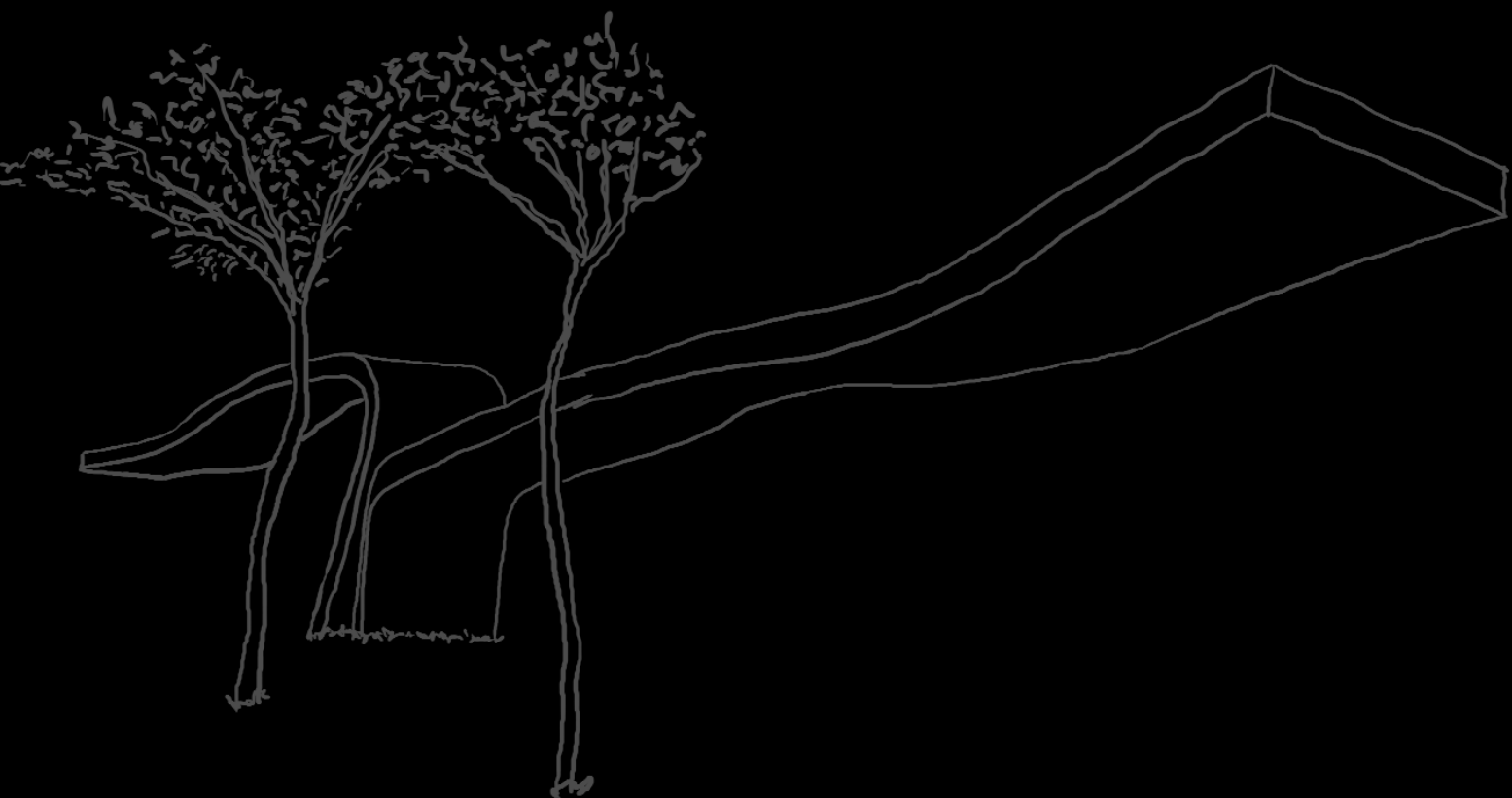


2005 :: SOCIAL STATEMENT

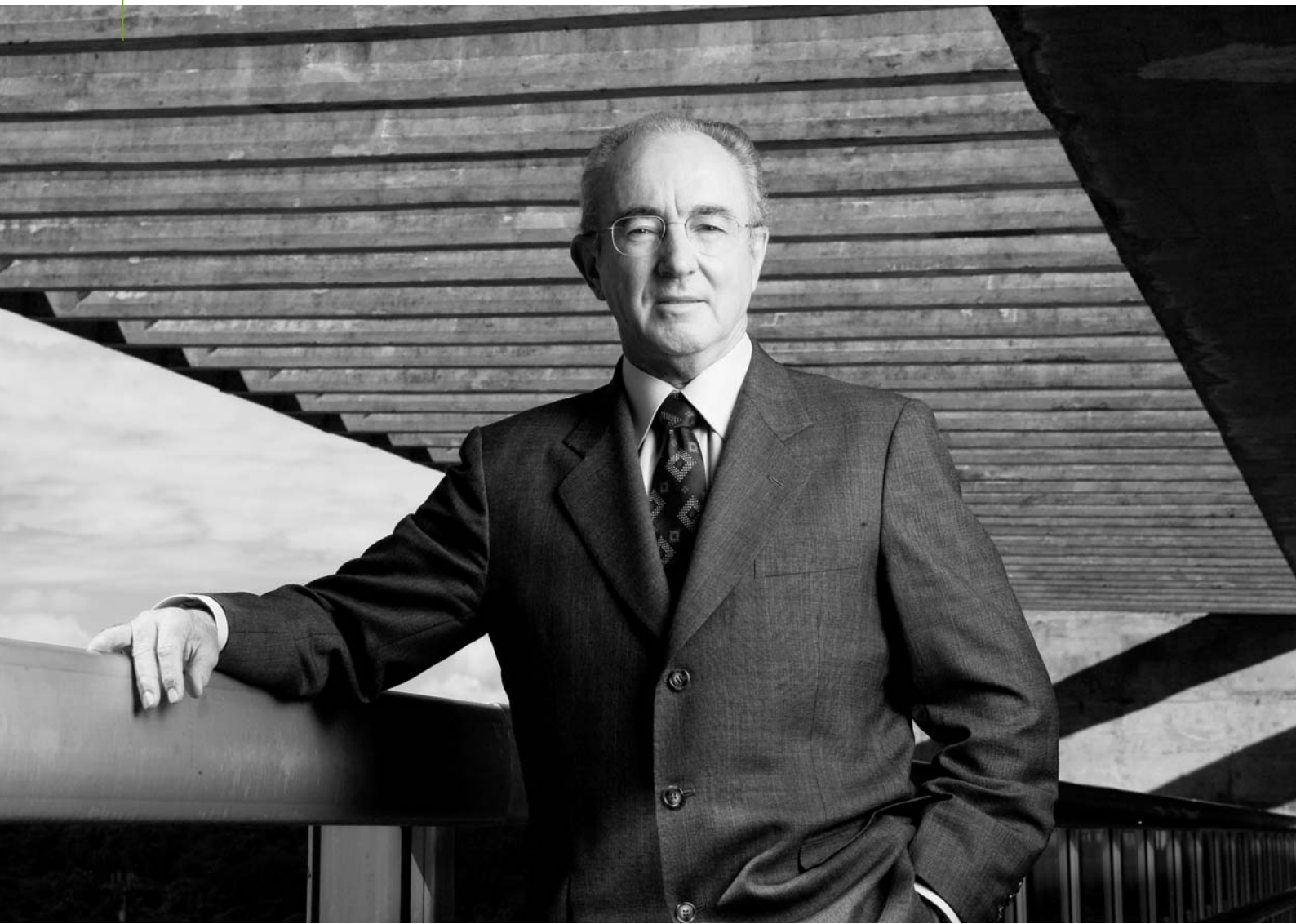
USIMINAS





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# 1. Message from the Chairman

RINALDO CAMPOS SOARES

President and CEO of USIMINAS

In 2005, the Usiminas System posted the best result of its entire life: R\$ 3.9 billion net income. This figure is not only the highest profit among the Brazilian steel producers, but also a reflection of the strict corporate principles on which our value creation strategies are based.

Notwithstanding the usual market challenges, we have worked with inexorable confidence in Brazil and Brazilians, always seeking sustainable economic development and social progress. This has been our fundamental view, well supported by our almost 40,000 employees' determination to win and surprise, and by the confidence from our stockholders, customers and suppliers.

After all, the Company is a collective construction, where interaction among its many stakeholders constitutes its very foundation, the solid ground where one can harvest the present and seed the future. And we have relied on everyone's involvement to be able to increasingly solidify this ground from both the operational and financial standpoints, and to enhance our social, cultural and environmental activities.

I have noticed – and this is a recent move – that the concept of "social responsibility" has been changed consistently with the changes in the corporate environment and objectives. Nowadays, if a large industry wants to be a long-lasting, sound undertaking it must focus on a development approach that ensures social and environmental sustainability within its direct and indirect spheres of influence.

For the Usiminas System, sharing our results with the community is not just the fruit of an action. Rather, it's a historical vocation. A good example was the real civilizing mission we undertook in the Steel Valley of Minas Gerais, an unprecedented event in the history of the Brazilian industry. Usiminas was born, grew and matured having the city of Ipatinga as a witness over its 43 years of operation. And if today the city shows very good quality of living indicators, that's because a virtuous alliance between the Company and the Public Power, between Progress and Society, is not only feasible, but rather necessary.

The statement I present hereinafter was prepared in line with the Global Reporting Initiative 2002 Guide, and it contains an equilibrated report of our organization's economic, environmental and social performance. It sheds light on the comprehensive corporate vision we proclaim, so as to validate and make public the Usiminas Systems' investments in these fields. It is also the outcome of many people's diligent work and as such it is reason of real pride for all those who have dedicated themselves to the day-to-day building of a group of companies integrated among each other by the strength of steel and whose protagonist is – and will always be – Mankind.

## 2. The Usiminas System



## 2.1 Mission

The Mission of Usinas Siderúrgicas de Minas Gerais S/A is defined by the Stockholders through the Board of Directors, featuring a broad scope for the Integrated Management System's actions concerning industrial and business activities, service provision, technological development, and establishing companies under a majority interest, as well as holding interest in other businesses concerns in Brazil and abroad, under the principles of:

- *"Creating value for society through steel-making and related activities;*
- *Validating its actions throughout the production chain by offering competitive, high-quality products and services, providing a return to stockholders and promoting the well-being and development of employees and communities;*
- *Seeking always the continuance of the business and the harmonization of economic purposes with the remaining social interests of the community.*

## 2.2 Vision

The Corporate Vision ensues from the interaction of conjuncture or structural variables that modify business environments; it is developed upon a resolution of the Board of Directors and established as a function of global scenarios as concerns the social, environmental, economic-financial, technological and market aspects.

This Vision is the foundation for the Company's macro-strategies, crafted with the

participation of the Senior Management Team and established through an analysis of culture, identity, the technical-operating diagnostic, the competitive position in the market, the operating performance and social-environmental impacts, progressing towards business opportunity analyses and long term forecasts, always and indissolubly reconciling the economic and social dimensions of profit: "To consolidate the largest, most modern, competitive steel making complex in Latin America and an outstanding player among the 20 largest world groups, a leader in the Brazilian market with a substantial presence in foreign markets, aiming at the stockholders return through strategies focused upon:

- *Differentiated customer support offering quality, higher value-added products and services;*
- *The continuous quest for cost leadership and for the best capital structure;*
- *The optimization of synergies among the Usiminas System's companies".*

## 2.3 Profile of the Usiminas System

Usinas Siderúrgicas de Minas Gerais – USIMINAS S/A, is the leading company of the Usiminas System. It was established on April 25, 1956 by a public charter; upon signature of the Lanari-Horikoshi Agreement on June 3, 1957 the business received funds from Japanese investors and began the technological cooperation agreement that enabled the beginning of operations at its first industrial unit, Intendente Câmara Plant, in Ipatinga — MG, on October 26, 1962. Along the years, the Japanese influence has been renewed



through mutual technical assistance agreements and new joint business development. Such Japanese influence, interacting with the characteristics of the population established in the region adjoining its early industrial premises, entailed the consolidation of a strong, marked organizational culture, founded upon the quest for overcoming challenges, technological development, quality, environmental protection and personnel capacity-building, valuing man and teamwork.

Consistently with this culture, System's companies were the first in their respective industries in Brazil to be certified for compliance of their products, processes, services and premises vis-à-vis national and international standards related to Quality, Environment, Occupational Health, and Labor Safety. All compliance certificates are periodically renewed following an external audit accredited for such purpose.

Operating in steel making and in businesses where steel is present, the Usiminas

System operates in Brazil in the production, distribution and processing of flat steels, structural shapes, blanks, capital goods and industrial logistics. In 2005, it consolidated itself as Latin America's biggest flat steel complex, through the integrated management of the following companies:

### **Usinas Siderúrgicas de**

#### **Minas Gerais S/A – Usiminas**

Usiminas is the parent company that holds equity control over the remaining System's companies. Its industrial unit, the Intendente Câmara Plant, is installed in Ipatinga in a 10.5 million m<sup>2</sup> area. The Plant makes and sells flat, hot-and cold-rolled steels, both coated and uncoated, and steel slabs. Production meets the demand from strategic economic segments and industries, such as automobile, railroads, auto-parts, shipbuilding, construction engineering, agriculture, packaging, mechanical, electrical-electronic, home appliances, machinery & equipment, and steel distribution.

Upon adding its production capacity to that of other System's companies, the Usiminas System became Latin America's largest flat steel complex, and one of the 20 largest in the world.

By a public concession, the company manages the Private Seaport Terminals of Praia Mole – ES, and Cubatão - SP, designed to handle its own cargoes, as well as third parties'.

As of December 31, 2005, the Company had a headcount of 7,962 employees, plus 5,628 outsourced personnel allocated to permanent support activities.



Steel coil shipment



## **Companhia Siderúrgica**

### **Paulista S/A - COSIPA**

Cosipa began its industrial activities with its José Bonifácio de Andrada e Silva Plant in December 1963, installed in a total 12.5 million m<sup>2</sup> area. Cosipa is an uncoated flat steel producer – slabs, heavy plates, and hot and cold-rolled products. The Company meets the demands of the same market segments served by Intendente Câmara Plant. As of December 31, 2005, the Company's headcount was 5,487 employees, plus 7,633 out-sourced personnel allocated to permanent support activities

### **DUFER S/A**

Established in 1995, Dufer operates in the distribution of both coated and uncoated flat rolled steel, as well as in the steel processing and cutting to different shapes and sizes. The Company has industrial units in São Paulo and Cubatão, and its equity is split between Companhia Siderúrgica Paulista – Cosipa (51%) and ThyssenKrupp Materials AG. (49%). Dufer serves the needs of a broad array of customers by offering products and services to the manufacturing industries, such as automobile, auto-parts, electrical-electronics, construction engineering, furniture, drums and packaging materials, pipes and shapes. Its industrial units land area is 46,191.52 m<sup>2</sup>, of which 27,087.05 m<sup>2</sup> is floor space. As of December 31, 2005, the headcount was 295 employees and 28 outsourced personnel in permanent support activities.

### **Usiminas Mecânica S/A - UMSA**

UMSA is a capital goods and serial products manufacturing company. Established in

October 1970, the company operates in the steel industry, paper & pulp, mining, cement, hydromechanics, petrochemicals and construction engineering, notably in the field of steel structures for buildings, industries, offshore rigs, oil and gas industry, hydroelectric power plants and large works. UMSA's industrial area is 210,000 m<sup>2</sup>, out of which 120,000 m<sup>2</sup> floor space. As of December 31, 2005 the headcount was 2,820 employees and 2,300 outsourced personnel allocated to support activities and work sites.

### **Rio Negro Comércio e Indústria S/A**

Rio Negro was established in 1968 and has been a member of the Usiminas System since 1993. It is one of the largest steel service centers in the country, operating in steel distribution, processing, fabrication and handling segments, offering adequate specifications, final product dimensions for prompt use and an efficient delivery schedule. The Company has production units in Guarulhos and Taubaté, with 35,878 m<sup>2</sup> and 17,722 m<sup>2</sup> of floor space, respectively, in a total land area in excess of 120,000 m<sup>2</sup>. The Company holds a majority interest in Rios Unidos Transportes, which runs RIO NEGRO's transportation area. Headcount as of December 31, 2005 was 1,006 employees and 213 outsourced support personnel.

### **Fasal Comércio e Indústria de Produtos Siderúrgicos S/A**

Fasal is a steel distributor with significant activities in steel product supply area, blending efficient industrial and transportation structures. The Company is installed in a 138,159m<sup>2</sup> land area, and premises take over

30,921 m<sup>2</sup> of floor space. As of December 31, 2005 the headcount was 267 employees and 22 outsourced support personnel.

#### **USIFAST Logística Industrial S.A**

Usifast is a company with a focus on multimodal logistic solutions and customs clearance services (for drawback activities). The Company manages the Betim/ MG Inland Customs Station (EADI), general cargo warehouses and trucking, besides managing complex industrial logistics services. Among the company's main customers are the steel making, foodstuff, textile, automobile and auto-parts industries. The Company's total land area is 125,040 m<sup>2</sup>, and in 2005 it expanded its floor area from 10,045 m<sup>2</sup> to 25,000 m<sup>2</sup>. As of December 31, 2005 the company's headcount was 621 employees and 51 outsourced personnel allocated to support activities.

#### **USIPARTS Sistemas Automotivos S/A**

Usiparts is located in Pouso Alegre, south of Minas Gerais state, near the country's main steel consuming centers. The company operates in automobile industry, making assemblies, cabs and bodies in steel and aluminum using stamping, assembling, welding and painting processes. Its total area is 143,500.00 m<sup>2</sup>, of which 40,389.73 m<sup>2</sup> floor space. As of December 31, 2005, the company's headcount was 1,059 employees and 87 outsourced support personnel.

#### **USIROLL - Usiminas Court Tecnologia de Acabamento Superficial Ltda. S/A**

Usiroll was established as a joint equity association between USIMINAS and Canada's Court Holdings Europe Ltd. on December 30, 1997, with an aim to provide cold rolling and

general roll texturizing and chromium plating services. The company's premises occupy 3,259 m<sup>2</sup> total area, of which 1,488 m<sup>2</sup> floor space. As of December 31, 2005, the headcount was 21 employees.

#### **UNIGAL Ltda.**

Unigal was established through a joint equity association between USIMINAS and Nippon Steel Corporation to fabricate hot-dip galvanized steel sheets for the automobile, home appliance and construction engineering industries. As of December 31, 2005 the company's headcount was 160 employees and 80 outsourced support personnel.

#### **MRS Logistics S/A.**

Moreover, USIMINAS holds a 10% equity interest in MRS Logística S/A, a company that runs and controls Brazil's Southeastern railway network. The company operates in the railroad transportation business since it was set up in 1996. Its 1,674 km of railroads interconnect the states of Rio de Janeiro, Minas Gerais and São Paulo, handling and distributing cargoes in a region that answers for approximately 65% of Brazil's gross domestic product. MRS railroad takes also to the ports of Sepetiba and Santos. The company focus is the railroad transportation of general cargoes, ores, finished steel products, cement, bauxite, agriculture products, pet coke and containers. Its integrated logistic is based on multi-modal planning and defined transit time. Its headcount was 3,013 employees and 579 outsourced support personnel as of December 31, 2005.

#### **TERNIUM S/A**

In the international scenario, the Usiminas System and Techint Group established

Ternium S/A in 2005. USIMINAS holds a 14.25% equity interest in the company and is in charge of technological and management support. Headquartered in Luxembourg, Ternium S/A has an installed capacity of 11.25 million tons/year of steel, and relies upon sales offices in the world's main steel consuming centers. The Company's industrial activities are run by the following steel producers:

#### **Siderar**

Steelmaking complex located in Argentina, with production capacity of 2.85 million tons/year of steel. Its product mix comprises long steels, hot- and cold rolled flat steels, galvanized and electro-galvanized steels, tin plates, pre-painted steel sheets, tubes and shapes. Its industrial units are located in the province of Buenos Aires in the cities of San Nicolás, Ensenada, Haedo, Florencio Varela and Canning. As of December 31, 2005, the company's headcount was 4,764 employees and 1,655 outsourced support personnel.

#### **Sidor**

Integrated steel complex with production capacity of 4.6 million tons/year of crude steel, located in the city of Puerto Ordaz, Venezuela, by the Orinoco river. Its production route is based on direct reduction and electric arc furnaces. The product mix includes steel slabs and bars, long steels, hot-and cold rolled flat products, and galvanized steels. The company's headcount was 5,675 employees and 1,851 outsourced support personnel as of December 31, 2005.

#### **Hylsa**

Steel complex located in México, Hylsa's production capacity is 3.8 million tons/year of steel in a highly integrated value chain. Its activities include iron ore mining and pelletizing, long steel production in two industrial plants, hot- and cold rolled flat steels, either coated (galvanized) or not, and 23 distribution centers in México. As of December 31, 2005, the company's headcount was 6,741 employees and 2,114 outsourced support personnel.

The Usiminas System, either as an institutor or a supporter, runs its social activities through financial stand-alone and economically self-sustained entities, besides more than 20 leisure and sports clubs. Among these entities focused on social development and whose creation and existence are supported or instituted by the Usiminas System, the following are highlights:

#### **Fundação São Francisco Xavier**

This private non-profit institution is recognized as an entity of social interest, and it was established by USIMINAS on December 22, 1969 for the purpose of running Colégio São Francisco Xavier, inaugurated in 1962, and Hospital Márcio Cunha, inaugurated in 1965. Presently, the foundation also runs the Integrated Dental Center and Usiminas Cultural Center.

Added together, premises comprise a total area of 177,801.61 m<sup>2</sup>, of which 63,204.72 m<sup>2</sup> are floor space. As of December 31, 2005 the foundation recorded a headcount of 3,152 employees, 204 medical doctors working on retainer basis plus 8 resident medical doctors and 58 interns.



### Usiminas and Cosipa Retirement Funds

These are private retirement entities chartered to supplement retirement benefits for the employees of their institutor companies. As of December 31, 2005 the headcount of both entities was 68 employees.

### Usiminas Employee Consumer Cooperative

A consumer cooperative established with the support of USIMINAS in 1963 to pursue the objective of ensuring the supply of quality consumer goods and foodstuffs at competitive prices. The cooperative's supermarkets and hypermarket total 6,842, m<sup>2</sup> of selling floor space. As of December 31, 2005 the headcount was 458 employees.

### Usiminas and Usiparts Saving and Loan Cooperative

These cooperatives were established on June 23, 1996 and August 1, 1966, respectively, under the support of USIMINAS and USIPARTS, for the purpose of promoting savings and financing the needs or ventures of their participants. As of December 31, 2005, these two entities had a headcount of 23 employees.

## 2.4 Corporate Governance

The Usiminas System integrates stockholders in shared management, in tune with the industry and veered towards achieving long-lasting, consistent results, supported by sustainable development concepts.

Abiding by resolutions made by the Board of Directors, whose members are nominated by the stockholders, the Senior Management seeks to obtain harmonic satisfaction of the system company's stakeholders.

The Board of Directors sets forth clear, transparent guidelines for daily operations of the System's managers, for all internal and external relations, showing no complacency for corruption, bribery and graft nor for attitudes not based on universally accepted ethical and moral principles, joining corporate social responsibility to the promotion of synergy between resources and effort to offer high quality technologies, products and services to society.

As a public company, Usiminas' institutional relations adhere strictly to the provisions of the Brazilian Securities Commission and develops a formal, equitable relationship program with stock market agents and the public at large.

The fulfillment of these guidelines is monitored by corporate internal auditing, reporting directly to the Board of Directors.

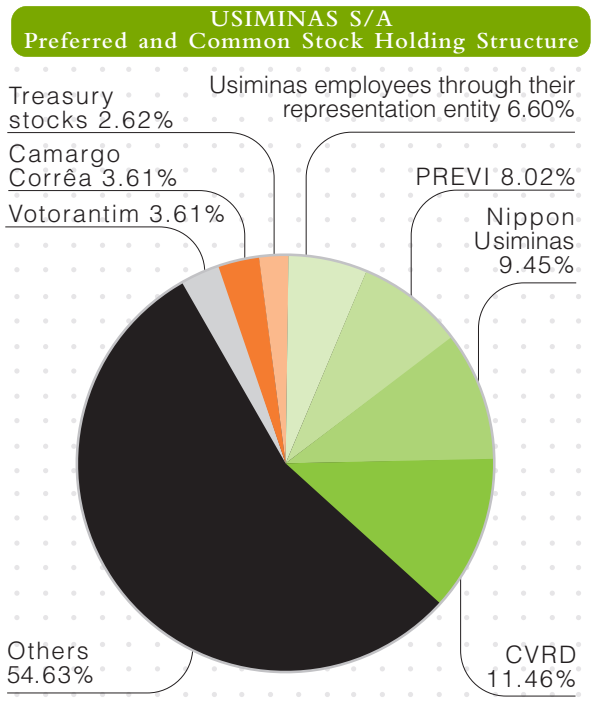
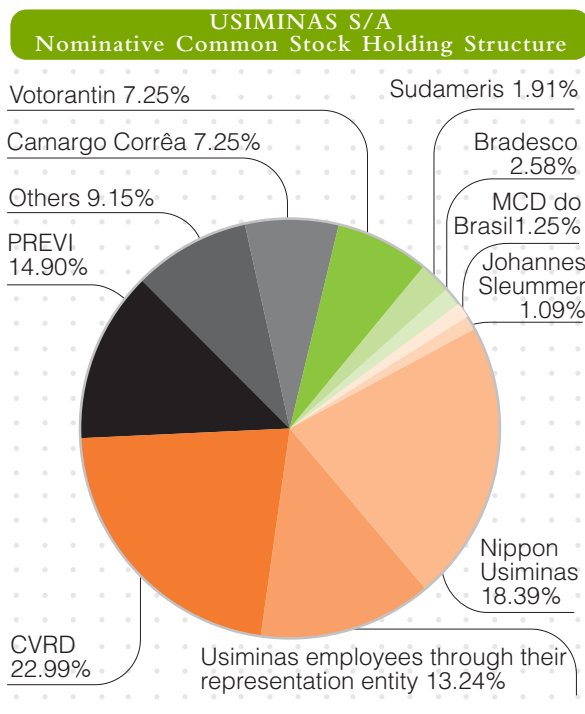
Managing the Usiminas System's companies, as directed and monitored by the Board of Directors, conforms to the principle of developing long term relations with their customers and suppliers.

Together with full compliance with Brazilian law and universally accepted corporate governance, environment and human right conventions, treaties and principles, the companies favor quality parameters applicable to both products and services, as well

minimizing the environmental impact of their industrial activities.

Deemed nowadays Latin America's biggest flat steel group, the Usiminas System is recognized not only for its top quality steel products and services, but also for its excellent relationship with the capital market, analysts, stockholders and investors. Such recognition is witnessed by the awards the System's companies earned:

- Investor Relations Ranking - Institutional Investor - 2nd place - Metals & Mining Industry - Buy-side survey – 2005: Award based on a survey made with sell-side and



as to interpersonal relations with stockholders, employees, communities, governmental and non-governmental entities. Besides, the companies are always proactive in the fomentation of sustainable social development, natural resource conservation and

buy-side analysts and granted to outstanding Investors Relations areas, split by industry and region.

- Assiduity Seal 2005 – Capital Market Investment Analysts and Professionals Association – APIMEC/SP: Award granted to



companies that make presentations to Apimec's analysts for two years in a row.

- Best Investor Relations Officer - IR Magazine Awards – Honorable Mention – 2005: Award granted to the best IR executive according to a survey carried out by Fundação Getúlio Vargas - FGV on behalf of IR Magazine. Nominees are conferred Honorable Mention.
- Best Presentation - APIMEC-MG – 2004: Award conferred by Apimec-MG to the company that prepared the best presentation in Minas Gerais, according to a poll among the APIMEC-MG members.
- USIMINAS was conferred the "Outstanding Company 2004" award by the Chamber of Commerce and Industry Brazil–China as an acknowledgment for the company's endeavors in favor of the commercial relations between the two countries.
- Some Usiminas System's companies were awarded the "Prêmio Valor 1000" by the newspaper Valor Econômico, chosen among Brazil's 1,000 most successful companies. For the second year in a row, RIO NEGRO ranked first in Wholesaler category, whereas FASAL and DUFER (steel processing and distribution) ranked respectively second and third in the same category.

## 2.5 Integrated Management System Guidelines

The Usiminas System adopts a corporate management model in which the quest for business results goes beyond the quest for proper technical decisions; it's also a consequence of decisions made with a focus on corporate social responsibility and

sustainable development. This business view, that contemplates enhanced and integrated actions and results, permeates all subsidiaries, suppliers, customers, nearby communities and investors, stakeholders that are influenced by, and influence, the Usiminas System. The management model, which is a distinguishing feature of the Usiminas System's organizational culture, is implemented by the top management team and other managers. It reflects the struggle for continued improvement and innovation of processes, products and services, according to the following guidelines:

- Ethical behavior in business and compliance with legal and regulatory requirements associated to the products, processes, people and premises, acting as managerial vectors;
- Strategies, action plans and processes are oriented as a function of promoting customer satisfaction and loyalty;
- Preservation of the individual's health and well-being, whose valuation, capacity-building, involvement, motivation and accident prevention-based safety are permanent targets of corporate action;
- Pollution prevention, identification and control of environmental aspects, reduction of solid waste yield, quality of liquid effluents and atmospheric emissions, and the rational use of water, power and inputs are prime requirements for the development of any and all activities.

Managerial actions are followed suit by the Internal Corporate Audit, ensuring exactness and integrity with an aim to create value in the economic, social and environmental dimensions of System's companies, and to enable their continuous development.

## Risk Management

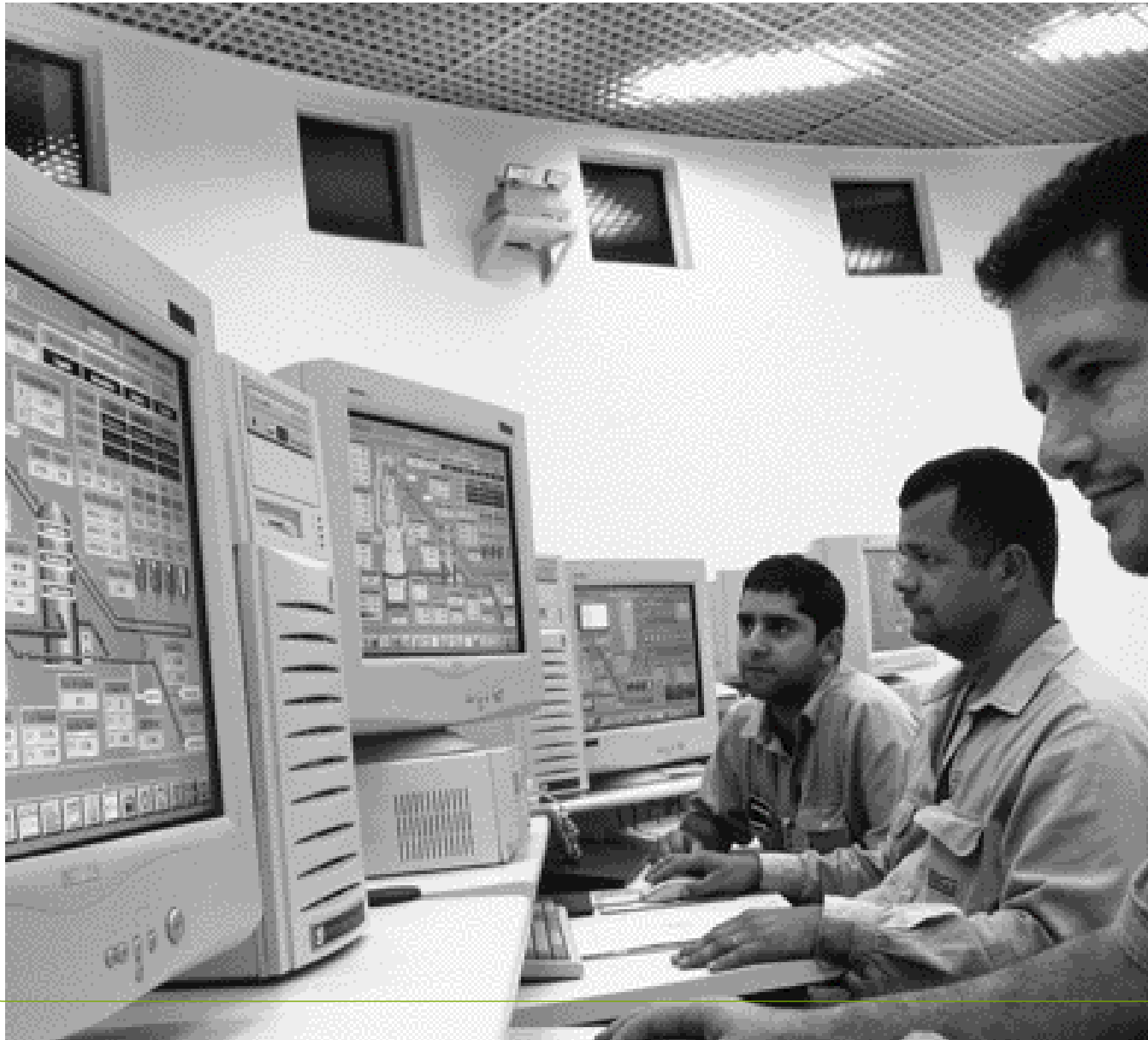
Corporate decision making processes in the Usiminas System are founded upon assessments made by multidisciplinary teams that identify events and vulnerabilities, and estimate probabilities and their operating, technological, logistics, marketing, financial, social and environmental impacts.

Consistent initiatives and technical decisions are therefore enabled, creating the necessary conditions for constant prospect of

opportunities and implementation of management guidelines aiming at risk control and asset security, liquidity and profitability.

The Internal Corporate Audit actions are a corroboration factor, guaranteeing the integrity of processes and information. Besides, independent audits are conducted to review the financial statements and the compliance by the integrated management system with the Brazilian legislation and both local and international standards.

Blast furnace control room





Anta Lake at Intendente Câmara Plant







### **3. Economic Performance**

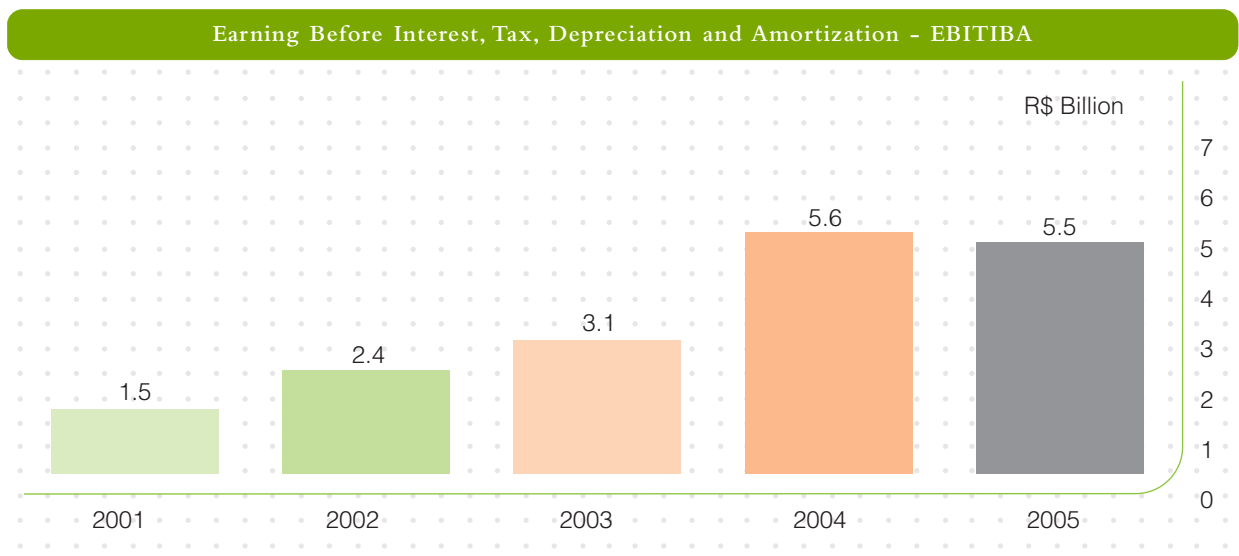
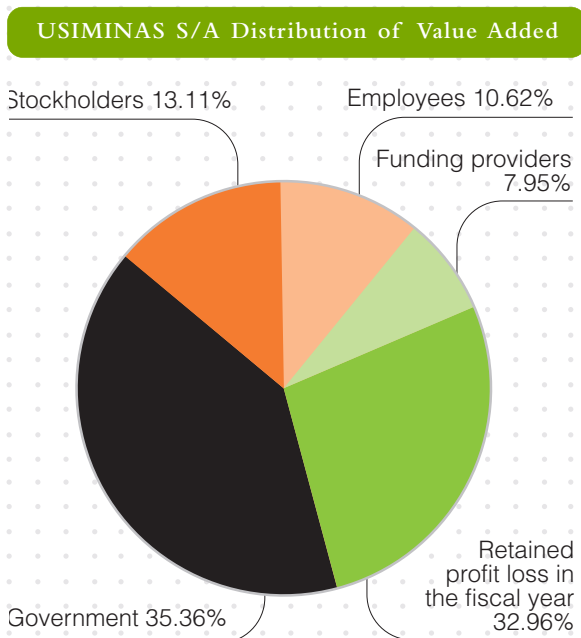
In 2005, the Usiminas System yielded R\$ 17.1 billion gross operating revenue.

Ensuing from investments made in production facilities in previous years, the Usiminas System showed stable operating cash yield (EBITDA) of R\$ 5.5 billion.

USIMINAS consolidated net earnings reached R\$ 3.9 billion, a result of the progress afforded by the operating synergy among the System's

companies, the higher value-added product mix and efficient business management.

Value added, an indicator of the wealth created by the Company and distributed to the society, amounted to R\$ 8.5 billion in 2005. This amount represents the difference between revenues and the total services and inputs procured from third parties.



Wealth Creation - in R\$ thousands	USIMINAS		CONSOLIDATED	
	2005	2004	2005	2004
(A) Gross sales revenue and non-operating income*	9,090,110	8,667,566	16,879,513	15,746,534
(B) Goods and services procured from third parties	(4,315,610)	(4,183,581)	(8,829,937)	(8,006,551)
(C) Gross value added (A - B)	4,774,500	4,483,985	8,049,576	7,739,983
(D) Withholdings (depreciation, amortization, depletion)	(250,124)	(233,385)	(558,789)	(429,353)
(E) Net value added (C - D)	4,524,376	4,250,600	7,490,787	7,310,630
(F) Transfers				
Affiliated and subsidiary equity holdings	1,888,053	1,383,822	922,964	320,341
Minority holdings	0	0	(23,339)	(102,176)
Interest income	129,774	58,605	114,220	131,024
	2,017,827	1,442,427	1,013,845	349,189
(G) Value added to be distributed (E + F)	6,542,203	5,693,027	8,504,632	7,659,819

Distribution by Stakeholder	2005	2004	2005	2004
<b>GOVERNMENT</b>				
Taxes less subsidies (tax exemptions)	1,807,240	1,764,696	2,896,788	2,832,043
<b>EMPLOYEES</b>				
Wages	350,148	299,869	727,639	617,396
Social security charges	57,061	55,723	110,039	145,620
Private social security	22,024	72,668	29,535	81,538
Profit sharing	67,554	92,938	96,812	133,270
Management compensation	34,897	29,180	49,220	38,730
<b>FINANCERS</b>				
Debt remuneration	289,988	324,229	676,170	792,356
<b>STOCKHOLDERS</b>				
Dividend pay-out and interest on equity	1,115,308	1,068,803	1,115,308	1,068,803
Retained earnings/losses in the period	2,797,983	1,984,921	2,803,121	1,950,063

\* Gross sales revenues and non-operating income comprise Gross Revenue less Cancelled Sales, Rebates and Allowance for Bad Debts, plus Operating Income

Productivity Indicators	USIMINAS		CONSOLIDATED	
	2005	2004	2005	2004
Gross margin	44.6	46.3	58.5	45.4
Net margin	56.3	45.7	30.0	24.7
Asset turnover (net margin/average assets)	4.59	4.43	1.71	1.52
Return on Average Assets (ROA) (Operating income*/Average Assets**)	23.2	27.1	27.1	30.5
Indebtedness ratio (loans/stockholders' equity)	0.14	0.28	0.45	0.91
Current ratio	1.76	1.67	1.69	1.62



In 2005, sales of steel products by the Usiminas System's companies reached approximately 7.25 million tons, representing a 52.6% share of the Brazilian flat steel market. In Brazil, the Usiminas System yielded 39,635 direct jobs, of which 19,688 in the System's companies, 16,042 outsourced personnel allocated to support activities and works, and 3,905 in social entities directly instituted or supported.

In the whole world, including MRS Logística S/A and Ternium S/A, companies in which USIMINAS holds a minority interest, the System's headcount was 66,027 direct jobs, out of which 43,786 in the companies' core activities and 22,241 through outsourced support service contracts.

Employees at Intendente Câmara Plant







Cold-rolled Coil Yard - Usiminas



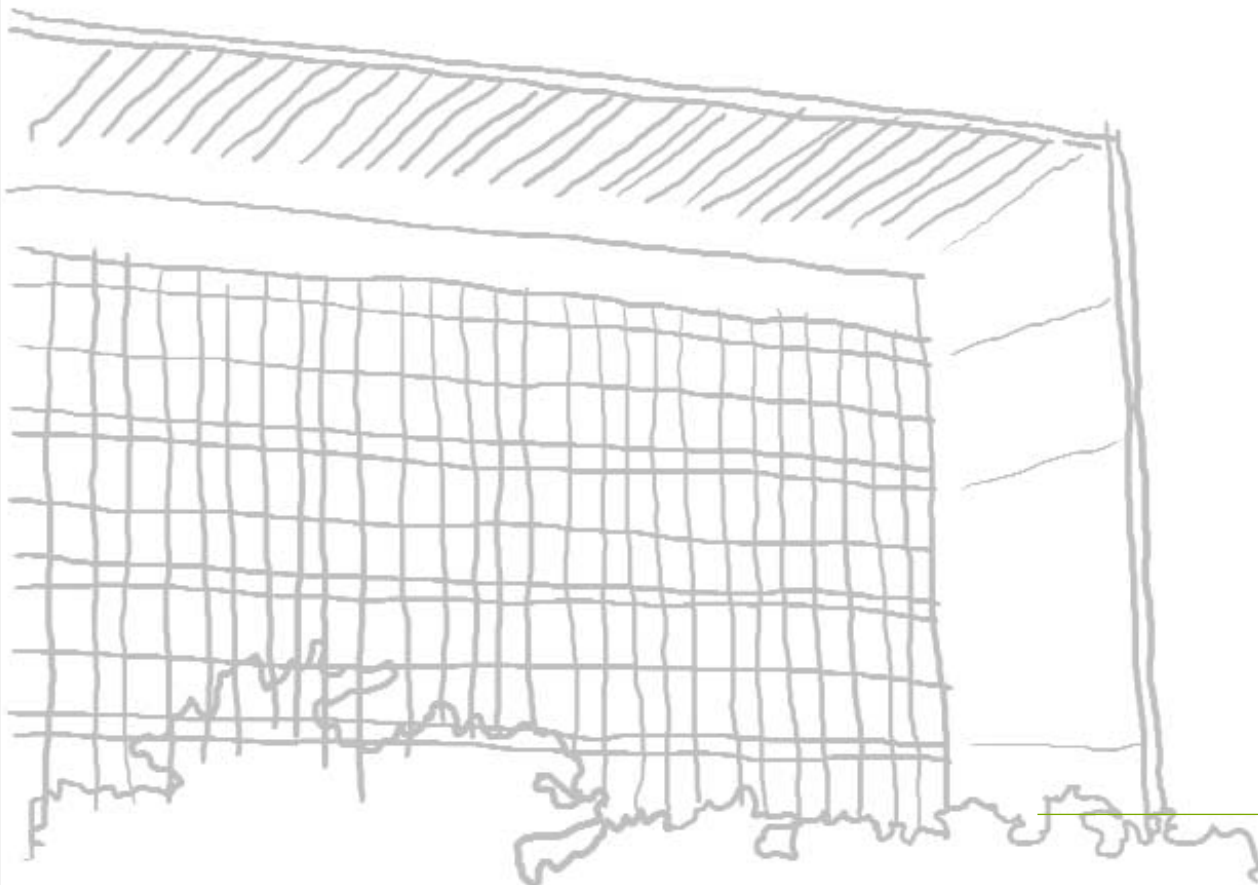


## **4 . The Usiminas System and its Customers**

The Usiminas System's companies are positioned in the middle line of the production chain and have no direct contact with the end users of their products. Their customers are other segments of the manufacturing industry, served in accordance with technical specifications provided. In the same way as the Usiminas System's companies, these customers are sizeable industrial companies, also certified by domestic and international standards relating to quality, environment, health, occupational safety and corporate social responsibility.

Therefore, instead of a conventional Customer Service Center, the Usiminas System's companies maintain specialized customer support teams, which count on the backup from Usiminas Research Center, Latin America's largest steel technology research and development complex.

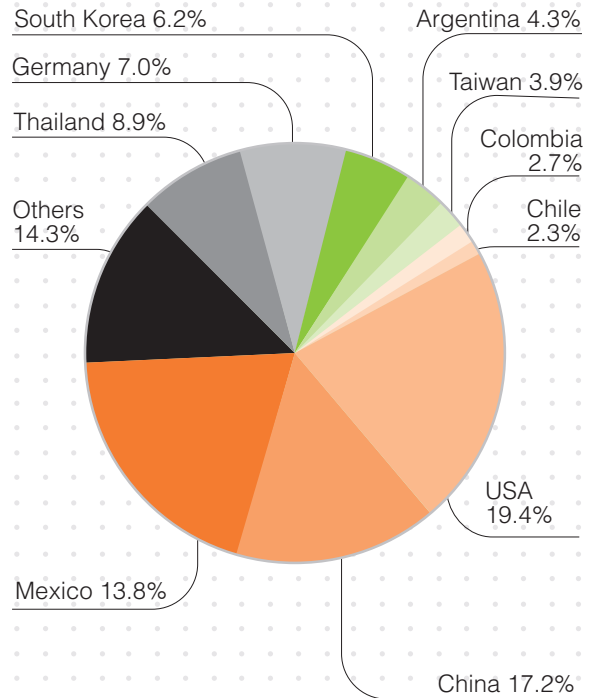
Besides this direct contact, the System offers the possibility of access via internet portals through a "Contact Us" tool, which is made available to any person, company or entity, either prospect customers or not. Through this communication channel, the System effectively contributes to the



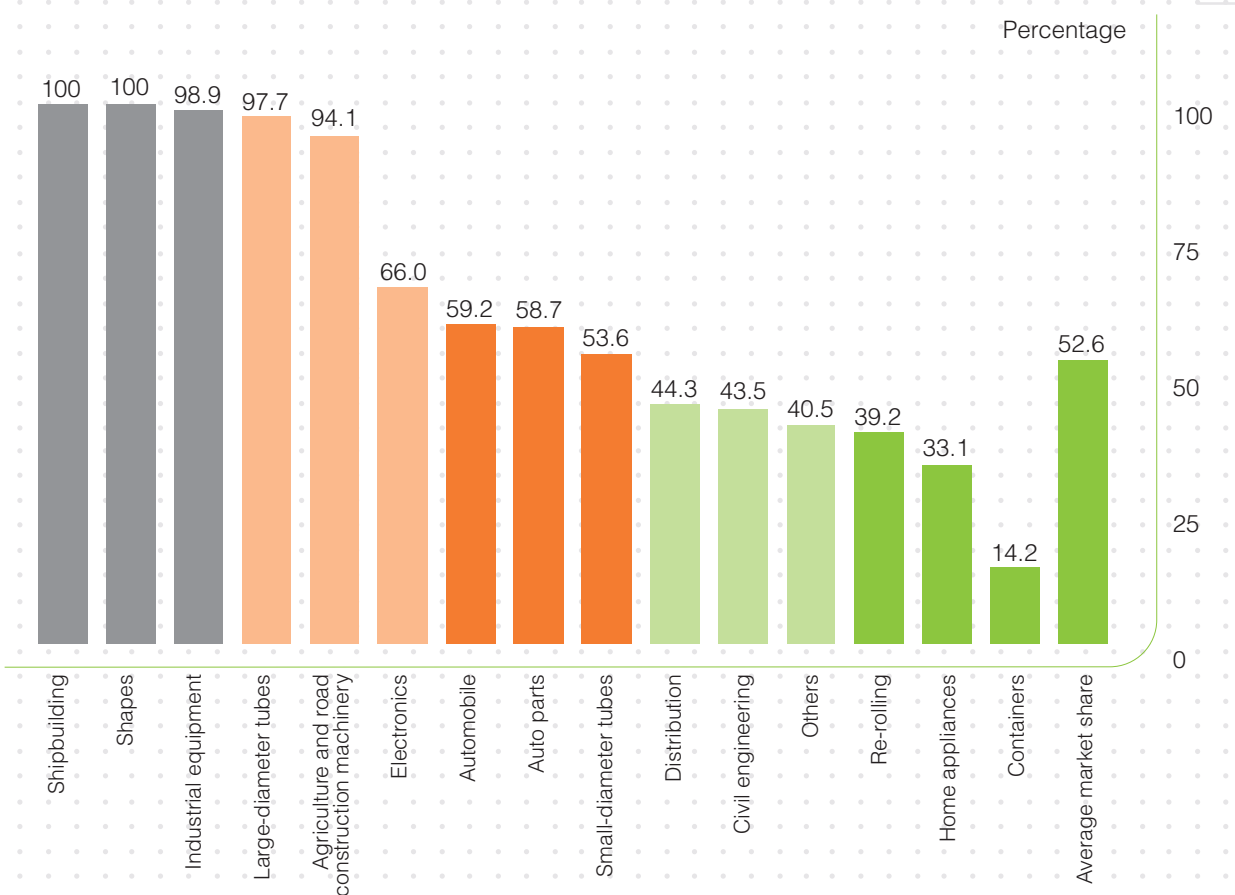
democratization of knowledge in the iron- and steel-related fields.

By developing innovative processes, products and technological solutions in a joint work with customers, suppliers, universities and research entities, the Usiminas System creates the necessary conditions to meet future requirements. This search for innovation enabled the System to amass, as of December 2005, 608 patent applications with Brazil's Industrial Property Institute (INPI), of which 387 were granted, plus 51 applications abroad, out of which 23 granted.

Usiminas System's Main Foreign Markets Worldwide 2005



Usiminas System's Share of the Brazilian Flat Steel Market 2005







Hot-rolled coil yard - Usiminas

## 5. The Usiminas System and its Suppliers

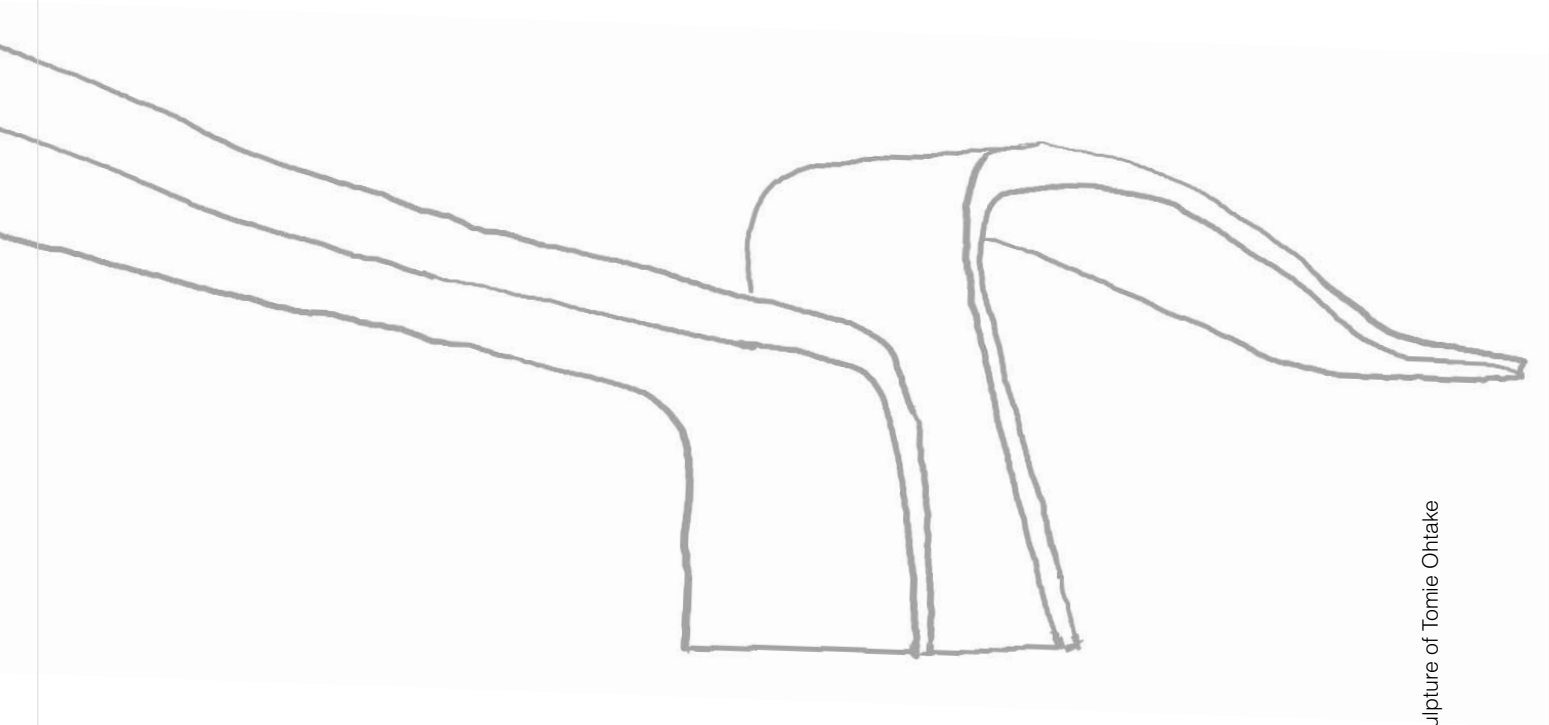


The Usiminas System embraces the policy of maintaining long-term relationships with its entire supplier network, always valuing correctness, transparency and propriety, while attending to mutual interests. The implementation of this policy has favored the creation of a supplier belt next to the System's main industrial units, thus creating competitive advantages for the companies and at the same time favoring the generation of formal jobs and the social and economic development of adjoining communities.

The supply process management seeks to harmonize the interest of System's companies with the suppliers' profile, by working along four main fronts:

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

The suppliers of raw materials, such as coal, ores, ferro-alloys and refractories, among others, are also sizeable companies that adopt policies similar to those of the System's companies, and they are both domestically and internationally certified for their quality, corporate social responsibility and the environment.



Sculpture of Tomie Ohtake



All the contracts with service and product vendors contain provisions stipulating the compliance with legal obligations relating to environment, formal employee hiring as established by the current Brazilian labor laws and the International Labor Organization's conventions, social responsibility and human rights.

The System's rigorous standards overlay these provisions as concerns environmental impact control, barring child labor, and a series of stances relating to quality, environment, occupational health and safety, verifiable by means of random inspections made by the contract managers.

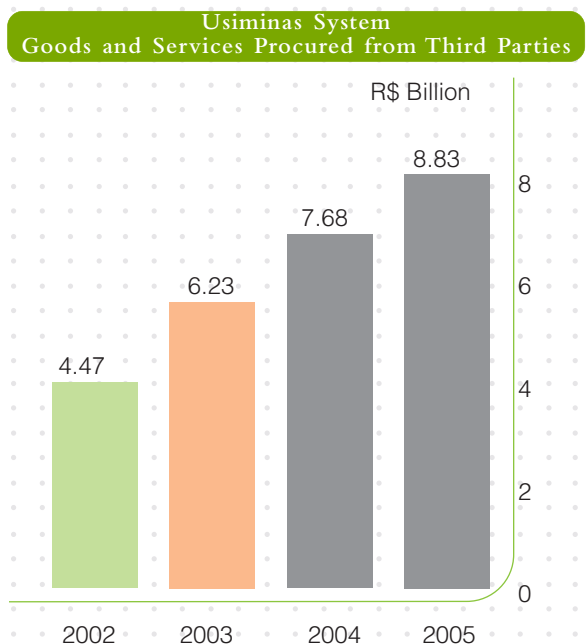
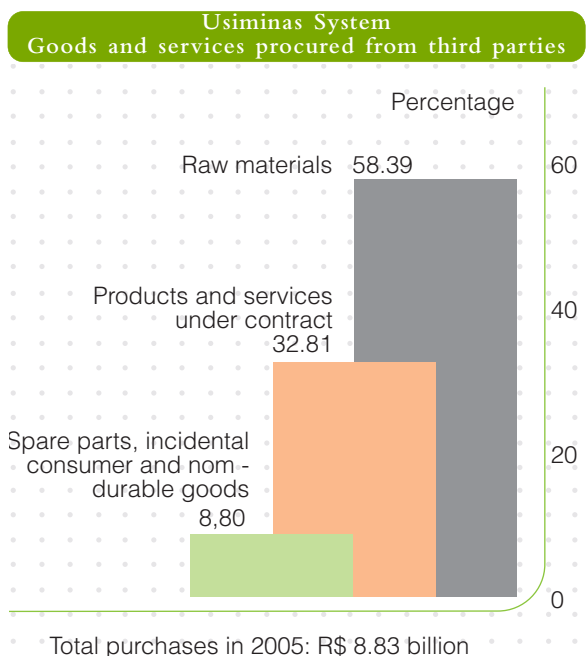
The General Conditions for Supply of Services and Goods include over 150 clearly defined provisions. The General Conditions are available at the Usiminas System website for whoever wishes to apply as a supplier.

The procurement of spare parts, non-durable consumer goods and single items, as well as all supply contract signatories rely on an on-line IT support available at the Usiminas System website. Called "e-Fornecedores" ("e-Suppliers"), this support tool enables process follow-up and transparency. Suppliers are reviewed via the "Supplier Development Process – SDP" in the different stages of the supply process, and they are granted a rating on issues such as delivery times, quality, environment, and labor relations, among others.

The system is available for consultation by the supplier himself using an access password, affording the supplier's continued development vis-à-vis requirements.

Annually, outstanding suppliers are honored

in a specific awarding ceremony. In 2005, top awards were given to FERBASA - Cia de Ferro-Ligas da Bahia, a company specializing in ferro-chromium and ferro-silicon production, in the category "Raw Materials", and to Kurita do Brasil S.A., a water treatment chemicals supplier, in the category "General Materials".



General Materials		WINNERS	
General Materials		Suppliers of the Year Award	
2005	Kurita do Brasil	2005	Ferbasa Companhia de Ferro Ligas da Bahia
2004	Daido Química do Brasil	2004	Insider Insumos Refratários para a Siderurgia
2003	Signode Brasileira	2003	CBMM Companhia Brasileira de Metalurgia e Mineração
2002	Ucar Produtos Carbono	2002	CBMM Companhia Brasileira de Metalurgia e Mineração
2001	Daido Química do Brasil	2001	CBMM Companhia Brasileira de Metalurgia e Mineraçã
2000	Shell do Brasil		
1999	Daido Química do Brasil		

Gas Holder







Slab handling - Intendente Câmara Plant's Steel Shop no. 2





## **6.** The Usiminas System and its Employees

The Usiminas System's companies recorded 19,688 employees as of December 31, 2005, for a grand total of 39,635 direct jobs when added to the 16,042 outsourced support personnel and the 3,905 jobs in instituted or supported social entities. These jobs are taken by individuals of different ethnicities, reflecting the ethnical diversity of the Brazilian population.

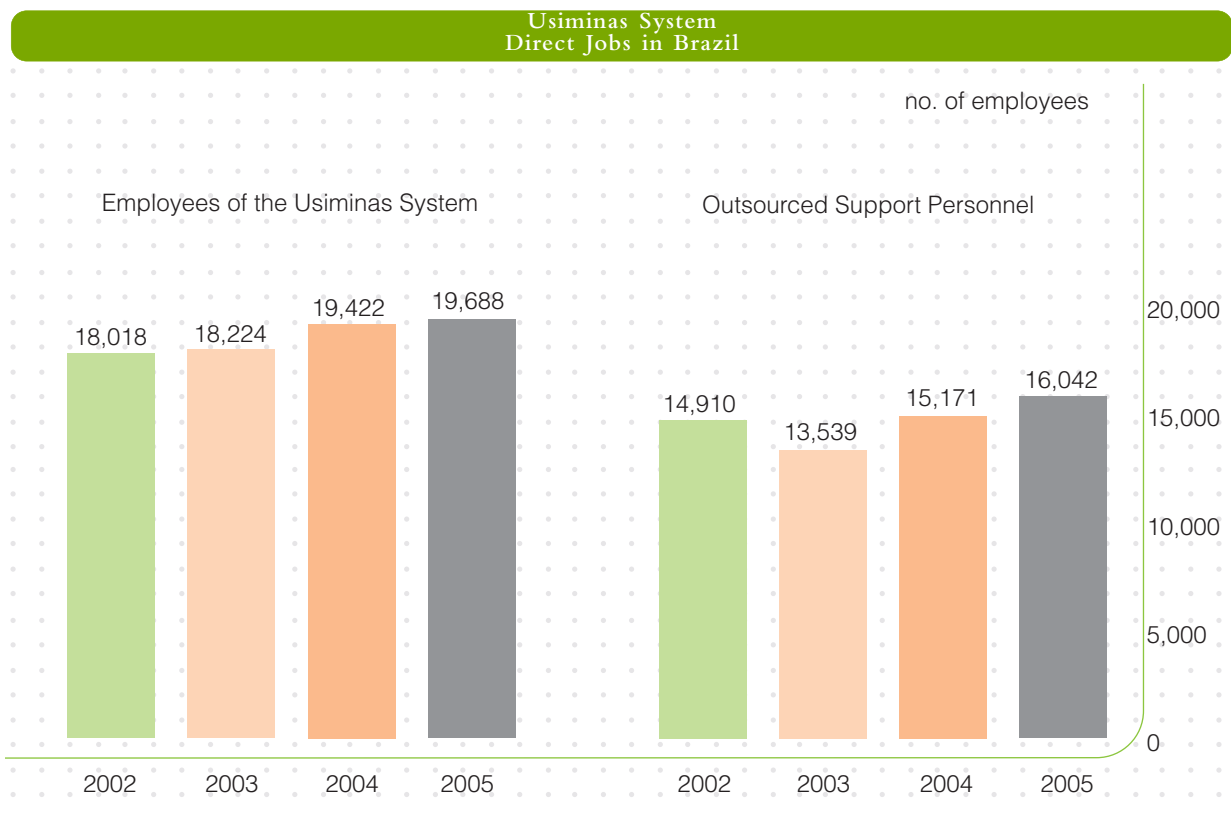
It should be added also the 3,013 jobs generated by MRS Logística S/A plus 579 support personnel, thus totaling 43,227 direct jobs in Brazil.

Worldwide, one must compute also the 17,180 employees and 5,620 outsourced support personnel engaged by Ternium S/A and its companies (SIDERAR S/A in Argentina,

SIDOR S/A in Venezuela and HYLSA S/A in México), totaling 66,027 direct jobs.

In Brazil, approx. R\$ 7.4 million were invested in personnel education, training and development programs. Compensation plus security charges and benefits amounted to R\$ R\$ 903.21 million.

The social benefits provided to employees and their families amounted to R\$ 401.26 million, including retirement fund employer's payments, catering, social, medical, hospital and dental care, education, leisure, sports and insurance. Such expenditures represent investments that return to the companies in the form of social harmony, needed for the development and growth of activities and business.





## 6.1 Interaction between the Companies and their Employees

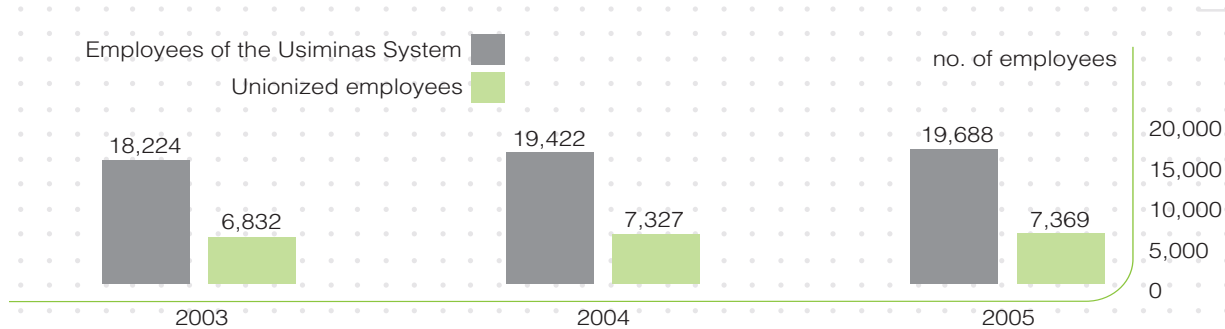
The management model adopted by the Usiminas System takes into consideration the regional cultural characteristics, and highlights, as a matter of principle, the channeling of employee expectations through a direct relationship with the immediate superiors, with

the labor unions and spontaneous leaders belonging to the Internal Accident Prevention Committees and voluntary groups who work on issues such as quality, environment, work safety and social activities in the community.

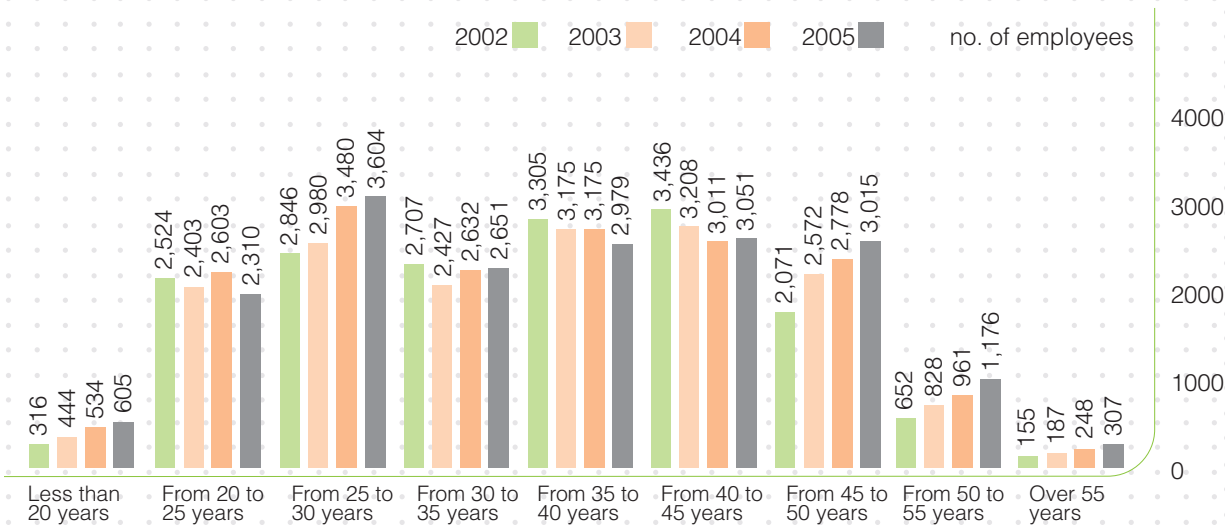
*Good capital-labor relations demand social responsibility. And that's what guides the relationship between Usiminas and Sindipa.*

Luiz Carlos Miranda  
President of the Steel Making, Metallurgical, Mechanical, Electrical Material and IT Workers Union of Ipatinga, Belo Oriente and Santa do Paraíso – SINDIPA.

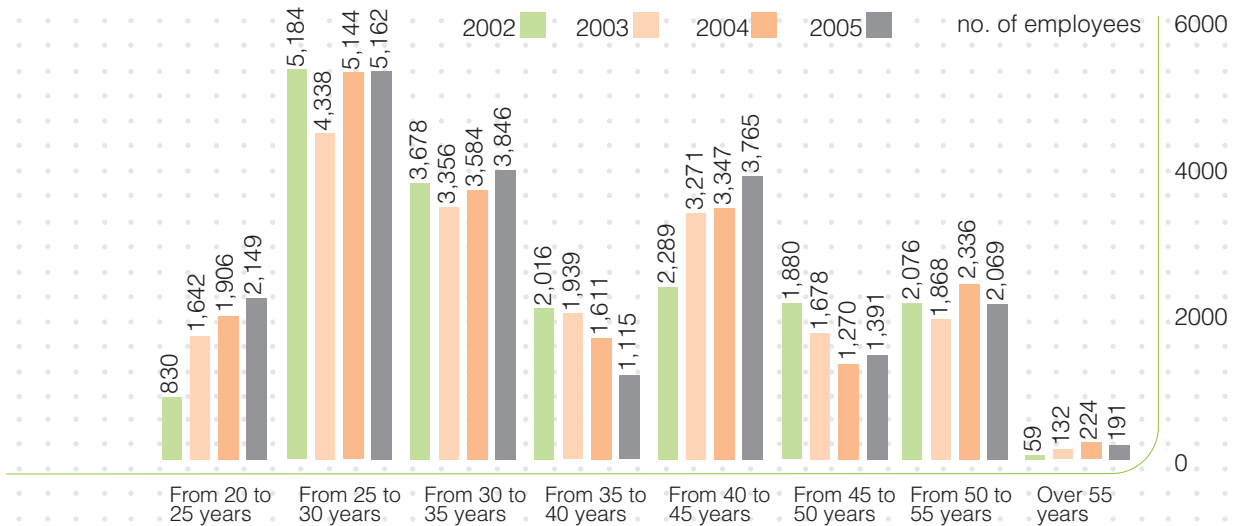
### Usiminas System Number of Unionized Employees in Brazil



### Usiminas System Headcount Frequency by Age Bracket in Brazil



Usiminas System  
Headcount Seniority Frequency in Brazil



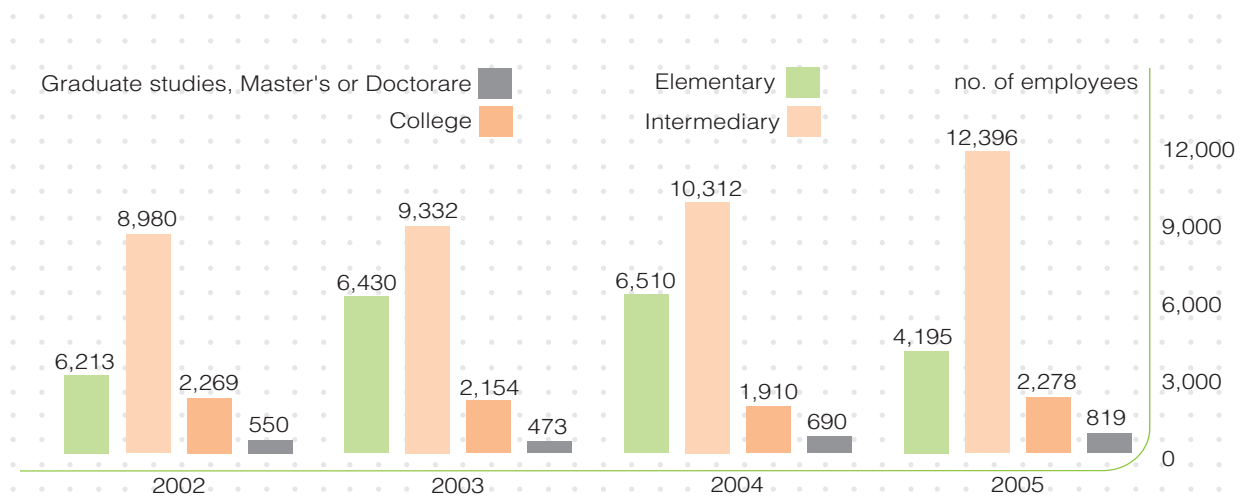
All employees, both unionized and non-unionized, are covered by Conventions and Collective Agreements that provide for Work Relations, annually renewed by negotiations with labor unions. Programs such as "Meet the President" were also implemented, in which the employees spontaneously establish direct contact with the Company's senior management.

Regular meeting between supervisors and managers with all their subordinates are also held, at which occasion the employees, either

openly or undisclosed by request, voice their doubts, critique and claims vis-à-vis the Company.

At USIPARTS Sistemas Automotivos, such contact between the company and its employees entails general improvement actions for better internal communications, team engagement and a better internal ambiance, besides promoting awards for good suggestions. During 2005, 513 suggestions were submitted, out of which 198 were implemented and 216 are being

Usiminas System  
Headcount Schooling Frequency, in Brazil



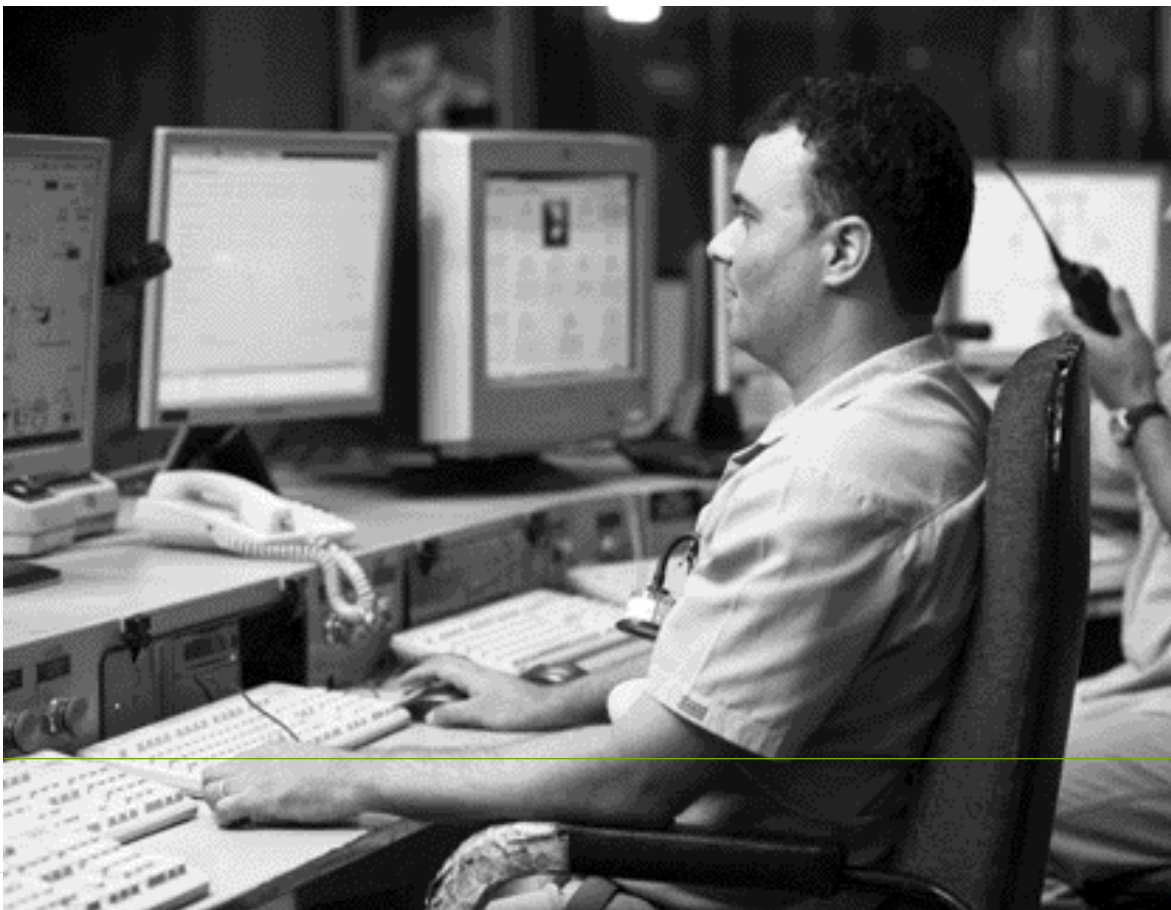
analyzed. As a result, in excess of R\$ 28,000.00 were granted to suggestion authors as a reward for their contribution. USIPARTS has developed, among others, a specific program to encourage employees' families to visit the industrial plant, followed by speeches about the Company's plans and activities. The visits culminate with a lunch at the company's mess hall, where employees share with their families this moment of their daily routine.

These interaction modes between companies and employees enable the development of programs that entail equitable, non paternalistic, thoroughly planned benefits, contemplating the expectations of employees and their families.

In 2005, Rio Negro was conferred the important "Keeping an Eye on the Industry" award by the Industrial Center of the State of São Paulo (CIESP) - Guarulhos regional unit, for the implementation of its manage-

ment model and programs veered towards health, safety, environment preservation, education and development, leisure and culture. The Company was also highlighted by the Magazine Valor Carreira among the "Best Companies in People Management". The Award was instituted in 1996 by the Industry Social Service – SESI to honor the companies that develop quality of living programs at the workplace as a fruit of corporate social responsibility policies, promoting the harmonic and productive coexistence between employees and employers, and making a contribution to strengthen industry's and the country's sustainable development.

USIMINAS won the 2005 "Human Being Award" in the category "People Management", in a contest promoted by the Brazilian Human Resources Association, Minas Gerais chapter.



Steel Shop no. 1 Control Room - Usiminas

## 6.2 Occupational Health and Safety

Occupational health and quality of living at the workplace represent an important part of the Usiminas System management model. It is a commitment assumed by all of those who perform professional activities in the companies, and especially by those in supervisory capacities.

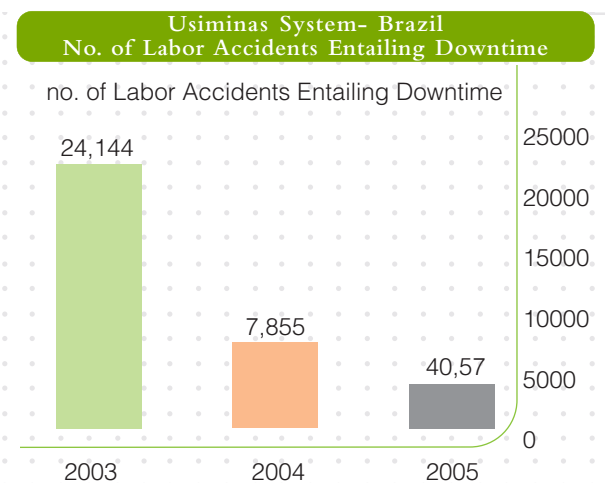
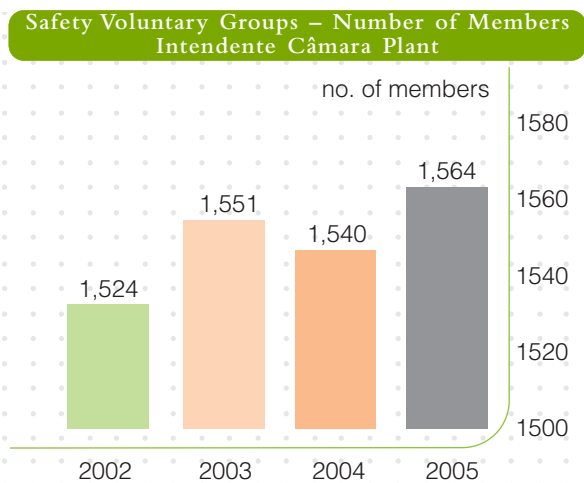
This shared commitment originated the "Safety Voluntary Groups" at Intendente Câmara Plant, in Ipatinga. These groups were spontaneously created in the operating areas, and their objective is to disseminate prevention concepts and care for the fellow workers' health and integrity, expanding the actions of the Internal Accident Prevention Committee – CIPA.

All employees can use any of the accident prevention tools (among which the Study on Accident Hypotheses), in which the employee, either openly or undisclosed by

request, can type into the computerized system his/her remarks concerning the accident-happening potential. Every communication is assessed and the most complex cases are referred to Work Medicine and Safety specialists.

Together with expert personnel, the groups prepare the so-called "Operation Standards", an analysis of every activity performed by the employees from the standpoints of quality, rationality, environmental impacts and mainly work safety and hygiene. Although the number of labor accidents entailing downtime has increased slightly, the occupational medicine and safety areas, in a joint effort with the own employees, have significantly reduced the number of off-work days due to accidents.

As established by contract, all the services provided by third parties to the System's companies are obliged to strictly adhere to these standards, besides specific



Occupational Safety and Environmental standards; the requirements, social responsibility and sustainable development concepts are extended throughout the entire supplier network.

As in Intendente Câmara Plant, the operating activities of Cosipa's José Bonifácio de Andrada Plant in Cubatão – SP are also carefully described by occupational safety and medicine specialists, with the involvement of the operating cell and the decisive employee participation, organized as 151 Motivation Cells veered towards quality, environmental and occupational safety issues. In 2005, 2,488 employees participated in the cells.

All potential risks observed by the employees are recorded in the Health and Safety Registry – COSS. In significant cases, the occupational safety and medicine unit issues a Non-Compliance Report – NCR, ensuring the implementation of correction actions and verifying the action plan effectiveness.

Should an accident occur, with or without individual injury, involving either employees or outsourced personnel, it will be immediately communicated via intranet through the program "Dissemination with Participation – DWP", for all operating unit employees, aiming at the adoption of preventive measures. Supervisors hold



Personnel training





### 6.3 Medical, Dental and Hospital Assistance

The Usiminas System offers its employees and family members extensive health-oriented programs, emphasizing preventive medicine. These are Health Promotion, Social Care, Occupational Health and Medical, Hospital and Dental Assistance programs. The latter involves expense-sharing.

All of the System's companies provide comprehensive managed health care plans adapted to regional peculiarities for all employees and their families indistinctly.

USIMINAS, COSIPA, Usiminas Mecânica, UNIGAL, USIROLL and USIPARTS, comprising in excess of 115,000 persons among employees, their dependents and pensioners, offer a comprehensive assistance plan. The service is offered through Fundação São Francisco Xavier – FSFX and involves hospital admittance, medical consulting, complementary diagnostic testing and highly complex

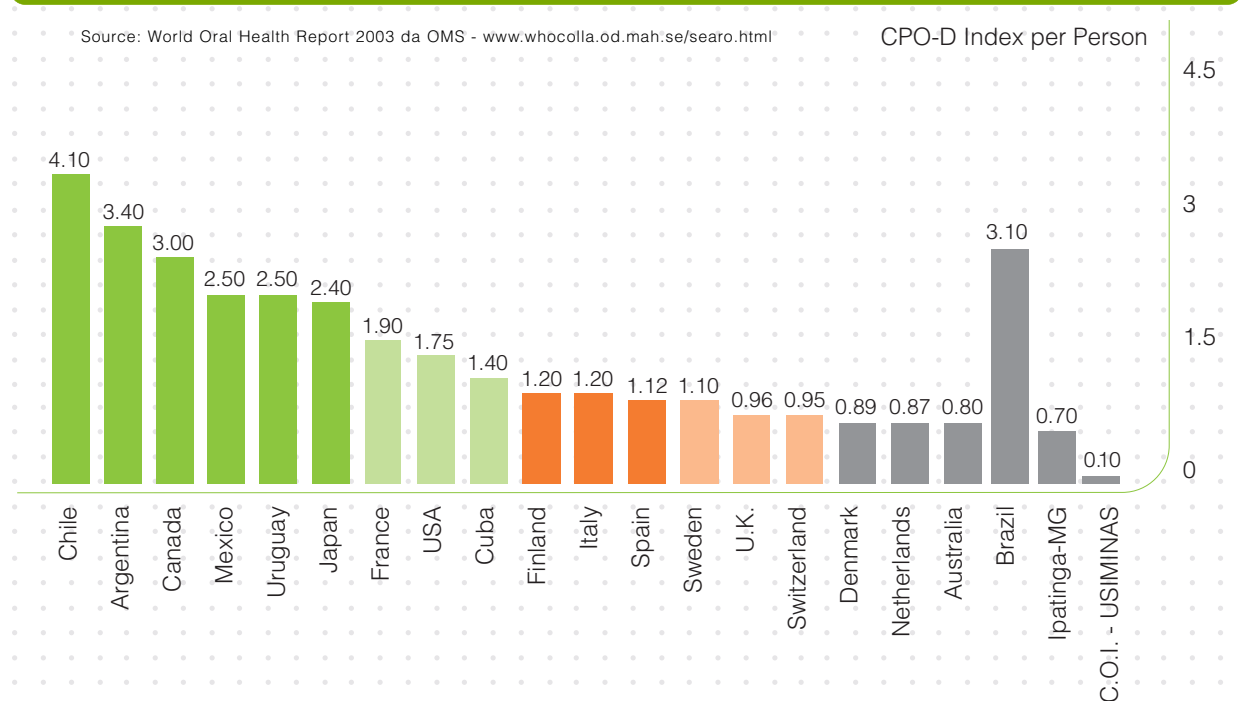
medical procedures. FSFX offers quality service, as certified by standard ISO 9000, through its Managed Health Care Operator. FSFX always seeks to improve its services and collects information from service providers and beneficiaries for this purpose. FSFX's Integrated Dental Center – IDC is not limited to the full restoration of buccal health. The IDC developed its proprietary service model, the Dental Care Inversion, in which prevention is prioritized as a service strategy. Besides being a successful institution in the control of buccal diseases, the IDC seeks the technological development of health promotion principles, basing on the best scientific evidence. All gathered experience and knowledge, such as that already conveyed to and implemented by the Ipatinga municipal administration, are available to public and private institutions.

COSIPA implemented its "Steel Teeth" program for its employees' children, with the purpose of promoting buccal health. Using

Decayed, Missing and Filled Teeth Index - DMFT 12 to 15 year old population

Source: World Oral Health Report 2003 da OMS - [www.whocolla.od.mah.se/searo.html](http://www.whocolla.od.mah.se/searo.html)

CPO-D Index per Person



ludic theater, video presentations, drawings, lectures and practical tooth brushing, employee's children between 5 and 12 years of age are motivated to exercise buccal health care. As new companies join the Usiminas System, the benefits provided by Fundação São Francisco Xavier are judiciously extended to the new community, observing the customs, habits and needs of the employees and their families.

#### 6.4. Education and Knowledge – The Key to Business Growth

##### Professional Recycling

Through self-development programs, the Usiminas System realigns the professional abilities of its employees and outsourced support personnel.

This initiative enables the companies to develop professionals to cope with new technological demands in their production and business structures.

It also seeks to retrain professionals in the face of factors such as readapting to a job compatible with the physical capabilities and restructuring of the companies' production processes.

##### Basic Employee Education

##### Elementary and Intermediary Levels

The Basic Education Programs, offered freely since 1996 at the elementary and intermediary levels, aim to improve the schooling of the employees of the Usiminas System's companies, affiliated companies and service providers.

Specialized teachers guide the students, always respecting their individual learning capabilities.

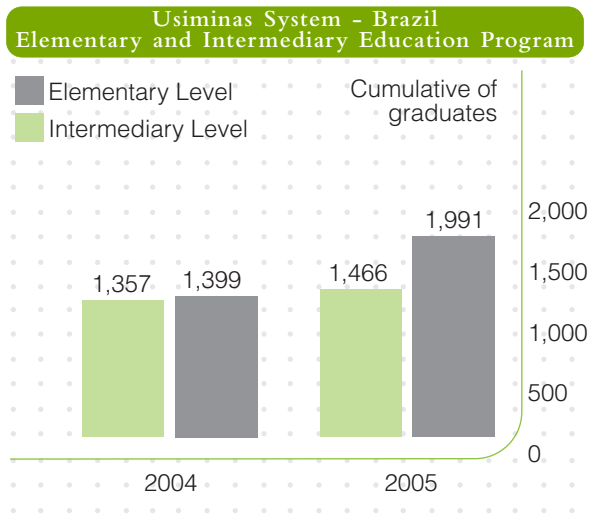
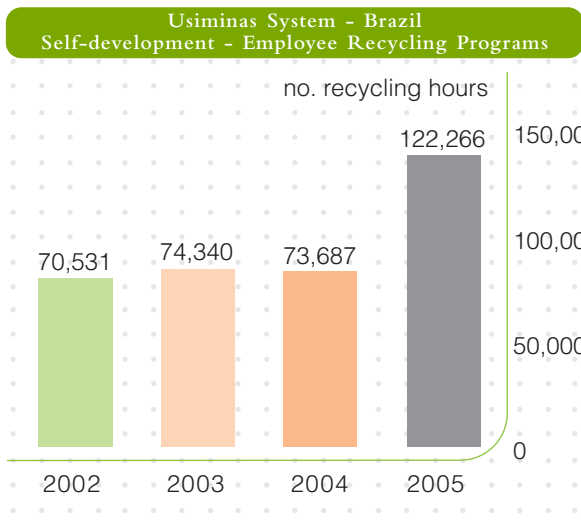
School hours are flexible and adapted to the students' working hours.

At the commencement exercises the certificates are personally presented by the President and Senior managers of the companies.

##### Professional capacity-building and development

Professional capacity-building, development and improvement programs exist in all companies of the Usiminas System, creating opportunities for the professional improvement of their employees.

Implemented through the Corporate Education Process, the programs are veered towards technical and managerial development and held in-house and at other institutions, both domestic and foreign.



Graduate programs are offered through association with universities and schools regarded as benchmarks in specialized knowledge. Specialization and degree programs – Master’s and Doctor’s – involve disciplines such as management, quality, marketing, technology and the environment. The continued investment in personnel improvement enabled the Usiminas System to apply for 608 patents at the Industrial Property Institute (Instituto Nacional da Propriedade Industrial – INPI) along its history. Of these applications, 387 were granted as of 2005, yielding new technologies and improvements. These patents have enabled new businesses through patent licensing to other companies, both domestic and foreign, and through technical services provided to third parties to transfer the technology developed. These programs are opened to the participation of customers and suppliers, enriching the exchange of experiences and making a contribution to an increasingly tighter integration among the production chain agents.

The courses offered raised to 26.4% the percentage of Usiminas System’s higher education employees holding supplementary background.

### 6.5 Employees Retirement Fund

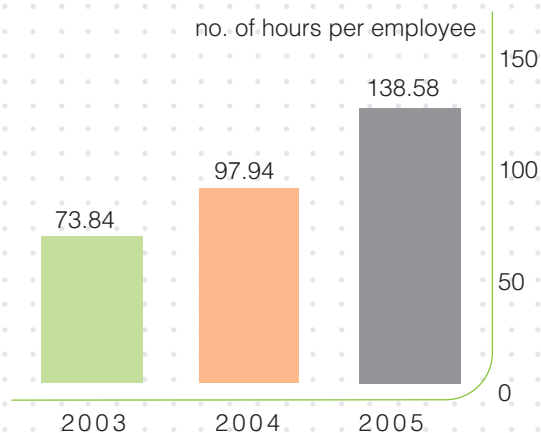
Caixa dos Empregados da Usiminas and Fundação Cosipa de Seguridade Social – FEMCO were established for the purpose of providing supplementary retirement pension benefits. These are in-house retirement fund entities and play the important role of crystallizing the dream of a decent retire at a stable standard of living.

Therefore they extend the employee’s link beyond retirement, and makes joining the Usiminas System’s companies a true life project. Supplementary retirement funds, therefore, represent one of the main human resource management tools in talent seeking and retaining.

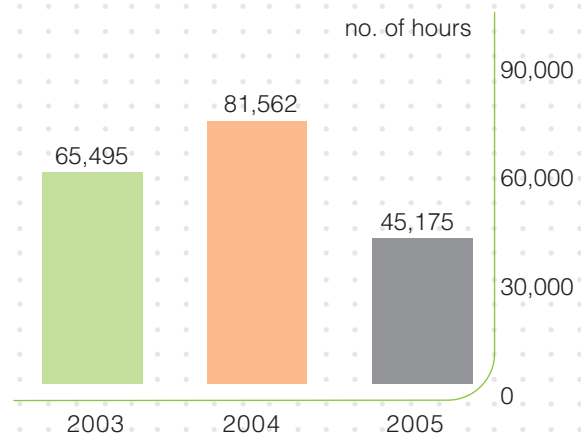
In 2005, retirement plans paid out continuous benefits to 18,111 retired and pensioners, totaling R\$ 263.8 million.

Also in 2005, 12,142 participants were extended loans in the amount of R\$ 29.46

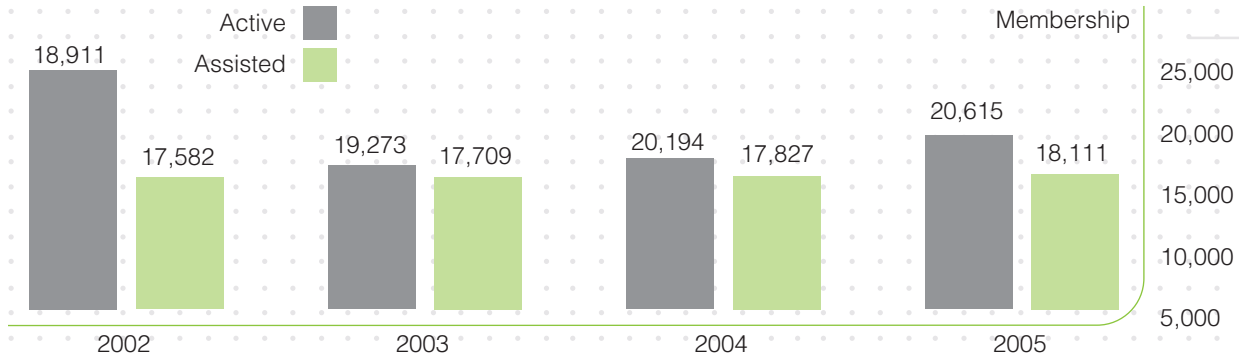
Usiminas System - Brazil  
Training Hours per Employee



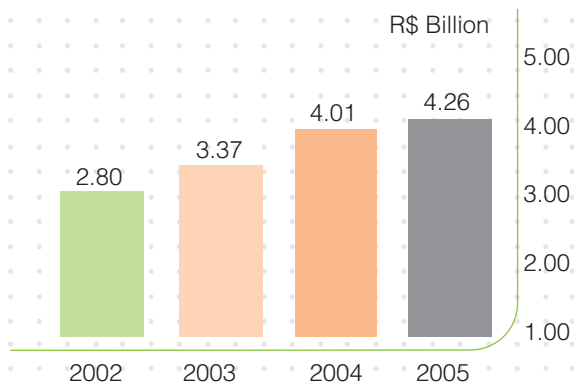
Usiminas System - Brazil - No. of hours in  
Specialization, Master’s and Doctoral Programs



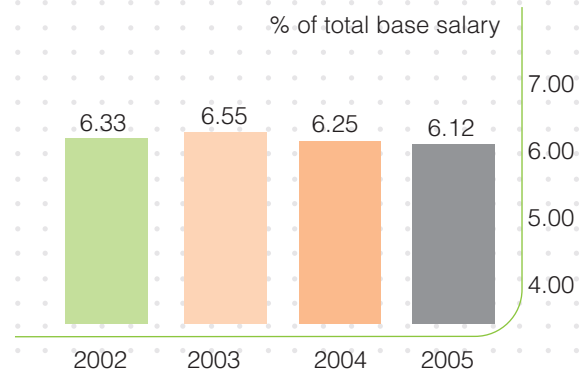
Usiminas System - Employees Retirement Fund - Membership  
Caixa dos Empregados da Usiminas and Fundação Cosipa de Seguridade Social



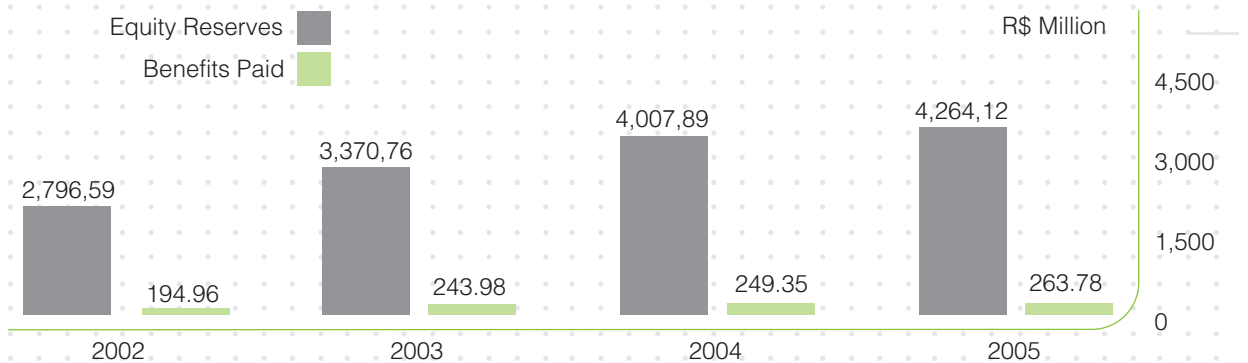
Usiminas System - Employees Retirement Fund  
Equity Evolution - Caixa dos Empregados da  
Usiminas and Fundação Cosipa de Seguridade Social



Usiminas System - Employees Retirement Fund  
Participation of sponsoring companies in the  
Supplementary Social Securing funding as a  
proportion of Employee's base salary



Usiminas System - Employees Retirement Fund - Equity Reserves vs. Benefits Paid  
Caixa dos Empregados da Usiminas and Fundação Cosipa de Seguridade Social



million, which figures reflect the substantial social reach of the entities.

The participation of sponsoring companies in the benefit reserve building relative to the retirement plans programs of Caixa dos Empregados da Usiminas and FEMCO in 2005 amounted to 6.12% of the total payroll of participating employees.

Together with the social service of the System's companies, retirement preparation programs are offered to employees nearing retirement and their families, dealing with behavioral concerns related to retirement, health care and other themes. Following retirement, social visits to the former work places are periodically scheduled, through

retiree associations, entailing positive impacts for the visitors and active employees alike. Aiming at creating new living outlooks, FEMCO has a standing operating agreement with the Catholic University of Santos – UNISANTOS, offering favorable conditions for their members and beneficiaries to have access to the remaining slots in the higher education program earmarked for senior citizens.

### 6.6 Gain and the Profit Share Plans

The effective employee participation in Usiminas' daily operations dates back to the early times of its industrial operations. The conjunction of Japan's and Minas Gerais' cultural aspects enabled the appearance of informal groups, always striving to provide solutions to technical, operating, maintenance and occupational safety issues in many industrial areas. These groups established new operating procedures and criteria, exceeding the manufacturers' specifications concerning workers' safety, equipment rated capacity and durability. They created the "Circles", germane to operations, maintenance, supplies, quality, occupational safety and the environment,

and founded an employee participatory model that became one of the most important facets of the company's organizational culture.

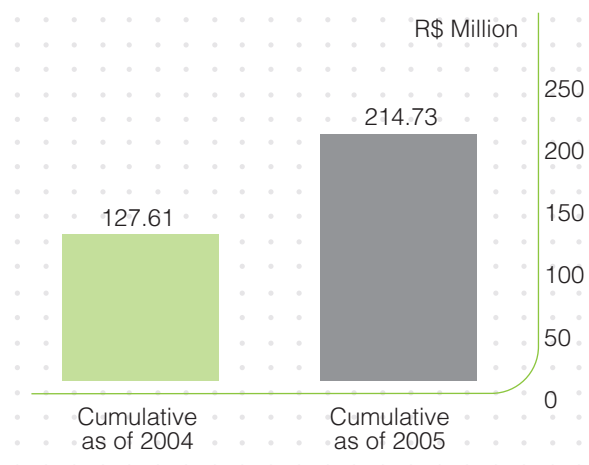
Decades later, this model enabled the employees to organize themselves and to hold an equity interest, decisively influencing the company's future. This equity interest today, held through the employee's representative entity, amounts to 13.24% of Usiminas' voting stock, and has received in excess of R\$214 million in interest on equity and dividend pay-outs as stockholders.

The shared participation of the employees in the processes was gradually incorporated to the organizational culture of the companies that integrate the Usiminas System.

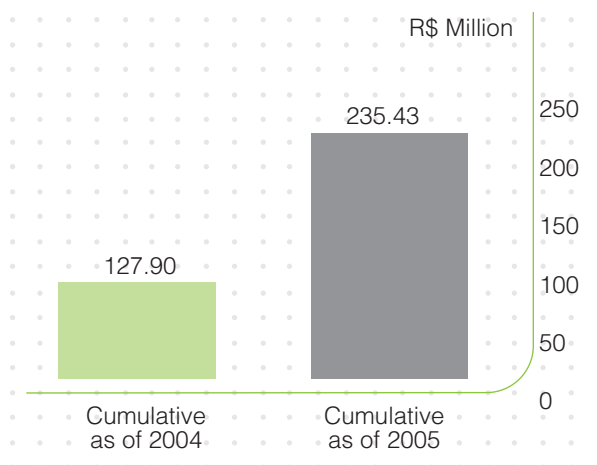
Operating and social goals are established through Employee Profit Sharing programs, drafted following discussions with Trade Unions and Employee Committees nominated by fellow workers in each one of the System's companies.

The achievement or excellence of these individual, sectoral and global goals is rewarded by additional compensation at amounts also previously approved by these Committees and by the Workers Union.

Dividends and Interest on Equity Credited to The Employees Representation Entity



Sistema Usiminas Employee Result and/or Profit Sharing Program



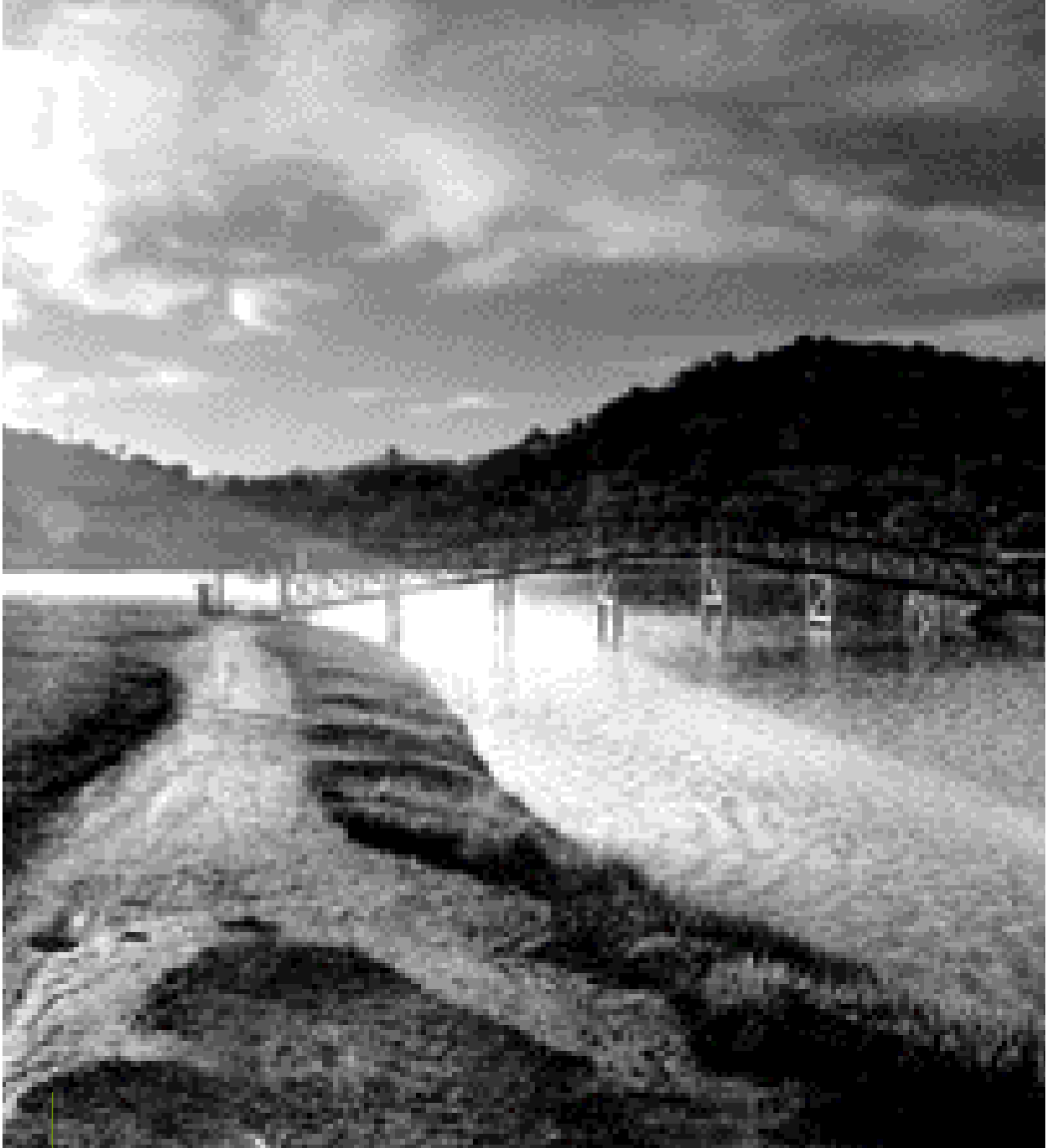
## 6.7 Future Commitments

	Commitments Assumed	Progress in 2005	Future Commitments
Employee Profile	<p>To increase employee schooling through access opportunities to elementary, intermediary and graduate course.</p> <p>At USIPARTS, this commitment breaks down as follows:</p> <ul style="list-style-type: none"> <li>• 85% of the headcount having full elementary education in 2006;</li> <li>• 55% of the headcount having full intermediary education in 2006.</li> </ul> <p>At USIMINAS, the goal is to achieve the following percentages of employees having accumulated supplementary education and being in capacities requiring higher education:</p> <ul style="list-style-type: none"> <li>• Over 55% by the end of 2005;</li> <li>• Over 60% by the end of 2006.</li> </ul> <p>At COSIPA, the commitment is 100% of the headcount minimally educated at the intermediary level by 2006.</p>	<p>USIPARTS: The development of elementary and intermediary educational programs resulted in a schooling level (high school and college) of 62.23% as of December 31, 2005.</p> <p>At USIMINAS, due to the natural personnel turnover, there was a reduction in the number of employees having supplementary higher studies graduation, with a headcount of 307 as of December 31, 2005.</p> <p>The development of elementary and intermediary educational programs by COSIPA resulted in 98% of personnel having completed the elementary and intermediary education as of December 31, 2005.</p>	<p>USIPARTS: goals to be accomplished up to 2006 remained unchanged.</p> <p>At USIMINAS, the initial goals were kept unchanged.</p> <p>At COSIPA, educational actions continue to focus on achieving 100% employees having completed the intermediary education.</p>
Occupational Safety and Medicine	<ol style="list-style-type: none"> <li>1. To improve exercising at work programs in the System's companies;</li> <li>2. To proceed with the studies to build and equip new mess halls closer to the work places at USIMINAS' Intendente Câmara Plant, maintaining the comfort assumptions that beaoned the construction or revamping of the seven existing mess halls.</li> </ol>	<ol style="list-style-type: none"> <li>1. The USIMINAS program was improved vis-à-vis its own employees, and extended to UNIGAL, USIROLL and contractors providing permanent support services.</li> <li>2. The study is pending a conclusion.</li> </ol>	<ol style="list-style-type: none"> <li>1. To increase employee's participation in the Exercising at Work Program.</li> <li>2. To complete studies aiming at building and equipping the new mess halls at Intendente Câmara Plant until 2006.</li> <li>3. To maintain the programs aiming at continued reduction in the number of accidents entailing loss of time in the System's companies.</li> </ol>
Support to Urban Development	<p>To complete the studies for the implementation of the New USIMINAS Housing Plan for the construction of homes for employees of Intendente Câmara Plant, irrespectively of their job position.</p>	<p>Studies have begun; expected to be completed and begin works until 2006.</p>	<p>To begin the works of the Housing Plan to build homes for USIMINAS employees until 2006.</p>
Improving the Quality of Living	<p>To restructure and merge the programs to improve the quality of living of employees and their families, endowing them with greater effectiveness, complementarity of actions and systemic nature.</p>	<p>In 2005, USIMINAS restructured the "Viver para Valer" (Living for Good) Project, unifying and focusing on the initiatives veered towards quality of living at workplace.</p>	<p>Contemplating regional peculiarities, the "Viver para Valer" Project is to be improved and extended to other System's companies</p>









## **7. The Usiminas System in the Community**

## 7.1 Social Performance

Supporting the public initiative, Usiminas developed the Ipatinga urban planning in accordance with a thorough study to integrate neighborhoods, squares, landscaping and homes to the urban infrastructure comprising schools, leisure and sports clubs, consumer cooperative stores, water treatment station, health and service stations, religious temples, integrated dental center, general hospital, cultural centers and theaters, besides reclaiming the original plant coverage. Today, with a population in excess of 200,000, Ipatinga boasts a Human Development Index, as computed by United Nations Development Program – UNDP, greater than 0.8, the level established by UNESCO for "high human development" places.

Such accomplishments promote the communities' well-being and quality of living, always associated to the development and consolidation of the Usiminas System as a solid private business enterprise.

## 7.2 Contact with the Community

Through its specialists, the Usiminas System maintains regular relationship with representatives from NGOs, Civil Society Organizations of Public Interest and from organized

society, channeling expectations and monitoring the impacts from production activities. At the places where the relative importance of the company's presence vis-à-vis the community is greater, such as Cosipa in Cubatão (SP) and Usiminas in Ipatinga (MG), specific organizational structures are maintained to handle these issues.

An example of hearing the community is the Community Advisory Panel program, developed by the Industrial Center of the State of São Paulo (CIESP), including Cosipa and 38 other companies. The program convenes monthly meetings with community leaders, representatives from the public administration, teaching institutions, class entities and non-governmental organizations, when the community's expectations are methodically identified. A multidisciplinary group from Cosipa analyzes these and other expectations, implementing or advancing with social and environment-related projects. Such permanent contact with the local administration and the community, among other actions, provided R\$ 3.37 million to accrue to the Children and Adolescent Fund – CAF. The investment is managed by the Municipal Children and Adolescent Councils – CMDCA in the cities of Ipatinga, in Minas Gerais, and Cubatão, Praia Grande, São Vicente, Santos and São

*Usiminas, an anchor company in the industrial sector; its representativeness crosses the borders of East Minas Gerais and raises Ipatinga to an outstanding position in the Brazilian scenario. Its excellent performance is the fruit of an efficient management, marked by expertise and austerity. A citizen company, whose employees show in their faces the satisfaction of being part of a great team.*

Sebastião Quintão  
Mayor of Ipatinga

Paulo, in the state São Paulo, to comply with policies, programs and actions veered towards servicing children and adolescents who are at risk, victims of violence, homeless, devoid of family support or structure, as well as combating child labor.

The "Athletes of Nature" program, developed by the Associação Esportiva e Recreativa Usipa, in Ipatinga, is outstanding among these programs. It is geared towards children and adolescents between 8 and 14 years of age, in a condition of social vulnerability. By strengthening the bonds of the family core, following up on school performance, contacts with sports and environmental education, the program seeks to raise the children's awareness of issues related to citizenship and their own social integration.

Followed by a social worker, physical education instructors, a pedagogue and environmental educators, in 2005 the Program enlarged its assistance reach from 120 to 200 children and adolescents who have the opportunity to develop their potential and skills through planned actions. In recognition for DUFER's endeavors to meet the community's legitimate needs, the National Steel Distributors Institute (INDA) granted the Company the "INDA's Social Ac-

tion Award" in the "Maecenas" category for the implementation of the "Embark on Reading" library. This project involves the establishment of stands near São Paulo's subway stations to lend books free of charge. The library operating model is similar to that of modern movie rental stores, where the customer/reader has a membership id card, chooses a book and returns it within ten days, free of charge. The main goal is to foster the habit of reading as a means of social inclusion.

At USIPARTS, managers and senior executives participate in the Association of the Pouso Alegre Industrial District – ASSEDIPA, and discuss with other regional entities and leaders subjects of interest to the companies and the communities, such as public transportation, public security, education, infrastructure and the environment. The community also seeks the company, by visiting the industrial plants. In these occasions, the investments made, policies and guidelines relating to the environment, occupational health and safety as well as aspects relating to the quality of living are presented.

The following are highlights of the main initiatives of the Usiminas System's companies relating to their communities:



"Athletes of Nature"

### 7.3 Support to Urban Development

The experience gathered by the Usiminas System during the Ipatinga urban planning stage, the mastery of the technologies of steels with technical specifications geared towards civil construction, and the development of commercial and household construction solutions, both single-family homes and condominiums, including popular housing projects, prompted the development of Housing Projects by the Usiminas System and the Steel Framing technology. The latter involved a technology transfer agreement with Siderar, entailing an ensemble of technical solutions that have yielded substantial productivity gains by the use of steel.

Steel Framing technology uses galvanized steel panels coated with other finishing materials as substrate for internal partition walls built with gypsy plates, external walls made up of cement plates or treated structural wood and several finishing options. The panels are delivered to the work sites ready to use, and they can be used to build houses and up to 7-story buildings. This technology results in less wastes, cleaner and safer work sites, and up to 30% time saving when compared to conventional construction methods. Steel Framing is a cost competitive, proven technology already adopted by a number of construction companies in Brazil. In 2005, the following accomplishments using the Usiminas System housing technology are worthy of mention:

- 3,700 steel roofing frames for Companhia Habitacional do Estado de Minas Gerais – COHAB/MG; public tenders are expected to be floated in 2006 to build 1,100 homes;
- 119 homes for the Municipal Administration of Betim built through Companhia Habitacional do Estado de Minas Gerais – COHAB/MG;
- 100 homes for Companhia Habitacional do Estado de São Paulo – COHAB/SP in four- and six-story buildings – Associação de Construção Comunitária Paulo Freire;
- The Municipal Administration of Serra, in the state of Espírito Santo, built 105 homes with 36 m<sup>2</sup>, following a standard blueprint developed by Usiminas;
- 1 building in Macaé, Rio de Janeiro;
- House prototype built in Macaé - RJ for Petrobrás employees; 1,000 homes are planned to be built during 2006;
- 81 roofing frames for Companhia de Desenvolvimento Habitacional e Urbano de São Paulo – CDHU/SP in Conchou;
- 2 schools for the Municipal Administration of Hortolândia, São Paulo;

Based on the Steel Framing technology, the Usiminas System is engaged in a work to develop the entire production chain by providing training to market professionals and both construction and erection companies, preparing standards, having the system approved by Caixa Econômica Federal, and introducing the technology to several Brazilian universities.

It must be highlighted the following residential units built in 2005 using the Steel Framing technology:

- 13 popular 4-story buildings in Bragança Paulista
- Homes in Belo Horizonte, Sete Lagoas, Curitiba and São Paulo Another aspect of the work developed by the Usiminas System that is worthy of mention is the engagement in the restoration of Chapel Santana do Pé do Morro in Ouro Branco-MG, in the frame of an agreement signed with IEPHA.



## 7.4 Support to Cooperativism: the power of teamwork

The proposition of consolidating stand-alone social benefits to the employees and the community prompts the Usiminas System's companies to foment the dissemination of cooperativism ideals.

In 1963, Usiminas supported the start of activities of the Cooperativa de Consumo dos Empregados da Usiminas Ltda. – CONSUL, chartered to ensure the supply of consumer goods at competitive quality and prices.

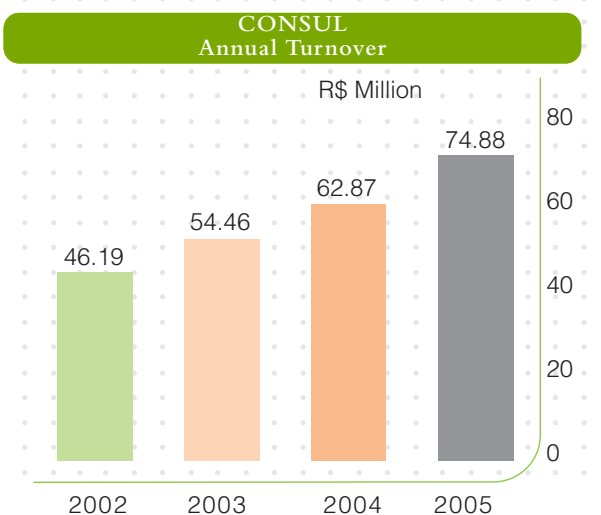
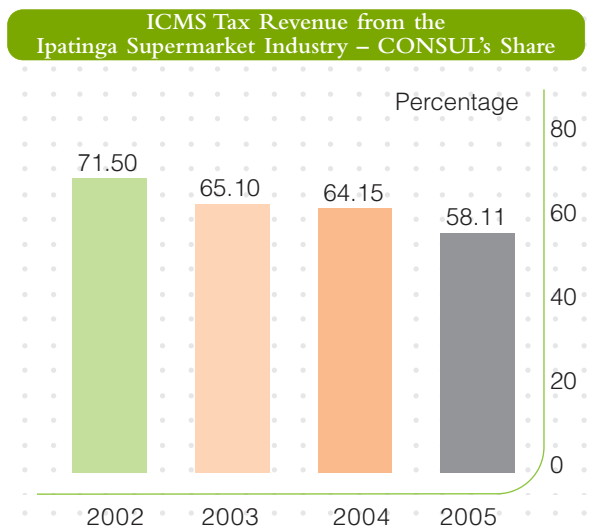
Consul is today a cooperative open to the community and notable for its pricing policy, adopted as a benchmark in the region, and also for its significant share of the Ipatinga municipality's tax revenues and also for the generation of direct and indirect jobs.

Being the first consumer cooperative store to become an anchor-store, Consul's hypermarket is present in the Steel Valley Mall, the region's largest retail venture. It includes 4,800 m<sup>2</sup> of selling floor space with 30 computerized check-out cashiers and over 23,000 inventory items.

The same services are made available to the public at large by means of two other supermarkets installed in heavily populated neighborhoods of Ipatinga, for a total 2,042 m<sup>2</sup> selling floor space.

Because of the positive results of its self-sustainable management, veered towards an effective market approach, CONSUL has held the first place in the ranking of the biggest consumer cooperatives in Minas Gerais, and one of the largest in the country (please refer to [www.ocemg.org.br](http://www.ocemg.org.br)).

Cooperativism concepts are also disseminated throughout the community by the Cooperativa de Economia e Crédito Mútuo



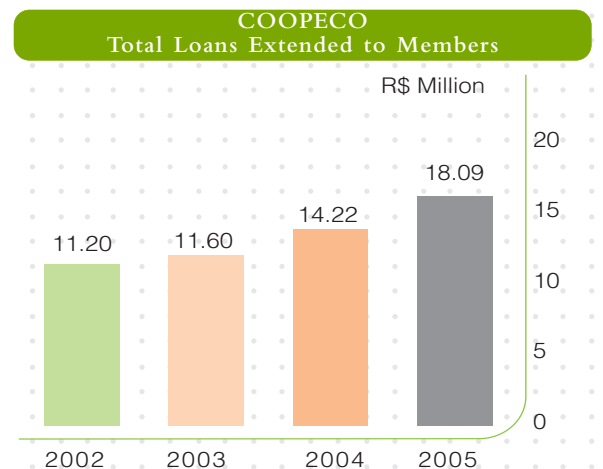
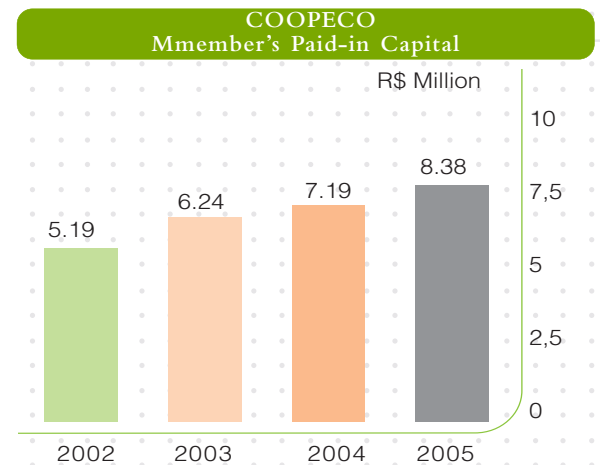
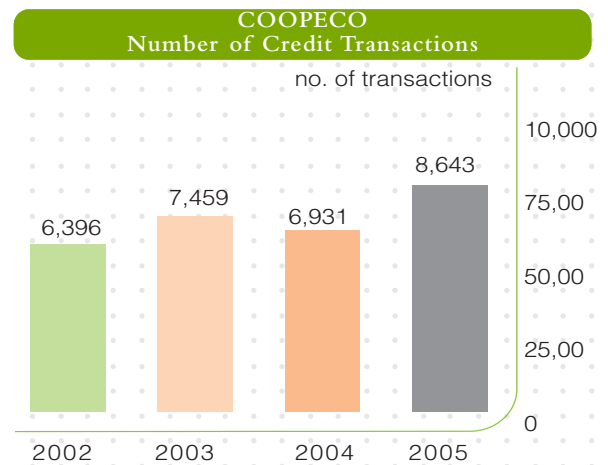
dos Empregados da Usiminas – COOPECO and the Cooperativa de Crédito dos Empregados da USIPARTS. They are both chartered to promote savings and finance the needs or business ventures of their participants.

By extending loans under more favorable conditions compared to the traditional financial system, Coopeco has benefited 84.24% of all its participants, strengthening the ideal of the quest for the common good.

Integrated to over 1,350 branch offices of Banco Cooperativo do Brasil S/A – BANCOOB, of which it is a founder, Co-opéco offers all the services provided by a regular commercial bank, by running checking accounts, collection, accepting payment for utilities and making financial investments.

Restating the concept of an economically feasible credit cooperative and reflecting the confidence of its members, the actual return on the capital paid in by the members was 16.55%.

From its earned surplus (profitability), Coopeco earmarked 12% as the maximum compensation for the members' capital, retained 10% referring to its Reserve Fund and allocated 5% to the Educational and Social Technical Assistance Fund – FATES, to fund social benefit programs to low-income members. Coopeco has entered an operating agreement with the Associação Esportiva e Recreativa Usipa to subsidize the technical improvement of athletes in different swimming modes, like swimmer Kamila de Souza Albino, juvenile category, ranking first in the state in 50m, 100m and 200m butterfly and second in 50m and 100 m freestyle. She's one of the most promising swimmers in Brazil.



## 7.5 Voluntary Work in the Communities

The Usiminas System's companies encourage their employees to participate in voluntary social development initiatives, availing resources and facilities for this purpose.

Voluntary work activities comprise the effective work developed in nurseries, neighborhood communities, churches, asylums, hospitals and medical and social service stations. They are also present at NGOs dedicated to recover chemical abusers and to environmental protection and reclaiming.

In Ipatinga, the Intendente Câmara Plant and Usiminas Mecânica consider personal voluntary action to be one of the criteria for electing the "Standard Workers" of each sector. The "Standard Workers", elected by the employees themselves, coordinate campaigns in favor of more than 130 community entities and applicant underprivileged families.

In December, supported by local companies and institutions, the employees promote "Day V", when different initiatives emerge to public visibility.

Also in Ipatinga, the students of Intendente Câmara Plant's Professional Development Center learn from the beginning of the importance of voluntary contribution to community development, participating in the revamp of municipal schools.

At Cosipa's José Bonifácio de Andrada e Silva Plant voluntary work is also a tradition. Co-ordinated by the company, Cosipa employees established the "Company of Volunteers", in which outsourced personnel also participate, for the purpose of providing aid to assistance entities of Baixada Santista, underprivileged neighborhood communities and to three schools in Cubatão (SP), Santos (SP) and São Vicente (SP) that participate in the "COSIPA at School" project.

Cosipa's Company of Volunteers concentrates its actions on three main axes:

- Dancing, theater and football lessons, plus mathematics and Portuguese tutorials;
- Preparation for technical school exams, offering chemistry, physics, mathematics and Portuguese tutorials;
- The "Mantiqueira Project", offering Portuguese and mathematics tutorials, theater workshops, environmental awareness programs and IT lessons. The Project contem-



"Cosipa at School" Project

plates adolescents between 11 and 14 years, from unstructured families and exposed to physical and social risks, besides poverty associated ailments.

They also develop campaigns such as the Winter Wear Campaign, which afforded the distribution of clothes and blankets to 80 community entities, and "Christmas Without Hunger", with the donation of foodstuffs to 114 charity institutions in Baixada Santista cities.

RIO NEGRO employees, together with their friends and families, also develop similar campaigns on a voluntary basis. In 2005, under the company's support, they held the 3<sup>rd</sup> Blood Donation Campaign, collecting approximately 130 liters of blood, promoted by Colsan – Sociedade Beneficente de Coleta de Sangue. The Company donated 60 personal computers to assistance entities in the region of Guarulhos, Taubaté, Itaquaquecetuba and Itaim Paulista previously on file and analyzed by a voluntary employee committee, aiming at the development and digital inclusion of underprivileged communities.

RIO NEGRO also develops the internal and nearby community "Selective Collection" program, selecting materials for later donation to the São Paulo chapter of Caritas Brazil, of the National Conference of Brazilian Bishops – CNBB. The products marketed by the entity provide resources earmarked for assistance projects.

## 7.6 Health in the Community

### **Márcio Cunha Hospital.**

#### **Hospital Service Excellence.**

Located in Ipatinga – MG, and serving a micro-region populated by approximately 620,000 people, Fundação São Francisco

Xavier's Márcio Cunha Hospital is a general hospital for 30 medical specialties.

It is considered by the Health Department of the State of Minas Gerais as a benchmark in urgency and emergency service, high-risk pregnancy care, kidney transplants and dialysis procedures, installation of heart pacemakers, neurosurgery and Intensive Treatment Unit care for adults.

It is considered as "strategic" by the Health Ministry within the scope of the Brazilian Government's Free Medical and Hospital Assistance Plan - SUS (decree 4481/02), and accredited as a High Complexity Center in Oncology.

In 2005, the Hospital was accredited by the Brazilian Government's Free Medical and Hospital Assistance Plan - SUS for heart surgeries and hemodynamic procedures in a ceremony chaired by the Health Ministry, Dr. José Saraiva Felipe. With the expectation of carrying out around 180 heart surgeries per year, patients will be selected and cleared by the municipal health departments and, in case of emergency, without the need for previous examination by the municipal health system. The Márcio Cunha Hospital is fitted with latest generation equipment and a dedicated surgical team trained by the Instituto do Coração (Incor), São Paulo. Since late 2004, the heart surgery team has been carrying out heart surgeries in private patients and patients covered by health plans. Upon the accreditation by the government's medical care plan, this service is now extended to the entire community.

These are governmental acknowledgments that are periodically renewed following evaluation of the hospital's physical installations, equipment and medical body.

It is accredited by the Ministry of Education for medical residence in general surgery, radiology, pediatrics, medical clinic, gynecology and obstetrics. In 2004, the Hospital began the implementation of an operating agreement with Fundação Lucas Machado – Faculty of Medical Sciences of Minas Gerais, aiming to provide specialization programs in different medical specialties.

It was the first Brazilian hospital to obtain a Hospital Accreditation at the Excellent Level following an audit made by Det Norske Veritas – DNV, according to the guidelines of the Brazilian Hospital Accreditation Manual, as established by the National Accreditation Organization – ONA and approved by the Health Ministry by Ruling 1970/2001. The certification of its Clinic Pathology Laboratory's Quality Management System was renewed in accordance with NBR ISO 9001:2000.

In 2005 alone, FSFX invested in excess of R\$ 7.6 million in works and installations, all of them of the highest importance to the community at large. Among them, the

completion of Unit II of Márcio Cunha Hospital, veered towards servicing private and managed health patients and also mainly the beneficiaries of the Brazilian Government's Free Medical and Hospital Assistance Plan – SUS.

Upon inaugurating a new Unit with 7,400 m<sup>2</sup> of floor space, the Márcio Cunha Hospital grew to 472 admission beds and 8 day-hospital beds, significantly improving the hospital assistance to the community under the free service provided by the Brazilian Government's Free Medical and Hospital Assistance Plan – SUS, at the standards that Usiminas reserves to its employees and their families.

Considering only the capacity of the Márcio Cunha Hospital, the population of Ipatinga now counts on 2.65 hospital beds per 1,000 inhabitants, a number close to the 3 hospital beds per thousand recommended by the World Health Organization – WHO. This will further improve the region's Human Development Index.

In recognition for the support provided to the



Márcio Cunha Hospital

*Usiminas has always been active in the health area, bringing advanced medical services to Ipatinga. Retirees from Usiminas have always enjoyed full support from their Association's global health prevention programs.*

Lauro Botelho  
President of the Retirees and Pensioners Association of Ipatinga - AAPI



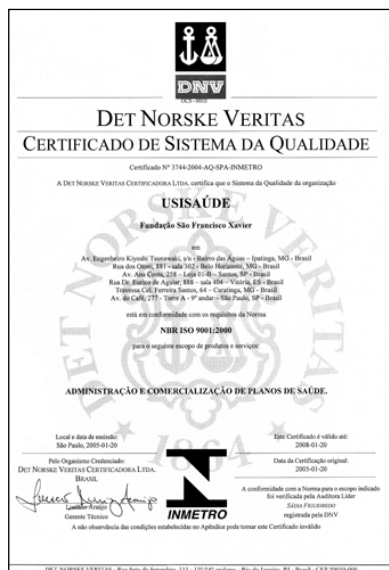
Foundation and Márcio Cunha Hospital, the Federal Government conferred to USIMINAS the Health Ministry's Partner Company certificate for the important participation in the national dengue fever control campaign during the 2004/2005 summer season.

### Managed Health Plan. Good for the employees, good for the community

The experience gathered in hospital and in-house health plan administration enabled

clients' needs at the main medical reference centers in the country. Always veered towards the continuous improvement of its activities, Usisaúde holds quality of service polls directed to the beneficiaries and the professionals of its accredited network. In 2005, following audits made by the Det Norske Veritas – DNV, USISAÚDE's management system had its certification renewed as compliant with standard ISO 9001:2000. USISAÚDE was the first health plan operator in Minas Gerais and the third one in Brazil to be conferred this certificate.

ISO 9001: 2000 Certificate - Usisaúde



### 7.7 Education in the Community

#### Elementary and Intermediary Education

In Ipatinga, Colégio São Francisco Xavier - CSFX, a school established by USIMINAS, now has an enrolment of 2,950, from pre-school to intermediary education.

Quality of education earned CSFX a pioneer achievement in Brazil: the certificate of compliance with standard ISO 9002, relating to the quality of teaching and installation infrastructure, granted in 1997 by the Det Norske Veritas – DNV, and ratified in later audits.

The quality of teaching evaluation is also evidenced by the high alumni approval rate in the school entrance examinations of the best universities in the country. In 2005, 85% of its former students graduated from high school were approved for university.

In 2005, the BE MORE philosophy designed by the school percolated the entire FSFX, substantiated by an ensemble of principles and guidelines conducting all activities. As a breakdown of this philosophy, the school held in 2005 the "3<sup>rd</sup> CSFX Education Congress, geared to public and private networks

FSFX to extend the benefits originally designed for the Usiminas System employees to the population at large. Through its Managed Health Care Operator, USISAÚDE, FSFX offers individual and collective/corporate plans in accordance with the legal framework in force, joining quality and service diversity to the flexibility of benefits, safety and low costs.

Providing full assistance to over 124,000 beneficiaries and counting on a vast accredited network, USISAÚDE offers highly qualified service providers to attend to its



educators, parents, students and the community. During this third edition, the Congress discussed the issue "Contemporary Educational Challenges", by reviewing educator formation, day-to-day aspects of a classroom, and the management of pedagogical processes required for high-quality education. At no charge to the participants, the School presents its findings on pedagogical methodologies and other pedagogical aspects that, after a comprehensive discussion, become improvements applied to the teaching network and to the School itself.

Also within the scope of the BE MORE philosophy the following accomplishments are notable:

- Additional scholarships for underprivileged, regularly enrolled students in the education system were granted in 2005. The candidates are nominated by the community's public school network in compliance with criteria such as family income, among others. Besides total exemption from expenses and fees (amounting to about R\$ 2 million), scholarship holders are given school uniforms, pedagogical material and bussing.
- Improvement of the Potential and Skills Development Center – CEDEPH, in

Ipatinga, where underprivileged children endowed with talents and high skills are identified in the public network schools by applying the appropriate scientific methodology. Following the identification and confirmation of this profile, these children's development is followed by CSFX specialists and, besides the education provided by the school, the children participate in specific, custom-made programs geared to the improvement of the confirmed abilities and potential talents. In 2005, 300 children were favored by the Center's activities.

USIMINAS also enabled the construction of 28 community schools, today managed by the municipal and state administrations.

From the assessment of the nearby community's medium-term needs, COSIPA entered a technical cooperation operating agreement with the municipal administrations of Cubatão, Santos and São Vicente. According to the agreement, company specialists cooperate towards the improvement of the public school management in a school in each municipality, based on the incorporation of total quality-based models implemented at José Bonifácio de Andrada Plant, and associated to educational criteria developed by UNESCO. The schools are equipped by



Room for talent



the Company with IT laboratories and adequate furniture. The purpose is to turn them into quality reference schools for the State of São Paulo's public education system. This initiative prompted the Cosipa Employee Association and Santa Cecília University to join in to develop the sports program for 1<sup>st</sup> to 8<sup>th</sup> grade elementary education students, offering volleyball and court football lessons. Cosipa's employees voluntarily organized the schools' libraries and offered professional orientation in different disciplines and tutorial lessons, and also developed dancing, theater, flute and origami, among others. Altogether, the programs benefited 3,000 low-income children.

### Vocational Training

Through its Vocational Training Center, Intendente Câmara Plant has offered vocational training to apprentice minors in the disciplines of mechanics, electricity, lathe operation, welding, electronics and steel making operations since 1964.

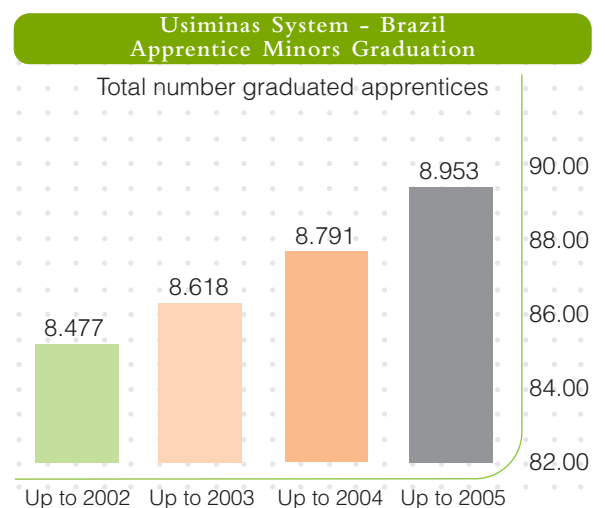
The courses extrapolate a merely technical training. Through disciplines focused upon environmental education, occupational safety, health and civism the youngsters are educated for the exercise of citizenship, becoming aware of their rights and duties while living in society. Of the current

personnel employed in industrial operation and maintenance activities of Intendente Câmara Plant, 29.3% studied at the Vocational Training Center.

The courses also fulfill the important objective of training professionals with a suitable profile for the development of the Usiminas System industrial activities and also for local companies, leveraging regional development. An identical program is developed by Usiparts; as of 2005, 66 professionals were trained.

At COSIPA's José Bonifácio de Andrada Plant, this program has existed since 1976. Adolescents between 14 and 17 years of age have the opportunity of access to a 2-year vocational training.

As happens at Intendente Câmara Plant, the entire learning and traineeship period is



compensated. Upon completing their courses, the students are ready to enter the market with a differentiated advantage.

### Professional Recycling at the Community

The Self-development at the Community Program is a manner by which the Usiminas System trains professionals for new market requirements. It encourages professional recycling and employability in its broadest sense.

In 2005, the Usiminas System offered to 6,433 individuals from nearby communities adult vocational courses in the following technical areas: welding, mechanics, electricity and electronics, management, language courses, human relations and an

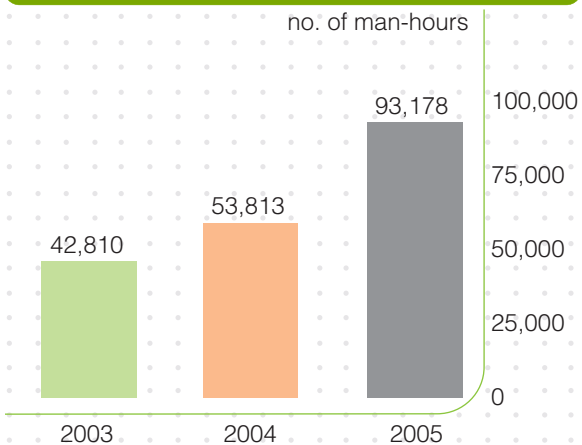
extensive information technology program. These are opportunities that the Usiminas System offers to the community to support governmental initiatives. The gain provided by Usiminas takes the form of skilled professionals who, directly or indirectly, contribute towards the success of the Companies in their relationships, businesses and ventures.

### Supervised Internship Programs

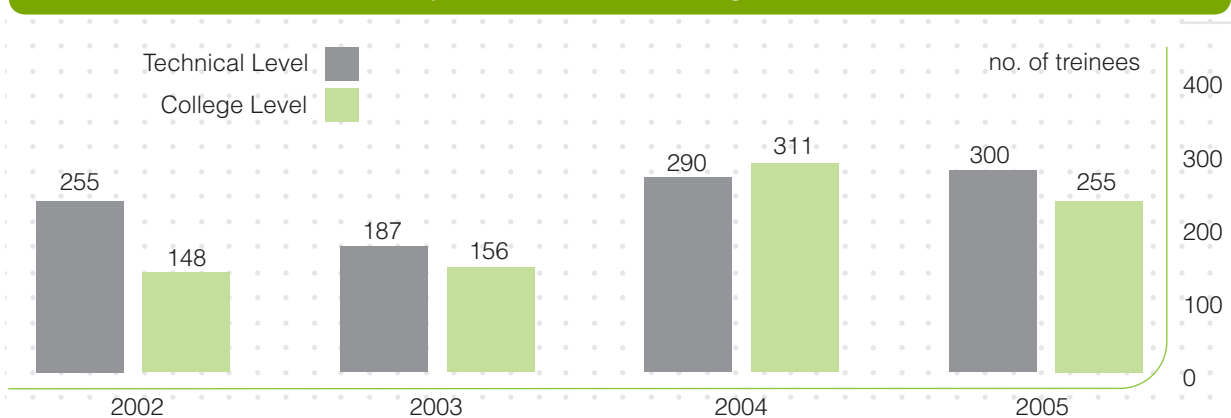
The Usiminas System offers curricular internship opportunities – a learning requirement in many courses – to intermediary and higher education students.

Besides being an opportunity to put in practice the theoretical knowledge acquired at school, the internship enables the student to experience his professional reality, developing a notion of responsibility, exercising team coexistence, learning the values of the corporate world and identifying myriad work possibilities. The programs are structured in stages previously established jointly with the educational entity, followed up by advisors, and they seek to reconcile learning objectives with the corporate reality. Internship programs provide the identification of talents for future employment by the System.

Usiminas System - Brazil Professional Recycling Course Hours Provided to the Community



Usiminas System - Brazil Trainee Program for Students





### 7.8 Sports and Leisure

The Usiminas System's companies have built and delivered over 20 large installations designed for leisure and sports activities of their employees, their families and communities. They are self-sustainable clubs today, run by their own members. Besides leisure, they offer sports activities that promote cohesion and teamwork.

The Associação dos Funcionários da COSIPA - AFC promotes the integration of their members and the community at large, always aiming at the social, cultural and sports development. With a modern gym installed near the José Bonifácio de Andrada Plant, the Santos Leisure Center and the Nautica Leisure Center, with more than 260,000 m<sup>2</sup> in São Vicente, AFC multiplies amusement and physical and mental improvement options. Participating in sports events always, AFC fosters the growth of the Brazilian sports activities, and has been the cradle of many renowned athletes. AFC, together with Santa Cecília University, also develops the Education through Sports project. Benefiting 360 students from three municipal public schools of Santos, São Vicente and Cubatão, the program's goal is to raise the 5<sup>th</sup> to 8<sup>th</sup> grade students'

interest for sports, especially volleyball and court football.

Associação Esportiva e Recreativa Usipa, in Ipatinga, is another club equipped with full infrastructure for the performance of myriad sports modes. It is today a Brazilian reference in sports development. The club has a heated pool, gyms, stadium, an athlete scientific evaluation center, lodging quarters, polysports courts, a training center, track & field tracks, and full social facilities, enabling the emergence of new, talented, medal-winning athletes in domestic and international competition.

In 2005, as in decades past, high-performing Usipa athletes won excellent results in sports matches, as Roberta Kamila Albino, 16, sponsored by Cooperativa de Economia e Crédito Mútuo dos Empregados da Usiminas: in the Juvenile Match - "Assis Chateaubriand Trophy" in 50-meter pool – she was ranked second in 50 m freestyle (00'27"51) and 100 m freestyle (01'01"02), and champion in 100 m butterfly (01'05"95). During the IV Brazilian Winter Juvenile Championship - Arthur Sampaio Carepa Trophy - she was second in 100 m butterfly (01'00"29) and 4x50 m relay freestyle (individual time 00'27"93, and team time 01'52"75).

Swimmer Ingrid Sezini Souza was second in 100 m backstroke (01'11"71) in the V Brazilian Winter Juvenile Championship - Arthur Sampaio Carepa Trophy. In the Absolute Swimming Super Cup – II Eduardo Sávio Trophy - in 25-m pool, she broke the Minas Gerais record in 50 m (31"51) and 100 m backstroke (1'09"07), and ranked second in 50 m butterfly (31"47).

In the Juvenile Match - "Assis Chateaubriand Trophy" in 50-meter pool - swimmer Caio Pissolato ranked second in 50 meters (00'26"08) and 100 meters (00'58"07) freestyle.

Judoka Sara Cristina da Penha Viana was Minas Gerais Tournament champion in her category, champion in the Minas Gerais Inland Games (JIMI) and ranked second in the Interstate Minas Tênis Club Cup.

In athletics, hammer thrower Alain Cristhian Ornelas Silva was champion and state record breaker in the categories "Juvenile" and "Sub 23", state champion in "Adult" category and champion in the Minas Gerais Inland Games (JIMI).

In the SESI-sponsored 9<sup>th</sup> Edition of the Workers' National Games, Southeast Region

States, the Usiminas System teams represented the state of Minas Gerais and were ranked first in man's backstroke and 4 x 50 relay freestyle. The Usiminas System teams ranked second in "Society" Soccer, Man's Beach Volleyball and men's athletics (200 m sprint, jump and shot put). Women's Track & Field, the team ranked third for jump, shot put and 4 x 100 relay. In the senior category, the team won the silver medal in swimming freestyle and 4 x 50 relay, and was third in breaststroke.

In the national stage of SESI Games, the Usiminas System's teams became Brazilian men's swimming champions, men's beach volleyball and "society" soccer vice-champions, and third place in men's athletics and men's table tennis.



Usiminas Atletes



## 7.9 Future Commitments

	Commitments Assumed	Progress in 2005	Future Commitments
Support to Urban Development	<ul style="list-style-type: none"> <li>To complete in 2004 the studies for the implementation of the new phase of USIMINAS Housing Plan for the construction of homes for employees of Intendente Câmara Plant, irrespectively of their job position.</li> </ul>	<ul style="list-style-type: none"> <li>Studies have begun; expected to be completed and begin works until 2006.</li> </ul>	<ul style="list-style-type: none"> <li>To begin the works of the Housing Plan to build homes for USIMINAS employees until 2006.</li> </ul>
Community Health	<ul style="list-style-type: none"> <li>To offer the population, in 2004, high-complexity hemodynamics and heart surgery services from the technical support and technology transfer in the frame of the agreement with Fundação Zerbini/Instituto do Coração - INCOR in Cardiology, Heart Surgery and Hemodynamics.</li> </ul>	<ul style="list-style-type: none"> <li>Upon the accreditation of Márcio Cunha Hospital by the Health Ministry on October 6, 2005, the entity now offers hemodynamic services and heart surgery to the public at large, including patients covered by the Brazilian Government's Free Medical and Hospital Assistance Plan - SUS.</li> </ul>	<ul style="list-style-type: none"> <li>To disseminate to the community the availability of Hospital Márcio Cunha to offer high-complexity clinical and heart surgery procedures.</li> </ul>
Community Education	<ul style="list-style-type: none"> <li>To expand, through CSFX, actions involving underprivileged children and children endowed with talents and high skills.</li> </ul>	<ul style="list-style-type: none"> <li>In 2005, CSFX assigned approx. R\$ 2 million for scholarships for underprivileged students.</li> <li>In 2005, 300 talented and highly skilled children were given special support through the "Room for Talent" Program.</li> </ul>	<ul style="list-style-type: none"> <li>To consolidate the BE MORE Project in Ipatinga's Horto neighborhood through the Room for Talent Program.</li> </ul>
Sports - Participation in Games	<ul style="list-style-type: none"> <li>Participation in men's swimming and volleyball teams in the VIII edition of the National Worker Games.</li> </ul>	<ul style="list-style-type: none"> <li>The Usiminas System's teams participated in all phases of the National Worker Games, achieving excellent results in many sports modes.</li> </ul>	<ul style="list-style-type: none"> <li>Participation of the Usiminas System's companies' employees in the IX Edition of the National Worker Games, sponsored by SESI, in swimming competitions (freestyle, breaststroke, backstroke and 4 x 50 m relay).</li> </ul>
Integration with the Community	<ul style="list-style-type: none"> <li>To enhance the integration programs between USIPARTS, its employees, employee's families and the community by approaching the local entities and implementing plant visiting programs involving families, students and regional entities.</li> </ul>	<ul style="list-style-type: none"> <li>Usipart's 6th anniversary was celebrated on October 15, 2005, with the participation of employees, their families, guests and service providers, totaling approximately 3,000 persons present.</li> <li>Students from technical schools and universities in the region visited the plant.</li> </ul>	<ul style="list-style-type: none"> <li>Social-cultural support: to earmark funds for children support entities and cultural projects.</li> <li>Company-community approximation: to provide internship opportunities for technical level and higher education students; to bring schools closer to the company by means of visits and technical follow-up; to encourage employees in their voluntary actions.</li> </ul>





Mantiqueira Project: São Vicente, Cubatão and Santos, state of São Paulo



## 8. Cultural Performance



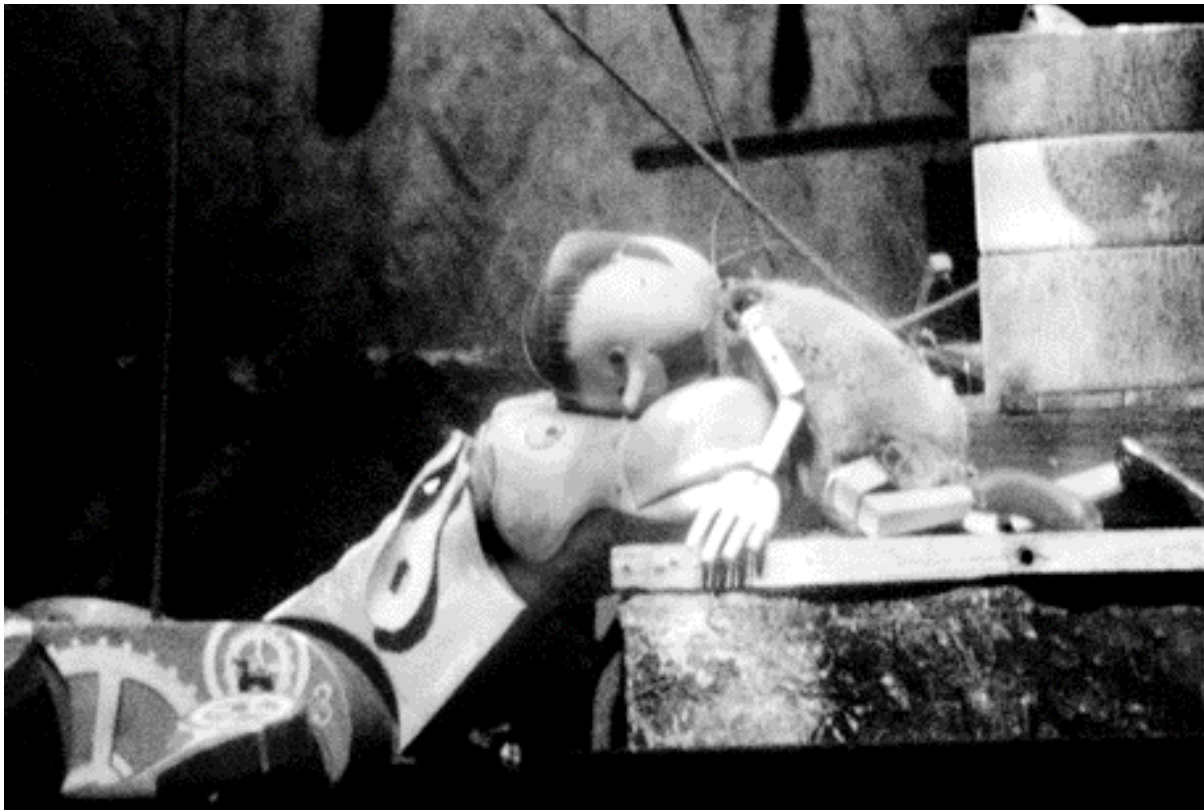
The Usiminas System companies foster social development also through the encouragement of a variety of artistic and cultural events, particularly involving the communities living in the vicinities of its industrial plants. In 1993, aiming at providing its actions with enhanced focus and complementarity, such initiatives were merged in the Usiminas Cultural Institute – USICULTURA, administered by Fundação São Francisco Xavier – FSFX, whose main purpose is to promote culture as a social development instrument.

From 1993 through 2005, relying on incentives given by both federal and state legislations, the USICULTURA assigned in excess

of R\$ 87 million to 772 different cultural initiatives. In 2005, the cultural investments made by USIMINAS, COSIPA, Usiminas Mecânica, FASAL, DUFER, RIO NEGRO, USIPARTS and Cooperativa de Consumo dos Empregados da Usiminas outstripped the mark of R\$ 22.5 million, allocated to 159 projects, in a corroboration of the Usiminas System’s commitment to social inclusion and human development promotion.

### 8.1 Interaction with Communities

Based on demands perceived through direct contact with the community and the artistic and cultural environment, and as an



“Residência Artística” Series - Giramundo Group

acknowledgement of the cultural diversity among the different Brazilian regions, the Usiminas Cultural Institute (USICULTURA) has assigned high priority to the following areas:

- construction, refurbishment and revitalization of artistic and cultural spaces;
- incentive to production and presentation of events in USICULTURA's own spaces or third parties', with an aim to increase public attendance to shows and events as a form of social inclusion and development;
- support to artistic groups, professionals and markets;
- artistic education

These are, in lesser or larger extent depending on the project nature, the priorities that sustain each project developed by USICULTURA, besides specific projects to meet the requirements of each of such priorities.

## 8.2 Cultural Spaces and Infrastructure

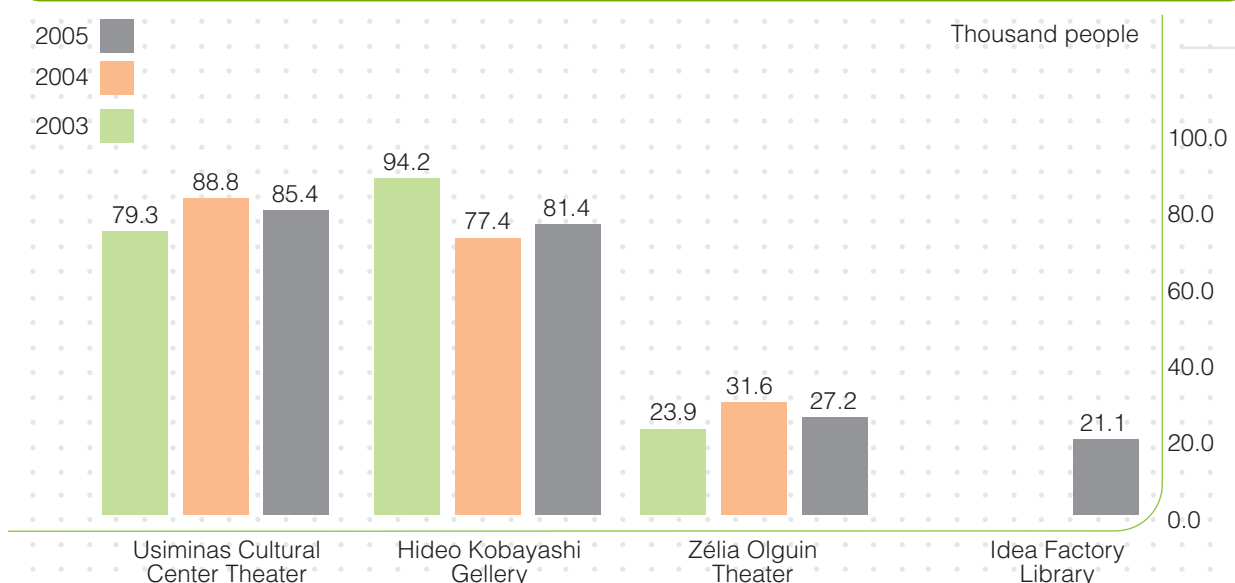
In 1994 the USICULTURA inaugurated its first own cultural space, the Zélia Olguin Theater at Ipatinga, Minas Gerais State, with seating

capacity for audiences of 206 people. During its eleven years in activity, more than 7600 shows have been presented, ranging from plays to dance and music, including chamber orchestras, involving 3,000 performers and 227,000 spectators.

In 2002, the USICULTURA completed the works on the Usiminas Cultural Center at Ipatinga, which includes the Hideo Kobayashi Art Gallery (covering 1,000 m<sup>2</sup>) and one of the most modern theaters in Brazil, with 724 seats and the infrastructure required to present dance, shows, plays, concerts, operas and major Brazilian and international performances.

In 2005, in the frame of the celebrations of the 41<sup>st</sup> anniversary of Ipatinga, USICULTURA inaugurated the Idea Factory Library, located in the Usiminas Cultural Center. The Library, a joint initiative by USICULTURA and Instituto Brasil Leitor, makes available, at no cost, more than 2,500 works, with an emphasis on arts, culture, architecture and literature in general.

Usiminas Cultural Institute Public Attendance



Journals and internet access are also available. In addition, the Library offers a 45-seat room for debates, courses and speeches.

In 2005, USICULTURA invested R\$ 3.3 million in the maintenance, operation and equipment acquisition for its own cultural spaces, which resulted in the generation of estimated 400 jobs.

After just three years of operation, the Usiminas Cultural Center became a benchmark in theater plays, musicals, exhibitions and arts workshops, thus changing Ipatinga into a regional arts and culture diffusion center.

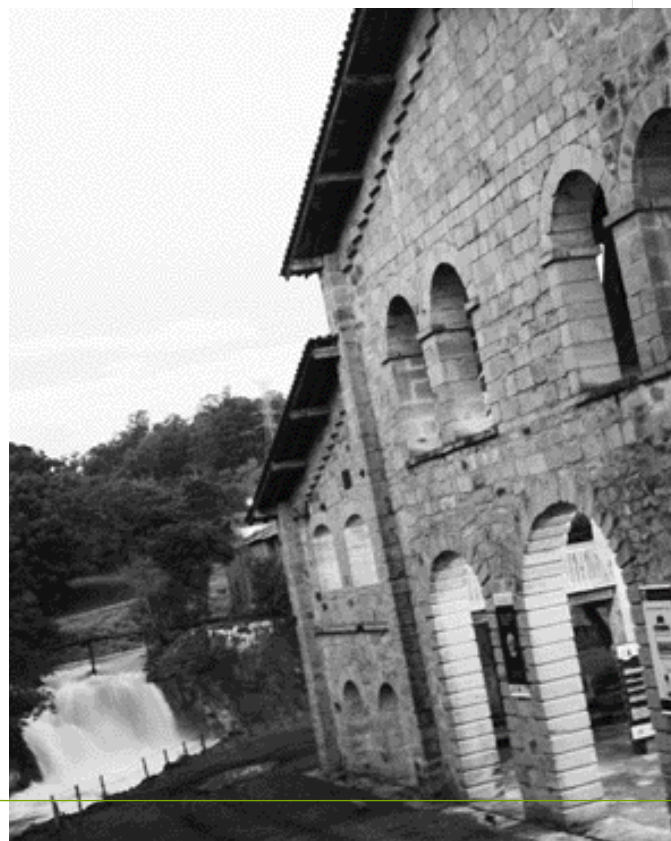
USICULTURA has been active also in the refurbishment, construction and maintenance of important third parties' cultural spaces and historical monuments, besides supporting social inclusion projects such as the Memória Gráfica – Typographia, a project that offers engraving, printing, artistic and graphic activities to underprivileged youngsters.

Outstanding culture supporting actions have been implemented in Minas Gerais with respect to Fundação Clóvis Salgado/ Palácio das Artes, Amilcar Martins Cultural Institute, Pampulha Museum of Arts, Abílio Barreto History Museum, Galpão Cine Horto, Luiz Bessa Public Library, Minas Gerais State Public Archives (Arquivo Público Mineiro), Giramundo Museum, Fundação de Arte de Ouro Preto, Memória Gráfica Typographia, Plastic Arts Reference Center of Minas Gerais, Artes e Ofícios Museum, São João Del Rey Municipal Theater, João Paulo II Theater - Unileste (Coronel Fabriciano), José Maria Barra Cultural Center (Uberaba), the headquar-

ters of Corpo Dance Group (Nova Lima), Vânia Campos Theater (Itaúna), Usina Gravatá Theater (Divinópolis), Guaxupé Municipal Theater, Usiminas Theater (as an annex to the Luiz de Bessa State Public Library - Belo Horizonte), Uberlândia Municipal Theater (designed by Oscar Niemeyer), and the headquarters of Trampulim and Armatrux Groups (Nova Lima).

In São Paulo, USICULTURA played an important role in the restoration of the Real Iron Factory of São João de Ipanema, built in 1808, located in Iperó/SP, one of Brazil's first iron and steel making plants. Relying on the support from COSIPA, DUFER and RIO NEGRO, USICULTURA has been active in setting up libraries (including Braille books), like the "Reading Factory" Library in Cubatão, and the development and maintenance of the Embark on Reading Library Project at the Paraíso and Tatuapé

Real Iron Factory of São João de Ipanema - SP





subway stations, in the São Paulo State Capital. This latter project was granted the Mário Covas Award in 2005.

### 8.3 Cultural and Artistic Production and Exhibition

When providing support to artistic and cultural productions and events USICULTURA has in mind to foster the sustainable development of a cultural production chain through projects aimed at structuring the cultural segment and provide it with its own means of living.

USICULTURA used its facilities in the Zélia Olguin Theater and Usiminas Cultural Center Theater to promote, in 2005, 272 shows, 48 speeches and 11 seminars, to which in excess of 112,000 people attended. Out of the 272 shows, 105 were produced and presented by groups or people from the Ipatinga region, which is an evidence of a rich and diversified local cultural production.

Among the cultural and artistic production and exhibition activities promoted by USICULTURA in 2005, the following are worth mentioning:

- Exhibition "O Olhar Viajante de Pierre Fatumbi Verger" at Hideo Kobayashi Gallery;
- Support to the Brazilian and Minas Gerais audiovisual production and exhibition through the Cine Magazine Program, including the movies "As Órfãs da Rainha" (Elza Cataldo), "Façanhas de Zé Burrardo" and "Batismo de Sangue" (Hélcio Raton), and "Depois Daquele Baile" (Roberto Bontempo).
- Support to the 31<sup>st</sup> Theater and Dance

Popularization Campaign;

- Implementation of the Spettacollo Series, contemplating major theater plays, music and dance shows with renowned artists, like Ed Motta & Band, Quasar Cia de Dança (GO), "Orlando Silva, o Cantor das Multidões" with Tuca Andrada (RJ), and Paulo Moura and Yamandu Costa (RJ) in "El Negro del Blanco;
- Implementation of the Talentos Series, involving theater plays, music and dance shows featuring new languages, group research, vanguard works, and presentations by artists whom the public in general is not yet familiar with, such as the Caixa de Imagens Group (SP) with "O Fotógrafo"; Cia. Verve de Dança (PR) and Via Brasil Metais (SP);
- Implementation of the Música no Jardim (Music in the Garden) Series, featuring instrumental and classic music concerts performed every month at the Usiminas Cultural Center's Japanese Garden; the program offers a wide range of styles, like lyric songs and Brazilian instrumental music;
- Presentations by "Saxofonia" Saxophone Quartet (SP); TAU - Guitar Quartet (SP); Juarez Maciel and Grupo Muda (MG); UNESP String Quartet (SP); Clarinet Quartet (SP); CEFAR Percussion Group (MG); Um Saxofone Bem Brasileiro (A Real Brazilian Saxophone) – José Eymard & Band (MG); Harp and Flute Duet (SP) and Santoro and José Staneck Duet.
- Support to the 2<sup>nd</sup> Theater and Dance Popularization Campaign of Ipatinga, promoted by the Scenic Arts Producers Association in Minas Gerais State (SINPARC/ MG), which gathered around 10,000 people in total; the following plays

should be highlighted: "Aldeotas", with Gero Camilo; "Abalou Bangu", with André Valli and Catarina Abdala; "Soppa de Letra", with Pedro Paulo Rangel; "Divã", with Lilia Cabral; "Aluga-se um Namorado", with Eri Jhonson and Mara Mansan; Otávio Müller, Leonardo Brício, Marcos Mion, Daniel Boa Ventura and Danton Mello in "Camila Baker"; "Orlando Silva - O Cantor das Multidões", with Tuca Andrada; Giramundo Group; Cia Luna Lunera; Cia. Paulista de Teatro; Pequod Cia. De Teatro and Teatro Hugo & Inês in the International Puppet Theater Festival, and "O Fotógrafo" with Caixa de Imagens Group.

- Presentation of shows such as "Ser Minas Tão Gerais", with Milton Nascimento, Ponto de Partida and Meninos de Araçuaí; Ed Motta; Ney Matogrosso; Tim Rescala and the Symphonic Orchestra of Minas Gerais; Yamandú Costa and Paulo Moura; Montserrat (Spain); Léo Gandelman, Cristovão Bastos, and João Lyra and Jane Duboc; "O Grivo"; "Concerto Bandoneón" with Rufo Herrera, Experimental Orchestra of Ouro Preto and Sylvia Klein; Wagner Sander and Rita Medeiros; Beto Guedes and Geraldo Azevedo.

#### 8.4 Support to Artistic Groups

One of the approaches adopted by USICULTURA is to support the professionalization and capacity-building of artistic groups, managers and other specialized personnel working in the arts and culture segments, thus fostering this segment's technical structuring. Besides the support to the regional edition of the 7<sup>th</sup> International

Short Movie Festival in Belo Horizonte, the following are important 2005 initiatives worthy of mention:

- Course on Capacity-Building in Public Cultural Policy Planning and Management, designed for cultural leaders and public servants of Minas Gerais and implemented by the Culture Department of Minas Gerais and Fundação João Pinheiro; this course is sponsored by USIMINAS and it is given in the cities of Ipatinga, Cataguases, Guaxupé and Itapagipe.
- Course "Cultural Project Clinic" for capacity-building in Culture Planning and Management, given in Ipatinga, whose objective is to strengthen the critical and reflective analysis on the cultural market, decision making, project management, budget engineering, and mastering of the cultural business. It is intended for cultural producers and managers in East Minas Gerais.
- Excellent exhibitions at Hideo Kobayashi Gallery, such as "Three-dimensional Contemporary Arts", including works from Manfredo de Souza Netto and 16 other artists, as well as drawings, videos and samples from Ronaldo Fraga's winter collection, among others.
- Support to the 2<sup>nd</sup> Theater and Dance Popularization Campaign of Ipatinga, promoted by the Scenic Arts Producers Association in Minas Gerais State (SIN-PARC/MG), which gathered around 10,000 people in total; the following plays should be highlighted: "Aldeotas", with Gero Camilo; "Abalou Bangu", with André Valli and Catarina Abdala; "Soppa de Letra", with Pedro Paulo Rangel; "Divã", with Lilia

Cabral; "Aluga-se um Namorado", with Eri Jhonson and Mara Mansan; Otávio Müller, Camila Baker" with Leonardo Brício, Marcos Mion, Daniel Boa Ventura and Danton Mello; "Orlando Silva - O Cantor das Multidões", with Tuca Andrada; Giramundo Group; Cia Luna Lunera; Cia. Paulista de Teatro; Pequod Cia. De Teatro and Teatro Hugo & Inês in the International Puppet Theater Festival, and "O Fotógrafo" with Caixa de Imagens Group. Support to the dance companies "Cia Balé de Rua de Uberlândia", 'Verve Cia de Dança', 'Quasar Cia de Dança', 'Grupo Camaleão', "Cia "Será Q?" and "Cia Brasileira de Danças Clássicas de São Paulo".

- Exhibition "Three-dimensional Contemporary Arts" in Ipatinga, showing works from 16 artists living in Minas Gerais; they use in their works a variety of materials, like wire rods, textiles, industrial wastes, wood and steel plates.
- Exhibition of works produced by Manfredo Souzanetto over his more than 30-year career, including drawings of Minas Gerais landscapes, works made in Paris in the 1975-1979 period, paintings with natural pigments from the 1980's, and his most recent paintings.
- Exhibition of drawings, objects, videos and samples from Ronaldo Fraga's winter collection, inspired in the poem "Todo Mundo e Ninguém" by Carlos Drummond de Andrade. Including samples that recover the poet's memory and poetry, the designer depicts the common man as the main feature of a work built between irony and fascination for new fashions.
- 2<sup>nd</sup> Theater and Dance Popularization

Campaign of Ipatinga; International Puppet Theater Festival, with "Cuentos Pequeños" (Cia Teatro Hugo & Ines – Peru) and "Handlungen" (Marc Scnittger – Germany), Short Scenes Festival, promoted by Galpão Cine Horto, with "Dormentes" (MG), "Pelo Cano" (SP), "Felicidade de Nuvem" (MG), "O Espectador" (RJ) and "Homem Elefante Marinho Adestrado" (SP); Contemporary Dance Forum of Ipatinga, with participation of several Brazilian dance groups and choreographers.

### 8.5 Educational Action

The "Educational Action" project was set up in 2003 by USICULTURA with the purpose of developing an artistic education program for the Steel Valley communities. With an aim to systematize its actions, USICULTURA organized the activities in programs for groups of students from schools and faculties, teachers, groups from social-cultural institutions, and arts workers. The Education Action team is prepared to provide customized assistance and suggest the programs most suited to each segment. In 2005, the Project reached about 17,000 people in cultural diffusion programs and art-education, including students from 174 public and private schools, college students, handicapped people with special needs, groups from welfare institutions, and the elderly.

The following actions are worthy of mention among those performed by the "Educational Action" Project in 2005:

#### **Guided Visits**

Monitors establish a relation between the visitor and the works displayed at the Usiminas Cultural Center. Guided visits are available full time to the public at large and, upon scheduling, to groups from public and private schools, faculties and social-cultural entities. Monitors coordinate workshops related to the exhibition themes, while creating an entertaining, interactive atmosphere between the visitor and the works of art.

### **Theater Backstage Expedition**

Scheduled group visits to the backstages of Zélia Olguin Theater and Usiminas Cultural Center Theater. Visitors get acquainted with the parterre, stage, dressing rooms and other internal areas of a theater, thus knowing its fascinating operational mechanics.

### **Passport to Culture**

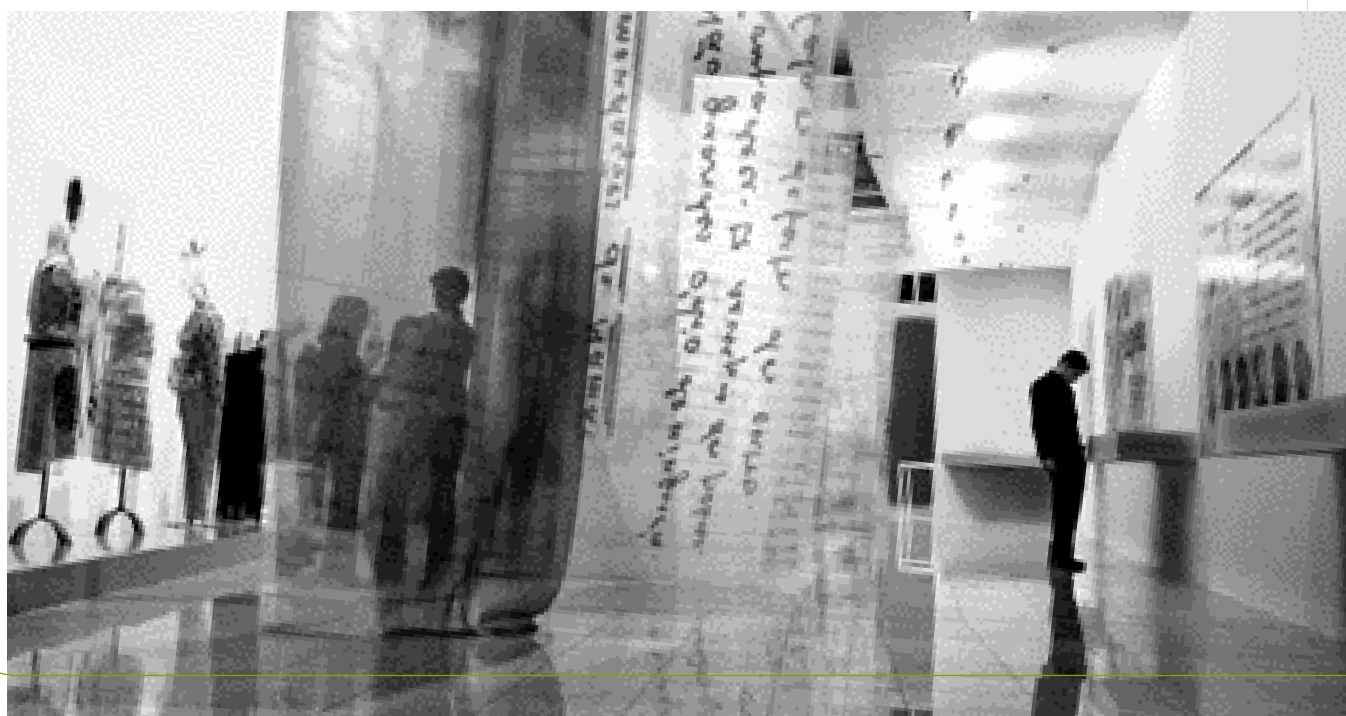
This is a free-ticket program for spectacles performed at the USICULTURA's spaces with an aim to favor access to cultural

programs. The Passport is intended for groups of students from public schools, underprivileged people and the region's artistic segment (cultural diffusion). Teachers and other interested groups are given guidance through speeches delivered at USICULTURA.

### **Didactic Spectacles**

Didactic presentations of spectacles for groups of students from public schools and universities. Prior to the spectacle, the teachers are given instructions and didactic material to subsequently carry on the work. Among the projects presented in 2005, the following are worth mentioning: "O Ocidente e a Filosofia", with the trilogy Descartes-Newton-Pascal; "Paixões da Alma", "O Sistema Do Mundo" and "Tratado do Nada", attended by in excess of 2,190 students from 37 schools. This program's main objective is to discuss the spectacle theme before the presentation and maximize the

Hideo Kobayashi Gallery



information provided during the spectacle by merging knowledge, culture, art and education in one single project.

### **Thematic Workshops and Courses**

Coordination of courses and workshops for artists, teachers, art educators and students so as to meet the differentiated demands of a number of groups of interest. Highlights were: "Painting and its materials"; the workshop "Acting and Learning" – Poetic Caravan Program; Lighting Workshop given by Galpão Cine Horto; and "Introduction to Puppet Building Process" given by Giramundo Group.

*"It's gratifying to be a part of Usiminas' cultural history. Through its activities in a diversity of cultural areas the Company proves to be not only socially responsible, but also and above all attentive to both artists and the public needs. In a country like ours, it's essential to have initiatives to foster cultural dissemination."*

Selton Mello  
Actor



Didactic Spectacles Series - "Tratado do Nada"

## 8.6 Future Commitments

	Commitments Assumed	Progress in 2005	Future Commitments
Cultural Spaces and Infrastructure	<ol style="list-style-type: none"> <li>To continue the acquisition of equipment, upgrading facilities and fine-tuning the services rendered by the Zélia Olguin Theater and Usiminas Cultural Center;</li> <li>To continue the policy of investing in infrastructure projects, as well as supporting and revitalizing cultural centers, theaters, museums and other cultural facilities.</li> </ol>	<ol style="list-style-type: none"> <li>Investments in the acquisition of equipment, supporting and underwriting the costs of these activities exceeded R\$ 2 million. Part of this funding was brought in through projects benefiting from cultural incentive laws.</li> <li>Construction, renovation and maintenance of 21 cultural facilities, including 9 theaters, 1 cultural center in Uberaba (MG) and the headquarters of the Trampulim and Armatrux Groups; revitalization of facilities at the following institutions: Fundação Clóvis Salgado – The Palace of Arts; Pampulha Arts Museum; Galpão Cine Horto; Abílio Barreto History Museum; State Public Library Luiz Bessa; Minas Gerais Public Archives (Arquivo Público Mineiro); Art Education Foundation (Fundação de Educação Artística), Giramundo Museum; Ouro Preto Art Foundation (Fundação de Arte de Ouro Preto); and the Typografia Memória Gráfica Project.</li> </ol>	<ol style="list-style-type: none"> <li>To carry out maintenance, improve the facilities and enhance the services of Zélia Olguin Theater and Usiminas Cultural Center.</li> <li>To carry on the policy of infrastructure project investment, and maintenance and revitalization of cultural centers, theaters, museums, libraries and other cultural facilities.</li> </ol>
Refresher technical courses for regional and local artistic segments	Continuation of programs offering courses, workshops and seminars to local communities, always striving to add to these events and projects the accomplishments achieved through training programs in the fields of scenic and visual arts, music and opera.		Expansion of seminars, workshops and course programs made available to the local communities, while meeting the expectations of the artistic segments, cultural managers and educators.
Cultural and Artistic Production and Exhibition	<ol style="list-style-type: none"> <li>Continuation of the diversified high-grade programs at affordable prices provided through the Usiminas Cultural Center Theater and the Zélia Olguin Theater;</li> <li>Encouragement for cultural projects focused on educating the public and building up the market, as well as projects supporting artistic groups.</li> </ol>		<ol style="list-style-type: none"> <li>Expansion of the USICULTURA's cultural activities.</li> <li>To continue the encouragement policy for cultural projects focused on educating the public and building up the market, as well as projects supporting artistic groups.</li> </ol>
Artistic Education	Continuation of Educational Actions, extending these efforts through workshops, courses and educational shows, in addition to setting up an art library and reference center at the Usiminas Cultural Center.		Enhancement of the Educational Action program, with increasing emphasis on educators, in view of their multiplying effect.
Cultural Investment			<ol style="list-style-type: none"> <li>Continuance of a responsible cultural investment policy in the quest for sustainable development of the cultural production chain, while taking into account the vocations of communities located in the areas of influence of the Usiminas System's companies.</li> <li>Continuance of investments in cultural infrastructure and production, as well as in artistic development and educating the public.</li> <li>Increasing activity in the state of São Paulo, with particular emphasis on Baixada Santista.</li> </ol>







Usiminas Cultural Center Theater



## **9.** Environmental Performance

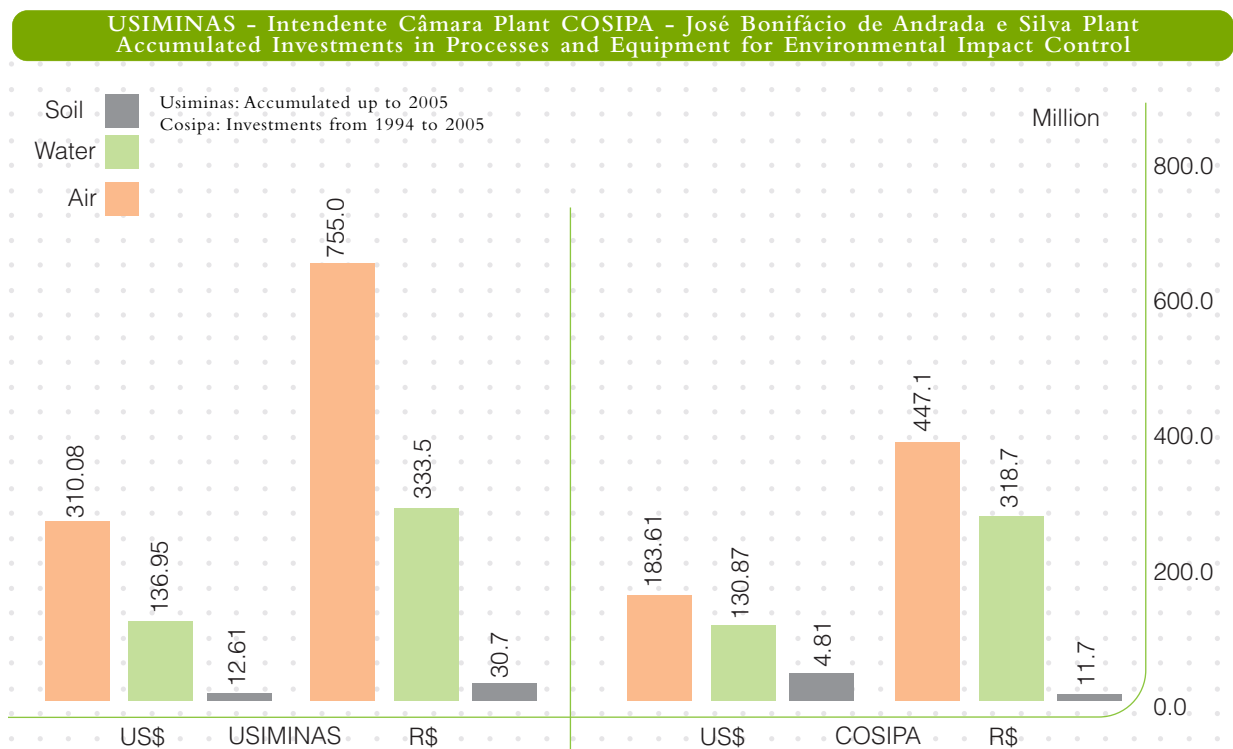
For the Usiminas System's companies, conservation and rational use of natural resources, environmental preservation, and fostering the development of an environmentally friendly mind-set among its employees and the community are always associated with an integrated ecological plan that is guided by the principles of sustainable development implemented with respect for current and future generations.

A steady stream of investments underwrites the implementation of these plans, in order to lessen the impacts caused by production processes. At the Intendente Câmara Plant in Ipatinga, these investments total some R\$ 1.12 billion (US\$ 459.64 million). At COSIPA's José Bonifácio de Andrada e Silva Plant in Cubatão (SP), major projects demanded investment to the tune of 777.50 million (US\$ 319.30 million). These investments have resulted in substantial environmental improvements, in parallel to healthier and safer workplaces.

International certifications prove the concern of the System's companies about the impact of their industrial activities on the environment. The Environment Management Systems at the two iron and steel-making complexes consisting of the Intendente Câmara and José Bonifácio de Andrada e Silva Mills are certified under the ISO 14001:2004 Standard; the same applies to other System's companies.

### 9.1 Environmental Guidelines

Operating guidelines in terms of environment impacts and the environment are established for all activities undertaken at the System's companies, linking the concepts of sustainable development and social accountability to operating gains and the generation of revenues through responsible sales of industrial processing by-products.



They are:

- Ethical conduct in business and compliance with the legal and regulatory requirements associated with the products, processes, persons and facilities are management guiding agents.
- Strategies, plans of action and processes are slanted towards ensuring customer satisfaction and fidelity;
- Preserving the health and well-being of people, appreciating their value, building up their capacities and ensuring their involvement, motivation and safety through preventing accidents are permanent targets for corporate actions;
- Preventing pollution while identifying and controlling environment aspects, reducing the generation of solid wastes, upgrading wastewater quality and improving atmospheric emissions, in parallel to making rational use of water, electricity and feedstock are key requirements for the development of all activities;
- Management actions should generate value, ensuring the ongoing development of the Company.

## 9.2 Legal Requirements

The production activities of the Usiminas System are guided by parameters that ensure compliance with legal and regulatory provisions. Such compliance is regularly checked through critical evaluations.

The Intendente Câmara Plant at Ipatinga, MG, the Usiminas System's main industrial unit, has obtained environmental licensing for its industrial plant, and all the new processes that are being introduced or modified are

covered by licenses from the competent environment entities. It holds two Operating Licenses: No. 318/2004 covering the Rolling Mills, Steel-Shops, Sintering Plants, Blast Furnaces and Support Areas, valid through April 20, 2008, and No. 389/2003 covering the Coke and Carbochemical Plants, valid through September 9, 2007.

In 2005, Usiminas started the environmental licensing proceeding to build a new coke battery. In addition, license was granted for the installation of a new thermoelectric power plant in its industrial unit.

In order to renew the Surface Water Permit relative to the uptake point at Piracicaba River in accordance with Regulation 577/2000, the company filed with Minas Gerais State Water Management Institute (IGAM - Instituto Mineiro de Gestão de Águas) a Technical Report under no. 04314/2005

The Company's headquarters in Belo Horizonte has been granted the water utilization permit by IGAM through Edict no. 3262/2004 and 3263/2004, valid up to December 17, 2009.

At the Federal level, pursuant to Law No. 10.165, in order to ensure control and oversight of potentially polluting activities making use of natural resources, the Company's activities are registered with the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA - Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis) under No. 64.310.

The operating plants run by Usiminas Mecânica S/A in Minas Gerais, São Paulo and Espírito Santo States comply with the environmental legislation, and are licensed by the competent environmental entities in their respective States:

- Ipatinga Plant – Minas Gerais: Operating License No. 224, valid through July 8, 2009;

- Welded Sections Plant – Taubaté – São Paulo: Operating License No. 3001568/2005, valid through February 28, 2008;
  - Usicort/Betim – Minas Gerais: Fabrication of blanks and platens. Operating License No. 585/00, valid through August 5, 2008;
  - USIAL/TIM'S - Serra – Espírito Santo: Fabrication of blanks. Operating License No. 104/2005, valid through November 29, 2009.
- Water use by Usiminas Mecânica is covered by a water utilization permit issued by Minas Gerais State Water Management Institute (IGAM - Instituto Mineiro de Gestão de Águas) through Edict no. 1447/2004, valid up to May 27, 2009. At the Federal level, Usiminas Mecânica is registered with Ibama under No. 64.294.

COSIPA is registered with the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA - Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis) under No. 254, renewal being foreseen to take place in March 2006. Pursuant to São Paulo State Law No. 997/76, regulated by State Decree No. 47.397, COSIPA has been granted definitive Operating Licenses, with some areas still involved in the licensing process. In contrast to the Minas Gerais State legislation, the licensing process at the Plant comprises also contractors and other companies operating within the same premise, like Usiminas System's DUFER S/A, and is handled through individual items of equipment or processes covering the major areas, such as:

Areas	No. of licenses
Rolling mills	14
Steel Shop	17
Reduction	10
Harbor	9
Support areas	22
Total	72 licenses

A water use certificate has been issued, valid through 2007, as follows: Uptake 01: Quilombo River; Uptake 02: Quilombo River Tributary Basin; Uptake 03: Onça River Tributary Basin; Uptake 04 — Moji River; and Uptake 05 — Moji River Basin — canal.

UNIGAL has invested in state-of-the art environment protection technologies. Every new production process or even existing redesigned processes are covered by an environmental license issued by the competent environmental agencies. Its Operating License no 776/2000 is in process of regular renewal by the environmental agencies FEAM / COPAM under proceeding no. 296/2000/002/2005.

At the Federal level, UNIGAL is registered with Ibama under No. 64334 as a potentially polluting activity and user of natural resources.

All the facilities of USIPARTS Sistemas Automotivos are licensed through Operating License No. 271, valid through July 8, 2007. Due to the expansion of its production facilities in order to handle the future fabrication of automotive parts for Bosch do Brasil, the Company applied for and was granted the Operating License no. 123. In 2005, it started the procedures with the environmental entities for the licensing of a new press line, whose implementation has not been defined as yet.

The RIO NEGRO plant at Guarulhos and its branch at Taubaté, both in São Paulo State, are registered with the São Paulo State Environmental Sanitation and Technology Company (Cetesb - Companhia de Tecnologia de Saneamento Ambiental do Estado de São Paulo) under No. 336-01548/7 and No. 688-00433/6, respectively, with Installation and Operating Licenses issued by this environment entity.



### 9.3 Environmental Impact Indicators

Among the companies in the Usiminas System, the most significant environmental impacts are caused by the activities of the Intendente Câmara Plant (USIMINAS) and the José Bonifácio de Andrada e Silva Plant (COSIPA).

The main environmental impacts caused by the steelmaking processes at these mills consist of discharges of particulate matter into the atmosphere, as well as sulfur and nitrogen oxides, in addition to volatile organic compounds. The main effects on water are alterations to pH levels, the presence of ammonia, solids in suspension, cyanide, phenol, oils, greases and alterations in the biochemical oxygen demand. The main solid wastes consist of slags, oily sludge, mud, ferrous scrap and dusts produced by the steelmaking processes. These impacts are subject to a specific management approach, providing input for ongoing improvements.

Through specialists in the environmental areas and at the Usiminas Research Center, together with leading names in the academic field, the System's companies are developing projects designed to make good use of solid wastes and upgrade water and air quality. These projects are submitted for the approval of the environmental entities, prior to implementing them in commercial scale.

Outstanding among the major impacts are:

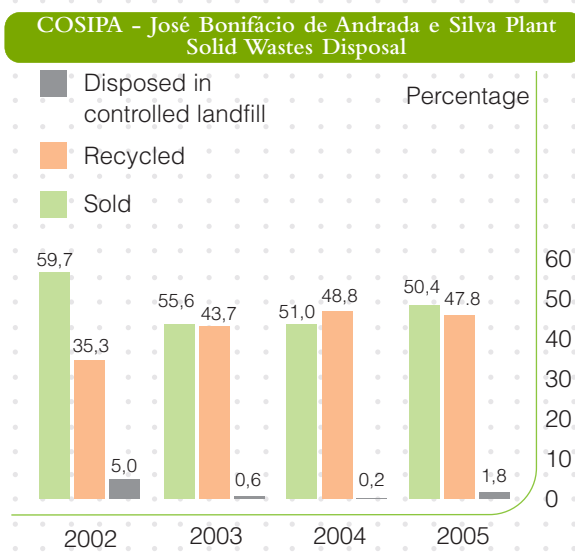
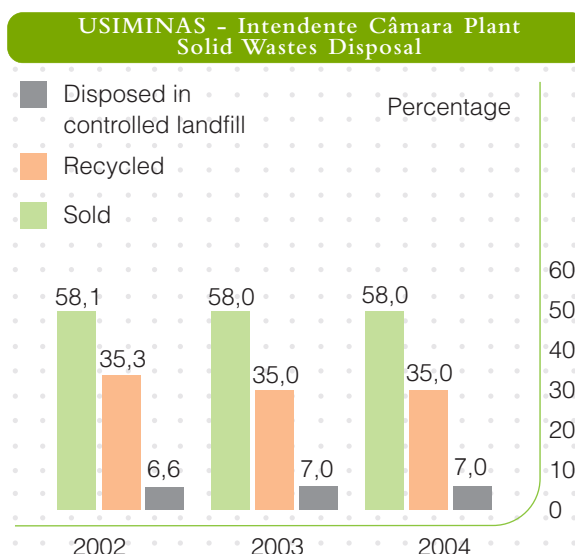
### 9.4 Solid Wastes

Due to the characteristics of the steelmaking process, solid wastes are generated in significant amounts at USIMINAS' Intendente Câmara Plant at Ipatinga, Minas Gerais State, and COSIPA's José Bonifácio de Andrada e Silva Plant at Cubatão, São Paulo State.

The other System's companies generate relatively minor amounts of solid wastes, producing steel scrap that is recycled back into the steelmaking process.

At USIMINAS and COSIPA mills, the solid wastes are fed back into the production processes, or may be sold to companies licensed by the local entity that oversees environment matters, or stored in special landfills that are tightly controlled, awaiting future applications.

At the Intendente Câmara Plant, these solid wastes are sold for applications that include railbed ballast, fertilizers, and soil acidity correction for agricultural purposes, in addition to serving as raw material for cement plants, among others.



At COSIPA's José Bonifácio de Andrada e Silva Plant, sales of these solid wastes brought in revenues of R\$ 67 million in 2005.

In 2005, 90.1% of the wastes generated by USIPARTS Sistemas Automotivos were recycled, 4.6% were sold to licensed companies after analysis by the environmental entity, and 3.5% were stored in controlled landfills.

At USIFAST Logística Industrial and other companies in the System, unusable tires and batteries from transportation vehicles are properly packed and shipped to the respective manufacturers for recycling.

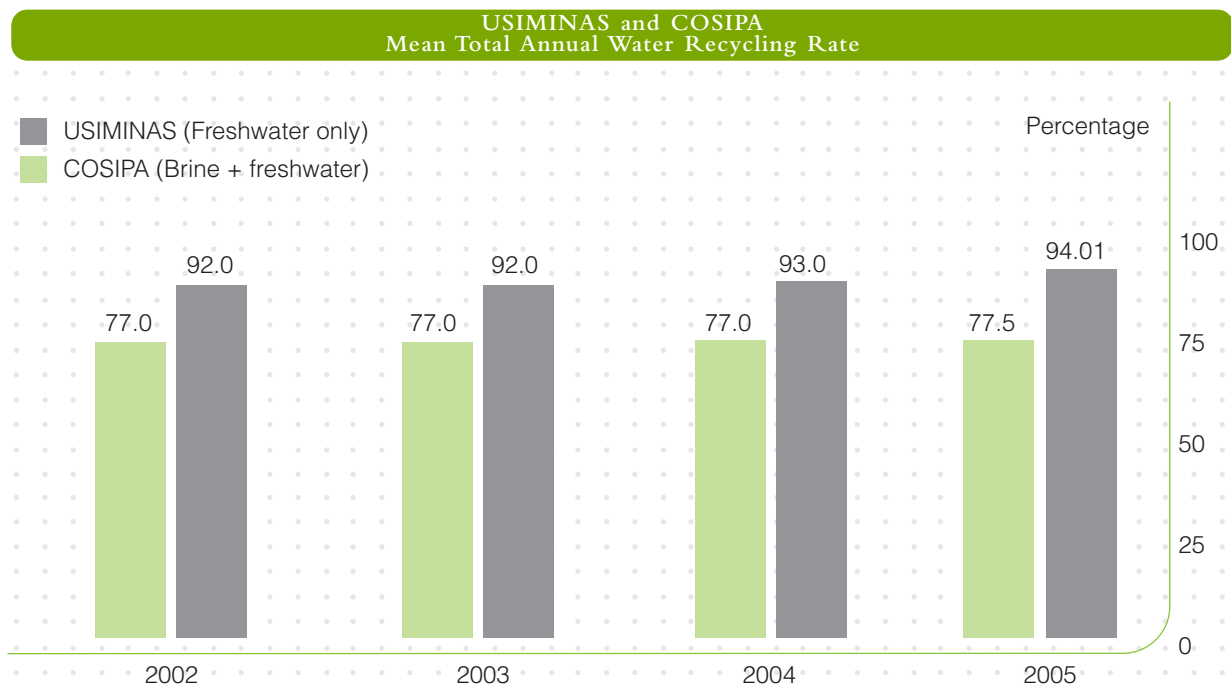
At Usiminas Mecânica, UNIGAL, DUFER and RIO NEGRO, as well as other companies whose main activity is metallurgy, the main solid wastes consist of steel scrap, which is recycled by the USIMINAS and COSIPA steel mills. At Usiminas Mecânica, materials collected in accordance with the selective collection program are disposed of in an "ecological island", where they are separated and donated to Ipatinga's welfare institution Sociedade São Vicente de Paulo. Additionally, RIO NEGRO runs an Environ-

mental Education Program focused on in-house selective collection, working closely with the neighboring community and turning recyclable solid wastes into a source of income that underwrites the implementation of the outreach programs run by the São Paulo Regional Office of Caritas in Brazil, which is an entity under the aegis of the National Council of Brazilian Bishops (CNBB – Conferência Nacional dos Bispos do Brasil).

### 9.5 Liquid Effluents

At both USIMINAS and COSIPA plants, the production process wastewaters run through treatment processes at special stations.

From 1995 through to 2005, some R\$ 319 million were invested in settling, flocculation and filtering treatment processes at José Bonifácio de Andrada Plant. In 2005, Usiminas invested R\$ 7.88 million in liquid effluent control measures, for an accumulated amount of R\$ 333.47 million (US\$ 136.95 million).



In 2005, COSIPA kept its freshwater recycling rate unchanged at 96.4%, with an overall freshwater and brine recycling rate of 77.5%. At USIMINAS, which uses only freshwater in its processes, the average water recycling rate reached 94.1% in 2005.

Before being discharged back into the environment, the liquid effluents posted the following average ratings in 2005, as monitored at the treatment station outlets, electrolytic galvanizing outlet, acid water neutralization units, biological and oily wastes treatment stations, and the general outfall of USIMINAS' Intendente Câmara Plant:

Mean Values of Liquid Effluents Monitored at the General Outfall - USIMINAS							
Parameters	Ammonia (mg/L)	Cyanide (mg/L)	Phenols (mg/L)	Solids in Suspension (mg/L)	Oils & Greases (mg/L)	pH	Chemical Oxygen Demand (mg/L)
Legal Standard/COPAM	5.00	0.200	0.200	60.00*	20.00	6.0 to 9.0	90.00
Mean 2002	1.04	0.031	0.002	28.26	3.09	7.37	6.01
Mean 2003	1.21	0.041	0.003	26.04	3.33	7.31	5.67
Mean 2004	2.05	0.06	0.002	39.69	3.11	7.50	5.44
Mean 2005	2.42	0.065	0.003	53.40	3.26	7.38	5.49

\*monthly arithmetic mean mg/L: milligrams per Litre

Monitoring at Liquid Effluent Treatment Stations - USIMINAS								
Parameters	Biological Treatment Station		Electrolytic Galvanizing Treatment Station		Acid Neutralization Station		Oil Treatment Station	
	Cyanide (mg/L)	Ammonia (mg/L)	Chemical Oxygen Demand (mg/L)	Zinc (mg/L)	Soluble Iron (mg/L)	pH	Oil (mg/L)	Solids in suspension (mg/L)
Legal Standard/COPAM	0.20	5.0	90.0	10.0	10	6 to 9	20.0	60.0
Mean 2002	0.20	0.19	6.91	2.73	0.27	7.42	11.41	19.44
Mean 2003	0.21	1.22	9.47	2.65	0.46	7.50	12.86	18.66
Mean 2004	0.19	1.10	2.97	2.73	0.38	7.44	10.55	21.20
Mean 2005	0.20	0.50	2.20	2.70	0.44	7.51	9.95	20.30

mg/L: milligrams per Litre

At COSIPA, the liquid effluents monitored at the outlets of the treatment stations, such as those at the acids waters neutralization and biological treatment/oily wastes treatment stations, posted the following average ratings before being discharged back into the environment:

COSIPA Discharge Point								
Parameters	Ammonia mg/L	Cyanides mg/L	Phenol mg/L	Settleable Material mg/L	Mineral Grease & Oil mg/L	pH	Temperature °C	Chemical Oxygen Demand mg/L
Legal Standard/ CONAMA	20	0.2	0.5	1	20	5 to 9	up to 40	60
Mean 2002	2.3	0.12	0.1	1.0	20	5.9	29.7	58
Mean 2003	2.4	0.03	0.09	0.16	17.7	7	29.6	18
Mean 2004	3.4	0.08	0.1	0.2	15.3	7.4	28.5	11.5
Mean 2005	4.1	0.02	0.1	0.1	16.5	7.3	29.6	8.6

mg/L: milligrams per Litre

Cosipa was the first company at the industrial park of Cubatão to install, in the frame of an agreement with CETESB, the on-line monitoring of its effluents in order to obtain continuous input from the Steel Mill potential emission sources, thus permanently complying with the legal standards.

At Usiminas Mecânica, the retention processes for the main liquid wastes generated by the production activities performed as follows through the treatment processes at special stations, in the period from 2002 through 2005:

Average Liquid Effluent Values, Separation Unit, Usiminas Mecânica: USICORT Plant, Betim – MG					
Parameters	Tensoactive Agent (mg/L)	Solids in Suspension (mg/L)	Chemical Oxygen Demand (mg/L)	Oils & Greases (mg/L)	pH
Legal Standard/COPAM	2.0	60.0	60.00	20.00	6 to 9
Mean 2002	1.57	76.72	515.59	7.72	7.42
Mean 2003	1.24	23.67	353.67	9.05	7.19
Mean 2004	0.74	38.45	253.73	6.20	7.39
Mean 2005	1.12	24.90	184.21	7.77	7.47

mg/L: milligrams per Litre

The chemical oxygen demand values at the Separation Unit of Usiminas Mecânica plant in Betim are above the applicable legal standards, although complying with other conditions established in the legislation for situations like that. After treatment, the Chemical Oxygen Demand was reduced by more than 93%.

At UNIGAL, the processes and liquid wastes treatment station performed as follows on average, from 2002 through 2005:

Galvanizing Line Effluent Treatment Station – UNIGAL										
Parameters	pH	Solids in Suspension (mg/L)	Oil (mg/L)	Soluble Iron (mg/L)	Chemical Oxygen-Mn Demand (mg/L)	Detergents (ABS) (mg/L)	Trivalent Chromium (mg/L)	Hexavalent Chromium (mg/L)	SV-60 * (mg/L)	Zinc (mg/L)
Legal Standard/COPAM	6 to 9	60	20	10	90	2	1	0.5	1	5
Mean 2002	7.41	6.3	3.58	0.26	8.67	0.18	0.06	< 0.05	0.80	0.07
Mean 2003	7.16	11.2	3.20	0.26	12.38	0.07	0.13	< 0.05	0.12	0.25
Mean 2004	7.28	7.00	2.25	0.14	5.68	0.02	0.10	<0.05	0.11	0.15
Mean 2005	6.96	11.33	2.37	0.21	1.85	0.02	<0.05	<0.05	0.10	0.18

\*SV-60: settleable volume in 60 minutes mg/L: milligrams per Litre

At USIPARTS Sistemas Automotivos, the liquid wastes are treated at a special station consisting of a biological line and two physical-chemical lines. Due to higher production demands, it proved necessary to resize the current stations. The project has already been drawn up and approved by the environmental entity, having been implemented during 2005. It resulted in considerable improvement of environmental indicators like the chemical oxygen demand and concentration of oils, solids in suspension and zinc. According to measurements made after the implementation, excellent performance is expected for 2006 in terms of mean annual values

USIPARTS – Monitoring at the Physical-Chemical Treatment Stations – Mean Values											
Parâmetros	Lead (mg/L)	Biological Oxygen Demand (mg/L)	Chemical Oxygen Demand (mg/L)	Soluble Iron (mg/L)	Detergent (A.B.S) (mg/L)	Sedimentable Material (mg/L)	Nickel (mg/L)	Oils & Greases (mg/L)	pH	Solids in Suspension (mg/L)	Zinc (mg/L)
Legal Standard/ COPAM	0.1	60	90	10	2.0	1.0	1.0	20	6.5-8.5	100	5.0
Mean 2002	< 0.01	200.0	460.0	1.9	0.1	<0.1	0.2	2.0	7.3	29.0	0.3
Mean 2003	< 0.01	104.5	260.0	3.15	0.3	0.7	2.9	41.1	6.6	49.4	2.8
Mean 2004	ND	51.0	418.0	ND	0.41	ND	8.14	79.0	6.99	187.0	20.8
Mean 2005	ND	131	275	0.19	ND	ND	0.32	13	7.60	27	0.16

ND: Not Detectible mg/L: milligrams per Litre

Similar to the other companies in the System, lube-oils used by USIFAST Logística Industrial for its vehicle fleet are collected and shipped for recycling by an agent accredited by the National Petroleum Agency (ANP - Agência Nacional do Petróleo).

USIPARTS – Monitoring Downstream the Biological Treatment Station – Mean Values							
Parameters	Oils & Greases (mg/L)	Biological Oxygen Demand (mg/L)	Chemical Oxygen Demand (mg/L)	Detergent (ABS) (mg/L)	Sedimentable Solids (ml/L)	Solids in Suspension (mg/L)	pH
Legal Standard/ COPAM	50	60	90	2.0	1.0	100	6.5 - 8.5
Mean 2002	27.5	82.1	172.9	0.11	ND	79.2	7.12
Mean 2003	17	23.4	54.6	0.4	ND	37.7	7.1
Mean 2004	15	16.6	61.1	0.9	0.03	21.5	7
Mean 2005	9.7	27	92.6	0.09	0.6	59.2	7.6

ND: Not detectible mg/L: milligrams per Litre ml/L: millilitre per Litre

## 9.6 Atmospheric Emissions

Monitoring air quality on the premises and around the USIMINAS and COSIPA steelmaking and metallurgical complexes is handled through monitoring stations that the performance of the atmospheric emissions control processes and equipment.

The COSIPA industrial complex is included in the Winter Operation Program run by São Paulo State Environmental Sanitation and Technology Company (CETESB/SP), together with several other major enterprises in several industrial segments located in the Cubatão Industrial Complex, São Paulo State. Implemented from May through October, this Program phases in preventive

measures to avoid critical air pollution events. Since 1995, the CETESB monitoring records have not detected any "Alert Situation". From 1995 through 2005, the Company has invested some R\$ 447 million (US\$ 183.62 million) in controlling its atmospheric emissions. The following mean values were achieved at the José Bonifácio de Andrada e Silva Plant through monitoring of the blast furnaces atmospheric emissions at the bag filters:

COSIPA – José Bonifácio de Andrada e Silva Plant - Atmospheric Emission Monitoring						
Parameters	Atmospheric Emissions – Blast Furnace 1			Atmospheric Emissions – Blast Furnace 2		
	Particulate Matter (mg/Nm <sup>3</sup> )	SOx (mg/Nm <sup>3</sup> )	NOx (mg/Nm <sup>3</sup> )	Particulate Matter (mg/Nm <sup>3</sup> )	SOx (mg/Nm <sup>3</sup> )	NOx (mg/Nm <sup>3</sup> )
Legal Standard	75	NE	NE	75	NE	NE
Mean 2002	47,5	NE	NE	29,75	NE	NE
Mean 2003	20,41	63,71	47,44	36,65	101,60	ND
Mean 2004	23,58	20,35	14,12	27,86	96,9	ND
Mean 2005	21,5	62,2	1,6	26,54	2,5	1,75

ND- Not detected NE – Not established

COSIPA – José Bonifácio de Andrada e Silva Plant - Atmospheric Emission Monitoring						
Parameters	Sinter Plant 2			Sinter Plant 3		
	Particulate Matter (mg/Nm <sup>3</sup> )	SOx (mg/Nm <sup>3</sup> )	NOx (mg/Nm <sup>3</sup> )	Particulate Matter (mg/Nm <sup>3</sup> )	SOx (mg/Nm <sup>3</sup> )	NOx (mg/Nm <sup>3</sup> )
Legal Standard	75	2.500	100	75	2.500	100
Mean 2002	68,1	ND	ND	67,2	ND	ND
Mean 2003	67,3	276	ND	43	311	68,5
Mean 2004	23,58	20,35	14,12	27,86	95,9	35,5
Mean 2005	67,5	266	60,5	46,6	323	6,1

ND- Not detected

Cosipa was the first company at the industrial park of Cubatão to install, in the frame of an agreement with CETESB, the on-line monitoring of its stacks in order to obtain continuous input from the Steel Mill potential emission sources, thus permanently complying with the legal standards.

At USIMINAS, in addition to the internal monitoring stations, air quality is checked by a further six stations in the Bom Retiro, Castelo, Cariru, Bairro das Aguas and Novo Cruzeiro districts, as well at head offices, in the town of Ipatinga. The graphs on the right side show the monitoring results.

In 2005, R\$ 40.21 million were invested in atmospheric emission control equipment, for an accumulated amount of R\$ 755.05 million (US\$ 310.08 million).

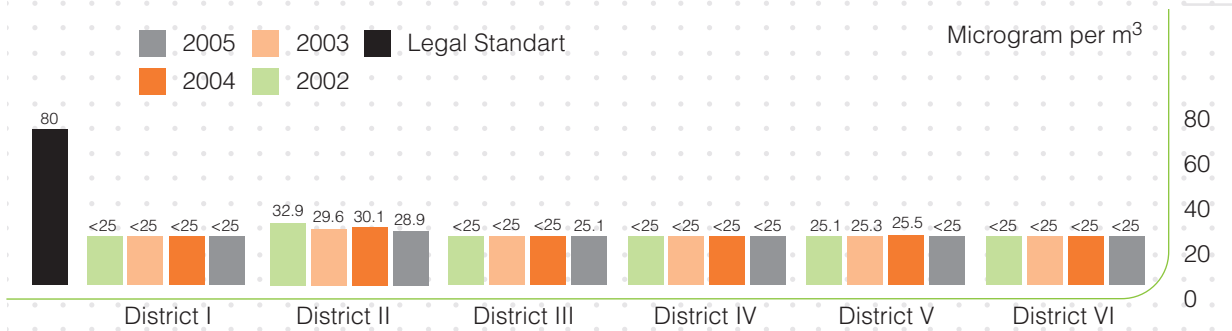
As an air quality management tool for the Ipatinga region, USIMINAS uses a mathematical pollutant dispersal assessment model called "Breeze".

Based on computer simulations, this model establishes a link between pollutant emission levels at the source and concentrations in the air, using on-line inputs fed from the meteo-

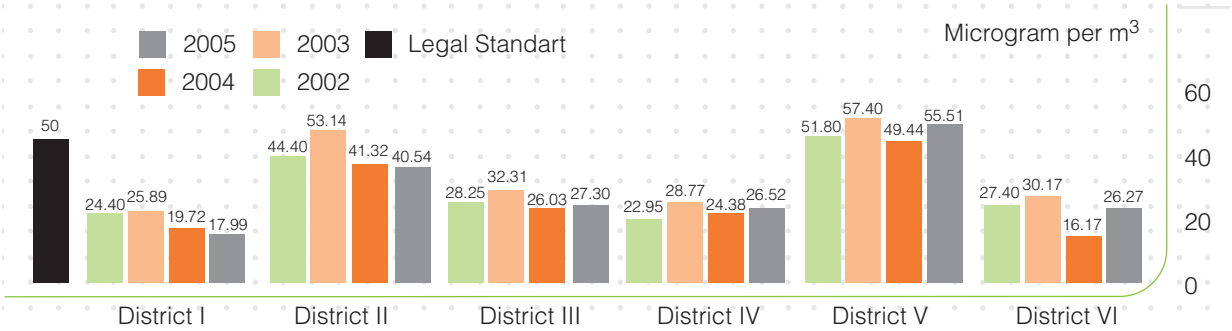


rological station. Parameters such as wind direction and speed, sunlight, temperature, pressure, relative air humidity and rainfall are added to the results of fixed source monitoring, allowing immediate analysis of pollutant dispersal conditions.

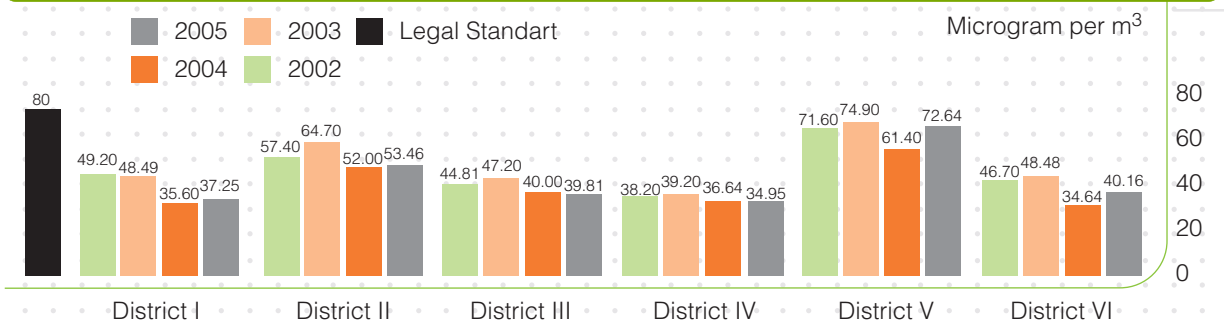
**USIMINAS**  
SO<sub>2</sub> Emission Monitoring in Districts Around Intendente Câmara Plant



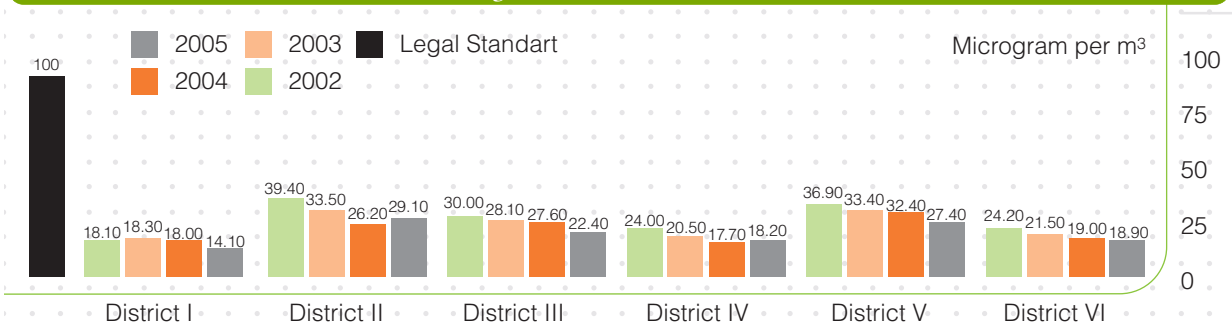
**USIMINAS**  
Particulate Matter Emission Monitoring in Districts around the Intendente Câmara Plant



**USIMINAS**  
Inhalable Particle Emission Monitoring in Districts around Intendente Câmara Plant



**USIMINAS**  
NO<sub>2</sub> emission monitoring in Districts around Intendente Câmara Plant



At UNIGAL, the atmospheric emissions monitored at their respective sources posted the following mean values compared to the stipulated parameters:

UNIGAL – Atmospheric Emission Monitored at their Respective Sources						
Local	Parameters	Legal Standard	Mean 2002	Mean 2003	Mean 2004	Mean 2005
Continuous Annealing Furnace	Particulate Matter (mg/Nm <sup>3</sup> )	150	48.36	17.72	38.14	28.5
	SO <sub>2</sub> (mg/Nm <sup>3</sup> )	2,500	529.4	385.6	485.47	311
	Zinc (mg/Nm <sup>3</sup> )	50	0.553	0.13	0.626	0.49
Galvannealing	Particulate Matter (mg/Nm <sup>3</sup> )	150	5.12	9.4	18.28	1.4
	SO <sub>2</sub> (mg/Nm <sup>3</sup> )	2,500	6.71	12.83	1.14	ND
	Zinc (mg/Nm <sup>3</sup> )	50	0.47	0.56	1.47	0.11
Chroming Unit Exhaust	Particulate Matter (mg/Nm <sup>3</sup> )	50	16.69	2.84	8.92	2.37
	Chromium (mg/Nm <sup>3</sup> )	5.0	0.005	0.32	ND	0.01
Chroming Unit Dryer	Particulate Matter (mg/Nm <sup>3</sup> )	150	8.48	7	6.19	1.7
	Chromium (mg/Nm <sup>3</sup> )	5.0	ND	0.02	ND	ND

ND – Not detected

At USIPARTS Sistemas Automotivos, the atmospheric emissions are characteristic of sanding processes, as well as the application and cure of industrial paintwork, fully absorbed by the exhaust systems of the installed equipment, consisting of uptake hoods, conduits, exhaust fans and flues (control systems licensed by the environmental entity).

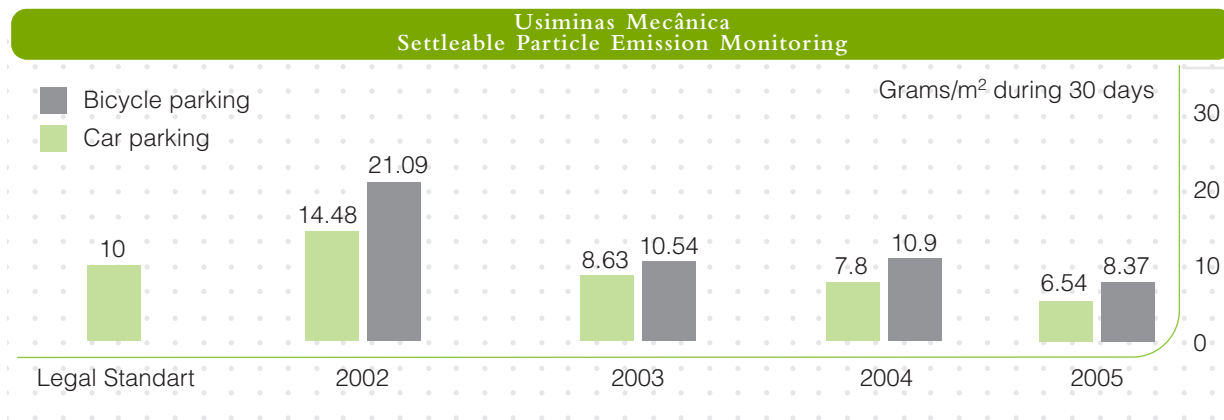
The end-emissions by these controlled systems are sampled regularly and assessed against the applicable parameters.

USIPARTS – Atmospheric Emission Monitored at their Respective Sources			
Source	Emissions	Legal Standard (ppm)	Mean Values 2005
Painting cabins	Volatile Organic Compounds - VOC *	-	2.33
	Particulate Matter	150	7.950
	Lead	-	0.16
Enamel Curing Oven	Volatile Organic Compounds	-	4.06
	Particulate Matter	150	8.79
Paint Room Exhaust System	Volatile Organic Compounds	-	3.77
	Particulate Matter	150	3.19
Sanding Cabins	Particulate Matter	150	6.26

\* - VOC: no legal standard established

The control of atmospheric emissions is not limited to emissions on company premises. Stringent controls curtail the emission of smoke by vehicles in the USIFAST Logística Industrial fleet, monitoring the gases emitted by the diesel engine exhausts and helping upgrade air quality while lowering fuel consumption and extending vehicle life.

At the Usiminas Mecânica industrial plant at Ipatinga (MG), atmospheric emissions are controlled through two monitoring stations on land alongside the company premises, recording the following concentrations of settleable particles (please refer to the graph):



### 9.7 The Energy Matrix

The main energy source used by the USIMINAS and COSIPA is coal, accounting for an average of 77.83% of all primary energy consumed by these two mills in 2005. The specific energy consumption per ton of crude steel produced is 6,065 Mcal and 6,165 Mcal at USIMINAS and COSIPA, respectively.

The coking, iron reduction and steel refining processes generate gases and liquid fuels that are cleaned, stored and reused in various stages of the production processes at these Mills. Projects implemented to optimize the energy matrix enable the utilization of these gases, covering around 25% of USIMINAS and COSIPA overall power demand.

The electricity consumed is acquired from power distribution utility companies in Brazil, where hydro-power predominates.

In 2005, the Intendente Câmara Plant posted a primary energy consumption of 115,490,060.3 gigajoules, with the following equivalent breakdown by primary power source:

- Coal and by-products = 89,885,913.9 GJ (77.83%);

- Electricity = 15,995,373.3 GJ (13.85%);
  - Oil derivatives = 2,933,447.5 GJ (2.54%);
  - Air gases = 6,675,325.5 GJ (5.78%),
- At COSIPA, the consumption of these and other power sources reached 25,201 Mjoule per tone of crude steel produced, showing the following breakdown in 2005:
- Coal and by-products = 80,795,523 GJoule (77.9 %);
  - Electricity = 16,987,292 GJoule (16.4 %);
  - Natural Gas = 5,682,991 GJoule (5.5 %);
  - Oil derivatives = 82,243 GJoule (0.1%);
  - Cryogenics = 82,243 GJoule (0.1%).

In 2005, the energy sources used by USIFAST Logística Industrial included electricity acquired from the local utility company, amounting to 621,180 Kwh, equivalent to 2,236.2 Gjoules. Its vehicle fleet consumed 5,449,825 liters of diesel oil (equivalent to 232,581.1 Gjoules), 22,679 liters of gasoline (equivalent to 1,053.3 Gjoules) and 58,426 Kg liquefied petroleum gas (equivalent to 2,872.3 Gjoules), which represents a total consumption of 238,742.9 Gjoules.

USIPARTS consumes electric power (21,703.48 Kwh, equivalent to 78.13 Gjoules in 2005) provided by the local utility company and liquefied petroleum gas (192,612.48 Kg

in 2005, equivalent to 9.47 Gjoulles), thus totaling 87.6 Gjoulles of energy consumption. In 2005, Usiminas Mecânica consumption of electric power reached 93,370.87 Gjoulles (25,936,353 Kwh), whereas that of liquefied petroleum gas achieved 71,574.20 Gjoulles (1,455,884.53 Kg).

UNIGAL industrial plant consumes electric power provided by the local power utility, liquefied petroleum gas (GLP), and gases generated by USIMINAS, like the COG (generated during coal coking process) and steam (generated by the industrial processes). For a production of 33,594 tons of galvanized steel coils, the Company posted in 2005 a specific power consumption per ton of galvanized coil of 1,213 Kwh (equivalent to 146,698.3 Gjoulles), 2,426 Mcal of COG (equivalent to 340,992.0 Gjoulles), 12.16 Kg of GLP (equivalent to 20.01 Gjoulles) and 536.1 Kg of steam (equivalent to 55,610.3 Gjoulles), resulting in an annual consumption of 543,320.7 Gjoulles.

The other companies in the System use electricity as their primary energy source, acquired from local power utilities. In 2005, the equivalent electric power consumption was 1,279.4 Gjoulles by Rio Negro, 4,082.4 Gjoulles by USIROLL, 3,065.8 Gjoulles by FASAL and 4,680.0 Gjoulles by DUFER.

#### Suppliers, Service Providers and Customers

The Usiminas System's companies strive to extend the guidelines underpinning their Integrated Management Systems to the entire production chain, including Environmental Management techniques.

Customers are provided with information on products and the precautions required for handling them. Fully recyclable, steel has an aggressive scrap market that helps prevent it from being simply dumped.

Suppliers are assessed in terms of the environmental impacts of their activities, through

the USIMINAS Supplier Development Process. In 2005, critical suppliers were visited to check the environmental conditions of their activities.

Through provisions in their contracts, the service providers comply with the guidelines stipulated by the Environmental Management Systems in terms of child labor, forced labor, employee discrimination and the impact of their activities, always participating in campaigns, technical seminars and discussions, like the IV Contractor's Environment Week promoted by USIMINAS in 2005.

The relationship with the community was further enhanced during the XXVII Environment Week promoted by USIMINAS. It included internal seminars and contests involving the customers. Random S.A. Implementos e Participações was awarded for its outstanding environmental management approach.

### 9.8 Community Involvement

Similar to the social and cultural areas, companies in the Usiminas System are endowed with methodical mechanisms for interacting with the community on matters related to the environment, perceiving concerns and developing specific programs. At Usiminas and Cosipa – whose activities have more significant environmental impacts - this community involvement has a higher public profile.

USIMINAS, Usiminas Mecânica e a UNIGAL sit on the State Committee for the Piracicabe River Basin (MG) created by a state law that provides for the State Natural Resource Policy in the capacity of members of the Users Group, as representative of the Brazilian Steel Institute (Instituto Brasileiro de Siderurgia – IBS). USIMINAS, in the capacity of representative of the Industry and Mining Group, has a seat also at the Federal Committee for

the Doce River Basin, an entity set up in accordance with Federal Law no. 9433/98, which provides for the National Water Resources Policy. Additionally, USIMINAS is a member of the Doce River State Park Advisory Board in the frame of Law 9985/2000, which established the National Conservation Units System, as representative of the private companies that run operations in the surroundings of this Conservation Unit; it is also deputy member of the State Water Resources Council (Conselho Estadual de Recursos Hídricos – CERH) as representative of the Brazilian Steel Institute – IBS.

With regard to the community, USIMINAS supports the establishment and functioning of regional NGOs, and runs environmental education projects and rehabilitation programs for areas degraded by human occupancy.

COSIPA approaches communities through the Community Consultation Panel organized by 38 companies of Cubatão associated to CIESP. It attends monthly meetings with representatives of the Mayors Office and local leaders from various districts in Cubatão, in addition to teaching institutions and professional associations. In this occasions, the community expectations are methodically identified by a multidisciplinary group from Cosipa, which analyzes these and other expectations, implementing or advancing with social and environment-related projects. This group reports directly to the company's senior management, which permits fine tuning while harmonizing corporate and community interests.

Moreover, COSIPA has a seat on the Hydrographic Basin Committee and the Ecological Zoning and Coastal Management of Baixada Santista (state of São Paulo), besides being actively engaged in the implementation activities of Agenda 21 in Cubatão. This is an important environmental project

aimed at applying the Agenda guidelines relative to the recovery of Atlantic forest remnants and encouragement of ecological tourism in the region.

The Usiminas System's companies offer the community leaders and people in general a plant visiting program. During such visits information is given about the production processes, future projects and their impacts. The resulting exchange of information and expectations generate valuable input for the development of future programs.

As a recognition of COSIPA's actions, particularly with respect to support to welfare institutions, the City Council of Cubatão granted it the "Cubatão's Friend Company" Award.

Outstanding among the main programs benefiting the community are:

#### **Green Area Program**

These programs are designed to reconstitute native plantlife in areas degraded by human occupancy.

In 2005 USIMINAS' main plant nursery in its zoo-botanical park produced a total of 256,917 seedlings native to the region. Priority was given to the Riverbank Forest Project, run in partnership with the NGO Relictos Foundation and the State Forests Institute (IEF - Instituto Estadual de Florestas), along 22 kilometers of riverbanks on the Piracicaba and Doce Rivers. The project reaches a total area of 185.30 hectares, and 6,145 seedlings were planted in 2005, making a total of 391,189 plantings. In addition, in order to recover green areas affected by forest fires, total 61,757 native species seedlings were planted in 2005 in Urban Woodlands in the Ideal, Iguaçú and Bom Jardim neighborhoods of Ipatinga, as well as in areas surrounding the Usipa club. The seedlings grown in the USIMINAS central nursery were also used to ornament

its industrial plants and maintain urban woodlands. These activities allowed Ipatinga to reach a rating of 127 m<sup>2</sup> green area per inhabitant, tenfold the level recommended by the World Health Organization (WHO) of 12m<sup>2</sup>/inhabitant.

The "São Paulo Orchard - More Green, More Life" project introduced by the São Paulo State Environment Bureau was supported by COSIPA, fostering the environmental reclamation of the Pinheiros River banks. The stretch of river adopted by COSIPA and five other companies is located close to the University Campus Bridge, where the soil was reclaimed and tree seedlings were planted. This Project bought Cosipa the honor of the Von Martius Prize, awarded by the Brazil-Germany Chamber of Commerce and Industry in São Paulo.

At the José Bonifácio de Andrada e Silva Plant, the Landscape Master Plan was drawn up in 1999 for its on-site green areas. The complete project includes establishing 213,000m<sup>2</sup> of new green areas and upgrading 480,000m<sup>2</sup> of existing green areas. The project started in 2000 and its first stage ended in 2002 upon completion of 56% of new plantings (119,500 m<sup>2</sup>) and 24% of the upgrading works (117,000 m<sup>2</sup>). In these areas, 5,500 trees (400 adult trees), 6,000 bushes and 62,000 m<sup>2</sup> of shrubs and low plants were planted, resulting in the introduction of a further 92 new plant species. This initial stage took the total green area at COSIPA Plant to 1,154,000 m<sup>2</sup>, resulting in an average of over 96m<sup>2</sup> of green area per employee, well above the minimum level recommended by the World Health Organization (WHO).

### **Wildlife Protection**

Protecting natural assets, particularly local wildlife, is another field where USIMINAS is active, through the Usipa Cebus Biodiver-

sity Center, run by the Usipa Sports and Recreation Association (CEBUS), registered with Ibama under No. 247.002/2002.

Following Ibama guidelines, CEBUS welcomes wild animals in many different situations, some seized by the Forest Rangers, or by Ibama itself, while others are donated privately. Most of these animals require special care during their recovery, which is conducted by specialists who include veterinarians and biologists, in addition to skilled handlers from the USIPA staff.

In 2005, CEBUS carried on its joint action policy, working with Ibama and the Minas Gerais State Environment Police, helping handle, screen and assign wild animals seized by the various entities. In order to meet a request made by IBAMA, CEBUS received and is temporarily sheltering a Siberian Tiger (*Panthera tigris altaica*), the world's largest cat. It received also a male tapir (*tapirus terrestris*) from the Belo Horizonte zoo to mate with a female living at CEBUS.

On May 26, 2005, two male guará wolves, an endangered species, were given birth at

Seedling Nursery - Zoo-botanic Park





CEBUS. In December, CONSUL promoted a contest among the region's schools to choose the wolf pup names: Guarani and Guaraná.

In November CEBUS received from the State Environmental Police around 300 birds from the Brazilian fauna for treatment and prompt release. Among the species received there were canaries (*sicalis flaveola* and *sicalis pelzelni*), tanagers, blue-birds, orioles, song thrushes (*Turdus Philomelos*), blackbirds (*turdus merula*) and crown sparrows.

Relying on the USIMINAS sponsorship, CEBUS offered "Sequential Refreshment Courses on Wild Life" to environmental policemen from a number of Minas Gerais towns, including classes at the Usiminas zoo and Zoo-botanic Park. The courses were split in 3 different modules spread over the second half of the year, and their purpose was:

- to practice methods and techniques for wildlife identification by the students, with an aim to work out concepts and attitudes in the frame of an effective environmental protection and inspection methodology.
- to identify and prevent the main zoonoses (animal diseases communicable to humans) while handling wildlife during environmental protection and inspection activities.
- to practice methods and techniques for safe wildlife handling by policemen during environmental protection and inspection activities, from seizure and transportation stages to the animal release.

Thirty officers were conferred course certificates.

In a joint work with the University Center UNILESTE/MG (Centro Universitário do Leste de Minas Gerais), the research projects started in 2003 were advanced and some completed. The outcome is a higher level of wildlife knowledge, which is essential to manage Usipa Zoo. The Zoo has nowadays 567 animals from 68 different species.

### **Environmental Education**

Environmental education campaigns are run by the Usiminas System's companies for its employees as well as the community.

Environment weeks are organized for the employees and their families.

Rio Negro promoted in 2005 its 5<sup>th</sup> Environment Week, which highlighted the theme "Educating today not to regret tomorrow", and encouraged a used edible oil collection campaign. Employees and their families attended speeches and were given explanatory material about the campaign and environment preservation as an element of social action. The used edible oil collected during the campaign was taken by a qualified reprocessor, who produces 60 liters of detergent from every 100 liters of oil. The outcome is donated to welfare institutions selected by the Company's volunteering groups.

During the XXVII Environment Week promoted by USIMINAS the "Environment Highlight Award 2005" was conferred to Random S.A Implementos e Participações as an acknowledgement for its environment-related actions, thus encouraging other customers to improve their environmental performance as well.

In order to enhance environmental awareness among the community, particularly the Government-run and private school network, since 1984 Usiminas has been sponsoring the Xerimbabo Environmental Education Project. In 2005, under the motif "The Agenda of Life", the Project dealt with the adoption of Agenda 21 in its various aspects, with special emphasis on the school-related Agenda 21. The Project welcomed 142,379 visitors from 76 Municipal Districts and 540 schools, mainly from the Steel Valley and Rio Doce Valley regions, building up a total participation in these twenty one campaigns of more than

1.2 million people. In spite of a slight reduction in the number of participating towns and schools, a greater number of students attended the activities. There was also a remarkable increase in the number of schools from towns located in the surroundings of Ipatinga. The Xerimbabo Project has been visited by in excess of 1.5 million people since 1984.

and ensure the ongoing improvement of its environmental performance. At USIMINAS, this program was reviewed in 2005, with the following commitments established for 2004 through 2008:

### 9.9 Future Commitment

Based on a painstaking classification of environmental impacts, the Environmental Management System has drawn up operating procedures that are designed to prevent or minimize these impacts.

The goals and targets are constantly reworked, in order to control significant impacts

	Commitments Assumed	Progress in 2005	Future Commitments
AIR	<ol style="list-style-type: none"> <li>1. Implementation of the High Pressure Ammonia Liquor System by December 2005;</li> <li>2. Refitting of the top of Coke Oven Battery no. 2 by September 2005.</li> </ol>	<ol style="list-style-type: none"> <li>1. The High Pressure Ammonia Liquor System was designed and specified in 2005; erection has already been started, and completion is planned for April 2006.</li> <li>2. Refitting of the top of Coke Plant no. 2 was completed. Specification, procurement and beginning of erection of a new coal loading car for Coke Plant no. 2, completion being foreseen for June 2006.</li> </ol>	<ol style="list-style-type: none"> <li>1. Completion of High Pressure Ammonia Liquor Injection System.</li> <li>2. Installation of the new coal loading car for Coke Plant no. 2.</li> <li>3. Implementation of the new dedusting system for the coal crushing facility.</li> </ol>
Water	To reach a water recirculation rate equal to or higher than 93.9% by December 2005.	In 2005, the recirculation rate reached 94.1 %.	<p>The following are the targets for 2006:</p> <ul style="list-style-type: none"> <li>• Specific new freshwater consumption equal to or lower than 10.98 m<sup>3</sup>/ton of crude steel.</li> <li>• Recirculation index equal to or higher than 94.3%.</li> </ul>
Soil	<ol style="list-style-type: none"> <li>1. Disposal of class IIa and IIb wastes in controlled landfill equal to or lower than 15,000 tons/month.</li> <li>2. Decontaminate the soil in the old solid wastes dump area ("Redondo Shaft").</li> </ol>	<ol style="list-style-type: none"> <li>1. The average amounts of solid wastes dumped in the controlled landfill (18,873 tons/months) and solid wastes sales (1,731,754 tons) failed to match the target established for 2005 due to difficulties faced by potential purchasing companies to get the required environmental licenses.</li> <li>2. Water and Organic Vapor Treatment Station under normal operation.</li> </ol>	<ol style="list-style-type: none"> <li>1. For 2006, the target for disposal of class IIa and IIb wastes in controlled landfill is maximum 7% of the overall wastes generated.</li> <li>2. Continued operation of the organic vapor and water treatment station to decontaminate the Redondo Shaft area.</li> </ol>

At Cosipa, this Program established the following commitments:

	Commitments Assumed	Progress in 2005	Future Commitments
Air	Modification of the ammonia injection ring system in the chambers of incinerators 1 and 2 in order to increase the ammonia burning efficiency; up to November 2005	The ammonia injection system was replaced; ammonia burning efficiency is now higher than 99%.	Installation of self-adjusting doors on the coke battery ovens and refit the furnace walls in order to eliminate gas leaks by December 31, 2007.
Water	To level and pave the ends of the coal yards and improve the draining troughs and the settling tanks, avoiding material to build up on the yard floor and its subsequent dragging into the settling tanks.	Installation of a containment bay underneath the RAF system in order to reduce dragging of material into the rainwater outlet galleries, by April 30, 2006.	Installation of a containment bay in the area of pellet screening and secondary screening/crushing in order to reduce dragging of material into the rainwater outlet galleries, by January 31, 2007.
Soil	To carry out a survey on the contaminated areas at José Bonifácio de Andrada e Silva Plant (Furadinho Dam, Oily Sludge, Askarel, Acid Sludge, Multiserv, Coke and Carbochemicals Plants, East Yard and Ore Yard) - Removal of lime and steelmaking sludge	To carry out a survey on the contaminated areas at José Bonifácio de Andrada e Silva Plant (Furadinho Dam, Oily Sludge, Askarel, Acid Sludge, Multiserv, Coke and Carbochemicals Plants, East Yard and Ore Yard) - Removal of lime and steelmaking sludge	Minimize waste generation.

The following environmental commitments were established by USIPARTS Sistemas Automotivos:

	Commitments Assumed	Progress in 2005	Compromissos Futuros
Air.	Performance monitoring of the new exhaust system.	Monitoring was carried out; results are shown in table 3 above. Half-yearly monitoring program was maintained.	Installation of a system to remove paint sludge from the painting cabin. It would reduce the disposal of pollutants into the atmosphere.
Water	Installation of a press filter in the pre-treatment line to remove phosphate sludge in order to improve the industrial effluent emission control.	Installation completed in 2005; currently in adjustment stage.	1. Operational improvement of the Effluent Treatment Stations (ETS); improvement of operating conditions and correction of environmentally impacting situations. 2. Installation of ultrafiltration membranes in the E-coat system. This facility would allow recirculation of waters used in the electrophoretic painting system, thus avoiding effluent generation (high organic load).
Soil	Environmental evaluation and correction of the tool yard. Improvement of the rainwater outlet area at the paintwork section.	Study made by CSD-Geoklock was approved by the environmental agency.  Execution of concrete pavement and contaminant collection system in 514 m <sup>2</sup> of yards.	<ul style="list-style-type: none"> <li>• Concrete pavement of an area of 1,790m<sup>2</sup> in the tool yard.</li> <li>• Completion of the spillage containment system, including connection to the ETS's</li> <li>• Covering of an area of 3.154m<sup>2</sup> in the tool yard.</li> </ul>

In 2006, Usiminas Mecânica will implement an environmental investment program in its production units in order to match their main performance indicators with the accepted standards:

	Commitments Assumed	Progress in 2005	Future Commitments
Water	Operation of the Sewage Treatment State at an operating rate equal to or higher than 90% in 2005.	The Sewage Treatment Station operated at an average rate of 95.14% in 2005.	To keep the Sewage Treatment Station operating performance at 95% in 2006.
Air	Control of atmospheric emissions from the painting processes by December 2005 through implementation of a painting process control by December 2005.	New painting cabin was built, including all the required environmental control devices – Project completed in August 2005.	To keep atmospheric emissions within the applicable legal standards.
Power	To maintain electricity and LPG consumption rationalization program according to the established objectives, adjusting sectoral consumption goals.	The Logistic, Equipment and Structures departments achieved the electric power consumption reduction goals; the GLP consumption also matched the reduction goals in the Blanking, Equipment and Structures departments.	To maintain in 2006 the electricity and LPG consumption rationalization program according to the established objectives, adjusting sectoral consumption goals.

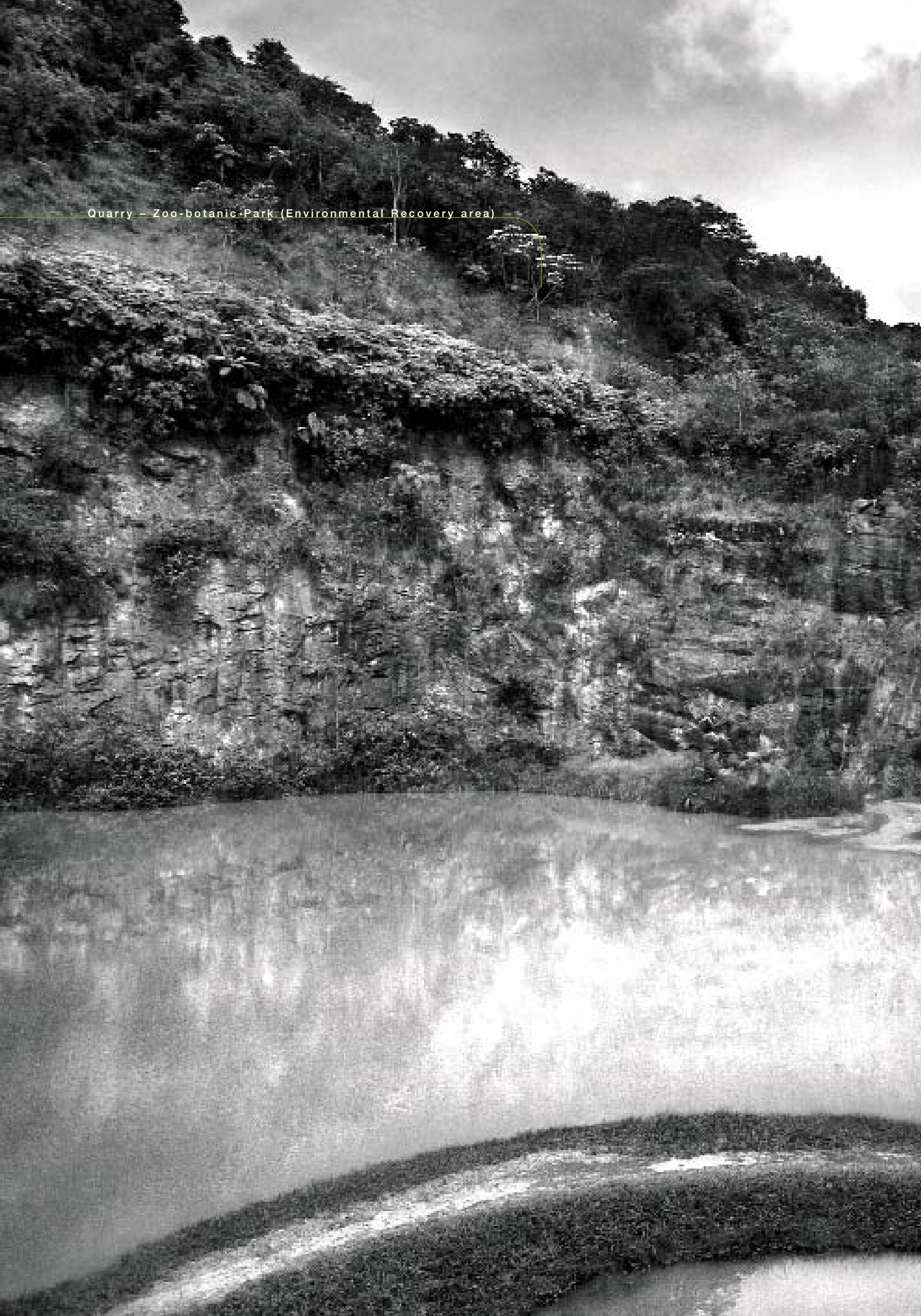
At UNIGAL, a goal was established for the reduction of metallic scrap, the main waste generated by its production process.

	Commitments Assumed	Progress in 2005	Future Commitments
Wastes	Reduction in the scrap generation index: minimum 2%	The Company did not accomplish the 2005 goal of scrap generation reduction. There was a 5.97% increase from the previous year's (2004) level. The non-compliance was due to changes in automotive customers' trimmed edge specifications.	For 2006, the scrap generation reduction goal is 1% from 2005 levels.

Usiminas Headquarters Garden  
designed by Burle Marx



Quarry - Zoo-botanic Park (Environmental Recovery area)







## 10. Economic and Social Indicators



Since 1997, USIMINAS has based the preparation of its Social Statements on the recommendations of the Brazilian Institute for Social and Economic Analyses – IBASE and, as of the year 2000, on the Global Reporting Initiative – GRI guide, both chartered to disseminate guidelines for the preparation of sustainability reports, applied

globally and voluntarily by organizations that wish to provide transparency to their activities' economic, environmental, social and cultural aspects. What follows is information on the Usiminas System's economic and social performance, whose preparation complies with the guidelines emanated from the entities above.

Gas Holder - Intendente Câmara Plant



## 10.1 Content Index - Global Reporting Initiative – GRI

Vision and Strategy		Economic				Social			
		Mandatory		Additional		Mandatory		Additional	
1.1	7, 14, 29, 36, 51	EC1	20			Employees			
	70, 82								
1.2	5	EC2	26			LA1	8 a 12, 35 a 37	LA12	35, 37, 38,
		Suppliers				LA2	8 a 12, 106		42 a 46
	Profile	EC3	20, 30	EC11	29, 30	Labor Relations			
2.1	7 a 12	EC4	30, 106			LA3	36	LA13	14, 15, 37
2.2	8 a 12	Employees				LA4	36, 37		
2.3	8 a 12	EC5	20, 35, 105			Health & Safety			
2.4	8 a 12	Financers & Stockholders				LA5	39 a 41		
2.5	8, 10, 11	EC6	19, 20, 106			LA6	39 a 41		
2.6	8 a 12	EC7	19, 20, 106			LA7	39, 106		
2.7	26	Public Sector				LA8	(7)*		
2.8	5, 8 a 12	EC8	19, 20, 105, 106	EC12	105	Training & Education			
2.9	8 a 14, 19, 20,	EC9	105			LA9	43, 44	LA16	43, 45
	25, 26, 29, 30,	EC10	51, 53, 105					LA16	43, 44
	35 a 37, 93, 94	Indirect Economic Impacts				Diversity & Opportunity			
2.10	106, 111, 112			EC13	53	LA10	106		
2.11	5, 103					LA11	111, 112		
2.12	103	Environmental				Strategy & Management System			
2.13	8 a 12, 106, 107	Mandatory		Additional		HR1	36 a 38		
2.14	10, 106, (1)*	Materials				HR2	29, 30, 35 a 46		
2.15	106, (1)*	EN1	(2)*			HR3	29, 30, 31, 93		
2.16	106, (1)*	EN2	84			Non-discrimination			
2.17	106	Power				HR4	36 a 38, 106		
2.18	19, 20	EN3	92, 93	EN17	92, 93	Freedom of Association and Collective Bargaining			
2.19	106, (1)*	EN4	92, 93	EN18	92, 93	HR5	36, 37		
2.20	12, 15			EN19	92, 93	Child Labor			
2.21	12, 14, 15	Water				HR6	30		
2.22	106, 111, 112	EN5	85	EN20	85 a 88	Disciplinary Practices			
				EN21	85 a 88			HR9	(6)*
				EN22	85 a 88			HR10	36
Management System									
3.1	12 a 15	Biodiversity				Safety Practices			
3.2	111, 112	EN6	8 a 11	EN23	8 a 11			HR11	39, 40, 41
3.3	12, 13	EN7	84	EN24	8 a 11	Indigenous Rights			
3.4	12, 13			EN25	(4)*			HR12	(8)*
3.5	(2)*			EN26	94 a 97			HR13	(8)*
3.6	14, 15, 36, 51,			EN27	94 a 96			HR14	(8)*
	93, 94			EN28	(4)*				
3.7	7, 14, 36, 51,			EN29	(4)*	Comunnity			
	69, 82					SO1	51, 52	SO4	13, 14, 38
3.8	12	Emissions, Effluents & Wastes				Corruption & Bribery			
3.9	15	EN8	81 a 92			SO2	12		
3.10	14, 15, 25, 30,	EN9	(5)*			Political Contributions			
	36, 51, 93, 94	EN10	88 a 91			SO3	12	SO5	(9)*
3.11	14, 15, 25, 30,	EN11	84, 85			Competition & Pricing			
	36, 51, 93, 94	EN12	86 a 88					SO6	106
3.12	14, 15, 25, 30,	EN13	86 a 88					SO7	12 a 15
	36, 51, 93, 94	Suppliers				Consumer Health & Safety			
3.13	15			EN33	30, 31, 93	PR1	25	PR4	106
3.14	13	Products & Services						PR5	106
3.15	13, 14, 36, 51,	EN14	85					PR6	13, 14, 38, 113
	93, 94	EN15	85			Products & Services			
3.16	29, 30, 93	Conformity				PR2	25		
3.17	19, 20	EN16	(6)*			PR7	106	PR8	25, 26
3.18	10, 11	Transportation				Advertising			
3.19	47, 65, 77, 97, 99			EN34	91			PR9	14
3.20	113	General						PR10	(6)*
				EN35	81	Respect to Privacy			
						PR3	26	PR11	106

\* Please refer to " explanatory notes" on pages 106 and 107.

## 10.2 Usiminas System in Figures - IBASE

1. Calculation Basis	2005						2004					
	Usiminas		Usiminas System				Usiminas		Usiminas Systems			
1.1. Net Revenues - RL	6,956,208		13,040,726				6,683,127		12,229,873			
1.2. Operating Income - RO (1)	2,842,709		4,784,572				2,792,560		4,983,067			
1.3. Gross Payroll - FPB	531,684		1,013,133				521,198		1,016,554			
2. Internal Social Indicators	Value R\$		% Gross Payroll		% Net Revenues		Value R\$		% Gross Payroll		% Net Revenues	
	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System
2.1 Mandatory Social Security	98,293	242,509	18.49	23.94	1.41	1.86	110,722	311,006	21.24	30.59	1.66	2.54
2.2. Supplementary Pension Fund	22,024	29,535	4.14	2.92	0.32	0.23	72,668	81,538	13.94	8.02	1.09	0.67
2.3. Benefits												0
2.3.1. Catering	16,099	44,892	3.03	4.43	0.23	0.34	14,957	34,747	2.87	3.42	0.22	0.28
2.3.2. Healthcare	13,267	26,077	2.50	2.57	0.19	0.20	10,399	22,243	2.00	2.19	0.16	0.18
2.3.3. Industrial Safety and Medicine	14,621	23,094	2.75	2.28	0.21	0.18	8,636	14,656	1.66	1.44	0.13	0.12
2.3.4. Education	0	116	0	0.01	0	0	0	0	0	0	0	0
2.3.5. Culture	0	0	0	0	0	0	0	0	0	0	0	0
2.3.6. Professional Development and Capacity-Building (2)	5,307	7,307	1.00	0.72	0.08	0.06	5,091	8,704	0.98	0.86	0.08	0.07
2.3.7. Day-care Centers or Allowances	0	19	0	0	0	0	0	19	0	0	0	0
2.3.8. Transportation	2,875	17,547	0.54	1.73	0.04	0.13	2,736	14,775	0.52	1.45	0.04	0.12
2.3.9. Insurance	1,121	2,591	0.21	0.26	0.02	0.02	807	1,651	0.15	0.16	0.01	0.01
2.4. Others	2,063	7,572	0.39	0.75	0.03	0.06	2,639	7,095	0.51	0.70	0.04	0.06
2.5. Employee Profit-Sharing Scheme	67,554	96,812	12.71	9.56	0.97	0.74	92,938	133,270	17.83	13.11	1.39	1.09
Total 2 – Internal Social Indicators	243,224	498,071	45.76	49.17	3.50	3.90	321,593	629,704	61.70	61.94	4.82	5.14
3. External Social Indicators	Value R\$		% Gross Payroll		% Net Revenues		Value R\$		% Gross Payroll		% Net Revenues	
	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System
3.1. Education	193	1,499	0.01	0.03	0.00	0.01	160	1,429	0.01	0.03	0.00	0.01
3.2. Culture	9,670	14,616	0.34	0.31	0.14	0.11	8,075	13,425	0.29	0.27	0.12	0.11
3.3. Healthcare and Sanitation	397	497	0.01	0.01	0.01	0.00	330	330	0.01	0.01	0.00	0.00
3.4. Sports	496	496	0.02	0.01	0.01	0.00	412	412	0.01	0.01	0.01	0.00
3.5. Combating Hunger /Food Security	30	30	0.00	0.00	0.00	0.00	25	25	0.00	0.00	0.00	0.00
3.6. Others	1,051	1,069	0.04	0.02	0.02	0.01	873	873	0.03	0.02	0.01	0.01
Total contributions to society	11,837	18,207	0.42	0.38	0.18	0.13	9,875	16,494	0.35	0.34	0.14	0.13
3.7. Taxes (social security excluded)	1,807,240	2,896,788	63.57	60.86	25.98	22.21	1,764,696	2,832,043	63.19	56.83	26.41	23.16
Total 3 – External Social Indicators	1,819,077	2,914,995	63.99	61.25	26.16	22.34	1,774,571	2,848,537	63.54	57.17	26.55	23.29
4. Environmental Indicators	Value R\$		% Gross Payroll		% Net Revenues		Value R\$		% Gross Payroll		% Net Revenues	
Investments related to corporate operation/production (3)	47,605	60,465	1.67	1.27	0.68	0.46	7,310	11,862	0.26	0.24	0.11	0.10
Investments in external programs and/or projects	0	0	0	0	0	0	0	0	0	0	0	0
4.1 Total Environmental Investments (3)	47,605	60,465	1.67	1.27	0.68	0.46	7,310	11,862	0.26	0.24	0.11	0.10
4.2 Regarding the establishment of annual targets for minimizing wastes generation and consumption in general by the production /operation areas, and enhancing the efficient use of natural resources, the Company:	( ) has no targets ( ) complies 0- 50% ( ) complies 51% - 75% (X) complies 76% - 100%						( ) has no targets ( ) complies 0- 50% ( ) complies 51% - 75% (X) complies 76% - 100%					

5. Staff Indicators	As of December 31, 2005		As of December 31, 2004			
	Usiminas	Usiminas System	Usiminas	Usiminas System		
5.1. Headcount at end of period	7,962	19,688	7,967	19,422		
5.2. No. of Hires in Period	540	2,002	329	2,310		
5.3. No. of Outsourced Personnel	5,628	16,042	5,542	15,171		
5.4. No. of Interns/On-the-job Trainees	179	555	249	653		
5.5. No. of Employees over 45 years of age (4)	2,238	4,489	2,331	4,037		
5.6. No. of Women working for the Company (4)	306	904	307	886		
5.7. % Management Positions held by Women (4)	4	14	3	17		
5.8. No. Negroes working for the Company (4)	468	1,139	516	1,139		
5.9 % Management Positions held by Negroes (4)	0	7	0	8		
5.10. No. of Disabled Employees (5)	122	393	150	542		
6. Significant Information on the Exercise of Corporate Citizenship	2005 Actual		2006 Targets			
	Usiminas	Usiminas System	Usiminas	Usiminas System		
Ratio between the highest and lowest remuneration in the Company	35.94	34.99	35	35		
Total number of work accidents	11	66	0	0		
Outreach and environmental projects implemented by the Company were defined by:	(X) senior officers	( ) senior officers / managers	( ) all employees	(X) senior officers	( ) senior officers / managers	( ) all employees
Workplace safety and health standards were defined by:	( ) senior officers	( ) senior officers / managers	(X) all employees plus CIPA	(X) senior officers	(X) senior officers / managers	(X) all employees
With regard to trade union freedom, the right to collective bargaining and in-house worker representation, the Company:	(X) is not involved	( ) follow the ILO standards	( ) encourages and comply with ILO standards	(X) is not involved	( ) follow the ILO standards	( ) encourages and comply 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
Profit or earnings sharing scheme includes:	( ) senior officers	( ) senior officers / managers	(X) all employees	( ) senior officers	( ) senior officers / managers	(X) all employees
When selecting suppliers, the same ethical, social accountability and environmental responsibility standards as adopted by the Company:	( ) are not considered	( ) are recommended	(X) are required	( ) are not considered	( ) are recommended	(X) 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) organizes and encourages
Total number of consumer complaints and criticisms:	At the Company - 0	At Procom - 0	In Courts - 0	At the Company - 0	At Procom - 0	In Courts - 0
% complaints and criticisms answered or resolved:	At the Company - 0	At Procom - 0	In Courts - 0	At the Company - 0	At Procom - 0	In Courts - 0
Overall value added to be distributed (R\$ 000):	2005		2004			
	Usiminas	Consolidated	Usiminas	Consolidated		
Distribution of Value Added (DVA)	R\$ 6,542,203	R\$ 8,504,632	R\$ 5,693,027	R\$ 7,659,819		
	28.50% Government 7.25% Staff	35.36% Government 10.62% Staff	31.97% Government 8.69% Staff	38.87% Government 11.37% Staff		
	17.05% Stockholders 4.43% Third Parties	13.11% Stockholders 7.95% Third Parties	18.77% Stockholders 5.70% Third Parties	13.95% Stockholders 10.34% Third Parties 25,47 % Withheld		
7. Additional Information						
For clarification about stated information, please refer to:	Engineer Marcus Rogério Carneiro Lemos Telephone: (55) xx 31 3499 8272 E.Mail : ubhpg01@usiminas.com.br					
<p>(1) - Before net financial revenues and expenses, equity earnings, amortization of premium/discount and interest.  (2) - Investments in Education are accounted for together with Investments in Professional Development and Capacity-Building.  (3) - Environmental investments related to production / operating area of the companies were accounted for together with external projects and/or programs.  (4) - The Usiminas System's companies do not accept any type of prejudice, whether racial, religious, political or any other kind whatsoever. The figures reflect the spontaneous individual statements of the employees, in compliance with the legal requirements for preparing the information presented in the RAIS, according to the Brazilian Law.  (5) - According to a "Conduct Adjustment Agreement" entered into with the Labor Public Attorney Office, the proportion of disabled employees provided for by Law excludes the operational jobs, which, based on the work safety regulations, would be incompatible with a safe operation or would expose the disable employee to accident risk. There are other disable employees working for the Company, whose condition has not been attested by the competent public agencies as yet.  (6) - The closed private pension funds cover all the employees of the companies that signed up as Sponsors.</p>						

### 10.3 Explanatory Notes

#### Content Index - Global Reporting Initiative

- (1) There were no significant changes vis-à-vis the scope of the report or administrative practices compared to the previous report.
- (2) Compensation of the Senior Management Team is defined by the Board of Directors, and publicized in compliance with the provisions of the Brazilian Securities Commission – CVM and by law.
- (3) Not presented due to the complexity,

quantity and diversity of materials used in steel companies, entailing an excessively extensive report.

- (4) Companies in the Usiminas System do not operate in environmentally sensitive or protected areas, or in areas where the companies' actions threaten species included in UICN's Red List.
- (5) Gases as CFC have not been used by USIMINAS in any of its operations since 1998.
- (6) No company in the Usiminas System has been fined for serious non-compliance with

environmental law, or international Declarations, Conventions and Treaties, advertising and marketing regulations or by legal suits for disrespecting human rights.

(7) USIMINAS does not discriminate employees or persons with HIV/AIDS and adheres to the same guidelines applicable to other infectious and contagious diseases.

(8) Companies in the Usiminas System are geographically distant from the sites where Brazilian indigenous populations reside, who represent less than 0.2% of the population and are under special protection afforded by Brazilian law.

(9) Contributions made to political parties comply with Brazilian electoral law as regards amounts and publicizing

### **IBASE Matrix – Breakdown of figures presented**

#### **Calculation Basis**

- **Outlays on Staff:** includes all expenditures on the annual remuneration of the employees, the respective social security dues as required under Brazilian Law, closed private pension fund levies, insurance, education, capacity-building and refresher or advanced courses for the staff, welfare benefits and compensation for rescission of labor contracts.

#### **Labor Indicators**

- **Social Security:** refers to the mandatory dues paid on wages in compliance with Brazilian Law.
- **Private Pension Fund:** refers to the Company contribution to building up the closed private pension scheme reserves administered by the Usiminas Employee Savings Institution (Caixa dos Employees da Usiminas). This includes monthly levies calculated on the wages paid and coverage for underfunding in the future benefits reserves.

#### **Benefits**

- **Healthcare Programs:** this covers expenditures incurred through implementing

occupational health and health promotion programs, in addition to social welfare and medical, hospital and dental aid under the free choice and directed choice systems, always implemented through actions that supplement Government initiatives, with joint participation where permitted by Brazilian Law.

- **Insurance:** expenditures on groups life assurance premiums taken out on a joint basis and covering all employees, at the discretion of the Company.
- **Transportation:** expenditures on employee commutes between the industrial areas of the Company, and awarding the Transportation Voucher benefit established by Brazilian Law.
- **Meals:** refers to the expenditures incurred jointly for supplying meals at work and investments in improvements.
- **Education, Capacity-Building, Training and Advance/Refresher Courses:** investments in capacity-building and staff development at all employee levels, using in-house and outside resources in Brazil and abroad in the technological area, as well as human and social competencies. This also includes in-house work appreciation, industrial safety and quality campaigns.
- **Other Benefits:** covers the reimbursement of expenditures on day-care centers incurred for the offspring of employees and support for outreach activities within the community.

#### **Taxes**

Covers the taxes falling due on the revenues (IPI and ICMS) net of acquisition credits, PIS, COFINS and ISS; taxes on profits (income tax and social security) land tax (IPTU) and the provisional financial transaction levy (CPMF).

#### **Cultural Investments:**

Includes tax exemptions and maintenance and support for the cultural programs and assets of the Usiminas Cultural Institute (USICULTURA).







Anta Lake - Internal area of Intendente Câmara Plant



## **11.** Corporate Information

Usinas Siderúrgicas de  
Minas Gerais S/A – USIMINAS  
Rua Prof. José Vieira de Mendonça, 3011  
Belo Horizonte – MG – CEP 31 310-260  
[www.usiminas.com.br](http://www.usiminas.com.br)

Companhia Siderúrgica  
Paulista S/A – COSIPA  
Av. do Café, 277 – Torre “B”  
Vila Guarani – São Paulo – SP  
CEP 04 311-000  
[www.cosipa.com.br](http://www.cosipa.com.br)

DUFER S/A  
Rua Dianópolis, 750  
São Paulo – SP  
CEP 03 126-007  
[www.dufer.com.br](http://www.dufer.com.br)

Usiminas Mecânica S/A – UMSA  
Rua Prof. José Vieira de Mendonça, 3011  
Belo Horizonte – MG  
CEP 31 310-260  
[www.usiminasmecanica.com.br](http://www.usiminasmecanica.com.br)

Rio Negro Comércio e Indústria de Aço S/A  
Av. Monteiro Lobato, 2.805  
Bairro São Roque – Guarulhos – SP  
CEP 07 190-902  
[www.rionegro.ind.br](http://www.rionegro.ind.br)

Fasal S/A Comércio e Indústria de Produtos  
Siderúrgicos  
Rua Dr. Angelo Teixeira da Costa, 602  
Santa Luzia – MG  
CEP 33 045-170  
[www.fasal.com.br](http://www.fasal.com.br)

USIFAST Logística Industrial S/A  
Rua das Indústrias, 136  
Bairro Parque São João - CEP 32.341-490  
Contagem - MG  
[www.usifast.com.br](http://www.usifast.com.br)

#### **Board of Directors**

Bertoldo Machado Veiga (Chairman)  
Ermínio Tadei  
Gabriel Stoliar  
Hidemi Kawai  
José Carlos Martins

Kenichi Asaka  
Marcelo Pereira Malta de Araújo  
Marcus Olyntho de Camargo Arruda  
Marta Xavier Gonçalves  
Rinaldo Campos Soares

#### **Senior Management**

**Chief Executive Officer:** Rinaldo Campos Soares

**Chief Development Officer:** Gabriel Márcio Janot Pacheco

**Chief Commercial Officer - Domestic Market:**

Idalino Coelho Ferreira

**Chief Financial and Investors Relations Officer:**

Paulo Penido Pinto Marques

**Chief Industrial Officer:** Omar Silva Júnior

**Chief Commercial Officer - Exports:** Renato Vallerini Júnior

**Chief Special Relations Officer:** Ricardo Yasuyoshi Hashimoto

**Chief Executive Officer:** Cláudio Antônio Arcoverde Credie

**Chief Executive Officer:** Guilherme Muylaert Antunes

**Chief Executive Officer:** Carlos Jorge Loureiro

**Vice-President:** Luis Eduardo Kikinger Abreu

**Controller:** Delson de Miranda Tolentino

**Chief Financial & Administrative Officer:** Walter Roberto Areias

**Chief Development & Coordination Officer:** Hiroshi Hayashi

**Chief Executive Officer:** Johannes Bernardus Sleumer

**Controller:** Bertoldo Machado Veiga

**Chief Superintendent Officer:** Antônio Morais de Assis

**Chief Commercial & Operations Officer:** Mário Lincoln Costa

**Chief Financial & Administrative Officer:**

Janaina Duarte Rezende Lima

USIPARTS S/A Sistemas Automotivos  
Pça Gil Pimentel Moura, s/n – Conjunto “B”  
Pouso Alegre – MG CEP 37 550-000  
www.usiparts.com.br

**Chief Executive Officer:** Flávio Del Soldato  
**Chief Financial & Industrial Director:** Adenides E. de Matos  
**General Sales Manager:** João Pessoa do Nascimento Júnior  
**Human Resources Manager:** José Eustáquio B. Parreiras

USIROLL - Usiminas Court Tecnologia  
de Acabamento Superficial Ltda  
Av. Pedro Linhares Gomes, 5.431  
Bairro Usiminas – Ipatinga – MG  
CEP 35 160-900

**Manager:** Celso Luiz Carvalho Ulhoa

UNIGAL Ltda  
Av. Pedro Linhares Gomes, 5.431  
Bairro Usiminas – Ipatinga – MG  
CEP 35 160-900

**General Manager:** José Neves Fernandes

Fundação São Francisco Xavier  
Av. Engenheiro Kiyoshi Tsunawaki, s/n  
Bairro das Águas - Ipatinga - MG  
CEP 35.160-158

**President:** Rinaldo Campos Soares  
**Chief Executive Officer:** Ronaldo Monteiro de Sousa  
**Hospital Mário Cunha Director:** José Carlos de C. Gallinari  
**Colégio São Francisco Xavier Director:** José Amilar da Silveira  
**Integrated Dental Center Manager:** Antônio M. da Silva  
**Financial & Administrative Manager:** Robson Miranda Pinto  
**Healthcare Plan Manager:** Adseu Álvares de Andrade

Caixa dos Empregados da Usiminas  
Rua Prof. José Vieira de Mendonça, 3011  
Belo Horizonte - MG - CEP 31.310-260  
www.caixausiminas.com.br

**President:** José Olímpio da Silva  
**Chief Financial Officer:** José Ruque Rossi  
**Chief Officer for Benefits:** Antônio Furtado de Araújo

Fundação Cosipa de  
Seguridade Social - FEMCO  
Av. Conselheiro Nébias, 368-A,  
Santos - SP - CEP 11.015-002  
www.femco.org.br

**President:** Heraldo Alves Margarido Júnior  
**Chief Financial Officer:** Aristίδes Bernardino Andrade Neto  
**Chief Administrative Officer:** Carlos Gaggini

Cooperativa de Crédito Mútuo dos  
Empregados da Usiminas - COOPECO  
Av. Castelo Branco, 632 - Horto  
CEP 35.160-294 - Ipatinga - MG  
coopeco@uai.com.br

**President:** Luiz Gonzaga Viana Lage  
**Chief Administrative Officer:** José Carlos Rigueira Penna  
**Chief Financial Officer:** Renato Carlos Poggiali De Souza

Cooperativa de Consumo dos Empregados  
da Usiminas Ltda. – CONSUL  
Av. Pedro Linhares Gomes, 3.900 -  
CEP.35.160-290 - Ipatinga - MG  
consul.atendimentoaocliente@usiminas.com.br

**President:** Matusalem Dias Sampaio  
**Chief Financial & Administrative Officer:** Divaldo Pires Guerra  
**Chief Commercial Officer:** Hélcio Moreira Ronzani  
**Chief Operation Officer:** Júlio Eduardo Santos

Cooperativa de Crédito Mútuo dos  
Empregados da Usiparts  
Pça Gil Pimentel Moura, s/n - Conj. “B”  
CEP37.550-000 - Pouso Alegre - MG

**President:** Gilberto Menegucci  
**Chief Financial & Administrative Officer:** Narciso Correa Mendes  
**Chief Operation & Accounting Officer:** José Lúcio Ribeiro

## 11.1 International and Brazilian Certificates - Usiminas System's Companies

### USIMINAS

Management System  
UKAS ISO 9001:1987 - Det Norske Veritas  
RvA ISO 14001:1996 - Det Norske Veritas  
ISO 14001:1996 INMETRO  
RAB ISO9001:2000 - Det Norske Veritas  
RAB ISO/TS 16949:2002 - Det Norske Veritas  
OHSAS18001 - Det Norske Veritas  
Laboratory Accreditation - ISO 17025:2001  
Impact and Tension Testing; Pressure Calibration; Force Calibration (Tension and Impact)  
Electric Parameter Calibration; Temperature and Humidity Calibration  
Assured Product Quality  
American Bureau of Shipping  
Germanischer Lloyd - GL - 1982  
Technischer Überwachungs Verein - TÜV - 1986  
Instituto Brasileiro de Qualidade Nuclear - IBQN - 1986  
Eletrobrás Termonuclear - ELETRONUCLEAR - 1986  
Lloyd's Register of Shipping - LR - 1989  
Det Norske Veritas - 1992  
Korean Register of Shipping KR - 1995  
Nippon Kaiji Kyokai - NK - 1997  
Bureau Veritas - BV - 1997  
Technischer Überwachungs Verein - TÜV - Mark Ü - 1999  
Instituto Argentino de Normalizacion - IRAM / INTI - 2000  
Associação Brasileira de Normas Técnicas - ABNT - 2002.

### COSIPA

Shipbuilding Certificates - 1981  
Total Quality - 1986  
ISO 9001 Industrial Processes - DNV/1995  
JIS Seal - Product Acknowledgement - Heavy plates for civil construction applications -  
JIS - Japanese Industrial Standards - 1996  
Mark Ü - Product Acknowledgement - Heavy plates for civil construction applications -  
TUV - Technischer Überwachungs Verein - 1997  
QS 9000 - Product Quality Certification - hot and cold strips for the automobile industry -  
Det Norske Veritas  
ISO 14001 Environmental Management - DNV -2000  
IRAM/INTI CERTIFICATE - Product Acknowledgement - Heavy plates for civil construction  
applications - Instituto Argentino de Normalizacion - 2000  
ISO 9001 Management - DNV - 2002  
ISO TS 16949 Certificate - Quality Certificate for the Automobile Industry - DNV - 2003  
OHSAS 18001 Certificate - Det Norske Veritas

### FASAL

ISO 9001:200 Quality Certificate - DNV

### USIPARTS

TS 16949 - Det Norske Veritas (comprises all the quality standards required by auto makers)  
ISO 14001 - BVQI - Bureau Veritas Quality International



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**RIO NEGRO**

ISO 9002:2000  
ISO / TS 16949:2002  
OHSAS 18001:1999  
Instituto ETHOS de Empresas e Responsabilidade Social

**DUFER**

ISO/TS 16949:2002 for Matrix  
NBR ISO 9001:2000 for the Blanking Plant

**USIMINAS  
MECÂNICA**

ISO 9001: 2000 - Det Norske Veritas/DNV  
ISO 9001:2000 - DNV / RvA  
AISC - QMC / AISC -USA  
ISO14001:96 - DNV / INMETRO  
ISO 14001:96 - DNV / RvA  
OHSAS 18001 - DNV  
CNEN-NN 1.15 - DNV / INMETRO  
ISO 9001:2000 - DNV / INMETRO  
ISO 9001:2000 - DNV / RvA

**FSFX**

Colégio São Francisco Xavier - ISSO 9001:2000 - dnv/RvA  
Márcio Cunha Hospital's Clinic Pathology Laboratory - ISSO 9001:2000 -  
DNV/RvA  
Usisaúde - ISSO 9001:2000 - DNV/INMETRO  
Márcio Cunha Hospital - "Excellence Accreditation" by Det Norske Veritas in  
accordance with the National Accreditation Organization's guidelines - IAC 006-  
002 Certificate

## CREDIT

**OVERALL COORDINATION - USIMINAS** | Human Resources & Administration Department

**TEAM PARTICIPANTS** | Social Communication Department  
Environment & Urbanism Department - USIMINAS  
Environment Department - COSIPA  
Controllers Department  
Compensation & Benefit Division

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Every picture in this Report is related  
to the Usiminas System.

