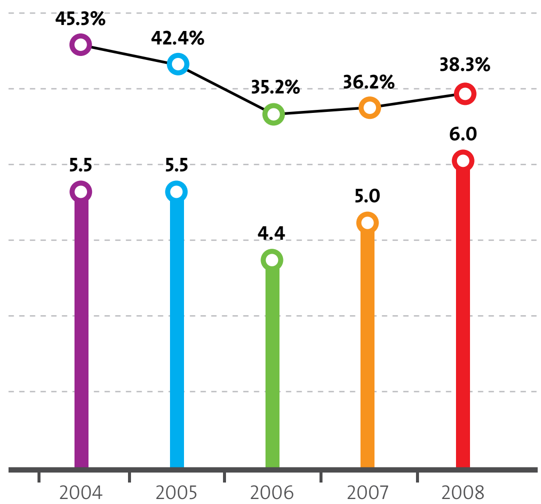
CONSOLIDATED NET REVENUE BREAKDOWN - %

2007 2008



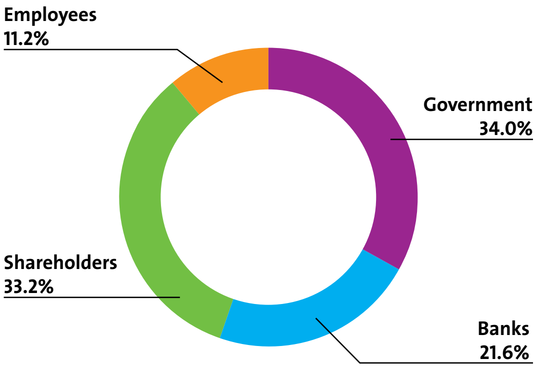
GROWTH OF CONSOLIDATED RESULTS

R$ billion

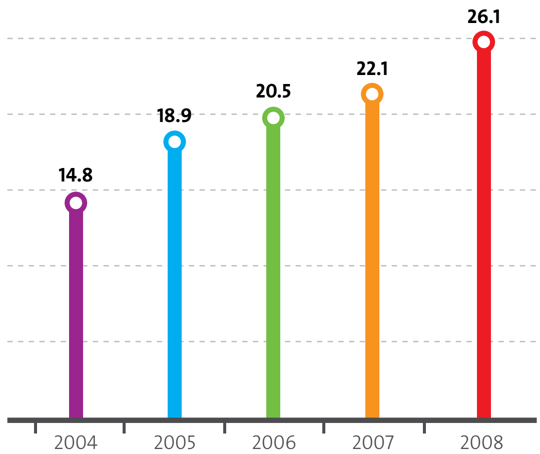


CONSOLIDATED EBITDA

R$ billion and margin %



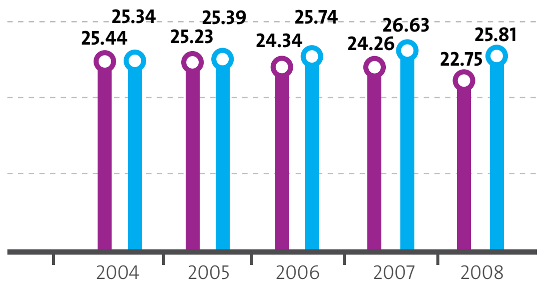
DISTRIBUTION OF ADDED VALUE - 2008
R$ 9.7 billion



CONSOLIDATED TECHNOLOGICAL RESARCH INVESTMENTS
R$ billion

Ratings	Standard &Poor's	Moody's	Fitch Rating
2007	BBB Stable	Baa3 Stable	BBB Stable
2008	BBB Stable	Baa3 Stable	BBB Stable

Direct Jobs	
2006	25,596
2007	29,217
2008	29,784

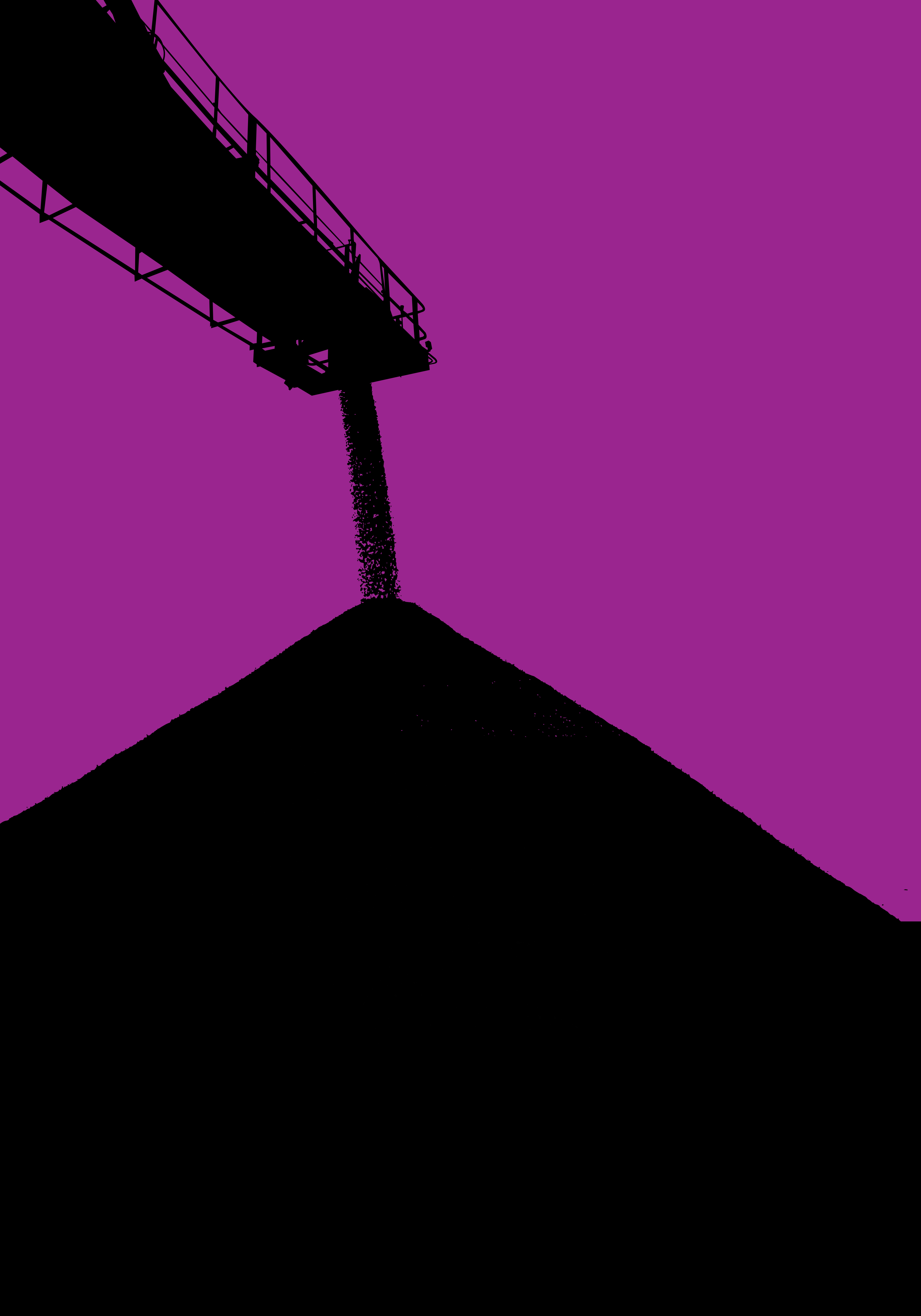


STEEL MILLS SPECIFIC ENERGY CONSUMPTION
Giga Joules per Ton of Crude Steel
Specific Consumption - Cubatão Mill
Specific Consumption - Ipatinga Mill

Economic Value Added R$ thousand	Controlling Company				Consolidated			
	2008		2007		2008		2007	
	Value	%	Value	%	Value	%	Value	%
1 - Revenues	**11,412,986**		**9,814,433**		**21,046,004**		**18,437,867**	
1.1 - Sale of goods, products and services	11,401,174		9,806,671		21,029,447		18,430,187	
1.2 - Other revenues	7,901		7,762		12,775		7,725	
1.3 - Revenues from creating own assets	0		0		0			
1.4 - Provision for doubtful accounts - reversal	3,911		0		3,782		(45)	
1.5 - Non operating results	0		0		0		0	
2 - Input from third party	**(6,912,033)**		**(5,356,416)**		**(12,273,646)**		**(10,296,119)**	
2.1 - Cost of goods and services sold	(6,394,375)		(5,134,245)		(11,255,078)		(9,814,435)	
2.2 - Materials, energy, third party services and others	(517,658)		(222,171)		(1,018,568)		(481,684)	
2.3 - Loss/recovery of asset values	0		0		0		0	
2.4 - Others	0		0		0		0	
3 - Gross Economic Value Added (1-2)	**4,500,953**		**4,458,017**		**8,772,358**		**8,141,748**	
4 - Depreciation, Amortization and depletion	**(284,726)**		**(267,464)**		**(503,204)**		**(624,789)**	
5 - Net Economic Value Added from Company operations (3-4)	**4,216,227**		**4,190,553**		**8,269,154**		**7,516,959**	
6 - Economic Value Added Received by Transfer	**2,528,627**		**1,482,348**		**1,441,460**		**298,231**	
6.1 - Equity income from sudsidiaries and affiliates from goodwill(negative goodwill)	1,905,543		1,303,313		457,883		9,189	
6.2 - Financial revenues	623,084		179,035		982,277		287,898	
6.3 - Rent and royalties	0		0		1,300		1,144	

(Continued)

Economic Value Added R$ thousand	Controlling Company				Consolidated			
	2008		2007		2008		2007	
	Value	%	Value	%	Value	%	Value	%
7 - Total Economic Value Added to Distribute (5+6)	**6,744,854**		**5,672,901**		**9,710,614**		**7,815,190**	
8 - Economic Value Added Distribution	**6,744,854**	**100.00**	**5,672,901**	**100.00**	**9,710,614**	**100.00**	**7,815,190**	**100.00**
8.1 - Employees	**628,733**	**9.32**	**630,774**	**11.11**	**1,091,576**	**11.24**	**1,155,201**	**14.78**
8.1.1 - Salaries and charges	356,588	5.29	354,011	6.24	706,955	7.28	758,326	9.7
8.1.2 - Government Severence Indemnity Fund for Employees	42,066	0.62	35,330	0.62	76,974	0.79	69,549	0.89
8.1.3 - Management fees	40,552	0.6	47,875	0.84	53,970	0.56	76,592	0.98
8.1.4 - Employee's profit-share	32,723	0.49	64,159	1.13	76,688	0.79	95,842	1.23
8.1.5 - Pension and retirement plans	156,804	2.32	129,399	2.28	176,989	1.82	154,892	1.98
8.2 - Taxes	1,567,439	23.23	1,829,200	32.24	3,294,587	33.94	3,410,423	43.64
8.2.1 - Federal	941,844	13.96	1,292,952	22.79	2,157,330	22.22	2,497,551	31.96
8.2.2 - State	598,455	8.87	505,010	8.9	1,077,570	11.1	852,864	10.91
8.2.3 - City council	13,383	0.2	12,529	0.22	32,573	0.34	30,878	0.4
8.2.4 - Tax benefits	13,757	0.2	18,709	0.33	27,114	0.28	29,130	0.37
8.3) Third party remuneration	**1,299,902**	**19.28**	**25,510**	**0.46**	**2,100,018**	**21.63**	**38,525**	**0.49**
8.3.1 - Interests	1,445,449	21.44	25,510	0.46	2,061,488	21.23	38,525	0.49
8.3.2 - Rent	0		0		9,527	0.1	0	
8.3.3 - Others	(145,547)	-2.16	0		29,003	0.3	0	
8.4 - Remuneration of Equity	**3,248,780**	**48.17**	**3,187,417**	**56.19**	**3,224,433**	**33.19**	**3,211,041**	**41.09**
8.4.1 - Interest on Equity	**758,004**	**11.24**	**645,001**	**11.37**	**758,004**	**7.81**	**645,001**	**8.25**
8.4.2 - Dividends	**379,071**	**5.62**	**470,594**	**8.3**	**379,071**	**3.9**	**470,594**	**6.02**
8.4.3 - Retained profit/loss	**2,111,705**	**31.31**	**2,071,822**	**36.52**	**2,102,718**	**21.65**	**2,118,627**	**27.11**
8.4.4 - Minority participation on retained profit	**0**		**0**		**(15.360)**	**-0.17**	**(23.181)**	**-0.3**



CORPORATE PROFILE

USIMINAS

CORPORATE PROFILE

Usiminas is the largest and most advanced flat steel complex in Latin America. It consists of 13 companies with activities in mining, steel & iron, production of capital goods, logistics, solutions and services, reaching the entire steel chain in a vertical structure. In short, it extracts ore, turns it into high quality steel, processes the product according to customers' specifications, offers highway, railway or maritime transportation and, if required, ships finished goods such as machinery and large-scale metallic structures.

To that end, it employs 29,784 employees in plants distributed all over Brazil. Headquartered in Belo Horizonte (MG) and with steelworks in Ipatinga (MG) and Cubatão (SP), Usiminas' rated capacity is 9.5 million tons of steel per year, representing over 25% of the Brazilian production. Priority-guided for internal supply, it holds 49.2% of the Brazilian flat steel market, highlighting sectors such as automotive, auto parts, ship making, and agricultural, industrial and electronic equipment. In 2008, it achieved national leadership in the distribution segment, by consolidating the Dufer control with the acquisition of its remaining 50% stake, and the total acquisition of Zamprogna, formerly the largest independent distributor of steel.

In 2008, it was assigned stable Baa3 rating by Moody's, a global leading credit risk rating agency. Therefore, Usiminas is the first Brazilian steel producer to be awarded with investment grade status, and also the first to be assigned stable Baa3, a buzzword to refer to companies with investment grade awarded by the three leading rating agencies in the world - Moody's, Standard & Poor's and Fitch.

According to Moody's, Usiminas increased rating reflects the company's credit quality due to its strong cash position, its low leverage index, competitive production costs in global scale, and planned risk management.

In addition to investment grade, Usiminas is the only steel manufacturer in the Americas to be listed in the Dow Jones Sustainability Index, New York Stock Exchange – for the second consecutive year. A study by *The Boston Consulting Group*, conducted with over 600 global companies, placed Usiminas as the world's fifth in creation of value to shareholders.

USIMINAS HISTORY - CYCLES

ESTABLISHMENT (1956-1958)

In an optimistic scenario created by the Development Plan in the President Juscelino Kubitscheck's government, Usiminas is founded on April 25, 1956. In July 1957, the Lanari-Horikoshi agreement consolidated the Japanese participation in the company, which received funds from the governments of Minas Gerais, Brazil and Japan. On August 16, 1958, JK lays the cornerstone for the steelworks in Ipatinga, then a 300-inhabitant small village.

Cubatão Port Terminal.

CONSTRUCTION (1959-1962)

Ipatinga lacks infrastructure to receive 10 thousand workers for Usiminas construction works, and the company prepares an urbanization plan for the city to have conditions to lodge both employees and civil construction workers. On October 26, 1962, President João Goulart lights the first blast furnace and inaugurates the plant, then with rated capacity for 500 thousand tons of steel per year.

SOCIAL INVESTMENT (1965)

The year is a milestone for Usiminas socially responsible activities. On May 1st, 1965, Usiminas inaugurates Hospital Márcio Cunha. The same year, the Ipatinga population receives the facilities of a pulmonology center, a preventive medicine center, three outpatient clinics with dental offices, a first-aid station – within the plant – and a pediatric facility.

1ST EXPANSION CYCLE (1969-1974)

Brazil lives a period of strong economic development, and Usiminas starts its first expansion cycle, elevating productive capacity to 1.4 million tons per year. In 1970, with the establishment of Usiminas Mecânica, the company starts businesses with civil construction and mechanics. The following year, the Research Center starts the development of own projects and technology transfer activities. In 1974, with the opening of blast furnace 3, annual production capacity reaches 3.5 million tons of steel a year.

DEFEATING RECESSION (1980)

Usiminas reacts to the financial crisis experienced by the Country with an internal saving program, putting into practice a new and more flexible intelligent management system for improved use of physical, financial and human resources. The company moves headquarters to the new building, in the district of Pampulha, in Belo Horizonte.

ENVIRONMENTAL INVESTMENT (1984)

A pioneer in Minas Gerais, Usiminas launches Xerimbabo Project, meaning "pet animal" in Tupi language, aiming at developing courses, workshops and exhibitions focused on environmental education.

PRIVATIZATION AND MODERNIZATION (1991)

On October 24, 1991, Usiminas becomes the first state-owned enterprise to be privatized by the National Privatization Program. It soon receives investments of US$ 2.1 billion in technological updating to expand and streamline production, and to potentialize environmental protection. In November of the same year, the company's stock started trading on the Sao Paulo Stock Exchange.

INCORPORATION AND PIONEERING (1993-1996)

Cosipa, a major steel plant in the Country, located in Cubatão (SP), is incorporated by Usiminas that makes investments in technological updating, environmental recovery and safety. Still in 1993, electrolytic galvanizing is inaugurated, with investments of US$ 228 million. In 1996, Ipatinga steelworks became the first in Brazil and second in the world to be ISO 14001 standard certified for environmental respect and protection.

RESTRUCTURING (1998-2001)

Usiminas undergoes ownership restructuring involving Ipatinga and Cubatão steelworks. In 1999, with investments of US$ 852 million, the company launches the country's most advanced cold strip mill – Cold Strip Mill 2, with annual productive capacity of 1 million tons. The same year, Unigal is created for steel sheet galvanizing for the automotive industry.

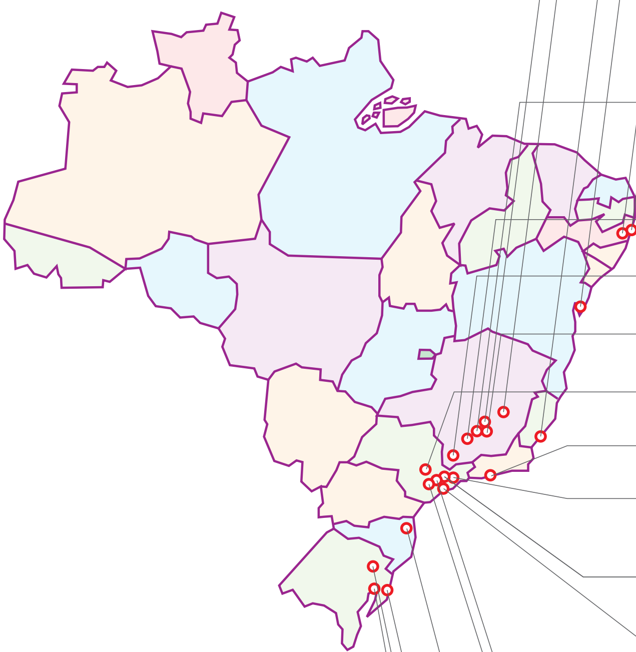
INTEGRATION (2005-2006)

Going private, Cosipa becomes a whole-owned subsidiary of Usiminas. Also in 2005, the company announces a partnership agreement with Grupo Techint and 14.2% stake at Ternium steel plant, for composite installed capacity of 12 million tons/ year. In November 2006, a new shareholder agreement is signed, strengthening the controlling group and reaffirming the commitment with continuous improvement of productive process.

2ND EXPANSION CYCLE (2007-2015)

Announced in 2007, the Expansion Project - Vision 2015 forecasts investments of US$ 9 billion, the largest in the Brazilian steel industry, aiming at expanding and updating its productive capacity, thus generating employment and development for the Country. In 2008, the amount is revised up to US$ 14 billion, and the company announces its debut in the mining sector. At the year end, investment rhythm is rightsized to market conditions.

USIMINAS GEOGRAPHICAL LOCATION



CABO STO. AGOSTINHO | PE
FASAL DS
RECIFE | PE
USIMINAS ER
CAMAÇARI | BA
USIMINAS CD
IPATINGA | MG
USIMINAS S
UNIGAL S
USIMINAS MECÂNICA BE
USIROLL DS
SANTA LUZIA | MG
FASAL DS
VITÓRIA | ES
USIAL DS
TERMINAL PRIVATIVO DE USO MISTO DE PRAIA MOLE L
BETIM | MG
USIFAST L
USICORT DS
USIMINAS CD
ITATIAIUÇU | MG
MINING M
POUSO ALEGRE | MG
USIPARTS BE
BELO HORIZONTE | MG
USIMINAS - SEDE
CAMPO LIMPO PAULISTA | SP
ZAMPROGNA DS
RIO DE JANEIRO | RJ
ZAMPROGNA DS
TAUBATÉ | SP
RIO NEGRO DS
USIMINAS CD
GUARULHOS | SP
RIOS UNIDOS L
RIO NEGRO DS
FASAL DS
ZAMPROGNA DS
CUBATÃO | SP
USIMINAS S
TERMINAL MARÍTIMO PRIVATIVO DE CUBATÃO L
USIMINAS MECÂNICA BE
DUFER DS
SÃO MIGUEL PAULISTA | SP
USIMINAS CD
SÃO PAULO | SP
DUFER DS
USIMINAS ER
USIMINAS MECÂNICA ER
USIPARTS ER
JOINVILLE | SC
USIMINAS ER
CACHOEIRINHA | RS
FASAL DS
CAXIAS DO SUL | RS
USIMINAS CD
PORTO ALEGRE | RS
ZAMPROGNA DS
USIMINAS ER

Steel Making S
Capital Goods and Processing BE
Services and Distribution DS
Services and Distribution Center CD
Regional Offices ER
Logistics L
Mining M

MAIN PRODUCTING UNITS

CORPORATE GOVERNANCE

USIMINAS

CORPORATE GOVERNANCE

Usiminas continuously improves its governance structures in order to ensure safe decision-making always turned to generating value to shareowners and stakeholders. Since October 2007, it adhered to Level 1 Corporate Governance with the Sao Paulo Stock Exchange (Bovespa) - voluntarily committed to clear and transparent information disclosure to the market. For the second year running, it is listed in the Dow Jones Sustainability Index (DJSI), New York Stock Exchange, of companies with best-in-class sustainability practices.

In 2008, major evolution occurred in the Executive Board, resulting from a study for management remodeling. To make the structure less hierarchical and more decentralized, the Executive Board now consists of the chief executive officer and four vice-presidents: Businesses, Industrial, Finances and Special Relations. This structure is joined by the areas of Mining, Usiminas Mechanics, Human Resources, Research and Innovation, Strategic Planning and Legal, in addition to Institutional Relations Advisory area.

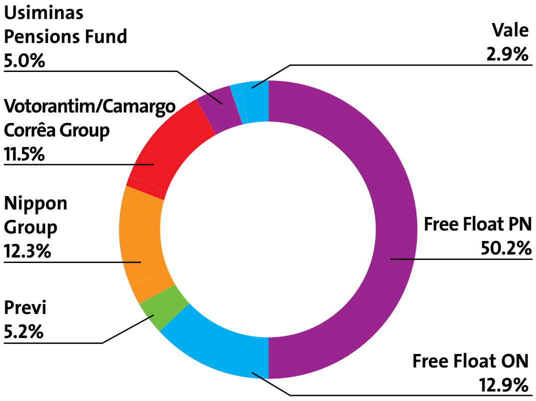
Another innovation to make businesses more agile was the creation of an Executive Committee (Comex), assembling twice a month for joint deliberation on relevant management matters. It consists of the chief executive officer, four vice-presidents, directors of Human Resources, Legal, and Strategic Planning, and Institutional Relations advisor. In the scope of the Board of Directors, the committees of Human Resources, Auditing and Risks have been created.

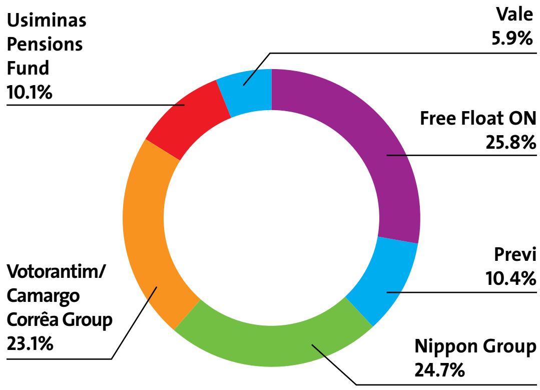
The fulfillment of the commitments made by Usiminas, as well as monitoring good governance practices, is supervised by the Corporate Internal Audit, reporting to the Board of Directors.

OWNERSHIP STRUCTURE

Listed and traded at stock exchanges in Sao Paulo (Bovespa), Madrid (Latibex) and New York – Over-the-Counter and in the form of ADRs (American Depository Receipts) – Usiminas stocks are 506,893,095, divided almost in half between common stocks (entitle the owner to vote) and preferred stocks (higher claim on assets and earnings).

The new Usiminas design was conceived to ensure increased capacity to react to market movements and to new international reality.





TOTAL CAPITAL - 12/31/08
Control Group 31.9%
ON – 49.8% / PN – 50.2%

VOTING CAPITAL - 12/31/08
Control Group 63.8%

BOARD OF DIRECTORS

The Usiminas Board of Directors shall establish general business guidelines and make decisions on strategic matters, aiming at ensuring the following directives:

1. Promote the Company's continuous growth, always respecting its values and social role, exercising its legal and statutory capacity, observing the Company's corporate purpose as well as those of controlled, associated and subsidiary companies.

2. Watch over the interests of all shareholders, whilst not neglecting other stakeholders.

3. Watch over the perenniality of the Company, from long-term and sustainability perspectives, incorporating social, environmental and good corporate governance considerations in the definition of businesses and operations.

4. Adopt an adroit management structure, consisting of qualified professionals with immaculate reputation.

5. Prepare guidelines for the Company's management, as well as its controlled, associated and subsidiary companies, to be reflected in the annual budget.

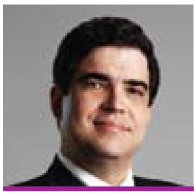
6. Watch over the effective implementation by Directors of strategies and guidelines without, however, interfering in operational matters.

7. Prevent and manage possible situations of conflict of interests, or disagreement of opinions, ensuring that the Company's interests will always prevail.

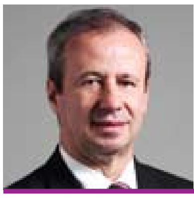
It is also the duty of the Board to elect the Executive Board and determine their attributions. Top decision-making body, it is in ongoing evolution to adapt to changing market requirements: as from 2008, it does not have members who are also executive officers at the Company. Now, there is also the Secretary of the Board to assist the Board activities and its members.

The Board consists of ten effective members – and respective stand-ins – elected in General Assembly for a two-year term, with reelection allowed, who assemble ordinarily four times a year, according to previously established calendar, and extraordinarily whenever required by social interests.

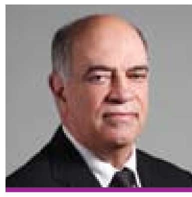
EXECUTIVE COMMITTEE (COMEX)



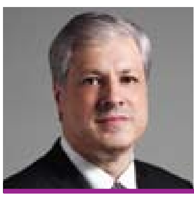
Marco Antônio S. C. Castello Branco
CEO



Sérgio Leite de Andrade
Vice-President, Businesses

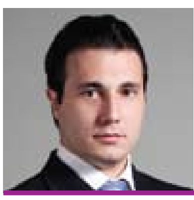


Omar Silva Júnior
Vice-President, Industrial

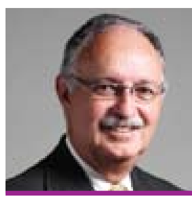


Paulo Penido Pinto Marques
Vice-President, Finances, Investor Relations and Information Technology

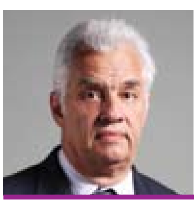
Takashi Hirao
Vice-President, Special Relations



Guilherme Hallack Lanziotti
Director, Legal

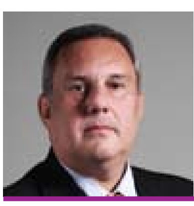


Juarez Rabello
Director, Mining

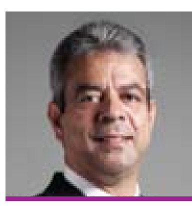


Guilherme Muylaert Antunes
Director, Usiminas Mecânica

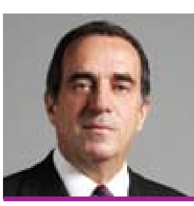
Denise Brum Monteiro de Castro Vieira
Director, Human Resources



Ricardo Wagner Righi de Toledo
Director, Strategic Planning, Merger, Acquisitions and Alliances



Darcton Policarpo Damião
Director, Research and Innovation



Delson de Miranda Tolentino
Advisor, Institutional Relations

Risk factors to Usiminas' businesses are constantly monitored by prevention areas.

Composition of the Board of Directors
Wilson Nélio Brumer (Chairman)
Albano Chagas Vieira
Bertoldo Machado Veiga
Francisco Caprino Neto
José Carlos Martins
Hidemi Kawai
Humberto Eudes Vieira Diniz
Rinaldo Campos Soares
Tooru Obata
Toshimi Sugiyama

For the profile of Usiminas Directors, please visit: www.usiminas.com

EXECUTIVE BOARD

The mission of the Executive Board is to establish directives for Usiminas administrators, directing them in internal and external relations. It must act ethically, focused on the interests of stakeholders at every company in the group, and, at the same time, on the high quality of products and services offered to society, and promote corporate socio-environmental responsibility. Just like the Board of Directors, executive directors have two-year terms, with reelection allowed.

Composition of the Executive Board
CEO: Marco Antônio S. C. Castello Branco
Vice-President, Industrial: Omar Silva Júnior
Vice-President, Finances, Investor Relations and Information Technology: Paulo Penido Pinto Marques
Vice-President, Businesses: Sérgio Leite de Andrade
Vice-President, Special Relations: Takashi Hirao

For the profile of Usiminas Directors, please visit: www.usiminas.com

MANAGEMENT REMUNERATION

In 2008, managers (board members and executive directors) received portions of the global sum of R$ 24.0 million, approved in Ordinary General Meeting held on April 29, 2008, in addition to part of payments referring to the global sum of R$ 37.5 million approved on April 10, 2007. Regarding the sum approved in 2007, the following payments were made in 2008:

DIRECTORS	Honorary Jan to Apr/08	Variable Rem. 2007 paid in 2008	Private Pension and Life Insurance Benefits	Total	Total with Charges
RINALDO CAMPOS SOARES	412,830.80	6,241,379.31	263.72	6,654,473.83	8,517,652.66
GABRIEL MÁRCIO JANOT PACHECO	206,415.44	1,057,183.91	263.72	1,263,863.07	1,617,670.89
HIROYUKI NAKAGAWA	206,415.44	600,191.57	263.72	806,870.73	1,032,720.69
IDALINO COELHO FERREIRA	206,415.44	899,329.50	263.72	1,106,008.66	1,415,617.24
OMAR SILVA JÚNIOR	206,415.44	1,081,609.23	263.72	1,288,288.39	1,648,935.30
PAULO PENIDO PINTO MARQUES	206,415.44	908,620.69	7,496.28	1,122,532.41	1,434,742.53
RENATO VALLERINI JÚNIOR	206,415.44	1,186,685.82	263.72	1,393,364.98	1,783,433.33
TAKASHI HIRAO	252,067.20			252,067.20	322,646.02
Total	**1,903,390.64**	**11,975,000.03**	**9,078.60**	**13,887,469.27**	**17,773,418.66**

→

(Continued)

DIRECTORS	Honorary Jan to Apr/08	Variable Rem. 2007 paid in 2008	Private Pension and Life Insurance Benefits	Total	Total with Charges
BOARD OF DIRECTORS					
ALBANO CHAGAS VIEIRA	42,221.24			42,221.24	50,665.49
ANTÔNIO LUIZ BENEVIDES XAVIER	14,143.86			14,143.86	16,972.63
BERTOLDO MACHADO VEIGA	42,221.24	1,343,636.36		1,385,857.60	1,663,029.12
HUMBERTO EUDES VIEIRA DINIZ	30,962.31	443,636.36		474,598,67	569,518.40
JOSÉ OLÍMPIO SILVA	42,221.24	443,636.36		485,857.60	583,029.12
MARCELO PEREIRA MALTA DE ARAÚJO	42,221.24			42,221.24	50,665.49
TOSHIMI SUGIYAMA	31,900.47	443,636.36		475,536.83	570,644.20
KENICHI ASAKA	10,320.77			10,320.77	12,384.92
WILSON NÉLIO BRUMER	42,221.24	443,636.36		485,857.60	583,029.12
HIDEMI KAWAI	42,221.24	443,636.36		485,857.60	583,029.12
YUKI IRIYAMA	42,221.24	443,636.36		485,857.60	583,029.12
Total	382,876.09	4,005,454.52		4,388,330.61	5,265,996.73
FISCAL COUNCIL					
ANTÔNIO JOAQUIM CUSTÓDIO	23,590.32			23,590.32	28,308.38
EUGEMAR TAIPINAS RAMOS	23,590.32			23,590.32	28,308.38
JOSÉ RUQUE ROSSI	23,590.32			23,590.32	28,308.38
MASATO NINOMIYA	23,590.32			23,590.32	28,308.38
Total	94,361.28			94,361.28	113,233.54
TOTALS	**2,380,628.01**	**15,980,454.55**	**9,078.60**	**18,370,161.16**	**23,152,648.93**

Total of Management (Council and Directors): R$ 18,370,161.00
Total Management with charges: R$ 23,152,648.00

The total sum approved in 2008 represented a reduction of R$13.5 million, or 36%, if compared to 2007. The difference results from the Usiminas reorganization process, which also includes the establishment of a Remuneration Policy for the Top Management by the Board of Directors. Therefore, in approval of a recommendation by the Human Resources Committee, and based on studies made by international specialized consultants, the Board of Directors defined (Meeting of the Board October 30, 2008):

1) **Revocation of previous system** – previous Board decisions on Top Management remuneration were revoked, especially the decision of January 11, 1993, which established a sum for distribution based on declared dividends, at the discretion of the Chairman of the Board.

2) **Strategic Remuneration for Directors** - a temporary remuneration was established for the year 2008 for Board members. As from 2009, a remuneration policy based on market practices will be implemented, taking into consideration the value added to the Company, and with meritocracy fundamentals. Amounts to be paid in 2008 include a fixed quota and a bonus quota. The bonus quota will be paid as follows: 50% (fifty percent) in December 2008 and remaining 50% (fifty percent) after approval by the Board of Directors of the 2008 Balance Sheet.

3) **Remuneration of the members of the Board of Directors** – for the Board of Directors, the new remuneration policy is: (i) fixed annual remuneration equal to 10% (ten percent) of the fixed quota of the annual remuneration established

for the Company's Chief Executive Officer, to be paid monthly to every Member; (ii) considering the monthly amount currently paid to each Member, such payment will be kept to the end of the current year; (iii) the Chairman of the Board will receive a remuneration equal to 30% (thirty percent) of the fixed quota of the annual remuneration for the Chief Executive Officer, in monthly installments, applicable as of April 2008.

Regarding the sum approved at the Meeting of 2008, the payments below were either made in the same year or are programmed for the years 2009, 2010 and 2011:

DIRECTORS	Honorary May to Dec/08	Variable Rem. 2008 paid in 2008	Variable Rem. 2008 to be paid in 2009	Private Pension and Life Insurance Benefits	Indemnity Amounts			Total	Total with Charges
					2008	2009	2010		
MARCO ANTÔNIO S. C. CASTELLO BRANCO	770,000.00	1,800,000.00	1,400,000.00	65,912.26				4,035,912.26	5,147,512.26
GABRIEL MÁRCIO JANOT PACHECO	455,047.99	279,000.00	279,000.00	528.19	654,365.71	389,749.32	262,072.86	2,319,764.07	2,864,655.09
IDALINO COELHO FERREIRA	455,047.99	392,500.00	392,500.00	528.19	728,670.86	302,291.15	279,037.98	2,550,576.17	3,159,789.61
OMAR SILVA JÚNIOR	455,047.99	648,000.00	648,000.00	528.19				1,751,576.18	2,241,869.62
PAULO PENIDO PINTO MARQUES	455,047.99	403,000.00	403,000.00	14,993.31				1,276,041.30	1,629,134.74
RENATO VALLERINI JÚNIOR	455,047.99	241,000.00	241,000.00	528.19	654,665.71	395,984.34	258,602.02	2,246,828.25	2,771,052.10
SERGIO LEITE DE ANDRADE	112,589.30	56,294.65	56,294.65	6,977.88				232,156.48	295,206.49
TAKASHI HIRAO	497,412.25	126,500.00	126,500.00					750,412.25	960,527.68
Total	**3,655,241.50**	**3,946,294.65**	**3,546,294.65**	**89,996.21**	**2,037,702.28**	**1,088,024.81**	**799,712.86**	**15,163,266.96**	**19,069,747.57**
BOARD OF DIRECTORS									
ALBANO CHAGAS VIEIRA	90,071.44							90,071.44	108,085.73
BERTOLDO MACHADO VEIGA	90,071.44							90,071.44	108,085.73
FRANCISCO CAPRINO NETO	64,175.90							64,175.90	77,011.08
HUMBERTO EUDES VIEIRA DINIZ	90,071.44							90,071.44	108,085.73
MARCELO ARAÚJO	11,258.93							11,258.93	13,510.72
RINALDO CAMPOS SOARES	90,071.44							90,071.44	108,085.73
TOSHIMI SUGIYAMA	90,071.44							90,071.44	108,085.73
WILSON NÉLIO BRUMER	286,679.23							286,679.23	344,015.08
HIDEMI KAWAI	90,071.44							90,071.44	108,085.73
TOORU OBATA	90,071.44							90,071.44	108,085.73
Total	**992,614.14**							**992,614.14**	**1,191,136.97**
FISCAL COUNCIL									
ANTÔNIO JOAQUIM CUSTÓDIO	51,469.36							51,469.36	61,763.23
CARLOS ROBERTO NASSIF CAMPOLINA	51,469.36							51,469.36	61,763.23
EUGEMAR TAIPINAS RAMOS	51,469.36							51,469.36	61,763.23
MASATO NINOMIYA	51,469.36							51,469.36	61,763.23
Total	**205,877.44**							**205,877.44**	**247,052.93**
TOTALS	**4,853,733.08**	**3,946,294.65**	**3,546,294.65**	**89,996.21**	**2,037,702.28**	**1,088,024.81**	**799,712.86**	**16,361,758.54**	**20,507,937.47**

Total of Management (Council and Directors): R$ 16,361,758.
Total Management with charges: R$ 20,507,937.

PERMANENT FISCAL COUNCIL

Consisting of five members elected in General Meeting, the Permanent Fiscal Council shall supervise the Usiminas Top Management to certify they adhere to their legal duties as determined by the articles of incorporation. The analysis of accounting statements is also the responsibility of the Fiscal Council, which should have an opinion on investment plans and budgets, as well as on capital stock alteration proposals, distribution of dividends, or possible transformation, incorporation, merger or split involving companies of the group.

INTERNAL COMMITTEES

The mission of internal committees is to develop analyses which will expedite decision making on the part of the Board of Directors in specific matters, such as Human Resources and Auditing. They consist of four members of the Board of Directors, nominated in General Assembly.

Composition of the Permanent Fiscal Council
Carlos Roberto Nassif Campolina (CEO)
Elízio Damião Gonçalves de Araújo
Eugemar Taipinas Ramos
Antônio Joaquim Ferreira Custódio
Masato Ninomiya

For the profile of Usiminas' Fiscal Council, please visit: www.usiminas.com

Human Resources Committee
Wilson Nélio Brumer (coordinator)
Rinaldo Campos Soares
Toshimi Sugiyama
Humberto Eudes Vieira Diniz

Audit Committee
Toshimi Sugiyama (coordinator)
Bertoldo Machado Veiga
Aristides Corbellini
Wilson Nélio Brumer

INDEPENDENT AND EXTERNAL AUDITORS

The Company's policy on hiring services of independent auditors not related to external auditing assures that there should be no conflicts of interest, loss of independence or objectivity. Additionally, we inform that existing contracts and services provided to the Company and its subsidiaries by independent auditors – not related to external auditing, diagnosis and IFRS implementation – aim at providing tax counseling services in operations of merger and acquisitions, not exceeding 8% of the total value related to external auditing services.

INTERNAL AUDIT

The Internal Audit reports to the Board of Directors. In 2008, the methodology for identification and prioritization of processes to be audited was consolidated, as well as the Risk-Based Internal Audit, implemented in the previous year. The focus is prevention. To the end, the implementation of the software *Audixpress* was fundamental, which allows for audit planning based on major existing risks in each process, as well as following up the results of implemented changes.

The methodology, integrated into the *Committee of Sponsoring Organizations* (COSO), allows for guiding audit efforts from eight criteria:

- Customer Related Risks
- Fraud Related Risks
- Information Technology Related Risks
- Finance Related Risks
- Industrial Performance Risks
- Reputation Risks
- Knowledge Related Risks
- Operation Related Risks

The same criteria are adopted to supervise recommended improvement actions. Thanks to this preventive attitude, the company lies on solid basis and is capable to face abrupt oscillations in the economy, therefore keeping investment levels. Likewise, indebtedness is kept at safe levels.

Procedures for risk identification and control mechanisms have been revised regularly by internal and external specialists with the purpose of evaluating needs and characteristics that would allow for the most efficient possible mitigation of risks while keeping consistency to costs, timeframes and investment performance.

In 2008, a job rotation program was launched for people from different sectors and units serve a term with the Audit. The idea is to reinforce the interaction of people with different formation, enlarge the business general view and expand the culture of observance to highest ethical standards, and also insert risk management into the corporate culture.

Risk factors to Usiminas' businesses are constantly monitored by prevention areas. Such management tool encompasses risks on industrial, exchange and financial, technological, conjuncture, market, and environmental operations.

The areas in charge of corporate process implementation make annual recommendations for improvement in control systems, keeping them up to date and prepared for possible market challenges.

NORMALIZATION OF PROCEDURES

From the perception of internal regulation needs to depersonalize governance actions, Usiminas has been expanding the codification of management attitudes.

In the context of appreciating agility and transparency, Usiminas prepared in 2008 – municipal election year – a code of conduct to standardize its participation in political campaigns. The code establishes that the Company contributes exclusively for campaigns in areas where it keeps corporate activities or direct influence in the community, under strict legal and ethical principles.

GLOBAL COMMITMENTS

As it could not be otherwise, the behavior of Usiminas takes into consideration the respect for Brazilian legal standards and International Labor Organization conventions on diversity and fight against child and forced labor. The Company has also joined the **UN Global Compact** and endeavors to promote the 10 principles – related to human rights, fair labor relations, environmental preservation, and anti-corruption – in the entire productive chain.

STRATEGIC MANAGEMENT

USIMINAS

The global steel industry experiences fast reorganization. Companies have been presenting remarkable operating results, leading to huge transformations, not only in production scale and market participation, but also in technological development, in product offer, and in other competitive aspects.

Attentive to the scenario, Usiminas has built a strategy to meet a full set of business needs: increase in production capacity to face the internal market growth and allow seizing internationalization opportunities; permanent technological adaptation and the consequent supply of products with higher added value; and the company's integration into its value chain, from the supply of fundamental raw material to the distribution and provision of solutions and services. Such measures, as a whole, aim at providing increased operating safety, keep competitiveness, and ensure value generation to shareholders.

The integration into iron ore supply contributes to maintaining competitive costs, a historical Usiminas strength. The expanded productive capacity, in turn, intends to strengthen the leadership position in the domestic market, and to support the internationalization strategy. Therefore, the focus is not exactly on producing raw steel abroad, but on solutions to add value to our product mix. The new steelworks to be constructed in the city of Santana do Paraíso (MG) will also be intended for the production of higher quality steel at competitive costs, allowing for an increased participation of Usiminas in more demanding markets such as petroleum pipelines, automotive coated sheets, and material for the naval industry.

Finally, it is worth stressing that the integration to processing and to distribution intends to preserve our leadership position in the domestic market, sustained at the historic level of about 50% market share, in addition to securing our presence in growing segments and new niches, an indispensable condition for those which intend to remain competitive in the future.

Starting in 2009, Usiminas now operates in five business units that expand its reach in the steel production chain. Objectives are to stimulate the completeness of our offer and maximize added value to our business.

MORE AGILE AND INTEGRATED

The changes in the management model aimed at creating a more dynamic organi-

Starting in 2009, Usiminas now operates in five business units that expand its reach in the steel production chain. Objectives are to stimulate the completeness of our offer and maximize added value to our business.

zation, regrouping businesses, integrating activities, decentralizing decision-making, and adopting a matrix behavior, not tight, in order to increase synergy, competitiveness, and value generation for the Company.

The reorganization results from a comprehensive study that established value guidelines connected to the Company's growth strategy and the body of changes in the organizational culture that the structure should favor.

Usiminas now operates in five business units that expand its reach in the steel production chain: Mining; Steel & Iron; Specialized; Solutions & Services; and Logistics & Distribution. Objectives are to stimulate the completeness of our offer and maximize added value to our business.

From the organizational point of view, the management model encourages decentralized decision-making, accountability for results, entrepreneurship, and appreciation of new talents. An example of the change was the 40% reduction in the number of people whose decision-making depended on the Chief Executive Officer. The decision-making process was propagated throughout the company.

SINGLE CULTURE

The integration of businesses and, consequently, of a large portion of the Usiminas controlled companies, which is set to happen along 2009, shall be followed by an effective integration of the workforce. It aims at building a single identity for the Company, to inspire in everyone a feeling of belonging, and to stimulate teamwork and cooperation among the various departments and business units. The new culture involves also reinforced expectations in the professional relationship between company and employees.

The renewal process shall be internalized and continuous at Usiminas, allowing for mobility and professional development of employees. Training and qualification structures will be reinvigorated to ensure effective formation of successors.

Acting in unified way throughout the steel chain means, in addition, to fully apply the commitment declared in the Usiminas Quality Policy, that is, to meet completely customer expectations, respecting technical specifications, punctuality, performance, and assessment of formal and informal complaints. Such an attitude, added to investments made to enhance competitiveness, technology and innovation – resulting in a product with more added value – will perpetuate the Company's presence in the market.

Reinventing

The Reinventing Project gathers expectations which will contribute to make Usiminas still more modern, adroit and efficient, aiming at assuring the best performance ever in face of the company's growth aspirations.

Well founded in six major work fronts – Reinventing Project intends to increase the value and ensure the Usiminas' capacity to renew itself in face of ongoing changes in the competitive environment.

The renewal process shall be internalized and continuous at Usiminas, allowing for mobility and professional development of employees.

INVESTMENTS AND PERSPECTIVES

USIMINAS

INVESTMENTS AND PERSPECTIVES

To meet the expectations of value generation from its shareholders, and to face the challenges of the global competitive scenario, Usiminas will continue to invest in increased productive capacity, adapting the rhythm of its investment to the demand of both domestic and international markets.

In 2008, Usiminas continued the structuring and creation of bases for its Investment Plan to expand productive capacity by 5.3 million tons of steel a year. As a consequence of the global economic crisis, it was rightsized to the pace of market recovery, thus extending the timeframe for 2014. It is worth highlighting that the start of operations of Santana do Paraíso (MG) steelworks will coincide with the projections for a more vigorous growth revival of the Brazilian economy.

To meet the strategy of implementing vertical structures and optimizing productive costs, Usiminas acquired, in February 2008, the mining companies J. Mendes, Somisa and Global Mineração, dedicated to iron ore extraction in the region of Itaúna, known as Quadrilátero Ferrífero (Iron Square), in Minas Gerais. Down payment was R$ 1.6 billion, and complementary disbursements may be made depending on surveys to be performed up to March 2010 to confirm the quality and quantity of reserves. The acquisition gradually reduces the company's dependence on raw material suppliers. The same logic for demand adaptation has been applied in the analysis of investments for the expansion of the current annual capacity of extraction and processing – next to 5 million tons – to 29 million tons.

In addition to acquisition of mining assets, Usiminas acquired – in 2008 – an 850,000 sqm property in the municipality of Itaguaí, Rio de Janeiro state, to build a port terminal for import and export of products and raw material, especially exceeding iron ore. Located in the Sepetiba bay, an important seaport region in the country, the area will be ready for building the terminal as soon as works for environmental remedy are concluded, and legal requirements for installation and operation are fulfilled. It is worth stressing that the logistics for iron ore export will be integrated into the terminal operation, as the connection with the acquired mines will be provided by MRS Logística, a company in which Usiminas has a stake. The area's acquisition cost was R$ 72 million, added by approximately R$ 40 million in environmental solutions, and R$ 1.7 billion in port infrastructure, for total investment of as much as R$ 1.8 billion for capacity of 25 million tons per year.

The acquisition of mining activities gradually reduces the Usiminas' dependence on its main raw material supply.

Simulator, Hot-Dip Galvanizing.

The acquisition of mining activities gradually reduces the Usiminas' dependence on its main raw material supply.

At the other end of the productive chain, Usiminas advanced in the consolidation of its position in the sector of services and distribution centers. In December 2008, the Company announced the acquisition of Zamprogna, a company in the country's Southern Region, manufacturer of pipes for a number of applications. The business involves complementary geography and products. The Company did not have a significant position in the distribution market and service centers in the Southern Region. It is worth recalling that Usiminas had already taken control of Dufer, by acquiring a 49% stake from the German group Thyssen for R$ 92.4 million in October. Investments in 2008 were possible due to the comfortable cash position enjoyed by Usiminas, allowing for increased indebtedness to support the expansion of its activities (please, *read the comment in Economic-Financial Performance*).

PERSPECTIVES

Whatever is the projected scenario for global economic recovery, the trend is the year 2009 will be challenging for steel production in Brazil and in the world. The dollar appreciation, pressing raw material prices, connected to demand reduction that drives prices down, will be a barrier for the maintenance and improvement of profitability levels.

Historically guided to meet the demand of the domestic market, Usiminas benefits from the favorable conditions of the Brazilian economy. Even harmed by effects of the global crisis, the country's GDP will continue in expansion with analysts projecting a growth rate around 2% in 2009. The fact that fundaments of the Brazilian economy remain solid to face external difficulties contributes for such an evolution. This is added by Federal Government investments in infrastructure in the areas of energy and transportation, with investments also resumed in segments such as the naval industry, which is expected to have rising demand in the next years.

There are, however, controversial and worrisome indications, which will certainly affect the Brazilian economy especially in the first half, such as credit reduction and impact in employment rates.

In global terms, there is understanding that the steel market never grows in cycles. We are just leaving an unprecedented expansion period that lasted for five years, propelled by the Chinese growth. Therefore, the trend reversal is no surprise, but its intensity is. Expectation is that the second half 2009 will already stage a global market recovery, brought by two political-economic events: the measures from the U.S. President Barack Obama's government for economic recovery of his country, and Chinese investments for holding World Expo 2010 in Shanghai.

For all those internal and external reasons, the moment – yet challenging – is extremely appropriate for the implementation of the organizational transformation in progress at Usiminas. It allows that the vertical structuring of activities and the increased commercial efficiency – with integrated solutions and higher added value – happen in a less pressured environment and, therefore, contribute in a timelier manner for the Company's results. Likewise, the execution of the Investment Plan will be in progress to respond, in the right moment, the market needs.

Operational Control Center – Cubatão Steelworks.

Historically guided to meet the demand of the domestic market, Usiminas benefits from the favorable conditions of the Brazilian economy.

BUSINESS PERFORMANCE

USIMINAS

BUSINESS PERFORMANCE

ECONOMIC ENVIRONMENT

The economic scenario in which Usiminas achieved its results, in 2008, was marked by two different moments. Up to September, the Brazilian economy lived a period of steady growth, signalizing GDP increase of as much as 6%. In the last three months, however, an extreme change dominated the scenario due to the worsening of the U.S. financial crisis and its influence in other countries.

The reversal of expectation directly impacted sensitive points in the performance of the Brazilian economy: commodity prices came down, exchange rate moved drastically, and there was a significant reduction in external and internal credit availability. The intensity of the exchange rate depreciation – in five months, dollar came from R$ 1.60 to R$ 2.40 – made real one of the world's most depreciated currencies in the world in the period. The outcome was a widespread increase in distrust by economic agents, in Brazil and abroad. Consequently, entrepreneurs and consumers postponed their expenditures, and banks restricted new credit extensions.

As a result, projections for expansion of the Brazilian economy are now pointing to modest GDP growth. Current limiting factors are scarce external and internal credit, collapse in the confidence of entrepreneurs and consumers, the exchange rate volatility, significant reduction in exports, and expected worsening in job market conditions. Downfall is expected in the prices of Brazilian exports in 2009.

On the other hand, the Government has been adopting measures to reactivate the economy such as: indication of lower interest rates; resources to increase credit availability, both for internal use and to finance exports; control of exchange rate volatility; and tax reduction to stimulate consumption, with reduction in withholding income tax, tax over financial operations in personal loans, and excise tax on automobiles. Some measures are already effective in the internal market: in January 2009, vehicle manufacturing grew 92% over December.

However, restricted external demand represents a considerable hindrance to economic growth revival in the model as experienced since 2006. The intensity of such restriction is indicated by the exchange rate behavior. Therefore, if a favorable scenario of controlled inflation rate prevails, with sufficient room for interest rate reduction, GDP will still grow, yet modestly.

STEEL INDUSTRY

Demand reduction caused by the global economic crisis prompted the Company to adapt to market conditions.

Demand reduction caused by the global economic crisis prompted the Company to adapt to market conditions.

The World Steel Association reported decrease of 1.2% in global production in 2008, for total 1.330 billion tons. It was the first decrease in the decade, a direct reflex of the international economic crisis. Only Asia, propelled by China, and the Middle East maintained positive performance. China became the first country to produce over 500 million tons a year, with 2.6% growth over 2007.

The brake in global production was such that, in December 2008, it experienced record-breaking 24.3% decrease when compared to the same period in 2007. The reversal in market behavior in the fourth quarter made steel prices come down, a trend that was not only more serious due to the high occupation rate of the productive capacity, relatively low inventories in distribution centers, and measures to reduce production at some manufacturers.

In face of the context, after running years of expansion in production, the domestic steel market presented a small 0.2% reduction when compared to the previous year. According to the Brazilian Steel Institute (IBS), the Brazilian production of raw steel was 33.7 million tons in 2008. The result was produced by significant reduction in the months of November and December caused by the global economic crisis. We should remember that in the first nine months, national production presented a 7% increase over 2007.

Regarding rolled steel production (flat and long), Brazilian production reached 24.7 million tons in 2008, representing a 4.5% decrease when compared to the previous year. The domestic market absorbed more steel. The total reached 24 million tons in 2008, a 9.1% increase. The consumption of flat products, raw material for the automobile industry, was 13.9 million tons, representing an increase of 4.1% over 2007. The demand for long steel products was even larger (16.9%), to reach 10.1 million tons, boosted by the heated civil construction segmented.

As a consequence of the increased domestic demand, export volumes fell 10.9% when compared to 2007 for a total of 9.3 million tons in 2008. Revenues, however, had a 21.1% increase, due to higher prices in the first nine months of the year.

PRODUCTION AND SALES

Usiminas raw steel production reached 8 million tons in 2008, 7.5% lower than 2007, driven basically by pre-scheduled outage of blast furnaces in Cubatão steelworks (February-May) and Ipatinga steelworks in December. Demand reduction caused by the global economic crisis prompted the Company to right size to market conditions and make use of the opportunity to perform maintenance services.

As an outcome, raw steel production was reduced by 19.8% in the fourth quarter 2008 when compared to the same period in the previous year, for a total of 1.8 million tons. Rolled steel production was also lower, reaching 7.5 million tons, a 8.3% decrease from the previous year.

Total Usiminas sales reached 7.2 million tons in 2008, representing a 10.2% reduction when compared to volumes marketed in 2007. Domestic sales representativeness reached 83% of total, higher than 77% in the previous year.

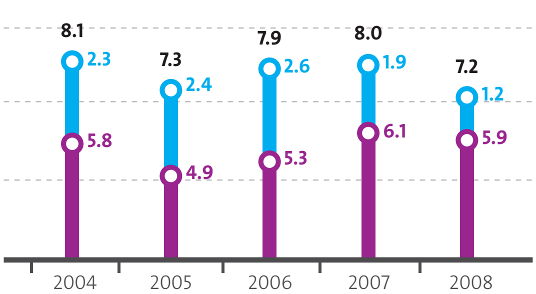
Operating Indicators - Production and Sales						
Thousand tons	**2004**	**2005**	**2006**	**2007**	**2008**	**Chg. 2008/2007**
Production - Raw Steel	**8,951**	**8,661**	**8,770**	**8,675**	**8,022**	**-7.5%**
- Usiminas (Ipatinga/MG)	4,738	4,549	4,616	4,461	4,269	-4.3%
- Cosipa (Cubatão/SP)	4,213	4,112	4,154	4,214	3,753	-10.9%
Sales (Usiminas+Cosipa)	**8,062**	**7,348**	**7,945**	**7,990**	**7,176**	**-10.2%**
- Domestic Market	5,784	4,947	5,288	6,113	5,949	-2.7%
% Domestic Market	*72%*	*67%*	*67%*	*77%*	*83%*	
- Export Market	2,278	2,401	2,657	1,877	1,227	-34.6%
% Exports	*28%*	*33%*	*33%*	*23%*	*17%*	
Iron Ore						
- Production	-	-	-	-	**3,816**	-
- Sales	-	-	-	-	**3,992**	-

INTERNAL MARKET

Usiminas managed to keep its leadership position as a flat steel supplier to the domestic market in 2008, with special highlight to its share in the automobile industry, auto parts, agricultural and highway machinery, industrial and electro-electronic equipment, and large diameter pipes, traditional focus of the company's activities. Market share had a small reduction, from 51.5% in 2007 to 49.2%.

Total domestic market sales reached 5.9 million tons, representing a 2.7% reduction from the volume marketed in 2007. The shrinkage results, mainly, from the significant reduction in demand experienced in the fourth quarter, especially in automobiles, electronic equipment, household appliances, small diameter pipes, and distribution.

Maket Share per Segment (%)		
Segment	**2007**	**2008**
Auto	59.4	50.2
Auto Parts	61.3	60.3
Shipbuilding	100.0	100.0
Agricultural and Highway Machinery	92.4	90.3
Industrial Equipment	97.0	95.3
Electronic Equipment	72.7	70.2
Household Appliances	35.0	31.6
Receptacles	14.2	12.6
Civil Construction	35.2	38.0
Re-rolling	16.7	8.7
Small-Diameter Pipe	39.1	36.7
Shapes	99.9	99.8
Distribution	43.8	41.3
Large-Diameter Pipe	87.7	84.8
Others	69.8	64.6
Total	**51.5**	**49.2**



SALES
MILLION TONS
Domestic Market Export Market

EXTERNAL MARKET

Exports accounted for 17% of Usiminas total sales in 2008, reaching 1.2 million tons, 34.6% lower than the previous year. The reduction is explained by the company's strategy to ensure supply to the domestic market and by reduced exports in the fourth quarter. The leading export destination in the year was Argentina, with 17%. USA represented 13%, Spain 12% and Mexico 10%.

Main Usiminas Export Markets - 2008		
Country	In Thousand Tons	Share (%)
Argentina	212	17.3
USA	157	12.8
Spain	144	11.7
Mexico	123	10.0
Germany	116	9.5
Chile	89	7.3
South Korea	79	6.4
Taiwan	62	5.1
Thailand	45	3.7
Vietnam	30	2.4
Others	170	13.8
Total	**1,227**	**100**

OTHER BUSINESSES

The year 2008 was highly positive for Usiminas specialized companies, highlighting capital goods, stamping and finishing, with all companies having growth in net sales and EBITDA.

CAPITAL GOODS, STAMPING AND FINISHING

Usiminas Mecânica	
Employees	8,587
Net Revenue	R$ 1.21 billion
EBTIDA	R$ 170. 35 million
Usiparts	
Employees	1,339
Net Revenue	R$ 267.49 million
EBTIDA	R$ 33.98 million
Unigal	
Employees	206
Net Revenue	R$ 247.28 million
EBTIDA	R$ 217.89 million

Usiminas Mecânica reached record-breaking net revenues, 51% higher than the R$ 804.33 million in 2007. Among great contracts secured in the year, highlights are supply of equipment assembly and structures for Alumar new facilities, an Alcoa division in São Luís (MA); for the new Passagem Bridge, in Vitória (ES); and for the P55 maritime platform.

In the segment of specialized products, **Usiparts**, in the business of manufacturing and marketing steel stamped parts for the automobile industry, expanded businesses in 2008 by reaching net revenues of R$ 267.49 million against R$ 202 million in 2007.

Unigal, a joint-venture of Usiminas and Nippon Steel for hot-dip galvanizing, expanded processing capacity to 480 thousand tons a year and increased net revenues from R$ 205 million in 2007 to R$ 247.28 million in 2008, 88.1% EBITDA margin.

LOGISTICS

MRS Logística	
Employees	3,669
Net Revenue	R$ 2.9 billion
EBTIDA	R$ 1.5 billion
Usifast	
Employees	693
Net Revenue	R$ 209 million
EBTIDA	R$ 47.5 million
Rios Unidos	
Employees	392
Net Revenue	R$ 107 million
EBTIDA	R$ 8.3 million

In the logistics segment – essential in the complementary offer of product transportation for Usiminas customers – **MRS Logística**, providing railway transportation services in the Brazilian Southeastern Region, proceeded with its capacity expansion plan


30t
T2

Hydroelectric Floodgate Assembly - Usiminas Mecânica.

Oxycutting Machine - Usiminas Mecânica.

with the acquisition of 102 new locomotives and 2,068 wagons, implementation the first section of the new Integrated System for Operation Automation and Control, and new 18.8 km including sections and shunting yards.

The logistics sector has also **Usifast**, a dry port operator with net revenues of R$ 209 million, and **Rios Unidos**, responsible for highway transportation of flat steel, with net revenues of R$ 107 million.

DISTRIBUTION AND SERVICE

Fasal	
Employees	289
Net Revenue	R$ 676.86 million
EBTIDA	R$ 80.49 million
Rio Negro	
Employees	1,481
Net Revenue	R$ 913.84 million
EBTIDA	R$ 113.67 million
Dufer	
Employees	359
Net Revenue	R$ 267 million
EBTIDA	R$ 15.2 million

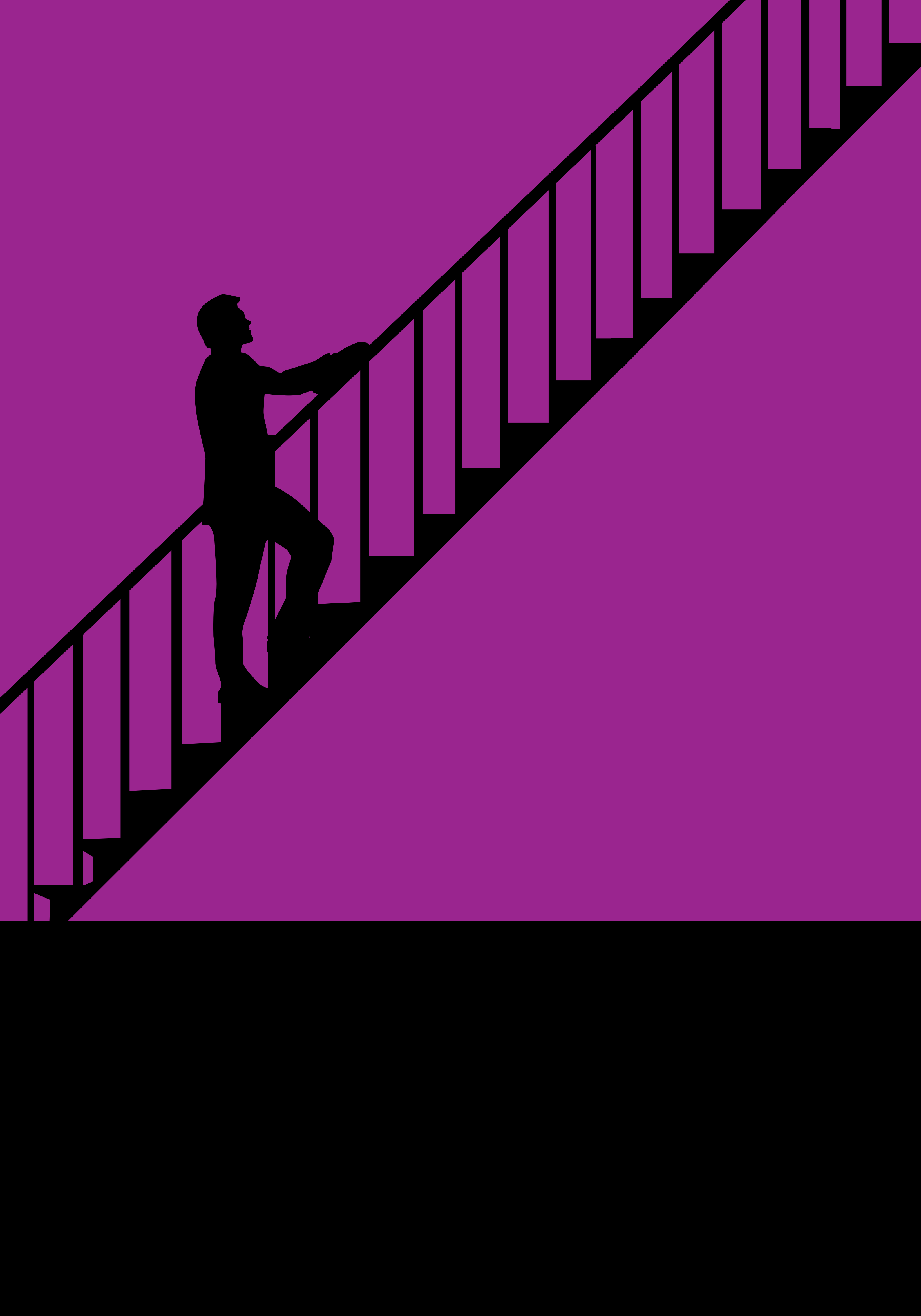
Fasal, Rio Negro and **Dufer** – which join Zamprogna in 2009 – make up the processing and marketing arm for Usiminas products in the domestic market. As from this year, their activities will be integrated into the Usiminas Solutions unit. Fasal and Rio Negro net revenues deserve highlight. The former reached R$ 676.86 million, against R$ 496.68 million in 2007, while the latter jumped from R$ 733.97 million in the previous year to R$ 913.84 million in 2008.

MINING

Mining	
Employees	743
Net Revenue	R$ 319.65 million
EBTIDA	R$ 138.48 million

By taking over three different mining areas at the beginning of 2008, Usiminas endeavored to integrate and adjust the management of the units to the Company's quality standards. It also started a major survey campaign to clearly identify the size of the available mining asset. This is the starting point to establish long-term planning. At the same time, productive activities underwent an improvement process aimed at maximizing the usage of currently available resources. In 2008, iron ore production reached 3,813,651.91 tons, with gross revenues of R$ 319,661,912.59, with 53.39% EBITDA margin.

Usiminas managed to keep its leadership position as a flat steel supplier to domestic market in 2008.



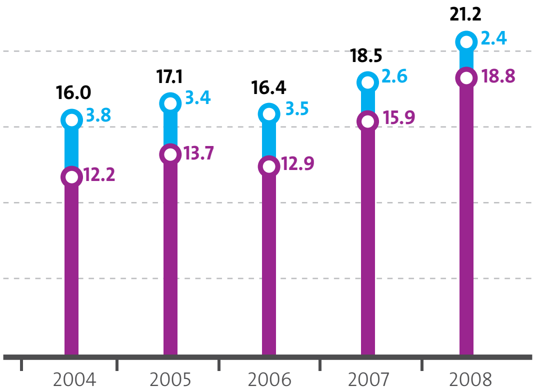
ECONOMIC-FINANCIAL PERFORMANCE

USIMINAS

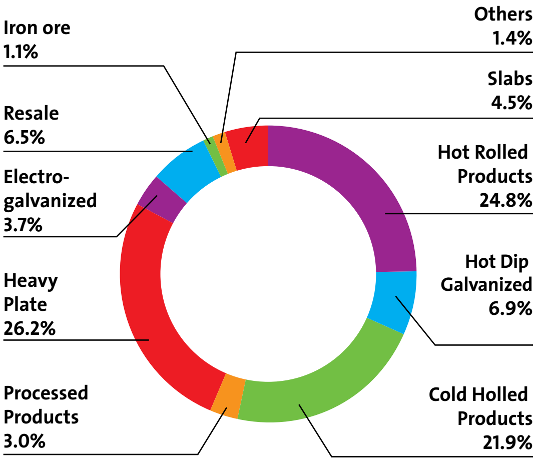
ECONOMIC-FINANCIAL PERFORMANCE

Record-breaking Usiminas consolidated gross revenues totaled R$ 21.2 billion in 2008, 14.4% over the previous year. The domestic market grew 18.1% with increased participation in the gross revenue, representing 88.6% of total, and exports decreased 8.3%, for directed sales to the domestic market, and the average exchange rate depreciation of 5.7% in the year.

Performance could have been better if there were no 7.4% reduction in marketed volumes caused by the pre-scheduled outage of the blast furnace at the Cubatão (SP) steelworks (February-May) and the advancement from June 2009 to December 2008 of the pre-schedule outage of blast furnace 2 and the shutdown for production level rightsizing of blast furnace 1 at the Ipatinga (MG) steelworks.



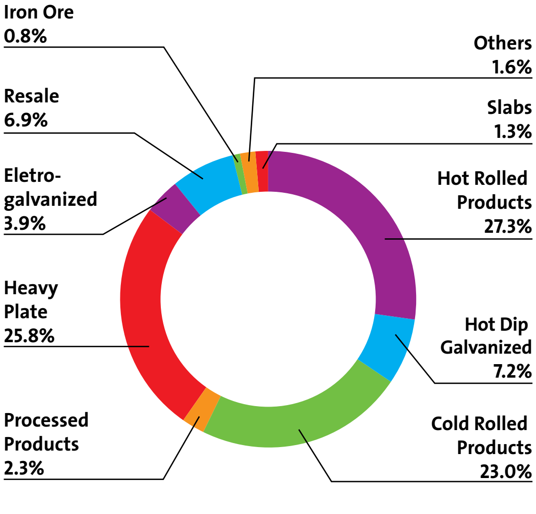
CONSOLIDATED GROSS REVENUE
R$ billion
Domestic Market Export Market



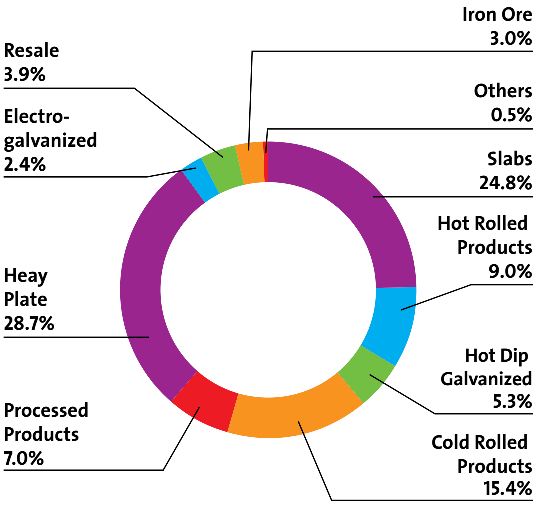
CONSOLIDATED NET SALES MIX - 2008

Net revenues reached R$ 15.7 billion in the year, representing a 13.6% growth over 2007, resulting, especially, from better prices and product mix, considering that the volume was lower. Hot rolled and hot-dip galvanized products, as well as steel sheet resale, contributed the most for increased revenues. Net revenues per ton of rolled/processed products from Ipatinga and Cubatão steelworks reached R$ 1,991 in 2008, a 23.7% growth over the previous year.

Record-breaking Usiminas consolidated gross revenues totaled R$ 21.2 billion in 2008, 14.4% over the previous year



CONSOLIDATED NET SALES MIX
Domestic Market



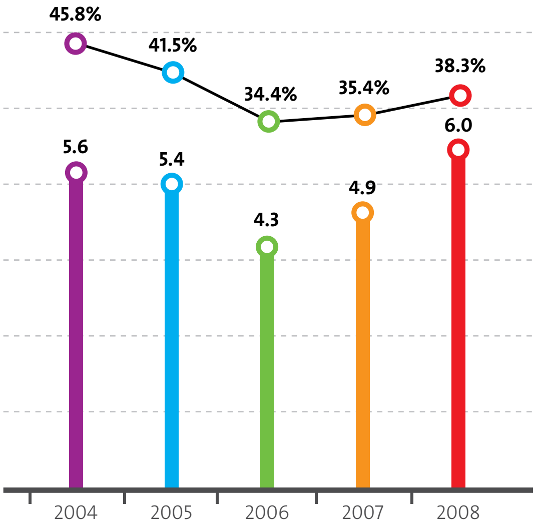
CONSOLIDATED NET SALES MIX
Export Market

In the domestic market, in 2008, hot rolled and hot-dip galvanized products, as well as steel sheet resale, were distinguished in revenue generation. In the external market, revenue growing segments were hot-dip galvanized products and steel sheets.

COSTS OF GOODS SOLD AND GROSS PROFIT

Costs of goods sold (COGS) grew by 8.5% for a total of R$ 9.7 billion. The additional value results especially from raw material price adjustments. Also contributing were labor expenses, contractor services in remodeling, and acquisition of sheets, heavy plates, and galvanized products from third-parties, to be used in production or for resale.

Incurred fixed costs not absorbed during equipment outages in Cubatão and Ipatinga, in the amount of R$ 54 million, were accounted for as operating expenses. Gross profit expanded by 22.9% over 2007 and reached R$ 6.0 billion. In regard to net revenues, it corresponded to a gross margin of 38.3%, a result 2.9% higher than 2007.



GROSS PROFIT
R$ billion and margin %

OPERATING EXPENSES AND REVENUES

Operating expenses totaled R$ 1.030 billion, an amount 135.8% higher than 2007. The additional amount of R$ 14 million is due to increased expenses with third-party services.

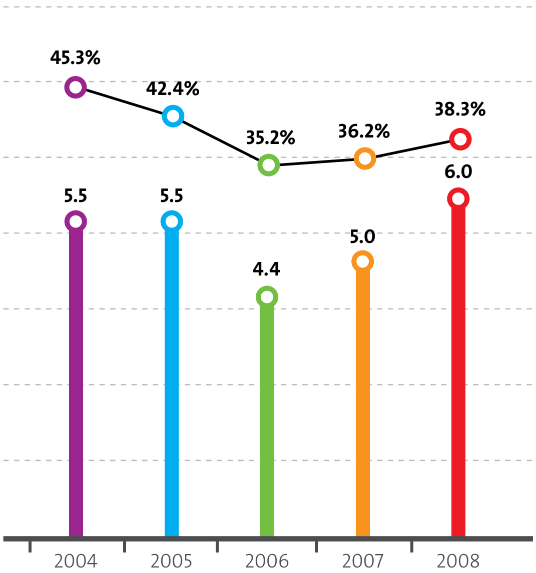
General expenses and overhead increased from 1.7% of net revenues to 1.9% in 2008, totaling R$ 303.1 million, due to higher expenses with consulting services. However, expenses with management remuneration were reduced from 0.6% to 0.5% of net revenues at the holding company, totaling R$ 40.6 million, against R$ 47.9 million in 2007, while at consolidated, expenses reached R$ 76.6 million in 2007 and R$ 54.0 million in 2008, as approved in Ordinary General Meeting.

Other operating income and expenses totaled expenses of R$ 419.1 million in 2008, against income of R$ 122.5 million in the previous year. The difference in expenses in 2008, when compared to the accounted income in 2007, results from “credits” with rollback of tax contingency of R$ 221 million accounted in the previous year, against “debit” of tax and labor contingencies of R$ 101 million accounted for in 2008, in addition to non-absorbed costs with blast furnace outages in the amount of R$ 54 million, and the reclassification for the calculation of intangible amortization (asset premium in controlled companies) in the amount of R$ 100 million, previously posted as Participation in controlled and associated companies.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

Earnings before interest and taxes (EBIT) accumulated R$ 5 billion in 2008, 11.8% higher than 2007 earnings, resulting in 31.7% EBIT margin, close to that of 2007 (32.2%).

EBITDA (Earnings before interest, taxes, depreciation and amortization, for the participation in controlled and associated companies, plus depreciation and additions, and exclusions not affecting cash) totaled R$ 6 billion, with EBITDA margin of 38.3%, 2.1% higher than 2007.



CONSOLIDATED EBITDA
R$ billion and margin %

FINANCIAL RESULT

Net financial result in 2008 was R$ 1.2 billion expenses, against R$ 6.2 million expenses in 2007. The performance results basically from exchange rate expenses of R$ 899 million in 2008, against exchange rate earnings of R$ 165.9 million in 2007, reflecting the Brazilian currency depreciation of 31.9% in 2008 against the 17.2% appreciation in the previous year. Additionally, expenses with financing interest rates increased R$ 139 million in 2008, due to increased indebtedness, and, in compliance with the law, swap contracts were accounted for their market values, generating expenses of R$ 94 million.

PARTICIPATION IN CONTROLLED AND ASSOCIATED COMPANIES

The result of participation in controlled companies was R$ 457.9 million, higher than R$ 9.2 million in 2007, which had produced negative effect of R$ 268 million related to exchange rate fluctuation of investments abroad (Ternium R$ 252 million). In compliance with Law no. 11638/07,

Cold Rolling Packaging Area - Cubatão Steelworks.

the positive exchange rate fluctuation of Ternium – R$ 480 million in 2008 – was accounted for directly in Net Equity, thus not affecting the result in the period.

NET EARNINGS

Consolidated net earnings reached R$ 3.2 billion, and its relation to net revenues resulted in 20.5% net margin against 22.9% in 2007. The additional operating profit partially offset the increased financial expenses. Earnings per share corresponded to R$ 6.58 and net equity return was 25.8%.

NET EQUITY

Usiminas closed 2008 with consolidated net equity of R$ 15 billion, 20.5% higher than that of December 31, 2007 (R$ 12.5 billion). The performance results from the net income for the year.

INDEBTEDNESS

At the end of 2008, consolidated net financial debt totaled R$ 3.2 billion, especially due to the increased rhythm of investments, as well as for the acquisition of Mineradora J.

R$ million	Dec/31/07			Dec/31/08		
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total
Short-term	133,228	457,131	590,359	244,159	876,286	1,120,445
Long-term	841,079	1,567,863	2,408,942	2,340,201	3,732,023	6,072,224
Gross Indebtedness	**974,307**	**2,024,994**	**2,999,301**	**2,584,360**	**4,608,309**	**7,192,669**
Cash and Financial Investments	3,410,844	540,093	3,950,937	3,498,995	509,009	4,008,004
Net Indebtedness			**(951,636)**			**3,184,665**

EBITDA margin was 38.3%, a result 2.1% higher than 2007.

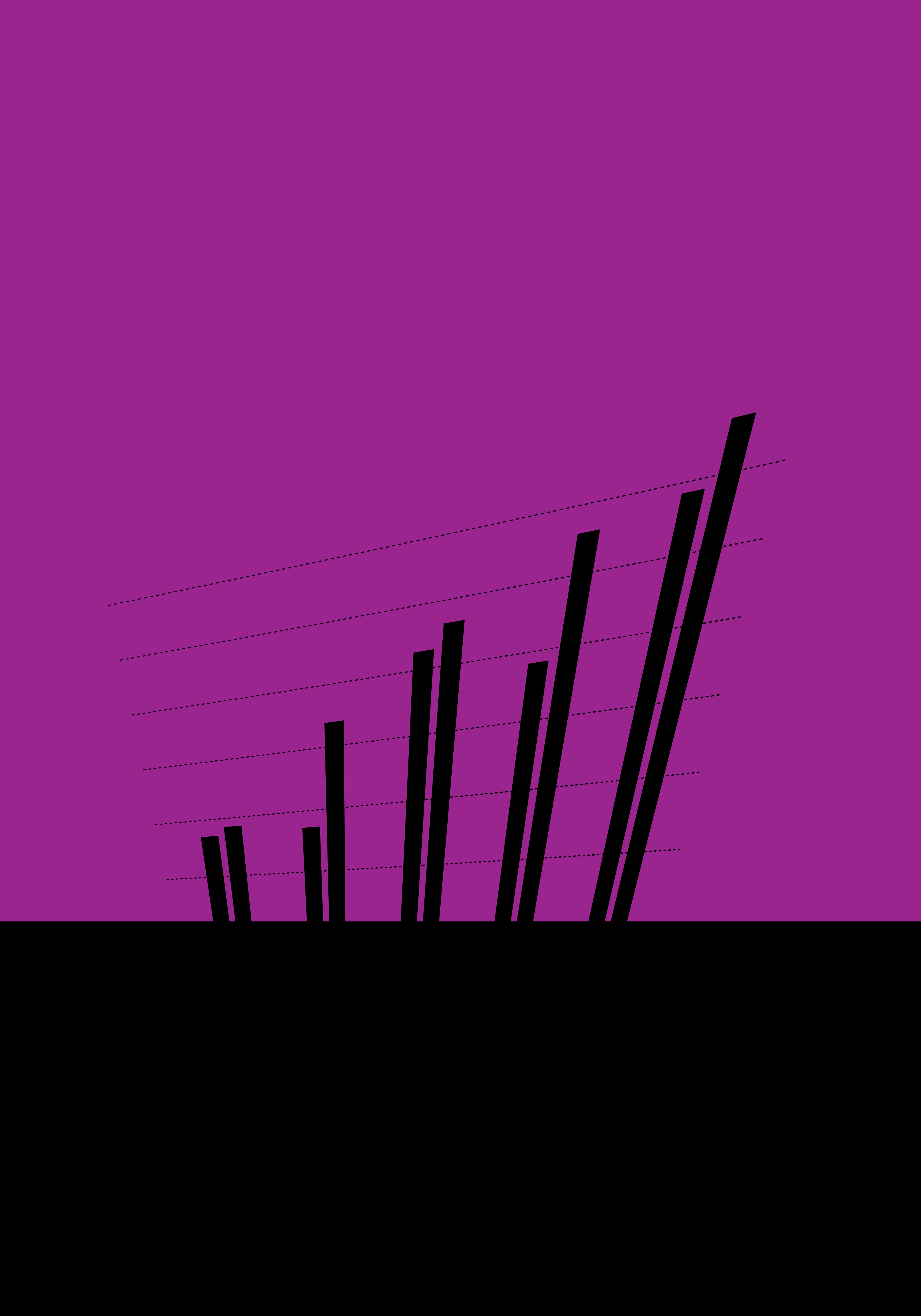
Mendes, in February. In 2007, the financial position at the year closing was a negative net debt of R$ 951.6 million.

On December 31, 2008, net debt / net equity ratio was 0.2, and 0.5 in relation to EBITDA. The Usiminas Top Management understands that the debt conditions and financial applications are adequate to support future requirements deriving from investments, working capital and debt amortization.

Total consolidated indebtedness on December 31, 2008 was R$ 7.2 billion (equivalent to US$ 3.1 billion), against R$ 3 billion at the end of 2007. The growth is derived from increased rhythm of investments and finance contracting for investments planned for the future. At the end of 2008, debt consisted of 36% for loans/financing in local currency, and 64% in foreign currency, and, out of the total, 16% with maturity in the short term, and 84% in the long run.

ADDED VALUE

An indicator representing the capacity to generate wealth distribution for society, Usiminas Added Value totaled R$ 9.7 billion in 2008, 24.6% higher than 2007.



STOCK MARKET

USIMINAS

STOCK MARKET

Usiminas shares are traded on the Sao Paulo Stock Exchange (Bovespa), under the codes USIM3, USIM5 and USIM6; New York (OTC), as Level 1 ADR, code USNZY; and Madrid (Latibex) codes XUSI and XUSIO.

Usiminas stocks are part of some of the most important indexes. In Brazil, highlight is the Special Corporate Governance Stock Index (IGC), Brazil Index (IBrX), Brazil Index 50 (IBrX-50), Industrial Sector Index (INDX) and Mid-Large Cap Index (MLCX). Class "A" preferred stock (USIM5) is part of the Bovespa Index (Ibovespa), the leading Brazilian average stock market indicator, and of the 10 companies with highest weight in the theoretical portfolio in 2008. In the USA, it is part of the Dow Jones Sustainability World Index gathering solid, ethical and sustainable companies listed in the NYSE.

PERFORMANCE AT BOVESPA

Usiminas common stock (USIM3) closed the year at R$ 25.85 per share, and USIM5 at R$ 26.52 per share, with depreciation of 53% and 51% respectively against 2007. In the same period, Ibovespa fell 41%. The daily average traded volume was R$ 150 million, a 19% increase over the previous year. At the end of 2008, the Usiminas market value was R$ 13.4 billion, with book value per share of R$ 29.65.

The number of shareowners at the Sao Paulo Stock Exchange increased significantly in 2008, totaling 61,434. In percentage, the total was 56.1% higher than on December 31, 2007.

NYSE - NEW YORK

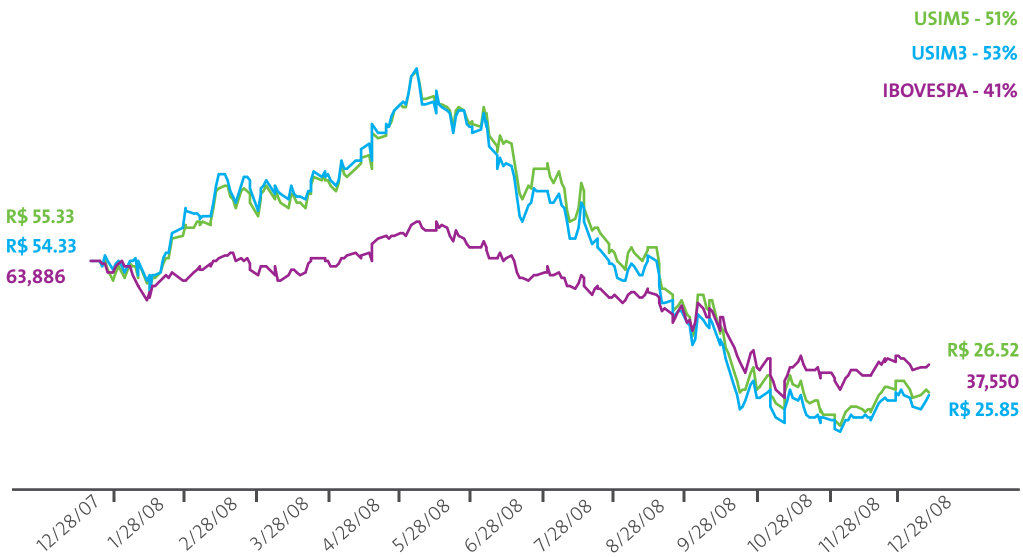
On December 31, 2008, Usiminas PNA shares traded on the USA, as Level 1 ADR "USNZY" – OTC - Over the Counter – were at US$ 12.05.

LATIBEX - MADRID

In 2008, XUSI stocks (preferred) were among the most traded (in volume) on Latibex, closing the period at € 7.92. XUSIO (common stock) ended the year at € 7.42.

Summary of Stock Performance - Usiminas PNA (USIM5) on Bovespa

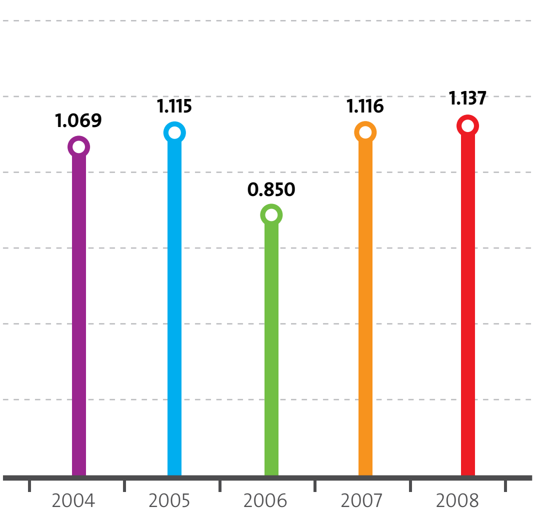
	2004	2005	2006	2007	2008	*2008/2007*
Number of Trades	**261,711**	**356,953**	**346,813**	**433,785**	**937,818**	***116%***
Daily Average	*1,051*	*1,434*	*1,410*	*1,771*	*3,766*	
Traded Shares - thous. of shares	**256,886**	**319,103**	**270,574**	**439,341**	**706,189**	***61%***
Daily Average	*1,032*	*1,282*	*1,100*	*1,793*	*2,836*	
Financial Volume - R$ million	**9,901.6**	**15,514.2**	**19,452.0**	**31,266.6**	**37,321.1**	***19%***
Daily Average	*40*	*62*	*79*	*128*	*150*	
Maximum Quotation - Year	**24.80**	**31.56**	**40.18**	**62.22**	**95.80**	***54%***
Minimum Quotation - Year	**10.53**	**15.38**	**23.11**	**31.36**	**18.65**	***-41%***
Final Quotation per Share	**23.98**	**24.71**	**35.78**	**54.33**	**26.52**	***-51%***
Market Capitalization - R$ million	**12,154.2**	**12,525.9**	**18,162.6**	**27,541.0**	**13,442.8**	***-51%***



USIMINAS PNA (USIM5) AND ON (USIM3) versus IBOVESPA - 2008

COMPENSATION TO SHAREHOLDERS

Usiminas distributed to shareholders total R$ 1.1 billion in dividends/interests on equity referring to 2008, an increase of 2% over the previous year and a 35.3% payout.



DIVIDENDS/INTEREST ON EQUITY
R$ billion

STOCK BONUS

The Extraordinary General Meeting of shareholders held on April 29, 2008 approved capital stock increase for Usiminas in the amount of R$ 4.1 billion, from R$ 8.1 billion to R$ 12.2 billion, though capitalization of reserves, issue of new shares, and credit of a new bonus stock per two owned shares.

DOW JONES GLOBAL SUSTAINABILITY INDEX

For the second year running, Usiminas is the only steel manufacturer in the Americas to appear in the Dow Jones Sustainability Index, according to a report made in September by the Swiss institute Sustainable Asset Management (SAM), specializing in sustainable investments and responsible for the index methodology. Eight Brazilian companies – from five different sectors – are part of the group of 320 companies listed in the index. SAM

The number of Usiminas shareowners at the Sao Paulo Stock Exchange increased significantly in 2008, totaling 61,434, a 56.1% growth over 2007.

also announced the inclusion of other 33 world companies. Regarding the previous list, 25 companies (none Brazilian) were removed.

DJSI is a leading global analysis parameter for social and environmental responsible investors, existing since 1999.

INVESTOR RELATIONS

Usiminas endeavored to expand its accountability actions toward the capital market, always aiming at adding value and acting with transparency and quality. By means of its Vice-Presidency of Finances, Investor Relations and Information Technology, the Company maintains a permanent communication program with shareholders, analysts and investors.

Among the permanent procedures are: public meetings, participation in meeting of national and international investor groups, telephone attention, constantly updated Investor Relations website, Sustainability Report, Quarterly Reporting on Results, teleconferences on results and relevant matters, and timely response to contacts made through the Talk to Us channel. In 2008, six teleconferences were held in Portuguese language, and six in English, live broadcast by Investor Relations.

The Company also promoted 11 public presentations through Apimec (Association of Capital Markets Analysts and Investment Professionals), in several state capitals and cities of Minas Gerais, attended by 880 people. It was also present in events intended for individual investors in three meetings coordinated by INI (National Association of Investors), attended by 240 participants – and at the Expo Money, in Sao Paulo, Belo Horizonte and Rio de Janeiro, a trade show intended for financial education of individuals interested in personal finances and exploiting different investment possibilities.

The New Development Plan 2008/ 2014 was unveiled in July in Sao Paulo, with live broadcast at the Investor Relations website, with English simultaneous translation. The Usiminas Day, an event aimed at presenting the Company to investors and capital market analysts, was held in September.

Other Investor Relations Activities in 2008	
Meetings with Investors at the Company	515
Meetings with Investors over the Telephone	2,050
Replies to "Talk To Us"	963
Total Website Visits	78,188

INTANGIBLE ASSETS

USIMINAS

INTANGIBLE ASSETS

Usiminas has activities in a number of segments of the steel chain. It delivers superior quality in products and services, integrates solutions and adds more value to customers. It has a unique way of doing things meticulously. And this is the result of a continuous search for the essential, for perfection, for enhancing everything it does.

Usiminas dominates steel, from parts to the whole, developing techniques and improving knowledge. It simplifies accesses and processes, balances effectiveness and efficiency. It has an open and inquiring attitude that boosts a perennial dynamics for renewal.

A firm and consistent partner, Usiminas' relationships with all stakeholders are marked by shared trust. Such an attitude assures a unique, differentiated positioning, characteristic of those who dedicate an attentive view to society needs, and bold at the multiple ways that lie ahead toward the future.

History of the brand, prepared by Interbrand consulting in September 2008.

Our Values	
CONSISTENCY	Credible, stable and firm. Form is always a function of contents. Perseverance in target, continuity in action, consistency and confidence in result.
TECHNIQUE	Control of knowing and doing. Deep knowledge, indisputable experience and ability to execute and resolve.
CARE	Meticulous view for detail and for the whole. Effort and dedication meet with finesse and sensitivity.
OPENNESS	Vastness, absence of barriers, transparency. Receptiveness to interaction and integration. Curiosity and willingness to conceive and build ideas.

Usiminas uses the world's leading-edge steel technologies in its products, in a continuous process of new model acquisition.

Hot Strip Pushing Room - Ipatinga Steelworks.

Usiminas holds one of the Brazilian most recognized brands, and the 23rd most valuable in Latin America, according to a study conducted by Interbrand consultants. Such a distinguished position results from a track record of high quality product offer, technological expertise, and commitment with main stakeholders, customers, employees, suppliers, shareholders and communities. The brand, while expressing the Company's identity, has to evolve in fine tune with the new moment, the new strategy, the new future vision.

Therefore, the Company's renewal process should necessarily go through a revised Usiminas presentation to market and to society. The objective was to expand value generation possibilities for Usiminas and, consequently, for its shareholders.

Having as proposition the strengthening of the organization, the brand integration, and the preservation of reputation, Usiminas has performed an intensive work to build a new identity for market differentiation. The branding project is not limited to the creation of a new logo, but it emphatically indicates that the company is advancing toward a more efficient performance and a more dynamic activity, with proactive and contemporary behavior, thus strengthening its image.

At the right side of the word Usiminas, a styled U recalls steel plant boilers that produce steel at high temperatures. By combining simplicity with hardiness, the new visual identity allows for the innovative alternate use of five colors: green, blue, red, orange and purple. The possibility of interchange reinforces the image of a modern, adroit, malleable company, able to turn the coldness of steel into distinctive products, adapted to daily needs. The colors also represent the multiple possibilities provided by Usiminas, in terms of products, applications, industries, as well as attitude: making a possible universe out of every detail.

The expected impacts of the new brand are:

- Communicate in a clear way to all publics that the company is changing, repositioning itself, evolving.
- Integrate all employees, align behaviors, and generate performance.
- Strengthen the corporate image and integrate the group companies definitively.
- Demonstrate added value and separate our offer from the concept of commodity.
- Reaffirm the relevance in a dynamic market.
- Expand the company projection in global scope.
- Increase the brand value and its return potential.

RESEARCH AND INNOVATION

Usiminas uses the world's leading-edge steel technologies in its products, in a continuous process of new model acquisition, especially from Nippon Steel Corporation, with which it has signed several agreements involving technology transfer.

A benchmark in steel production technology, Usiminas is the Latin America's leader in technology supply to companies of the region, by providing advising, training and service activities. As a generator of technological solutions, Usiminas keeps a patenting system that is a reference in steel production, and is the Latin America's leader in patent generation.

For recognizing innovation as a key factor for the business, Usiminas created the Area of Research and Innovation in 2008, a new structure to provide focus and unity to a process that happened dispersedly throughout the many departments of the company.

The focus of the new area is new product development, with more added value, of high durability steel and environmental improvements. It is a restless search for new materials and technological processes that would impact the business model, increasing competitiveness.

The works will be performed in three areas: technology transfer, knowledge management, and innovation management, by placing innovation managers in every business unit. The investment in the area is expected to become three times as large in three years, from the current R$ 25 million.

By allying perseverance toward the target to the control of knowing and doing – so typical of the Japanese who are present in the company ever since its foundation – Usiminas is once again evidencing two of its perceived values that originated the new brand: consistency and technique.

By making available new human and material resources for research and innovation, Usiminas retrofits the attitude of viewing from detail to the whole, of striving, always open to interaction and integration. They are meticulousness and openness in action, demonstrating that the Company is engaged in creating a new culture. A culture that respects and appreciates the almost 50 years of a successful history, but which is reinvented so that new internal energies can leap ahead into an even brighter future.

AWARDS AND CERTIFICATIONS

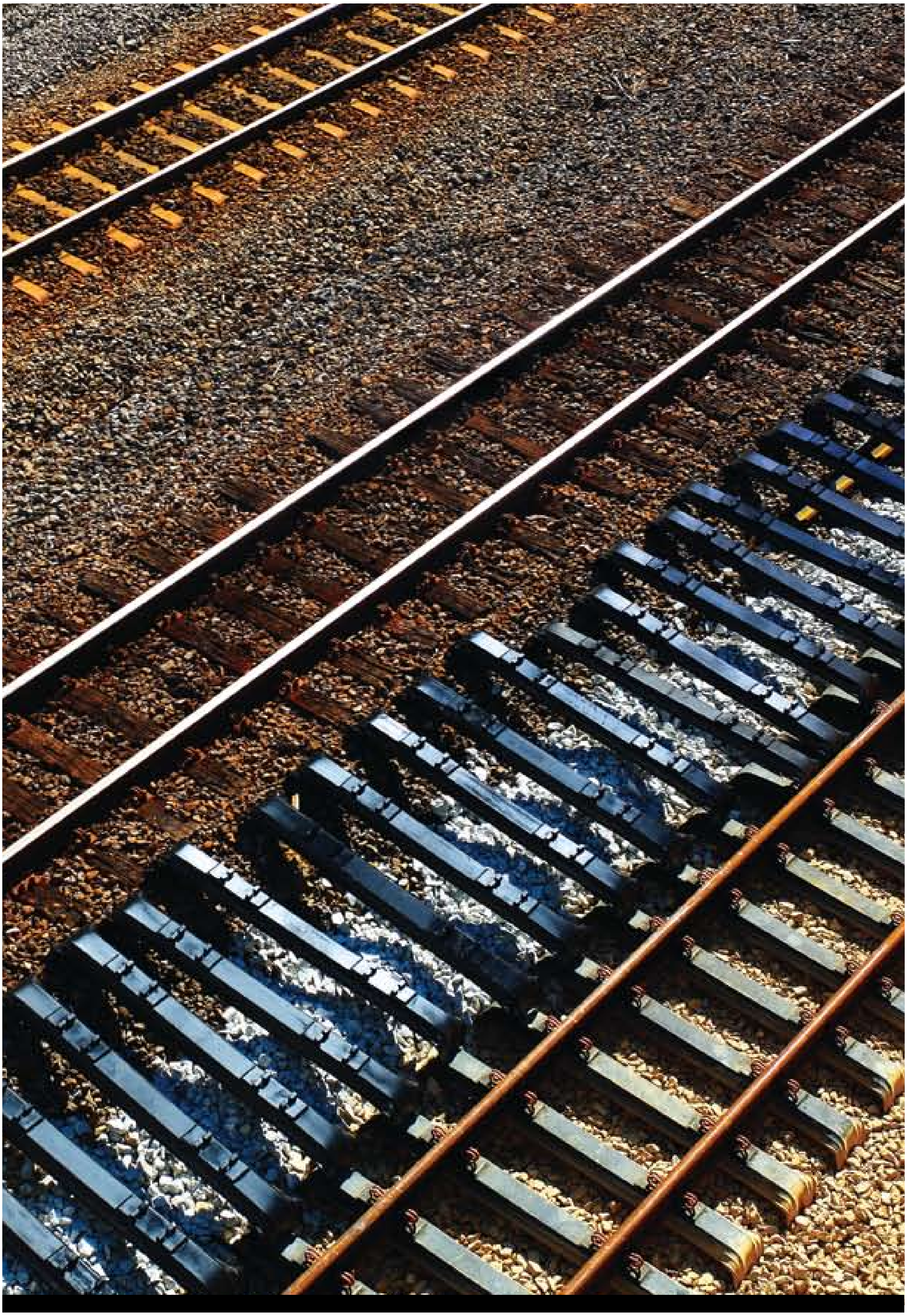
In 2008, Usiminas was awarded the following prizes and recognitions:

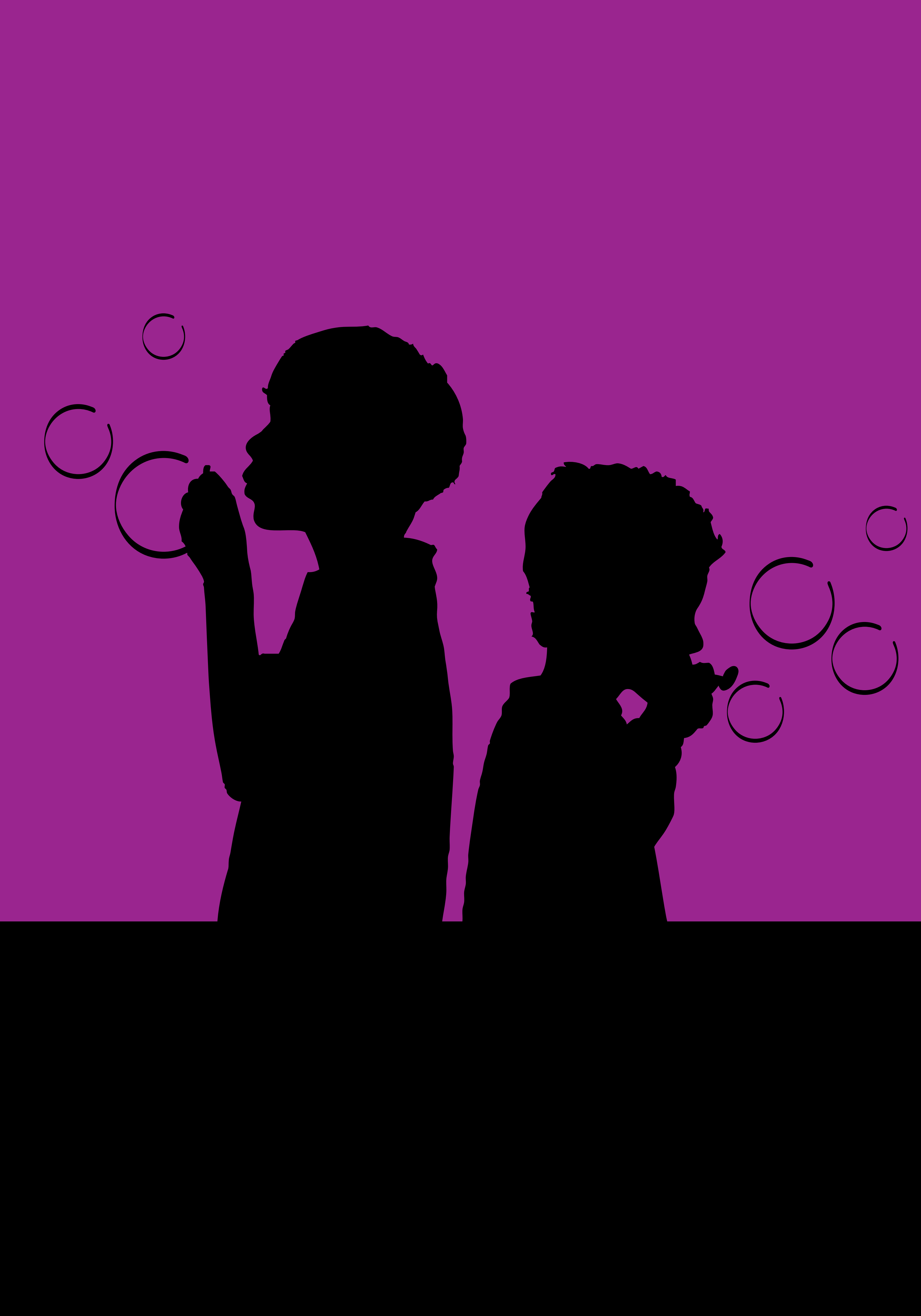
- One of the 20 country's model companies according to *Guia Exame de Sustentabilidade*.
- Second place in the category *Readers Choice Awards*, Global Reporting Initiative (GRI), international non-governmental organization that prepares guidelines for sustainability reporting.
- Top 5 in the infrastructure sector in the country, *Intangíveis Brasil 2008* Award (PIB 2008).

- 40th place in the global ranking of 200 most respected companies, prepared by Reputation Institute (recognized global institution in the field of corporate reputation studies).
- Top 10 in Corporate Citizenship by magazine Gestão & RH, in a survey with the country's 1,000 largest & best companies (*Exame* criteria).
- *The Best 2008 - magazine Isto É Dinheiro*, awarded in the category "Steel Production & Metallurgy". The ranking involved the country's 500 largest companies and considered, in addition to financial performance, management indicators in innovation, socio-environmental responsibility, human resources and corporate governance.
- Qualitas Awards, granted by Fiat to best suppliers.
- Global Supplier of the Year Award by General Motors in the category best supplier in metals, for the third year running. A deed never achieved before by any companies in the award.
- Volkswagen Supply Awards in the category Product Cost Reduction. The award recognizes a joint effort by several sectors of the company such as Production Planning, Metallurgy, Logistics and Attention Services, coordinated by Sales.
- Caterpillar Award for quality management and punctuality in product shipment.
- *Banas* Award of Excellence in Metrology, industrial category, considering aspects such as continuous improvement, innovation, customer-orientation, and results within the strategy.

In 2008, Usiminas was re-certified in two important standards (OHSAS 18001, safety and occupational health, and ISO 14001, environmental management) and upgraded its ISO 9001 certification. The certifications were granted by DNV (Det Norske Veritas) – an entity working in the identification, assessment and consulting for risk management – another warranty of the Usiminas' commitment to its stakeholders. In fine-tune with the competitive environment and innovations that affect its business management, in December 2008, the Usiminas Management System was re-certified under ISO 9001:2008 standard by Det Norske Veritas (DNV). Usiminas confirms its pioneering attitude in the field of quality by becoming one of the first Brazilian companies, and the first in steel production, to be certified in the 2008 version of the standard.

For additional information on Usiminas certification, please visit: www.usiminas.comm





SOCIAL PERFORMANCE

USIMINAS

Guarany Theater in Santos - Remodeling sponsored by Usiminas.

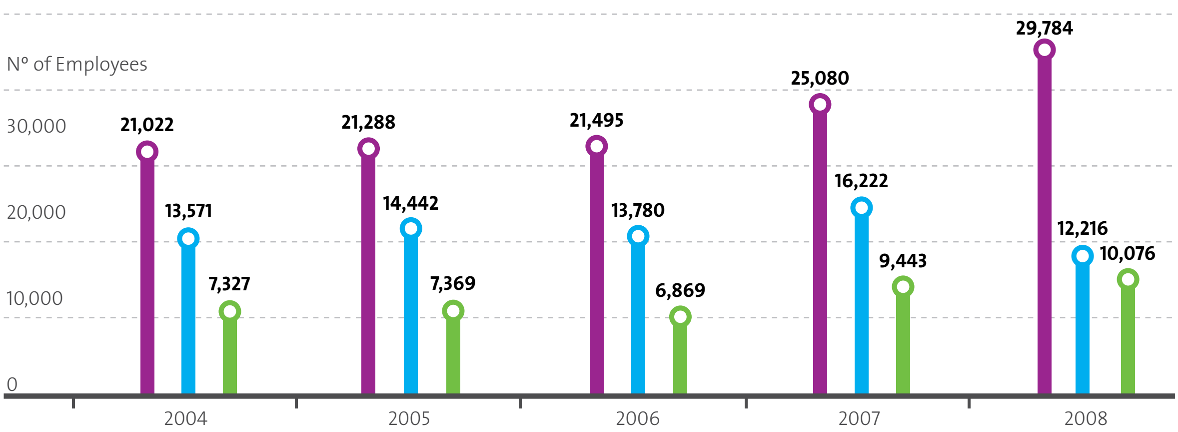
SOCIAL PERFORMANCE

Two important advancements marked the Usiminas' social management in 2008. In internal scope, a new human resources management model started to be implemented, privileging the creation of spaces for development and attraction of talent to support the Company's growth. It is about a profound behavioral change to stimulate autonomy, entrepreneurship, accountability and meritocracy.

Externally, a new governance was created for social, cultural and sports investments. The Committees of Integration with the Community and of Culture and Sports were created to assess projects to be fostered. Therefore, investments are no longer dispersedly managed by units, but are now performed by Usiminas in an institutional mode. Starting now, the company will have clear policies and criteria, prioritizing and maximizing results in the community where it is present.

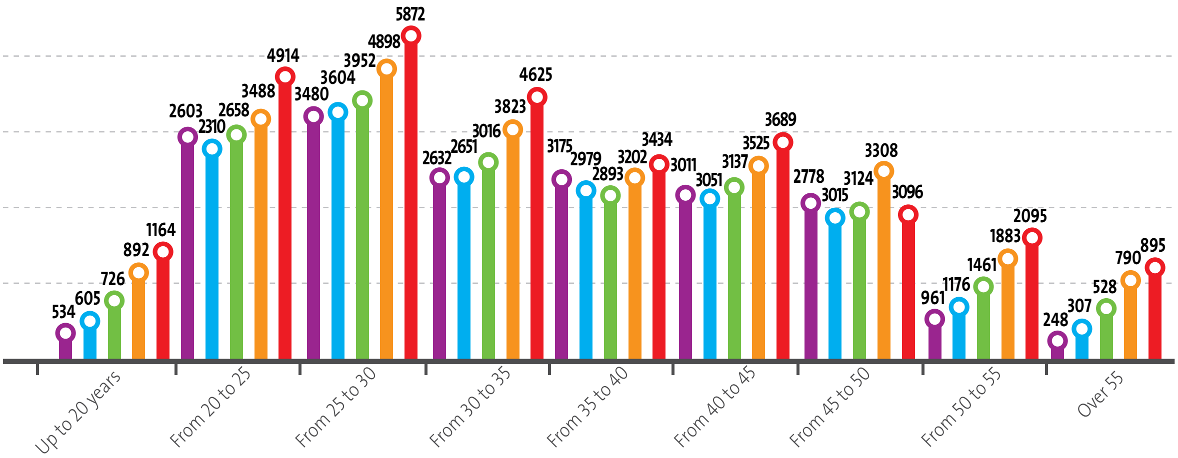
INTERNAL PUBLIC

Usiminas closed 2008 with 29,784 direct jobs in Brazil, an expressive generation of new own job posts when compared to 25,080 in 2007. It is worth stressing that under its influence there are also 3,669 employees kept at MRS Logística, in which it has a control stake, 3,455 employees at social entities created or directly supported by the Company, and other 16,936 outsourced workers. In view of those figures, the main challenge of the Human Resources Area has been to standardize and equalize processes, so as to harmonize the treatment of the entire workforce, regardless of the business unit or company they work for. This process includes from standard definition, such as the Mobility Policy, to the establishment of common benefits and the creation of integrated programs, such as recruitment and selection.



DIRECT JOBS IN BRAZIL

Usiminas Employees · Third Party in Support Activities · Usiminas Employees - Unionized



USIMINAS IN BRAZIL
NUMBER OF EMPLOYEES BY AGE GROUP

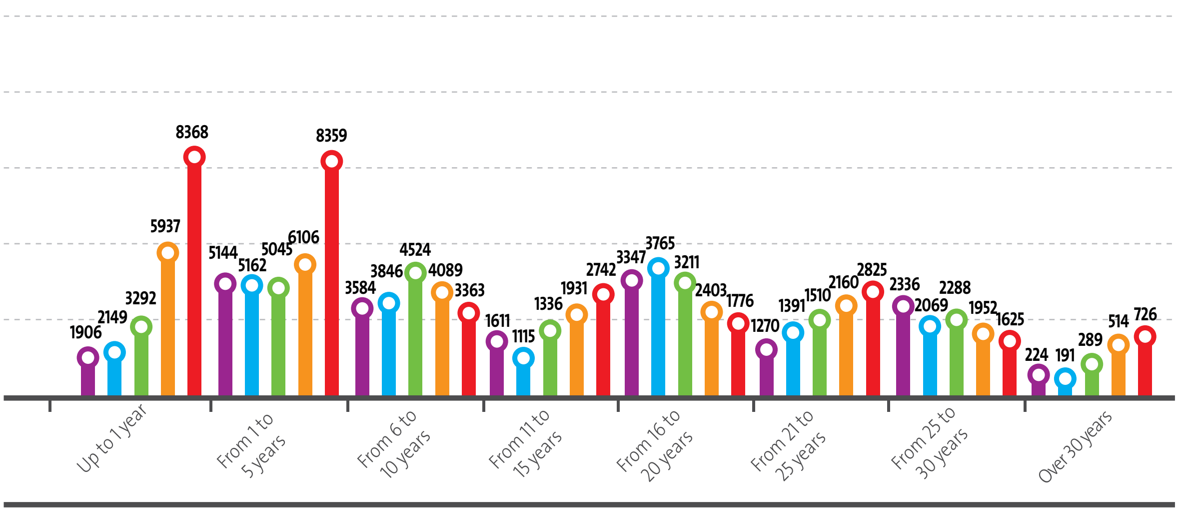
The growth in the number of job posts is also due to the incorporation of the mining activity, with 743 professionals, and the implementation of a new system of working journey for all employees in the company's operational activities, with the adoption of working hours more adequate to well being under the aspect of occupational health, which resulted in additional 2,134 job openings.

One of the first actions of the Human Resources Area in 2008 was to know the opinion of the employees themselves. The Organizational Climate Survey corroborated the perception that there was too much to advance in the Usiminas' relations with employees. The result – widely propagated internally – pointed to an index of average favorability of 45%, below that of the overall market (59%) and the steel industry (64%).

In response, some measures were quickly implemented, such as a more transparent disclosure of corporate-interest information and the adoption of a number of initiatives to reduce bureaucracy and increase productivity. Many of them came from the employees themselves through the program Bag of Ideas. The new direct channel created to receive suggestions gathered over 12 thousand suggestions by the end of 2008. The program will be continued in 2009.

To adapt to market challenges, Usiminas also started an expressive process to rejuvenate its workforce, endeavoring to expand career development opportunities so as to attract and retain new talents. The adoption of programs intended for gradual personnel renewal has already generated a significant increase in the number of employees with less than five years in the company.

In order to open up space to generate development opportunities and retain talents, Usiminas defined as target for the 30 top managers of the company the identification and preparation of at least three

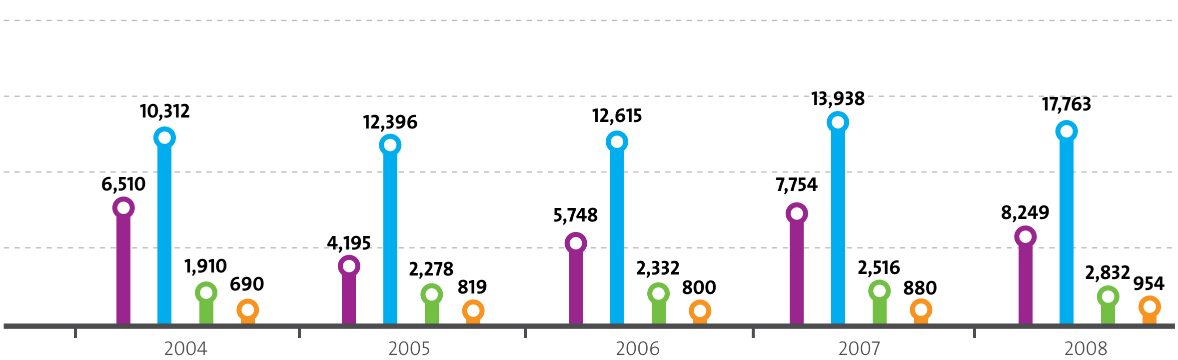


NUMBER OF EMPLOYEES BY SENIORITY 2004 2005 2006 2007 2008

successors along the next three years. The Company tries to ensure the continuity in the offer of human capital for the conduction of its future businesses, required for any company, but, in special, for those whose investment cycle – from planning to operation – may take as long as a decade.

EDUCATION AND QUALIFICATION

For long Usiminas has been investing in programs for professional qualification, development and improvement. The highlight are post-graduation courses (specialization, Master's and PhD) involving



NUMBER OF EMPLOYEES BY SCHOOL LEVEL
Up to Elementary School High School College Post Graduate, Master's Degree or Ph.D.

subjects such as management, quality, marketing, technology, environment and sustainability, always conducted in partnership agreements with universities and colleges considered as references in their specialized fields of knowledge.

The courses are open to the participation of customers and suppliers, enrich the exchange of experiences, and contribute to higher integration of the agents in the productive chain. They elevated to 8.4% the total of Usiminas employees with higher education and post-graduation.

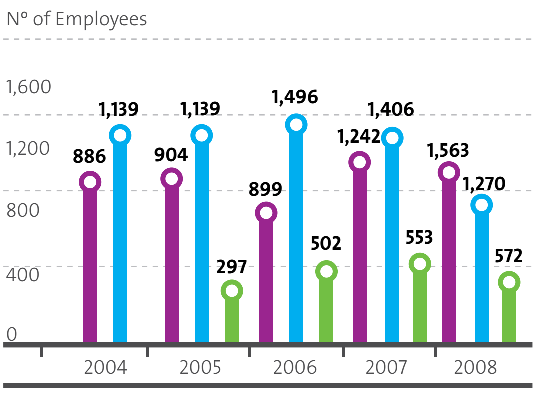
It is worth mentioning that, at the two steelworks, 100% of the management and 62% of employees with secondary education level consist of internally developed and selected employees.

For additional information on Usiminas professional development initiatives, please visit: www.usiminas.com

DIVERSITY AND EQUAL OPPORTUNITY

Usiminas does not tolerate or promote any kind of discrimination, whether for race, religion, politics, gender or physical condition. Information related to race is only those as informed at Rais (Annual List of Social Information) and reflect only the free expression of the employee.

All employees, regardless of their association with labor organizations, are covered by covenants and collective agreements on labor relations. Such covenants and agreements are renewed every year by means of free bargaining. In 2008, Usiminas unified the line of bargaining with the several labor unions and the agreements were incorporated right from the month of negotiation, an unprecedented attitude with gains for all.



EMPLOYEE DIVERSITY

- Woman who Work At the Company
- African Americans who Work at the Company
- Employees with Disabilities or Special Needs

Ratio between the Highest and the Lowest Wage (R$)	2007	2008
General	64.33	58.31

Highest and Lowest Wage, by Gender	2007	2008
Highest average for men	17,783.13	18,130.21
Highest average for women	11,712.78	12,220.71
Lowest average for men	717.47	732.03
Lowest average for women	681.91	703.08

REMUNERATION AND BENEFITS

Usiminas endeavors to be aligned with the market's best practices in terms of remuneration of its employees. The program for participation in profits and/or results, conditioning a variable portion of compensation to the achievement of goals, now includes socio-environmental requisites, according to the characteristics of each professional and area. Among the benefits offered are complementary pension plan, meals, social assistance, medical, hospital and dental care, education, leisure and sports. In 2008, total remuneration, including benefits and mandatory payroll taxes, reached R$ 1.5 billion.

For additional information on benefits offered by Usiminas, please visit: www.usiminas.com

PRIVATE PENSION PLAN

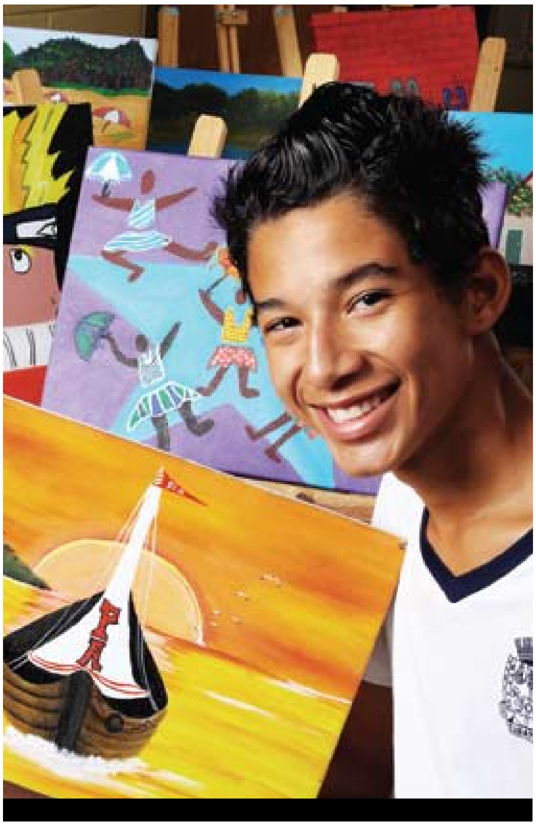
Created with the objective of providing social security benefits, the Fund of Usiminas Employees and Cosipa Foundation of Social Security (Femco) are closed entities of complementary pension plan. In addition to providing a stable life standard after retirement, the private pension plan performs an important role in the search for and retention of talents at Usiminas. In 2008, 18,444 people were assisted by the entities, which paid R$ 317.3 million in benefits along the year.

Jointly developed with the social service, the programs prepare for retirement, involving employees nearing retirement and their families, approaching behavioral aspects connected to retirement and health care.

PARTICIPATIVE PROGRAMS

Employees have real shareholding participation (10.13% of voting capital) at Usiminas S/A, through the Fund of Usiminas Employees, an entity that received approximately R$ 56.2 million in dividends and interests on equity distributed to shareholders by 2008.

Operational, market, environmental and social targets, whose achievement implies in additional remuneration, are established through programs for profit/result sharing prepared after discussions with labor unions and employee committees elected by the employees in every company of the group.

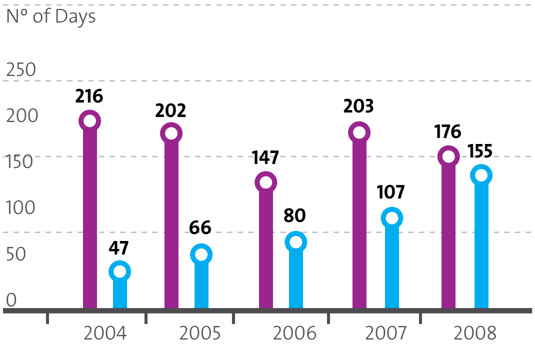


Project Museum of Young Art - Cubatão

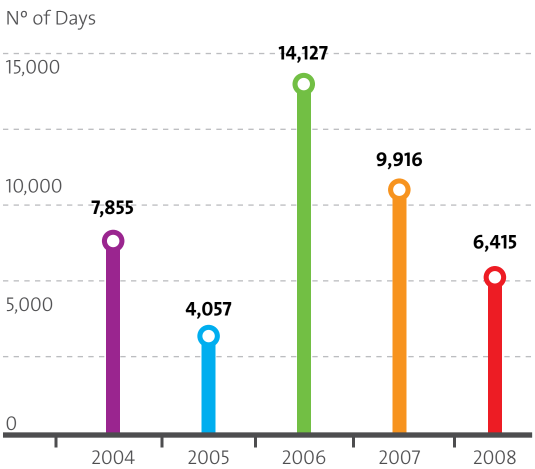
SAFETY

Safety and life quality at work are commitments made by all Usiminas professionals, in special, those in supervision positions. Before engaging in industrial activities, all employees attend briefings in which, led

Usiminas does not tolerate or promote any kind of discrimination, whether for race, religion, politics, gender or physical condition.



NUMBER OF ACCIDENTS WITH AND WITHOUT LOST TIME
Accidents Without Time Loss
Accidents With Time Loss



NUMBER OF LOST DAYS BY WORK ACCIDENTS
LOST DAYS + ABSENCE DAYS, ACCORDING TO BRAZILIAN LAW

by their immediate supervisor, they develop the Daily Dialogues on Safety (DDS). Risks and preventive measures are discussed for compliance with programmed activities, thus strengthening the commitment of every employee with the safety of the team in which they are a part.

The Integrated Management System (SGI) establishes a clear policy to cover actions related to the environment, safety and occupational health, all developed with online supervision via the internal network available to all employees.

SOCIAL, CULTURAL AND SPORTS INVESTMENT

Usiminas endeavors to strengthen its relationship with the communities in which it is inserted. Guided by committees, it tries to establish social partnerships, especially in municipalities with low Human Development Index (HDI). Likewise, it directs own and fostered resources to meet the demands of municipalities and populations under its area of influence.

Committee participants are responsible for the assessment of planning and budget, analysis of proposals for cultural, sports

Committee of Culture and Sports
Delson de Miranda Tolentino (coordinator) *Institutional Relations*
Ana Gabriela Dias Cardoso *Social Communication Superintendence*
Denise Brum Monteiro de Castro Vieira *Human Resources*
José Alcino Bicalho *Institutional Relations*
Romel Erwin de Souza *Ipatinga Complex*
Carlos Gaggini *Femco*
Eliane Denise Parreiras Oliveira *Usicultura*

Committee of Integration with the Community of Usiminas and Controlled Companies - Cinco
Delson de Miranda Tolentino (coordinator) *Institutional Relations*
Ana Gabriela Dias Cardoso *Social Communication Superintendence*
Bruno Lage de Araújo Paulino *Institutional Relations*
Luiz Carlos Bezerra *Institutional Relations*
Genésio Roberto Barreto *Ipatinga Complex*
Carlos Gaggini *Femco*

School, São Francisco Xavier - Ipatinga.


Usipa Sports and Recreational Association.


Program Athletes of Nature - Usipa.

and institutional programs to be assisted, definition of resources to be directed to funds for Children and Adolescents, and the supervision of activities and their institutional return and recommendations.

Usiminas maintains permanent relationship with representatives of civil society, channeling expectations and monitoring impacts of productive activities. A highlight is the "Community Consulting Panel" developed by the Industrial Association of the State of Sao Paulo (Ciesp), integrated by Usiminas and other 38 companies. The program holds monthly meetings with community leaders, representatives of municipal governments, schools, labor-related associations and non-governmental organizations in order to methodically identify the community expectations. In another front of articulation with society, Usiminas has a leading role in Agenda 21 of Cubatão, a series of action plans and projects to be implemented by 2020 for the sustainable development of the city.

HEALTH

Health actions supported by Usiminas are focused on preventive medicine. They comprise health promotion programs, social assistance, occupational health, as well as medical, hospital and dental care – the latter in co-participation with the company.

Fundação São Francisco Xavier offers medical, hospital and diagnostic care to 21 municipalities in the micro-region of Eastern Minas Gerais. Hospital Márcio Cunha, an excellence health care center in the region, offers the population advanced facilities and excellent human and technological resources. In addition to the hospital, the Integrated Dental Care Center develops an intensive preventive program with users to control cavities and gum diseases. With the work, Fundação São Francisco Xavier contributes for Ipatinga to boast one of the best indexes of oral health in the country.

Fundação São Francisco Xavier in Figures
Personnel: 2,827
Pro-labore doctors: 227
Annual revenues: R$ 152,203,000.00
Average monthly revenues: R$ 12,683,583.00

Usisaúde health plan operator has nationwide reach and its associated network is present especially in the regions: Steel Valley, Belo Horizonte Metropolitan Area, Pouso Alegre, Vitória, Sao Paulo and Santos. The Usisaúde strategy for 2009 is intended especially for the establishment of projects and actions favoring better results in the Program for Qualification of Supplementary Health, measured by the National Health Agency (ANS), and for the implementation of a program for treatment of chronic diseases.

For additional information on Usiminas health promotion initiatives, please visit: www.usiminas.com

CULTURE

Since 1993, Usiminas invests in culture by means of incentive laws. In 15 years, **Instituto Cultural Usiminas (Usicultura)** supported 1.2 thousand cultural projects in 50 municipalities, in the total amount of R$ 150 million. Only in 2008, approximately R$ 31 million were directed to more than 220 projects. The investment is focused on the development of the cultural productive chain: infrastructure (creation, maintenance, restoration or revitalization of cultural spaces); production (investment in research of new languages, cultural diversity and maintenance of artistic groups) and formation (artistic, cultural and attendance managers and producers).

With such expressive figures, Usiminas is the largest cultural investor in Minas Gerais, according to the State Secretariat of Culture, and is among the country's top 10 investors in culture, according to the Ministry of Culture. In March 2008, Theater Cosipa Cultura was inaugurated in Santos (SP), having already received thousands of people for its cultural activities, and allowed the population of the Baixada Santista region to have contact with famous artists such as Cleide Yáconnis, Irene Ravache, Paulo Goulart and Nicette Bruno.

Total Investments in Culture - R$ 30 Million
Investment per Company:
Usiminas - R$ 17 million
Cosipa - R$ 11 million
Usiminas Mecânica - R$ 1 million
Unigal - R$ 300 thousand
Fasal - R$ 150 thousand
Rio Negro - R$ 450 thousand
Rios Unidos - R$ 38 thousand
Usiparts - R$ 50 thousand

EDUCATIVE ACTION

Educative Action was created by Usicultura in 2003 with the objective of developing an art-education program for the community of the Steel Valley. Proposed actions aim at intermediating and facilitating the public relationship with the various artistic languages, promoting the appropriation and valorization of culture. In 2008, in its programs of cultural diffusion and art-education, Educative Action assisted over 42 thousand people and 256 public and private schools, universities, groups of people with disabilities, and from social institution groups, in the cities of Antônio Dias, Braúnas, Caratinga, Coronel Fabriciano, Engenheiro Caldas, Governador Valadares, Ipaba, Ipatinga, Marliéria, Naque, São Cândido, Santana do Paraíso and Timóteo (all in the state of Minas Gerais).

New cities joined the activities offered by Educative Action: Mesquita, Periquito, Coluna, Vale Verde, João Monlevade, Vargem Alegre, São Domingos das Dores, São João do Oriente, Ubaporanga and Lajinha (all in Minas Gerais).

Centro Cultural Usiminas – Figures in 2008	271 thousand people attended the spaces of Centro Cultural Usiminas in 2008
Theater	125 thousand people 283 performances
Gallery	105 thousand people (27 thousand more than 2007)
Educative Action with Centro Cultural Usiminas	256 schools benefited
Center of Ideas Library	31 thousand visitors

LITERACY AT THE RIGHT TIME

The project Literacy at the Right Time, sponsored with direct resources from Usiminas, is an educational program of the Government of Minas Gerais, through the Secretariat of Education, under coordination of Fundação Brava, aiming at making all students up to 8 years old of the public school network able to read and write fluently, by 2010. For the purpose, formation

Usiminas is the largest cultural investor in Minas Gerais, and is among the country's top 10 investors in culture.

Professional Training Center - Senai - Ipatinga Steelworks.

programs are developed for teachers, directors, and public servants at the Secretariat, in addition to a system to supervise goals and achieved results at schools.

In parallel, the program is under expansion to other grades and municipal schools. The schools that overcome their targets are publicly recognized and their best practices are propagated throughout the network. For poor performing schools, supervision and assistance are intensified and directors will attend qualification programs.

SUPPORT TO URBAN DEVELOPMENT

Usiminas develops – with technologies intended for civil construction and its applications – building solutions according to market needs and potential. As a contribution of the company to housing solutions, Housing Projects of Social Interest have been adopted by municipal administrations and housing companies from all over the country. Other technologies such as "Light Steel Framing" and "Electrowelded Profile" expanded the portfolio of products and technical solutions by Usiminas, with productivity gains.

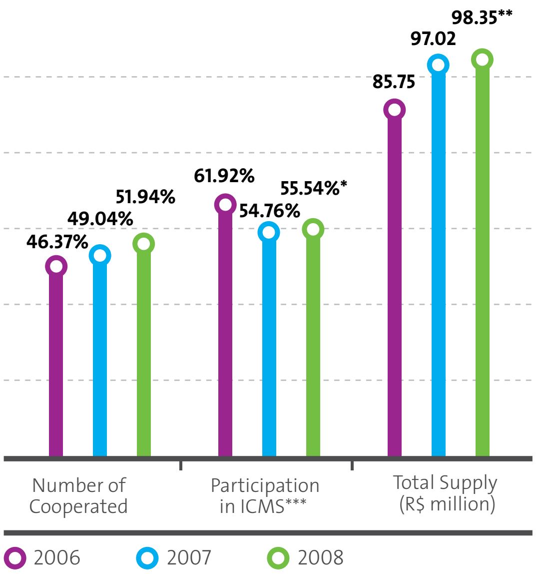
COOPERATIVES

In August 2008, Consul (Consumption Cooperative of Usiminas Employees) celebrated 45 years of activity, disseminating the co-operation concept in the region known as Steel Valley. In addition to ensuring supply of consumer goods and food products, Consul is distinguished for its price policy adopted as a local reference, therefore assuring quality and competitiveness of goods in the retail.

With points-of-sale totaling 6,842 sqm, the cooperative is open to the community and represents a significant contribution in tax collection for the municipality of Ipatinga, as well as direct and indirect


PITAGORAS

job generation. The Consul's self-sustainable management keeps it in the top of the list of consumption cooperatives in the state of Minas Gerais, and one of the Brazilian leaders.



* Until September 2008.
** Until November 2008.
*** Consul's share in the generation of ICMS for the Supermarket Segment in Ipatinga (Minas Gerais state).

In 2008, Consul signed an agreement with Prevsaúde, a company specialized in management of medicine benefit programs. The aim is to promote rational use and cost reduction. With the partnership, any person – cooperated or not – can buy registered medicines with discounts of 30%-45%, provided they have an associated health plan or receive a program card from their doctors.

In April 2008, Consul stores replaced conventional plastic shopping bags with models made of oxy-biodegradable material, less aggressive to the environment. These bags have an additive that accelerates their decomposition when they come in contact with the soil, light or water. Biodegradable bags take 18 months for total decomposition, a period one hundred times shorter than conventional plastic bags, which take as many as one hundred years to disappear in the environment.

SPORTS

In 2008, Usiminas started to invest in sports projects making use of the benefits of the Law of Sports. R$ 5.65 million were directed to several sports modalities with highlight to the sponsorship of Esporte Clube Pinheiros, Minas Tênis Clube, Brazilian Paralympic Committee, Janeth Arcain Sports Association and Rogério Sampaio Judo Association. With own resources, it supported the soccer team Ipatinga Futebol Clube.

In 2008, aligned with the Usiminas investment policy in the community, the Cultural Committee had its attributions altered to include the analysis of sports projects. With the action, investments are no longer dispersedly managed by units, but are now performed by Usiminas in an institutional mode. Starting now, the company will have clear policies and criteria for investments in culture and sports, always prioritizing the community where it is present.

For recognizing that soccer is a major passion in Brazil, and the local clubs are an important leisure option, Usiminas will sponsor four professional soccer teams in 2009: Ideal and Itaúna, from Module II of the Minas Gerais State Championship; Ipatinga, from the same module and also in the Series B of the Brazilian Championship; and Social and Coronel Fabriciano, which are in the main division of the Minas Gerais State Championship. All of them are clubs from communities where Usiminas has operations.

ENVIRONMENTAL PERFORMANCE

USIMINAS

Ipatinga Steelworks Internal Area.

ENVIRONMENTAL PERFORMANCE

Usiminas intends to be one of the best companies in Minas Gerais and one of the country's leaders in environmental management. To that purpose, new policies and initiatives started to be adopted as from 2008 to place the Company in a new baseline in the commitment to control and reduce its operational impacts.

It is worth stressing that environmental responsibility has always been a part of the Usiminas' way of doing business. Since 1996, the Environmental Management System has been ISO 14001 certified, an unprecedented fact in the Brazilian steel industry. Such commitment to the environmental quality has been reaffirmed in successive recertifications in 1999, 2002, 2005 and 2008.

Along the time, environmental management has been conducted in isolated way by steelworks and companies of the group. Now it starts to be unified. The measure represents a major advancement in terms of systemic vision and of joint and synergetic action planning. It will allow, above all, for the establishment of medium- and long-term strategies. For that end, the Environment and Sustainability Support Advisory Office was created in 2008, reporting directly to the CEO.

The new structure will also be accountable for the conduction of traditional initiatives at Usiminas, such as Project Xerimbabo, created in 1984, taking their courses, seminars, lectures, exhibitions, and many other activities to a diversified public. The project was inserted into the school calendar in the Eastern, Northeastern and Zona da Mata regions of Minas Gerais. In 2008, the Company invested R$ 581 thousand in Project Xerimbado and benefited more than 600 schools.

For additional information on Usiminas Environmental Management, please visit: www.usiminas.com

BOLD COMMITMENTS

The Investment Plan, involving the installation of a steel plant in Santana do Paraíso and the construction of a new airport in the municipality of Bom Jesus do Galho, both in the Steel Valley, in Minas Gerais, advanced during 2008, especially in the procedures for environmental licensing. Even before the licensing, Usiminas acted in advance and signed with the Minas Gerais State Public Attorney's Office a commitment to preserve the Rio Doce State Park, the state's largest reserve of Atlantic Forest. The measures include environmental education, surveillance support, monitoring, fauna and flora studies, and fire fighting.

The airport project brings together a number of actions to promote the sustainable development in the region. Among them is support for regulation of soil usage and occupation, incentive for the creation of permanent preservation areas, introduction of sustainable agricultural practices, preparation of an ecological-economic zoning, and cooperation with the master plan of Bom Jesus do Galho and Pingo D'água. The expectation is an increase in the life standard of the local population, currently with Human Development Index (HDI) of only 0.65 – below the national average of 0.80. To make such advancements viable, Usiminas associated with Instituto BioAtlântica (IBio), dedicated to environmental preservation and sustainable development in Atlantic Forest areas, one of the planet's most endangered biomes, with only 7% remaining from the original forest.

The unprecedented partnership will provide Usiminas with the required expertise to promote sustainable practices in the

Environmental Preservation Area - Cubatão.

communities of the Rio Doce Basin, aimed at recovering the Atlantic Forest and at improving local life quality. The basin, involving the states of Minas Gerais (86% of the area) and Espírito Santo (14%), is considered one of the most degraded in Brazil. The region had 90% of its area turned into low productivity pastures. Small producers living there use inefficient agricultural practices, incompatible with environmental preservation.

In June 2008, Usiminas acquired an area in Itaguaí, southern Rio de Janeiro state coastline, considered one of the state's largest environmental losses. The toxic lake beside the Sepetiba Bay, with 390 thousand cubic meters of liquid effluents, was abandoned in 1998. Usiminas made the commitment to decontaminate the place, where a port for iron ore exports will be constructed. The estimated costs for environmental recovery are R$ 40 million.

All processes introduced, or modified, in the Usiminas productive activities are duly licensed by environmental agencies according to all applicable laws and regulations. Regarding the Ipatinga expansion project, the plant received the previous license for installation of the expanded Hot-Strip Rolling Mill and, as scheduled, fulfilled all conditions for the implementation of Coke Plant 3.

Impact Management

At Usiminas, the most significant environmental impacts result from the activities of Cubatão and Ipatinga steelworks. The effects have specific management and their supervision provides for the development of a continuous improvement process, taking into consideration differentiated parameters and methodologies according to specific legislations of the states where the plants are established.

The main environmental potential impacts of the steel production in the atmosphere are particulates, sulfur and nitrogen oxides, and volatile organic compounds. In the water, possible impacts are pH and temperature changes, ammonia, solids in suspension, cyanide, phenol, oils and greases, and alterations in oxygen demand. Solid residues are scobs, mud, oily dregs, ferrous waste and powders from the industrial process.

In 2008, Usiminas registered impacts compatible with Brazilian and international legal standards. In 2008, Cubatão steelworks was mentioned in a list of Sao Paulo state industries with most carbon dioxide (CO_2) emissions, the main greenhouse gas. Aware that CO_2 emission is characteristic to steel production process, the Company reaffirmed its commitment to the reduction of the environmental impact of its operations. In the last 10 years, US$ 336 million were invested in management and equipment for environmental control, in addition to replacement of fuel oil with natural gas, with emission factor 20% lower, and installation of more efficient boilers.

Materials

The main productive materials used by the two Usiminas steelworks are raw materials (ores, melting minerals and iron alloys) and processing associates (oils and greases). They are non-renewable resources totaling volumes of as much as 13.5 million tons a year, in addition to material coming from recycling processes. The volume represented a reduction of 2.59% when compared to 2007, in spite of increased production.

Solid Residues

As a consequence of the steel production process, the generation of solid residues is significantly present in the activities of Ipatinga and Cubatão steelworks.

The two plants adopt a Solid Residue Management Program based on the 4-R philosophy: Reduce, Reuse, Recycle and Recover. Reduction is a constant target and generated residues are either recycled in productive processes or sold with companies environmentally licensed by licensing or surveillance agencies, or even sent to strictly controlled landfills for possible future use.

MATERIAL CONSUMPTION INDICATORS (t)

USIMINAS (Ipatinga)		COSIPA (Cubatão)	
2007	2008	2007	2008
8,085,900	8,384,780	6,588,706	6,565,316

USIMEC		USIPARTS		UNIGAL	
2007	2008	2007	2008	2007	2008
105,360	116,215	549,240	631,620	9,736.80	9,068.70
MRS		**USIFAST**		**USIROLL**	
2007	2008	2007	2008	2007	2008
0.00	0.00	0.00	0.00	18.40	15.50
DUFER		**RIO NEGRO/RIOS UNIDOS**		**FASAL**	
2007	2008	2007	2008	2007	2008
109,620	119,600	360,885	336,886	0	470

Obs.: There are no raw materials incorporated into the mining products.

RECYCLED MATERIALS (t)

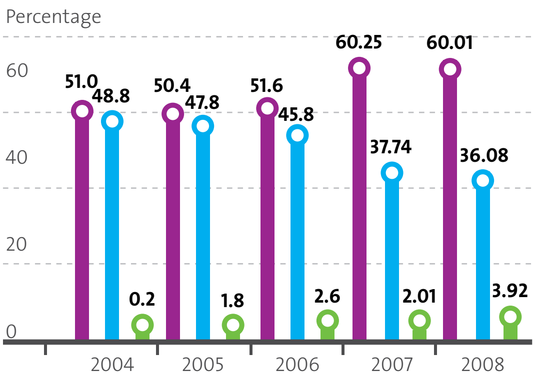
USIMINAS (Ipatinga)		COSIPA (Cubatão)	
2007	2008	2007	2008
1,098,202	1,141,378	1,194,077	1,041,399
USIPARTS		**RIO NEGRO/RIOS UNIDOS**	
2007	2008	2007	2008
15,230	16,753	545	922

Obs.: Usimec, Unigal, MRS, Usifast, Usirrol, Dufer, Dufer and Mining do not use recycled materials.

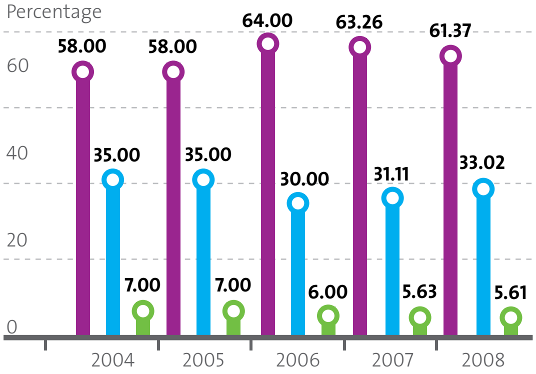
The main applications for sold residues are uses as raw material for cement production, railway ballast, granulates for base and sub-base of road pavement, among others. In 2008, residue sales resulted in revenues of R$ 292 million for the two plants.

In 2008, solid residue generation in Ipatinga totaled 3,519,736 tons, that is, specific generation of 824.49 kg/ton of produced raw steel. In Cubatão, solid residue generation was 3,049,647 tons, equivalent to specific generation of 785.19 kg/ton of produced raw steel, a growth over 2007 (762.87 kg/ton of raw steel).

In the units where main activity is metallurgy, the characteristic residue generation is steel waste, recycled in the steel units, representing about 98% of the weight of residues generated in those companies.



CUBATÃO MILL
DESTINATION OF SOLID RESIDUES
Commercialized Reincorporated into the Process
Stored in Controlled Landfill



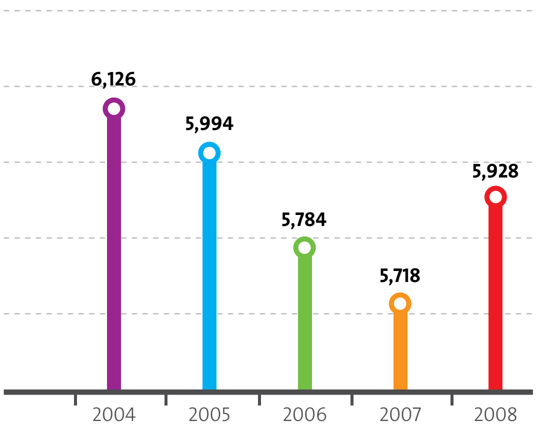
IPATINGA MILL
DESTINATION OF SOLID RESIDUES
Commercialized Reincorporated into the Process
Stored in Controlled Landfill

WATER RESOURCES

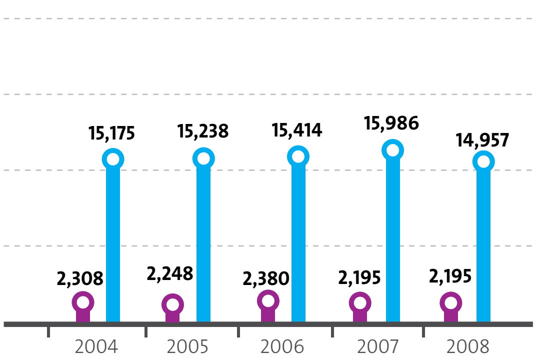
Steel production uses a large volume of water for cooling equipment and products, with significant loss through evaporation. Usiminas endeavors to reduce its water consumption with recirculation and usage optimization. Thanks to 20 recirculation centers, the average index of reused water in its units reached 93% in 2008.

Ipatinga steelworks uses only fresh water in its productive processes, collected from Piracicaba River (granted 51,964,767 cubic m/year). Cubatão collects fresh water from rivers Mogi (granted 14,016,000 cubic m/year), Quilombo (granted 14,454,000 cubic m/year) and their tributaries, and brackish water from Morrão River (no grant required).

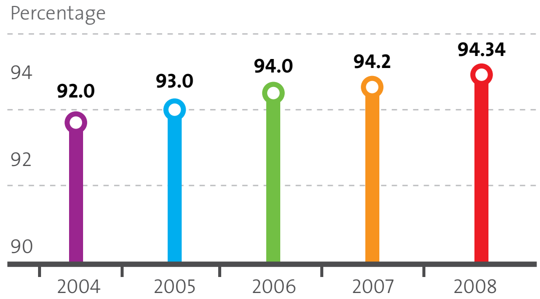
The three mining operations collected 2,413,861.30 cubic m of water in 2008. In the year, the volume of recycled and reused water reached 3,388,396.35 cubic m. Unigal, Usiminas Mecânica and Usirrol use water collected by Ipatinga steelworks. Fasal, in addition to acquiring from local public utility, collects from two artesian wells: Santa Luzia (5,152 cubic m/year) and Cachoeirinha (2,375 cubic m/year). The other companies acquire from local public utilities. All environmental licenses and water collection grants used by Usiminas are available in details at the company's website (www.usiminas.com).



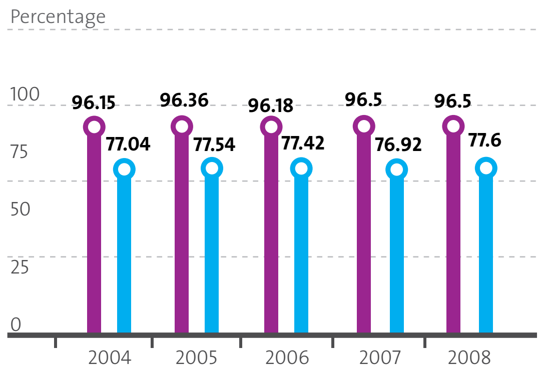
IPATINGA MILL
AVERAGE VOLUME OF FRESH WATER INTAKE (m^3/year)



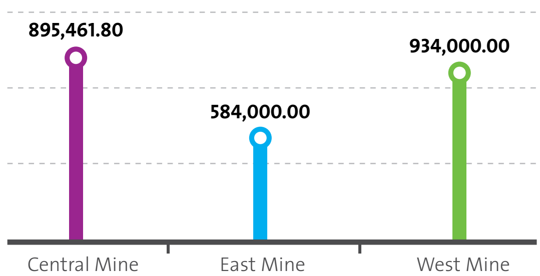
CUBATÃO MILL
AVERAGE VOLUME OF FRESH WATER INTAKE (m^3/year)
Fresh Water Brackish Water



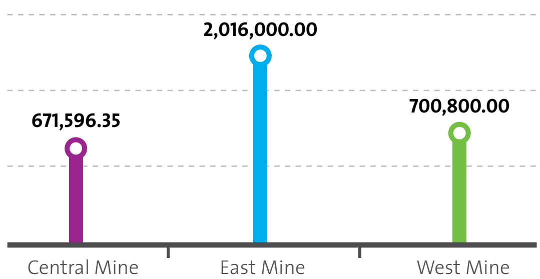
IPATINGA MILL
WATER RECIRCULATION RATE



CUBATÃO MILL
WATER RECIRCULATION RATE
Fresh Water Brackish Water



MINING
WATER INTAKE (m^3/year)



MINING
TOTAL VOLUME OF RECYCLED AND REUSED WATER (m^3/year)

Effluents

Impacts in the generation of water effluents by Usiminas are minimized by large investments in improvement of productive processes and in own treatment stations. Treatment processes include decantation, floculation and filtering, thus ensuring that the returned material will be strictly within specifications by regulatory bodies.

Ipatinga Mill - Average Values of 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	CQD * (mg/L)
Legal Standard - COPAM	5	0.2	0.2	60	20	6.0 to 9.0	90
Average 2004	2.05	0.06	0.002	39.69	3.11	7.5	5.44
Average 2005	2.41	0.065	0.003	53.24	3.1	7.35	5.51
Average 2006	3.33	0.09	0.001	46.8	3.05	7.36	5.44
Average 2007	3.25	0.083	0.003	47.47	3.47	7.33	9.54
Legal Standard-COPAM **	20	0.2	0.5	100	20	6.0 to 9.0	180
Average 2008	3.13	0.128	0.003	45.9	2.71	7.31	17.39

*Chemical Oxygen Demand.
**Change of the legal standard due to DN Conjunta Copam/CERH – MG nº01/08 substituting DN Copam nº10/86.

Ipatinga Mill - Average Values of Liquid Effluents Monitored at Treatment Stations

Parameters	Biological Treatment Station						Oil Residue Treatment Station					Acid Neutralization Station			
	COD* (mg/L)	Phenols (mg/L)	Ammonia (mg/L)	Oil (mg/L)	Suspended Solids (mg/L)	pH	COD (mg/L)	Oil (mg/L)	pH	Suspended Solids (mg/L)	SV60** (mg/L)	Soluble Iron (mg/L)	pH	Suspended Solids (mg/L)	SV60** (mg/L)
Legal Standard - COPAM	90	0.2	5	20	60	6.0 to 9.0	90	20	6.0 to 9.0	60	1	10	6.0 to 9.0	60	1
Average 2004	86.42	0.008	0.2	11.43	41.63	7.77	ND	10.55	7.15	21.2	0.11	0.38	7.44	18.49	0.38
Average 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
Average 2006	79.89	0.01	0.58	8.66	43.92	7.61	18.8	9.27	7.07	19.71	0.12	0.32	7.16	17.9	0.16
Average 2007	120.63	0.013	1.08	12.11	80.96	7.64	56.59	7.9	7.26	21.67	0.1	0.32	7.43	23.71	0.21
Legal Standard - COPAM ***	180	0.5	20	20	100	6.0 to 9.0	180	20	6.0 to 9.0	100	1	10	6.0 to 9.0	100	1
Average 2008	101.11	0.009	0.62	4.38	68.12	7.87	127.38	8.57	7.23	18.09	< 0.10	0.43	8.03	34.7	0.1

* Chemical Oxygen Demand.
** Sedimentary Volume in 60 Minutes.
*** Change of the legal standard due to DN Conjunta Copam/CERH – MG nº01/08 substituting DN Copam nº10/86.

Ipatinga Mill – Electrolytic Galvanization Effluents Treatment Center											
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)
Legal Standard - COPAM		0.5	0.5	90	10	20	6.0 to 9.0	60	1	1	5
Average 2004	0.02	0.05	0.05	2.97	0.11	2.62	7.37	18.5	0.05	0.5	2.74
Average 2005	0.01	< 0.05	0.05	2.15	0.1	2.27	7.21	19.44	0.05	1.06	2.71
Average 2006	0.01	0.05	0.05	2.69	0.13	1.93	7.16	13.4	0.05	0.25	2.37
Average 2007	0.005	0.05	0.05	4.73	0.14	2.12	7.35	8.29	0.05	0.1	1.67
Legal Standard - COPAM ***		0.5	0.5	180	10	20	6.0 to 9.0	100	1	1	5
Average 2008	0.032	0.07	0.35	24.28	0.24	1.58	7.25	7.95	0.67	< 0.10	2.29

* ABS = Detergent Surfactant Agents.
** Chemical Oxygen Demand.
*** Sedimentary Volume in 60 Minutes, in milliliters per liter.
**** Change of the legal standard due to DN Conjunta Copam/CERH – MG nº01/08 substituting DN Copam nº10/86.

Cubatão Mill – Average Liquid Effluents Volumes Monitored at Output “A”							
Parameters	Ammonia (mg/L)	Cyanide (mg/L)	Phenols (mg/L)	Sedimentary Material (mg/L)	Oils and Greases (mg/L)	pH	COD (mg/L)*
Legal Standard - CONAMA	20	0.2	0.5	1	20	5.0 to 9.0	60
Average 2004	1.7	0.04	0.1	0.16	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	0.0048	0.0078	0.1	9.17	7.5	9.25
Average 2008	4.3	0.0064	0.0057	0.09	6.58	7.0	4.4

* Chemical Oxygen Demand.

Cubatão Mill – Average Liquid Effluents Volumes Monitored at Output "B"							
Parameters	Ammonia (mg/L)	Cyanide (mg/L)	Phenols (mg/L)	Sedimentary Material (mg/L)	Oils and Greases (mg/L)	pH	COD (mg/L)*
Legal Standard - CONAMA	20	0.2	0.5	1	20	5.0 to 9.0	60
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	4.87	0.01	0.026	0.21	11.18	7.7	33.26
Average 2008	8.0	0.01	0.01	0.18	7.95	7.5	17.5

* Chemical Oxygen Demand.

Cubatão Mill - Average Liquid Effluents Volumes Monitored at Output "C"							
Parameters	Ammonia (mg/L)	Cyanide (mg/L)	Phenols (mg/L)	Sedimentary Material (mg/L)	Oils and Greases (mg/L)	pH	COD (mg/L)*
Legal Standard - CONAMA	20	0.2	0.5	1	20	5.0 to 9.0	60
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	0.0058	0.0055	0.11	8.97	7.55	10.17
Average 2008	5.6	0.01	0.002	0.12	6.8	7.4	6.5

* Chemical Oxygen Demand.

Atmospheric Emissions

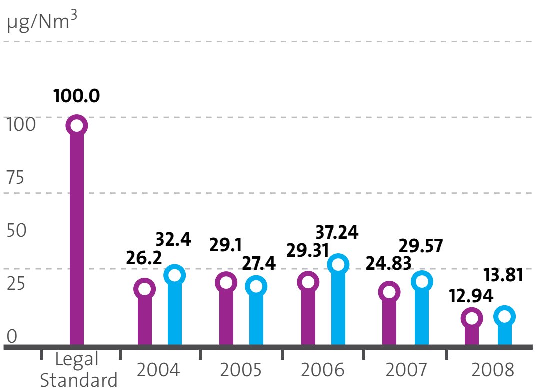
Air quality monitoring in the internal areas as well as in areas surrounding the Usiminas steel production/metallurgy complexes is performed at the sources and by monitoring stations installed in the community, which assess the performance of the equipment and atmospheric emission control processes.

Measured pollutants vary according to the process, the main are particulate materials and exhaust gases (SO_2, NO_2, CO and

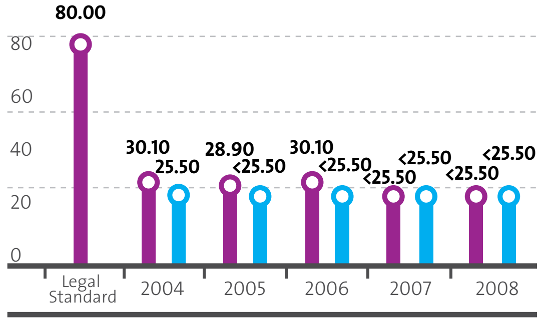
CO2), measured after the processes of fuel burning. For the processes, the plant has continuous meters of gases SO2, NO2 and CO, which allow for immediate action for emission control.

For the control of atmospheric emissions at the sources, the company has sleeve filters, electrostatic precipitators, and gas washers, located especially in steel production areas. During raw material storage and handling, water sprays are used to minimize powder generation, thus avoiding their dispersion by the wind.

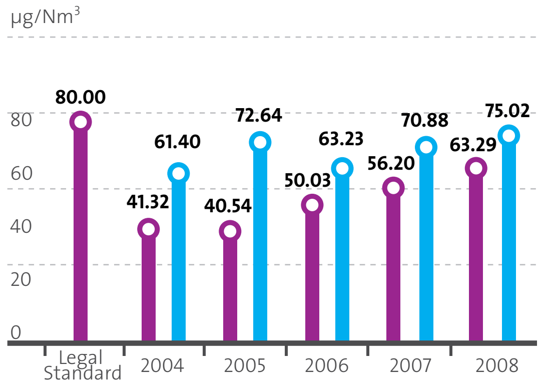
Air quality management in region of the Ipatinga steelworks complex is carried out through continuous monitoring by six stations installed in the districts of Bom Retiro, Castelo, Cariru, Bairro das Águas, Escritório Central and Novo Cruzeiro. Air quality is assessed with a mathematical evaluation model of pollutant dispersion called Breeze, which allows for immediate analysis of dispersion conditions. The Green Belt surrounding the complex is ten times as large as the recommended by the World Health Organization.



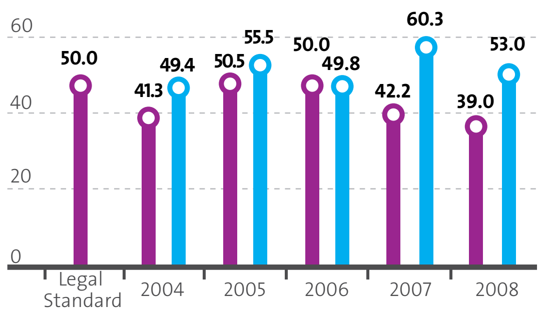
IPATINGA MILL
NO_2 CONCENTRATION MONITORING
IN NEIGHBORHOODS
Águas Neighborhoods Novo Cruzeiro Neighborhoods



IPATINGA MILL
SO_2 CONCENTRATION MONITORING IN NEIGHBORHOODS
Águas Neighborhoods
Novo Cruzeiro Neighborhoods



IPATINGA MILL
SUSPENSION PARTICULATES CONCENTRATION
MONITORING IN NEIGHBORHOODS
Águas Neighborhoods Novo Cruzeiro Neighborhoods



IPATINGA MILL
PARTICULATE MATTER CONCENTRATION
MONITORING IN THE NEIGHBORHOODS
Águas Neighborhoods Novo Cruzeiro Neighborhoods

Cubatão steelworks was the first in the industrial pole to install an emission monitoring system at smokestacks connected online with the Sao Paulo State Basic Sanitation, Technology and Environmental Protection Agency (Cetesb/SP), aiming at continuously supervising the potential sources of atmospheric emissions. The supervision is carried out by performance assessment of 62 environmental protection equipments and though control processes, and monitoring of 45 fixed sources, whose results comply with all legal standards. In addition, 14 of those sources are continuously monitored by opacimeters, instruments used to measure the coefficient of light absorption of emitted gases. Usiminas adhered to the commitment that every investment made at the unit of Cubatão must produce a 10% environmental improvement.

Still in Cubatão, the installation of Blast Furnace 2 Top Pressure Recovery Turbine (generating 11.7 MWh electric energy) results in estimated reduction of 50,161 ton/year of CO2, considering the natural gas that would be burned to generate that same amount of energy.

Steelworks - Atmospheric Emissions	Ipatinga		Cubatão	
	2007	2008	2007	2008
Volatile Organic Compound (mg/m^3)	2.02	0.29	NA	NA
Particulate Matter (mg/Nm^3)	39.3	36.18	43.73	30.2
SOx (mg/Nm^3)	210.81	223.58	49.82	29.9
NOx (mg/Nm^3)	68.23	136.06	15.41	22.9
Zinc (mg/Nm^3)	0.27	0.69	NA	NA
Inhalable Particles (mg/Nm^3)	ND	ND	36	32.5

Cubatão Mill - Atmospheric Emissions Monitoring at their Respective Source

Parameters	Blast Furnace 1			Blast Furnace 2		
	Particulate Matter mg/Nm^3	SO_2 mg/Nm^3	NO_2 mg/Nm^3	Particulate Matter mg/Nm^3	SO_2 mg/Nm^3	NO_2 mg/Nm^3
Legal Standard	75	2,500	100	75	2,500	100
Average 2004	23.58	20.35	14.12	27.86	96.90	ND
Average 2005	21.55	62.20	1.60	26.54	2.50	1.75
Average 2006	20.71	21.51	7.28	16.34	48.16	4.70
Average 2007	17.70	7.56	28.10	17.60	95.80	1.74
Average 2008	17.56	69.87	49.34	32.93	78.65	17.80

Cubatão Mill - Atmospheric Emissions Monitoring at their Respective Source						
Parameters	Sintering 2			Sintering 3		
	Particulate Matter mg/Nm³	SO_2 mg/Nm³	NO_2 mg/Nm³	Particulate Matter mg/Nm³	SO_2 mg/Nm³	NO_2 mg/Nm³
Legal Standard	75	2,500	100	75	2,500	100
Average 2004	23.58	20.35	14.12	27.86	95.90	37.00
Average 2005	67.50	266.00	60.50	46.60	323.00	34.00
Average 2006	79.80	262.80	37.24	44.76	262.80	37.24
Average 2007	49.70	262.80	1.85	60.90	223.40	1.80
Average 2008	*	*	*	51.33	191.05	78.09

Obs.: Sintering 1 activities were interrupted in 2008.
* Due to operational reasons, we did not realize the monitoring of Sintering 2 in 2008.

UNIGAL - Atmospheric Emissions Monitoring at their Respective Source							
Place	Parameters	Legal Standard	Average 2004	Average 2005	Average 2006	Average 2007	Average 2008
Continuous Reheating Furnace	Particulate matter (mg/Nm³)	50	38.14	28.40	29.14	16.80	31.50
	SO2 (mg/Nm³)	800	485.47	277.28	307.40	41.60	510.40
	Zinc (mg/Nm³)	50	0.63	0.25	0.001	ND*	ND*
Galvannealing Furnace	Particulate matter (mg/Nm³)	50	18.28	2.54	1.85	2.51	4.10
	SO2 (mg/Nm³)	800	1.14	7.81	2.86	1.60	9.60
	Zinc (mg/Nm³)	50	1.47	0.06	0.203	0.03	0.10
Chromium Plating Exhaust System	Particulate matter (mg/Nm³)	50	8.92	3.66	1.63	2.51	**
	Chrome (mg/Nm³)	5	ND	0.001	0.001	0.03	**
Chromium Plating Dryer	Particulate matter (mg/Nm³)	50	6.19	1.70	2.50	2.82	**
	Chrome (mg/Nm³)	5	ND*	ND*	0.01	0.03	**

* ND: Not Detected.
** Monitoring interrupted in 2008, according to Official Letter nº 861/2008 released by FEAM/MG - Fundação Estadual de Meio Ambiente.

Atmospheric Emissions Monitoring at their Respective Source					
Source		Legal Standard	Average 2006	Average 2007	Average 2008
Painting Cabin – Stack I	Particulate matter- Fixed and Fugitive Sources	150 mg/Nm^3	10.45	7.49	14.18
	Volatile Organic Compounds VOC	100 mg/Nm^3	8.08	6.45	12.31
	Heavy Metals - Fixed Sources	5 mg/Nm^3	3.13	0.14	0.08
Painting Cabin – Stack II	Particulate matter- Fixed and Fugitive Sources	150 mg/Nm^3	9.69	6.37	47.18
	Volatile Organic Compounds VOC	100 mg/Nm^3	9.57	5.30	7.21
	Heavy Metals - Fixed Sources	5 mg/Nm^3	3.37	0.14	0.08
Painting Cabin – Stack III*	Particulate matter- Fixed and Fugitive Sources	150 mg/Nm^3	-	6.00	18.68
	Volatile Organic Compounds VOC	100 mg/Nm^3	-	12.04	14.33
	Heavy Metals - Fixed Sources	5 mg/Nm^3	-	0.03	0.07
Painting Cabin – Stack IV*	Particulate matter- Fixed and Fugitive Sources	150 mg/Nm^3	-	12.02	6.27
	Volatile Organic Compounds VOC	100 mg/Nm^3	-	9.6	16.33
	Heavy Metals - Fixed Sources	5 mg/Nm^3	-	0.036	0.01
Painting Cabin – Stack V*	Particulate matter- Fixed and Fugitive Sources	150 mg/Nm^3	-	9.00	5.70
	Volatile Organic Compounds VOC	100 mg/Nm^3	-	1.22	6.91
	Heavy Metals - Fixed Sources	5 mg/Nm^3	-	0.02	0.01
Sand Blasting - Blanks	Particulate matter- Fixed and Fugitive Sources	150 mg/Nm^3	11.86	16.75	46.79
Sand Blasting - I	Particulate matter- Fixed and Fugitive Sources	150 mg/Nm^3	65.48	10.70	20.36
Sand Blasting - II	Particulate matter- Fixed and Fugitive Sources	150 mg/Nm^3	21.01	13.14	26.54
Sand Blasting - III*	Particulate matter- Fixed and Fugitive Sources	150 mg/Nm^3	-	7.70	13.46

* Installations beginning operations at the beginning of 2007.

USIPARTS - Atmospheric Emissions Monitored at their Respective Sources						
Source	Emissions	Legal Standard	Average 2005	Average 2006	Average 2007	Average 2008
Painting Cabins	Volatile Organic Compounds- VOC	150 mg/Nm³	2.33	14.59	11.30	14.10
	Particulate Matter	150 mg/Nm³	7.95	13.39	9.60	11.56
	Lead	5 mg/Nm³	< 0.17	< 0.072	0.003	0.003
Enamel Curing Oven	Volatile Organic Compounds- VOC	150 mg/Nm³	4.07	16.55	7.90	8.86
	Particulate Matter	150 mg/Nm³	8.80	11.27	12.10	8.24
Paint Room Exhaust System	Volatile Organic Compounds- VOC	150 mg/Nm³	3.77	5.05	15.30	13.04
	Particulate Matter	150 mg/Nm³	3.20	6.03	12.44	18.36
Sanding Cabins	Particulate Matter	150 mg/Nm³	6.26	5.69	22.50	19.01

Rio Negro - Atmospheric Emissions Monitored at their Respective Sources			
Emissions	Legal Standard	2007	2008
Particulate Matter (mg/Nm³)	75	44.53	31.59
SO_2 (mg/Nm³)	2,500	94.13	3.04
NO_2 (mg/Nm³)	100	863.67	67.17

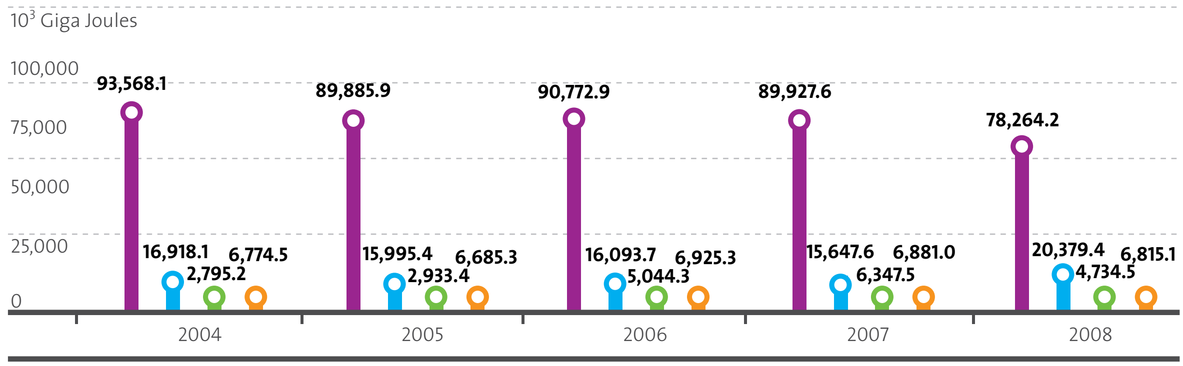
Obs: Dufer is located inside Cubatão Mill's area and its impacts by polluting source are not significant.

ENERGY SUPPLY MIX

Aiming at reducing costs and increasing operating vertical structures, Usiminas raises the self-production of energy. The Company, that already had 26% of self-generation in Ipatinga and 15% in Cubatão, is expected to reach 50% of its energy requirement in the two major operations of the group.

At the end 2008, Blast Furnace 2 Top Pressure Recovery Turbine started operation in Cubatão, a project that demanded investments of US$ 26 million and increased energy supply in 11.7 MWh, corresponding to 6% of the power consumption at the plant. As a result, the unit produces now approximately 20% of self-generation.

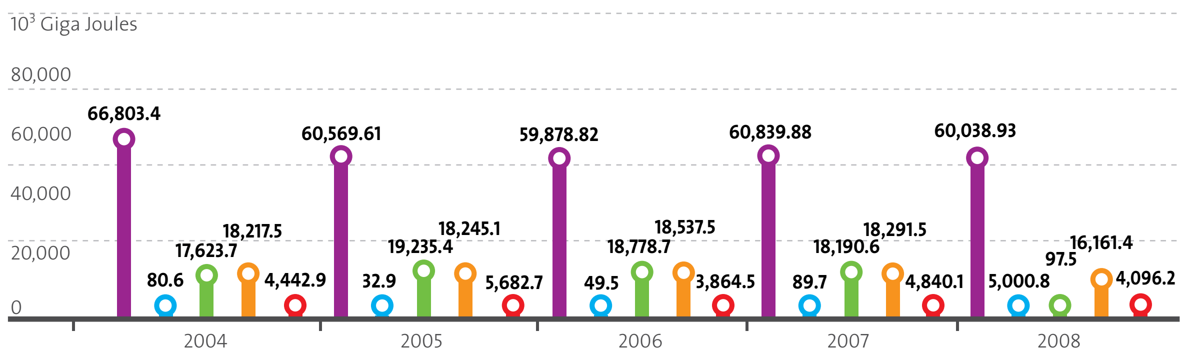
Also at the year end, the thermal power station installed at the Ipatinga plant started operations. With investments of R$ 255 million, it increased self-generation from 58 MWh to 120 MWh, that is, from 26% to 53% of the total power consumed at the steelworks. The equipment is a co-generation project – in addition to producing energy, it supplies 115 tons/hour of vapor for use in the industrial process. The mechanism elevated the global use of gases, from 89% to about 98%. It is important to stress that the rated consumption reduction of 7.25% when compared to 2007 is influenced by reduced activities in the fourth quarter.



IPATINGA MILL
DIRECT ENERGY CONSUMPTION BY PRIMARY SOURCE

Coal   Acquired Electricity   Oil Products   Air Gases (Cryogenic)

At the unit of Cubatão, rated consumption dropped when compared to 2007, but was also impacted by the reduced production rhythm. Worth mentioning, the plant used less energy generated by coal, and more natural gas, which is less pollutant.

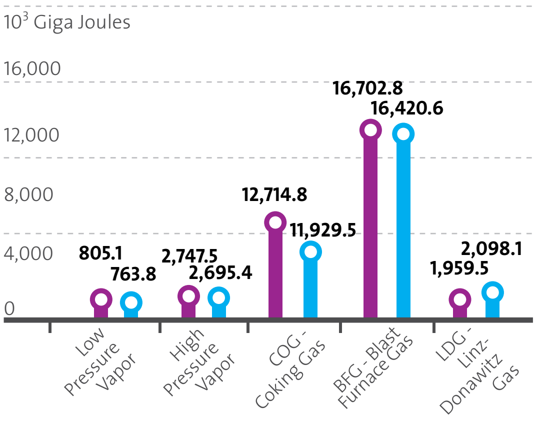


IPATINGA MILL
DIRECT ENERGY CONSUMPTION BY PRIMARY SOURCE

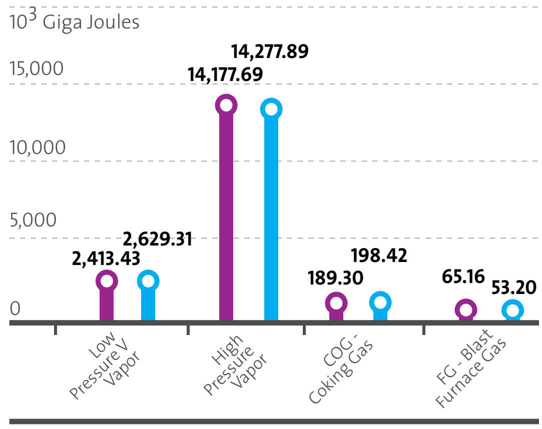
Coal   Air Gases (Cryogenic)   Oil Products   Acquired Electricity   Natural Gas

Coal still is the main source of power generation used by Usiminas. Gases and liquid fuels generated from coking processes, iron ore reduction, and steel refining after cleaning are stored and reused in other stages of production and in self-generation.

In Ipatinga, the operation of a 150,000 cubic m (BFG) gas tank operating with LDG in the period April 16-September 22 prevented the total gas burning in combustion towers, as well as the simultaneous consumption of 17,940 tons of fuel oil. With this, SOx, NOx and CO2 atmospheric emissions were reduced for savings of R$ 20,487,066.00.



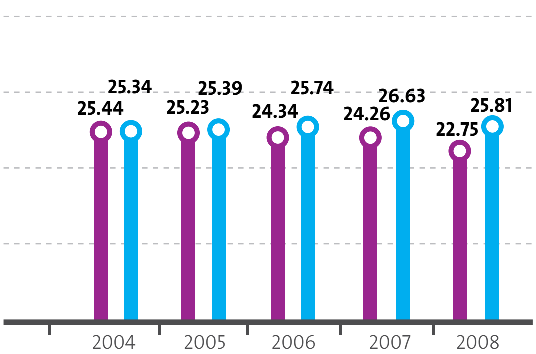
IPATINGA MILL
SECONDARY ENERGY GENERATION
FROM PRIMARY SOURCES
2007 2008



CUBATÃO MILL
SECONDARY ENERGY GENERATION
FROM PRIMARY SOURCES
2007 2008

SPECIFIC CONSUMPTION

The Cubatão plant had a 6.23% reduction in specific consumption (total energy spent to produce one ton of steel), indicating improved energetic efficiency. The result was obtained due to investments in equipment and systems to control steel production processes and, especially, for better use of natural gas in its energy supply mix. At the plant of Ipatinga, specific consumption gains for eco-efficiency actions amounted to 3.01%.



STEEL MILLS SPECIFIC ENERGY CONSUMPTION
Giga Joules per Ton of Crude Steel
Specific Consumption - Cubatão Mill
Specific Consumption - Ipatinga Mill

FINES AND ENVIRONMENTAL INVESTMENT

The Green Areas Program aims at recovering native vegetation in degraded areas for disorderly occupation. Conceived at the end of the 1950's, with the inclusion of the Green Belt and the Zoo-botanical Park in the planning directives of the Workers' Village, the program's ground zero was the implementation of the Seedling Garden and planting at the first open areas in 1965. Usiminas invested R$ 1.5 million in projects at the Ipatinga steelworks.

For additional information on supported projects, please visit: www.usiminas.com

COMMITMENTS

Aware that sustainability is an ongoing process in the evolution of corporate management practices, Usiminas presents in this chapter the advancements reached in view of the commitments made in 2008, in social and environmental dimensions. As from 2009, the Company projects an acceleration, above all, from increased planning and integration of actions. Next, are the steps taken in the journey of increased sustainability in our business model:

Social Dimension			
Topics	**2008 Commitments**	**Progress**	**2009 Commitments**
Employee Profile	• Keep up the initial goals increasing to 72% the schooling of employees' level with high school and/or college education by 2009.	• Total employees' high and college school level, on December 31, 2008, was of 72.4%. • Restructuring of the Basic Education Program, elevating the employees' school levels (see pg. 93). • Widening of agreements with higher education entities, benefitting 465 employees of Cubatão mill and allowing this benefit to other Usiminas' employees.	• Maintain the school level of employees who have a high and/or college degree at 72%by 2010.
Industrial Medicinal Safety	• 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 kept 2007 participation level until the implementation of the fixed shift, when there was a 19% drop in participation • Reduction of around 30% of the number of accidents without time loss. • Recertification of standard OHSAS 18001/2007. • Strengthening of the People with Deficiencies and Professional Rehabilitation Inclusion programs.	• Adjusting the honoraries according to the areas' demands and stimulate the participation of employees trough consistent information about the benefits of these operations.
Quality of Life Improvement	• Consolidate the "Live to the Limit" program in the companies where it is already structured. • Implement new fronts and increase the reach of actions already taken to a greater number of employees.	• The "Live to the Limit" program participation was 18% higher than that of 2007, due to the increase in projects already realized and to new ones that are implemented. • In June, Usiminas Mecânica implemented its life quality "Live More" program.	• Expand the "Live to the Limit" program to other group companies and prioritize permanent actions that reflect more consistently in the life quality of employees and their family.
Support to Urban Development	• Conclude and deliver of the 160 new houses of the Residencial Amaro Lanari to employees in June. • Restudy the feasibility of Residencial Vila do Parque by the end of 2008.	• In October 2008 160 apartments were delivered in the Residencial Amaro Lanari Junior to Usiminas, Usiminas Mecânica, Unigal and FSFX employees. • The Employees Fund is negotiating with another constructer that should take over the construction in replacement of CCM (Construtora Centro Minas).	• Plant tree species of small and medium sizes with ornamental species and landscape in the Bom Retiro and Cariu neighborhood (belt around the eucalyptus plantation). • Recover the permanent preservation area around the headspring located in the Bela Vista neighborhood). • Recover a 6.4 hectar area with a plantation of 7,050 seedlings of native species in the area of Zoobotanico Park. • Restudy the feasibility of Residencial Vila do Parque will continue.

→

(Continued)

Social Dimension			
Topics	**2008 Commitments**	**Progress**	**2009 Commitments**
Health in the Community	• Continue the enhancement of medical and hospital services and complementary exams offered to the public in general.	•Decentralize the schedule of exams and implement a Result of Exams Delivery Central. • Implement a Sleep Medicine Service • Implement an Executive Check-up for Arcelor Mittal Timoteo. • Implement computerized electrocardiogram exam. • Enlarge attendances in MRI. • Risk classification in Emergency Rooms, medical ambulatory, ultrasound exams, video surgeries, mammography, and physical therapy for hospitalized patients. • Enlarge the Renal and Substitute Therapy Center's capacity care through the acquisition of three dialysis machines. • Enlarge the number of spots in the parking lot o f the main reception at HMC-Unit 1.	**Short term:** • Enhance general efficiency, maintaining the ISSO 9001:2000 (Laboratorial Medicine Unit) and the Excellence Belief of ONA. • Use of digital certificates in the electronic charts offering free legal guarantee to these documents. • Implement auxiliary units of material collection. • Remodel and amplify the HMC Emergency Room. • Remodel the hospitalization units of Unit I. • Enlarge the hospital beds of Unit II. • Enlarge the MRI services and sleep medicine. • Enhance the hospital management system of HOSIX. **Medium term:** • Implement new units of technical and logistics support. • Enlarge the Adults ICU hospital beds. • Build the Oncology Center. **Long term:** • Hemodynamic Expansion. • Implement the new Lab. • Remodel the Obstetric Center. • Build the Medical and Advanced Diagnosis centers.
Community Education	• Continue the inclusive actions of Be More Project	• Increase by 10.92% the investments in relation to 2007, attending 463 students (regular teaching and Space for Talent Project scholarship students). • Supply 478 scholarships to the children of employees of operational levels and of Ipatinga Mill.	• Continue the Be More Project, contemplating students of the Space for Talent with scholarships for the regular school of São Francisco Xavier College. • Consolidate the partnership between the Space for Talent and city council and state public schools of Ipatinga (Minas Gerais state), developing special educational projects for children and over gifted youngsters.
Sport – Participation in Games	• Participation of the Usiminas' employees teams in the Worker Games edition provided by Sesi.	• Teams of Usiminas, Unigal, Usiminas Mecânica and Cosipa participated in the Games, in the City Council phases, Regional, State and Southeast, besides State Swimming and Athletics meetings.	• Maintain participation of Usiminas' employees teams in the Worker Games edition, provided by Sesi.
Integration with the Community	• Keep the offer of events in training aimed at the community.	• In 2008, the supervised internship opportunities in Usiminas and Unigal were of 126 (high school) and 202 (college). • Usiminas Mecânica promoted the Visit the Company Program, the Sweater Caimpaign and the Sympathetic Christmas Caimpaign. • Rio Negro promoted visits of the students from Youth Opportunities Program, besides encouraging employees to practice social deeds, creating voluntary groups.	• Maintain interlocution with the communities in which Usiminas acts, through the Committee of Integration with the Community of Usiminas and Controlled Companies – CINCO, with sponsors and donations, as well as with destinations to Municipal Funds of Childhood and Teenager.
Cultural areas and Infrastructure	• Open the Cosipa Cultural Theater	• Opened on March 12, with a capacity of 287 people, central air conditioner, two individual dressing rooms and another collective one, deposits, special entrance for equipments, independent entrances and computerized box offices.	• Maintain company's investments in creation, revitalization and maintenance of infrastructure for cultural activities, with emphasis in the communities in which the company is present. • Offer a quality cultural program in its own spaces: Usiminas Cultural Center and Zélia Olguin Theater (Ipatinga) and Cosipa Cultural Theater (São Paulo) • Create Usiminas' Virtual Museum.

Environmental Dimension			
Topics	**2008 Commitments**	**Progress**	**2009 Commitments**
Air	• Upgrading of the electrostatic precipitator for Sinter Plant Machine nº 3 until March (Ipatinga). • Install a gas desulphurization system at the Coking Plant by December /2009 (Ipatinga). • Implement self-adjusting doors on coking battery ovens In order to eliminate gas leaks until September. (Cubatão). • Maintain atmospheric emissions suited to the requirements of established legal standards (Usiminas Mecanica). • Paint slurry removal system installation in the painting cabin (Usiparts).	• Reform concluded in March, but without the desired efficiency. • The deadline will not be met, since it is in a bidding phase. • Concluded in September, with a 100% implementation of the doors and attested by Cetesb. • Atmospheric monitoring made in 2008 indicated that the system operates efficiently, attending 100% of legal standards.	• Conclude the paint slurry removal installation in the painting cabin (Usiparts).
Water	• Improve the effluents from the Biological Treatment Stations of the Coking Plants by February/2009 (Ipatinga mill). • Install a system for the intake and treatment of rain water in Coking Plant areas and Carbochemicals until July/2009 (Ipatinga mill). • Implement project to reuse effluents from the STAA, as well as make-up in the cooling towers of the new ovens until Dec/2011 (Cubatão). • Keep the Sewage Treatment Station operating performance at an average of 95% (Usiminas Mecanica). • Paint slurry removal system installation in the painting cabin (Usiparts). • Reutilization of part of the water currently disposed for internal packaging washing (Usiparts). • Change the Physical-Chemical Purifier In order to improve Treated Effluents (Usiparts).	• The project is ongoing and divided in three parts: Primary Treatment (ammonia distillation plant); Secondary Treatment (Biological Treatment Station) and Tertiary Treatment (physical- chemical treatment). • Detailed project is ongoing, but already with delay. • Project is ongoing, with the expansion package of the Thermoelectric Central. • STS operated in 2008 with performance average of 99.8%. • Civil construction initiated for the installation of the paint slurry removal. • The exchange of the physical-chemical STS purifier was made. • The Operational Adaptations of the STS were made aiming at the DQO adaptations. Weakly and monthly monitoring were made.	• The Primary Treatment start sate is March 13, 2009; The Secondary Treatment operations starts on March 2. The Tertiary Treatment depends on the clearing of the Biological Treatment Stations for the beginning of the activities. The new term for the conclusion is February 2010. • The installation term for the intake and treatment of rain water in Coking Plant areas and Carbochemicals system term date is October 21, 2009. • Implement the system to reuse effluents from the Biological Treatment Station (BTS) as water replacement in the Granulation of Slag from Blast Furnace 1, until December 2009 (Cubatão mill). • Reuse part of the discarded water in the washing of internal packaging (Usiparts). • Change the Physicak-Chemical Purifier aiming at improving the treated effluents (Usiparts).
Soil	• Treat and/or dispose of accumulated stock of oily slurries in the provisional bays. (Cubatão mill). • Monitor the residual volumes of wood in the steel products shipping, after reduction measures adopted in 2007 (CUbatão mill). • Obtain a disposal of solid waste by 6% of total destination until December (Ipatinga mill). • Obtain sale of solid waste at 60% of total destination until December (Ipatinga mill). • Continue with water and organic vapor treatment station in order to decontaminate Poço Redondo area (Ipatinga mill). • Reduce in 1% the generation of metal scrap (Unigal). • Concrete pavement of 1,790m in the tool yard (Usiparts). • Complete the spillage containment system, including connection to the ETS (Usiparts). • Cover an area of 3,154 m in the tool yard. • Implement the project to increase green areas (Usiparts).	• 30 tons of slurries were removed and destined elsewhere in 2008. • Accompany of the wood volume generation is already part of the operational routine. • Of the residues destined in 2008, 5.6% were disposed in controlled landfills. • Of the residues destined in 2008, 60.4% were commercialized. • In 2008, the stations' operation was maintained, aiming at continuing the decontamination process of the Poço Redondo area. • The reduction in the generation of metal scraps was of 6.64% for a goal of 1% in 2008. • Realization of the concrete and system of contaminated collection of 514 m2 of the yard's area that was amplified. • Realization of the system for containment of the tools' washing area and its interconnection to the ETE. • Realization of the covering of 960 m2 and the concrete of 245 m2. • Elaborated and implemented the adaptation project of the green areas with a partnership from the city council mayor.	• Removal of around 7 thousand tons remaining of oily slurries stocked in temporary bays in Cubatão mill until July 2009 according to date established with Cetesb (Cubatão mill). • Sealing of a 1,790 m2 area of the tool yard (Usiparts). • Conclusion of a capture system of shillings with interconnection to the ETEs (Usiparts). • Covering of a 3,154 m2 of the tool yard (Usiparts). • Implement the adaptation project of green areas (Usiparts).
Energy	• Maintain in 2008, the electricity and LPG consumption rationalization program, adjusting the sectors consumption targets (Usiminas Mecânica).	• All goals established for 2008 regarding Electrical Energy and GLP rationalization were met.	• Increase own electric energy generation from 17.2 MW/h (in 2008) to 23.8 MW/h (2009).

Annual Social Statement - 2008						
1 - Calculation Base	**2008 Value (R$ thousand)**			**2007 Value (R$ thousand)**		
Net Revenues - RL	15.706.529			13.824.843		
Operating Income - RO [1]	5.078.324			4.451.576		
Gross Payroll - FPB	1.488.000			1.334.976		
2 - Internal Social Indicators	**Value (thousand)**	**% Gross Payroll**	**% Net Revenue**	**Value (thousand)**	**% Gross Payroll**	**% Net Revenue**
Catering	70.272	4.72	0.45	54.060	4.05	0.39
Mandatory Social Security	356.889	23.98	2.27	282.184	21.14	2.04
Supplementary Pension Fund	176.989	11.89	1.13	152.422	11.42	1.10
Helthcare	47.662	3.20	0.30	39.004	2.92	0.28
Industrial Safety and Medicine	69.105	4.64	0.44	54.843	4.11	0.40
Education[2]	534	0.04	0.00	528	0.04	0.00
Culture	0	0.00	0.00	0	0.00	0.00
Professional Development and Capacity-Building[2]	13.975	0.94	0.09	12.443	0.93	0.09
Day-care Centers or Allowances	25	0.00	0.00	41	0.00	0.00
Insurance	2.394	0.16	0.02	2.173	0.16	0.02
Transporting	20.821	1.40	0.13	25.079	1.88	0.18
Profit or Earnings Sharing Scheme	76.685	5.15	0.49	95.842	7.18	0.69
Others	22.936	1.54	0.15	17.972	1.35	0.13
Total - Internal Social Indicators	**858.276**	**57.68**	**5.46**	**724.867**	**54.30**	**5.24**

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(Continued)

Annual Social Statement - 2008						
3 - External Social Indicators	**Value (thousand)**	**% Gross Payroll**	**% Net Revenue**	**Value (thousand)**	**% Gross Payroll**	**% Net Revenue**
Education	147	0.00	0.00	140	0.00	0.00
Culture	30.382	0.60	0.19	26.761	0.60	0.19
Helthcare and Sanitation	0	0.00	0.00	0	0.00	0.00
Sport	4.898	0.10	0.03	3.238	0.07	0.02
Combating Hunger/ Food Security	0	0.00	0.00	103	0.00	0.00
Others	25.725	0.51	0.16	15.588	0.35	0.11
Total Contribution to Society	61.151	1.20	0.39	45.830	1.03	0.33
Taxes (social security excluded)	3.484.058	68.61	22.18	3.184.307	71.53	23.03
Total - External Social Indicators	**3.545.209**	**69.81**	**22.57**	**3.230.137**	**72.56**	**23.36**
4 - Invironmental Indicators	**Value (thousand)**	**% Gross Payroll**	**% Net Revenue**	**Value (thousand)**	**% Gross Payroll**	**% Net Revenue**
Investment related to corporate operating/ production	267.882	5.28	1.71	126.777	2.85	0.92
Investment in external programs and/or projects	1,821	0.04	0.01	0	0.00	0.00
Total Environmental Investments(3)	**269,975**	**5.32**	**1.72**	**126,777**	**2.85**	**0.92**
Regarding the stablishment 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	( ) has no targets ( ) complies from 51 to 75% ( ) complies from 0 to 50% (x) complies from 76 to 100%.			( ) has no targets ( ) complies from 51 to 75% ( ) complies from 0 to 50% (x) complies from 76 to 100%.		

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(Continued)

Annual Social Statement - 2008

5 - Staff Indicators	2008	2007
Headcount at end of period	29.784	25.080
Nº of Hires in Period	9.829	8.235
Nº of Outsourced Personnel	16.936	16.252
Nº of Interns/ On-the-job Trainees	2.422	594
Nº of Employees over 45 yers of age[4]	7.876	5.853
Nº of Women working for the Company[4]	4.284	1.229
% Management Positions held by Women [4]	0.00%	0.09%
Nº of Negroes working for the Company [4] [7]	1.542	1.551
% of Management Positions held by African Americans [4]	0.00%	0.06%
Nº of Disabled Employees / Special necessities [5] [8]	651	513

6 - Significant Information on the Exercise of Corporate Citizenship	2008			2009 Targets		
Ratio between the highest and lowest remuneration in the Company	58.31			ND		
Total Number of work accidents	155			ND		
Outreach and environmental projects implemented by the Company were defined by:	( ) senior officers	(x) senior officers/ managers	( ) all employees	( ) senior officers	(x) senior officers/ managers	( ) all employees
Workplace safety and health standards were defined by:	( ) senior officers/ managers	( ) all employees	(x) all employess plus CIPA	( ) senior officers/ managers	( ) all employees	(x) all employess plus CIPA
With regard to trade union freedom. the right to collective bargaining and in house worker reperesentation. the Company	( ) is not involved	( ) follow ILO standards	(x) encourages and complies with ILO standards	( ) is not involved	( ) follow ILO standards	(x) encourages and complies with ILO standards
The Supplementary pension fund covers: [6]	( ) senior officers	( ) senior officers/ managers	(x) all employees	( ) senior officers	( ) senior officers/ managers	(x) all employees

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(Continued)

Annual Social Statement - 2008						
6 - Significant Information on the Exercise of Corporate Citizenship	**2008**			**2009 Targets**		
Profit or earnings sharing schene includes:	( ) senior officers	( ) senior officers/ managers	(x) all employees	( ) senior officers	( ) senior officers/ managers	(x) all employees
When selection suppliers the same ethical. social accountability and environmental responsability standards as adopted by the Company;	( ) are not considered	(x) are recommended	( ) are required	( ) are not considered	(x) are recommended	( ) are required
With regard to employee participation in volunteering programs. the Company:	( ) is not involved	( ) supports	(x) organizes and encourages	( ) is not involved	( ) supports	(x) organizará e incentivará
Total number of consumer complaints and criticisms:	at the Company 773	at Procon 0	in Courts 0	at the Company 0	at Procon 0	in Courts 0
% complaints and criticsms answered or resolved:	at the Company 100	at Procon 0	in Courts 0	at the Company 0	at Procon 0	in Courts 0
Overall Value Added to be distributed (thousand Reais)	**2008: 9.710.614**			**2007: 7.815.190**		
Distribution of value Added (DVA)	"33.94% govern-ment 11.24% staff 11.71% stockhold-ers 21.63% third par-ties 21.48% withheld"			"43.64% government 14.79% staff 14.27% stockholders 0.50% third parties 26.80% withheld"		

7 - Other Information

Usinas Siderúrgicas de Minas Gerais S/A - USIMINAS
CNPJ Nº.: 60.894.730/0001-05
Industry: Steel and Metallurgy
Address: Rua Prof.: José Vieira de Mendonça. 3011
Belo Horizonte - MG. CEP 31 310 - 270
For further explanation on the information disclosed:
Engenheiro Marcus Rogério Carneiro Lemos
Phone Nunber: (55) xx 31 3499 8272

Usiminas does not employ child or forced labor. has no involvement with prostitution nor with child or teenage sexual abuse. Our company values and respects diversity. both internally and externally.

(1) – Before expenses and net financial income. equity income. amortization of goodwill and of negative goodwill. 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 the 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 the legal requirements for preparing the information presented in the RAIS. in compliance with the Brazilian Law. (5) – In compliance with the conduct adjustment agreement signed with the Labor Department of Justice. the quotas required by Law excludes operating positions which. according to the laws which guarantee labor safety. would be incompatible or would expose disable 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) – The close Pension Found reach all employees that adhered as Sponsor. (7) – Informarion on number of Black persons does not consider Fundação São Francisco Xavier. which does not have this survey. (8) – Disabled employees does not consider Mining. which does not have this survey.

Effluent Treatment Station (ETE) at Unigal.

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USIMINAS

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GLOBAL COMPACT PROGRESS

Usiminas is a signatory of the Global Compact, an initiative promoted by the UN, which encourages companies to contribute to the advancement of a global economy more sustainable and inclusive.

Formally signed since 10 April 2005, Usiminas voluntarily follows and disseminates the ten principles from the UN statements and seeks to promote such principles throughout its production chain.

The table below provides a correlation between the themes of the Global Compact and the Company actions which contribute to the promotion of the proposed principles.

The ten principles of Global Compact are:

Human Rights

1) Companies should support and respect the protection of internationally recognized human rights and;

2) Make sure they will not participate in violations of these rights.

Work

3) Companies should support the freedom of association and the effective recognition to the right of collective bargaining;

4) Elimination of all forms of forced or compulsory labor;

5) Effective abolition of child labor, and

6) Eliminate discrimination in employment.

Environment

7) Companies should support a precautionary approach to environmental challenges;

8) Develop initiatives to promote greater environmental responsibility and

9) Encourage the development and diffusion of environmentally friendly technologies.

Against Corruption

10) Companies must fight corruption in all its forms, including extortion and bribes.

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CREDITS

General Coordination
Institutional Relations Advisory Area

Working Team
Human Resources Area
Legal Area
Mining Area
Research and Innovation Area
Ipatinga Complex Area
Superintendence, José Bonifácio de Andrada e Silva Steelworks (Cubatão)
Superintendence, Auditing
Superintendence, Marketing
Superintendence, Accounting
Superintendence, Investor Relations
Superintendence, Steelworks Environment
Controlled Companies

Coordination and Contents
Report Comunicação

Consulting for Communication of Economic-Financial Information
FIRB – Financial Investor Relations

Graphic Design
Tom Comunicação

Photos
Rogério Franco
Leonardo Galvani Horta (Photos of the Board)

Printing and Prepress
Gráfica Tamóios

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USIMINAS

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders
Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS

1. We have audited the accompanying balance sheet of Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS) ("Company") and the consolidated balance sheet of Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS) and its subsidiaries at December 31, 2008, and the related statements of income, of changes in stockholders' equity, of cash flows and of value added of the Company and the related consolidated statements of income, of cash flows and of value added for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements. The audits of the financial statements of the companies mentioned in Note 12 (c), which are recorded on the equity method of accounting, were conducted by other independent auditors and our opinion, insofar as it relates to these investments and the net income derived therefrom, of R$ 323,696 thousand and R$ 106,011 thousand, at December 31, 2008, respectively, is based solely on the work of these other auditors.

2. We conducted our audit in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the companies, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by the companies' management, as well as the overall financial statement presentation.

3. In our opinion, based on our audit and on the work of the other auditors, the financial statements audited by us present fairly, in all material respects, the financial position of Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS) and of the Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS) and its subsidiaries at December 31, 2008, and the results of operations, the changes in stockholders' equity, the cash flows and the value added of the Company for the year then ended, as well as the consolidated results of operations, cash flows and value added to the operations of the Company and its subsidiaries for the year then ended, in accordance with accounting practices adopted in Brazil.

4. The audit of the financial statements for the year ended December 31, 2007, comprising the balance sheet of Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS) ("Company") and the consolidated balance sheet of Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS) and its subsidiaries at December 31, 2007, the statements of income, of changes in stockholders' equity of the Company and the related consolidated statements of income for the year then ended, as well as the supplementary information comprising the statements of cash flows and of value added, of the parent company and consolidated, were conducted by other independent auditors who issued an unqualified opinion thereon dated March 26, 2008. As mentioned in

Note 2, the accounting practices adopted in Brazil were altered as from January 1, 2008. The financial statements for the year ended December 31, 2007, presented together with the 2008 financial statements, were prepared in accordance with the accounting practices adopted in Brazil in effect up to December 31, 2007 and, as permitted by the Brazilian Accounting Pronouncements Committee (CPC) Technical Pronouncement 13 - First-time Adoption of Law 11.638/07 and Provisional Measure 449/08, are not being restated for the adjustments for comparison purposes between the years.

Belo Horizonte, february 18, 2009.

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

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

USINAS SIDERÚRGICAS DE MINAS GERAIS S.A. - USIMINAS
BALANCE SHEETS AT DECEMBER 31
IN THOUSANDS OF REAIS

	Parent company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Assets				
Current assets				
Cash and cash equivalents (Note 5)	1,680,978	1,970,101	2,924,241	3,950,937
Marketable securities (Note 6)	1,083,763		1,083,763	
Trade accounts receivable (Note 7)	738,583	825,391	1,539,271	1,678,775
Inventories (Note 9)	2,702,962	1,374,475	5,082,053	2,693,714
Taxes recoverable or to offset (Note 10)	345,800	60,297	512,774	178,587
Deferred income tax and social contribution on net income (Note 11)	42,476	41,135	102,909	81,564
Dividends receivable (Note 8)	441,963	351,762	13,895	41,559
Advances to suppliers	26,053	32,425	101,440	78,349
Other accounts receivable	206,073	57,200	538,455	259,443
Total current assets	**7,268,651**	**4,712,786**	**11,898,801**	**8,962,928**
Non-current assets				
Long-term receivables				
Deferred income tax and social contribution on net income (Note 11)	475,316	347,336	781,345	613,578
Receivables from related companies (Note 8)	63,471	1,294	8,295	
Judicial deposits (Note 19)	158,006	158,767	210,994	229,741
Taxes recoverable	70,195	34,305	186,533	107,424
Other accounts receivable	53,173	33,337	76,097	69,822
Total long-term receivables	**820,161**	**575,039**	**1,263,264**	**1,020,565**
Investments (Note 12)	8,469,015	7,174,346	2,076,397	1,683,259
Property, plant and equipment (Note 13)	4,476,347	3,625,879	10,339,709	9,011,407
Intangible assets (Note 14)	1,918,779		2,001,882	
Deferred charges				20,590
Total non-current assets	**15,684,302**	**11,375,264**	**15,681,252**	**11,735,821**
Total assets	**22,952,953**	**16,088,050**	**27,580,053**	**20,698,749**

USINAS SIDERÚRGICAS DE MINAS GERAIS S.A. - USIMINAS
BALANCE SHEETS AT DECEMBER 31
IN THOUSANDS OF REAIS

	Parent company		Consolidated	
	2008	2007 (Note 2)	2008	2007 (Note 2)
Liabilities and stockholders' equity				
Current liabilities				
Suppliers, contractors and freight	591,506	329,899	1,102,405	833,796
Loans and financing (Note 15)	270,291	152,458	1,059,491	563,917
Debentures (Note 16)	28,851		28,851	
Advances from customers	14,923	11,271	205,419	385,516
Payables to related companies (Note 8)	207,056	89,489	55,599	76,928
Salaries and social security contributions payable	107,940	79,597	207,812	170,993
Taxes payable (Note 17)	64,726	105,171	87,092	180,473
Taxes payable in installments (Note 18)	19,432	22,141	22,222	24,912
Income tax and social contribution payable (Note 11)		100,524	444,754	330,370
Deferred income tax and social contribution on net income (Note 11)	63,346	87,668	92,035	129,209
Dividends payable (Note 22)	611,557	619,508	612,569	626,916
Derivative financial instruments (Note 26)	22,838	2,808	181,736	128,563
Actuarial liabilities (Note 21)	84,426	70,115	94,307	77,569
Other accounts payable	118,748	135,228	225,498	240,229
Total current liabilities	**2,205,640**	**1,805,877**	**4,419,790**	**3,769,391**
Non-current liabilities				
Loans and financing (Note 15)	2,926,211	497,934	4,502,920	2,011,973
Debentures (Note 16)	1,100,000		1,100,000	
Payables to related companies (Note 8)	1,719	5,206	1,719	5,206
Taxes payable in installments (Note 18)	87,891	112,246	94,885	121,752
Deferred income tax and social contribution on net income (Note 11)	54,071	59,515	68,501	260,342
Provision for contingencies (Note 19)	302,371	220,934	654,629	535,893
Provision for environmental recovery (Note 20)	76,800		76,800	
Actuarial liabilities (Note 21)	946,263	853,258	1,354,510	1,210,006
Derivative financial instruments (Note 26)	97,583	1,332	143,636	189,582
Other accounts payable	43,696		47,179	6,195
Total non-current liabilities	**5,636,605**	**1,750,425**	**8,044,779**	**4,340,949**
Minority interest			86,541	114,078
Stockholders' equity (Note 22)				
Capital	12,150,000	8,100,000	12,150,000	8,100,000
Revenue reserves	2,480,678	4,431,748	2,398,913	4,374,331
Asset valuation adjustments	480,030		480,030	
Total stockholders' equity	**15,110,708**	**12,531,748**	**15,028,943**	**12,474,331**
Total liabilities and stockholders' equity	**22,952,953**	**16,088,050**	**27,580,053**	**20,698,749**

USINAS SIDERÚRGICAS DE MINAS GERAIS S.A. - USIMINAS
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31
IN THOUSANDS OF REAIS UNLESS OTHERWISE INDICATED

	Parent company		Consolidated	
	2008	2007 (Note 2)	2008	2007 (Note 2)
Gross sales and service revenues				
Product sales				
Domestic market	10,510,106	8,781,012	18,419,000	15,656,431
Foreign market	850,785	955,930	2,351,337	2,563,844
Services	115,412	106,117	411,166	292,952
	11,476,303	9,843,059	21,181,503	18,513,227
Deductions from gross revenues, mainly sales taxes	(2,941,015)	(2,440,041)	(5,474,974)	(4,688,384)
Net sales and service revenues	**8,535,288**	**7,403,018**	**15,706,529**	**13,824,843**
Cost of sales and services	(5,585,748)	(4,765,777)	(9,698,386)	(8,936,494)
Gross profit	**2,949,540**	**2,637,241**	**6,008,143**	**4,888,349**
Operating income (expenses) (Note 23)				
Selling expenses	(136,754)	(107,388)	(254,011)	(240,115)
General and administrative expenses	(164,217)	(119,430)	(303,073)	(242,599)
Management fees	(40,552)	(47,875)	(53,970)	(76,592)
Other operating income (expenses), net	(127,087)	103,644	(419,055)	122,533
	(468,610)	(171,049)	(1,030,109)	(436,773)
Operating profit before financial income (expenses) and results from investments	**2,480,930**	**2,466,192**	**4,978,034**	**4,451,576**
Resultado financeiro (Nota 24)				
Receitas financeiras	623,085	179,035	982,306	287,898
Despesas financeiras	(1,445,449)	(183,696)	(2,170,207)	(294,128)
	(822,364)	(4,661)	(1,187,901)	(6,230)
Results from investments (Note 12)				
Equity in the earnings of subsidiary and associated companies	1,905,543	1,316,933	457,882	22,809
Amortization of goodwill and negative goodwill		(13,620)		(13,620)
	1,905,543	1,303,313	457,882	9,189
Operating profit	**3,564,109**	**3,764,844**	**4,248,015**	**4,454,535**
Non-operating income, net		7,762		7,152
Profit before taxation and minority interest	**3,564,109**	**3,772,606**	**4,248,015**	**4,461,687**
Income tax and social contribution on net income (Note 11)				
Income tax	(232,597)	(432,122)	(736,538)	(928,750)
Social contribution on net income	(82,731)	(153,067)	(271,684)	(337,861)
	(315,328)	(585,189)	(1,008,222)	(1,266,611)
Minority interest			(15,360)	(23,181)
Net income for the year	**3,248,781**	**3,187,417**	**3,224,433**	**3,171,895**
Number of outstanding shares at the end of the year	493,599,583	329,066,388		
Net income per share at the end of the year	**R$ 6.5818**	**R$ 9.6862**		

As notas explicativas da Administração são parte integrante das demonstrações financeiras.

USINAS SIDERÚRGICAS DE MINAS GERAIS S.A. - USIMINAS
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
IN THOUSANDS OF REAIS UNLESS OTHERWISE INDICATED

		Capital reserves			Revenue reserves				
		Premium on share subscription	Treasury stock	Tax incentives	Legal	For investment and working capital	Asset valuation adjustments	Retained earnings	Total
At December 31, 2006	5,400,000	1,787,313	(105,295)	149,524	539,083	2,689,301			10,459,926
Capital increase	2,700,000	(1,682,018)		(149,524)		(868,458)			
Net income for the year								3,187,417	3,187,417
Appropriations of net income for the year									
Legal reserve					159,371			(159,371)	
Interest on capital								(645,001)	(645,001)
Dividends								(470,594)	(470,594)
Investment and working capital reserve						1,912,451		(1,912,451)	
At December 31, 2007 (Note 2)	8,100,000	105,295	(105,295)		698,454	3,733,294			12,531,748
Adoption adjustments – Law 11.638/07								(12,776)	(12,776)
At January 1, 2008 - adjusted	8,100,000	105,295	(105,295)		698,454	3,733,294		(12,776)	12,518,972
Market value of available-for-sale securities							27		27
Exchange variations of investments abroad							437,708		437,708
Currency translation							42,295		42,295
Capital increase (Note 22 (a))	4,050,000				(316,706)	(3,733,294)			
Net income for the year								3,248,781	3,248,781
Appropriations of net income for the year									
Legal reserve					162,439			(162,439)	
Interest on capital								(758,004)	(758,004)
Dividends								(379,071)	(379,071)
Investment and working capital reserve						1,936,491		(1,936,491)	
At December 31, 2008	**12,150,000**	**105,295**	**(105,295)**		**544,187**	**1,936,491**	**480,030**		**15,110,708**

As notas explicativas da Administração são parte integrante das demonstrações financeiras.

USINAS SIDERÚRGICAS DE MINAS GERAIS S.A. - USIMINAS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31
IN THOUSANDS OF REAIS

	Parent company		Consolidated	
	2008	2007 (Note 2)	2008	2007 (Note 2)
Cash flows from operating activities				
Adjustments to reconcile net income				
Net income for the year	**3,248,781**	**3,187,417**	**3,224,433**	**3,171,895**
Charges and monetary/ foreign exchange variations, net	709,751	73,404	1,192,228	164,728
Interest expenses	178,907		339,599	
Depreciation and amortization	419,053	278,883	873,067	711,643
Disposal of investments and deferred charges	73,332	4,703	211,897	4,685
Investments in subsidiary/associated companies	(1,905,543)	(1,303,313)	(457,882)	(9,189)
Deferred income tax and social contribution on net income	(159,102)	111,969	(405,515)	141,422
Recognition (reversal) of provisions	344,350	(209,545)	382,059	(274,210)
Minority interest			15,360	23,181
(Increase) decrease in assets				
Marketable securities	(627,742)		(370,718)	
Trade accounts receivable	86,808	183,229	138,999	117,281
Inventories	(1,328,487)	(126,227)	(2,388,339)	(150,921)
Taxes recoverable	(321,393)	(24,192)	(404,146)	(79,733)
Receivables from related companies	(62,177)	7,738	(8,295)	
Judicial deposits	761	(73,554)	18,747	(237,647)
Other	(65,234)	(56,623)	(234,945)	(184,443)
Increase (decrease) in liabilities				
Suppliers, contractors and freight	261,607	79,600	268,609	308,752
Advances from customers	3,652	(113)	(180,097)	153,689
Payables to related companies	112,362	(217,640)	(24,816)	(155,769)
Taxes payable	(40,445)	24,505	(93,381)	45,084
Income tax and social contribution on net income	(100,524)	87,232	114,384	251,649
Interest paid	(82,972)		(232,037)	
Other	(135,449)	55,754	(178,408)	27,259
Net cash provided by operating activities	**610,296**	**2,083,227**	**1,800,803**	**4,029,356**
Cash flows from investing activities				
Purchases and disposals of investments	(84,725)		25,711	
Purchases of property, plant and equipment	(1,138,459)	(495,792)	(2,224,944)	(1,193,478)
Additions to intangible assets	(1,554,848)		(1,618,026)	
Dividends received	341,427	214,057	27,664	38,931
Net cash used in investing activities	**(2,436,605)**	**(281,735)**	**(3,789,595)**	**(1,154,547)**
Cash flows from financing activities				
New loans, financing and debentures	3,070,303	218,918	3,455,941	740,794
Payment of loans and financing	(146,318)	(260,964)	(634,141)	(972,463)
Interest paid on taxes payable in installments	(24,927)	(19,525)	(24,994)	(20,763)
Redemption of swap transactions	(4,446)	(2,097)	(128,843)	(283,309)
Dividends and interest on capital paid	(1,145,026)	(999,216)	(1,151,422)	(999,216)
Net cash (used in) provided by financing activities	**1,749,586**	**(1,062,884)**	**1,516,541**	**(1,534,957)**

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(Continued)

	Parent company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Foreign exchange variations on cash and cash equivalents	7,238	(43,001)	7,238	(109,977)
Net increase (decrease) in cash and cash equivalents	**(69,485)**	**695,607**	**(465,013)**	**1,229,875**
Cash and cash equivalents at the beginning of the year	**1,970,101**	**1,274,494**	**3,950,937**	**2,721,062**
Adoption adjustments - Law 11638/07 (*)	(219,638)		(561,683)	
Cash and cash equivalents at the end of the year	**1,680,978**	**1,970,101**	**2,924,241**	**3,950,937**
Net increase (decrease) in cash and cash equivalents	**(69,485)**	**695,607**	**(465,013)**	**1,229,875**

Supplementary Information

	Controladora		Consolidado	
	2008	2007	2008	2007
Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) paid	750,713	364,900	1,418,467	860,344
Dividends and interest on capital paid	1,146,942	1,005,000	1,468,706	1,052,175
Investing and financing transactions without an effect on cash			42,244	43,677

(*) Reclassification related to part of the marketable securities opening balances (Note 4(a)).

STATEMENTS OF VALUE ADDED
YEARS ENDED DECEMBER 31
IN THOUSANDS OF REAIS

	Parent company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Revenues				
Sales and services	11,401,174	9,806,671	21,029,447	18,430,187
Reversal of the allowance for doubtful accounts	3,911		3,787	
Other revenues	7,901	7,762	12,774	7,679
	11,412,986	9,814,433	21,046,008	18,437,866
Inputs purchased from third parties				
Cost of sales and services	(6,394,375)	(5,134,245)	(11,255,078)	(9,814,435)
Materials, electricity, third party and other services	(517,658)	(222,171)	(1,018,572)	(481,684)
	(6,912,033)	(5,356,416)	(12,273,650)	(10,296,119)
Gross value added	**4,500,953**	**4,458,017**	**8,772,358**	**8,141,747**
Depreciation, amortization and depletion	(284,726)	(267,464)	(503,204)	(624,789)
Net value added from the Company's operations	**4,216,227**	**4,190,553**	**8,269,154**	**7,516,958**
Value added received through transfers				
Investments in subsidiaries	1,905,543	1,303,313	457,883	9,189
Financial income	623,084	179,035	982,277	287,898
Rents and royalties			1,300	1,145
	2,528,627	1,482,348	1,441,460	298,232
Value added to distribute	**6,744,854**	**5,672,901**	**9,710,614**	**7,815,190**

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USINAS SIDERÚRGICAS DE MINAS GERAIS S.A. - USIMINAS
STATEMENTS OF VALUE ADDED
YEARS ENDED DECEMBER 31
IN THOUSANDS OF REAIS

(Continued)

	Parent Company				Consolidated			
	2008		2007 (Note 2)		2008		2007 (Note 2)	
	Amount	%	Amount	%	Amount	%	Amount	%
Distribution of Value Added								
Employees								
Salaries and social security contributions	356,588	5.29	354,011	6.24	706,955	7.28	758,326	9.70
FGTS	42,066	0.62	35,330	0.62	76,974	0.79	69,549	0.89
Management fees	40,552	0.60	47,875	0.84	53,970	0.56	76,592	0.98
Employee profit sharing	32,723	0.49	64,159	1.13	76,688	0.79	95,842	1.23
Pension plans	156,804	2.32	129,399	2.28	176,989	1.82	154,892	1.98
	628,733	9.32	630,774	11.12	1,091,576	11.24	1,155,201	14.78
Taxes								
Federal (*)	941,843	13.96	1,292,952	22.79	2,157,330	22.22	2,497,551	31.96
State	598,455	8.87	505,010	8.90	1,077,570	11.10	852,864	10.91
Municipal	13,383	0.20	12,529	0.22	32,573	0.34	30,878	0.40
Tax incentives	13,757	0.20	18,709	0.33	27,114	0.28	29,130	0.37
	1,567,438	23.24	1,829,200	32.24	3,294,587	33.93	3,410,423	43.64
Third party capital remuneration								
Interest	1,445,449	21.43	25,510	0.45	2,061,488	21.23	77,671	0.99
Rents					9,527	0.10		
Other	(145,547)	(2.16)			29,003	0.30		
	1,299,902	19.27	25,510	0.45	2,100,018	21.63	77,671	0.99
Remuneration of own capital								
Interest on capital	758,004	11.24	645,001	11.37	758,004	7.81	645,001	8.25
Dividends	379,071	5.62	470,594	8.30	379,071	3.90	470,594	6.02
Retained earnings	2,111,706	31.31	2,071,822	36.52	2,102,718	21.65	2,079,481	26.61
Minority interest in retained earnings					(15,360)	(0.16)	(23,181)	(0.30)
	3,248,781	48.17	3,187,417	56.19	3,224,433	33.21	3,171,895	40.59
Value added distributed	6,744,854	100	5,672,901	100	9,710,614	100	7,815,190	100

(*) Social security contributions are classified under Federal taxes.

1. OPERATIONS

Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS (hereinafter "USIMINAS", "Company" or "Parent company") operates in the steel industry and carries out related activities. The Company and its wholly-owned subsidiary Companhia Siderúrgica Paulista - COSIPA (hereinafter "Cosipa") produce flat rolled carbon steel in two major steelmaking and finishing plants located in Ipatinga, Minas Gerais (Intendente Câmara Plant) and in Cubatão, São Paulo (José Bonifácio de Andrada e Silva Plant) for the domestic and foreign markets.

The Company has several service and distribution centers in Brazil, in addition to the Cubatão and Praia Mole ports located in the states of São Paulo and Espírito Santo, respectively, as strategic ports for the distribution of its production.

In order to expand its operations, the Company holds direct or indirect investments in subsidiaries, jointly-owned and affiliated companies, the main activities of which are summarized below:

(a) Subsidiary companies

Companhia Siderúrgica Paulista – Cosipa (Cosipa) - Located in Cubatão, State of São Paulo, operates in the production and sale of steel slabs, heavy plates and hot-rolled and cold-rolled products, used in the manufacture of small diameter pipes, home appliances, construction, automobiles and auto parts.

Usiparts S.A. Sistemas Automotivos (Usiparts) - Located in the city of Pouso Alegre, State of Minas Gerais, manufactures and trades steel stamped parts.

Usiminas Mecânica S.A. - UMSA (Usiminas Mecânica) - Located in Ipatinga, State of Minas Gerais, has as its main activity the manufacturing of equipment and installations used in the following industries: steel production, petroleum, petrochemical, hydroelectric, mining, railroad transport, cement, pulp and paper, parts recovery, rolls, heavy industry cylinders, plate stamping and cutting for serial auto parts, stationary buckets and environmental control.

Usiminas International Ltd. (Usiminas International) - Located in the principality of Luxembourg, it was established in 2001 with the objective of holding the Company's investments in Usiminas Portugal Serviços de Consultoria Ltd, ("Usiminas Portugal") located in Ilha da Madeira, with the objective of holding the Company's investments abroad.

Rio Negro Comércio e Indústria de Aço S.A. (Rio Negro) - Located in São Paulo, it distributes steel products and also operates as a service center. Rio Negro distributes products and renders services to the Company as part of its strategy to supply the market with differentiated products with higher value added, focusing on small and medium-sized customers.

Usiminas Europa A/S (Usiminas Europa) - Located in Copenhagen, Denmark, it was established in 2005 with the objective of holding the Company's investments in Ternium S.A.

Usiminas Commercial Ltd. (Usiminas Commercial) - Established in 2006, its purpose is to obtain foreign funding for its parent company.

Usimpex Industrial S.A. (Usial) - Located in the State of Espírito Santo, it processes and sells steel artifacts.

(b) Jointly-owned companies

Unigal Ltda (Unigal) - Located in Belo Horizonte, State of Minas Gerais, it was jointly established in 1998 by USIMINAS and Nippon Steel Corporation, with the purpose of transforming cold-rolled coils into galvanized coils via hot dipping, mainly supplied to the automotive industry. Unigal's, factory is in Ipatinga, Minas Gerais, with an installed capacity for the galvanization of 480 thousand tons of steel per year.

Fasal S.A. Comércio e Indústria de Produtos Siderúrgicos (Fasal) - Located in Santa Luzia, State of Minas Gerais, it of distributes steel products in the retail market and operates as a service center. Fasal distributes products and renders services to the Company as part of its strategy to supply the market with differentiated products with higher value added, focusing on small and medium-sized customers.

Usiroll – Usiminas Court Tecnologia em Acabamento Superficial Ltda. (Usiroll) - Located in Ipatinga, State of Minas Gerais, it of renders services, especially for steel rolls and cylinders.

(c) Other investments

Ternium S.A. (Ternium) - Located in Luxembourg, it invests in companies that manufacture, process and distribute long and flat steel, manufacturing raw materials for different industries. Currently, Ternium has investments in the following steel companies: Siderar (Argentina), Hylsa (Mexico) and Sidor (Venezuela).

MRS Logística S.A. (MRS) - Located in the city of Rio de Janeiro, MRS provides railroad transport and logistic services in the southeast region of Brazil. The Company's holding in MRS represents a strategic investment for optimizing the supply of raw materials and transport of finished products and third party cargo, mainly related to the operation of the Company's sea terminals.

2. PRESENTATION OF THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING PRACTICES

(a) Presentation of the financial statements

These financial statements were approved by the Company's Board of Directors on February 18, 2009.

The financial statements were prepared and are being presented in accordance with accounting practices adopted in Brazil, based on the provisions of Brazilian Corporation Law and the standards of the Brazilian Securities Commission (CVM). For the first time, the Company is adopting Law 11638/07 and Provisional Measure 449/08 (Note 2 (b)).

The preparation of financial statements requires the use of estimates to record certain assets, liabilities and other transactions. Therefore, the Company's financial statements includes estimates related to the selection of the useful lives of property, plant and equipment, provisions for contingent liabilities, income tax and other similar liabilities. The actual results may differ from those estimated.

(b) Alterations to the Brazilian Corporation Law

Law 11638/07 was enacted on December 28, 2007, altered by Provisional Measure (MP) 449 of December 4, 2008, amending and introducing new provisions to the Brazilian Corporation Law. The main purpose of the Law and MP was to amend the Brazilian Corporation Law to allow the process of convergence of the accounting practices adopted in Brazil with the international accounting standards issued by the International Accounting Standards Board ("IASB"). The application of this Law and MP is mandatory for the annual financial statements of years that began on or after January 1, 2008.

The changes in the Brazilian Corporation Law have had the following principal impacts on the Company's financial statements:

(a) Investments in marketable securities: trading and available-for-sale securities are now stated at fair value with a contra entry to income for the year and stockholders' equity, respectively (Note 6).

(b) Derivative financial instruments – the Company has to record derivative financial instruments at fair value (Note 26).

(c) Adjustment to present value - certain trade accounts receivable and other accounts payable of subsidiaries were adjusted to present value.

(d) Capital leases – leased assets were recorded in property, plant and equipment and the related liability in "Loans and financing".

(e) Revaluation - the Company opted to reverse the outstanding balance of revaluation recorded by the subsidiary Usiminas Mecânica.

(f) Investments abroad - as the functional currency of the investee Ternium is the U.S. dollar (which differs from the Company's functional currency - the real), the exchange variations on the opening balance of the investment and on the net income for the year are now recorded in stockholders' equity, in the account "Cumulative translation adjustments" (Note 12).

(g) Investment valuation – the investment in Minas Industrial – Fundo de Investimento Imobiliário ("Minas Industrial"), in which the Company has an interest of 33.73%, previously stated on the cost method, is now being recorded on the equity method of accounting (Note 12).

(h) The Company's subsidiaries located abroad which do not have autonomy or own their management were considered as extensions of the activities in Brazil, and their assets, liabilities, income and expenses were directly recognized in the accounting records of Usiminas, in the functional currency of USIMINAS (the real).

(i) As from January 2008, the financial charges incurred on funds received from third parties must be charged to income during the term of the agreement,

As permitted by the Brazilian Accounting Standards Committee (CPC) Technical Pronouncement 13 – First-time adoption of Law 11638/07 and MP 449/08, the Company's management opted to strictly follow paragraph 1 of article 186 of Law 6404/76. Accordingly, the transition date is January 1, 2008 (December 31, 2007). The changes in accounting practices described above affected stockholders' equity on the transition date, the stockholders' equity at December 31, 2008 and the net income for year ended 31 December, 2008 as follows:

	Shareholders' equity		Net income
	31/12/2008	31/12/2007	31/12/2008
Balance originally presented	15,143,193	12,531,748	3,748,493
Derivative financial instruments (b)	(8,463)	11,237	(19,700)
Adjustments to present value (c)	378	971	(593)
Leasing transactions (d)	(974)	(855)	(119)
Revaluation reserve (e)	(23,426)	(24,129)	703
Exchange variation – abroad companies (f)			(480,003)
Balance according to Law 11638/07	15,110,708	12,518,972	3,248,781

3. CONSOLIDATION CRITERIA

The consolidated financial statements at December 31, 2008 and 2007 include those of the parent company and of the following subsidiaries and jointly-owned companies, all of them audited or reviewed to the extent considered necessary by independent auditors:

	2008		2007	
	Direct	Indirect	Direct	Indirect
Cosipa	100		100	
Cosipa Commercial Ltd.		100		100
Cosipa Overseas Ltd.		100		100
Dufer S.A. (Dufer)		100		51
Usiparts	100		99.09	
Usiminas Mecânica	99.99		99.99	
Metalcentro Ltda.		94.99		94.99
Usiminas International	100		100	
Usiminas Portugal		100		100
Rio Negro	65.68		64.43	
Rios Unidos Logística e Transportes de Aço Ltda. (Rios Unidos)		65.55		64.30
Usiminas Europa	100		100	
Ternium		14.25		14.25
Usiminas Commercial	100		100	
Usial	97.22	2.78	97.22	2.78
Unigal	70		79.34	
Fasal	50		50	
Usifast Logística S.A (Usifast)		25		25
Usiroll	50		50	

Except for the investee Ternium, as described in the paragraph below, the official year-ends of the direct subsidiaries and of the jointly-owned companies included in the consolidation are identical to the parent company's, and the same accounting policies were applied in the consolidated companies, and are consistent with those of the prior year, except for the changes introduced by Law 11638/07 and MP 449/08.

In accordance with CVM Deliberation No. 534/08, the Company used the financial statements of the investee Ternium as of September 30, 2008 for equity accounting purposes.

The summary of the financial information of the jointly-owned companies is summarized as follows:

(a) Balance sheets

	2008			2007		
	Fasal	Usiroll	Unigal	Fasal	Usiroll	Unigal
Assets						
Current assets	261,632	2,470	199,442	219,082	3,236	64,297
Non-current						
Long-term receivables	6,601	47	36,037	9,986	25	63,381
Investments	565			603		
Property, plant and equipment	50,962	5,746	415,490	26,582	3,904	370,845
Intangible	4,486	3	1,774			
Total assets	324,246	8,266	652,743	256,253	7,165	498,523
Liabilities and stockholder's equity						
Current	57,953	555	141,201	53,069	532	137,201
Non-current	34,313		34,685	30,700		156,985
Stockholders' equity	231,980	7,711	476,857	172,484	6,633	204,337
Total liabilities and stockholder's equity	324,246	8,266	652,743	256,253	7,165	498,523

(b) Statements of income

	2008			2007		
	Fasal	Usiroll	Unigal	Fasal	Usiroll	Unigal
Net sales and services	676,862	4,515	247,279	496,684	4,607	204,700
Cost of sales and services	(579,943)	(3,018)	(46,457)	(435,102)	(2,871)	(42,408)
Operating income (expenses)	(32,039)	(195)	(28,945)	(14,103)	(71)	(49,242)
Non-operating income (expenses)				2,007		3
Provision for income tax and social contribution	(20,598)	(224)	(49,001)	(13,842)	(234)	(45,487)
Net income for the period	44,282	1,078	122,876	35,644	1,431	67,566

The consolidation process of the direct subsidiaries and the proportional consolidation for the jointly-owned subsidiaries corresponds to the sum of the balance sheet and statement of income account balances, according to their nature, complemented by the elimination of
(i) capital, reserves and retained earnings held among the companies;
(ii) intercompany current account balances and others, recorded as assets and/or liabilities, including unrealized profits; and
(iii) identification of the minority interest.

The reconciliation between the Parent company's and Consolidated stockholders' equity and net income for the year at December 31, 2008 and 2007 is as follows:

	Stockholders' equity		Net income for the year	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Parent company	15,110,708	12,531,748	3,248,781	3,187,417
Unrealized profits	(81,765)	(57,417)	(24,348)	(15,522)
Consolidated	15,028,943	12,474,331	3,224,433	3,171,895

The financial statements of USIMINAS and the consolidated financial statements for the years ended December 31, 2008 and 2007 are presented separately, under the headings Parent company and Consolidated, respectively.

4. SIGNIFICANT ACCOUNTING PRACTICES

The significant accounting practices adopted in the preparation of these financial statements are as follows:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash, bank deposits, highly-liquid short-term investments with minimum risk of change in value, and overdraft account limits.

Other financial investments, although being readily convertible into cash, were classified as marketable securities because they are linked to future investments in the expansion project.

(b) Financial instruments

(i) Classification and valuation

The Company classifies its financial assets according to the following categories: calculated at fair value through income, loans and receivables, held to maturity, and available for sale. The classification depends on the purpose for which financial assets were acquired. Management determines classification of the financial assets when first recorded.

Financial assets recorded at fair value through income

These are financial assets held for active and frequent trading, especially for purposes of sale or repurchase in the short term. Derivative financial instruments are also classified as held for trading. These assets are classified as current assets. Gains or losses arising from changes in the fair values of these financial assets are recorded in the statement of income in "financial income (expenses)" in the period they occur.

Loans and receivables

These comprise loans granted and receivables which are non-derivative financial assets with fixed or determinable payments, not quoted in an active market. Loans and receivables are included in current assets, except for those with maturity of more than 12 months after the balance sheet date (these are classified as non-current assets). Loans and receivables of the Company comprise loans granted to subsidiaries, trade accounts receivable, other accounts receivable and cash and cash equivalents, excluding short-term investments. Loans and receivables are recorded at amortized cost, based on the effective interest rate method.

Assets held to maturity

These are basically non-derivative financial assets with fixed or determinable payments with defined maturities and that cannot be classified as loans and receivables because they are quoted in an active market. In this instance, these financial assets are acquired with the purpose of being held in portfolio up to maturity and with the financial ability to do so. These are stated at acquisition cost plus income accrued, with contra entry to income for the year.

Financial assets available for sale

Financial assets available for sale are non-derivative assets classified in this category or those which are not classified in any other category. They are included in non-current assets, unless management intends to sell the investment within 12 months after the balance date. Financial assets available for sale are recorded at fair value. Interest on securities available for sale, calculated based on the effective interest rate method, is recorded in the statement of income as financial income. The amount relating to the fair value variation is recorded in stockholders' equity, in asset valuation adjustments, and is realized to income when it is sold or when the asset is considered impaired.

Fair value

For financial assets without an active market or public quotation, the Company determines fair value through valuation techniques, which could include, when applicable the use of recent transactions with third parties, reference to other substantially similar instruments, the analysis of discounted cash flows and the minimum possible use of information prepared by Company management.

The Company evaluates, at the balance date, if there is objective evidence that a financial asset or group of financial assets is overstated in relation to its recoverable value (impairment). If there is such evidence for financial assets available for sale, the cumulative loss – calculated as the difference between the acquisition cost and the current fair value, less any impairment loss of this financial asset previously recorded in loss - is transferred from stockholders' equity and recognized in the statement of income.

(ii) Derivative instruments and hedge activities

Initially, derivatives are recorded at fair value at the date when a derivative agreement is signed and, subsequently, recalculated at its fair value, and the fair value variations are recorded in income, except when the derivative is as a hedge for cash flows.

Although the Company uses derivatives for protection purposes, it does not apply hedge accounting.

The fair values of the derivative instruments are disclosed in Note 26.

(c) Trade accounts receivable

The accounts receivable are not financing in nature and are stated at present value, which is represented by the initial sales price less the allowance for doubtful accounts. The allowance for doubtful accounts is recorded when there is objective evidence that the Company will not be able to realize the amounts due in accordance with the original terms of the accounts receivable. The allowance is calculated at the amount considered sufficient to cover probable losses on the realization of receivables, considering the situation of each customer and the guarantees provided by them.

(d) Inventories

Inventories are stated at the average purchase or production cost, lower than net realizable value or replacement cost. Imports in transit are stated at the accumulated cost of each transaction.

(e) Judicial deposits

Judicial deposits are monetarily restated and presented as a deduction from the corresponding liability recorded when they cannot be redeemed, unless there is a favorable outcome for the Company in the claim (Note 19).

f) Investments

(i) Equity cost and/or value

Investments in subsidiaries and associated companies are stated and recorded on the equity method of accounting, and earnings (losses) are recognized in the results of operations for the year as operating income (or expense). Exchange gains or losses on investments in subsidiaries overseas, whose currency differs from the Company's currency, are recorded in "Cumulative translation adjustment", in stockholders' equity, and will be recorded in the statement of income for the year proportionally to the sale, write off as loss, or liquidation of the investment.

When necessary, the accounting practices of the subsidiary and associated companies are altered to be consistent with the practices adopted by the Company.

The Company's subsidiaries located abroad which do not have autonomy or own their management were considered as extensions of the activities in Brazil, and their assets, liabilities, income and expenses were directly recognized in the Usiminas.

The other investments are stated and recorded at acquisition cost, less provision for probable losses on the realization of their value, or to reduce acquisition cost to market value, when lower.

(ii) Goodwill

Goodwill or negative goodwill determined on the acquisition of an investment is classified into two categories: (i) as an investment when related to the excess value of the assets, equivalent to the difference between the book value of the company acquired and the fair value of the assets and liabilities; and (ii) as an intangible asset when related to the future profitability, represented by the difference between the fair value of the assets and liabilities and the purchase price. The amount based on the excess value of the assets is amortized in the same proportion as these assets and liabilities of the company acquired are realized. The portion based on estimates of future profitability is amortized over the term, extension and proportion of the projected results, in not more than ten years (Note 14). Negative goodwill is amortized only when the investment is sold.

In the consolidated financial statements, goodwill derived from the excess value of the assets is allocated to the assets and liabilities from which it originated.

When the investment from which the goodwill derived is merged, the goodwill resulting from the difference of asset and liability market values is included in the asset and liability accounts from which it originated. The remaining goodwill paid for the expected future profitability is classified in intangible assets.

As established in CVM Deliberation No. 565/08, the goodwill based on expected future profitability will no longer be amortized as from the year beginning January 1, 2009.

(g) Foreign currency translation

Transactions in foreign currency are translated into reais using the exchange rates effective on the transaction dates. Balance sheet account balances are translated at the exchange rate in effect on the balance sheet date. Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognized in the statement of income.

(h) Property, plant and equipment

Property, plant and equipment are stated at acquisition, formation or construction cost, plus price-level restatements up to December 31, 1995. Depreciation is calculated on the straight-line method at the rates disclosed in Note 13, which take into consideration the estimated useful lives of the assets.

Financial charges related to funds obtained for construction in progress are capitalized during the period necessary to construct and prepare the asset for the intended use.

On replacement, the key components of certain property, plant and equipment items will be recorded as individual and separate assets and considering the specific economic useful life of each component. The replaced component is written off. Maintenance costs for restoring or maintaining original performance levels are recognized as incurred.

(i) Intangible assets

(i) Mining properties

Mining properties are recorded at acquisition fair value and reduced by depletion, as detailed in Note 14.

(ii) Computer programs (software)

Software licenses acquired are capitalized and amortized over their estimated useful lives, at the rates stated in Note 14.

Costs directly associated to identifiable and exclusive software, controlled by the Company and which will probable generate economic benefits greater than the costs for more than one year, are recorded as intangible assets. Costs of software development or maintenance are expensed as incurred. Expenses with development of software recorded as assets are amortized using the straight-line method over their useful lives, at the rates stated in Note 14.

(iii) Technology rights

The costs of acquiring technology rights are capitalized and amortized using the straight-line method over their useful lives, at the rates stated in Note 14.

(j) Reduction to the recoverable value of assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets, are annually reviewed to identify evidence of unrecoverable losses or whenever events or alterations in the circumstances indicate that the book value may not be recoverable. Intangible assets with indefinite useful lives, including goodwill, will be subject to impairment tests whether there is any evidence of loss or not. As applicable, the recoverable value will be calculated to verify if there is any loss. In the event of loss, it will be recognized at the amount by which the book value of the asset exceeds its recoverable value, which is the higher between the net sales price and the value in use of an asset. For evaluation purposes, when such test is necessary or required, the assets should be grouped at the lowest level for which there are cash flows identifiable separately.

(k) Leases

Leases of property, plant and equipment in which the Company substantially assumes all ownership risks and benefits are classified as capital leases. These leases are recorded as a financed purchase, recording at the moment of purchase a property, plant and equipment item and a financing liability (lease). Property, plant and equipment acquired in capital leases are depreciated over the useful lives of the assets (Note 13).

(l) Income tax and social contribution on net income

Corporate Income Tax ("IRPJ") is calculated based on net income, adjusted to taxable income by additions and deductions required by Brazilian tax legislation, as described in Note 11. Social Contribution on Net Income ("CSLL") is calculated at the current rate on pre-tax income adjusted under the terms of current Brazilian tax legislation. Deferred income tax and social contribution on net income are recorded on income tax and social contribution losses and on temporary differences between the book and tax bases of assets and liabilities. The current tax rates are 25% for income tax and 9% for social contribution.

The amounts of income tax and social contribution payable are presented net of prepayments made throughout the years ended December 31, 2008 and 2007. The recognition of tax credits is based on a study of the expectation of future taxable profits, prepared and based on internal assumptions and future economic scenarios that, therefore, are subject to change. This study was reviewed by the Statutory Audit Committee ("Conselho Fiscal") and approved by the Board of Directors ("Conselho de Administração").

(m) Loans and financing and debentures

Loans and financing and debentures (non-convertible into shares) are firstly recognized at fair value, upon the receipt of funds, net of transaction costs. Subsequently, loans are stated at amortized cost, i.e., plus charges and interest on a daily pro-rata basis.

(n) Provisions for contingencies

Provisions for contingencies, related to labor, tax and civil claims, are recognized when the Company has a legal or informal present obligation as a result of past events, and it is probable that a cash outflow will be necessary to settle the obligation and a reliable estimate of the amount can be made.

(o) Employees benefits

(i) Supplementary pension plan

The Company and certain subsidiaries participate in private pension plans, administered by closed-end private pension entities, to grant to their employees pension and other post-employment benefits. These companies record as actuarial liabilities, under current and non-current liabilities, the amount contracted with those entities to cover insufficient reserves, whenever it exceeds the amount calculated by the independent actuaries using the projected unit credit method as provided for in CVM Deliberation No. 371/00 (Note 21).

The liability related to defined benefit pension plans and calculated by independent actuaries is the present value of the defined benefit liability on the balance date less the market value of the plan assets, adjusted by actuarial gains or losses and past service costs. The defined benefit liability is calculated on an annual basis by independent actuaries, based on the projected unit credit method. The present value of the defined benefit liability is determined by the future cash outflows, at the interest rates on government securities with maturities approximating those of the related liability.

Actuarial gains and losses resulting from changes in actuarial assumptions and alterations in pension plans are appropriated or credited over the remaining average length of service of the related employees.

(ii) Post-retirement healthcare plan

The subsidiary Cosipa offers to its employees post-retirement healthcare benefits, granted to those that work until the retirement age. This plan, since April 30, 2002, no longer accepts participants. The estimated costs of these benefits are accumulated during the employment contract period, calculated based on an accounting methodology similar to that of the defined benefit plans. These liabilities are evaluated on an annual basis by independent and qualified actuaries.

(p) Provision for environmental recovery

The expenses with environmental recovery are recorded as part of the related assets cost with contra entry to the provision that will support such expenses, and take into consideration Company management estimates of future expenses brought to present value (Note 20).

(q) Employee profit sharing

The Company provides for employee profit sharing based on operating and financial targets disclosed to its employees. These amounts are recorded under "Cost of sales and services", "Selling expenses" and "General and administrative expenses", in accordance with the function of each employee.

(r) Determination of net income and revenue recognition

Net income is calculated on the accrual basis of accounting and includes earnings, charges and foreign exchange or monetary variations at official indexes or rates on current and non-current assets and liabilities. The applicable income tax and social contribution on net income is deducted from/added to the results of operations.

Sales revenue is recognized when the significant risks and benefits of ownership of goods are transferred to the purchaser. The Company's policy of revenue recognition, therefore, is the date on which the product is delivered to the purchaser. Income from services rendered is recognized based on the services carried out up to the balance sheet date.

5. CASH AND CASH EQUIVALENTS

				Parenty Company
			2008	2007
	Loans and receivables	Fair value through income	Total	Loans and receivables
Bank current accounts	62,583		62,583	172,343
Bank Deposit Certificates – CDB		1,618,395	1,618,395	1,797,758
	62,583	1,618,395	1,680,978	1,970,101

				Parenty Company
			2008	2007
	Loans and receivables	Fair value through income	Total	Loans and receivables
Bank current accounts	165,613		165,613	418,823
Bank Deposit Certificates – CDB		2,758,628	2,758,628	3,532,114
	165,613	2,758,628	2,924,241	3,950,937

6. MARKETABLE SECURITIES

	Parent company and Consolidated		
	2008		
	Available for sale	Loans and receivables	Total
Bank Deposit Certificates – CDB	610,713		610,713
Financial investments overseas	42,599	430,451	473,050
	653,312	430,451	1,083,763

Although these investments are readily convertible into cash, they were classified as marketable securities because they are substantially linked to future investments in the expansion project.

7. TRADE ACCOUNTS RECEIVABLE

	Parent company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Related parties	125,765	212,040	73,489	105,106
Customers				
Domestic market	506,551	559,874	1,150,005	1,431,918
Foreign market	138,000	89,121	386,898	216,661
	770,316	861,035	1,610,392	1,753,685
Trade notes discounted			(559)	(561)
Allowance for doubtful accounts	(31,733)	(35,644)	(70,562)	(74,349)
	738,583	825,391	1,539,271	1,678,775

8. TRANSACTIONS WITH RELATED PARTIES

The main balances and transactions of the Company with related parties are as follows:

(a) Current assets

	2008			2007		
	Trade accounts receivable	Dividends receivable	Other accounts receivable	Trade accounts receivable	Dividends receivable	Other accounts receivable
						(Note 2)
Camargo CorrêaCimentos S.A. (Camargo Corrêa)	935			1,306		
Confab Industrial S.A.				37,426		
Construções e Comércio Camargo Corrêa S.A.	3,710					
Companhia Vale do Rio Doce (Vale)	428			226		
Cosipa	12,383	398,061		1,999	280,207	
Dufer	17,138			12,021		
Fasal	19,592	2,465		37,504	2,624	
Fasal Trading Corp.	1			2,911		
MRS		13,894			41,559	
Rio Negro	53,530			78,301	9,753	
Rios Unidos	89		1,000	2		1,000
Unigal	22			29		
Usifast	111		1,462	53		
Usiminas Mecânica	3,516	27,543	377	28,572	17,619	
Usiparts	14,310			11,690		6,621
	125,765	441,963	2,839	212,040	351,762	7,621

(b) Non-current assets - receivables from related parties

	2008	2007
		(Nota 2)
Caixa dos Empregados da Usiminas (CAIXA)	5,601	
Usifast	3,534	
Usiminas Mecânica	54,336	
Usiparts S.A. Sistemas Automotivos		83
Usiminas International		1,211
	63,471	1,294

(c) Current liabilities

	Payables to related companies		2008
	Suppliers	Other	Loans and financing (Note 2)
Caixa dos Empregados da Usiminas (CAIXA)		3,257	
Camargo Corrêa (a)		4,876	
Construções e Comércio Camargo Corrêa S.A.	104		
Cosipa	122,718		
Fasal	55		
Modal Terminal de Graneis Ltda. (Modal Terminal)	71		
Nippon Usiminas Co Ltd (b)			69,547
Rio Negro	23		
Rios Unidos	835		
Terminal de Cargas Sarzedo Ltda. (Terminal Sarzedo)	68		
Usiminas Mecânica	2,763		
Unigal	60,121		
Usifast	2,962		
Usiroll	329		
Vale	8,874		
	198,923	8,133	69,547

	Payables to related companies		2007
	Suppliers	Other	Loans and financing (Note 2)
Caixa dos Empregados da Usiminas (CAIXA)		3,376	
Camargo Corrêa (a)		3,652	
Construções e Comércio Camargo Corrêa S.A.	716		
Cosipa	4,820		
MRS	824	63	
Nippon Usiminas Co Ltd (b)			42,112
Rio Negro	267		
Rios Unidos	1,301		
Usiminas Mecânica	3,592		
Unigal	40,508		
Usifast	5,588	30	
Usiminas International (c)			908
Usial	113		
Usiparts	539	2	
Usiroll	414		
Vale	23,604	80	
	82,286	7,203	43,020

(d) Non-current liabilities

	2008		2007	
	Loans and financing	Payables to related companies	Loans and financing	Payables to related companies
				(Note 2)
Camargo Corrêa (a)		1,719		5,206
Nippon Usiminas Co Ltd (b)	232,998		207,934	
Usiminas International (c)			97,421	
	232,998	1,719	305,355	5,206

(a) Refers to advances for the supply of goods.
(b) Loans, denominated in U.S. dollars, subject to interest from 1.47% p.a. to 2.35% p.a.
(c) Loan, denominated in US dollars, subject to LIBOR plus spread of 0.5% per year.

(e) Sales and purchases

	Sales		Purchases	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Camargo Corrêa	10,536	8,322	198	4
Confab Industrial S.A.		954,430		
Construções e Comércio Camargo Corrêa S.A.	10	3	23,339	63,819
Cosipa	109,546	23,286	471,896	271,960
Dufer	142,337	86,026		
Fasal	401,341	326,191	162	
Fasal Trading Corp.	68,137	72,372		
Metal One Corporation	26,867		76,833	153
Minas Industrial			1,840	
Modal Terminal			623	
MRS	5	21	86,966	67,076
Nippon Steel Corporation Co Ltd.			3,294	3,056
Rio Negro	631,239	488,645	2,411	6,089
Rios Unidos	368	54	15,810	10,096
Terminal Sarzedo			1,204	
Unigal	186	193	319,789	259,501
Usial			661	574
Usifast	7,610	1,221	105,117	88,828
Usiminas Mecânica	294,503	237,535	56,957	67,526
Usiparts	114,351	84,905	8,847	7,350
Usiroll			5,126	5,351
Vale	36,330	4,210	1,067,825	780,061
	1,843,366	2,287,414	2,248,898	1,631,444

The most significant transactions between the Company and related parties are summarized below:

- Purchases of services from Nippon Steel Corporation – NSC, including the provision of advanced industrial technology, technical assistance services and training for employees.
- Purchases and sales of steel slabs between the Company and Cosipa.
- Sales of products to Usiminas Mecânica and purchases of services, such as the manufacturing of items used in the steel industry, and equipment.
- Purchases from Unigal of services related to hot-dip galvanized steel sheets and cold-rolled steel sheets and coils.
- Sale of products to Fasal, Rio Negro and Dufer. These companies are not entitled to any sale of territorial exclusivity for the distribution of these products. Also, these companies provide technical services in the steel area to customers of the Usiminas group.
- Purchases of iron ore from Vale. The quantities purchased represent a substantial portion of the iron ore used in the Company's production process. In January 2004, a five-year agreement was signed with Vale for the supply of iron ore, thus assuring an annual supply of 5 million metric tons of iron ore.
- Purchases of services related to the highway transport of steel products and sundry materials from Usifast.
- Purchases of railway transport services from Vale and MRS for the transport of products, iron ore, imported coal and other raw materials.
- Sales, as from March 1997, of granulated slag to Camargo Corrêa, whose agreement expires in December 2010.
- Sales, since September 2006, of slag to Vale totaling 100 thousand metric tons per year, under a two-year agreement. The amount payable by Vale under this agreement is approximately R$1.5 million.

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

(f) Financial income (expenses)

	2008	2007 (Note 2)
Camargo Corrêa		947
Fasal		(25)
Fasal Trading Corp.	1,134	570
MRS	63	
Nippon Usiminas Co Ltd.	(21,697)	12,661
Rio Negro	(41)	(113)
Usifast	272	
Usiminas International		14,008
Usiminas Mecânica		(2,055)
	(20,269)	25,993

The financial result with related parties refers mainly to charges on loans and financing as disclosed in items (c) and (d) above.

(g) Remuneration of management key personnel

The management key personnel include board of directors and vice-presidents. The compensation paid to them is described below:

	2008	2007
		(Note 2)
Salaries and social security contributions	15,169	16,035
Profit sharing	25,294	31,817
Pension plans	89	23
	40,552	47,875

9. INVENTORIES

	Parent company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Finished products	752,124	422,104	1,386,744	823,279
Work in process	466,302	261,838	1,028,982	493,418
Raw materials	641,541	259,467	1,076,613	581,601
Supplies and spare parts	399,883	335,544	714,786	599,325
Imports in transit	417,000	74,309	790,794	169,326
Others	26,112	21,213	84,134	26,765
	2,702,962	1,374,475	5,082,053	2,693,714

At December 31, 2008, the subsidiary Cosipa had inventories of R$ 13,753 (December 31, 2007 - R$ 9,928) pledged as guarantee of litigation.

10. TAXES RECOVERABLE OR TO OFFSET

	Parent Company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Prepayments of income tax	186,364		187,908	
Prepayments of social contribution	73,509	4,661	74,266	4,830
Social Integration Program (PIS)	10,131	3,534	20,275	7,925
Social Contribution on Revenues (COFINS)	46,146	16,243	94,221	37,032
Value-added Tax on Sales and Services (ICMS)	24,325	30,281	113,011	72,757
Excise Tax (IPI)	2,477	3,293	13,727	45,702
Other	2,848	2,285	9,366	10,341
	345,800	60,297	512,774	178,587

11. INCOME TAX (IRPJ) AND SOCIAL CONTRIBUTION ON NET INCOME (CSLL)

(a) Income tax and social contribution expense

	Parent company			
	2008		2007	
	IRPJ	CSLL	IRPJ	CSLL
				(Note 2)
Profit before taxation/profit sharing	3,564,109	3,564,109	3,772,606	3,772,606
Standard rates of tax	25%	9%	25%	9%
IRPJ and CSLL calculated at the standard rates	(891,028)	(320,770)	(943,152)	(339,535)
Adjustments to determine the effective IRPJ and CSLL:				
Equity accounting adjustments (25% and 9%)	476,386	171,499	327,983	118,074
Interest on capital (25% and 9%)	189,501	68,220	161,250	58,050
Permanent deductions (additions) (25% and 9%)	(18,265)	(2,246)	7,253	10,344
Tax incentive	11,604		14,544	
Non-deductible foreign subsidiary profit	19,902	8,955		
Other	(15,575)	(6,537)		
IRPJ and CSLL	(227,475)	(80,879)	(432,122)	(153,067)
Current	(342,664)	(124,792)	(348,224)	(124,996)
Deferred	115,189	43,913	(83,898)	(28,071)
IRPJ and CSLL	(227,475)	(80,879)	(432,122)	(153,067)
Other (*)	(5,122)	(1,852)		
IRPJ and CSLL expense	(232,597)	(82,731)	(432,122)	(153,067)

(*) Adjustments to the Corporate Income Tax Return (DIPJ) for prior years recognized as current Income Tax (IR) and Social Contribution on Net Income (CSLL) for the year.

	Consolidated			
	2008		2007	
	IRPJ	CSLL	IRPJ	CSLL
				(Note 2)
Profit before taxation/profit sharing	4,248,015	4,248,015	4,461,687	4,461,687
Standard rates of tax	25%	9%	25%	9%
IRPJ and CSLL calculated at the standard rates	(1,062,004)	(382,322)	(1,115,422)	(401,552)
Adjustments to determine the effective IRPJ and CSLL:				
Equity accounting adjustments (25% and 9%)	114,471	41,209	(47,972)	(17,282)
Interest on capital (25% and 9%)	190,914	68,728	162,991	58,676
Permanent deductions (additions) (25% and 9%)	(26,362)	(5,297)	42,255	22,850
Tax incentive	30,491		29,345	
Non-deductible foreign subsidiary profit	31,336	13,071		
Other	(9,954)	(4,737)	53	(419)
IRPJ and CSLL	(731,108)	(269,348)	(928,750)	(337,727)
Current	(1,027,381)	(378,590)	(823,194)	(301,861)
Deferred	296,273	109,242	(105,556)	(35,866)
IRPJ and CSLL	(731,108)	(269,348)	(928,750)	(337,727)
Other (*)	(5,430)	(2,336)		(134)
IRPJ and CSLL expense	(736,538)	(271,684)	(928,750)	(337,861)

(*) Adjustments to the Corporate Income Tax Return (DIPJ) for prior years recognized as current Income Tax (IR) and Social Contribution on Net Income (CSLL) for the year.

(b) Deferred income tax and social contribution on net income

	Parent company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Assets				
Income tax				
Tax losses	18,849		46,751	46,027
Temporary provisions				
Actuarial liabilities	241,118	230,843	297,723	255,846
Contingent liabilities	68,590	40,788	174,294	128,975
Allowance for doubtful accounts	5,817	6,795	10,953	12,301
Deferred foreign exchange losses				27,958
Loss on investment			760	760
Consolidation adjustments			41,466	27,876
Adjustments of adoption Law 11638/07	32,406		52,935	
Other	9,145	5,648	22,073	11,444
	375,925	284,074	646,955	511,187
Social contribution				
Tax losses	11,191		18,315	13,584
Temporary provisions				
Actuarial liabilities	86,802	83,104	108,144	92,105
Contingent liabilities	24,723	14,714	62,629	45,281
Allowance for doubtful accounts	2,094	2,446	3,943	4,428
Deferred foreign exchange losses				10,065
Loss on investment		2,100	273	2,373
Consolidation adjustments			14,928	10,036
Adjustments of adoption Law 11638/07	11,666		19,055	
Other	5,391	2,033	10,012	6,083
	141,867	104,397	237,299	183,955
Total	517,792	388,471	884,254	695,142
(-) Current assets	(42,476)	(41,135)	(102,909)	(81,564)
Non-current assets	475,316	347,336	781,345	613,578
Liabilities				
Income tax and social contribution				
Deferred foreign exchange gains	63,346	87,668	106,465	316,339
Tax incentive depreciation	54,071	59,515	54,071	73,212
Total	117,417	147,183	160,536	389,551
(-) Current liabilities	(63,346)	(87,668)	(92,035)	(129,209)
Non-current liabilities	54,071	59,515	68,501	260,342

At December 31, according to projections approved by the Board of Directors, the long-term deferred income tax and social contribution assets will be realized in the following years:

	Parent company	Consolidated
2010	52,813	125,824
2011	52,813	89,689
2012	52,813	82,942
2013	52,813	81,310
2014 to 2018	264,064	401,580
	475,316	781,345

Since the taxable bases of income tax and social contribution on net income result not only from the profits that can be generated, but also from existing non-taxable revenues, non-deductible expenses, tax incentives and others, there is no immediate correlation between the net income of the Company and the income tax and social contribution calculations. Accordingly, the expectation of using tax credits should not be considered as the only indication of the Company's future results.

(c) Income tax and social contribution in current liabilities

	Parent Company		Consolidated	
	2008	2007 (Note 2)	2008	2007 (Note 2)
Income tax				
Current expense	(347,786)	(348,224)	(1,032,811)	(823,194)
Prepayments and offsets in the year (*)	347,786	247,700	690,822	533,924
		(100,524)	(341,989)	(289,270)
Social contribution				
Current expense	(126,644)	(124,996)	(380,926)	(301,861)
Prepayments and offsets in the year (*)	126,644	124,996	278,161	260,761
			(102,765)	(41,100)
IRPJ and CSLL payable		(100,524)	(444,754)	(330,370)
Deferred IR and CSLL (Note 11(b))	(63,346)	(87,668)	(92,035)	(129,209)
Current IR and CSLL liabilities	(63,346)	(188,192)	(536,789)	(459,579)

(*) prepayments exceeding the current IR and CSLL expense are recorded as taxes recoverable (Note 10).

(d) Transition tax regime

For purposes of calculating the 2008 income tax and social contribution on net income liabilities, companies may opt for the Transition Tax Regime (RTT), in which they are allowed to eliminate the accounting effects of Law 11638/07 and MP 449/08 through records in the Taxable Income Control Ledge (LALUR) or auxiliary controls, without any need to make changes in the accounting records. Companies must declare their option for this regime on filing of the 2008 income tax return.

The financial statements for the year ended December 31, 2008 were prepared taking into consideration management's best estimates, which, at present, consider the option for the RTT. The Company has recorded deferred taxes on the effects of the adoption of the Law and Provisional Measure referred to above

12. INVESTMENTS

	Parent company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Investments in subsidiary and associated companies	8,469,015	7,153,497	2,075,336	1,661,387
Other investments		20,849	1,061	21,872
	8,469,015	7,174,346	2,076,397	1,683,259

(a) Information on subsidiary and associated companies

	Stockholders' equity		Net income (loss) for the year	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Cosipa	5,130,269	4,321,190	1,197,176	1,138,864
Fasal	231,980	172,484	66,511	35,644
Modal Terminal	4,610		2,416	
MRS	1,865,464	1,201,111	664,352	548,383
Rio Negro	251,321	215,356	35,966	48,520
Terminal Sarzedo	9,422		5,732	
Ternium	12,892,979	11,277,672	2,452,474	1,773,365
Unigal	476,857	204,337	122,876	67,566
Usial	9,887	10,141	(34)	299
Usiminas Commercial	87,650		87,650	
Usiminas Europa	2,178,986	1,427,851	252,826	210,543
Usiminas International	257,047	187,644	24,118	(9,569)
Usiminas Mecânica	562,773	495,756	115,969	74,197
Usiminas Portugal	246,654	179,470	23,869	(9,790)
Usiparts	100,879	114,341	14,209	11,389
Usiroll	7,711	6,633	1,078	1,431

	Percentage of capital (%)		Number of shares			
			2008		2007	
	2008	2007	Common	Preferred	Common	Preferred
Cosipa	100	100	33.333.334	66.666.666	33.333.334	66.666.666
Fasal	50	50	302.535		302.535	
Modal Terminal	50		2.125.000			
MRS	11,13	11,13	37.513.650	342.805	37.513.650	342.805
Rio Negro	65,68	64,43	845.855.069		829.696.603	
Terminal Sarzedo	22,22		55.555			
Ternium	14,25	14,25	285.731.726		285.731.726	
Unigal	70	79,34	179.825.061		124.403.144	
Usial	97,22	97,22	951.471		951.471	
Usiminas Commercial	100	100	1		1	
Usiminas Europa	100	100	17.000.000		17.000.000	
Usiminas International	100	100	50.000		50.000	
Usiminas Mecânica	99,99	99,99	1.276.084.212.770	306.372.181.717	1.275.989.091.970	306.332.475.835
Usiminas Portugal	100	100	76.244.788		76.244.788	
Usiparts	100	99,09	374.050	24.128	374.050	24.128
Usiroll	50	50	2.298.458		2.298.458	

The voting capital in the subsidiary and associated companies is the same percentage as that of total capital, except for the company MRS, where the percentage of voting capital is 19.9%.

(b) Changes in investments in subsidiary and associated companies

	2007	Adoption Law 11.638/07		Additions (disposals)	Equity earnings	Exchange variation	Interest on capital and dividends	2008
		Opening balance adjustments	CVM Deliberation n° 534/08					
	(Note 2)							
Subsidiaries								
Cosipa	4,415,368	11,460	(110,344)		1,182,441		(398,059)	5,100,866
Fasal	86,241	(614)		2,759	33,254		(5,650)	115,990
Mineração J. Mendes Ltda. (J. Mendes)			(29,760)		29,760			
Modal Terminal				2,158	428		(281)	2,305
Rio Negro	141,863			3,300	23,086			168,249
Ternium			1,133,166		333,668	394,187	(23,385)	1,837,636
Unigal	162,120	(282)		75,764	96,198			333,800
Usiminas Europa	1,427,851		(1,427,851)					
Usiminas International	187,644		(187,644)					
Usiminas Mecânica	495,692	(22,908)		69	117,463		(27,544)	562,772
Usiparts	88,593				15,182			103,775
Outras	13,176	20,351			506		(212)	33,821
	7,018,548	8,007	(622,433)	84,050	1,831,986	394,187	(455,131)	8,259,214
Associated companies								
MRS	134,949				72,757			207,706
Terminal Sarzedo				1,295	800			2,095
	134,949			1,295	73,557			209,801
	7,153,497	8,007	(622,433)	85,345	1,905,543	394,187	(455,131)	8,469,015

Adjustments in connection with the adoption of Law 11638/07

- The adjustments in the opening balance of the subsidiaries were considered in the opening balance of the Parent Company (Note 2(b)).

- The investment in Minas Industrial, in which the Company holds an interest of 32.73%, previously stated on the cost method, is now being recorded on the equity method of accounting.

- Under CVM Deliberation No. 534/08, the Company's subsidiaries located abroad which do not have autonomy or own their management were considered as extensions of the activities in Brazil, and their assets, liabilities, income and expenses at December 31, 2008 were recorded directly in Usiminas.

(c) Other important information on the investments

(i) J. Mendes, Modal Terminal e Terminal Sarzedo

In February 2008, the Company acquired all the share capital of J. Mendes and its wholly-owned subsidiaries Somisa and Global Mineração. In July 2008, the Company merged these companies and these purchase and merger transactions were initially recorded at book values (cost). The Company contracted an independent technical study to the fair values of the assets and liabilities acquired and merged and allocated the fair values to the identified assets and liabilities (Note 14).

The investments of J. Mendes in the companies Terminal Sarzedo and Modal Terminal were added to USIMINAS investments at the time of its merger.

(ii) Usiminas Europa (investment in Ternium)

In May 2008, the Government of Venezuela issued a decree nationalizing Sidor C.A., a subsidiary of Ternium. USIMINAS indirectly owns 14.25% of Ternium's total capital. However, management of Ternium and the Government of Venezuela have not yet finalized agreement regarding the conditions under which all or a significant part of Ternium's interest in Sidor will be transferred to the State.

(iii) Investment in Unigal Ltda.

In December 2008, the Company reduced its investment in Unigal from 79.34% to 70% through the sale of part of its quotas to Nippon Steel Corporation, holder of a 20.66% investment in this company, and increased to 30% after this transaction. Following this transaction, the capital of Unigal was increased by R$150,000.

(iv) Dufer

The subsidiary Cosipa, which already held a 51% investment in Dufer S.A., acquired the remaining 49% in December 2008. With this transaction, Dufer became a wholly-owned subsidiary of Cosipa. This transaction amounted to R$ 92 million, and a goodwill of R$ 54,929 was calculated, classified as an intangible asset since it relates to expected future profitability.

(v) Guarantees granted to related parties

The Company granted guarantees and sureties to the subsidiary Cosipa of R$ 1,444,221 and R$ 650,089 (December 31, 2007 – R$ 1,256,951, R$483,206), respectively; and sureties of R$ 32,803 and R$50,162 to Usiminas Mecânica and Usiparts, respectively (December 31, 2007 – R$ 110,774 to Usiminas Mecânica).
The Company has not granted any other guarantees and sureties to any other related parties.

(vi) Investments audited by other independent auditors

The financial information used by the Company to determine the equity investments and their related accounting adjustments, audited by other independent auditors, are as follows:

				Equity earnings
	31/12/2008	31/12/2007 (Note 2)	31/12/2008	31/12/2007 (Note 2)
Jointly-owned company				
Fasal	115,990	86,241	33,254	17,820
Associated company				
MRS	207,706	134,949	72,757	59,861

(vii) Investments with shares traded in stock exchanges in 2008:

	Equity value	Market value
Ternium	1,837,636	572,266

The last negotiation of MRS in a stock exchange was in November 2006.

The market value of these investments does not necessarily reflect the realizable of a significant investment. Other investments refer to companies without shares traded in stock exchanges.

13. PROPERTY, PLANT AND EQUIPMENT

							Parent Company
				2008			2007
	Annual average depreciation rate %	Cost	Accumu-lated depre-ciation	Net	Cost	Accumu-lated depre-ciation	Net
							(Note 2)
In operation							
Buildings	4	930,772	(733,442)	197,330	917,103	(727,863)	189,240
Machinery and equipment	5	5,383,875	(2,910,876)	2,472,999	5,325,717	(2,777,596)	2,548,121
Installations	5	370,544	(250,897)	119,647	342,829	(253,587)	89,242
Furniture and fixtures	10	27,919	(11,174)	16,745	16,933	(9,422)	7,511
Data processing equipment	33	60,114	(40,832)	19,282	31,680	(27,940)	3,740
Vehicles	20	22,696	(12,102)	10,594	1,395	(1,290)	105
Tools and equipment	10	78,995	(53,206)	25,789	73,713	(50,015)	23,698
Software	20				64,173	(44,621)	19,552
Other		42,898	(75)	42,823	75	(75)	
		6,917,813	(4,012,604)	2,905,209	6,773,618	(3,892,409)	2,881,209
Land		298,648		298,648	48,167		48,167
Total in operation		7,216,461	(4,012,604)	3,203,857	6,821,785	(3,892,409)	2,929,376
Under construction							
Construction in progress		968,841		968,841	484,399		484,399
Assets in process		6,994		6,994	3,442		3,442
Imports in transit		159,464		159,464	53,874		53,874
Advances to suppliers		137,191		137,191	154,788		154,788
Total under construction		1,272,490		1,272,490	696,503		696,503
		8,488,951	(4,012,604)	4,476,347	7,518,288	(3,892,409)	3,625,879

							Consolidated
				2008			2007
	Annual average depreciation rate %	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
							(Note 2)
In operation							
Buildings	4	1,493,372	(977,125)	516,247	1,517,843	(967,403)	550,440
Machinery and equipment	5	11,333,387	(5,288,595)	6,044,792	10,854,487	(4,840,258)	6,014,229
Installations	5	773,673	(312,158)	461,515	507,659	(298,263)	209,396
Furniture and fixtures	10	42,338	(19,589)	22,749	29,232	(17,157)	12,075
Data processing equipment	33	138,829	(105,494)	33,335	115,046	(99,566)	15,480
Vehicles	20	111,729	(58,796)	52,933	47,594	(28,018)	19,576
Tools and equipment	10	147,475	(69,316)	78,159	120,304	(60,655)	59,649
Software	20				128,744	(83,925)	44,819
Other		43,652	(486)	43,166	4,434	(1,340)	3,094
		14,084,455	(6,831,559)	7,252,896	13,325,343	(6,396,585)	6,928,758
Land		534,802		534,802	288,745		288,745
Total in operation		14,619,257	(6,831,559)	7,787,698	13,614,088	(6,396,585)	7,217,503
Under construction							
Construction in progress		1,795,497		1,795,497	1,152,545		1,152,545
Assets in process		16,369		16,369	49,897		49,897
Imports in transit		224,441		224,441	181,799		181,799
Advances to suppliers		515,704		515,704	409,663		409,663
Total under construction		2,552,011		2,552,011	1,793,904		1,793,904
		17,171,268	(6,831,559)	10,339,709	15,407,992	(6,396,585)	9,011,407

The Parent company's depreciation for the year ended December 31, 2008 of R$ 298,568 (December 31, 2007 - R$ 278,883) and Consolidated of R$ 734,816 (December 31, 2007 - R$ 705,741) was substantially charged to costs of production.

Certain items are granted as guarantees and sureties for loans and financing transactions (Note 15(e)).

The construction in progress relates to projects for improvement of production to enable the full utilization of the installed capacity of the plants and for environmental preservation. The technological updating and environmental preservation plans in progress should be completed by 2011.

The Company has an expansion plan which includes the implementation of the Company's third plant to be installed in the city of Santana do Paraíso, state of Minas Gerais, seven kilometers from the Intendente Câmara plant, in Ipatinga, state of Minas Gerais. The budgeted investment for the construction of the new plant is US$ 5.7 billion (unaudited).

In addition, the Company's Investment Program contemplates investments to increase production capacity of steel and iron ore, improvements of plants, reductions in costs and environmental preservation up to 2012. These investments are estimated at US$ 14.1 billion for the next five years. The location of the new plant will allow that the units in Ipatinga and Santana do Paraíso share infrastructure and logistics, already available in the Vale do Aço region, to provide raw materials and distribute finished products, with a reduction of the environmental impacts.

Changes in property, plant and equipment for the year ended December 31, 2008 and 2007 are as follows:

	Parent Company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Opening balance	3,625,879	3,412,706	9,011,407	8,503,234
Adjustments of adoption Law 11638/07	(10,019)		(72,601)	
Opening balance - adjusted	3,615,860		8,938,806	
Additions	1,119,024	506,850	2,137,997	1,193,478
Disposals	(73,332)	(3,736)	(194,052)	(18,862)
Depreciation/amortization/depletion	(298,568)	(278,883)	(734,816)	(705,741)
Capitalized interest	19,435	14,418	70,708	33,715
Capitalized monetary and exchange variations		(25,476)	16,239	(34,282)
J. Mendes merged	93,928		93,928	
Other			10,899	39,865
	4,476,347	3,625,879	10,339,709	9,011,407

14. INTANGIBLE ASSETS

	Parent Company			
	Mining rights (ii)	Goodwill (i)	*Softwares*	Total
Balances at January 1, 2008		379,048	19,552	398,600
Acquisitions	1,467,315	76,552	10,981	1,554,848
Exchange variation		85,816		85,816
Amortization	(9,252)	(99,828)	(11,405)	(120,485)
Balances at December 31, 2008	1,458,063	441,588	19,128	1,918,779
Cost	1,467,315	584,764	58,899	2,110,978
Amortization	(9,252)	(143,176)	(39,771)	(192,199)
Residual value at December 31, 2008	1,458,063	441,588	19,128	1,918,779
Annual average amortization rates %	(*)		20	

(*) Mining rights are amortized in accordance with mine depletion.

	Consolidated				
	Mining rights (ii)	Goodwill (i)	*Softwares*	Tecnology rights	Total
Balances at January 1, 2008		379.048	53.028	1.428	433.504
Acquisitions	1.467.315	131.943	18.766		1.618.024
Exchange variation		85.816			85.816
Amortization	(9.252)	(100.290)	(25.786)	(134)	(135.462)
Balances at December 31, 2008	1.458.063	496.517	46.008	1.294	2.001.882
Cost	1.467.315	640.154	153.299	1. 428	2.262.196
Amortization	(9.252)	(143.637)	(107.291)	(134)	(260.314)
Residual value at December 31, 2008	1.458.063	496.517	46.008	1.294	2.001.882
Annual average amortization rates %	(*)		20	20	

(*) Mining rights are amortized in accordance with mine depletion.

(i) The goodwill arising from the difference between the amount paid on acquisition of investments and the fair values of the assets and liabilities (goodwill paid for the expected future profitability) refers to the following transactions:

- The amount of the acquisition of Cosipa's issued shares through a Public Offer in 2005 totaled R$287,791, with goodwill of R$153,692. This goodwill is being amortized on the straight-line method over approximately 10 years, considering the projections of future profitability. At December 31, 2008, the net balance was R$94,579 (December 31, 2007 - R$110,344).

- In August 2008, the Company increased its interest in Rio Negro through the purchase of shares with a premium of R$ 7,110. This goodwill is being amortized on the straight-line method over approximately 10 years, considering the projections of future profitability. At December 31, 2008, the net goodwill was R$ 6,813.
- In February 2008, the Company acquired all the shares of J. Mendes and its wholly-owned subsidiaries Somisa and Global Mineração, iron ore mining companies located in the "iron quadrilateral" region of the state of Minas Gerais, as part of the Company's long-term strategy. The initial acquisition price was US$ 925 million, which may be complemented in the next two years when measurements of the size and the quality of the reserves will be made.

On July 1, 2008 the stockholders of USIMINAS approved the merger into the Company of the companies Mineração J. Mendes Ltda. ("J. Mendes") and its wholly-owned subsidiaries Somisa - Siderúrgica Oeste de Minas Ltda. ("Somisa") and Global Mineração Ltda. ("Global Mineração"). The merged companies were extinguished due to the merger. Accordingly, the total quotas issued by the merged companies were also extinguished and replaced, in the USIMINAS net assets, by the underlying assets and liabilities representing their net worth. Since USIMINAS held, directly or indirectly, the total capital of the companies merged, this merger did not result in an increase in capital of the Company or the issue of new shares. Accordingly, there was no change in the consolidated financial position of the Company. The net assets merged were in the amount of R$150.286.

These purchase and merger transactions were initially recorded at the book values (cost). The Company contracted an independent technical study to determine the fair values of the assets and liabilities acquired and merged, and allocated the fair values to the identified assets and liabilities, as follows:

	Book value	Fair value	Allocation
Intangible assets			
Mineral rights	5,267	1,460,762	1,455,495
Future profitability - investments			
Terminal Sarzedo	2,353	27,031	24,678
Modal Terminal	2,125	45,409	43,284
Property, plant and equipment			
Machinery and equipment	45,043	57,756	12,713
Land	6,017	29,287	23,270
Other assets and liabilities, net	8,033	8,033	
	68,838	1,628,278	1,559,440

The goodwill based on future profitability of the investments acquired is being amortized on the straight-line method over approximately 10 years considering the projection of the future results of operations.

As established by CVM Deliberation 565/08, the goodwill based on the expected future profitability will no longer be amortized as from the year beginning January 1, 2009.

(ii) The mineral rights are basically related to the acquisition and merger of J. Mendes and its subsidiaries, as stated in (i) above.

The amortization of intangible assets at December 31, 2008 was recorded in Other operating income (expenses).

15. LOANS AND FINANCING

(a) Parent company

(i) Local currency

	Currency/ index	Maturity	Annual interest rate (%)	2008		2007	
				Current	Non-current	Current	Non-current
							(Note 2)
BNDES	TJLP	2009	4 + TJLP 2,4 A 2,9 +	808		9,655	801
BNDES	TJLP	2013	TJLP	23,804	77,408	16,126	91,127
BDMG	TR	2009	6	747		750	721
FINAME	UR/TJLP	2012	1 A 3,7 +TJLP	12,154	3,756	4,007	8
FINAME	R$	2012	9,3 A 10,9	771	1,447	5,376	2,799
Banco do Brasil - Crédito agrícola - NCE	R$	2010	95% CDI	19,156	200,000		
HP Financial - *Leasing*	R$		100% CDI	2,321	3,042		
Outros	R$			3,887	3,880		
				63,648	289,533	35,914	95,456

TJLP - Long-term Interest Rate
TR - Referential Rate
UR - Referential Unit

(ii) Foreign currency

	Currency/ index	Maturity	Annual interest rate (%)	2008 Current	2008 Non-current	2007 Current	2007 Non-current (Note 2)
BNDES	US$	2009	0,97 a 2,5 + libor	22,107		32,615	16,458
BNDES	US$	2013	2,4 + cesta	3,012	10,147	1,484	8,949
Usiminas International	US$	2011	0,5 + libor	2		908	97,421
Nippon Usiminas/JBIC	US$	2010	1,47 + libor	47,868	23,370	37,178	53,139
Nippon Usiminas/JBIC	US$	2016	1,475 + libor	7,744	130,615	2,570	92,878
Nippon Usiminas/JBIC	US$	2013	2,35 + libor	13,935	79,014	2,364	61,917
Citibank	YEN	2010	1,4 + libor	57,714	56,532	35,903	69,413
Usiminas Commercial	YEN	2018	4,19	2,933			
Credit Lyonnais	EURO	2009	6,07	3,036		3,522	2,303
Sindicato (Arranger HSBC)	US$	2013	1,17 + libor	8,660	701,100		
Sindicato (Arranger HSBC)	US$	2015	1,43 + libor	9,134	701,100		
Usiminas Commercial - Eurobonds	US$		7,25	30,498	934,800		
				206,643	2,636,678	116,544	402,478
				270,291	2,926,211	152,458	497,934

(b) Consolidated

(i) In local currency

	Currency/ index	Maturity	Annual interest rate (%)	2008 Current	2008 Non-current	2007 Current	2007 Non-current (Note 2)
BNDES	TJLP	2009	4 + TJLP	808		9,655	801
BNDES	TJLP	2013	2,4 a 2,9 + TJLP	23,804	77,408	16,126	91,127
BNDES	TJLP	2008 A 2013	1 a 4,5 + TJLP	83,283	363,984	42,173	290,111
BNDES	TJLP	2011	8,55	2,695	4,743		
BNDES	UMBND	2008	UMBND + 4,5			6,723	
BDMG	TJLP	2014	6 + IPCA	9,342	46,993	236	39,192
BDMG	TR	2009	6	747		750	721
FINAME	UR/TJLP	2012	1 a 3,7 +TJLP	12,154	3,756	4,007	8
FINAME	R$	2012	9,3 a 10,9	771	1,447	5,376	2,799
FINAME	TJLP	2010/2012	1,5 a 4 + TJLP	467	1,163	186	848
FINAME	TJLP	2012	8,88 a 9,4	1,478	3,985		
FINAME	UR/TJLP	2008 A 2012	1 a 4,5 + TJLP	6,430	1,571	3,480	793
FINAME	UR/TJLP	2013	8,73 e 9,8	4,672	7,209		
Banco do Brasil - Crédito agrícola - NCE	R$	2010	95% CDI	19,156	200,000		
Itaú BBA	R$	2010	CDI + 1,26 / USD + 3		30,358		
Outros				17,432	28,246	20,005	17,710
				183,239	770,863	108,717	444,110

UMBND - BNDES Monetary Unit

(ii) In foreign currency

	Currency/ index	Maturity	Annual interest rate (%)	2008 Current	2008 Non-current	2007 Current	2007 Non-current
							(Note 2)
BNDES	US$	2009	0,97 a 2,5 + libor	22,107		32,615	16,458
BNDES	US$	2013	2,4 + cesta	3,012	10,147	1,484	8,949
BNDES	US$	2013 E 2014	UMBND + 2,02 e 2,5	10,867	76,433	2,403	29,027
Nippon Usiminas/JBIC	US$	2009	3,5 + libor	30,239		26,067	25,889
Nippon Usiminas/JBIC	US$	2010	1,47 + libor	47,868	23,370	37,178	53,139
Nippon Usiminas/JBIC	US$	2016	1,475 + libor	7,744	130,615	2,570	92,878
Nippon Usiminas/JBIC	US$	2013	2,35 + libor	13,935	79,014	2,364	61,917
Nippon Usiminas/JBIC	YEN	2010	1,79	17	15,730	3	10,931
Citibank	YEN	2010	1,4 + libor	57,714	56,532	35,903	69,413
Credit Lyonnais	EURO	2009	6,07	3,036		3,522	2,303
Itaú Europa	US$	2008	1,285 + libor			71,881	
KFW	US$	2008 A 2012	0,75 e 2 + libor	14,559	29,755	12,887	32,760
KFW	EURO	2008 A 2015	3,59	10,105	56,113	3,449	41,542
PSK	US$	2008 A 2012	1,7 e 2,5 + libor	36,496	84,307	29,488	89,460
Mitsui	US$	2008	3,75 + libor			45,977	
BNP Paribas	US$	2008 A 2012	1,25 + libor	17,898	50,989	13,968	51,529
ABN/UBS Eurobonds	US$	2016	8,25	910	233,700	730	177,130
Banco Itaú	US$	2012	9,26 + libor	6,816	15,297	4,867	15,459
Tokyo Mitsubishi	US$	2008	5,6 a 5,7			16,016	
Banco do Brasil	US$	2008	5,67 a 6			10,866	
Banco do Brasil	US$	2010	6,6 + libor	4,818	4,674		
Banco do Brasil	US$	2008 E 2009	4,5 + libor	24,604		75,114	18,386
Club Deal (Mizuho, Tokyo Mitsubishi, WestLB)	US$	2009 A 2013	0,65 + libor	76,625	280,440	7,966	265,695
UBS Eurobonds	US$	2009/2016	8,25	425,953	233,700	13,477	487,107
UBS/JPMorgan Eurobonds	US$	2018	7,25	30,498	934,800		
Sindicato (Arranger HSBC)	US$	2013	1,17 + libor	8,660	701,100		
Sindicato (Arranger HSBC)	US$	2015	1,43 + libor	9,134	701,100		

	Currency/ index	Maturity	Annual interest rate (%)	2008		2007	
				Current	Non-current	Current	Non-current
							(Note 2)
Other				12,637	14,241	4,405	17,891
				876,252	3,732,057	455,200	1,567,863
Local currency				183,239	770,863	108,717	444,110
				1,059,491	4,502,920	563,917	2,011,973

Long-term amounts fall due as follows:

	Parent company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Maturity year				
2009		125,888		685,084
2010	346,521	98,966	683,357	310,324
2011	162,200	143,716	453,248	243,959
2012	523,589	45,755	775,591	216,607
2013	496,060	28,525	665,851	131,571
2014 up to 2018	1,397,841	55,084	1,924,873	424,428
	2,926,211	497,934	4,502,920	2,011,973

(c) Changes in loans and financing

The changes in loans and financing for the years ended December 31, 2008 and December 31, 2007 are as follows:

	Parent Company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Opening balance (Note 2)	650,392	783,850	2,575,890	3,059,106
Adjustments of adoption Law 11638/07	9,964		21,184	
Saldo ajustado	660,356		2,597,074	
Adjustments of adoption Law 11638/07	(98,329)			
New loans and financing	1,970,303	218,918	2,355,941	740,794
Charges provided	127,545	43,668	288,020	210,569
Monetary and foreign exchange variations	741,269	(92,174)	1,167,344	(244,349)
Payment of charges	(58,324)	(42,906)	(204,424)	(217,767)
Payment of principal	(146,318)	(260,964)	(634,141)	(972,463)
Outher			(7,403)	
Closing balance	3,196,502	650,392	5,562,411	2,575,890

Usiminas Commercial, a wholly-owned subsidiary of the Company, issued US$ 400 million of Eurobonds at the rate of 7.25% per annum, based on an Offering Memorandum dated January 3, 2008, as amended and supplemented by a final Pricing Term Sheet dated January 11, 2008. The Eurobonds are due in 2018 and are guaranteed by the Company and its wholly-owned subsidiary, Cosipa. Usiminas Commercial transferred the total amount obtained of ¥ 42,952 million to the parent company, at the rate of 4.12% per annum, in Yen, on the same date and under the same conditions as those for the issue of the Eurobonds.

(d) Restrictive contractual clauses - Covenants

The Company and its subsidiary Cosipa have loans and financing with certain covenants which require compliance with restrictive clauses based on certain financial indexes, as follows:

- Consolidated Interest Coverage Ratio - ability of paying loans and financing interest in relation to Ebitda;
- Total Debt to Ebitda and Net Debt to Ebitda - ability of paying debt in relation to Ebitda;
- Capitalization Ratio - ratio between own capital and third party capital;
- Liquidity Ratio - ability to pay short-term liabilities;
- Capitalization Level - ratio between Net Equity and Total Assets;
- Collection History - ratio between ACC (advances on exchange contracts) debt and prepayments in relation to export revenues.

The indexes above are calculated on a consolidated basis. The breach of any of those covenants by the Company and/or its subsidiaries could trigger an acceleration of the maturity of the obligations to local and foreign creditors, recorded under non-current liabilities. At December 31, 2008 and December 31, 2007, the covenant ratios were met.

(e) Guarantees of loans and financing

At December 31, 2008, the loans and financing are substantially guaranteed by property, plant and equipment with book values of R$1,904,354 in the Parent company and R$2,334,603 Consolidated (December 31, 2007 - R$1,649,854 in the Parent company and R$2,175,318 Consolidated).

At December 31, 2008, the parent company was the guarantor of loans and financing of its subsidiaries in the amount of R$1,444,221 (December 31, 2007 – R$1,256,951).

16. DEBENTURES

On February 1, 2008, the Company made a public issue of 5,000 single non-convertible subordinated debentures, which was its Fourth Public Issue of Debentures and the first issue connected to the Second Program of Offering of Debentures. These debentures, in the total amount of R$ 500,000, have a final maturity on February 1, 2013, and 50% of the principal falls due on February 1, 2012. The notes are remunerated at 100% of the CDI interest rate plus 0.42% per year, payable every six months as from the issue date.

On December 29, 2008, The Company issued its Fifth Public Issue of Debentures, non-convertible, unsecured debentures, in one sole non-preferred debenture series, single and indivisible lot. This issue, of only one debenture of R$600,000, will be paid in three equal annual installments, with final maturity on December 29, 2020. The Debenture will earn interest, paid half-yearly as from the date of issue, at the daily average interest rate of Interbank Deposits (100% of CDI), plus a spread of 0.50% per annum.

The charges on debentures of R$28,851 are recorded in non-current liabilities.

17. TAXES PAYABLE

	Parent company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Value-added Tax on Sales and Services (ICMS)	32,379	40,919	35,432	71,661
Excise Tax (IPI)	15,760	21,954	19,423	39,845
Withholding Income Tax (IRRF)	9,428	6,998	16,402	13,233
Services Tax (ISS)	1,401	655	1,855	3,392
Social Integration Program (PIS) and Social Contribution on Revenues (COFINS)	1,555	33,195	9,115	50,367
Other	4,203	1,450	4,865	1,975
	64,726	105,171	87,092	180,473

18. TAXES PAYABLE IN INSTALLMENTS

	Parent company				Consolidated			
	2008		2007		2008		2007	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
				(Note 2)				(Note 2)
National Institute of Social Security (INSS)	13,157	83,228	15,866	107,583	14,406	84,685	16,976	109,988
Value-added Tax on Sales and Services (ICMS)							187	327
National Treasury	6,217	4,663	6,217	4,663	6,217	4,663	6,217	4,663
Other	58		58		1,599	5,537	1,532	6,774
	19,432	87,891	22,141	112,246	22,222	94,885	24,912	121,752

Taxes payable in installments are subject to interest of 1% per month, payable in 30 to 240 months, and are guaranteed by assets of the subsidiary Cosipa with a book value at December 31, 2008 of R$398,576 (December 31, 2007 – R$278,164).

Long-term installments fall due as follows:

	Parent company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Maturity year				
2009		29,247		31,999
2010	29,259	24,583	29,259	27,334
2011	24,597	24,583	27,391	26,246
2012	24,597	24,583	26,350	26,061
2013	9,438	9,250	10,983	10,112
2014			902	
	87,891	112,246	94,885	121,752

19. PROVISION FOR CONTINGENCIES

	Parent company					
	2008			2007		
	Contingencies	Judicial deposits	Net	Contingencies	Judicial deposits	Net
						(Note 2)
IPI	280,524	(188,957)	91,567	251,876	(169,940)	81,936
ICMS				17,188		17,188
IR and CSLL	201,308	(123,862)	77,446	183,063	(113,483)	69,580
INSS	98,028	(39,672)	58,356	88,689	(36,459)	52,230
Labor	73,918		73,918			
Other	1,084		1,084			
	654,862	(352,491)	302,371	540,816	(319,882)	220,934

	Consolidated					
	2008			2007		
	Contingencies	Judicial deposits	Net	Contingencies	Judicial deposits	Net
						(Note 2)
IPI	288,873	(188,957)	99,916	254,532	(172,031)	82,501
ICMS	5,560	(5,506)	54	23,483	(6,241)	17,242
IR and CSLL	222,889	(123,862)	99,027	206,402	(113,483)	92,919
INSS	101,238	(41,806)	59,432	88,689	(36,459)	52,230
COFINS	17,717	(9,591)	8,126	15,869	(3,660)	12,209
PIS	24,536	(6,033)	18,503	23,417	(5,075)	18,342
Labor	227,349	(80,906)	146,443	188,500	(72,140)	116,360
Civil	177,026	(4,717)	172,309	117,481		117,481
Other	76,781	(25,962)	50,819	51,490	(24,881)	26,609
	1,141,969	(487,340)	654,629	969,863	(433,970)	535,893

At December 31, 2008, the Company and its subsidiaries have judicial deposits recorded in long-term receivables of R$158,006 (December 31, 2007 - R$158,767) in the Parent company and R$210,994 (December 31, 2007 - R$229,741) Consolidated, for which the related contingencies have not been provided.

The changes in the provisions for contingencies for the years ended December 31, 2008 and 2007 are as follows:

	Parent company		Consolidated	
	2008	2007 (Note 2)	2008	2007 (Note 2)
Opening balance (Note 2)	540,816	569,583	969,863	1,053,956
Additions	74,439	21,985	194,053	87,666
Interest/monetary restatements	57,500	112,762	116,075	174,394
Payments/write-offs			(16,736)	(55,386)
Reversals	(17,893)	(163,514)	(118,615)	(290,767)
Other			(2,673)	
	654,862	540,816	1,141,967	969,863
Judicial deposits offset	(352,491)	(319,882)	(487,338)	(433,970)
Closing balance	302,371	220,934	654,629	535,893

The provisions for contingencies were recorded to cover probable losses on administrative and judicial litigation relating to tax, labor and civil issues, in amounts deemed sufficient by management, based on the advice and evaluation of internal and external legal counsel. The most significant claims at December 31, 2008 are summarized below:

(a) Usiminas

- IPI credit relating to the purchases of products which are either tax exempt, tax immune, not taxed or taxed at a zero rate, in the amount of approximately R$281,000 at December 31, 2008 (December 31, 2007 - R$252,000). The Company filed a lawsuit claiming the right to use the IPI credits and obtained, in December, 2006, legal protection to suspend the enforceability of the debt offset. In February 2007, the Brazilian Supreme Federal Court (STF) decided against the taxpayers, which led to the revocation of the legal protection in September, 2007. In view of the above and in order to ensure the continuity of the discussion on the payment of the fine, which the Company understands as improper and which was the purpose of a declaratory action filed in 2002 and is still pending decision by the Regional Federal Court of Appeals - TRF, 1st Region, the Company made a judicial deposit of R$173,755 at December 21, 2008 (December 31, 2007 - R$169,940), and offered property, plant and equipment as collateral, in view of the possible loss of the fine. The amounts owed by the Company, except for the fine which the Company and its legal consultants consider improper, are provided.
- Income tax and social contribution on net income on the difference between inflation measured by the Consumer Price Index (IPC) for the period from January to February 1989, of

70.28%, and the official monetary correction (price-level restatement) measured by the UFIR, of 11.4%. The lawsuit filed by the Company is currently pending judgment on the interlocutory appeal filed against the ruling which denied the Company the right to withdraw the judicial deposit. At December 31, 2008, the amount provided was approximately R$127,300 (December 31, 2007 - R$98,800).

- Income tax on inflationary income at the reduced rate of 5%, paid in 1993, whose amount provided at December 31, 2008 is approximately R$74,000 (December 31, 2007 - R$66,300). In 1998, the Company offset this tax balance based on the revocation of the law by which it was introduced. The Federal Treasury contested the offset by the Company. The lawsuit is currently on the interlocutory appeal for judgment of the Federal Government's appeal.
- Various social security (INSS) assessments, with provision at December 31, 2008 totaling approximately R$98,028 (December 31, 2007 - R$88,700), mainly relating to contributions due on profit sharing, joint liability with service companies and inflation index differences on the debt installments. The Company filed defenses to all of the assessments. For the appeals denied by the Social Security Council (CRPS), the Company filed motions to suspend the executions initiated or filed tax annulment actions, which are currently pending judgment by the First Instance of Federal Justice. Based on the opinion of its legal counsel, Company management decided to reverse part of this provision in 2007. The amount of R$39,672 (December 31, 2007 - R$34,460) remains as judicial and appeal deposits, in order to guarantee part of the amounts involved in these disputes.
- Collective lawsuits filed by SINDIPA (the Ipatinga employee Trade Union) claiming overtime relating to the intra-day interval and payment of a fine of 40% for contractual termination of former employees. Company management, based on the opinion of its legal counsel, decided to provide R$54,344 for these claims.
- The Company was assessed by the Federal Revenue Service for non-payment of certain social security contributions (employer, SAT, third parties and employees) on the compensation paid to autonomous employees (individual taxpayers) and companies, which were considered employees by the Federal Revenue Service after having their legal structure challenged. The Company, based on the opinion of its legal counsel, decided to provide R$6,144 for this claim.
- Labor suits relating to own and outsourced employees in the port of Cubatão for claims of indemnity for moral damages, transport vouchers, salary adjustment, health hazard and danger exposure allowances, overtime, in itinere time, meal vouchers and shared quotas of adhesion to the Voluntary Termination Program (PDV). Based on the opinion of its legal counsel, the Company decided to provide R$6,887 for these claims.

(b) Cosipa

- The subsidiary Cosipa filed a lawsuit against the constitutionality of the payment of the Economic Domain Intervention Contribution (CIDE) on remittances abroad of royalties on transfer of technology, at the rate of 10%. On May 29, 2006, the claim was deemed groundless. The subsidiary filed an appeal and currently awaits judgment by the TRF, 3rd Region. At December 31, 2008, the amount provided was R$21,562 (December 31, 2007 – R$20,486).

- The subsidiary Cosipa is party to a lawsuit in connection with the semi-annual calculation basis of the PIS contribution. This method considered the calculation basis of a month as being the sixth prior month, with no monetary restatement, and which was improperly revoked by the Federal Revenue Service. The lawsuit is currently pending analysis at the first judicial instance. At December 31, 2008, the amount provided was R$20,836 (December 31, 2007 – R$19,981).
- The labor contingencies refer mainly to danger exposure, health hazards, family allowance and wage differences. At December 31, 2008 and 2007, Cosipa carried out a detailed analysis of these claims, for which the expectation of loss, based on the opinion of its internal legal advisors, is considered as probable. The contingencies were adjusted in accordance with the legal experts' calculations and the indexes used by the Regional Labor Court (TRT). At December 31, 2008, the amount provided was approximately R$137,000 (December 31, 2007 – R$172,000).
- The civil contingencies mainly relate to a claim by Companhia Docas do Estado de São Paulo (CODESP), with respect to port taxes allegedly unpaid by Cosipa in accordance with Law 8380/96. On October 24, 2000, the judge ruled in favor of the plaintiff ordering Cosipa to pay part of the amount claimed by CODESP plus interest, court expenses and attorney fees, established at 10% of the value attributed to the case. Both parties filed appeals which are currently pending judgment by the São Paulo State Court of Justice. At December 31, 2008, the amount provided was approximately R$127,000 (December 31, 2007 – R$97,000).

(c) Possible contingencies

The Parent company and its subsidiaries Cosipa and Usiminas Mecânica are parties to lawsuits which involve risk of loss classified as possible by management, based on the evaluation of its legal counsel, for which no provisions have been recorded. Among these lawsuits, the following are the most significant:

- The Company received a tax assessment from the National Institute of Social Security (INSS), relating to social security contributions on the Company's employee profit sharing plan payments in 1995, 1996, 1997 and 1998. The Company filed a lawsuit disputing the assessment through which the INSS classified those payments as subject to social security contributions, due to their periodicity during those years. Moreover, the defense presented by the Company is based on the majority of former court decisions and on recent decisions by the High Court of Justice and the Brazilian Federal Supreme Court as to the unconstitutionality of the statute of limitation period of ten years, prescribed by article 45 of Law 8212/91, since the National Tax Code, which is hierarchically superior, considers as applicable the limitation period of five years. At December 31, 2008 and 2007, the approximate amount of this lawsuit was R$48,049.
- The Company is party to labor suits related to own and outsourced employees in the port of Cubatão, which refer to claims for indemnity for moral damages, transport vouchers, salary adjustments, health hazards and danger exposure allowances, overtime, meal vouchers and shared quotas of adhesion to the Voluntary Termination Program (PDV). At December 31, 2008 and 2007, these lawsuits totaled R$41,000.

- There are several labor lawsuits filed by the "Sindicato dos Estivadores e Consertadores de Cubatão" (Dockworkers' Trade Union of Cubatão), state of São Paulo, against USIMINAS, which is the port concessionaire at Cubatão. These lawsuits, which totaled R$23,000 at December 31, 2008 and 2007, basically claim indemnities for moral damages and mandatory freelance workforce.

- Fines were imposed by the Economic Defense Administrative Agency (CADE) on USIMINAS and Cosipa in the approximate amount of R$53,004 in the Parent company (December 31, 2007 - R$16,000) and R$ 97,621 Consolidated (December 31, 2007 - R$32,000), relating to an alleged violation of the economic order. On June 26, 2003, the judge ruled in favor of the Company and Cosipa, and the fine was annulled. The lawsuit is in the appeal phase.

- ICMS assessment against the subsidiary Cosipa relating to improper credit arising from the incorrect classification by the subsidiary of certain materials, such as non-ferrous metals, which differ from that adopted by the tax authorities. Of the four lawsuits on this subject, three are being discussed at the judicial level and pending examination by accounting and technical experts. The other lawsuit is awaiting analysis at the judicial level. At December 31, 2008 and 2007, the estimated amount of this lawsuit was R$25,000 (December 31, 2007 – R$13,162).

- Tax assessment against the subsidiary Cosipa relating to the financing of special retirement benefits granted due to the level of work inability caused by environmental risks. The lawsuit is at the administrative level, awaiting analysis by the Social Security Appeals Council. At December 31, 2008 and 2007, the estimated amount of this lawsuit was approximately R$ 22,000.

- Lawsuit filed by the Company in 2008 to challenge the non approval of offset of federal tax debits against IRPJ credits calculated after the review of the LALUR, which was object of an adjustment to the income tax return of USIMINAS in 2001. The offset was not accepted by the Federal Taxpayers Council under the allegation of the five-year prescription period (retroactive application of Supplementary Law 118). The Company obtained legal protection to maintain the tax credit. At December 31, 2008, the estimated amount is R$55,132.

- Assessment notice in São Paulo issued by the Federal Government in 2004 relating to the balance of the payment in installments by the Company relating to the Fund for Exports Financing (FINEX) and to the Program for Exports Financing (PROEX). The Company understands that the debt was settled through the offset against credits with the Federal Government relating to the Fund for Offset of Salary Variations (FCVS). The authorities claim disqualification for the offset. The process is concluded for sentence. At December 31, 2008 the disputed amount is R$15,973.

- Between June 1992 and February 1997, tax authorities of the State of São Paulo issued four tax assessment notices relating to ICMS on semi-finished goods against the subsidiary Cosipa. One of these assessments has already been settled, one is pending the experts' examination and the other two are at the State Court for judgment. Brazilian High Court (STJ) precedents are favorable to the Company. At December 31, 2008, the amount involved is approximately R$176,000 (December 31, 2007 – R$ 126,000). Based on the opinion of its legal advisors, Cosipa management decided to reverse the corresponding provision in 2007.

- The subsidiary Cosipa is party to a number of labor lawsuits filed by Cosipa's retired former employees, claiming the receipt of the FGTS 40% fine, as well as differences in the deposits made during their period of employment, based on the unconstitutionality, according to article 453, paragraph two of the Consolidation of the Labor Laws (CLT), in the Direct Action of Unconstitutionality (ADIN) No. 1721-3, declared by the Brazilian Federal Supreme Court (STF). The allegation of those retired employees is that retirement does not dissolve the employment contract. The labor claims are in the appeal phase and their estimated amount at December 31, 2008 was R$23,000 (December 31, 2007 – R$20,500).

- Tax assessment issued by the tax authorities against the subsidiary Cosipa for alleged non-payment of ICMS, arising from the lack of proof of internment of certain transactions, such as the sale of products destined for the Manaus Free-Trade Zone. Cosipa is making efforts to obtain the necessary proof from the Superintendency of the Manaus Free-Trade Zone (SUFRAMA). The lawsuit is currently at the second instance of the administrative level. At December 31, 2008, its approximate amount was R$22,000 (December 31, 2007 – R$15,000).

- The subsidiary Cosipa was assessed by the tax authorities in December 2008 relating to ICMS credits on refractory materials. The tax authorities claim that the materials credited are used and consumed by the industrial establishment itself while Cosipa states that these are materials consumed in the production process, which, therefore, substantiates the credit. Cosipa filed a defense and is awaiting judgment. At December 31, 2008, the estimated amount of this lawsuit was R$ 200,000.

- The subsidiary Cosipa was assessed by the tax authorities for ICMS on purchases of transport. The state tax authorities question the manner in which the ICMS was calculated, replaced, calculated under the terms of art. 49 of RICMS, that is, included in its own basis, as well as the use of an internal rate. Cosipa filed a defense and is awaiting judgment. At December 31, 2008, the estimated amount of this lawsuit was R$ 28,000.

- The subsidiary Usiminas Mecânica received a tax assessment to pay the ICMS difference due to the issue of invoices without ICMS disclosure. The transaction, considered by Usiminas Mecânica as an export under the Customs Deposit Certificate (DAC) system, was classified differently by the ICMS tax authorities, which alleged that the products were destined for the domestic market. The assessment was duly refuted and is currently awaiting ruling by the pertinent Tax Court. At December 31, 2008, the estimated amount of this lawsuit was R$23,467.

- The subsidiary Usiminas Mecânica is a joint-plaintiff to a lawsuit relating to the recognition of tax exemption for the Social Integration Program (PIS), Social Contribution on Revenues (COFINS) and Excise Tax (IPI) on third-party contacts, which are granted under the tax incentive program, called Reporto. This process is awaiting final decision by the first level of the judicial court. At December 31, 2008 and 2007, the estimated amount for this lawsuit was approximately R$ 12,000.

- Usiminas Mecânica was served a notice by the Brazilian Federal Revenue Secretariat (RFB) stating that the subsidiary had realized, in advance, the balance of inflation gains or the difference between the IPC (Consumer Price Index) and the Fiscal Federal Treasury Bonds (BTNF) resulting from the monetary restatement of the financial statements for 1990, corresponding to the difference between the IPC and BTNF indexes. This amount was fully included in the determination of Taxable Income for 1990 but, according to the RFB, it should be realized only as from 1993. At December 31, 2008, the estimated amount involved in this litigation was approximately R$50,000.

- The subsidiary Usiminas Mecânica is party to a civil lawsuit amounting to approximately R$ 158,000 at December 31, 2008, relating to supplying of cranes in which the plaintiffs claim reimbursement of direct and indirect losses arising from disagreement in the manufacturing and delivery terms.

The remaining claims with losses classified as possible at December 31, 2008 total approximately R$17,500 in the Parent company (December 31, 2007 – R$ 8,000) and R$ 180,500 (December 31, 2007 - R$ 139,500) Consolidated.

20. PROVISION FOR ENVIRONMENTAL RECOVERY

As of December 31, 2008, the Company recorded a provision for environmental recovery as follows:

	Parent Company and Consolidated
Cleaning up of Sepetiba Bay	32,800
Recovery of areas under exploration	44,000
	76,800

The expenditures for environmental recovery were recorded as part of the costs of the respective assets against the provision that will support such expenses, and take into consideration the estimates of Company management regarding future expenses brought to present value. The estimates of expenses will be reviewed periodically, adjusting, whenever necessary, the amounts already recorded.

These are management's best estimates considering the studies for the recovery of degraded areas and those under exploration.

21. EMPLOYEE BENEFITS

(a) Supplementary Pension Funds

The Company established, in August 1972, the "Caixa dos Empregados da Usiminas" (Caixa), a not-for-profit civil entity classified as a private supplementary pension fund.

The subsidiary Cosipa, in August 1975, established the "Fundação Cosipa de Seguridade Social" (FEMCO), which is also a not-for-profit private supplementary pension fund.

These entities, under the applicable legislation, have as their main objectives the management and the execution of pension and welfare plans.

(a.1) Caixa dos Empregados da Usiminas (CAIXA)

CAIXA currently manages two benefit plans: the original plan, Benefit Plan 1, characterized as a defined benefit plan, which is being extinguished; and the current plan, Benefit Plan 2, characterized as a variable contribution plan, which became effective on August 1, 1998. The main characteristics of the benefit plans are:

- Benefit Plan 1 – PB1

This is a defined benefit plan, which has been closed for new enrollments since 1996.

It offers the following benefits converted into income for life: Retirement Pension based on Years of Service, Permanent Disability Retirement Pension, Old-age Retirement Pension, Special Retirement and Deferred Proportional Benefit.

In addition, the beneficiaries of this plan are entitled to: Redemption, Portability, Funeral Assistance, Assistance for a Residential Home and Sick Pay.

- USIPREV

This is a variable contribution plan currently in expansion, open since August 1998 for enrollment of all the employees of the sponsoring companies.

The retirement benefits offered are: Programmed Retirement Pension, Early Retirement Pension and Permanent Disability Retirement Pension. It also offers the following benefits: Pension, Sick Pay, Deferred Proportional Benefit, Redemption and Portability.

The technical reserves of CAIXA (actuarial liabilities) are calculated by and under the responsibility of an independent actuary contracted by CAIXA and represent the obligation assumed for the benefits granted and to be granted to the participants and their beneficiaries.

Actuarial liabilities of CAIXA

The policy adopted by the Company is to recognize the actuarial liabilities in compliance with CVM Deliberation No. 371/00 and to adjust the provision when the debt contracted with CAIXA exceeds the actuarial reserve. On December 31, 2008 and 2007, considering this policy, the actuarial liability was recognized based on the updated debt contracted.

Debt contracted

The Company, as well as the other sponsors of CAIXA, has been complying with the regular monthly contributions and extraordinary contributions required to cover the insufficient reserve verified in December 1994. This insufficiency of reserve is being amortized by the sponsors over a period of 19 years, with interest of 6% per annum and monthly updated by the IGP-M, which have been recorded as financial expenses since 2007.

At December 31, 2008, the balance recorded in current and non-current liabilities in the account "Actuarial liability", amounted to R$1,030,689 (December 31, 2007 - R$923,373) in the Parent company. The installments relating to the insufficient reserve paid during the year ended December 31, 2008 totaled R$103,676 (December 31, 2007 - R$94,208) in the Parent company and R$112,003 (December 31, 2007 - R$101,698) in the sponsoring companies (USIMINAS and Usiminas Mecânica).

The changes in this insufficiency can be shown as follows:

	Parent company	Sponsoring companies
Balance at December 31, 2006	899,904	954,617
Monetary restatement and interest	117,677	125,167
Payments	(94,208)	(101,698)
Balance at December 31, 2007	923,373	978,086
Monetary restatement and interest	210,992	219,319
Payments	(103,676)	(112,003)
Balance at December 31, 2008	1,030,689	1,085,402

The regular contributions for both plans during the year ended December 31, 2008 amounted to R$11,608 (December 31, 2007 - R$11,722) for the Parent company and R$13,981 (December 31, 2007 - R$14,192) for the sponsoring companies (USIMINAS, Usiminas Mecânica and Unigal) and were recognized mainly as cost of sales and/or services.

Actuarial calculation

To comply with CVM Deliberation 371 of December 13, 2000, the Company obtained the actuarial calculation related to the benefits to which the employees will be entitled upon achieving the minimum length of service.

The actuarial study, carried out by an independent actuary as of December 31, 2008, presented a liability of R$370,977 in the Parent company and R$381,385 in the sponsoring companies (USIMINAS, Usiminas Mecânica and Unigal) (R$587,121 and R$612,424, respectively – December 31, 2007) as follows:

	Parent company		Sponsoring companies	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Present value of the actuarial liability	2.770.206	2.613.905	2.952.044	2.786.300
Fair value of the assets	(2.507.822)	(3.035.016)	(2.673.849)	(3.232.894)
Net income not recognized in the balance	108.593	1.008.232	103.190	1.059.018
Actuarial liability	370.977	587.121	381.385	612.424

At December 31, 2008, the Company, together with independent actuaries, reviewed the actuarial assumptions for the calculation of the actuarial liability under CVM Deliberation No. 371/2000, in order to adjust these assumptions to more realistic conditions in relation to the Brazilian market.

The main actuarial assumptions at December 31, 2008 and 2007 are:

Economic

	2008	2007
Discount rate	11,29% a.a.	10,45% a.a.
Expected rate of return on assets	12,56% a.a.	11,44% a.a.
Future salary increases	7,64% a.a.	6,60% a.a.
Social security benefit increases	4,50% a.a.	4,0% a.a.
Inflation	4,50% a.a.	4,0% a.a.
Capacity factor		
Salaries	98%	98%
Benefits	98%	98%

Demographic

Mortality table	AT-83
Mortality table of disabled employees	PB1:CSO-58 USIPREV: RRB 1983
Disability entry table	RRB 1944 (increased 2x)
Turnover table	PB 1: Towers experience USIPREV: Towers experience (increased 3x)
Morbidity table	PB1: Towers standard (increased 2.5x) USIPREV: Plan experience
Retirement age	First age reached for retirement eligibility
Information on children	Experience of similar companies, combined with data provided by USIMINAS.
Information on the spouses of current and future retired employees	95% of members are married with a difference of 4 years of age, the wives being younger
INSS benefit	Considers the amendments to Law 9876 of November 26, 1999 (social security factor)
Age upon entry in the INSS	Informed by USIMINAS

The income (losses) recorded in the balance sheet and calculated according to CVM Deliberation No. 371/2000 are as follows:

	Parent company		Sponsoring companies	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Current service cost	(2,174)	(2,068)	(3,053)	(2,814)
Interest cost	(263,870)	(251,518)	(281,273)	(268,376)
Income expected from the plan assets	342,660	327,477	365,117	349,770
Amortization of actuarial gains	37,209	35,960	38,996	37,946
Estimated employee contributions	289	343	291	345
Total income (expenses)	114,114	110,194	120,078	116,871

The income (loss) projected for 2009 and calculated according to CVM Deliberation No. 371/2000 is as follows:

	2009	
	Parent company	Sponsoring companies
Current service cost	(3,062)	(4,080)
Interest cost	(301,744)	(321,546)
Income expected from the plan assets	309,591	330,248
Amortization of actuarial gains		(3)
Estimated employee contributions	217	217
Total income (expenses)	5,002	4,836

(a.2) Fundação Cosipa de Seguridade Social - FEMCO

FEMCO manages two benefit plans: the Defined Benefit Plan (PBD) characterized as a "defined benefit", that is being extinguished and the COSIPREV characterized as a "defined contribution". The main characteristics of the benefit plans are:

Defined Benefit Plan – PBD

This is a defined benefit plan, currently closed for new enrollments, which offers the following benefits converted into income for life: Retirement Pension based on Years of Service, Permanent Disability Retirement Pension, Old-age Retirement Pension, Special Retirement and Deferred Proportional Benefit.

In addition, the beneficiaries of this plan are entitled to: Redemption, Portability, Funeral Assistance, Assistance for a Residential Home, and Sick Pay.

- COSIPREV

This is a defined contribution plan in expansion, open for the enrollment of any employee of the sponsoring companies.

The retirement benefits offered are: Programmed Retirement Pension, Early Retirement Pension and Permanent Disability Retirement Pension. It also offers the following benefits: Pension Fund, Sick Pay, Deferred Proportional Benefit, Redemption and Portability.

Actuarial liabilities of FEMCO

The policy of the subsidiary Cosipa is to recognize the actuarial liabilities in compliance with CVM Deliberation 371/2000 and to adjust the provision when the liability calculated by the actuarial revaluation method approved by the Supplementary Pensions Secretariat exceeds the actuarial reserve. On December 31, 2008 and 2007, considering this policy, the actuarial liability was recognized based on the actuarial revaluation method approved by the Supplementary Pensions Secretariat (SPC).

Debt contracted

In October 2003, the Brazilian Secretariat of Complementary Pensions (SPC) approved a new system for utilization of FEMCO's actuarial surplus. Accordingly, the debt balance started to be classified as actuarial and adjusted to maintain a risk oscillation margin of 10% of the total of mathematical provisions for benefits granted and to be granted in the Defined Benefit Plan. At December 31, 2008, the balance of the Social Security Fund for Risk Oscillation amounted to R$116,180 (December 31, 2007 – R$110,290).

According to this new system, the debt balance is determined at the end of each year, based on a direct actuarial revaluation of the total of the mathematical provisions for benefits granted and to be granted. During the subsequent year, as defined by the system of actuarial revaluation, the liability amount is adjusted by the monthly surplus or deficit based on the actuarial report of FEMCO and by the amount of the installments due in the period.

At December 31, 2008, according to the actuarial report issued after the revaluation, the debt balance totals R$384,300 (December 31, 2007 – R$276,747) and should be paid in 249 installments (December,31 2007–216 installments), which correspond to the amount of all monthly installments calculated based on the Price Table, with interest of 6% per annum and monthly restatement by the National Consumer Price Index (INPC). The first 12 installments were transferred to current liabilities to be effectively paid and the remaining installments will be paid following a new actuarial appraisal carried out in the following year, and so forth.

For the year ended December 31, 2008, under the actuarial revaluation system, a deficit of R$115,125 (December 31, 2007 - deficit of R$12,558) was recorded in Other operating income and expenses.

At December 31, 2008, the debt balance of the subsidiary Cosipa with FEMCO, recorded under current and non-current liabilities, amounted to R$9,881 and R$374,419, respectively (December 31, 2007 – R$7,454 and R$269,293, respectively).

The debt is guaranteed by assets recorded in the amount of R$408,132 at December 31, 2008 (December 31, 2007 – R$440,368).

The regular contributions of the subsidiary Cosipa for both plans during the year ended December 31, 2008 amounted to R$15,930 (December 31, 2007 - R$14,378) and were recorded mainly as cost of sales and/or services

Actuarial calculation

To comply with CVM Deliberation 371 of December 13, 2000, the subsidiary Cosipa obtained the actuarial calculation related to the benefits to which the employees will be entitled upon achieving the minimum length of service.

The actuarial study, carried out by an independent actuary as of December 31, 2008, presented liabilities of R$190,982 at Cosipa (December 31, 2007 - R$206,464).

The changes in the actuarial liabilities of the subsidiary Cosipa, calculated in compliance with CVM Deliberation No. 371/00 and according to the actuarial report of December 31, 2008 and 2007, are as follows:

	2008	2007 (Note 2)
Actuarial liability at the beginning of the year	206,464	229,239
Expenses for the year	12,721	7,677
Actual contributions of the Company during the year	(28,203)	(30,452)
Actuarial liability at the end of the year	190,982	206,464

The reconciliation between the actuarial liability calculated according to the actuarial report and the actuarial revaluation method approved by the Brazilian Secretariat of Complementary Pensions (SPC) is as follows:

	2008	2007 (Note 2)
Actuarial liability at the end of the year (according to the actuarial report)	190,982	206,464
Adjustment of the balance according to the actuarial revaluation method	193,318	70,283
Actuarial liability	384,300	276,747

At December 31, 2008, the Company, together with independent actuaries, reviewed the actuarial assumptions for the calculation of the actuarial liability under CVM Deliberation No. 371/2000, in order to adjust these assumptions to more realistic conditions in relation to the Brazilian market.

The main actuarial assumptions at December 31, 2008 and 2007 are:

Economic

	2008	2007
Discount rate	11.29% a.a.	10.45% a.a.
Expected rate of return on assets	11.73% a.a.	10.57% a.a.
Future salary increases	7.64% a.a.	6.60% a.a.
Social security benefit and limits increase	4.50% a.a.	4.00% a.a.
Inflation	4.50% a.a.	4.00% a.a.
Medical service increase	8.68% a.a.	8.16% a.a.
Capacity factor:		
Salaries	98%	98%
Benefits	98%	98%

Demographic

Mortality table	AT-83
Mortality table of disabled employees	RRB 1983
Disability entry table	RRB 1944 (increased 2x)
Turnover table	PBD: Towers experience COSIprev: Towers experience
Morbidity table	PBD - Towers standard (increased 2.5x) COSIprev: COSIPA experience
Retirement age	Joined up to 1/78 - First age of reaching the eligibilities for retirement without considering the minimum age applying the benefit reduction. Joined after 1/78: reaching the eligibilities for retirement considering the minimum age, without reducing the benefit.
Information on children	Experience of similar companies, combined with data provided by Cosipa.
Information on the spouses of current and future retired employees	Retirement plan/Health care plan - 95% of members are married with a difference of 4 years of age, the wives being younger.
Information on the spouses of current retired employees	95% of members are married with a difference of 4 years of age, the wives being younger.
INSS benefit	Does not consider the amendments to Law 9876 of November 26, 1999 (social security factor).
Age upon entry in the INSS	18 years old or age informed by Cosipa, when applicable.

(b) Post-retirement health care benefits

The subsidiary Cosipa also has an integrated healthcare system, which includes the retired employees, comprising:

- Healthcare Plan, for small expenses, such as doctor's appointments and routine tests;

- Healthcare Fund (COSaúde), for expenses with hospitalization and/or surgeries, as well as other high-cost hospital and clinical procedures.

The Company subsidizes the Healthcare Plan to retired employees, pensioners and dependents, varying from 20% to 40% of the medical expenses, according to the total social security benefit (INSS) plus FEMCO. The requirement for the retired employee to participate in the Healthcare Plan is enrollment in COSaúde. This Healthcare Fund is a self-managed plan and fully prepaid by the participants.

In compliance with CVM Deliberation No. 371/00, at December 31, 2008 Cosipa recorded in non-current liabilities, "Actuarial liabilities", the amount of R$ 33,828 (December 31, 2007 – R$ 32,742) relating to the deficit of the Healthcare Benefit Plan for retired employees.

The changes in this liability, according to the actuarial report of December 31, 2008 and 2007, are as follows:

	2008	2007
		(Nota 2)
Healthcare actuarial liability at the beginning of the year	32,742	31,522
Expenses for the year	4,011	3,926
Actual contributions during the year	(2,925)	(2,706)
Healthcare actuarial liability at the end of the year	33,828	32,742

(c) Life insurance

Cosipa offers to retired employees the possibility of participating in a specific group life insurance, separately from current employees. The subsidiary does not subsidize any of the premiums paid of this insurance policy specific for retirees.

(d) Analysis of the actuarial liabilities

	Parent company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Circulante				
CAIXA	84,426	70,115	84,426	70,115
FEMCO			9,881	7,454
	84,426	70,115	94,307	77,569
Não circulante				
CAIXA	946,263	853,258	946,263	907,971
FEMCO			374,419	269,293
Healthcare benefit plan - Cosipa			33,828	32,742
	946,263	853,258	1,354,510	1,210,006
	1,030,689	923,373	1,448,817	1,287,575

22. STOCKHOLDERS' EQUITY

(a) Capital

The Extraordinary General Meeting of stockholders held on April 29, 2008 approved a capital increase of R$ 4,050,000, increasing capital from R$ 8,100,000 to R$ 12,150,000, through the capitalization of reserves, with stock dividends for the Common and Class A and B Preferred shares at the rate of 50% per share held. At December 31, 2008, the changes in the subscribed shares, with no par value, which comprise the capital, may be summarized as follows:

	Common	Preferred Class A	Preferred Class B	Total
At December 31, 2007				
Total ex-treasury shares	167,578,005	160,905,495	582,888	329,066,388
Total treasury shares	842,223	8,020,119		8,862,342
Total shares	168,420,228	168,925,614	582,888	337,928,730
Conversion of shares		127	(127)	
Total shares at 5/05/2008	168,420,228	168,925,741	582,761	337,928,730
Issue of new shares at 5/06/2008	84,210,114	84,462,871	291,380	168,964,365
At December 31, 2008				
Total shares	252,630,342	253,388,612	874,141	506,893,095
Total treasury shares	(1,263,334)	(12,030,178)		(13,293,512)
Total ex-treasury shares	251,367,008	241,358,434	874,141	493,599,583

Each common share entitles its holder to one vote at General Meetings. Preferred shares have no vote but are entitled to (i) receive dividends 10% higher than the dividends attributed to common shares (ii) receive all the bonuses voted in General Meetings, under the same conditions granted to common shares; (iii) priority in the reimbursement of capital, with no right to premium, in the event of Company liquidation; (iv) right to vote at meetings if the Company does not pay preferred dividends during three consecutive years.

The preferred shares may not be converted into common shares.

Holders of Class B preferred shares have priority in the reimbursement of capital, with no right to premium, in the event of Company liquidation. Holders of class A preferred shares are afforded the same priority, but only after observing the priority attributed to Class B preferred shares. Class B preferred shares may, at any time and at the exclusive discretion of the stockholder, be converted into class A preferred shares.

All stockholders are entitled to a minimum dividend of 25% of the net income for the year, calculated in accordance with Brazilian corporate legislation.

(b) Reserves

- Premium on share subscription - established during the merger process, in accordance with article 14, sole paragraph of Law 6404/76. This reserve may be used to absorb losses which exceed retained earnings and profit reserves, redemption, reimbursement or purchase of shares, redemption of founders' shares, capital increase and payment of dividends on preferred shares, when applicable (Article 200 of Law 6404/76).
- Treasury stock – At December 31, 2008 the Company held in treasury 1,263,334 common shares and 12,030,178 Class A preferred shares (December 31, 2007 – 842,223 common shares and 8,020,119 Class A preferred shares).

- Legal reserve - recorded at 5% of net income of each year until it reaches 20% of capital.
- At December 31, 2008, the balance of the reserve for investments and working capital is R$1,936,491 (December 31, 2007 - R$3,733,294), and comprises:

(i) appropriation of 50% of net income for the year adjusted by the legal reserve, as prescribed in the Company's by-laws. The reserve cannot exceed 95% of capital and may be used for the absorption of losses, distribution of dividends, redemptions, reimbursement or purchase of shares or, even, capitalized. At December 31, 2008, the total amount appropriated to this reserve was R$1,543,171 (December 31, 2007 - R$1,514,023).

(ii) the appropriation of the amount of R$393,320 (December 31, 2007 - R$398,428), under the terms of Article 196 of Law 6404/76, based on the capital budget approved in the Board of Directors' Meeting held on February 18, 2009.

(c) Cumulative translation adjustments

Correspond mainly to the exchange variations of the investee Ternium, whose functional currency is the U.S. dollar.

(d) Dividends and interest on capital

	2008	2007 (Note 2)
Net income for the year	3,248,781	3,187,417
Appropriation of legal reserve (5%)	(162,439)	(159,371)
Dividend calculation basis	3,086,342	3,028,046
Interim interest on capital paid (R$ 0.73964 per common share and R$ 0.81360 per preferred share in 2008 and R$ 1.43823 per common share and R$ 1.58206 per preferred share in 2007)	383,002	331,000
Complementary interest on capital payable (R$ 0.72419 per common share and R$ 0.79661 per preferred share in 2008 and R$ 0.90958 per common share and R$ 1.00054 per preferred share in 2007)	375,002	314,001
Interim dividend paid (R$ 0.28046 per common share and R$ 0.30850 per preferred share in 2008 and R$ 0.75738 per common share and R$ 0.83312 per preferred share in 2007)	145,227	174,306
Complementary dividend payable (R$ 0.45159 per common share and R$ 0.49675 per preferred share in 2008 and R$ 0.85827 per common share and R$ 0.94410 per preferred share in 2007)	233,844	296,288
Total	1,137,075	1,115,595
Percentage of dividends in relation to net income for the year	35%	35%

Management decided to distribute interim dividends and interest on capital in compliance with Law 9249/95, which will be imputed to the dividends to be distributed, related to 2008, for all legal effects.

The interest on capital, of R$758,004, was recorded as a financial expense for tax purposes. In compliance with CVM Deliberation No. 207/96, it was reversed to the same income statement account and, therefore, has no effect on net income for the year, except for the tax effects which are recognized in income tax and social contribution on net income. The Company's by-laws determine the payment of a minimum dividend of 25% on net income for the year, adjusted under the terms of Brazilian corporate legislation. In 2008, the Company approved the payment of dividends, including interest on capital, equivalent to 35% of net income for the year (2007 – 35%).

Dividends not claimed within three years expire on behalf of the Company.

23. OPERATING INCOME (EXPENSES)

(a) Selling and general and administrative expenses

	Parent company		Consolidated	
	2008	2007 (Note 2)	2008	2007 (Note 2)
Selling expenses				
Personnel expenses	(31,652)	(30,296)	(67,429)	(61,405)
Third-party services	(34,437)	(20,596)	(37,240)	(22,536)
Depreciation	(17,464)	(16,123)	(17,969)	(16,469)
Distribution cost	(33,330)	(18,201)	(84,336)	(82,111)
Sales commissions	(5,487)	(4,733)	(17,952)	(21,439)
Allowance for doubtful accounts	3,911		3,682	55
General expenses	(18,295)	(17,439)	(32,767)	(36,210)
	(136,754)	(107,388)	(254,011)	(240,115)
General and administrative expenses				
Personnel expenses	(58,227)	(57,850)	(120,569)	(112,156)
Third-party services	(67,545)	(30,718)	(93,364)	(52,306)
Depreciation and amortization	(3,219)	(2,553)	(14,367)	(17,379)
General expenses	(35,226)	(28,309)	(74,773)	(60,758)
	(164,217)	(119,430)	(303,073)	(242,599)

(b) Other operating income (expenses)

	Parent company		Consolidated	
	2008	2007 (Note 2)	2008	2007 (Note 2)
Other operating income				
Recovery of expenses	14.715	11.949	21.170	19.787
Reversal of contingencies		163.514		289.971
Recovery of costs	114	109	13.568	
Sundry sales	7.901	12.895	12.774	16.931
Disposals of investments	142.120		142.120	
Other	25.159	1.312	47.534	18.984
	190.009	189.779	237.166	345.673
Other operating expenses				
PIS and COFINS	(7.264)	(3.096)	(8.238)	(4.013)
Cost of sundry sales	(2.608)	(7.301)	(3.462)	(7.301)
Cost of disposal of investments	(29.136)		(29.136)	
Amortization of Goodwill	(99.828)		(100.290)	
Private pension plan			(116.211)	(12.558)
Technological research	(26.104)	(22.088)	(26.104)	(22.088)
Taxes (INSS, ICMS, IPTU, IR, etc.)	(1.925)	(1.855)	(20.537)	(2.402)
Contingencies	(75.981)	(22.258)	(101.423)	(51.081)
Incentive for culture	(9.157)	(9.185)	(21.654)	(19.195)
Childhood and adolescence fund	(2.400)	(2.200)	(5.135)	(2.200)
Inventory adjustments	(6.516)	(3.074)	(8.016)	(20.656)
Environmental recovery			(26.864)	
Loading, unloading and stowage services of third parties		(3.388)	(19.030)	(19.126)
Leasing costs		(5.374)		(5.374)
Incentive for sports	(2.200)	(1.043)	(5.098)	(5.541)
Unabsorbed costs	(13.199)	(2.694)	(54.284)	(2.694)
Residual value of assets disposal	(17.376)		(59.871)	
Fines	(6.506)	(215)	(11.167)	(635)
Other	(16.896)	(2.364)	(39.701)	(48.276)
	(317.096)	(86.135)	(656.221)	(223.140)
	(127.087)	103.644	(419.055)	122.533

24. FINANCIAL RESULTS

Financial income (expenses) may be summarized as follows:

	Parent company		Consolidated	
	2008	2007 (Note 2)	2008	2007 (Note 2)
Financial income				
Interest from customers	4,139	3,847	9,666	10,218
Income from financial investments	237,218	153,933	426,255	301,696
Foreign exchange gains	329,123	(68,710)	473,861	(128,161)
Monetary gains	(380)	(189)	9,971	551
Discounts obtained	4,850	3,517	6,282	5,642
Interest on judicial deposits	42,058	72,265	42,058	72,265
Other financial income	6,077	14,372	14,213	25,687
	623,085	179,035	982,306	287,898
Financial expenses				
Interest and commissions on loans	(224,630)	(53,771)	(362,634)	(225,196)
Results of swap transactions	(18,770)	2,097	(67,124)	(95,704)
Foreign exchange losses	(949,855)	77,372	(1,399,665)	389,736
Monetary losses	(58,096)	(43,271)	(109,235)	(102,993)
Arrears interest, commissions and expenses	(10,262)	(2,711)	(12,966)	(4,978)
CPMF/IOF	(5,496)	(40,509)	(8,036)	(80,923)
Charges on actuarial liabilities	(144,774)	(117,677)	(153,101)	(125,167)
Other financial expenses	(33,566)	(5,226)	(57,446)	(48,903)
	(1,445,449)	(183,696)	(2,170,207)	(294,128)
	(822,364)	(4,661)	(1,187,901)	(6,230)

25. STATEMENT OF ADJUSTED EBITDA (UNAUDITED)

Adjusted EBITDA is not a measurement unit in accordance with the accounting practices generally adopted in Brazil, and does not represent the cash flows of the periods presented. Accordingly, it should not be used as an alternative measurement for net income, an indicator of the Company's operating performance, or as an alternative for cash flows as a liquidity source.

Our definition of adjusted EBITDA may not be comparable to the EBITDA, by definition, of other companies.

The EBITDA - Operating profit before financial expenses, investments in subsidiary and associated companies, plus depreciation and additions and deductions not affecting cash - was calculated as follows:

		Parent company		Consolidated	
		2008	2007	2008	2007
			(Note 2)		(Note 2)
	Operating profit	3,564,109	3,764,844	4,248,015	4,454,535
(+/-)	Investments in subsidiary and associated companies	(1,905,543)	(1,303,313)	(457,882)	(9,189)
(+)	Financial expenses	822,364	4,661	1,187,901	6,230
(+)	Depreciation and amortization	419,053	278,883	873,067	711,643
(+/-)	Other additions/deductions	(35,275)	(82,314)	157,327	(160,369)
	EBITDA	2,864,708	2,662,761	6,008,428	5,002,850
	EBITDA / Net Revenue (Margin %)	33.6	36.0	38.3	36.2

26. FINANCIAL INSTRUMENTS

(a) Financial instruments utilization policy - derivatives

The financial instruments of the Company and its subsidiaries are recorded in balance sheet accounts at December 31, 2008 and December 31, 2007. The Company adopts a responsible policy for the management of its financial assets and liabilities, systematically monitored by the Board of Directors. The purpose of the policy is to: (i) maintain the intended liquidity, (ii) define the concentration level of its operations, and (iii) control the exposure level to financial market risks. The Company carries out derivative transactions always with the objective of hedging its financial liabilities and reducing its foreign exchange exposure, so as to avoid a mismatch between currencies and to reduce the volatility of its cash flows.

(b) Financial risk management policy – derivatives

The Company manages its financial risks as a basis for its growth strategy and healthy cash flows. The purpose is to reduce the volatility of cash flows through the management of foreign exchange rates, interest rates and market conditions. By means of internal rules, risk management strategies and equity protection policies are established, which allow for the realization of hedge transactions. The Company does not carry out speculative transactions. The Company's internal controls monitor on a consolidated basis the financial results and impacts on cash flows. The main parameters used in the management of these risks are: foreign exchange rates, interest rates and product prices. Derivative transactions are carried out with premier institutions, which are regularly monitored, evaluating limits and exposures to credit risk of its counterparties.

(c) Credit risk

The sales policy of the Company and its subsidiaries is subject to the credit standards established by management, which seek to mitigate eventual problems arising from customer defaults. This purpose is achieved by a detailed analysis and selection of customers based on their payment capacity, debt ratio, balance sheet and though a diversification of the accounts receivable (dilution of risk).

The Company also has an allowance for doubtful accounts of R$31,733 at December 31, 2008 (December 31, 2007 - R$35,644), equivalent to 4.12% of the outstanding accounts receivable at that date (December 31, 2007 – 4.14%), to cover credit risk. At the consolidated level, this allowance amounts to R$70,562 at December 31, 2008 (December 31, 2007 - R$74,349), equivalent to 4.38% of the outstanding accounts receivable at that date (December 31, 2007 – 4.24%).

In relation to financial and other investments, the Company's policy is to only invest with premier financial institutions and to allocate the amounts over several institutions. No financial institution holds, alone, more than 20% of the Company's total financial and other investments.

(d) Investments

These mainly comprise investments in non-quoted subsidiaries, recorded on the equity method of accounting, in which the Company has strategic interest. Considerations of market value of the shares held are not applicable.

(e) Loans and financing

The book values of loans and financing, except for capital markets, approximate fair values. In the case of capital markets transactions, such as Debentures and Bonds, fair value is the price practiced in the market. In the case of capital markets transactions, such as Debentures and Bonds, fair value is the price practiced in the market. The difference between the book value and the market value is calculated in accordance with the rates disclosed in the websites of the Futures and Commodities Exchange (BM&F), Broadcast and Bloomberg, and is summarized as follows:

	Parent company			
	2008		2007	
	Book value	Market value	Equity value	Market value
				(Note 2)
Bank loans - foreign currency	1,878,023	1,878,023	519,022	519,022
Bank loans - local currency	353,181	353,181	131,370	131,370
Debentures	1,128,851	1,128,851		
Bonds	965,298	973,030		
	4,325,353	4,333,085	650,392	650,392

	Consolidated			
	2008		2007	
	Book value	Market value	Equity value	Market value
				(Note 2)
Bank loans - foreign currency	2,748,748	2,748,748	1,344,619	1,344,619
Bank loans - local currency	954,102	954,102	552,827	552,827
Debentures	1,128,851	1,128,851		
Bonds	1,859,561	1,865,169	678,444	689,768
	6,691,262	6,696,870	2,575,890	2,587,214

At December 31, 2008 and 2007, the market values of loans and financing do not differ significantly from their book values, to the extent that they were agreed and recorded at rates and conditions practiced in the market for transactions of similar nature, risk and terms.

(f) Foreign exchange risk

The Company and its subsidiaries have significants foreign currency assets and liabilities, mainly in U.S. dollars, and their results of operations may be significantly affected by variations in exchange rates. The swap contracts in Brazil are registered at the Clearing House for the Custody and Financial Settlement of Securities – CETIP. Overseas, they are supported by contracts with the International Swaps and Derivatives Association, Inc - ISDA.

As a preventive measure and to mitigate the effects of foreign currency variations, management has been adopting the policy of holding assets linked to foreign exchange adjustments as follows:

	Parent company		Consolidated	
	2008	2007	2008	2007
Foreign currency assets				
Cash and cash equivalents	14,985	58,216	32,791	76,738
Financial investments		219,638		463,354
Accounts receivable - foreign customers and related companies	138,000	92,031	386,898	219,570
Current accounts with related companies		1,212		
Marketable securities	473,050		473,050	
Guarantee deposits	25,663		190,186	94,021
Advances to suppliers			2,787	38,891
Financial instruments (i)	(21,400)	(4,140)	(223,362)	(310,423)
Investments (ii)	1,837,636	1,615,495	1,837,636	1,439,445
	2,467,934	1,982,452	2,699,986	2,021,596
Foreign currency liabilities				
Loans and financing	(2,843,321)	(519,022)	(4,608,309)	(2,023,063)
Suppliers	(4,466)	(3,840)	(85,805)	(59,013)
Advances from customers			(2,964)	(2,012)
	(2,847,787)	(522,862)	(4,697,078)	(2,084,088)
Net exposure	(379,853)	1,459,590	(1,997,092)	(62,492)

(i) Net results of swap transactions.
(ii) Refers to investments in Ternium

In addition to the net exposure in U.S. dollars at December 31, 2008 shown above, it is also important to consider the net balance between the export and import accounts of the Parent company and its subsidiaries forecast for 2009. Approximately 14% of net sales (unaudited) of the Usiminas Group arises from foreign sales. Therefore, the Company has a natural hedge, from a stable source in strong currency, which accounted for approximately US$ 1,195,000 thousand (unaudited) in 2008.

(g) Interest rate risk

The interest rates obtained for loans, financing and debentures recorded in current and non-current liabilities may be summarized as follows:

	Parent company				Consolidated			
	2008	%	2007 (Note 2)	%	2008	%	2007 (Note 2)	%
Loans and financing								
Fixed	974,232	23	15,471	2	1,944,104	29	770,353	30
TJLP	117,930	2	121,724	19	762,908	11	556,361	22
LIBOR	1,858,895	43	513,197	79	2,552,526	38	1,213,103	47
CDI	232,286	5			272,688	4		
Other	13,159	1			30,185	0	36,073	1
	3,196,502	74	650,392	100	5,562,411	83	2,575,890	100
Debentures								
CDI	1,128,851	26			1,128,851	17		
	4,325,353	100	650,392	100	6,691,262	100	2,575,890	100

AThe Company has derivative financial instruments for the management of risks related to variations in interest rates of loans and financing denominated in foreign currency, such as pegging the rate to the London Interbank Offered Rate (Libor) in certain instances, with the purpose of hedging against these risks. The Company does not have derivative financial instruments for the management of risks related to variations in interest rates of loans and financing denominated in local currency. Overseas, they are supported by contracts with the International Swaps and Derivatives Association, Inc - ISDA, with no registration.

(h) Derivatives

The Company carries out swap, Box Options and Non Deliverable Forwards - NDF transactions with the objective of hedging against and managing risks inherent to variations in foreign currencies, interest rates, prices and other. These transactions aim at reducing foreign exchange exposure and impacts in interest rates. The Company does not have financial instruments for speculative purposes. The Company generally does not settle its transactions prior to their respective due dates and does not prepay its derivative financial instruments.

The swap transactions of the Company and its subsidiaries may be summarized as follows:

Description	Month/year maturity range	Notional value 2008	Notional value 2007 (Note 2)	Fair value 2008	Fair value 2007 (Note 2)	Contract curve 2008	Contract curve 2007 (Note 2)
							Parent Company
Foreign exchange risk (swap):							
Citibank	02/06 a 08/10						
Assets		JPY 4,382,000	JPY 4,382,000	116,864		114,245	
Liabilities		US$ 40,000	US$ 40,000	(50,799)	(4,140)	(95,220)	(4,140)
ABN	01/08 a 01/18						
Assets		JPY 42,952,000		1,051,388		1,131,622	
Liabilities		US$ 400,000		(1,064,949)		(968,518)	
ABN	11/02 a 02/09						
Assets		US$ 400,000		1,380,302		965,298	
Liabilities		JPY 42,952,000		(1,456,044)		(1,128,690)	
Price risk (NDF):							
	Maturity date						
Santander	27/02/2009						
Asset - US$ at R$ 2,4358		US$ 11,727		28,564		28,564	
Liabilities		US$ 11,727		(27,843)		(27,406)	
Santander	31/03/2009						
Asset - US$ at R$ 2,4440		US$ 15,768		38,537		38,537	
Liabilities		US$ 15,768		(37,749)		(36,849)	
Santander	13/03/2009						
Asset - Euro at R$ 3,3886		EUR 5,183		17,562		17,562	
Liabilities		EUR 5,183		(17,396)		(17,109)	
Santander	15/04/2009						
Asset - Euro at R$ 3,3951		EUR 6,877		23,349		23,349	
Liabilities		EUR 6,877		(23,186)		(22,702)	
Net effect				(21,400)	(4,140)	22,683	(4,140)

Description	Month/year maturity range						Consolidated
		Notional value		Fair value		Contract curve	
		2008	2007	2008	2007	2008	2007
			(Note 2)		(Note 2)		(Note 2)
Foreign exchange risk (swap):							
Citibank	02/06 a 08/10						
Assets		JPY 4,382,000	JPY 4,382,000	116,864		114,245	
Liabilities		US$ 40,000	US$ 40,000	(50,799)	(4,140)	(95,220)	(4,140)
ABN	01/08 a 01/18						
Assets		JPY 42,952,000		1,051,388		1,131,622	
Liabilities		US$ 400,000		(1,064,949)		(968,518)	
ABN	01/08 a 01/18						
Assets		US$ 400,000		1,380,302		965,298	
Liabilities		JPY 42,952,000		(1,456,044)		(1,128,690)	
Itaú BBA	11/02 a 02/09						
Assets		US$ 20,000	US$ 20,000	111,658		108,065	74,271
Liabilities		71,232	71,232	(178,989)	(78,470)	(179,080)	(159,549)
Votorantim	11/02 a 02/09						
Assets		US$ 8,334	US$ 25,000	19,955		19,475	44,283
Liabilities		24,846	74,538	(47,672)	(85,863)	(47,692)	(130,348)
ABN	06/06 a 06/16						
Assets		JPY 22,800,000	JPY 22,800,000	579,293		589,597	363,004
Liabilities		US$ 200,000	US$ 200,000	(553,158)	(5,081)	(469,412)	(357,100)
ABN	06/06 a 06/16						
Assets		US$ 200,000	US$ 200,000	680,901	4,466	469,221	355,721
Liabilities		JPY 22,800,000	JPY 22,800,000	(747,507)		(589,428)	(361,901)
Itaú BBA	02/08 a 02/10						
Assets		20,500		23,078		23,005	
Liabilities		US$ 11,748		(35,710)		(28,189)	
Votorantim	10/01 a 12/09						
Assets		US$ 18,426	US$ 36,853	48,002	75,124	46,362	75,802
Liabilities		49,222	98,445	(104,255)	(210,381)	(104,308)	(210,631)

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(Continued)

Description	Month/year maturity range						Consolidated
		Notional value		Fair value		Contract curve	
		2008	2007	2008	2007	2008	2007
			(Note 2)		(Note 2)		(Note 2)
Foreign exchange risk (swap):							
ABN	07/05 a 01/09						
Assets		US$ 5,185	US$ 25,923	25,001	128	12,193	403
Liabilities		US$ 5,185	US$ 25,923	(25,076)		(12,204)	(321)
JP Morgan	07/05 a 01/09						
Assets		US$ 5,200	US$ 26,000	25,001	115	24,387	403
Liabilities		US$ 5,200	US$ 26,000	(25,076)		(24,407)	(320)
Price risk (NDF):							
	Maturity date						
Santander	27/02/2009						
Asset - US$ at R$ 2,4358		US$ 11,727		28,564		28,564	
Liabilities		US$ 11,727		(27,843)		(27,406)	
Santander	31/03/2009						
Asset - US$ at R$ 2,4440		US$ 15,768		38,537		38,537	
Liabilities		US$ 15,768		(37,749)		(36,849)	
Santander	13/03/2009						
Asset - Euro at R$ 3,3886		EUR 5,183		17,562		17,562	
Liabilities		EUR 5,183		(17,396)		(17,109)	
Santander	15/04/2009						
Asset - Euro at R$ 3,3951		EUR 6,877		23,349		23,349	
Liabilities		EUR 6,877		(23,185)		(22,702)	
Santander	13/02/2009						
Asset - US$ at R$ 2,4328		US$ 9,439		22,962		22,962	
Liabilities		US$ 9,439		(22,330)		(22,058)	
Santander	27/02/2009						
Asset - US$ at R$ 2,4358		US$ 3,896		9,489		9,489	
Liabilities		US$ 3,896		(9,250)		(9,104)	

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(Continued)

Description	Month/year maturity range	Consolidated					
		Notional value		Fair value		Contract curve	
		2008	2007	2008	2007	2008	2007
			(Note 2)		(Note 2)		(Note 2)
Santander	13/03/2009						
Asset - US$ at R$ 2,4382		US$ 11,198		27,303		27,303	
Liabilities		US$ 11,198		(26,725)		(26,170)	
Santander	15/04/2009						
Asset - US$ at R$ 2,4490		US$ 415		1,015		1,015	
Liabilities		US$ 415		(994)		(969)	
Santander	31/03/2009						
Asset - US$ at R$ 2.44		US$ 14,363		35,104		35,104	
Liabilities		US$ 14,363		(34,387)		(33,567)	
Santander	15/04/2009						
Asset - Euro at R$ 3,3951		EUR 16,894		57,356		57,356	
Liabilities		EUR 16,894		(56,952)		(55,767)	
Net effect				(223,362)	(304,102)	(134,138)	(310,423)

The book balances of the swap operations may be summarized as follows:

	Parent company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Ativo circulante	80,788		83,777	853
Ativo não circulante	18,233		18,233	6,869
Passivo circulante	(22,838)	(2,808)	(181,736)	(128,563)
Passivo não circulante	(97,583)	(1,332)	(143,636)	(189,582)
	(21,400)	(4,140)	(223,362)	(310,423)

Based on the changes introduced by Law No. 11638/07 and Provisional Measure (MP) No. 449/08, at December 31, 2008 the operations mentioned above were classifed as financial assets calculated at fair value through income. Before that date, these operations were recorded at the contract curve.

Resultado	Parent company		Consolidated	
	2008	2007	2008	2007
		(Note 2)		(Note 2)
Financial income (expenses)	(18,770)	2,097	(67,124)	(95,704)

(i) Price risk (unaudited)

Since exports account for 9% of the net revenues of the Parent company and for 14% of the net revenues Consolidated, any volatility in foreign exchange rates is, in fact, a price risk that may impair the results expected. This risk is managed through the Company's strategy of using its exports to pay its liabilities overseas (imports), with the use of its natural hedge. In order to minimize the risk related to the prices of its products, the Company also contracts hedges to peg the rates of foreign currency purchases and sales (Non-Deliverable Forward (NDF) transactions). NDF transactions are contracted to provide economic protection for exports and imports in the Company's cash flows. Overseas, they are supported by ISDA contracts.

(j) Methodology for the Calculation of Fair Value in Swap Transactions

For swap, Box Options and NDF transactions, receivables and payables are calculated by the Company in an independent manner, using mark-to-market methodology based on rates practiced in the market and verified in online disclosures of the Futures and Commodities Exchange - BM&F, Broadcast and Bloomberg. If the Company's portfolio terms cannot be negotiated, the interpolation methodology is used to calculate the rates related to specific terms. In both cases, the present value of cash flows is calculated. The difference between the amounts payable and receivable is the market value of the transaction.

(k) Other financial assets and liabilities

The market values of other financial assets and liabilities do not significantly differ from their book values, inasmuch as they were negotiated and recorded at rates and conditions practiced in the market for transactions of similar nature, risk and term.

(l) Liquidity risk

The Company adopts a responsible policy for the management of its financial assets and liabilities, systematically monitored by the Board of Directors. These funds are managed through operational strategies, with the purpose of obtaining liquidity, profitability and security.

The policy involves a detailed analysis of the Company's counterparties, through their financial statements, net equity and rating, so as to help the Company to maintain its intended liquidity, define the concentration level of its operations, control the exposure level to financial market risks and spread the liquidity risk.

(m) Value and type of margins granted as guarantee

The Company and its subsidiaries do not have contracts of financial instruments subject to margin calls.

(n) Statement of sensitivity analysis

The sensitivity analysis was prepared using financial market quotations for the calculation of future values of SWAP and NDF operations to determine the scenario that management considers as "probable". Additionally, scenarios II and III were calculated with impairments of 25% and 50%, respectively, on the probable scenario.

		Gain (loss)		
		Parent Company		
Transaction	Risk	Scenario I (probable)	Scenario II	Scenario III
NDF	Appreciation of the US$	3,009	(13,013)	(29,036)
NDF	Appreciation of the Euro	3,487	(5,870)	(15,226)
Swap	Appreciation of the US$ X JPY	22,912	(3,412)	(20,962)

		Gain (loss)		
		Consolidated		
Transaction	Risk	Scenario I (probable)	Scenario II	Scenario III
NDF	Appreciation of the US$	7,539	(31,320)	(70,178)
NDF	Appreciation of the Euro	8,065	(14,486)	(37,037)
Swap	Appreciation of the US$ X JPY	22,912	(3,412)	(20,962)
Swap	Increase in the CDI	(196,516)	(200,130)	(203,714)
Swap	Decrease in LIBOR	(29)	(83)	(137)
NDF	Depreciation of the US$	965	(5,242)	(11,449)
NDF	Depreciation of the Euro	1,174	(2,723)	(6,619)
Swap	Appreciation of the US$	(10,060)	(31,049)	(63,875)

Scenario II was calculated with an impairment of 25% in the risk variable considered as probable by management.

Scenario III was calculated with an impairment of 50% in the risk variable considered as probable by management.

27. INSURANCE COVER (UNAUDITED)

The insurance policies taken out by the Company and certain of its subsidiaries provide cover deemed sufficient by the management. At December 31, 2008, these policies covered buildings, merchandise and raw materials, equipment, machinery, furniture, objects, fixtures and installations that form the insured establishments and respective facilities of the Company, Cosipa, Usiparts, Usiminas Mecânica, Unigal and Usiroll, with value at risk of US$ 18,214,209 thousand (December 31, 2007 – US$ 16,913,484 thousand), and an "All Risks" policy with a maximum indemnity of US$800,000 thousand per claim. At December 31, 2008 and December 31, 2007, the deductible amount for material damages is US$7,500 thousand and the coverage of loss of profits (loss of revenues) has a deductible term of 21 days (waiting period). This insurance policy expires on December 31, 2009.

28. SUBSEQUENT EVENTS

(a) Acquisition of Zamprogna S.A.

On December 18, 2008, the Company, together with Zamprogna S.A. – Importação Comércio e Indústria ("Zamprogna"), in compliance with the provisions of Law 6404/76, paragraph 4 of article 15, and the Brazilian Securities and Exchange Commission (CVM) Instruction No. 358/02, advised the market, though a Significant Event Notice, that it had signed a Memorandum of Understanding with NSG Capital de Administração de Recursos S/A, establishing the conditions to acquire the full control of Zamprogna. The estimated acquisition price of all the shares of Zamprogna, based on the financial statements at September 30, 2008, is R$ 160 million, to be adjusted by changes in working capital and consolidated net debt up to the balance sheet closing date. The final agreements will be signed up to February 28, 2009.

Zamprogna is a private limited company, located in Porto Alegre, state of Rio Grande do Sul, and is one of the largest consumers of hot-rolled strips in Brazil. Zamprogna has a long tradition in steel distribution, combined with innovation and strong sales growth.

The acquisition is aligned with the Company's long-term commercial strategy, since it expands its leadership in the Brazilian steel distribution market and approximates the Company even further to its end customers.

(b) Stockholders' Intention of selling shares

On January 29, 2009, the Company published a Communication to the Market informing that it had been advised by Vale of its intention to sell its investment in Usiminas. Vale, owner of 5.89% of the common shares of the Company, informed that it intends to carry out the sale to the stockholders of Nippon Steel Corporation and Nippon Usiminas Co., Ltd., members of the controlling group, permitting the other members of that group to exercise their preference right, as prescribed by the terms and conditions of the related Stockholders' Agreement. The letter sent by Vale also informed that the sale will be subject to the related corporate approvals of the parties involved. On the same date, Nippon Steel Corporation and Nippon Usiminas Co., Ltd. confirmed the information that they intend to purchase the common shares of Usiminas held by Vale and, also, clarified that the transaction is still subject to final approval of Vale's Board of Directors.

Accordingly, any alteration in the composition of the controlling group will be only known after the decision of the other signatories of the Stockholders' Agreement. If the shares of Vale are sold or the Company's controlling group changes, this information will be disclosed on a timely basis.

(c) Disposal of the investment in Minas Industrial

On January 16, 2009, the Company sold its investment in Minas Industrial. The sale price and the cost of the investment totaled, respectively, R$30,000 and R$20,351.

(d) Merger of Companhia Siderúrgica Paulista - COSIPA

On February 18, 2009, the Board of Directors approved that Usiminas start procedures to merge Companhia Siderúrgica Paulista – COSIPA, its wholly-owned subsidiary since 2005. The objective is to achieve greater administrative and operational synergy, in addition to reducing costs and optimizing resources in the steel production process. With the transaction, Usiminas becomes even stronger in the domestic and foreign markets, defining its position as the largest flat steel industry in Latin America. The merger, which will be submitted for approval at a General Meeting of stockholders to be called in due course, will not result in any capital increase or issue of new shares, and will not result in any changes to the by-laws.

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Omar Silva Júnior
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RESPONSÁVEL TÉCNICO

João Lucas Ferraz Dungas
Controller
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