



**ANNUAL SUSTAINABILITY REPORT 2009**

**USIMINAS** 

ANNUAL SUSTAINABILITY REPORT 2009





Printed on paper manufactured from reforested wood, certified by FSC logo - Forest Stewardship Council

# CONTENTS

<b>05</b>	About this Publication
<b>09</b>	Message from the Board of Directors
<b>13</b>	Message from the Presidency
<b>17</b>	Statement from Administration
<b>19</b>	Operational and Economic-Financial Synopsis
<b>25</b>	Corporate Profile
<b>31</b>	Corporate Governance
<b>43</b>	Strategic Management
<b>53</b>	Investment and Prospects
<b>63</b>	Business Performance
<b>71</b>	Economic-Financial Dimension (MD&A)
<b>81</b>	Intangible Assets
<b>87</b>	Social Dimension
<b>109</b>	Environmental Dimension
<b>127</b>	GRI - Table of Contents, Global Compact, ISE and Dow Jones
<b>133</b>	Opinion of Socio-environmental Assurance
<b>137</b>	IBASE Social Audit



*Usiminas - Mining Unit - Itatiaiuçu/MG*

# ABOUT THIS PUBLICATION

Usiminas' 2009 Annual Report presents the Company's strategic action and economic, social and environmental performance in Brazil from January 1 to December 31, 2009. For the third consecutive year, it adopts Global Reporting Initiative (GRI) third generation guidelines (G3), an international standard for sustainability reports. In this instance, application level A+ of these guidelines has been met, with socio-environmental information confirmed by the auditing firm of PriceWaterhouseCoopers.

The main evolution in this edition has taken place in the identification of relevant matters to be prioritized upon putting together the contents (materiality). The process included consultation by means of questionnaires and individual interviews with the representatives of seven of Usiminas' publics: employees, suppliers, customers, communities in the vicinity of operations, public power, specialists, and civil society organizations. In the case of the internal public, open consultation collected contributions from managers and members of operations in all units. On the same lines, interviews of public power endeavored to be comprehensive and included the three spheres (executive, legislative and juristic) within the country's three levels (municipal, state and federal), focusing on Minas Gerais, Rio de Janeiro and Brasilia.



Consultation of suppliers was included in the November pilot-edition of the Dialogue on Sustainability, a round of meetings with relationship audiences, to be extended to other stakeholders in 2010. As a basis for analysis, a study of reference practices of ten steelmaking sector enterprises in Brazil and abroad was carried out.

As a result of this task, the Report's volume in print was reduced considerably. Complementary information is available in Usiminas' website, [www.usiminas.com](http://www.usiminas.com), and is set out in the different chapters.

There is also evolution to be seen in the consolidation of the socio-environmental indicators for Usiminas as a whole. This is in line with the process of management integration of the last two years. Possible limitations in the scope of some indicators are pointed out in the explanatory notes for graphs and charts. This is an ongoing process at Usiminas, in line with the expansion of sustainability management throughout the entire Company.

In accordance with the best governance practices, this Report also follows the guidelines issued by the Brazilian Association of Listed Companies (Abrasca) for divulging information of interest to shareholders. At the end, it also shows the co-relation between its contents and the 10 Global Compact principles, which allows it to be used also as a Communication of Progress.

Recognized for its responsible stance in business management throughout its history, Usiminas is committed to integrating sustainability into its daily operational routines. To this end, the Company advances constantly in its process of dialogue with its strategic publics, so as to keep up with shifts in the business environment. Our sustainability report reflects and fosters this evolution of the Company.

Finally, Usiminas invites you to evaluate this Report and contribute to the assertiveness of information that interests you. Access the page on sustainability in Usiminas' URL ([www.usiminas.com](http://www.usiminas.com)) and fill in the assessment questionnaire for the Report.

Enjoy reading this.





# MESSAGE FROM THE BOARD OF DIRECTORS

Over and above inherent challenges, the process of portraying the global economy of 2009 also proved rich for Usiminas in terms of opportunities and lessons learned. With austere management paying close attention to the nuances of the macroeconomic scenario, the Company set a course through worldwide turbulence with well defined guidelines in its Strategic Map, lending firmness to its process of consolidation as an outstanding player in the global steelworks sector.

Preservation of coffers, strict cost controls, the search for operational efficiency and maintenance of profitability molded corporative planning, focusing on acquisition of value on the part of shareholders, investors, business partners and society. Results arrived at in this vein, particularly those for the fourth quarter of the fiscal year, reflect not only improvements in the steelmaking market; they also portray the gradual recovery of the Company's operational and financial indicators.

It is early days yet, but 2010 does look promising. Development of products and services with high added value together with diversification of the business chain increasingly place Usiminas amongst the country's most strategically relevant assets for its socio-economic development.



The responsibility is huge, but then so is our determination to grow even further, adding more value to business. This process of construction is carried forward and watched over by a strong group of shareholders, which has proved key to maintaining advances gained and strengthening the Company's competitiveness in the long term as well.

When forecasts for GDP growth are confirmed, Usiminas will be ready to dedicate state-of-the-art technology to the Country in connection with steel-related products and services, stemming from the integrated action of its four business pillars: Mining and Logistics, Steelmaking, Steel Transformation and Capital Goods.

To this end, we have an investment agenda underway that will position the Company's manufacturing units at a differentiated level in the milieu of worldwide competition, at all times prioritizing the offer of quality products and customized service.

Naturally, this entrepreneurial vocation will never cause us to lose sight of the standards of corporate sustainability and citizenship that have guided our actions throughout the Company's history. At the end of the day, an enterprise is only socially sanctionable when it brings together generation of economic value and generation of social value.

It must be stressed that the role of this almost 30 thousand-strong workforce is at the very foundations of everything else. Day after day, they commit valuable knowledge to plotting a new course for Usiminas' growth.

We are sure of where we are starting out, and where we want to go. We know what to do, and who we can count on. We are well-aware of what needs adjustment, and of the potentialities that – I am certain – will make 2010 a year of renewed advances. And when such components are very clear, credibility that will make the difference becomes a natural opportunity, to be worked on with faith, focusing on results, and with the sensibility necessary to evolve.

Such is our commitment. This is the Usiminas we shall continue to build up in 2010.

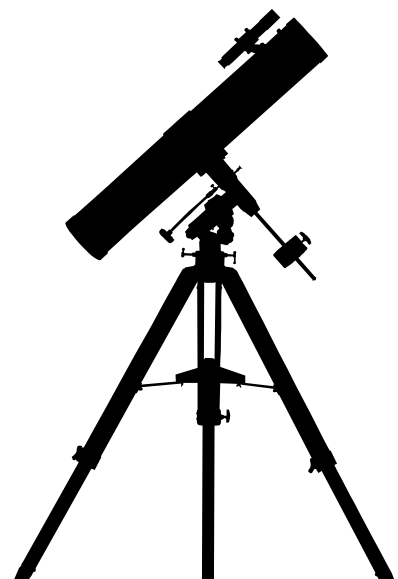
Wilson Nélio Brumer  
Chairman of the Board of Directors



# MESSAGE FROM THE PRESIDENCY

2009 was a milestone for Usiminas, not only on account of the consolidation of changes being put in place in the Company, but also because of the considerable impact of the worldwide economic crisis. Even with market instability, despite plunging demand for steel, the company kept to its plan for future development, including improvements to management instruments, consolidation of a new organizational culture and the effort to add value to products.

In the middle of the process of renovation initiated in July 2008, the crisis forced us to take action to preserve the Company's liquidity without compromising its investment capacity. There were cost cuts, less production volume, and projects were put off. With the drop in demand for steel, three of the company's five blast furnaces were left idle part of the fiscal year. It also proved necessary to reduce stocks to minimum safe levels, and we had to deal with the inevitable and undesirable reduction of our workforce, discerningly carried out to minimize social impact. Even in this adverse scenario, we made the largest volume of investments in any single year in Usiminas' history: R\$ 2.1 billion. In 2010 and 2011 we shall invest a further R\$ 5.64 billion, an amount greater than the sum of the ten preceding years.



Because of the new scenario, we put off the project to construct the Santana do Paraíso steelworks, in Minas Gerais State, but it is still up for decision and we are confident that it will be taken up again in the near future.

In spite of the government stimulus to sustain domestic consumption, the impacts of the crisis were especially severe in the Brazilian industry of capital goods, with strong downturn in demand of heavy plates, which negatively affected Usiminas' performance. We confronted our global competitors' prices and, despite the increased value of the real, we are still Latin American leaders in production of flat steels. With production and sales levels of 5.6 million tons of steel, our net revenues reached the R\$ 10.9 billion mark, net profits R\$ 1.3 billion and generation of cash measured by EBITDA amounted to R\$ 1.5 billion.

Our operation was structured into four large business segments: Mining & Logistics; Steelmaking; Steel Transformation, and Capital Goods. Now more modern, more efficient, more nimble, the Company has taken up the challenge of making good use of opportunities at all stages of the steel productive chain, offering our customers comprehensive, value-generating solutions.

This transformation of Usiminas' is symbolized by its new corporate mark, launched in March 2009. Therein we express our time for renovation, incentivizing entrepreneurship while also valorizing our entire workforce's capacity for planning and management, a key combination for success in an increasingly dynamic and challenging business environment.

Another highlight in the year was unprecedented inclusion of Usiminas in BM&F Bovespa's Corporate Sustainability Index (ISE), which brings together a select group of enterprises considered references in the practice of sustainability and corporate governance. In addition to remaining in ISE, the challenge for 2010 is to resume inclusion in the Dow Jones Sustainability World Index, a similar indicator linked to

the New York Stock Exchange, where Usiminas was included in 2007 and 2008. Despite improvement in the Company's performance as compared to those two years, many regulatory marks for sustainability in international markets have become stricter, which has led to increased requirements for inclusion in the index.

A signatory of the UN Global Compact since 2004, Usiminas reaffirms its commitment to this UN initiative for 2010, and will foster effective action to fight corruption and defend Human Rights, decent working conditions and the environment. Throughout 2009 we developed and formalized our Corporate Sustainability Guidelines to promote objective and verifiable good practice. Once these guidelines have been fully implemented, they will most certainly contribute to Usiminas continuing as a reference in the subject.

We are confident we have made the best of the period of global crisis to build the foundations of our future growth. Such is the context in which we have mapped out our strategy, using Balanced Scorecard (BSC) methodology, in order to make our future strategy transparent and objective. We are confident that Usiminas has the necessary talents and instruments to meet the 25 objectives comprising our strategic map.

There is real opportunity in domestic economic expansion in Brazil, such as the exploitation of pre-salt petroleum and infrastructure for the 2014 World Cup and the 2016 Olympic Games. We shall take advantage of these and other opportunities for developing new business. Quite soon, we shall be able to look back on 2009 with a different historical perspective: the beginning of a new cycle of growth at Usiminas.

Marco Antônio Castello Branco  
Chief Executive Officer





*Usiminas - Headquarters - Belo Horizonte/MG*

# STATEMENT FROM ADMINISTRATION

We certify that, to the best of our understanding, the financial statements were prepared in accordance with applicable accounting standards and present a correct and adequate vision of Usiminas' assets, liabilities, financial position and profits, and that this Annual Report includes adequate analysis of the development and performance of business, of the position of Usiminas, as well as the main risks Usiminas faces.

Ronald Seckelmann

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

Marco Antônio S. C. Castello Branco

Chief Executive Officer





*Automotiva Usiminas - Pouso Alegre/MG*

# OPERATIONAL AND ECONOMIC-FINANCIAL SYNOPSIS

## USIMINAS IN FIGURES

Main indicators (consolidated)						
Million R\$	2005	2006	2007	2008	2009	Var. 2009/2008
Gross Operational Revenue	17,058	16,365	18,513	21,182	14,830	-30%
Domestic Market	13,663	12,886	15,949	18,827	12,873	-31%
Foreign Market	3,395	3,479	2,564	2,355	1,957	-22%
Net Operational Revenue	13,041	12,415	13,825	15,707	10,924	-30%
Gross Profits	5,415	4,268	4,888	6,008	2,079	-65%
Gross Margin	41.50%	34.40%	35.40%	38.30%	19%	-
Earnings before Interest and Taxes (EBIT)	4,760	3,560	4,452	4,978	919	-61%
Operational Margin	36.50%	28.70%	32.20%	31.70%	8.3%	-
EBITDA	5,525	4,368	5,003	6,008	1,485	-75%
EBITDA Margin	42.40%	35.20%	36.20%	38.30%	13.6%	-
Net Profits	3,918	2,515	3,172	3,224	1,343	-58%
Net Margin	30%	20.30%	22.90%	20.50%	12.5%	-
Total Assets	18,195	18,697	20,699	27,580	25,747	-7%
Net Equity	8,753	10,418	12,474	15,029	15,219	1%
Net Indebtedness	2,012	760	(952)	3,185	2,870	-10%
Net Debt/EBITDA	0.4	0.2	0	0.5	1.9	-

→

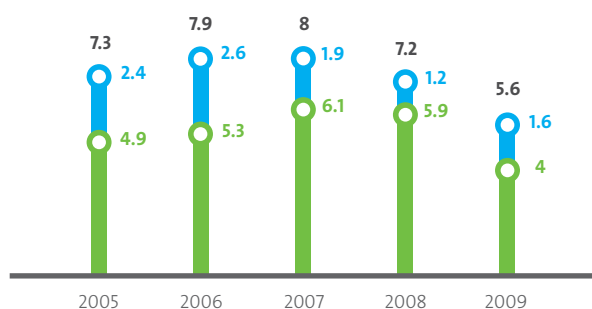


(continued)

Main indicators (consolidated)						
Million R\$	2005	2006	2007	2008	2009	Var. 2009/2008
Net Debt/Net Equity	0.2	0.1	0	0.2	0.2	-
Shareholders' Remuneration – Total	1,115	850	1,116	1,137	470	-59%
Payout	28.50%	33.80%	35.20%	35.30%	35%	-
Return on Net Equity	65.90%	28.70%	30.40%	25.80%	-	-
Number of Shares – thousands	225,286	225,286	337,929	506,893	506,893	0%
Market Value	12,526	18,163	27,541	13,442	25,035	86%

Composition of Consolidated Gross Income - 2009	
Domestic Market	87%
Foreign Market	13%

Production of Raw Steel (million tons)				
2005	2006	2007	2008	2009
8.7	8.8	8.7	8.0	5.6



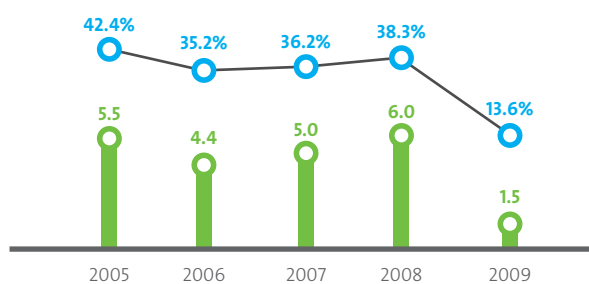
**Production of Raw Steel**  
(million tons)

● Domestic market ● Foreign market

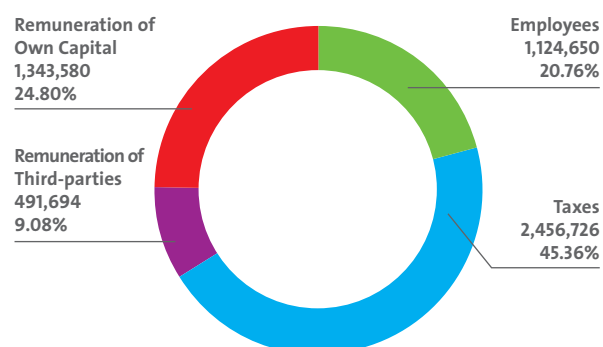
Exports – Main Markets in 2009		
Country	Quantity (thousand tons)	Share
China	221	14%
South Korea	139	9%
Chile	139	9%
USA	138	9%
Argentina	126	8%
Spain	106	7%
Mexico	102	6%
Colombia	76	5%
Others	532	33%
<b>Total</b>	<b>1,579</b>	<b>100%</b>

Composition of Consolidated Net Operational Income - %		
	2008	2009
Hot Rolled Coils	24.8	24.8
Cold Rolled Coils	21.9	24.3
Processed Products	3.0	2.9
Plates	4.5	3.6
Heavy Plates	26.2	18.9
Hot-Dip Galvanized	6.9	9.2
Electro-galvanized	3.7	4.2
Iron Ore	1.1	0.8
Resale	6.5	11
Others	1.4	0.3

Evolution of Consolidated Results (R\$ billion)					
	2005	2006	2007	2008	2009
Net Income	13.0	12.4	13.8	15.7	10.9
Net Profit	3.9	2.5	3.2	3.2	1.3
EBITDA	5.5	4.4	5.0	6.0	1.5



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



Distribution of Value Added Consolidated - 2009  
R\$ 5,416,650,000

Statement of Results per Business Unit						
R\$ million	Mining & Logistics	Steelmaking	Steel Transformation	Capital Goods	Adjustments	Consolidated
Net Sales Revenue	407	9,701	2,117	953	-2,254	10,924
Domestic Market	407	7,980	2,029	933	-2,254	9,096
Foreign Market	0	1,721	88	20	0	1,829
Cost Products Sold	-161	-8,406	-1,849	-770	2,342	-8,844
Gross Profit	246	1,295	268	183	88	2,080
Operational Expenses/ Revenue	-72	-842	-177	-70	0	-1,161
Operational Profit before Financing	174	453	91	113	88	919
<b>EBITDA</b>	<b>202</b>	<b>912</b>	<b>151</b>	<b>133</b>	<b>88</b>	<b>1,486</b>
<b>EBITDA Margin</b>	<b>50%</b>	<b>9%</b>	<b>7%</b>	<b>14%</b>	<b>-</b>	<b>14%</b>

Value added statements				
R\$ Millions	2009		2008	
	Value	%	Value	%
1. REVENUES	14,612,455		21,046,008	
1.1) Sales of Goods, Products and Services	14,605,600		21,029,447	
1.2) Other Revenues	13,828		12,774	
1.3) Revenues from Own Assets	0		0	
1.4) Provision for Doubtful Accounts - Reversion	-6,973		3,787	
1.5) Non-operational Results	0		0	
2. INPUT FROM THIRD PARTIES	-10,001,513		-12,273,650	
2.1) Costs of Products, Goods, and Services Sold	-8,976,288		-11,255,078	
2.2) Material, Energy, Third-party Services and Others	-1,012,159		-1,018,572	
2.3) Loss/Recovery of Assets	-13,066		0	
2.4) Others	0		0	
3. GROSS VALUE ADDED (1-2)	4,610,942		8,772,358	
4. DEPRECIATION, AMORTIZATION AND DEPLETION	-817,366		-503,204	
5. NET ADDED VALUE PRODUCED BY COMPANY (3 - 4)	3,793,576		8,269,154	
6. ADDED VALUE RECEIVED FROM TRANSFER	1,623,074		1,441,460	
6.1) Equity Equivalence Result from Amortization of Goodwill	167,558		457,883	
6.2) Financial Income	381,887		982,277	
6.3) Rents and Royalties	137		1,300	
6.4) Femco Surplus	102,959		0	
6.5) Net Exchange Variance	970,533		0	
7. TOTAL ADDED VALUE TO BE DISTRIBUTED (5+6)	5,416,650		9,710,614	
8. ADDED VALUE DISTRIBUTED	5,416,650	100.00	9,710,614	100.00
8.1) Employees	1,124,650	20.76	1,091,576	11.24
8.1.1) Payroll and Payroll Taxes	826,239	15.25	706,955	7.28
8.1.2) FGTS (Government Severance Indemnity Fund for Employees)	149,686	2.76	76,974	0.79
8.1.3) Remuneration of the Board of Directors	25,972	0.48	53,970	0.56

→

(continued)

Value added statements				
R\$ Millions	2009		2008	
	Value	%	Value	%
8.1.4) Profit Sharing with Employees	58,448	1.08	76,688	0.79
8.1.5) Retirement and Pension Plans	64,305	1.19	176,989	1.82
8.2) Taxes	2,456,726	45.35	3,294,587	33.94
8.2.1) Federal	1,410,758	26.04	2,157,330	22.22
8.2.2) State	1,004,834	18.55	1,077,570	11.10
8.2.3) Municipal	36,042	0.67	32,573	0.34
8.2.4) Tax Incentives	5,092	0.09	27,114	0.28
8.3) Remuneration of Third Parties	491,694	9.08	2,100,018	21.63
8.3.1) Interests	591,682	10.92	2,061,488	21.23
8.3.2) Rents	3,606	0.07	9,527	0.10
8.3.3) Others (especially hedging operation)	-103,594	-1.91	29,003	0.30
8.4) Remuneration of Own Capital	1,343,580	24.81	3,224,433	33.21
8.4.1) Interests on Own Capital	397,885	7.35	758,004	7.81
8.4.2) Dividends	73,119	1.35	379,071	3.90
8.4.3) Retained Earnings/Loss for the Year	875,005	16.15	2,102,718	21.65
8.4.4) Participation of Non-controllers in Retained Earnings	-2,429	-0.04	-15,360	-0.16

## Legend

### COMPOSITION OF GROSS REVENUES WITH SALES AND SERVICES

- Includes gross revenues with sales

- (-) Discounts and cancelled sales

- Miscellaneous sales

- PDD

Labor

- Excludes Social Security and transfers to government

- Retirement and pension plans (excludes the value of financial expenses R\$ 37,742 thousand + monthly amortization - R\$ 19,989 thousand)

Remuneration to third parties (excludes the value of financial expenses; retirement plan; IOF; CPMF)

Ratings	Standard & Poor's	Moody's	Fitch Rating
2008	BBB Stable	BAA3 Stable	BBB Stable
2009	BBB Stable	BAA3 Stable	BBB Stable

Direct jobs	
2007	29,217
2008	29,784
2009	29,603





*Lagoa da Anta - Usiminas - Ipatinga Steelworks/MG*

# CORPORATE PROFILE

Present in the entire steelmaking production chain, today Usiminas is the largest and most modern steelworks complex producing flat steels in Latin America. Established 53 years ago, in 2008 the Company initiated a major renovation process to prepare for the future, so as to potentiate its customer-attention structure, multiply business opportunities, make increasing investments in innovation, make processes vertical, and sell products with greater and greater added value.

In the course of restructuring shifts it underwent, Usiminas has redefined its values, vision and corporate identity, in addition to grouping its operations into four major areas of business and consolidating them:

1. Mining and Logistics;
2. Steelmaking;
3. Steel Transformation;
4. Capital Goods.

The **Mining & Logistics** business unit was allocated the mineral assets of Serra Azul mine, located in the iron-ore mining region of Minas Gerais State, and a port terminal to be built in Sepetiba bay, in Rio de Janeiro State. It will also control Usiminas' share in MRS Logística, a concessionaire controlling, operating and monitoring the Southeast grid of the Federal Railway Network.

**Steelmaking** activities are carried out at the Ipatinga and Cubatão steelworks, in Minas Gerais and Sao Paulo states respectively, and a share in Ternium, a company in which Usiminas owns 14.25% of total capital, as a partner in Techint group. Ternium is one of largest steel producers in the Americas, with operations in Argentina and Mexico. With its nominal capacity for producing 9.5 million tons of raw steel per annum, Usiminas is responsible for over 25% of Brazilian steel production.



Two mixed-use private marine terminals also belong to the Steelworks business unit: Praia Mole Private Terminal (TPPM) in Espírito Santo State, in which Usiminas has a share, and the Private Marine Terminal of Cubatão (TMPC), in Sao Paulo State. They are both located outside the Organized Ports of Vitória and Santos.

The **Steel Transformation** business unit encompasses three companies: Soluções Usiminas, Unigal Usiminas and Automotiva Usiminas. Soluções Usiminas was established in 2009, following the merger of Fasal, Rio Negro Usiminas (the new name of Dufer S.A. after incorporating Rio Negro Comércio e Indústria de Aço S.A.), Zamproгна and Usial (companies processing and distributing Group's steel) and Usicort industrial unit. The capital of Soluções Usiminas is split between Usiminas (68.9%), Metal One Corporation (20%) and the Sleumer family (11.1%).

Automotiva Usiminas is the only one in the motor vehicle parts sector, producing complete assemblies and truck cabs painted in their final color, with solid or metallic finish. Because of its links to the automobile industry, the company also has an important role as a sensor for Usiminas, to gauge this market and its particularities. Through Automotiva Usiminas, Usiminas is able to meet market demand and develop strategic action for the future, in addition to promoting training for offering goods and services ranging from development of raw material to final product, by way of the processes of stamping, welding, painting and final assembly.



*Truck cabs - Automotiva Usiminas - Pouso Alegre/MG*

*Company's main customers are in the capital goods, motor vehicle, infrastructure, shipbuilding, petroleum and petrochemical industrial sectors in Brazil and abroad*

A joint venture of Usiminas (70% share) and Nippon Steel Co. (30%), Unigal Usiminas processes hot-dip galvanized coils. Galvanized steel is used mainly in the automobile, home appliance and civil construction sectors.

Usiminas is active in the **Capital Goods** segment through Usiminas Mecânica. The biggest company in the sector in Brazil, it provides a number of industrial segments with goods with high added value, such as industrial equipment, metal structures, blank and stamped items, different kinds of assemblies and cast and forged iron.

Usiminas ended 2009 with 29,603 employees of its own, 3,686 workers from social entities instituted or supported directly by the Company and 28,666 outsourced workers. The Company's main Brazilian customers are in the capital goods, motor vehicle, petroleum and petrochemical industrial sectors. Usiminas also exports to every continent, with emphasis on neighboring Latin American countries, China, South Korea, USA and Spain.



## Vision

To be an innovating steelmaking group with global reach, growing in sustainable fashion to position itself among the sector's most profitable.

## Values

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

**Consistency:** The Company is trustworthy, stable and firm. There is continuity in our action and we focus on results.

**Technique:** Usiminas fully understands knowledge and action, as well as unquestionable profound knowledge, experience and skill to execute and solve.

**Meticulousness:** Usiminas' outlook is sharply focused, from details to the whole. The Company fosters a meeting of effort and dedication with delicacy and sensibility.

**Openness:** Usiminas is receptive and transparent. It is curious, and inclined to build up and carry out ideas.

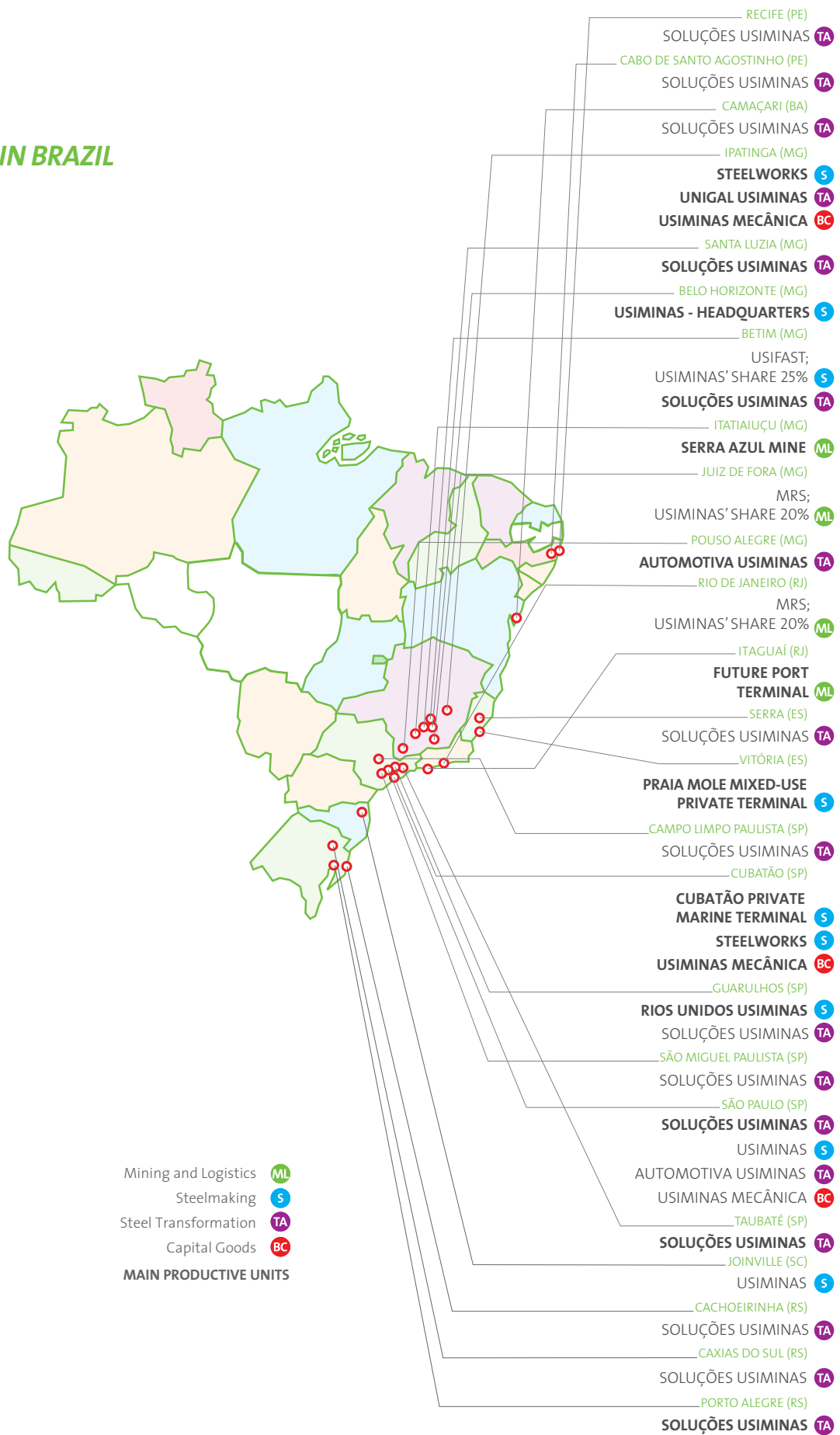
**Sustainability:** Usiminas believes that the future is built on the basis of decisions and action now.

**Results:** Usiminas establishes challenging personal and collective targets, reflecting the Company's potential and contributing to expand entrepreneurial results.



Usiminas - Mining Unit - Itatiaiuçu/MG

# USIMINAS IN BRAZIL



Mining and Logistics (ML)  
 Steelmaking (S)  
 Steel Transformation (TA)  
 Capital Goods (BC)  
**MAIN PRODUCTIVE UNITS**



*New galvanization line - Usiminas - Ipatinga Steelworks/MG*

# CORPORATE GOVERNANCE

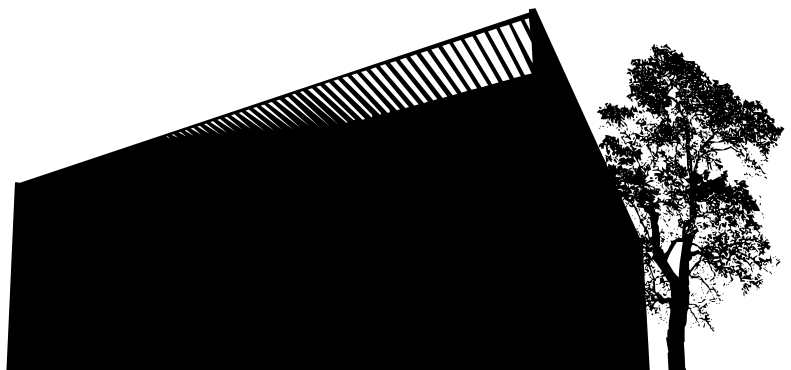
“I considered Usiminas’ decision to divulge Company executives’ remuneration in its annual report very positive. It was a courageous act, a suitable act, which has a very important meaning for the community of all those who work at Usiminas and interact with the company. We are advancing on a more democratic course as a nation, and I believe it is a step in the right direction to have greater transparency regarding people’s remuneration at all entities, whether public, private or mixed.”

Senator Eduardo Suplicy

In 2009, the Company continued renewing its processes and management, enhancing governance practices and setting up new mechanisms for communications, monitoring and control, such as *Portal do Conselho* and *Canal Aberto*. A signatory of Level 1 Corporate Governance (Bovespa - São Paulo Stock Exchange) since October 2007, in 2009 Usiminas was, for the first time, included in the list of the Corporate Sustainability Index (ISE) of BM&F Bovespa, which gathers shares of companies

committed to sustainability and corporate governance action.

Usiminas’ investment in promoting its values, especially its openness, and improving its corporate governance practices earned the Company the 2009 prize for innovation, awarded by the Brazilian Institute for Corporate Governance. The Institute recognized the Company’s pioneering initiative in publishing individual remuneration paid to directors, CEO, and members of the Board of Directors and Fiscal Council.





## OWNERSHIP STRUCTURE

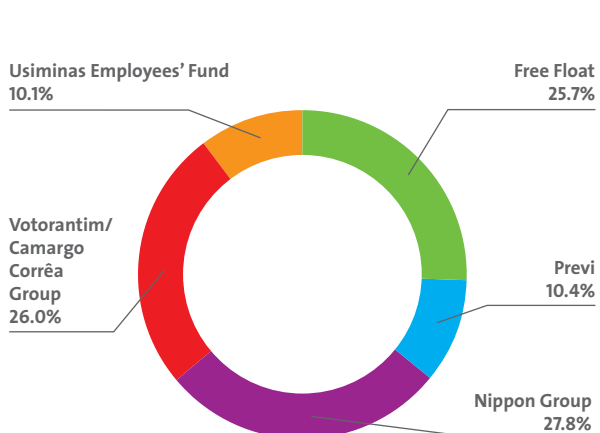
Usiminas is a listed company, with capital divided into 506,893,095 shares, of which 50% are common stock (voting) and 50% preferred stock. The Company's shares are listed and traded at Bovespa (Sao Paulo Stock Exchange), Latibex (Madrid Stock Exchange), OTC (New York Over-the-Counter) and in the form of ADRs (American Depositary Receipts).

In 2009, Vale S.A. sold its share of Usiminas' capital, in the form of 5.9% of common stock. The other shareholders in the group controlling Usiminas, Nippon Usiminas Corporation, Nippon Steel Corporation, Mitsubishi Corporation do Brasil and Metal One Corporation (jointly, Nippon Group) and companies in groups Votorantim S.A. and Camargo Corrêa S.A. (jointly, Votorantim/Camargo Group) exercised their preference rights and purchased the stock

on offer, proportionately to their share of the Company's capital. Thus, Nippon Group now holds 27.74% of voting capital, while Votorantim/Camargo Group became the proprietor of 26.7% of the Company's common stock. Usiminas Employee's Fund, the only member of the controlling group not to exercise its right of first option, currently holds 10.1% of the Company's voting stock. The rest of the ordinary shares are held by minority stockholders.

In 2009, the final stage of the incorporation of the former Cosipa (Paulista Steelworks Company, a wholly owned subsidiary of Usiminas since 2005) was carried forward. With incorporation, the steelworks gained synergy and their production costs decreased, as did input of resources. The transaction caused no change in the company's capital, nor did it lead to new shares being issued.

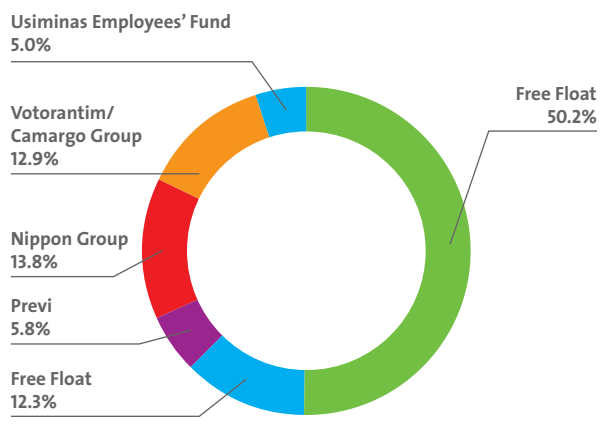
## OWNERSHIP STRUCTURE



Source: Usiminas – Dec 2009

**VOTING CAPITAL - 2009**  
Controlling Group 63.9% of Voting Capital

**Common**



Source: Usiminas – Dec 2009

**CONTROLLING GROUP – 2009**

Controlling Group 31.8%  
(63.9% of Voting Capital)

**Common - 49.8%**

**Preferred - 50.2%**

## BOARD OF DIRECTORS

As a body in the Company's organizational structure, it is the duty of Usiminas' Board of Directors to determine the general orientation of business and arrive at decisions regarding strategic matters. Since 2008 the Board of Directors has consisted only of members not holding an executive position in the Company. There are currently nine effective board members, one of whom is independent – and their respective surrogates – elected by the General Assembly for two-year mandates, with reelection possible. The Board of Directors normally meets four times a year, with a previously established calendar and, if necessary, extraordinary meetings are called.

In early 2009, with the aim of toughening and bettering the flow of information between board members, as well as increasing the security of information made available, the Board of Directors' Portal was established, with access restricted to sitting members, where documents and information of interest to them are stored. The Portal also allows specific documents and

matters to be made available to a certain group of members of the Board of Directors, so as to preserve the necessary reserve and confidentiality to fully comply with rules regarding potential conflicts of interest and the relationship between parties involved. This matter is also dealt with in the Board of Directors' bylaws, which among other obligations, call for a formal statement, prior to every meeting, regarding possible personal interest or interest conflicting with the Company's. In this case, the board member abstains from participating, discussing and voting at that particular meeting.

### Composition of the Board of Directors

Wilson Nélio Brumer (Chairman)  
Albano Chagas Vieira  
Bertoldo Machado Veiga  
Francisco Caprino Neto  
Fumihiko Wada  
Humberto Eudes Vieira Diniz  
Rinaldo Campos Soares  
Toru Obata  
Toshimi Sugiyama

## PERMANENT FISCAL COUNCIL

The Fiscal Council functions on a permanent basis and acts as a supervisory body overseeing administrative management action. Members are elected by the General Assembly, and among other duties they analyze financial statements; issue an opinion regarding investment plans and capital budgets; issue opinion in the case of changes in capital, distribution of dividends or possible reorganizations stemming from transformation, incorporation, mergers or scission.

### Composition of Permanent Fiscal Council

Elízio Damiano Gonçalves de Araújo  
Eugemar Taipinas Ramos  
Carlos Roberto Nassif Campolina  
Antônio Joaquim Ferreira Custódio  
Masato Ninomiya

## INTERNAL COMMITTEES

Usiminas' Board of Directors has two internal committees – Human Resources and Auditing – whose duty it is to advise, research and support the Board of Directors' decisions regarding specific subjects. The committees have up to four members, who are full or surrogate members of the Board itself, and administrators, employees, specialists or any other person who can contribute to better understanding of the matter at hand can attend a meeting. Each committee has its own bylaws approved by the

Board, setting out how it must function, its responsibilities and its duties.

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

#### Human Resources Committee

Francisco Caprino Neto - Coordinator  
Toshimi Sugiyama  
Bertoldo Machado Veiga  
Humberto Eudes Vieira Diniz

#### Auditing Committee

Toshimi Sugiyama - Coordinator  
Wilson Nélio Brumer  
Bertoldo Machado Veiga

## STATUTORY BOARD

Usiminas' Statutory Board is responsible for determining the Company's basic organization, establishing guidelines for its executives and carrying out duties called for by its corporate purpose. The aim of its action is to ensure high quality of products and services offered to the Company's customers, as well as ensuring competitiveness by fostering the socioeconomic and environmental sustainability of regions where it is active. Members are elected by the Board of Directors for two-year terms, with the possibility of re-election.

## Members of the Statutory Board

### Chief Executive Officer

Marco Antônio S. C. Castello Branco

### Vice-President Director, Businesses

Sérgio Leite de Andrade

### Vice-President Director, Industrial

Omar Silva Júnior

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

Ronald Seckelmann

### Vice-President Director, Special Relations

Takashi Hirao

The following executives are also administration members:

### Director, Planning and Management Control

Alberto Akikazu Ono

### Director, Usiminas Mecânica

Guilherme Muylaert Antunes

### Director, Mining

Wilfred Theodoor Bruijn

### Director, Research and Innovation

Darcton Policarpo Damiano

### Director, Human Resources

Denise Brum Monteiro de Castro Vieira

### Director, Institutional Relations and Corporate Communication

Eduardo Lery Vieira

### Director, Legal

Rogério Agueda

### Director, Strategic Planning, Mergers, Acquisitions and Alliances

Ricardo Wagner Righi de Toledo

### Director, Automotiva Usiminas

Flávio Edson Del Soldato

### Director, Soluções Usiminas

Luiz Ernesto Migliora

### Director, Accounts

Romel Erwin de Souza

### Director, Sales

Ascânio Merrighi de Figueiredo Silva

### Director, Planning and Logistics

Paulo Henrique Fraga Ferreira

### Director, Engineering and Expansion

Marco Paulo Penna Cabral

### Director, Supply

Antônio Carlos da Rosa Pereira

### Superintendent-General, Ipatinga Steelworks

Francisco Luís Araújo Amério

### Superintendent-General, Cubatão Steelworks

José Erasmo Andrade Pereira

## EXECUTIVE COMMITTEE

Usiminas' Executive Committee (Comex) comprises a group of executives whose objective is to discuss and present plans of action in line with the Company's business strategies and values alone. This committee was set up to make the decision-making process more dynamic. Comex is divided into two groups meeting periodically, once a month. The purpose of Comex for Surveillance is to monitor the results and main activities of the Company and its business units. Comex for Steering's objective is to set out the Company's strategic guidelines.

## COMPOSITION OF COMEX



**Marco Antônio  
S. C. Castello Branco**  
*Chief Executive Officer*



**Sérgio Leite de Andrade**  
*Vice-President Director, Businesses*



**Omar Silva Júnior**  
*Vice-President Director, Industrial*



**Ronald Seckelmann**  
*Vice-President Director, Finance, Investor  
Relations and Information Technology*



**Takashi Hirao**  
*Vice-President Director, Special Relations*



**Rogério Agueda**  
*Director, Legal*



**Wilfred Theodoor Bruijn**  
*Director, Mining*



**Guilherme Muylaert Antunes**  
*Director, Usiminas Mecânica*



**Denise Brum Monteiro  
de Castro Vieira**  
*Director, Human Resources*



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



**Darcton Policarpo Damiano**  
*Director, Research and Innovation*



**Eduardo Lery Vieira**  
*Director, Institutional Relations  
and Corporate Communication*

## OTHER COMMITTEES

There are a number of multi-sector committees in Usiminas with specific tasks, who are responsible for studying strategic matters and aiding the Executive Committee with decisions, as well as fostering synergy among the different areas. They are:

Strategy & Investments Committee  
Human Resources Committee  
Supply Committee  
Innovation Committee  
IT Committee  
Financial & Tax Committee  
Compliance Committee

Yet another specialist forum is to be put in place in 2010: the Sustainability Committee.

During 2010, Usiminas must also promote a broad internal process to build up the Code of Ethics, the step following the redefinition of values carried out in 2009. Some of the matters to be included in this document have already advanced internally and have been set out in other formal documents such as, for instance, the Booklet for Suppliers, Investment Norms, Conflicts of Interest, Corporate Sustainability Guidelines, etc. The future Code of Ethics will be a guide for relations between Company employees and other stakeholders, rather than an instrument for control and normalization.

## ADMINISTRATION REMUNERATION

At the Ordinary General Meeting of March 25, 2009, Usiminas' shareholders authorized global funding for remuneration of Company administrators to the sum of R\$ 24 million for the 2009 fiscal year. This sum is the same as the sum fixed for remuneration for the 2008 fiscal year.

### STRATEGIC REMUNERATION OF BOARD MEMBERS

In accordance with its Human Resources Committee's recommendation, the Company's Board of Directors established a new policy for remuneration of members of the Statutory Board in 2009. This policy is based on market practices taking into account added value for the Company, its shareholders and other stakeholders, worked out on the basis of compliance of quantitative and qualitative targets linked to the Company's global performance.

Values disbursed in 2009 consisted of a fixed portion and a bonus portion. The bonus was paid in two installments, the first of which, equivalent to 50% (fifty per cent) of total value, was paid in December 2009 based on estimates of compliance with targets. The second installment, covering the outstanding balance, was paid after final examination of performance parameters based on the audited balance sheet for 2009, with the Board of Directors' approval.

### REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

The policy for remuneration of the Board of Directors for 2009 followed the same pattern in force in 2008, as follows:

- Fixed annual remuneration equivalent to 10% (ten per cent) of the fixed parcel of annual remuneration established for the Company's CEO, to be paid monthly to every board member;
- The chairman of the Board of Directors to be paid remuneration equivalent to 30% (thirty per cent) of the fixed parcel of annual remuneration established for the CEO, in monthly payments.

With regard to funds for 2009, approved at the Company's Ordinary General Meeting, the following disbursements were made during the fiscal year mentioned:

Name	Remuneration	Variable 2008 paid in Mar 2009	Variable 2009 paid in Dec 2009	Benefits	Indemnity sum	Total	Total with Payroll Taxes
<b>Statutory Directors</b>							
Marco Antonio Soares da Cunha Castello Branco	1,530,000.06	1,400,000.000	657,105.03	136,847.05		3,723,952.14	4,748,444.25
Gabriel Márcio Janot Pacheco		279,000.00			402,836.90	681,836.90	759,959.90
Idalino Coelho Ferreira		392,500.00			313,014.70	705,514.70	815,414.70
Omar Silva Júnior	791,383.68	648,000.00	281,351.16	847.07		1,721,581.91	2,214,973.46
Paulo Penido Pinto Marques	225,178.60	403,000.00		7,788.92	715,488.08	1,351,455.60	2,463,886.05
Renato Vallerini Júnior		241,000.00			409,981.66	650,981.66	718,461.66
Ronald Seckelmann	617,888.92		211,013.37	49,296.53		878,198.92	1,111,620.90
Sérgio Leite de Andrade	791,383.98	56,294.65	281,351.16	68,338.44		1,197,368.23	1,524,622.28
Takashi Hirao	553,333.36	126,500.00	281,351.16	567.92		961,752.44	1,202,351.91
<b>Subtotal</b>	4,509,168.60	3,546,294.65	1,712,171.88	263,686.03	1,841,321.34	11,872,642.50	15,559,732.11
<b>Board of Directors</b>							
Albano Chagas Vieira	153,776.85					153,776.85	185,776.88
Bertoldo Machado Veiga	153,776.85					153,776.85	185,776.88
Francisco Caprino Neto	153,776.85					153,776.85	185,776.88
Humberto Eudes Vieira Diniz	153,776.85					153,776.85	185,776.88
Rinaldo Campos Soares	153,776.85					153,776.85	185,776.88
Fumihiko Wada	164,100.08					164,100.08	164,100.08
Toru Obata	164,100.08					164,100.08	164,100.08
Toshimi Sugiyama	153,776.85					153,776.85	185,776.88
Wilson Nélio Brumer	459,000.00					459,000.00	555,000.00
<b>Subtotal</b>	1,709,861.26					1,709,861.26	1,997,861.44
<b>Fiscal Council</b>							
Antonio Joaquim Custódio	93,101.01					93,101.01	112,781.00

→

(continued)

Name	Remuneration	Variable 2008 paid in Mar 2009	Variable 2009 paid in Dec 2009	Benefits	Indemnity sum	Total	Total with Payroll Taxes
Carlos Roberto Nassif Campolina	93,101.01					93,101.01	112,781.00
Eugemar Taipinas Ramos	93,101.01					93,101.01	112,781.00
Masato Ninomyia	93,101.01					93,101.01	112,781.00
<b>Subtotal</b>	372,404.04					372,404.04	451,124.00
<b>Total</b>	6,591,433.90	3,546,294.65	1,712,171.88	263,686.03	1,841,321.34	13,954,907.80	18,008,717.55

## CONTROL AND MONITORING MECHANISMS

In addition to the Permanent Fiscal Council – which supervises and monitors legal duties and accounting statements – and the Board’s and Statutory Directors’ committees, which prepare subsidies and information on which to base decisions regarding such instances, Usiminas also ensures control and monitoring of good corporate governance practice by means of the Internal Auditing Superintendence and *Canal Aberto*, which are improvements to the Company’s communications with interested parties based on the value of “openness”.

### INTERNAL AUDITING

Usiminas’ Internal Auditing Superintendence reports directly to the Board of Directors and assists board members arrive at decisions re-

garding audits and risk management. In 2009, the Superintendence ensured maintenance of Corporate Governance standards and maturity in the use of methodology for Audits Based on Risk.

This methodology made Internal Auditing more efficient in complying with its mission of assessing Usiminas’ controls, acting preventively and proposing measures to control and reduce risks that might negatively affect the Company’s capital, interests or image. Priority was given to processes exhibiting the greatest risk to execution of the Company’s strategic objectives, on the basis of structured metrics making use of the following factors for evaluation: strategic relevance, financial materialness, risk of fraud, legal risk and risks to image. Action was aligned with economic and entrepreneurial scenarios, encompassing operational and compliance processes, as well as new business.



## *New in 2009, Strategy and Investment Committee applies specific norms to regulate investment, thus contributing to minimize risks*

Besides controlling and reducing risk to Usiminas, the Superintendence's duties include: developing audit plans and projects, reporting conclusions and making recommendations to the Board of Directors; proposing prevention measures; controlling and reducing risks that might have a negative effect on the Company; assessing Usiminas' deals with related parties; evaluating special occurrences and potential fraud; watching over and ensuring the implementation of recommended action for improvements in the different areas.

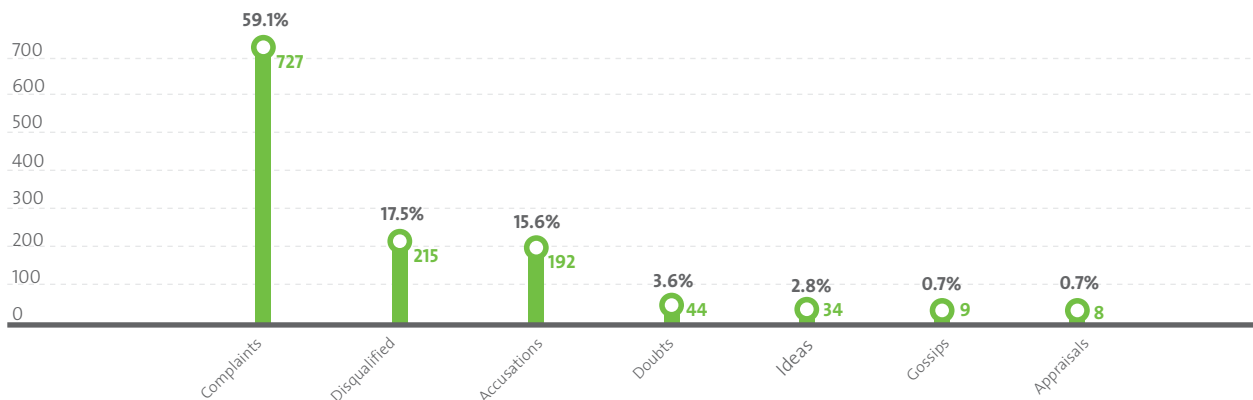
The Internal Auditing Plan for 2010 has been approved by the Board of Directors, and will strengthen the continuity of improvement to Usiminas' Corporate Governance practices.

### **CANAL ABERTO**

*Canal Aberto* (Open Channel) was set up in early June to receive complaints and reports about irregularities observed in the Company's operations. It is administrated by the Compliance Committee, which comprises the Human Re-

sources Board, the Legal Board and Internal Auditing Superintendence. This management tool provides a means of communication (not only for employees, but also for customers, suppliers, investors and society at large) to alert the Company about possible fraud, corruption, bribery, harassment or theft. *Canal Aberto* ensures confidentiality and reliability. It makes anonymous communication possible, and is in line with good governance practice and the Sarbanes-Oxley Act, a US law concerning companies listed in the New York Stock Exchange.

All incoming reports and complaints are treated transparently, with advice from the Compliance Committee. When authors identify themselves, they are provided with news regarding the outcome. Access to *Canal Aberto* can be gained by internet, intranet, telephone or by letter. To date, *Canal Aberto* has made possible the identification of cases of corruption, moral harassment and coercion, leading to dismissals, and it has also made it possible to gain a general vision of opportunities for improvement to the Company's controls and practices.



**CANAL ABERTO - RESULTS 2009**  
Messages received (Jul 1 - Dec 31): 1,229

## RISK MANAGEMENT

In line with its ongoing quest for minimization of risk, in 2009 Usiminas set up the Strategy and Investment Committee and established specific norms to regulate investment. This measure has made the Company's system of mapping out risks even more solid, as well as verifying the efficacy of action for control, which is a part of the policy for prevention of exposure to critical factors.

As a result of its preventive action, the Company has at its disposal a solid information base to orient decision-making and, for instance, face swings in the economy without compromising investment levels. In the same vein, indebtedness is permanently kept at controlled and safe levels.

Based on a vision of continuous improvement, all areas in charge of implementing entrepreneurial processes submit annual recommendations for improvement of control systems, so as to keep them up to date and able to face new market challenges.

In 2010 Usiminas is to initiate a three-year project for Evaluation of Controls related to Sarbanes-Oxley Financial Reports. In addition to promoting greater transparency and introducing procedures required for future internationalization of Usiminas, the project contributes effectively to extending dissemination of the concept of risk within the organization and Corporate Risk Management, making roles, responsibilities and authority of different hierarchical levels clearer. Project SOX places Usiminas in the same corporate governance bracket as the best practices in the market. Because of concerns about avoiding risk, Usiminas also engages in monitoring the following:

- Currency Exchange and Financial Risk
- Technological Risk
- Conjuncture and Marketing Risks
- Energy Risks
- Environmental Risk
- Risk to Information
- Risk in Investment Projects
- Risk in Industrial Operations
- Legal Risk

*For additional information on risk management, please visit Usiminas sustainability page at [www.usiminas.com](http://www.usiminas.com)*



*Coils - Usiminas - Cubatão Steelworks/SP*

# STRATEGIC MANAGEMENT

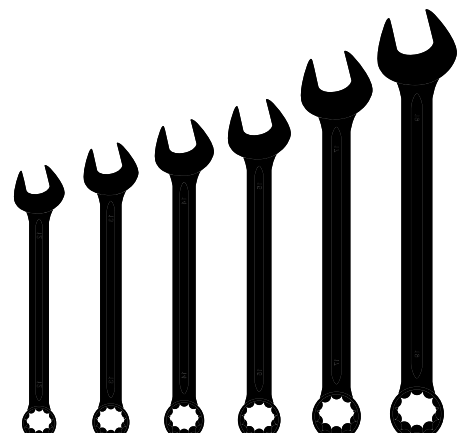
“With the objective of developing a strategic management model at Usiminas, we used the Balanced Scorecard methodology and we have arrived at our Strategic Map and thus strategy integrated with management. This is the only way for strategy to be permanently and systematically updated, given that the map will be reviewed periodically. With this, we have also improved the way we measure our results.”

Marco Antônio S. C. Castello Branco, Chief Executive Officer, Usiminas

The steelmaking sector is directly linked to major investment, producing capital goods and supplying raw material to other industrial sectors, and it was badly affected by the retraction of the world economy in 2009. In the first quarter of the year alone, the plunge in steelworks' sales reached the 30% mark.

With an eye to preserving its investment capacity and generating value, Usiminas put action into practice to face the drop in demand – such as improving productivity, restructuring logis-

tics, reducing costs and re-planning investment. Even after having made these adjustments, in 2009 the Company did not abandon the major structural reorganization initiated in 2008 to modernize processes and prepare the Company for the future, maintain leadership in production of flat steels in Latin America, invest in new business and make vertical its industrial processes in order to offer solutions and products with greater added value. Usiminas thus engaged in a major reorganization of strategy and objectives set out in its Strategic Map.



The Company consolidated the concentration of its areas of action into four Business Units: Mining and Logistics, Steelworks, Steel Transformation and Capital Goods.

This restructure started with renovation of the mark, which endeavored to bring modernity and unity to the Company's image. The process went well beyond a mere logotype change. While a new organizational culture was being built up, our identity adopted the vital role of familiarizing stakeholders with the changes underway.

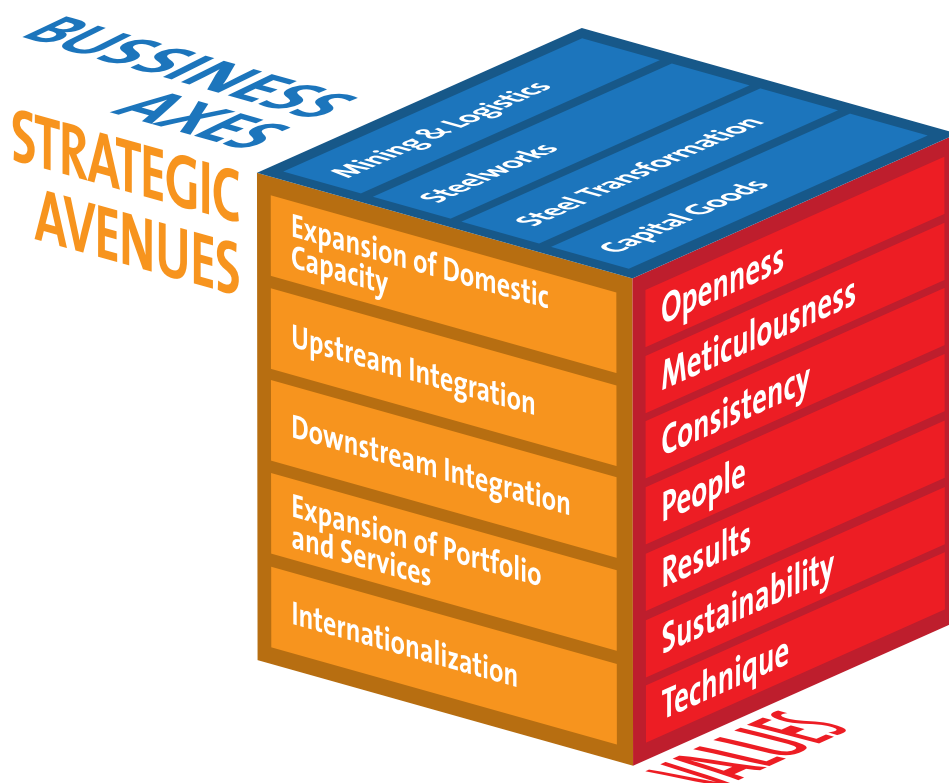
Months of research and studies, seminars, discussions and meetings with people from different areas went by. A collective construction, where almost 3,000 people were consulted, be-

tween employees, clients and customers, other stakeholders and external consultants, all converging in on Usiminas' seven new values:

1. People
2. Consistency
3. Technique
4. Meticulousness
5. Openness
6. Sustainability
7. Results

This process also made it possible for Usiminas to define its **new vision**:

**To be an innovating steelmaking group with global reach, growing in sustainable fashion to position itself among the sector's most profitable.**





Hot Strip Control Room - Usiminas - Ipatinga Steelworks/MG

Regrouped into Business Units, supported by the new values defined and with a new vision projecting the Company's aspirations, Usiminas also established its strategic director-beacons in five strategic avenues leading to the vision.

These strategic avenues are the paths Usiminas has chosen to travel, setting the course for growth and generating value:

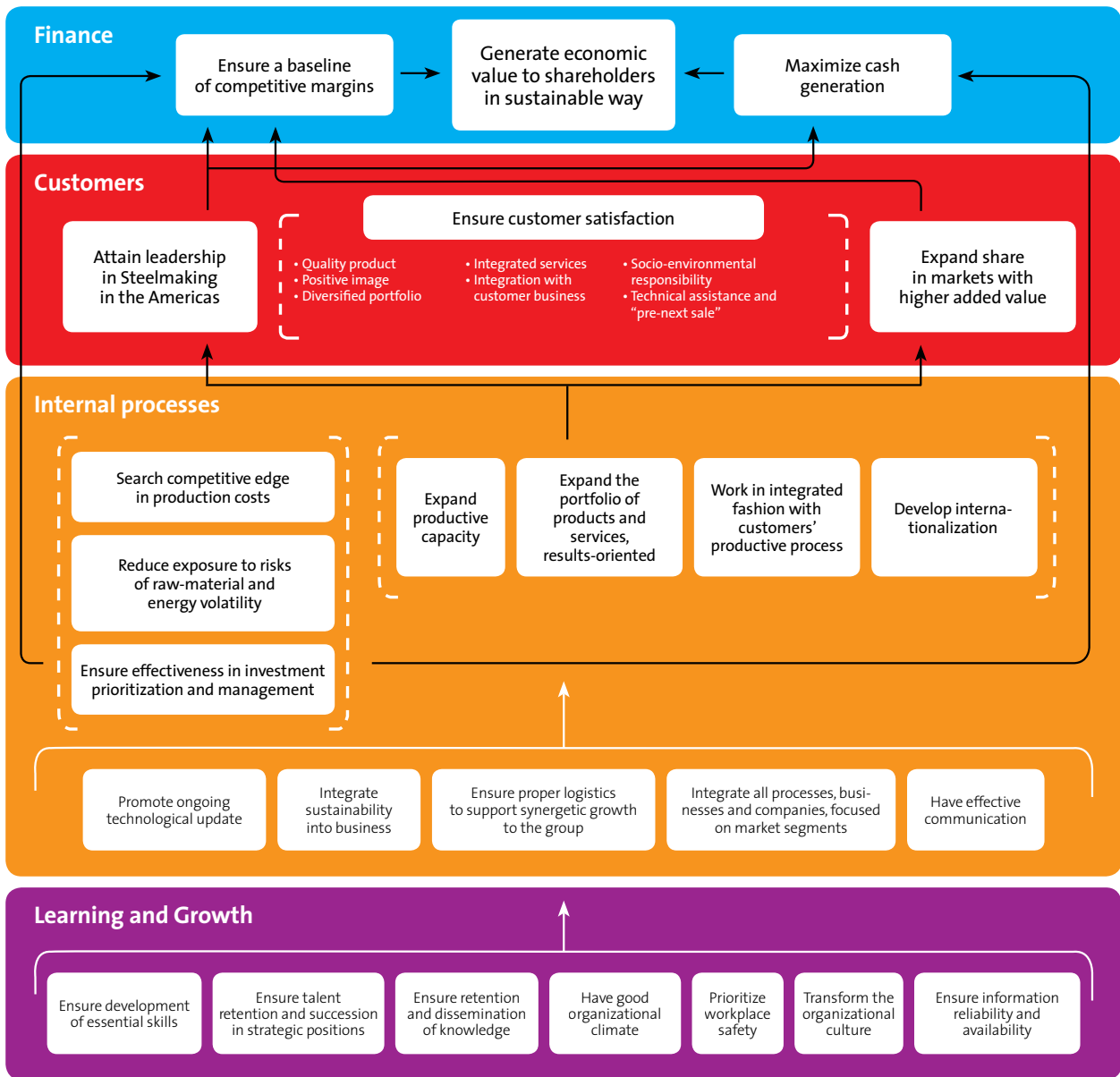
1. Expansion of Domestic Capacity – increase production and be competitive in cost.
2. Upstream Integration (backward in the value chain) – ensure competitiveness through access to raw material, setting up a hedge for shifts in the value chain.
3. Downstream Integration (frontward in the value chain) – ensure a position in growing markets, by integrating the companies in the

Group and creating added value in new markets.

4. Expansion of Product and Service Portfolio - ensure added value by reducing dependence on few product lines and winning growing markets.
5. Internationalization – reach attractive markets outside Brazil, accelerating the Company's growth.

To help understand the lines orienting Usiminas' strategy, an image of a cube was created, whose three visible faces harbor the strategic avenues, the Business Units and the Company's new values, as if they permeated all the Company's action.

The intersections of business axes, values and strategic avenues were kept to defining the 25 strategic objectives set out in the Corporate Strategic Map:



*The intersections of business axes, values and strategic avenues were kept to defining the 25 strategic objectives set out in the Corporate Strategic Map.*

At the same time, a number of management initiatives such as Productivity and Action Program, Bank of Ideas, Transformation Project, Organizational Remodeling and De-bureaucratization endeavored to reinforce employees' involvement in the Company's process of renovation, which ended with the Launch of *Usiminas em Frente* (Usiminas Ahead) on November 18, 2009.

### **USIMINAS EM FRENTE**

To disseminate and feed all these innovations into all Usiminas' areas and sites, the *Usiminas em Frente* program was launched in November 2009. The purpose of this initiative is to make the vision, values and Strategic Map clear to all employees and other stakeholders.

Besides communicating the new values, vision and objectives, *Usiminas em Frente* will also have the function of aligning all the teams in Usiminas' renovation process. This will support directors, managers and leadership guiding their teams' repositioning as presented in vision and values.

This tool also allows orientation for implementation, execution and monitoring of a portfolio consisting of 110 strategic projects underway in the Company. Fourteen are of a structural nature and 96 are initiatives for improvements seeking generation of value in Usiminas' businesses. Strategic projects support the strategic objectives of the Map.

### **CORPORATE GUIDELINES FOR SUSTAINABILITY**

In 2009, the Sustainability Counsel carried out an extensive task to consolidate Corporate Sustain-

nability Guidelines, with the aim of making the integration of sustainability into daily business even more effective. This reasserted Usiminas' historical commitment to generate sustainable value for the shareholders with human and social development and environmentally responsible action.

The first step was a benchmark study examining the enterprises in the Company's controlling group and 14 enterprises in the steelmaking sector in order to substantiate matters considered material for sustainability. The study concluded by considering four indexes for evaluation of entrepreneurial sustainability: Sao Paulo Stock Exchange's ISE (Corporate Sustainability Index); NYSE's Dow Jones Sustainability Index; Exame Sustainability Guide; and Abrasca (Brazilian Association of Listed Companies) indications.

The Guidelines present Usiminas' strategy for Sustainability and propose a structure for managing the matter within the Company. Initially, it will be managed by the Executive Committee for Sustainability, comprising representatives of the four vice-presidencies, directorates and corporate areas, coordinated by the Sustainability Counsel.

The document also brings up communication of sustainability and focal points for the Company relative to the Economic, Social and Environmental dimensions.

Presentation of Annex 1 – Focus on Stakeholders is planned for 2010. This is a complementary document setting out principal action and short, medium and long term targets relative to every interested part of the Company.





Usiminas - Mining Unit - Itatiaiuçu/MG

## DEBUT IN ISE

In 2009, for the first time ever, Usiminas was included in BM&F Bovespa's ISE (Corporate Sustainability Index), which brings together 43 shares in a select group of 34 companies committed to good sustainability and corporate governance practices. The companies are reevaluated annually in order to remain in the select group. On the same lines, Usiminas set itself the challenge of resuming inclusion in NYSE's Dow Jones Sustainability Index (DJSI), where it was present in 2007 and 2008. Despite evolution in the Company's performance as compared to the 2007-2008 biennium, many sustainability requirements became stricter in 2009, which led to more demanding terms for permanence in the index.

## SUSTAINABLE DIALOGUE WITH STAKEHOLDERS

Communication with interested parties gained a new channel in Usiminas in 2009, when Sustainable Dialogue with Stakeholders was created. In 2009 the program ran a pilot project in partnership with the Supply Area. The meeting brought together about 40 suppliers who learned about the Company's approach to the relationship with this public, and a channel for dialogue with management was opened up.

New dialogues are planned for 2010 with all seven of the Company's priority groups: investors, suppliers, customers, public power, internal public, the community and specialists in sustainability. The program calls for annual meetings coordinated by Sustainability Counsel, in partnership with areas directly linked to each group. The objective of these Dialogues is to engage stakeholders in Company action linked to the matter of sustainability. Each Dialogue will cover specific matters in each edition, in accordance with the agenda for relationship with different audiences.



## COMMITMENTS

In 2009 Usiminas introduced significant changes to the manner in which sustainability-related commitments and targets are arrived at. Bearing in mind the strategic objective of integrating sustainability into the business, the Company established in the Corporate Guidelines for Sus-

tainability that commitments and targets set up are to be checked by all interested parties, and must reflect a short-term (up to one year), medium-term (up to three years) and long-term (up to five years) strategic perspective. The Annual Sustainability Report will be the instrument for presenting, watching over and updating such commitments.

## USIMINAS' COMMITMENTS ARE:

### Economic Dimension

#### Short Term

- Strategic management of integration of sustainability into the business by inclusion in the Strategic Map;
- Inclusion of analysis of sustainability in procedures for approval of new investment;
- Full review of the IR website, following the trend of the best benchmarks, to reflect the Company's actuality and provide the general public with information, transparently and directly.

#### Medium Term

- Develop a system for managing intangible assets;
- Implement methodology developed in the Sarbanes-Oxley Act to evaluate controls for financial reports;
- Formalize corporate governance procedures.

#### Long Term

- Develop a management system to keep tabs on well-balanced growth.

## USIMINAS' COMMITMENTS ARE:

### Social Dimension

#### Short Term

- Carry forward *Diálogo Sustentável* (Sustainable Dialogue) with Stakeholders program with the seven groups identified in the Corporate Guidelines for Sustainability;
- Make a space of its own available in the sustainability area of Usiminas' website, so that it can act as a channel for stakeholders' direct ongoing remarks;
- Build up guidelines for policy governing social and cultural contributions;
- Establish methodology for assessing social impact on the areas of Usiminas' actions including evaluation methodology;
- Develop *Agrega* project, dealing with the subject of outsourcing;
- Implement a system for evaluating performance;
- Promote feasibility studies on implementation of Agenda 21 in the municipalities of Itatiaiuçu, Mateus Leme and Igarapé;
- Set up Committees for Integration with the Community in the municipalities of Ipatinga, Cubatão and Itatiaiuçu, for periodic discussions about the Company's action in the community;
- Increase the percentage of resources for incentivizing projects of a social nature;
- Implant a system for assessing risk related to corruption concerning public power for the Ipatinga and Cubatão steelworks;
- Implement anti-corruption policies and procedures in the organization;
- Train top leadership (directors and superintendents) to handle anti-corruption matters;
- Reinforce the role of *Canal Aberto* as a tool to fight cases of corruption;
- Extend Usiminas' participation in entities representing the sector;
- Seek a closer relationship proactively with the Legislative and Executive Branches in different governmental spheres;
- Contribute to the electoral process in accordance with valid legislation, conditioned to the principles of the "Global Compact";
- Contribute to drafting public policy;
- Implement the *MAISS - Mudança, Atitude e Integração em Saúde e Segurança* (program for Workplace Health and Safety);
- Implement projects in the area of workers' health and quality of life.

#### Medium Term

- Set up Committees for Integration with the Community in the other municipalities where the Company is active, for periodic discussion of the company's action in the community;
- Implement a system for assessing risk of corruption related to public power in the other units;
- Train all managers to treat anti-corruption issues;
- Make a public anti-corruption commitment.

#### Long Term

- Formalize internal practices with the aim of ensuring equal treatment of all interested parties;
- Implement a system for assessing sustainability strategy, which can be accessed in the sustainability area of Usiminas' website.

## Environmental Dimension

### Short Term

- Make an inventory of corporate GHG;
- Develop a carbon credit project for Ipatinga Thermoelectric Plant;
- Evaluate risks and opportunities linked to Climate Change;
- Implement standardization of processes and procedures for environmental licensing of all Usiminas' business units;
- Disseminate systematization for environmental licensing in all areas related to environmental licensing;
- Establish indicators for management of environmental licensing;
- Promote licensing and all other environmental regularization in all Usiminas' premises, taking out the proper licenses and certificates;
- Map out and propose a strategy of proactive Company action for enactment of legislation on environmental licensing.

### Medium Term

- Establish a Corporate Policy for GHG;
- Set up a portfolio of investments in projects for reduction of GHG;
- Promote review of norms and procedures in place;
- Evaluate and integrate all areas to environmental licensing;
- Develop systematization to improve monitoring and controls of environmental licensing;
- Seek ISO 14000 Certification of all business units;
- Develop a system for evaluating environmental performance;
- Develop a system for evaluating impacts on long term availability of renewable and non-renewable natural resources.

### Long Term

- Set a minimum reference for environmental practices.

*The commitments and targets set out in the Annual Report 2008 are available at: [www.usiminas.com](http://www.usiminas.com)*



*Automotiva Usiminas - Pouso Alegre/MG*

# INVESTMENT AND PROSPECTS

**“I believe the changes made in Usiminas in 2009, especially in terms of improvement in productivity, will bring about good results in 2010, with more positive prospects for the economy. We have today in Brazil everything needed for growth, and Usiminas is well-prepared to meet demand to come on account of the investments that will prove necessary.”**

Wilson Brumer, Chairman of the Board of Directors

Confronted with the economic downturn and the consequent plunge in demand in the steel-making chain in 2009, Usiminas' option was to prioritize strategic investment in segments with the greatest potential for development, permanence and market penetration, and make cuts elsewhere. The main adjustment in investment consisted of putting off construction of Santana do Paraíso steelworks. The project will be back on the Board of Directors' agenda before the end of 2010.

Liquidity was preserved without its becoming necessary to postpone structural investment – renovation of steelworks, restructuring logistics,

establishing Soluções Usiminas, extending mining activity, and others – required in order to meet future demand for steel. Even in the face of a challenging scenario, in 2009 Usiminas invested the greatest sum in a single year in all its history: R\$ 2.1 billion. A further R\$ 5.64 billion investment is planned for 2010 and 2011, a value exceeding the sum of the ten preceding years.

Providing proof of the market's confidence in its entrepreneurial capacity, in 2009 Usiminas signed contracts for loans from important international entities for development. In March 2009 the Inter-American Development Bank (IDB) earmarked US\$ 200 million, still not disbursed,



for investment in energy at the new Santana do Paraíso steelworks. In turn, Unigal Usiminas borrowed US\$ 140 million from the Japan Bank for International Cooperation (JBIC), to be invested in the new galvanization line.

With operations consolidated into four Business Units, Usiminas expects to continue repositioning the Company and investing in innovation, so as to keep on adding value to its products, without relinquishing leadership in flat steel production in Latin America.

The prospect for the next few years is for growth of the Brazilian economy to the tune of 5% p.a. China and India, who are major buyers of ore and steel, will probably grow at an even faster rate; Japan, Europe and the US will take longer to fully recover from the crisis, but severe recession is not expected.

In late 2009 and early 2010, economic indicators have already been signaling gradual recovery of the Brazilian and world economy, strongly boosted by China, which wrestled third place in the world economy from Germany and, according to PriceWaterhouseCoopers' projections, should overtake Japan before the year is out. In Brazil, in addition to the internal market growing stronger, which will tend to boost growth, and estimates for industrial growth of about 12% in 2010, projects for infrastructure for the 2014 World Cup and the 2016 Olympic Games depict favorable scenarios for the coming decade.

Emerging countries are expected to grow faster than the US, Japan and Europe and, again according to the consulting firm of PriceWaterhouseCoopers, they will overtake G7 in terms of economic power in the coming decade. By 2020 the sum of the economies of E7 (the seven major emerging countries: China, India, Brazil, Russia,

Mexico, Turkey and Indonesia) will be greater than that of G7 (the seven most industrialized countries: USA, Japan, Germany, UK, France, Italy and Canada). The same survey by the international consulting firm shows USA, China, Japan, India and Brazil – in this order – as the five greatest GDPs on the planet in 2013.

In the face of these economic projections, in a meeting on February 24, 2010, the Board of Directors authorized the Executive Board to segregate the assets of Mining & Logistics into a separate firm - controlled by Usiminas - in order to optimize and increase added value of business related to mining-railway-port. The idea is to attract a minority partner in the new business and subsequently open up its capital in the Stock Exchange.

In the course of the same meeting, Usiminas advanced in its project to expand participation in civil construction by purchasing stock in enterprises in the sector. An Association Contract was concluded with Codepar S.A. and Isa Participações S.A., purchasing stock equivalent to 30.77% of the capital of Codeme Engenharia S.A. and Metform S.A. The cost of subscribing the shares in the companies amounted to R\$ 129.6 million, fixed on the basis of financial statements dated September 30, 2009, to be adjusted according to shifts in working capital and consolidated net debt until the date of the audited closing statement – February 20, 2010.

The companies are closed capital concerns located in Betim (Minas Gerais), with branches in Taubaté (Sao Paulo). Codeme is in the steel structure construction market, invoicing roughly R\$ 180 million in 2009. Metform is in the business of industrialization and commercialization of steeldeck and roofing systems, and invoiced about R\$ 59 million in 2009.

## MINING AND LOGISTICS

The mining area hardly felt the impact of the crisis, and the Company expects a considerable production leap by 2011. Seven million tons of iron ore will be produced in 2010, of which 6 million are for the Company's own consumption; in 2012 production is expected to increase to 11 million tons p.a. As of then, a new production plant is to be built, with capacity for additional extraction of 18 million tons p.a., thus meeting the target of 29 million tons/year.

In early 2010, the State Environmental Institute (Inea) approved the Company's plan for decontamination of the area where the Company's future port will be located, in Sepetiba bay. The land used to belong to the bankrupt firm of Ingá Mercantil and was purchased by Usiminas in 2008. The Company made a commitment to remedy the environmental situation there before building the port.

The project approved by Inea calls for enveloping

industrial waste by means of a leak-proof layer to contain the contaminated matter and avoid contact with the external environment. About 1.3 million tons of waste will be thus isolated, and used for grounding the area.

Preparatory work started in 2009, and the process of isolation is to begin in 2010, at a cost of nearly R\$ 45 million. The process of decontamination is expected to take from 15 to 18 months. Once decontamination is concluded, the Company will start building the facilities for its own port terminal at Itaguaí (Rio de Janeiro).

The Company will invest R\$ 1 billion in construction of the port over four-and-a-half years, employing 500 people directly. When it is in operation, Usiminas' own terminal at Itaguaí will have 230 employees, also creating 100 indirect jobs. The terminal will also be an example of environmental excellence, like the Ipatinga and Cubatão steelworks.



Cubatão Private Maritime Terminal - Usiminas - Cubatão Steelworks/SP



## STEELWORKS

Improvements were put in place at the Cubatão and Ipatinga steelworks, with new equipment installed and the use of state-of-the-art technology, with less environmental impact.

The main projects developed by the engineering area at Ipatinga steelworks in 2009 were:

- Coking Plant 3;
- Reconstruction of Coking Plant 2;
- Accelerated cooling of hot-rolled heavy plates;
- Reheating Oven 3 for hot-rolled heavy plates;
- New seating for hot-rolled heavy plates;
- Vacuum degassing;
- Ladle furnace 3;
- Modernization of foundry;

- Intensive mixer for sintering 1 and 2.

Reconstruction of coking plant 2 was approved in October 2009. The investment covers rebuilding the entire body of the coking plant, replacing metal and refractory parts. Production of 1.1 million tons/year of coke will be maintained, with due attention to environmental requirements. Work is expected to conclude in July 2013. Once it is started again, coking plant 1 will be deactivated.

The project for coking plant 3 will increase coke production capacity by 750 thousand tons/year, as of March 2010, for internal consumption in the blast furnaces. This unit is being installed in compliance with environmental legislation. Start of production in coking plant 3 will mark the initial activities for the reconstruction of coking plant 2.

## Integrated Center for Operations

In 2009 Usiminas set up its Integrated Center for Operations in the Ipatinga steelworks, to watch over the different stages of production. Considered one of the most modern in world steelmaking, the center employs 23 professionals specializing in the different stages in the production process, working three shifts. It will make production more agile and efficient because it will allow changes in the procedures for each stage, in the quest for better results. The center represents gains in competitiveness, because it makes dynamic integration possible amongst the key areas of the Company.



In the Cubatão steelworks, major investments for 2009 were:

- Hot strip mill;
- Pickling line 3;
- Intensive mixer for sintering 3;
- Electrostatic precipitators for sintering 2 and 3.

The objective of the hot strip mill project is to expand production of hot-rolled coils by setting up a second line at Cubatão, with 2,050 mm maximum production width, with capacity configuration of the first phase standing at 2.3 million tons/year.

With commercial operation scheduled for the second half of 2011, the new hot strip mill boasts state-of-the-art automated technology, and the objective is to meet market demand in the steel-making segment.

In the area of transport, investment was concentrated in three structuring projects concerning logistics:

1. acquire the status of a business within the company, not a mere cost center;
2. reduce the costs and impact of logistics on the final product; and
3. invest in ports.

To meet the first objective, the area is re-planning the logistics grid, analyzing the location of warehouses and opportunities for using rail-

ways, endeavoring to identify ways to offer the best possible service to the Company and its customers.

To reduce so-called logistics bottlenecks, a three-year contract was concluded with Vale for a value of R\$ 900 million, thus ensuring proper flow of the production of Ipatinga steelworks and supplies of Usiminas' own ore to the unit. Although they have been partners for many years, the two companies had never actually signed a formal long term contract. With this agreement, which calls for annual renovation after the first three years, 95% of Ipatinga Steelworks' supplies and 60% of outflow will be transported by rail.

Following its policy of investing in rail transport, Usiminas also concluded a contract with logistics operator ALL for transportation of steel products such as coils and plates from the Cubatão steelworks – where they are produced – to the railway terminal in Porto Alegre (Rio Grande do Sul). In accordance with the agreement, the current volume of 10 thousand tons a month transported by rail will increase to 30 thousand tons before the end of 2010.

Also disposed to invest in ports to extend opportunities for the use of this mode, Usiminas is dredging Piaçaguera Channel in the Port of Cubatão (Sao Paulo) to a depth of 15 meters, to better take advantage of the capacity of ships putting in at the port.

## CLC Technology

In 2010 Usiminas is to start manufacturing high resistance heavy steel plates, with limits equal to or above 490N/sq mm. The Company will be the only Brazilian user of Continuous On-Line Control Process (CLC) technology. The contract for transfer was concluded in 2009 with shareholder Nippon Steel Co.

The CLC process consists of combined use of controlled lamination and accelerated cooling. The carbon equivalent can thus be reduced considerably, as the required resistance is obtained during the cooling stage. This method also offers excellent tenacity at low temperatures and optimum weldability.

Steel processed with CLC technology are used in large scale all over the world and in a number of application niches, including shipbuilding, oil rigs, tubes, industrial machinery, civil construction and pressure vessels.

CLC steels are different from the rest. They boast refined grain and low carbon content, alloying elements and equivalent carbon. In addition, they provide excellent metallurgical control during steel refining, casting, lamination and accelerated cooling.

For additional information, please visit [www.usiminas.com](http://www.usiminas.com)

## CIVIL CONSTRUCTION

A new market focus for Usiminas, which gained strength in 2009 and is expected to present its first results as soon as 2010, is civil construction in steel. It can be historically demonstrated that in most countries whose growth leapt forward, it was stimulated by civil construction and, in almost all cases, with steel as a raw material. Curiously, in Brazil steel is not extensively used, even though it is less polluting and the building process is both cheaper and faster.

Usiminas' proposal is to develop this market by setting up partnerships or joining enterprises specializing in the construction of residential buildings in steel. Hence the investments in Codeme and Metform.

In this construction technology, concrete structures are replaced by steel structures, which offer a number of economic and socio-environmental advantages. Some are: shorter execution time, rationalization of materials and labor, quality guaranteed by a company with highly qualified labor, organization of the build-

*For its great potential for growth in Brazil, civil construction in steel is a new market focus and is expected to expand in 2010*

ding site, lower weight of materials to be transported and steel's recyclability.

Usiminas has been working with the use of steel for housing for low-income population since 1999. The Company is currently building the first steel high-rises for a federal government program called Minha Casa, Minha Vida (My House, My Life) in Volta Redonda (Rio de Janeiro).

Continuing on the subject of the civil construction and infrastructure, Usiminas is keeping an eye on forecasts that the steel market will heat up as projects proposed for the 2014 World Cup and the 2016 Olympic Games come on line. Task forces have been organized in the Company specifically to study opportunities arising

from these events. Prospects are that they will stimulate Brazil's final departure from the scenario of crisis, which will probably start to happen in 2011.

The Company forecasts that by 2015, as a result of expanding operations in the civil construction market, sales of aggregate output will account for 50% of total sales; they currently account for 22%.

Amongst other projects, hydroelectric power plants in the Rio Madeira complex in the North region of Brazil have also boosted the market. Usiminas, for instance, has already concluded a contract for the sale of steel to an enterprise that will process the product for use in building one of the power plants.



## STEEL TRANSFORMATION

In 2009 this unit's main investment was setting up Soluções Usiminas. The new organization was consolidated by the merger of Fasal, Rio Negro Usiminas (the new name of Dufer S.A., after incorporation of Rio Negro Comércio and Indústria de Aço S.A.), Zamprogná and Usial (companies processing and distributing the Group's steel) and Usicort industrial unit. It was set up in line with Usiminas' strategic objective of offering products with high added value. Soluções Usiminas has been one of the most important entities in its sector since birth, with a near 22% share of the market and capacity to process over 2 million tons of steel a year. Its 14 units spread over Brazil allow for proximity to customers, curbing costs and lead times.

The recently established enterprise has initiated the process of expansion of the plant at Taubaté (Sao Paulo): press blank line equipment is in the process of manufacture, with delivery scheduled for October 2010. Civil construction work on the building is to commence in June 2010, and the plant is expected to come online in April 2011. The objective is to increase capacity by 70 thousand tons (25% of current capacity), for the supply of blanks for the automobile industry.

At Unigal Usiminas, work has started on expanding the hot galvanizing line, which will increase production capacity by 550 thousand tons/year, generating 750 direct jobs in addition to the 2,100 workers involved at the peak of the construction process. The investment



Robot cell at assembly line - Automotiva Usiminas - Pouso Alegre/MG

will produce coils of hot-dip galvanized steel coated with pure zinc (GI) or zinc-iron alloy (GA), for use in panels for the automobile industry, large home appliances and civil construction. The schedule calls for conclusion of the expansion in the first quarter of 2011.

Automotiva Usiminas has also started implementation of a project to increase production capacity with expansion of the frame welding line, where large sheds are being built for installation of all the infrastructure to harbor the Body Shop line for a new model of truck cab to be launched in the market. In late 2009 the project was at the manufacturing stage and implementation is scheduled to conclude in the 1st quarter of 2011.

## CAPITAL GOODS

Usiminas Mecânica is an important part of Usiminas' strategy of adding value to its products, endeavoring to increasingly supply manufactured goods to the end customer. Usiminas Mecânica is divided into seven business units: Bridges and Structures, Industrial Equipment, Industrial Assembly, Foundry and Wagons, Oil and Gas, Steelmaking, and Blanks and Stamping.

Usiminas Mecânica currently has four work-fronts:

1. Petroleum and Gas, mainly producing naval blocks for Petrobras, a major domestic buyer;



Equipment Shed -  
Usiminas Mecânica - Ipatinga/MG

2. 2014 World Cup and 2016 Olympic Games;
3. Energy from wind turbines; and Engineering projects, including construction of hydroelectric power plants, with high expectations regarding the auction for Belo Monte, an electricity production plant almost the size of Itaipu, as well as the Rio Madeira complex and small hydroelectric centers.



Hot rolled coils - Usiminas - Cubatão Steelworks/SP

# BUSINESS PERFORMANCE

“Grupo Usiminas is the only company in Brazil with two steelworks, in addition to the other units, including mining. This gives us huge power in the market, because we can offer greater sustainability in attention to our customers.”

Omar da Silva Júnior, Vice-President, Industrial, Usiminas

## SCENARIO

2009 was influenced by the financial crisis, which had become deeper after September 2008. The drop in industrial activity all over the planet caused a plunge in demand for ore and commodities, and for steel and its derivatives. India and China maintained their economic growth, but at lower rates to those registered in earlier years. China only resumed the expansion pace in the fourth quarter of 2009. In Brazil, considered the last country to enter the crisis and the first out, forecasts for 5% GDP growth tumbled to -0.2%. Despite the weak performance of the economy, certain factors were decisive

in cushioning the impact of the crisis: the rapid reaction of companies hastening to implement programs for reducing costs, among other initiatives, and the Federal Government's action to incentivize production.

By the end of the year, the scenario was already improving and the country started to show signs that it was leaving the crisis behind. Moody's, the international risk guide, classified Brazil as low risk, which led to approval of investment in the country. Ibovespa showed its best performance since 2003 and became the index with the highest valorization among stock exchanges round the world. And the Brazi-





lian motor vehicle industry was one of the three in the world to grow in 2009. Projections for 2010 point at falling unemployment and increasing demand, and the Central Bank forecasts economic growth and a reduction of the debt/GDP ratio.

The internal market, which absorbs nearly 80% of Usiminas' production, is expected to grow. Nevertheless, medium and long term measures may impact internal demand. A possible increase in interest rates before 2010 is out will mean reduced production and higher credit cost.

Usiminas' major challenge will therefore be to meet demand while keeping costs down in order to maintain competitiveness in Brazil and abroad. Appreciated exchange rates, as happened in 2009, pressure Usiminas' price policy. It is expected that in 2010 and subsequent years the Brazilian real will not repeat its trajectory of valorization with respect to the US dollar. Amongst large economies worldwide, Brazilian currency gained the most value against US currency in 2009.

### **PRODUCTIVITY AND ACTION PROJECT**

This project was put in place in 2009 to seek advances in production and greater efficiency of processes. In the industrial nucleus its purpose is to reduce costs and optimize processes; in the business nucleus to seize opportunities to improve results and invest in training sales and marketing teams; in the supply nucleus to adopt better purchasing practices to increase operational margin.

The project sets up mechanisms for employee participation, so they can express their ideas

and practical knowledge, suggesting changes in processes for more and better production, while using fewer financial, energy and natural resources. In 2009 the operational area concentrated the most relevant initiatives, with a 15% increase in quantified potential impact and consequent cost reduction of up to R\$ 1.4 billion.

### **SALES AND OPERATIONS PLANNING**

To delineate scenarios for risks and opportunities, Sales and Operations Planning (S&OP) methodology was introduced in 2009 in the ambit of the Planning & Logistics and Sales Areas. The process seeks integration of a number of areas in the Company by means of monthly meetings, observation of indicators and use of innovative tools. APO (an optimization module of SAP) was introduced as technologic support. This makes integrated planning for the two steelworks possible, with the vision of sales, production and distribution.

The challenge for 2010 is to extend the horizon for planning and adjusting projections from the current three month period to six and, in the future, to 12 months. In this process a multifunctional team delineates possible scenarios, evaluates results and recommends the most suitable for validation by Comex.

In order to attend the specifics of different business angles, in 2009 Usiminas also introduced specialized marketing sectors linked to corporative marketing, which reports directly to the Vice-President for Business.



Soluções Usiminas - Taubaté/SP

## OPERATIONAL PERFORMANCE

Due to challenges in the economy during 2009, production and sales volumes dropped substantially. However, in the mining area production actually increased, as did transfers to the Ipatinga and Cubatão steelworks. Revenue from exports was equivalent to 17%, and the domestic market accounted for 83% of total net revenue.

## MINING AND LOGISTICS

The incorporation of companies Mineração J. Mendes Ltda., Somisa Siderúrgica Oeste de Minas Gerais Ltda. and Global Mineração Ltda.,

occurred in June 2008, and led to significant administrative and operating changes for Usiminas, such as setting up a new Mining area, and contributed to the Company's verticalization process.

In 2009, Usiminas made better use of iron ore from their own mines. Production thus increased approximately 44%, and Cubatão steelworks was almost fully supplied with Usiminas' own iron ore.

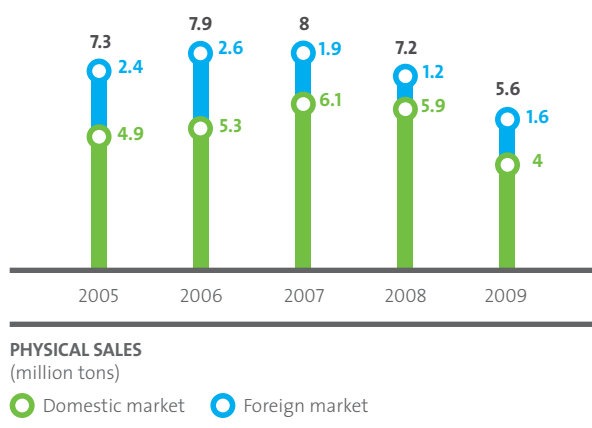
5,476 thousand tons of iron ore were produced, of which 390 thousand tons were sold to third parties; 1,418 thousand were transferred to Ipatinga, and 3,506 thousand to Cubatão.

## STEELWORKS

The steelmaking sector was hard hit by the 2009 retraction in the world economy. Already in the first quarter of 2009, sales in the steel sector had plunged 30%, and the sector was operating at just over half its full capacity. In the second half of the year, with certain sectors such as motor vehicle parts showing signs of recovery, the first indications of improvement were felt.

Even so, the steelmaking industry reached the end of 2009 with a 29.9% drop in steel consumption and 20.8% in production, according to estimates by Instituto Aço Brasil (Brazil Steel Institute). Imports increased nearly 3.3%, but tax revenues in the external market plunged nearly 36% as a result of reductions in international prices.

The heavy plate segment, where Usiminas is the only producer in Brazil, was the hardest hit by the crisis. The second quarter was the worst in all the Company's history. Usiminas had to close down three out of five blast furnaces at its steelworks to gear production to demand. Steel production, standing at 5.64 million tons, was 30% less than in 2008.



Sales reached 5.62 million tons, which means a 22% reduction as compared to 2008, when 7.2 million tons were sold. The forecast for 2010 has it that steel prices will go back up, mainly as a result of falling stocks as demand is expected to remain below levels prior to September 2008.

## INTERNAL MARKET

Even with recovery towards the end of the year, there was a 32% reduction in domestic sales as compared to 2008. The national market absorbed 72% of steel produced by Usiminas, over 4 million tons.

Usiminas' Sales by Sector - 2009		
Economic Sector	Quantity (thousand t)	%
Automotive	1,418	35
Industrial	1,010	25
Distribution	1,615	40
Domestic Market Total	4,043	100

## FOREIGN MARKET

Exports accounted for 28% of physical sales, nearly 1.6 million tons in 2009, a 29% increase as compared to the year before. After Latin American customers, those purchasing the most from Usiminas were the Chinese, South Koreans and North Americans.

Exports – Main Markets in 2009		
Country	Quantity (thousand t)	Share %
China	221	14%
South Korea	139	9%
Chile	139	9%
USA	138	9%
Argentina	126	8%
Spain	106	7%
Mexico	102	6%
Colombia	76	5%
Others	532	33%
Total	1,579	100%

### STEEL TRANSFORMATION

In 2009 Usiminas launched Brazil's largest steel distribution operation, Soluções Usiminas. Unigal Usiminas and Automotiva Usiminas are the other members of the Steel Transformation unit. In line with Usiminas' commitment to sustainability, their professionals contribute to a worldwide innovation network for the development of the Future Street Vehicle, the car of the future, lighter and tougher.

### SOLUÇÕES USIMINAS

Although not consolidated under a single CNPJ (Taxpayer Registry Number) until early 2010, the enterprises comprising Soluções Usiminas were already working in integrated fashion in 2009. For this reason, the company was able to meet its targets for growth in its first year of work, thanks also to optimum acceptance by the ma-

rket and governmental action preventing the automobile and large home appliances sectors from being too drastically affected by the crisis. Soluções Usiminas expects a better scenario in 2010, as it concludes the unification of the companies and plans future investment.

### UNIGAL USIMINAS

Dedicated to hot galvanizing for the automobile, home appliance and civil construction industries, Unigal Usiminas is in full process of growth. With this expansion, to be concluded in 2011, Unigal Usiminas will have increased its current production capacity by 550 thousand tons/year of steel coils, which is expected to create about 750 direct jobs.

### AUTOMOTIVA USIMINAS

Automotiva Usiminas is a supplier of pressed, welded and painted automobile parts, components and assemblies for the main motor vehicle assembly plants in the country, invoicing R\$ 278 million in 2009. Within the process of Usiminas' reorientation and growth, the target is to invoice R\$ 1 billion in 2015.

In addition to keeping tabs on the operational growth of current customers, the main motor vehicle assembly plants in the country, Usiminas intends to incorporate new services, adding value to steel supplied by its steelworks by transforming plates into items such as cabs and components produced by its unit in Pouso Alegre (Minas Gerais) for trucks, buses and light commercial vehicles.

# *Usiminas Mecânica concluded the largest construction job in its history, expansion of Consórcio Alumar's Refinery in São Luis, Maranhão*

## **CAPITAL GOODS**

### **USIMINAS MECÂNICA**

In the third quarter of 2009, Usiminas Mecânica concluded two important construction projects:

1. Supply of structures, equipment and assembly of expansion of Consórcio Alumar's refinery in São Luis (Maranhão), the largest construction job in its history. Participation in the Alumar project included partial supply and complete assembly of the precipitation plant in Unit 2 and extending and rebuilding the precipitation plant of Unit 1, including assembly of tanks, precipitators, and mechanical and electric equipment, as well as complex electric, piping and instrumentation systems, from detailing parts for the project to supplying and assembling equipment. The Assembly Superintendence alone delivered 27 thousand tons of parts, 60% of which came from Usiminas' factories. Over 10 million man-hours were worked and at its peak the effective workforce exceeded 3,000.

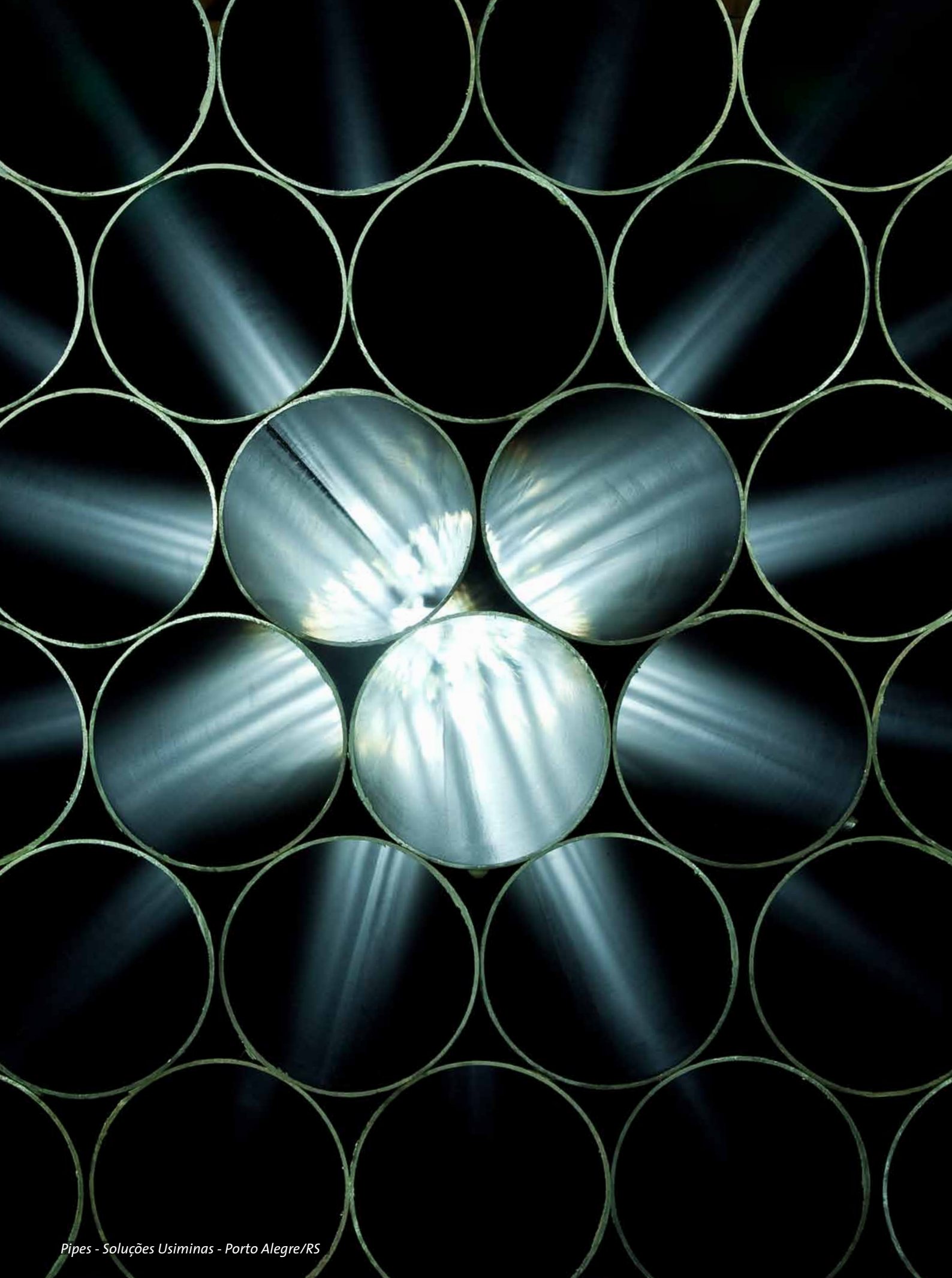
2. Ponte da Passagem, in Vitória (Espírito Santo): Built with approximately 1,700 tons of steel, this cable-stayed bridge is the first in the country with metal towers. Its imposing height of 55 meters is equivalent to an eight-storey apartment building, and the project is already considered Espírito Santo's latest symbol of modernity.

Highlights currently under execution include the following long-term projects, among others:

- Supplying Petrobras with furnaces, platforms and towers;
- Supplying and assembling storage tanks for Petrobras;
- Supplying structures and assembling equipment for Mineração Onça Puma Ltda's nickel mine;
- Blanks for wind turbine towers, agricultural machinery, roadway machinery and the ship-building industry;
- Supplying structures for building Companhia Siderúrgica do Atlântico's Steel Plant (CSA);
- Supplying structures for Anglo American Ltda's nickel mine.



*Structure Shed - Usiminas Mecânica - Ipatinga/MG*



*Pipes - Soluções Usiminas - Porto Alegre/RS*

# ECONOMIC-FINANCIAL DIMENSION (MD&A)

“As the crisis was deep but fortunately did not last long, I believe Usiminas came out of it in good shape. It is one of the biggest companies in Minas Gerais, a great support in our productive chain, and our hope for 2010 is that the picture is completely reversed. The Government and people of Minas Gerais expect Usiminas to expand its investments in the State when development returns to its normal course.”

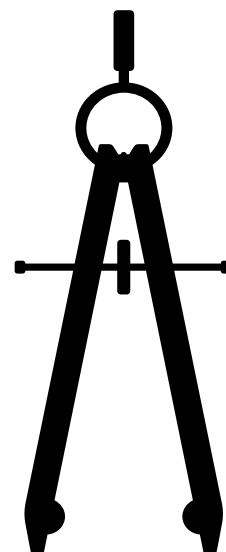
Antônio Anastasia, Governor of Minas Gerais State

## ECONOMIC-FINANCIAL DIMENSION (MD&A)

The economic-financial performance of each Business Unit is shown below, with inter- and intra-company transactions reported at market value and conditions.

Usiminas Consolidated			
Mining & Logistics	Steelmaking	Steel Transformation	Capital Goods
Mining Assets	Ipatinga Plant	Unigal	Usiminas Mecânica
Share in MRS	Cubatão Plant	Soluções Usiminas	
	Share in Ternium	Automotiva Usiminas	

Statement of Results – Business Units and Consolidated 2009 – Pro-Forma - not audited.



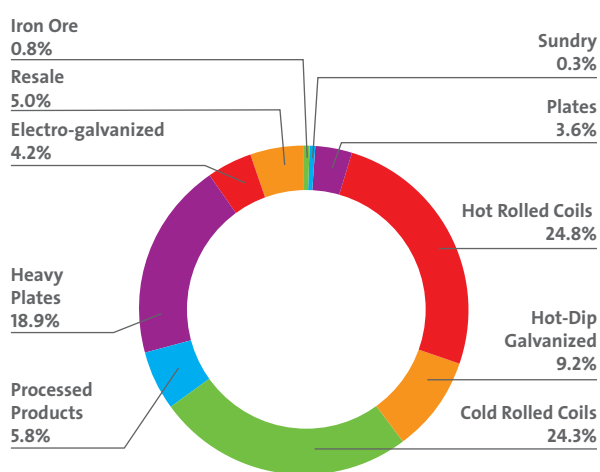


Usiminas' consolidated gross revenue was R\$ 14.8 billion in 2009, a 30% plunge as compared to 2008. This performance stems from a smaller sales volume on the domestic market and lower prices in both the domestic and foreign markets. Revenue for the domestic market was 31.6% below that for 2008. Performance was also negative in the foreign market, 16.9%.

The worldwide financial crisis caused global demand to cool down, mainly during the first half of the year, when Usiminas posted a 41.5% drop in sales volume and had to keep three of its five blast furnaces idle. When the economy provably warmed up again in the second half, the Company decided to fire up two of the idle blast furnaces in July. However, it was not enough to compensate for the first half, and the year closed with a 21.7% reduction in the volume commercialized in 2009.

Net revenue added up to R\$ 10.9 billion in the year and also showed a 30% plunge in comparison with 2008, resulting from both the smaller volume commercialized and dropping average

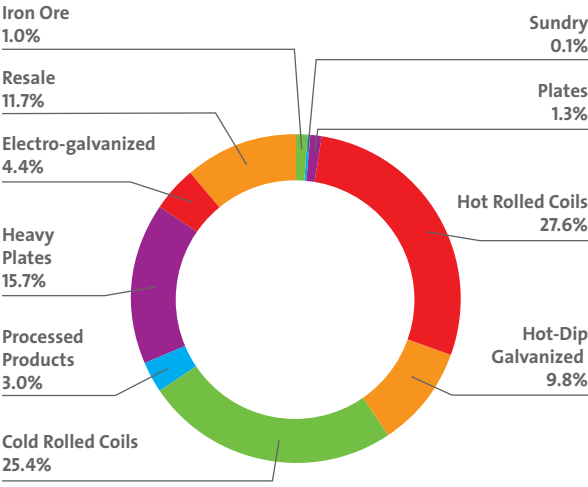
prices. Cold rolled coils and hot-dip galvanized products increased their contribution to revenue. Net revenue from rolled/processed products by ton relative to the Ipatinga and Cubatão plants saw a reduction of 13.9% as compared to 2008, with prices dropping from R\$ 1,991/ton to R\$ 1,714/ton.



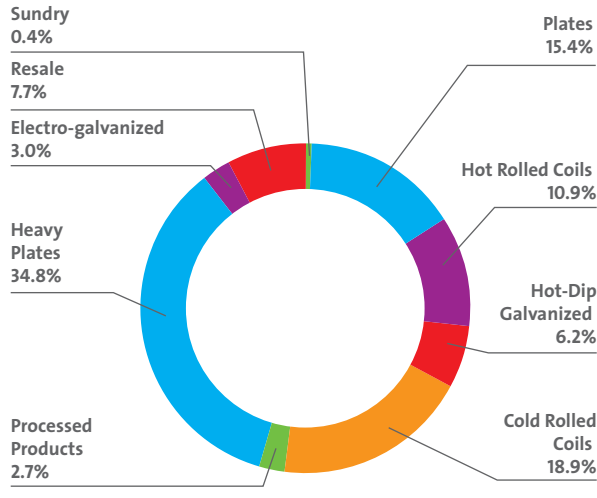
COMPOSITION OF CONSOLIDATED NET REVENUE – 2009

Statement of Results – Business Units and Consolidated 2009 – Pro-Forma - not audited						
R\$ million	Mining & Logistics	Steelmaking	Steel Transformation	Capital Goods	Adjustments	Consolidated
Net Sales Revenue	407	9,701	2,117	953	-2,254	10,924
Domestic Market	407	7,980	2,029	933	-2,254	9,096
Foreign Market	0	1,721	88	20	0	1,829
Cost Products Sold	-161	-8,406	-1,849	-770	2,342	-8,844
Gross Profit	246	1,295	268	183	88	2,080
Operational Expenses/ Revenue	-72	-842	-177	-70	0	-1,161
Operational Profit before Financing	174	453	91	113	88	919
<b>EBITDA</b>	202	912	151	133	88	1,486
<b>EBITDA MARGIN</b>	50%	9%	7%	14%	-	14%

In the domestic market, products standing out for producing revenue in 2009 were hot rolled coils and cold rolled coils, heavy plates, and hot-dip galvanized items. Regarding the foreign market, segments exhibiting growth in revenue were heavy plates and rolled coils.



COMPOSITION OF NET OPERATIONAL REVENUE – 2009 Domestic Market

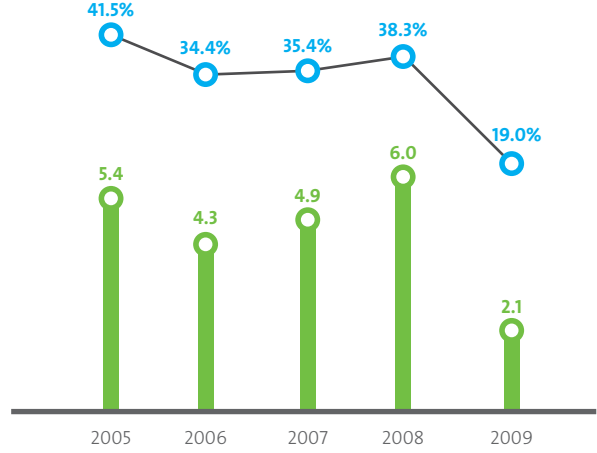


COMPOSITION OF NET OPERATIONAL REVENUE – 2009 Foreign Market

**COST OF PRODUCTS SOLD AND GROSS PROFIT**

Usiminas’ cost of products sold added up to R\$ 8.8 billion in 2009, 8.8% less than the year before, mainly due to the smaller volume sold and reclassifying R\$ 570 million in costs stemming from idle equipment as Other Operational Expenses.

Gross profit only amounted to R\$ 2.1 billion in 2009, a 65.4% plunge as compared to 2008. Its ratio to net revenue came to 19% gross margin, against 38.3% in 2008.



Gross Profit (in R\$ billions) and Margin (%)

○ Gross Profit    ○ Margin

## OPERATIONAL EXPENSES AND REVENUE

Operational expenses totaled R\$ 1.2 billion, a figure 12.8% over that for 2008. This performance reflects, mainly, recognition of the cost of idle equipment, partly offset by reversion of legal contingencies, actuarial surplus of the pension plan and other items.

Selling expenses grew 11.9% coming to R\$ 284.1 million in 2009. This performance mostly reflects expenditure on personnel, payroll taxes, and outsourced services.

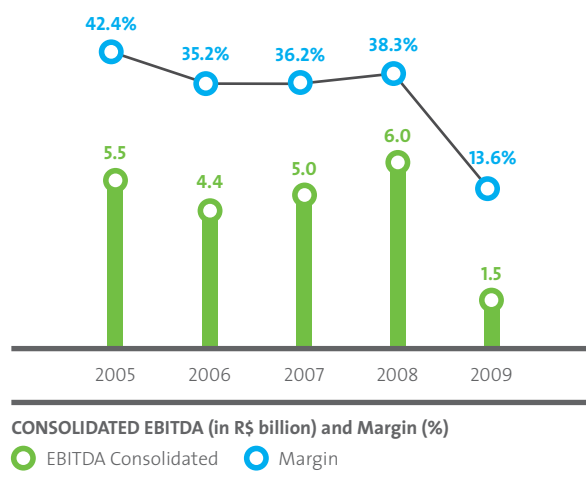
General and administrative expenditure reached 27.8%, totaling R\$ 456.3 million in 2009, due to higher outlay for consulting work.

Other operational revenue and expenses amounted to an outlay of R\$ 421.2 million, 1% more than in 2008.

## EARNINGS BEFORE INTEREST AND TAX (EBIT)

Operational profit before financial and tax expenses (EBIT) accumulated R\$ 919.0 million in 2009, 81.5% less than in the preceding year, resulting in an EBIT margin of 8.4%

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) added up to R\$ 1.5 billion, a 75.3% reduction when compared to 2008, and the EBITDA margin was 13.6%, 24.7 percentage points less than the figure for 2008, due to dropping sales volume and prices.



## FINANCIAL RESULTS

Net financial results for 2009 amounted to income of R\$ 803.5 million, as against expenses adding up to R\$ 1.2 billion in 2008. This performance was basically due to income stemming from exchange rates of R\$ 970.5 million in 2009 as compared to exchange rate related expenses of R\$ 925.8 million in 2008, in turn a result of the climbing value (25.5%) of the Brazilian real relative to the US dollar in 2009 and a devaluation of the Brazilian real (31.9% relative to the US dollar) in 2008.

## PARTICIPATION IN CONTROLLED COMPANIES AND AFFILIATES

Results for participation in controlled companies added up to R\$ 167.6 million, far less than the sum of R\$ 457.9 million posted in 2008, reflecting the effect of the world crisis in Ternium's results.

Indebtedness						
R\$ millions	Dec 31, 2008			Dec 31, 2009		
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total
Short Term	244,159	876,286	1,120,445	542,377	288,465	830,842
Long Term	2,340,201	3,732,023	6,072,224	1,899,697	3,222,980	5,122,677
Gross Indebtedness	2,584,360	4,608,309	7,192,669	2,442,074	3,511,445	5,953,519
Cash and Investments	3,498,995	509,009	4,008,004	2,687,393	395,654	3,083,047
Net Indebtedness			3,184,665			2,870,472

## NET PROFIT

Consolidated net profit stood at R\$ 1.3 billion, 58.3% less than 2008, with 12.3% net margin, less than 20.5% in 2008. Profit per share was R\$ 2.72.

## INDEBTEDNESS

Consolidated net debt amounted to R\$ 2.9 billion on December 31, 2009, as compared to R\$ 3.2 billion at the end of the 2008 fiscal year. On December 31, 2009, the net debt to net equity ratio was 0.2, and the ratio to EBITDA was 1.9.

On December 31, 2009, total consolidated indebtedness stood at R\$ 6.0 billion (equivalent to US\$ 3.1 billion), as compared to R\$ 7.2 billion at the end of 2008.

At the end of 2009, 41% of debt consisted of loans/financing in Brazilian currency and 59% in foreign currency, with 14% of the total becoming due in the short term and 86% in the long term. Because Usiminas has assets and liabilities in foreign currencies, mainly US dollars, the Company takes part in swaps with the objective of reducing costs, avoiding exposure to changing exchange rates and seeking protection from interest rates, and avoiding currency mismatch.

## GENERATING AND DISTRIBUTING WEALTH

Usiminas is directly and indirectly responsible for generating wealth, by remunerating shareholders, creating jobs, paying tax and contributing to society. In 2009, added value came to R\$ 5.4 billion, distributed among government and society (45.3%), finance entities (9.1%), employees (20.8%), and shareholders (24.8%).

Value added statements		Consolidated		
R\$ thousands	2009		2008	
	Value	%	Value	%
1. REVENUES	14,612,455		21,046,008	
1.1) Sales of Goods, Products and Services	14,605,600		21,029,447	
1.2) Other Revenues	13,828		12,774	
1.3) Revenues from Own Assets	0		0	
1.4) Provision for Doubtful Accounts - Reversion	-6,973		3,787	
1.5) Non-operational Results	0		0	
2. INPUT FROM THIRD PARTIES	-10,001,513		-12,273,650	
2.1) Costs of Products, Goods, and Services Sold	-8,976,288		-11,255,078	
2.2) Material, Energy, Third-party Services and Others	-1,012,159		-1,018,572	
2.3) Loss/Recovery of Assets	-13,066		0	
2.4) Others	0		0	
3. GROSS VALUE ADDED (1-2)	4,610,942		8,772,358	
4. DEPRECIATION, AMORTIZATION AND DEPLETION	-817,366		-503,204	
5. NET ADDED VALUE PRODUCED BY COMPANY (3 - 4)	3,793,576		8,269,154	
6. ADDED VALUE RECEIVED FROM TRANSFER	1,623,074		1,441,460	
6.1) Equity Equivalence Result from Amortization of Goodwill	167,558		457,883	
6.2) Financial Income	381,887		982,277	
6.3) Rents and Royalties	137		1,300	
6.4) Femco Surplus	102,959		0	
6.5) Net Exchange Variance	970,533		0	
7. TOTAL ADDED VALUE TO BE DISTRIBUTED (5+6)	5,416,650		9,710,614	
8. ADDED VALUE DISTRIBUTED	5,416,650	100.00	9,710,614	100.00
8.1) Employees	1,124,650	20.76	1,091,576	11.24
8.1.1) Payroll and Payroll Taxes	826,239	15.25	706,955	7.28
8.1.2) FGTS (Government Severance Indemnity Fund for Employees)	149,686	2.76	76,974	0.79
8.1.3) Remuneration of the Board of Directors	25,972	0.48	53,970	0.56
8.1.4) Profit Sharing with Employees	58,448	1.08	76,688	0.79
8.1.5) Retirement and Pension Plans	64,305	1.19	176,989	1.82

→

(continued)

Value added statements			Consolidated	
R\$ thousands	2009		2008	
	Value	%	Value	%
8.2) Taxes	2,456,726	45.35	3,294,587	33.94
8.2.1) Federal	1,410,758	26.04	2,157,330	22.22
8.2.2) State	1,004,834	18.55	1,077,570	11.10
8.2.3) Municipal	36,042	0.67	32,573	0.34
8.2.4) Tax Incentives	5,092	0.09	27,114	0.28
8.3) Remuneration of Third Parties	491,694	9.08	2,100,018	21.63
8.3.1) Interest	591,682	10.92	2,061,488	21.23
8.3.2) Rents	3,606	0.07	9,527	0.10
8.3.3) Others (especially hedging operations)	-103,594	-1.91	29,003	0.30
8.4) Remuneration of Own Capital	1,343,580	24.81	3,224,433	33.21
8.4.1) Interests on Own Capital	397,885	7.35	758,004	7.81
8.4.2) Dividends	73,119	1.35	379,071	3.90
8.4.3) Retained Earnings/Loss for the Year	875,005	16.15	2,102,718	21.65
8.4.4) Participation of Non-controllers in Retained Earnings	-2,429	-0.04	-15,360	-0.16

## Legend

### COMPOSITION OF GROSS REVENUES WITH SALES AND SERVICES

- Includes gross revenues with sales

- (-) Discounts and cancelled sales

- Miscellaneous sales

- PDD

### Labor

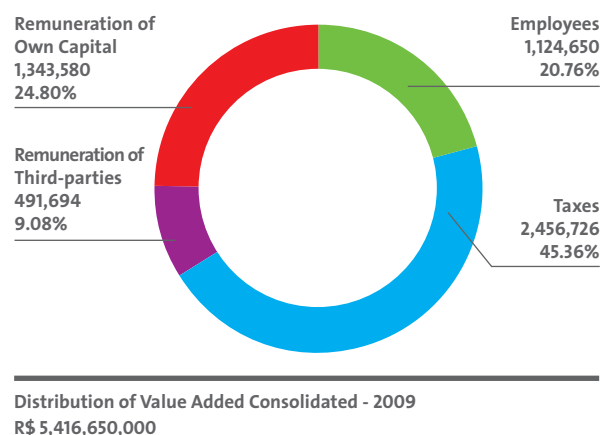
- Excludes Social Security and transfers to government

- Retirement and pension plans (excludes the value of financial expenses R\$ 37,742 thousand + monthly amortization - R\$ 19,989 thousand)

- Remuneration of third parties (excludes the value of financial expenses; retirement plan; IOF; CPMF)

## CAPITAL MARKET

Usiminas' stock is traded in Brazil at BM&F BOVESPA – Securities, Commodities and Futures Exchange – under codes USIM3, USIM5 and USIM6; in New York at NYSE (OTC) as ADR level 1, under code USNZY; and in Madrid at Latibex under codes XUSI and XUSIO.



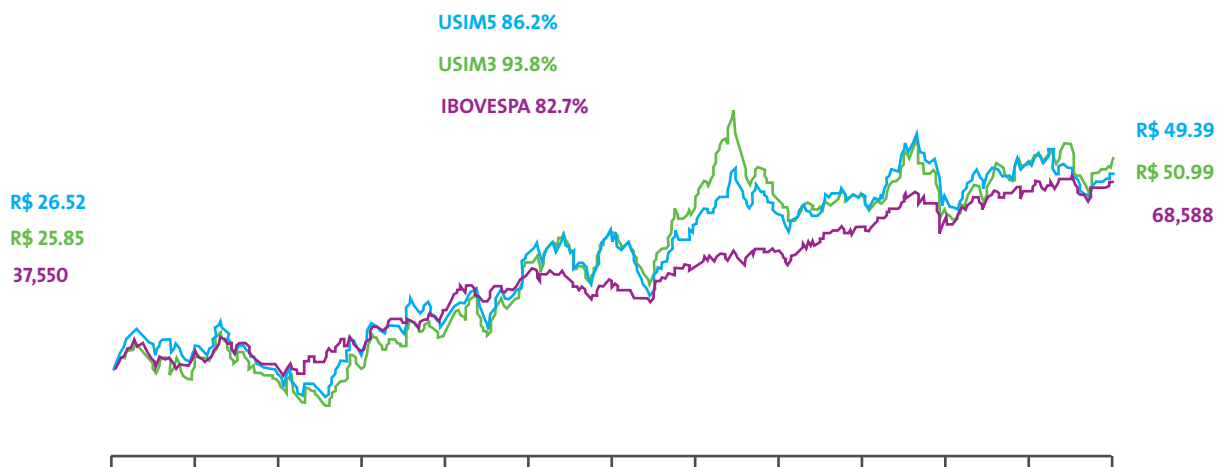
## PERFORMANCE AT BM&F BOVESPA

Usiminas' common stock (USIM3) closed the year at R\$ 50.09 per share. Preferred stock (USIM5) closed at R\$ 49.39 per share, with valorization in 2009 of 93.8% and 86.2% respectively. During the same period, Ibovespa index showed positive oscillation of 82.7%. At the year end, Usiminas' market value stood at R\$ 25.0 billion.

showed valorization of 168.2% and quoted at 19.85.

## REMUNERATION TO SHAREHOLDERS

Usiminas distributed amongst its shareholders a total R\$ 470.3 million in dividends/interest on its own capital referring to 2009, which means payout was 35%.



Usiminas PNA (USIM5) and ON (USIM3) versus Ibovespa 2009

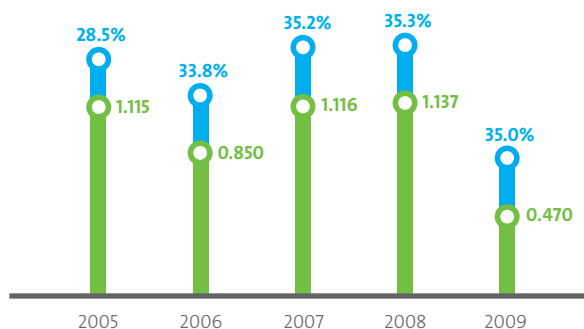
## FOREIGN STOCK EXCHANGES

### PERFORMANCE AT NYSE – NEW YORK

In 2009, USIMINAS PNA shares traded in the USA as ADR level 1 “USNZY” OTC (Over the Counter) saw 140.9% valorization and were quoted at US\$ 29.03 at the year end.

### PERFORMANCE AT LATIBEX – MADRID

XUSI shares (preferred) traded at Latibex saw 156.4% valorization in the year and closed the period quoted at 19.74. XUSIO shares (common)



### REMUNERATION OF SHAREHOLDERS

Dividends and Interests on Own Capital

● R\$ billion

● Pay out

## BOND ISSUES

Usiminas is present in Brazilian and foreign capital markets by issuing debentures and Eurobonds. In 2009, the following operations were running their course: two issues of debentures valued at R\$ 500 million and R\$ 600 million (becoming due in 2013 and 2020 respectively), and two issues of Eurobonds valued at US\$ 200 million and US\$ 400 million (due in 2016 and 2018 respectively). The latter are intended for qualified investors under regulations Reg S and 144A.

## INVESTOR RELATIONS

Usiminas has an ongoing program for communications with shareholders, analysts and investors, designed to further increase its information-providing action for the capital market, as always with the objectives of adding value and acting with both transparency and quality. During 2009, the Company endeavored to further expand action for providing information to the capital market, with the objectives of adding value and acting transparently with high quality. In 2009, in order to attend to the Company's more than 60 thousand shareholders, public presentations were made at the Association of Capital Market Investment Analysts & Professionals (Apimec), which covers different state capital cities in the country and events intended for individual investors, in addition to taking part in different conferences abroad.

The list of ongoing procedures for communication with investors (public meetings, meetings with investor groups, telephone attention, the IR website, annual and quarterly reports and teleconferences) increased in 2009 with the addition of the area's portal for mobile phones, giving the quotation of the Company's shares every 15 minutes as well as market news and institutional information. Usiminas is the first Brazilian steelmaker to develop an information channel specifically for mobile phones.

Usiminas Day took place in November at the Cubatão plant (Sao Paulo), with a tour of the Private Maritime Terminal and the site where Usiminas Mecânica's new unit is under construction, as well as a presentation of the Company's other business strategies to capital market investors and analysts.

Another form of evolution in 2009 involved action through work groups bringing together companies that are shareholders in Usiminas, with a spirit of permanent cooperation among companies with converging interests. Thirteen groups were formed to discuss different subjects. Amongst Brazilian shareholders, cooperation may be less formal and constant as, for instance, when discussions involving coal and sustainability were attended by specialists from Votorantim Group and Camargo Corrêa.





Soluções Usiminas - Taubaté/SP

# INTANGIBLE ASSETS

**“2009 was a year of major internal restructuring, movement of people, intensive training and the beginning of huge long term projects that will start showing results as of 2010. We had to set a course through the crisis, but we never stopped investing in the future.”**

Sérgio Leite, Vice-President, Business, Usiminas

## THE NEW WAY OF BEING

In 2009, Usiminas concluded the process of transforming its corporate identity, with consolidation of the new brand and the launch of an advertising campaign with the slogan “The new way of being Usiminas”. The objective was to start building up a new image position, as a more modern, agile and proactive company, the reflection of the process of renovation initiated in 2008 with the implementation of a new management model and reformulation of the group’s business structure.

The first step in the branding study was to cre-

ate a new brand for Usiminas and branding architecture for its companies, integrating and strengthening them for global projection. Rather than a change of logotype, the project sought to reflect the change in stance underway throughout the Company.

Brand management was also reviewed in all its contact points, from advertising campaigns to office façades, calling cards, vehicle fleet and many other items. Until 2008, Usiminas had multiple-brand architecture. There was a corporate brand and over 100 other brands for companies, departments, associations and projects.





The Branding project changed the brand's architecture, making it monolithic, i.e. all other brands stem from the mother-brand, interconnecting them. This change adds value to the Usiminas Brand, as well as helping the Company's audiences recognize it in all its forms of expression with greater ease and objectivity.

The new brand was launched on March 18, 2009. Employees, customers and other stakeholders had been consulted about the new brand. The branding process was carried out by the international consulting firm of Interbrand, and the campaign, run by Tom Comunicação, presented the steel existing in products present in people's daily routines, such as refrigerators, motor vehicles, etc. This brand restructure earned Interbrand the 2009 gold statuette in the Corporate Design category of the International Design Forum in Hannover, Germany, one of the most prestigious design awards in the world.

Usiminas also took first place in the Brand Communication category of the Brazilian Association of Corporate Communication's award for best branding in Brazil in 2009. In the Minas Gerais

and Center-West stage, the Company was singled out as Company of the Year in business communication and its CEO, Marco Antônio Castello Branco, was nominated Personality of the Year in Corporate Communication.

### COMMUNICATION

Following world trends in the field of organizational communication, in March 2009 Usiminas started making use of an indicator that makes it possible to measure the positioning of its image and brands in the press, on a monthly basis. The Monitor of Image and Audience (MIA®) was developed by RP1 Comunicação, one of the main corporate communication agencies in the country, to add value and strategic vision to Usiminas' communication with its target-audiences, by means of spontaneous media.

This methodology checks the image balance of positive and negative exposure of the Company in the media, on a monthly basis, i.e. items mentioning the Company in a predominantly favorable or unfavorable light, from the point of view of the reader. Every item is assigned points and

criteria take into account the weight of the space taken up by journalistic material on Usiminas in vehicles of communication, the relevance of the vehicles concerned and to what degree the content is in line with corporate values and the Company's strategic direction.

It is well worth highlighting that in the first half of 2009, the image balance mainly reflected the effects of the world crisis on Usiminas and the steelmaking sector. Although in May there was a peak in the number of items regarding the crisis, the indicator shows almost neutral image balance (-0.2). This figure reflects the Company's strategy of proactively and openly communicating its positions to the press, which affected the index with more points for items classified as negative. This transparent stance of Usiminas' generates gains in the reader's perception and contributes to preserving corporate reputation.

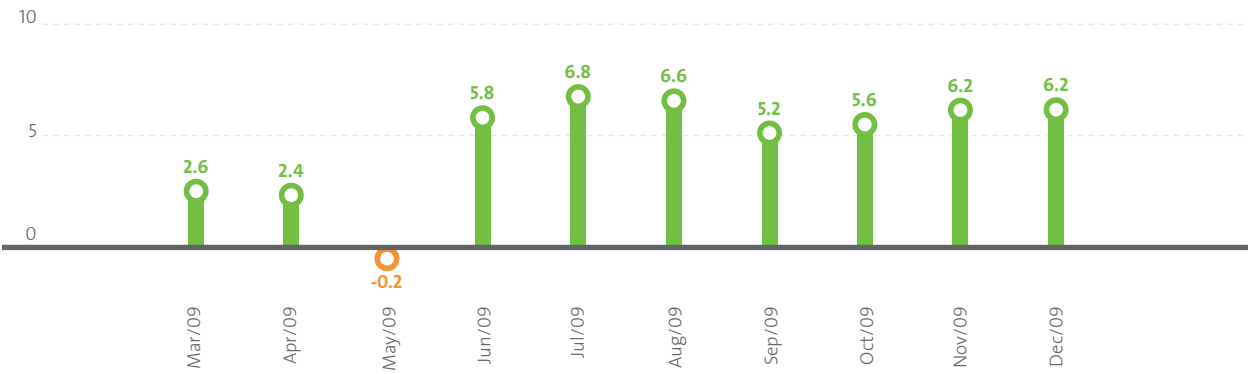
Another indicator signaling Usiminas' more proactive stance with the press and expansion of favorable exposure in higher rated space is called Financial Equivalence. This indicator converts space obtained in spontaneous media into values in Brazilian reais, on the basis of the price

list for advertising space. Usiminas' results for 2009 in this connection amounted to R\$ 18.8 million, and 11% increase as compared to 2008.

**RESEARCH AND INNOVATION**

Usiminas' Area for Research and Innovation was created in late 2008 and structured in 2009, with definition of its main lines of work and targets for the next few years. It concentrates the Company's initiatives in the areas of R&D, management of knowledge and innovation, and transfer of technology. The processes formerly distributed throughout different sectors of the Company were brought together during the structuring stage.

One of the first tasks consisted of developing indicators for accurate measurement of the Company's innovation investment and revenue in figures, such as ideas seized upon which became projects, and the number of employees directly involved in research and innovation processes. This initiative will provide greater clarity and objectivity for management of the area within the Company.



USIMINAS' IMAGE BALANCE

Note: It does not include Capital Market mentions, which approach the usual quotes of the Company's securities in the Stock Exchange.

## *Usiminas took second place in the country for applications for patents, and first place in the mining and steelworks sectors.*

Investment in research and innovation has been increasing over recent years, and is expected to grow threefold by 2011, from R\$ 25 million allocated in 2008 to nearly R\$ 44 million in 2009, subsequently reaching the R\$ 75 million mark.

Innovation is included in Usiminas' new vision, but it has always been part of the Company's strategy. As market leader, Usiminas has invested in R&D historically. However, it is necessary to go further: to program innovation, map out knowledge, and transmit it within the Company in an organized fashion.

The Practice Communities project is one of Usiminas' Management of Knowledge Superintendence's most important as it systematizes transmission of information among the Company's employees. The Competitive Intelligence and Benchmark cells are also a part of this Superintendence.

Besides structuring the recently created area, another highlight in 2009 was the installation of an Innovation Committee. Also important was the start of a project for implementation of a Usimi-

nas research unit in the Rio de Janeiro Technological Center. The Company signed the seventh set of technical assistance terms with Nippon Steel, one of the Company's shareholders and a major supplier of technology. An example of application of the Japanese enterprise's techniques is accelerated cooling of heavy plates, developed by Nippon Steel, to be put in place in steelworks outside Japan for the first time. The technique makes possible the production of high strength steels to supply sectors linked to the pre-salt production chain. In addition to Nippon Steel, Usiminas also has other partnerships with research entities and universities.

### **SECOND PLACE FOR PATENTS**

Research by Prospectiva Consulting evaluating the ten largest Brazilian enterprises between 1992 and 2008 found that Usiminas took second place in the country for applications for patents, and first place in the mining and steelworks sectors. Six hundred applications for patents were filed with Inpi (National Intellectual Property Institute) during the period.

---

Management of Knowledge is present throughout Usiminas and its aims are to:

- Identify the best practices, internally and in the market;
  - Detect technological innovation programs developed in Usiminas' companies and watch over their execution;
  - Learn about external opportunities that may favor innovation in the Company;
  - Monitor technology and the market, seeking information to make decision-making easier;
  - Manage documents;
  - Stimulate the proposal of ideas.
-

## **STEEL AND WOOD TECHNOLOGICAL INSTITUTE**

The Company took yet another stride forward to extend the maintenance of knowledge and talent in 2009: it initiated the process of setting up Itam, the Steel and Wood Technological Institute, in Ipatinga, Minas Gerais. Its objective is to develop a pole for information, technology, research and knowledge about wood and steel in the Ipatinga region, and offer the population of the so-called Steel Valley quality education and training.

Itam will also engage experienced employees in the transmission of technological information to younger generations. They will contribute as teachers and consultants to the education of employees in training and qualified labor programs, in courses open to the population in the surroundings, and they can also carry forward educational programs at companies that purchase technology from the Company, making it more competitive in this market.

The institute is scheduled to open in 2010, functioning initially in Usiminas' Personnel Development Center, in Ipatinga.

## **RECOGNITION**

Usiminas was recognized as the sixth most respected company in Brazil and 84th in the world according to research by Reputation Institute, published in the May 2009 issue of Forbes Magazine. This ranking shows how companies are viewed in every country, taking into account the admiration, respect and confidence they inspire. Usiminas was awarded a grade of 74.1 and was classified as strong/robust.

The Company was also included among the five most sustainable in a study carried out by the

consulting firm Management & Excellence, which evaluated the 50 largest Latin American open capital companies. Usiminas took first place among mining and steelmaking concerns.

## **AWARDS AND CERTIFICATIONS**

In 2009 Usiminas was awarded the Anpei Seal for Innovative Companies, which attests the Company's commitment to investing resources and committing personnel to research and innovation. A total of 47 companies and institutes in science, technology and innovation were awarded the qualification by Anpei (National Association for Research and Development of Innovative Enterprises).

In 2009, Usiminas earned unification of certificates ISO 9001, ISO 14001 and OHSAS 18001 at Usiminas Mecânica, in the Capital Goods business unit. The Company also earned recertification of norm ISO/TS 16949 at the Steelworks and Steel Transformation business units and norm ISO/IEC 17025 (automobile norm) through Inmetro at the Ipatinga and Cubatão laboratories. Manufacturing facilities in the Steel Transformation segment also present ISO 27001.

The line of products from Cubatão received the international green seal for European RoHS (Restriction of Hazardous Substances) and ELV (End-of-Life Vehicle) from Bureau Veritas, while Ipatinga steelworks obtained renovation of the same seal, originally earned in 2007.

In order to maintain certification earned and extend the obtainment of new seals throughout the Company, Usiminas restructured the corporate technical assistance area and trained 17 Quality Engineers approved by the American Society for Quality.



Mantiqueira Project - Usiminas - Cubatão/SP

# SOCIAL DIMENSION

“Usiminas has a positive impact. It is currently the largest enterprise in the municipality and generates over one thousand direct jobs. Additionally, local business benefits from the arrival of new workers, the population benefits with the creation of new job openings, and the municipality also gains. Furthermore, we have a very good relationship with the Company, which has properly solved all our requirements.”

Wagner Chaves, Mayor of Itatiaiuçu

## INTERNAL PUBLIC

Due to the 2009 financial crisis, Usiminas was forced to make adjustments to its payroll, a reflection of diminishing activity, which even led to three of its five blast furnaces being shut down. Although there were job losses in some areas, in others new people were hired in line with Usiminas' strategy of preparing for a resumption of growth and demand for steel.

The year was also marked by the task of unifying human resources policies throughout the Com-

pany and redefining its culture, with reorientation in accordance with the new values and vision. Thus, earlier commitments for 2009 were met: structuring and unifying human resources policies, the trails and careers map, improvement of the Professional Opportunities Program (POP), language learning programs, formation of supervisors, the new health plan, the Program for Management of Performance, Strategic Planning for People, and management of health and safety at the workplace, as well as the “Healthy Industry” survey to diagnose employees' quality of life. Externally, the relationship with society was improved.





## LABOR PROFILE

Usiminas ended the year with 29,603 employees of its own, 3,686 workers from social entities directly established or supported by the Company and approximately 28,666 outsourced workers.

Unit	Own Workforce
Mining	1,035
Steelworks	12,442
Steel Transformation	3,978
Capital Goods	12,148
<b>TOTAL</b>	<b>29,603</b>

Unit	Admitted
Mining	496
Steelworks	686
Steel Transformation	361
Capital Goods	7,569
<b>TOTAL</b>	<b>9,112</b>

Unit	Employees over 45
Mining	150
Steelworks	3,078
Steel Transformation	803
Capital Goods	1,850
<b>TOTAL</b>	<b>5,881</b>

Unit	Interns
Mining	28
Steelworks	166
Steel Transformation	40
Capital Goods	81
<b>TOTAL</b>	<b>315</b>

Unit	People with disabilities
Mining	3
Steelworks	266
Steel Transformation	119
Capital Goods	273
<b>TOTAL</b>	<b>661</b>

Unit	Number of Women
Mining	75
Steelworks	712
Steel Transformation	461
Capital Goods	495
<b>TOTAL</b>	<b>1,743</b>

Unit	Number of Black People
Mining	35
Steelworks	551
Steel Transformation	231
Capital Goods	318
<b>TOTAL</b>	<b>1,135</b>

All Usiminas' employees are paid remuneration in excess of the R\$ 465 minimum wage in force in December 2009. The lowest monthly remuneration in that month stood at R\$ 466.40 in the Capital Goods business unit; the highest salary in the Company in the same month was R\$ 40,000, also in the Capital Goods segment.

Unit	Lowest Salary	Highest Salary
Mining	R\$ 521.40	R\$ 26,910.40
Steelworks	R\$ 662.00	R\$ 34,390.40
Steel Transformation	R\$ 539.00	R\$ 34,771.41
Capital Goods	R\$ 466.40	R\$ 40,000.00

Number of employees by kind of employment	
Directors	18
Management	419
Superior	2,020
Middle	5,142
Administrative	1,987
Operational	20,017
Outsourced	28,666
<b>Total</b>	<b>58,269</b>

Number of workers by contract type	
Interns	315
Trainees	0
Half-time	59
<b>Total</b>	<b>374</b>

Number of workers by region of Brazil	
South	794
Southeast	28,066
Center-West	0
Northeast	63
North	680
<b>Total*</b>	<b>29,603</b>

\* Not including outsourced workers.

Usiminas	Total Workload	Total Workers by Category	Hours per Worker
Management	17,818	437	40.77
Superior	61,941	2,020	30.66
Middle	158,957	5,142	30.91
Operational	795,658	2,017	39.75
Administrative	41,633	1,987	20.95
<b>Total</b>	<b>1,076,007</b>	<b>29,603</b>	<b>36.35</b>

## DOWN SIZING

Due to dropping demand, Usiminas put the Voluntary Resignation Program in place from May 4 to 22, 2009, in agreement with the Ipatinga and Baixada Santista Metallurgical Trade Unions. A total of 506 workers from the Ipatinga and Cubatão steelworks and the Belo Horizonte offices put down their names. This figure was smaller than that considered necessary to adapt the Company to the business scenario, and another 1,938 workers had to be dismissed from the two steelworks (Ipatinga and Cubatão).

After concluding the Voluntary Resignation Program, Usiminas came to an agreement with Sindipa, the Ipatinga trade union, whereby the Company promised to put off dismissals in the Ipatinga unit for a 30-day period as of June 5, the day the agreement was signed. Included in the agreement was the union's commitment not to continue with

legal action to suspend dismissals, and review those that had already occurred.

The process was important to mature the relationship between Usiminas and the trade unions representing its workers. The Company proved accessible and flexible, which contributed to building up trust in its commitment to employees.

To minimize social impact of these dismissals, Usiminas offered affected workers financial gratuities in addition to payments established by law. In addition, they were able to continue using the Company's health plan (medical and dental care for workers and their dependents) for six months after termination of their contract. When selecting workers to be dismissed after May 22, 2009, the Company chose those who had already retired or met the requirements to apply for retirement, who would thus have an additional source of income besides their salary.

Turnover rate by gender (%)	2009
Male	28.91%
Female	1.39%

Turnover rate by age bracket (%)	2009
Under 30	11.29%
30-50	11.52%
Over 50	7.49%

Number of dismissals by gender	2009
Male	8,557
Female	412
<b>TOTAL</b>	<b>8,969</b>

Number of dismissals by age bracket	2009
Under 30	3,342
30-50	3,409
Over 50	2,218
<b>TOTAL</b>	<b>8,969</b>

## UNION RELATIONS

Besides granting employees total freedom to seek representativeness in the different trade unions, the Company seeks an open relationship with these organizations and informs them of significant changes in management. Usiminas believes that both the Human Resources area and the unions have learned a lot from the situation in 2009, and that for this relationship to develop best, effective participation of all employees is necessary. The Company continuously makes information available about its operations, and everyone was aware of the difficulties the Company underwent in 2009, when other cost-reducing action was implemented, not only dismissals. Examples are the Productivity and Action program and the Stock-Reduction Task Force.

At Usiminas, 100% of the payroll is covered by Collective Bargaining Agreements. Outsourced workers are covered in collective conventions according to their respective job categories. There are no internal or specified procedures for collective bargaining.

## OUTSOURCING

In 2009, Usiminas initiated a process of change in its policy for the relationship with its outsourced workers, in line with policy changes in the supply

area. Organizations providing services were closely scrutinized by the Company which, in addition to insisting on compliance with key criteria such as concern about health and fiscal and tax compliance, started promoting action for development that includes socio-environmental criteria. Service providers are invited, for instance, to attend training sessions for the company's employees.

Usiminas intends to increase current minimum educational requirements for its outsourced workers to complete secondary school, with the aim of bringing them up to the qualification standards of Company employees. Service-providing contractors have been given a time limit to adapt to the new rules, and they will be supported by Usiminas.

A structured program for relations with suppliers, Project Agrega, will be put in place in 2010, with particular attention to service providers. The first action in this respect will be a thorough study of the subject of outsourcing. The idea is for Usiminas to go well beyond minimum legal requirements in some matters, building up the best possible relationship with its service providers. The objective of the Human Resources and Supply areas is for outsourced workers to be viewed and treated without distinction from the Company's own employees, with market-level remuneration and a health plan, among other items.

## INTERNAL COMMUNICATIONS

Usiminas considers Internal Communication a strategic activity contributing to the creation of a collective shared vision of the business and the Company's course. It is by this means that employees have access to information affecting daily routines – with openness and transparency – extending knowledge about values, strategy, culture and the new way of being Usiminas.

2009 saw considerable advances in internal communications: a review of the process and tools for communication; restructuring the Bank of Ideas and the creation of the *Canal Aberto*. Before the end of the year, internal communications were potentiated by strategies enabling managers to become the official source of information for the teams. Dissemination of Results was put in place for leaders, anticipating data released to the press; the “Manager & Team” bulletin, which dissemina-

tes important information discussed by managers at Comex and incentivizes the review of matters of priority for employees; as well as a number of *Papo Aberto* (Open Chat) events designed to bring together executives and the other employees.

Research carried out with the support of the consulting firm *IdeiaFixa* indicated that internal communication is efficient. According to 84.4% of interviewees, it was rated excellent or good – a widespread opinion among people in administration and operations. Over 90% of interviewees stated that they were well informed or informed about Usiminas.

## BOLSA DE IDEIAS

*Bolsa de Ideias* (Bank of Ideas) program is a space for making suggestions and proposing projects and innovation, set up by the Human Resources area in July 2008. In 2009 it was transferred to the



Awards - Bolsa de Ideias

## *Over 90% of employees stated that they were well informed or informed about Usiminas' activities*

newly set up Research and Innovation Area. In its third season, launched in October 2009, the program has been computerized and decentralized, and it now requires a more detailed questionnaire for suggesting ideas. The process has become more detailed, making it easier to tell which ideas may become projects and which will not.

Ideas are rated according to criteria for simplicity, scope, effectiveness, innovation and financial benefits. A good but elaborated idea can take up to 80 days to be implemented, but simpler and more specific ones might be put in place on the same day.

### COMMUNICATION IN BOTH DIRECTIONS

**Fale Conosco** (Talk to Us) is a space for general remarks and suggestions, completing the list of communication channels between interested parties and Usiminas' leadership. In the opposite direction, information from the Company to its employees also began to flow more freely in 2009 with the introduction of **Boletim Gestor & Equipe** (Manager & Team Bulletin), which ensures transparency and uniformity in access to information.

Another communication channel created by Usiminas in 2009, this bulletin addresses the main strategic issues discussed in Executive Committee (Comex) meetings in a clear, objective and didactic manner. The bulletin is distributed to superintendents who in turn are responsible for passing on information to employees at all levels.

### PAPO ABERTO

*Papo Aberto* (Open Chat) is one of Usiminas' internal communication channels, an event which makes interaction possible between top executives and different teams at all levels. Every edition of the event brings together nearly 500 workers, including superintendents, managers, specialists, technicians and operators. In an informal and transparent climate, matters of interest to employees are discussed. They can clear up their doubts by asking the Company's executives directly.

### COMPLEMENTARY SOCIAL SECURITY

Usiminas Employees' Fund is an entity for complementary social security that, in addition to enabling retired employees to enjoy a stable lifestyle, is an important factor for hiring and retaining talent. Together with social service, it runs programs preparing people approaching retirement and their families for the event. The Fund has advanced in the process of corporate governance based on quality management, increasingly seeking standards of excellence to comply effectively with its commitments to participants and sponsors.

### MAP OF TRAILS AND CAREERS

In 2009 Usiminas developed a more transparent structure of positions, which makes it easier for employees to plan their careers. Usiminas formerly used a plan focusing on positions alone, with no indication of trails or paths for progress

within the structure. The new system groups positions into families, in accordance with the employee's area of action, and makes it easy for them to clearly understand their career, their chances of advancement and the requirements to make it happen.

Different levels were implemented: beginner, full, senior and specialist. Professionals with higher education hired as beginners can be promoted to full, senior or specialist, depending on their performance, thus advancing vertically. They also have the chance of growing horizontally, should they wish to change area within the Company. As specialists, employees can reach salary levels equivalent to some levels of management.

## EVALUATION SYSTEM

A new system for evaluating Usiminas' employees was developed in 2009. On the basis of identification of the competences that the Company expects of every category or function, indicators directly linked to the quest for results were created, and the tool for assessing management performance was developed. In 2009, 320 managers were evaluated. In 2010, the Management Performance model will include evaluation of competence, with a new policy granting study grants (graduate, post-graduate and MBA) and continuation of the language program started in July 2009.



*Márcio Cunha Hospital - Unit II - Ipatinga/MG*

Usiminas Mecânica	
Percentage of employees receiving performance and career development reviews (%) *	2009
Executives	0.5
Mining	
Percentage of employees receiving performance and career development reviews (%) *	2009
1.6% (management percentage)	16
40% (other employees)	414

\* **Usiminas Mecânica:** The 2009 Performance Evaluation only takes into account assessment of Corporate and Sector KPIs (Key Performance Indicators), closing in February 2009. In this first stage, executives (director, superintendents and managers) were evaluated. The 2010 cycle evaluation is to comprise assessment of Corporate and Sector KPIs (Key Performance Indicators), targets and individual competences, and participants are to be executives, professionals with higher education and supervisors.

## HEALTH AND SAFETY MANAGEMENT

The issue of health and safety is one of the Company's main focuses for 2010, with planning already determined until 2011. Usiminas invests in an increasingly safe and peaceful environment, allowing for more stable production, which keeps operational costs down and makes the Company more competitive.

Usiminas implemented MAISS (Health & Safety Change, Attitude and Integration) program to improve its system of health and safety management, with the objective of developing employees and leadership for the adoption of safe behavior.

Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities* by region	
Usiminas	
Injury	1.56
Occupational Diseases	0.45
Lost Days	70.15
Absenteeism	5,373.11

\*Four fatalities were registered in 2009.

Usiminas carried out 24,352 hours of training in safety at work for managers and employees from different sectors, with the aim of implementing changes in behavior that will be replicated by the teams. A total 1,580 people were trained, in 79 groups.

Health Promotion Management was set up in March 2009 to implement projects for promoting health and preventing disease. The team currently numbers 16 – physicians, psychologists and nurses – distributed throughout the business units. A Call Center is to be put in place in 2010 to attend beneficiaries of Usiminas Health.

## CUSTOMERS

Usiminas' business is predominantly with other companies, and not with end-users or final consumers. Customers in Brazil and round the world come from other sectors of the transformation industry, in most cases major industries certified by national and international norms linked to quality, the environment, health, occupational safety and social responsibility.

To attend the specifics of different segments, Usiminas structured its sales areas into Automotive, Automobile Parts, Industry & Projects, Distribution and Exports. In 2009 specialist sectors linked to corporate marketing were introduced, which report directly to the Vice-President for Business.

Imagining, learning and materializing first class solutions to satisfy customers' requirements are values for Usiminas. Its commitment is to find solutions that will meet the requirements of customers, and their businesses, investing in the quality of products and services. The Company



## MAISS Fundamentals

- Noticeable commitment from leaders: they are examples to be followed.
- Responsibility in line: the leader is responsible for all in his/her area, this task cannot be delegated.
- Management of deviations: to prevent losses, for all losses are preceded by one or more deviations.
- Ongoing learning: continuous search for knowledge is essential for health and safety.
- Focus on human behavior: gains in health and safety are part of behavioral changes and attitudes by people in all action levels.

also endeavors to be increasingly open to growing interaction with customers and business partners.

Significant restructuring took place in Usiminas during 2009, endeavoring to integrate businesses. When Soluções Usiminas was launched, the Company took a step in this direction, consolidating its main lever for Steel Transformation. Soluções Usiminas has three business units – distribution, services and tubes – and has started off with 14 industrial units in the country, in five states. The whole operation runs on modern infrastructure for processing steel and the technology to provide customized attention to the requirements of the automobile, motor vehicle parts, civil construction, electronic, capital goods and home appliance sectors – among others. Customers have the option of purchasing steel pieces in whatever shape, size and quantity they desire, as well as complete solutions.

Usiminas' plan is to consolidate a more complete platform for providing services to customers, bringing the steel processing and transformation businesses under a single umbrella. The Company aims to substantially expand sales of rolled steel with value added through its companies, such as Usiminas Mecânica (which produces capital goods and sells services, and is

currently investing in the shipbuilding, oil and gas sectors), Automotiva Usiminas (stamping) and Soluções Usiminas.

But 2009 was not an easy year. The steelworks' sales went down in all market segments. However, certain sectors such as automobiles and home appliances did not drop as steeply, favored by government incentives like tax breaks and better credit terms. On the other hand, capital goods sectors were badly affected by the considerable fall in investment and exports. Importation of steel, which had already been growing since 2007, increased considerably in 2009, driven by extremely low prices resulting from excess supply due to the world crisis that set in as of September 2008, as well as valorization of the Brazilian currency.

The Company suffered the impact of both the economic crisis with the ensuing downturn of internal and external demand, and the devaluation of the US dollar. Carrying forward the process of transformation in this climate of recession and fierce competition became even more complex. Tough decisions had to be made to adapt production to lower levels of demand while maintaining business sustainability without compromising the quality of attention to customers.

## CUSTOMER SATISFACTION SURVEY

Customer satisfaction is monitored continuously by means of analysis of information obtained during regular technical-commercial contacts. In addition, a satisfaction survey is run among the Company's main customers, in accordance with the "Customer Satisfaction Assessment" process. Interviews carried out cover four areas: acquisitions, reception, quality control and production, leading to a quantitative result.

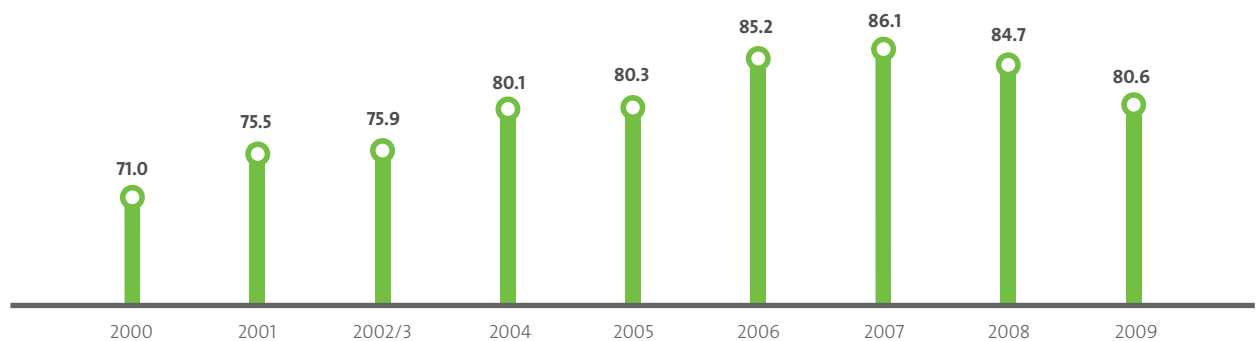
The objective is to identify wishes and needs, the relative value of requirements linked to the product or service concerned, and to determine the Company's position compared to its competitors. Results are consolidated in a report called "Usiminas in the Vision of Customers" and sent to the units involved for analysis, and for action to be taken whenever possible. The different steps in this process are set out in the chart below:



### STRUCTURED INDIVIDUAL INTERVIEWS

Action planned is watched over in reports written by the managers involved. Marketing units monitor implementation of proposed action.

As of 2009 Usiminas unified the process for assessing customers' satisfaction to cover both steelworks: Ipatinga and Cubatão. The result for 2009 was below that for 2008. Items to be improved were identified, and this is currently underway. With regard to attention, it was determined that delays in delivery, stemming from production adjustments during the crisis, were decisive in evaluation of customers' satisfaction.



### EVOLUTION OF CUSTOMERS' GENERAL SATISFACTION INDEX

## SPECIAL SALES

The special sales area is responsible for transformation and commercialization of waste from Usiminas' production process, the so-called by-products or co-products. Only companies holding an environmental license for their use can purchase these substances. Formerly considered residues or rejects, the sale of these products has become an important source of income and contributes substantially to rational and sustainable use of material and resources used by Usiminas in its production process. Currently, 95% of the former waste is sold or reused by the Company.

## RESPONSIBILITY FOR THE PRODUCT

Standard ABNT NBR 14725 is part of the effort to apply the Globally Harmonized System (GHS) for safety information about hazardous chemicals. This standard was reviewed in 2009, generating the following parts: ABNT NBR 14725-1:2009, ABNT NBR 14725-2:2009, ABNT NBR 14725-3:2009 and ABNT NBR 14725-4:2009. As the Company commercializes chemicals, it must prepare a document called "Material Safety Data Sheet – MSDS" in accordance with guidelines in ABNT NBR 14725 Standard.

In the case of coal chemical products generated during the process of manufacturing coke, Usiminas prepares the MSDS for all products marketed and sends them to customers. In

2010 the MSDS for such coal chemical products are being reviewed in accordance with the new 2009 version of ABNT NBR 14725 Standard.

In the case of products sold in the form of steel coils or plates, Brazilian law does not establish criteria regarding safety and health. For the purpose of informing customers about these aspects, Usiminas is preparing a document called the "Safety Data Sheet – SDS" for such products on the basis of guidelines in ABNT NBR 14725 Standard. The SDS for each product contains information about health and safety as well as the chemical composition and physical and chemical properties of steels marketed, and they will be made available to customers.

The European Union brought out Directives 2000/53/EC (ELV) and 2002/95/EC (RoHS) establishing criteria for the use of material, with the aim of reducing the impact on people and the environment of vehicles and electric and electronic equipment at the end of their lives, as well as encouraging recycling of material whenever possible. Although Brazilian law does not mention any related aspect, Usiminas decided to apply to BV for certification complying with European Directives RoHS and ELV. The following products have been certified: plates, heavy plates, hot rolled products, uncoated cold rolled products or coated by hot-dip electro-galvanization with zinc, zinc-iron alloy and chemical treatment.

### 2010 Targets

- Maintain BV certification linked to European Directives RoHS(2002/95/EC) and ELV (2000/53/EC).
- Review Safety Data Sheets for coal chemical products commercialized by Usiminas.
- Prepare SDSs for products commercialized by Usiminas.
- Continue registration of products with IMDS, as requested by customers.

## Currently, 95% of the former waste is sold or reused by the Company.

When so requested by customers in the automobile and vehicle parts industries, Usiminas also makes available the register of commercialized products in the International Material Data System (IMDS). A document called the “Material Data Sheet – MDS” is produced for every product purchased by a customer, and it must be received and approved by this customer.

### SUPPLIERS

In 2009 Usiminas’ Supply Area, which is responsible for the Company’s relations with suppliers, underwent major restructuring seeking integration of the concept of sustainability in its relationship processes. It is therefore expected that benefits will be won in the three dimensions of sustainable management: in the financial area the chief objective is to help the Company reduce costs so as to offer more competitive prices. In the environmental field, seek reduction of the impact of the steelworks sector. And in the social dimension, to attain balance of good practices, especially concerning outsourced workers and the issue of due respect for Human Rights. One of the first results of action in the area in 2009 was a cost reduction to the tune of R\$ 300 million.

In addition to management geared to the sustainability of the business, Usiminas induces sustainable values, disseminating the best practices amongst its employees, increasing the weighting of socio-environmental criteria

in decisions regarding purchases and stimulating the commitment to the Global Compact of all concerned.

In 2009 no instances of child or slave labor in the production chain were reported or detected. Nevertheless, letters were sent to our main suppliers, directly and clearly setting out Usiminas’ position regarding the issue, which is also included in the Company’s Basic Working Conditions Code. In 2010 new criteria regarding aspects of sustainability will be included in the process for evaluating suppliers. These requirements will be assessed according to category of supplier, identifying those exhibiting the most risk in connection with the issues concerned.

#### Proportion of outlays to local suppliers for major operational units

Steelworks (Ipatinga plant)	20%
Steelworks (Cubatão plant)	21%
Automotiva	55%
Mecânica	47.49%
Mining	20.5%

In the case of Ipatinga, suppliers located in the metropolitan region of Vale do Aço (Ipatinga, Santana do Paraíso, Timóteo and Coronel Fabriciano) and cities located within a radius of 100 Km from Ipatinga were taken into account. In the case of Cubatão, suppliers located in the region of Baixada Santista, including the cities of Cubatão, Santos, São Vicente, Guarujá and Praia Grande were taken into account.

## SUPPLIERS' BOOKLET

Usiminas' relationship with suppliers gained transparency in 2009 with the creation of the Suppliers' Booklet and inclusion of future purchases in the Company's website, which makes public the contracts Usiminas intends to conclude.

The Suppliers' Booklet sets out the main rules guiding the Company's relationship with suppliers, from registration to the quality of products and services offered. There is also a list of the types of conduct the Company considers suitable in the following fields: security of information, social and environmental responsibility, occupational safety and health and quality management.

Usiminas further suggests that suppliers review these recommendations regarding the production chain, disseminating the concepts and practices that the Company deems basic for responsible action.

## FUTURE PURCHASE CONTRACTS

In 2009 Usiminas' website, specifically the Portal for Suppliers, began to include a list of future strategic purchase processes, thus allowing interested companies to apply to become suppliers. In this way, the Company intends to identify new suppliers; ensure transparency of purchasing processes; improve purchasing processes by establishing clear targets and objectives, thereby consolidating the Company's or-

ganizational values; seek sustainable contracts and acquisitions committed to the Total Cost of Ownership (TCO) model; grant the market and stakeholders access to Purchasing Processes planned and carried out by Usiminas; and confirm its commitment to Company values and the best practices and models of corporate governance.

## PUBLIC POWER

The Governmental Relations Advice service is linked to the Governmental Relations Area, and keeps up a transparent dialogue with Public Power to protect the interests of the Company, the steelmaking sector, and Brazilian industry.

Usiminas acts on its own or through trade and sector entities to look after its interests before the Federal Executive and Legislative Branches, as well as those at the state and municipal levels in locations where the Company has premises. These contacts are marked by utter respect for the country's legal frameworks. In 2009, withdrawal of steelworks' products from the list of exceptions to TEC was attained, action was taken to protect Brazilian steelworks' production in fiscal and labor-related matters and foster legislation on incentives (culture and sports). In 2010 the Company intends to increase its participation in entities representing the sector and seek a closer relationship with the Legislative and Executive Branches of different governmental spheres, with a more proactive stance.

*Booklet sets out the main relationship rules and types of conduct Usiminas considers suitable.*

## POLITICAL PARTICIPATION

Usiminas is in contact with all three branches at all governmental levels, through national, regional and sector-specific representation entities (National Confederation of Industry, state industry associations, IABr, Ibram) and, in specific situations, through its own Institutional Relations Advisory service or Legal Department.

Within the boundaries established by specific legislation and norms forthcoming from the Superior Electoral Court, Usiminas contributes to political campaigns for elections on the basis of clear and well-defined guidelines. There were no donations to political parties or candidates in 2009. However, the Company will help fund candidates in the 2010 elections, in full accordance with pertinent legal rules and norms. In addition to rendering accounts to legal bodies, Usiminas is committed to rendering accounts to stakeholders in the sustainability page in its website [www.usiminas.com](http://www.usiminas.com).

In accordance with its values, the Company observes the following basic precepts upon making contributions to political candidates:

1. Strict compliance with existing laws;
2. Commitment of candidates and political parties to Global Compact's Principles;
3. Donations only to candidates or parties with a committee duly registered with Electoral Justice;
4. Transparency and traceability of donations;
5. Quest for improvement in public governance at all three governmental levels;
6. Commitment to candidates advocating promotion of sustainable development;
7. Strengthen citizenship and democratic values.

## COMMUNITY

The structure of community relations, located within the structure of Institutional Relations set up in late 2008 exhibited its first impacts in early 2009, confirming its importance by making the support of community projects more transparent and fair. Usiminas acts in communities by means of partnerships with governmental and social entities, in addition to developing initiatives of its own.

In 2009, over 170 thousand children in 29 cities benefited from projects funded with resources from the Fund for the Infant and Adolescent (FIA). The sum invested by Usiminas was R\$ 5.2 million. With this, the Company reached practically all the cities where it has significant operations, as well as their surroundings, where many of its employees live.

When the Community Relations area was put in place, the relationship ceased being personal and became institutional and systematized, based on a structured process of project selection. Very shortly afterwards, the Company's sponsorship rules were drafted, and policies for the use of resources were established.

The Company forwards resources to local councils, comprising representatives of government and civil society, specifically set up to receive these funds. Usiminas verified the legal existence of these entities and in 2010, Company representatives are to visit the councils' projects to monitor the performance of both council and project.

The prospect for 2010, however, is that this funding will be adjusted due to the poor results for 2009, negatively affected by the crisis.

## *From practice into policy: Usiminas gives preference to hiring professionals from the region, so as to contribute to local development.*

### LOCAL DEVELOPMENT

Before the end of 2009, the engineering and supply areas adopted policies to stimulate hiring of local labor, favoring communities where these areas are active. When deemed necessary, Usiminas trained prospective employees so that they might qualify to be hired by the Company.

In the case of operational and technical positions, Usiminas Mecânica gives preference to professionals from the so-called Steel Valley. As for higher and managerial level positions, the Company prefers to hire local residents, as long as they have the necessary formation and experience for the job, thus forming a team with 29% of top leadership (coordinators, managers, advisers, superintendents and directors) from the region where the Company is located. In the case of Mining, 16.6% of managerial positions are filled by people from local communities. Due to the scarcity of specialized local labor to meet hiring requirements, the Company's target is to be able to keep the same percentage of locally hired people.

### AIRPORT

In 2009, Usiminas announced the construction of a new airport for Vale do Aço, to be located initially in the municipality of Bom Jesus do Galho (Minas Gerais). The Prior License for this project was granted in August 2008. In compliance with the different steps for obtainment of the environmental license, all the necessary documents were submitted, and meetings and public audiences with the local community were organized. Additionally, Usiminas signed Terms of Commitment with the Public Attorney's Office, ensuring a number of socioeconomic benefits for the region. Towards the end of the year the environmental body issued an opinion suggesting concession of the Prior License.

Although Usiminas was convinced new airport would benefit the region, in March 2009 the Company decided to put the project on hold on account of the appeals of organized civil society. The reason was the proximity to Rio Doce State Park. Thus, a new location study for Vale do Aço's airport has been initiated.

#### Investment in infrastructure and other public services - 2009

Project	In R\$ thousand
Palace of Arts	400
Memorial to Japanese Immigration to Belo Horizonte	1,250

## PROJECTS

Usiminas' investment in communities is preferentially made in partnership with the government and third sectors, but the Company has some projects of its own, including the following highlights:

- Mantiqueira Project, initiated in 2003, endeavors to encourage citizenship of children and adolescents in the Pedreira da Mantiqueira community, neighboring the Cubatão steelworks. They are made aware of their rights and duties, and the necessary conditions are created for them to change their actuality, starting with themselves. These children and youngsters live in a shantytown of squatters, exposed to physical, social and health risks, and they are members of extremely vulnera-

ble families. Their parents' educational levels are low, and the local unemployment index is high. The Company's action is also extended to the families in the community, through monthly meetings for orientation, courses, lectures and workshops. The Mantiqueira Project look after some 70 children who come into the Cubatão premises daily wearing the project uniform, where they have lunch and a shower, and are helped with schoolwork.

- Xerimbabo Project. This name comes from an indigenous word meaning pet animal, and the project was set up on October 15, 1984. Its action endeavors to promote environmental education, preservation of biodiversity, and visitors' leisure. In its early years the project promoted thematic environmental education for children, their parents and educators at Usipa

### Work planned for 2010

- Adaptation of the area for nursing beds on the 7th floor of the Vertical Block of Márcio Cunha Hospital (HMC);
- Remodeling and extending ER;
- Extending Material and Sterilization Center;
- Construction of Ecumenical Chapel;
- Construction of Chemotherapy Unit;
- Construction of new Food and Nutrition Unit;
- Construction of Image Diagnosis Center in HMC II;
- Implantation of Sleep Therapy Unit in HMC II;
- Construction of Medical Consulting rooms in HMC II;
- Extension & Reallocation of Support Areas in HMC II;
- Remodeling Classrooms and Covered Courtyard of CSFX Unit II – Garden;
- Construction of Sterilized Material Center in the Integrated Dental Center;
- Adaptation to norms for fire prevention and firefighting in HMC;
- Recuperation of concrete structure in HMC;
- Remodeling utility system – oxygen – HMC;
- Repair of roof of São Francisco Xavier School.

### Cost of investments for 2010: R\$ 21,444,400

In the micro-region of Ipatinga, average offer of beds is 1.48 per thousand inhabitants. The standard recommended by WHO is 2.5 to 3 beds per thousand. In mid-2008, the Vale do Aço region had 1,147 hospital beds, which works out at 1.48 per thousand inhabitants. In the specific case of Ipatinga, this figure rises to 2.51 per thousand, due to Márcio Cunha Hospital with its 450 beds, equivalent to 40% of the sector.

### Work planned for 2011

- Expansion of Intensive Care Unit – Adults;
- Conclusion of Changes and Enlargement of ER and conclusion of construction of new Food & Nutrition Unit.

### Cost of investment for 2011: R\$ 9,952,200



Biodiversity Center (Cebus). The events lasted a week and included visits to environmental reserves to familiarize students with the region's flora and fauna. 1987 saw the project's first exhibition, set up as a complement to other activities: seminars, lectures, guided visits to the zoo-botanical center and competitions.

In 2009 Xerimbabo turned 25, on the theme "In search of a sustainable world". The exhibition of the project, one of its mass events, was open for three months, from June 9 to August 30, in Usipa Biodiversity Center (Cebus), and was visited by over 100 thousand people from 77 cities. One of these people was Xerimbabo visitor number 2 million. Visitors started to be counted after the first edition of the project, which brought together 500 people for the opening and 120 children for courses.

## USIMINAS CULTURAL INSTITUTE

Usiminas has been investing in culture since 1993 and in sports since 2007, through incentive laws. The Company's policy of cultural and sports sponsorship, which is planned and executed by Usiminas Cultural Institute, stresses investment in the development of the production chain of culture and projects for sports training: infrastructure (creation, maintenance, restoration or revitalization of cultural and sports premises); production (investment in research on new languages, cultural diversity, maintenance of artistic groups and doing sports); and formation (training cultural managers and producers, formation of artists and audiences, initiation in sports for the purpose of sport education and formation).

Because Usiminas believes art can develop, form



Palace of Arts Young Ballet - Theater in Usiminas Cultural Center - Ipatinga/MG

and transform lives, life-stories, people and communities, the Company has set up its own cultural spaces through Usiminas Cultural Institute: Usiminas Cultural Center and Zélia Olguin Theater, both in Ipatinga (Minas Gerais).

Investment in Culture and Sport, through incentive laws			
Rouanet Law	Sport Law	State Law	Total
R\$ 4,053,461	R\$ 1,009,000	R\$ 7,598,750	R\$ 12,661,211

**Educational Action**

In 2009 Usiminas’ Cultural Institute carried out different kinds of action for the development of art, education and sport in the Vale do Aço region in Minas Gerais. Educational Action – a sector of Usiminas’ Cultural Institute, carries out programs fostering Culture and Education for school groups, cultural institutes and artists.

Figures for Usiminas’ Own Cultural Spaces - 2009	
Space	Public
Theater in Usiminas Cultural Center:	96,561 people
Zélia Olguin Theater	35,158 people
Hideo Kobayashi Gallery	101,523 people (8 exhibitions)
Central Ideas Library	23,667 people



## USIMINAS NA ESCOLA

*Usiminas na Escola* (Usiminas at School) Program aims at contributing to implement an education quality management system for elementary public schools in Santos, São Vicente and Cubatão. By promoting activities to optimize available resources and systematizing the management of these institutions, the Company believes it will be automatically investing to improve the quality of the education they offer.

Usiminas' action goes beyond the Program coordination. The Company participates in discussions and actions at the Municipal Secretariats of Education of the cities served by the Program, involving students, teachers, universities from the region and the community in the activities by *Usiminas na Escola*: education through sports, qualification of teachers, professional and motivational guidance, computer lab, and School Owners.

## SÃO FRANCISCO XAVIER FOUNDATION

A philanthropic entity governed by private law, São Francisco Xavier Foundation administrates Márcio

Cunha Hospital, São Francisco Xavier School, Integrated Dental Center and the Specialized Service in Safety and Labor Medicine (SESMT Collective), in Ipatinga, Minas Gerais.

Márcio Cunha Hospital, a center for excellence in the east region of Minas Gerais, offers medical and hospital attention and diagnostic services, with an advanced physical structure and excellent human and technologic resources.

São Francisco Xavier School was the first in Brazil with child, elementary and secondary education certified by ISO standards. In 2009, the school's students attained a 70% pass rate in entry exams for federal and public universities. The school offers 359 grants for children and adolescents from socio-economically deprived families.

SESMT Collective attends service providers in Usiminas' internal area with services linked to occupational medicine and safety in the workplace, in accordance with criteria established by Ministry of Labor regulations. In 2009, SESMT performed 21 thousand occupational exams and 50 thousand complementary exams.



São Francisco Xavier School - Ipatinga/MG

In June 2009, São Francisco Xavier Foundation, Usiminas and the State Government of Minas Gerais opened the facilities in Márcio Cunha Hospital, through the Health Secretariat.

Units 1 and 2 of Márcio Cunha Hospital have 456 beds, offer 45 medical specializations and attend the hospitalization demands of 35 cities, with a population estimated at 790 thousand. In 2009, the hospital handled 216 thousand consultations, approximately 82 thousand people in ER and over 1 million exams.

### USISAÚDE FOUNDATION

Usisaúde Foundation was established by São Francisco Xavier Foundation on December 14, 2009, and is preparing to take over the portfolio of health and medical scheme of FSFX, Usisaúde, which at the time had 121,591 people attended by a registered network of 3,100 service providers, and 148 hospitals in the states of Minas Gerais, Espírito Santo, Sao Paulo and Rio Grande do Sul.

### AGENDA 21

The Institutional Relations Area is planning studies for implementing *Agenda 21* in regions where the Company has premises, during the period from 2010 to 2015. The model for development of the municipality was implemented successfully in Cubatão, in partnership with the local city hall and Ciesp, attaining the following areas of interest:

- Public management;
- Culture;
- Urban Adjustment;
- Education;
- Sports;
- Environment;
- Training;
- Health;

- Training surrounding communities to provide services to Usiminas.

### FORMER PRISON INMATES

Through *Projeto de Reinserção de Recuperandos e Egressos do Sistema Prisional* (Project for Reinsertion of Prison Inmates and Former Inmates), former inmates who have already served out their sentences and inmates who are still serving their sentences, but are considered suitable for returning to the workplace, are taken on by Usiminas through *Apac - Associação de Proteção e Assistência aos Condenados* (Inmate Protection & Assistance Association) in Itaúna (Minas Gerais) and Nova Lima (Minas Gerais). It is an opportunity for them to take up or resume professional life, leading to social re-inclusion. On account of this pioneering initiative, in December 2009 the Company was awarded the Human Being Prize for the Corporate Social Responsibility category, given by the Brazilian Association of Human Resources (ABRH-MG).

The decision to implement this project in the Company was made by the CEO himself, Marco Antônio Castello Branco, who is a member of the Minas for Peace Institute, comprising the chief executive officers of the ten largest enterprises in Minas Gerais, to study action to avoid violence and prepare and propose action to Public Power.

As at December 31, 2009, 17 former and current inmates were working in Usiminas' Mining Unit in Itatiaiuçu (Minas Gerais) after successfully completing a two-month professional qualification course in *Usina do Trabalho*, an entity run by the Minas Gerais state government. The employees concerned are not identified as project-members, and only tell their personal stories if they wish.

*For additional information on Usiminas social action, please visit the sustainability page at [usiminas.com](http://usiminas.com)*



*Soluções Usiminas - Campo Limpo Paulista/SP*

# ENVIRONMENTAL DIMENSION

**“When they start considering climate change as an actuality, as part of the market in the long run, many companies are adapting their business to a changing scenario that will bring complex social and environmental aspects, to reflect in the economic order. It really matters that companies like Usiminas position themselves in relation to this kind of issue.”**

Lúcio Bede, Conservation International NGO

Well-aware of its commitment to reduce the impact of its activities on the environment and of the ongoing quest for increasingly eco-efficient production processes, in 2009 Usiminas made a number of changes to environmental management, from investing in less polluting logistics processes, reclamation of areas and recycling part of products.

Throughout Usiminas' history, environmental management was taken care of independently by the companies in the Group. As of 2009, the movement for reorganization also propelled unified strategy and management for environmen-

tal performance. Usiminas therefore began to develop a structured program for monitoring and reducing GHG. Inventories for all business units are planned for 2010, which will make it feasible to plan a strategy for reducing GHG, as well as taking advantage of related business opportunities.

Now grouped into four business units (Mining & Logistics, Steelworks, Steel Transformation and Capital Goods), Usiminas prepared common guidelines for sustainability, orienting business now and in the future as well as seeking environmental excellence throughout the Company. With a



preventive approach, it is working on reductions in solid waste generation, air emissions and noise levels, promoting rational use of water, energy and input and greatly improving the quality of effluents, as basic requirements for all activities. First among Brazilian steelworks – and second in the world – to earn ISO 14001 certification – Usiminas prioritizes action ranging from preservation and investment in technology to environmental education.

Products of the Company's two steelworks comply with the stringent requirements of European directives RoHS (Restriction of Hazardous Substances) and ELV (End-of-life Vehicle Act), which verify initiatives for soil, water and air protection from pollution, restricting use of substances such as lead, mercury and cadmium. The Cubatão ste-

elworks earned certification in 2009, while the Ipatinga unit, which had already earned certification in 2007, underwent auditing in 2009 and was recertified.

Before being brought together under a single CNPJ (Taxpayer Registry Number), the companies comprising Soluções Usiminas in 2009 were all at different stages regarding environmental management and performance. This matter was given the Company's special attention, and an environmental study was carried out, identifying the main strengths and opportunities for improvement for every operation. This diagnosis was the basis on which a plan of action was put in place to lead Soluções Usiminas to ISO 14000 certification. This is the first step in standardizing the environmental management of this business unit.



## REVERSE LOGIC

One of the Company's large investments in 2009, as well as a bet for the future, is re-absorption of material not used by customers. Reverse logistics is a requirement of the customers, as well as being considered strategically by Usiminas as new business for the Company, with prospects of considerably in-

creasing its activity in the Brazilian recycling market.

In the steelworks sector, 96% of waste is currently commercialized and recycled, while 4% requires disposal/treatment. The target for 2010 is to absorb the scrap produced by the Company's 40 largest customers, who consume 60% of production.

## Civil Construction: safer and less polluting

Building procedures have substantial impact on environmental resources as waste generated accounts for a huge proportion of landfill. In addition, emissions, dust and particles generated during the process increases air pollution, which in turn leads to public health problems. Usiminas invests in mixed construction, which uses steel for its structure and conventional concrete elsewhere. The Company uses UsiSac steel for construction, which is very resistant to corrosion and ensures the quality and safety of the rooms.

Moreover, construction with a steel structure enjoys a number of advantages, including:

- Contributing to a cleaner and safer work environment, because structures are prefabricated;
- Reducing waste generated during construction. That generated is mostly recyclable;
- Reducing the weight and volume of material transported, with consequent reduction of emissions;
- Steel has a long life cycle; thus environmental impact during the production phase is easily amortized;
- Alternative and/or renewable energy sources can be easily fitted and adapted to metal structures;
- Construction in light steel uses materials with low emission levels;
- Metal structures can easily be adapted to new functional requirements during a building's life cycle;
- Renewing existing buildings is easier with metal structures, helping conserve cultural and historic values;
- Metal structures are exceptionally durable and low-maintenance, preserving natural resources.



## PROTECTION OF SOIL AND BASINS

In 2009, Usiminas started work on decontaminating land on Sepetiba bay, where its own port is to be built in Itaguaí (Rio de Janeiro). The greatest environmental liability ever acquired by the Company, this land was purchased from a mining concern in 2008 and includes a 390 thousand m<sup>3</sup> lake, which is badly contaminated by liquid effluents. The project for recuperation was a part of the purchase agreement, and calls for demolition of an abandoned factory on the site, safe storage of contaminated water and building a hydraulic barrier to contain water table flow, treatment of liquid effluvia and implementation of a monitoring system. The total cost of recovery will be R\$ 40 million, and decontamination will take 15 to 18 months. Once this job is concluded, Usiminas will start working on the port terminal. When it enters operation, which is planned for 2014, Itaguaí Port will be an example of environmental excellence.

In 2009, Usiminas carried out studies and started planning implementation of an environ-

mental management system for its Serra Azul mine (Minas Gerais), with the aim of obtaining ISO 14001 certification by 2011. Additionally, a hydrological monitoring system was put in place to watch over the effect of mining operations on water sources. A system of waste management will be implemented by 2010, so the Company can properly and safely dispose of all the waste produced by mining operations. Work has started on the construction of the sorting shed and a company will be taken on to administrate and dispose of unwanted material.

Work continued in Cubatão, dredging Piaçaguera Channel (Sao Paulo), in the Private Maritime Terminal. The procedure follows environmental criteria, with suitable disposal of the sludge dredged out, and an effluvia treatment system which includes treatment of excess water before it is returned to the channel. In Ipatinga steelworks, the coke and coal chemical sectors were paved, and areas with contamination risks were made leak proof, preventing any infiltration of products into the soil.

---

*Implementation of environmental management system at Serra Azul mine (MG) aims at obtaining ISO 14001 certification by 2011.*

---



## ENERGY EFFICIENCY

In 2009 the Company invested in improving the energy efficiency of the steelworks, renovating installations to prevent gas emissions, increasing water recirculation, proper care of waste and effluents, and partial substitution of road transportation with railway carriage.

At the Cubatão Steelworks, 2009 saw the start of renovation of the 42-year-old Thermolectric Center. Boilers 2, 3 and 4 and their peripherals will be replaced to increase operational safety and reliability. Given that modern equipment features high energy efficiency and can be adjusted so as to optimize the Company's energy grid, the following environmental gains have also become targets:

- Reduce air emissions: the new boilers meet standards established in Conama Resolution 382 regarding figures for material in particles and sulfur oxide (SOx). In the case of nitrogen oxides (NOx), modern burning techniques and emission standard of 100 mg/Nm<sup>3</sup> has been adopted, 71% less than those in federal legislation.
- Increase recirculation of water for cooling without increasing inflow: the condenser of the new turbo-generator and condenser of the turbo-blower will be cooled with brackish water re-circulated through a cooling tower, and the rest of the equipment will have a sealed primary circuit with demineralized water and a secondary one with re-circulated brackish water.

- Increased internal generation of electricity: purchases of electric energy from external sources will be reduced by improvements to the electric supply mix, making it possible to increase the center's current generating capacity from 27 MWh to 75 MWh.

At the Ipatinga Steelworks, installations will start to be adapted for the use of natural gas (NG) which can replace fuel oil, making the energy supply mix for production more flexible. NG is an energy source with less environmental impact, clean burning, fewer polluting emissions and better thermal yield. The use of NG will thus make it possible to reduce Ipatinga's current levels of particle and SOx emissions, contributing to improve air quality. It is worth mentioning that, even with fuel oil, emission indexes

were within standards required by law, both for smokestacks and air quality.

Because of its low content of carbon dioxide (CO<sub>2</sub>), the use of NG also reduces GHG emissions. The plan is to use 30 thousand m<sup>3</sup>/day of NG as of July 2010, substituting LPG used by the steelworks.

Units for hot rolling (hot rolling strips and heavy plates), cold rolling (annealing in boxes, ovens for recuperation of hydrochloric acid and continuous annealing line) and hot-dip galvanizing 1 and 2, which currently use fuel oil, will also make use of NG. Studies on NG volumes needed to replace fuel oil, as well as on the technical adaptation of the units, are already underway. It is expected that by late 2012, use of NG in the energy grid will be consolidated.



*A new system for retaining and treating organic vapor generated in the coking and coal chemical area is now in use, preventing these vapors from spreading through the work environment, affecting workers' health and the air quality. To ensure proper monitoring, two air quality measuring stations have been set up.*

#### WASTE RECYCLING

Ipatinga and Cubatão steelworks have adopted a Solid Waste Management Program based on the 4 R: Reduce, Reuse, Recycle and Recover.

In the process of steelmaking a kind of waste called steelworks sludge is generated by the blast of converters. This waste used to be disposed of in industrial landfills, but Usiminas developed a recycling process. A study showed that due to the chemical composition of steelworks' sludge, its main component being iron oxide, it can be used for sintering. It has thus been possible to recycle 3,000 tons/month, minimizing disposal in landfills. Besides being recycled for sintering, steelworks sludge can also be sold to industries such as ceramics.

#### CONTROL OF EMISSIONS AND EFFLUENTS

In Ipatinga steelworks a new charging system for Coking unit 2 is fitted with a system for controlling emissions of pollutants to ensure control of coal kilning, minimizing gas emissions.

A new system for retaining and treating organic vapor generated in the coking and coal chemical area is now in use, preventing these vapors from spreading through the work environment, affecting workers' health and the air quality. To ensure proper monitoring, two air quality measuring stations have been set up.

The ammonia units and the coking units' biological treatment station were adjusted to improve the quality of final effluents, so pollutants

are within the launch conditions established in Conama Resolution no. 357/2005 and Copam Norm Deliberation no. 10/86. These adjustments will also meet requirements for effluvia treatment for coking unit 3.

At the Cubatão steelworks, the project has started for modernization and expansion of filtering capacity of the electrostatic precipitators for sinters 2 and 3. These items are used to remove dust from sintering machines. All the internal portion of the precipitator for sinter 2 is being replaced; and two more electrostatic fields are being created for dust collection in sinter 3.

This reduction will be made possible by implementing a new technology called Coromax, which consists of installing micro-second pulse systems to attain more efficient precipitation,

especially of small particles of highly resistant dust.

Investment in transportation of goods in 2009, mainly substitution of road haulage with railways, will not only reduce costs, it will also substantially reduce environmental impact. To this end, Usiminas has concluded contracts with Vale S.A. and ALL. The Vale contract alone, for supply and outgoing flow from Ipatinga, will withdraw an average 700 trucks a day from Brazilian highways.

In 2009, 60% of Usiminas' raw materials and products were transported by rail and 40% by road. The target is to change this proportion to 70% - 30% in two years. Another challenge is measuring gas emissions stemming from the entire logistics-related activities of the different companies in the group.

---

*Riparian Forest program supports maintenance of vegetation on the banks of Piracicaba and Doce rivers, involving planting 394,583 shoots since 1996.*

---



Zoo-Botanical Park - Usiminas - Ipatinga Steelworks/MG

## VEGETATION

In the external area of Ipatinga steelworks, the Company maintains 2,946 hectares of green areas dedicated to environmental preservation. Shoots for plants and trees are produced, and a beekeeping program is in place. 33,517 shoots of Atlantic Forest native species have been planted in the Company's grounds.

An additional area of the seedling nursery of Usiminas' Zoo-Botanical Park was fenced in during 2009, and was given materials for civil, hydraulic and electric maintenance, as well as maintenance of water pumps and material for irrigation. The initiative led to production of 101,824 shoots of native species of trees, both fruit-bearing and ornamental, and 33,517 tree shoots have been planted in the region. The seedling nursery supplies Usiminas' program for green areas and maintenance of landscaping within

the industrial area. In 2009, the nursery also supplied shoots to the Company's mining unit in the Serra Azul region (Minas Gerais), where 10,700 shoots of native trees were sent, for re-composition of forest vegetation. The seedling nursery was originally set up in 1958 together with the Zoo-Botanical Park, the first specialized forest park in Latin America and second in the world to be developed by a steel company.

Through the Riparian Forest program, Usiminas supported maintenance of vegetation on the left-hand banks of the Piracicaba and Doce rivers, in the municipalities of Coronel Fabriciano, Ipatinga and Santana do Paraíso, in a 185-hectare area. This action was carried out in accordance with the terms of the commitment made to the Public Attorney's Office and the State Forest Institute (IEF). The outcome: total of 394,583 shoots have been planted since the beginning of the program in 1996.

## ENVIRONMENTAL PERFORMANCE INDICATORS

### MATERIALS

Due to the very nature of its activity, Usiminas needs high volumes of raw material and associated input to manufacture and process steel. In 2009, nearly 13.2 million tons of raw material were consumed, 2.2% less than the 13.4 million tons consumed in 2008. Counting input and other non-renewable material, nearly 186,632 tons were necessary, with emphasis on processing flat rolled products, steel and aluminum.

Automotiva	
Company's main raw materials and input – Non-renewable	in tons
Steel and Aluminum	31,024
Argon, Natural, LPG	2,093
Paint, Solvents, Pastes	713

Mecânica	
Company's main raw material and input – Non-renewable	in tons
Rolled Flat	58,656
Rolled Non-Flat	15,115
Welding Consumable	2,135
Paint	76,896

Usiminas	
Company's main raw materials and input – non-renewable	Consumption of material by type (in tons)
Ore	6,987,265
Limes and Fluxes	1,855,140
Coal	3,528,931
Petroleum Coke	575,586
Anthracite	194,883
Coke	55,251
<b>TOTAL</b>	<b>13,197,056</b>

Greatest volumes acquired by Usiminas, corresponding to main raw materials and input for steelmaking process were considered.

### ENERGY

The Company reduced its total yearly consumption 33% as compared to 2008 (from 159 million GJ to 119 million GJ), and managed to cut its consumption of coal by a quarter, which has led directly to fewer GHG emissions.

A part of this reduction is due to efforts to rationalize energy use. With past major improvements in preservation and efficiency Usiminas saved 580 thousand GJ; with the 2009 measures alone, savings reached the 756 thousand GJ mark, arriving at a total of 1.3 million GJ saved.

The Company has been diversifying its energy supply mix, to gradually substitute non-renewable sources with others with less environmental impact, such as Natural Gas (NG) and renewable sources.

Consumption of electric energy (in GJoules)	2009	2008
Electric energy purchased	9,406,637	11,063,977
Electric energy generated	2,145,340	2,281,623
Direct energy consumption by primary energy source (in GJoules)	2009	2008
Non-renewable sources		
Usiminas Coal	94,820,838	118,922,752
Usiminas Gross Petroleum	0	0
Usiminas Gasoline	4,022	4,818
Usiminas Diesel Fuel	302,115	369,635
Usiminas Fuel Oil	5,039,608	5,619,842
Usiminas Natural Gas	3,028,371	4,099,093
Usiminas LPG	273,642	402,957
Usiminas Purchased Coke*	10,230,622	22,585,672
Sub-total	113,699,218	152,004,769
Renewable sources		
Usiminas Hydrated Alcohol	224	171
Usiminas Oxygen	2,328,617	3,719,626
Usiminas Nitrogen	2,489,507	3,148,613
Usiminas Argon	66,012	86,714
Sub-total	4,884,360	6,955,124
Total Direct Energy Consumption (GJoules)	2009	2008
	118,583,578	158,959,893

\* Coke purchased = coke consumed – coke produced.

Purchases of metallurgic coke vary, depending on installed capacity for coke production and the production of steel. In 2009 the variation stemmed from reductions in steel production.

*Total consumption dropped 33% as compared to 2008, partially due to efforts to rationalize use, leading directly to fewer greenhouse gas emissions.*



## WATER RESOURCES

Because of the volume of water necessary for cooling in the steelmaking process, which also implies loss due to evaporation, Usiminas has invested in new processes for re-circulating and reusing water, to reduce consumption by collection. Usiminas collected approximately 236 million cubic meters of water, of which 108 million were brackish/salt, drawn from the basin of the Mogi River near Cubatão.

The Company holds legal permits to draw water from the Mogi and Quilombo rivers in Sao Paulo State and the Piracicaba River in Minas Gerais. If it were not for procedures to rationalize water use, consumption would be far gre-

ater. The volume of recycled and reused water exceeds 1.3 billion cubic meters.

## TERRITORIAL USE

With different premises in eight Brazilian states, Usiminas runs programs for preservation and conservation of green areas, natural habitats which are also important from the cultural and archeological points of view. In Ipatinga, the steelworks are in a 10.5 sq km area, adjacent to the Integral Protection Conservation Unit of Rio Doce State Park. The Cubatão steelworks is located in a 12.5 sq km area adjacent to Serra do Mar State Park, and part of the area is permanently protected (PPA), including river banks, crests and hills, and the archeological heritage of shell mounds at Casqueirinho Hill.

Total Water Withdrawal by Source (m <sup>3</sup> )	2009
	<b>Usiminas</b>
Surface water, including humid areas, rivers, lakes and oceans	172,650,476
Surface fresh water	62,369,479
Ground water	1,150,377
Rainwater collected and stored	NA
Effluents from other organizations	82,451
Municipal water supply or other water supply concerns	81,809
<b>Total</b>	<b>236,334,592</b>

Note: In the Cubatão unit, most water drawn is brackish/salty, totaling nearly 108,269,000 m<sup>3</sup>. For calculating water recirculation, only the values for fresh water have been taken into account. Total fresh water for Usiminas: 64,950,353 m<sup>3</sup>.

Recycled and reused water	2009	2008
Total of recycled/reused water (m <sup>3</sup> )	1,300,289,600	1,369,376,217
% of recycled/reused water as compared to total consumed	95.40%	95.30%

In Cubatão: Only fresh water used in steelworks, the business unit most using this resource, taken into account for recirculation figures.

## AIR EMISSIONS

Usiminas' activities cause the emission of 12.6 million tons of CO2 equivalent. With trucks being replaced with rail transport in 2009, emissions from transportation have begun to go down, with further reductions expected in coming years.

In 2009 Usiminas started work on diagnosis of opportunities for mitigating the effect of GHG emissions, hiring a firm of consultants to evaluate the feasibility of generating energy taking advantage of production gases.

This project also calls for assessment of emissions from Usiminas' companies, to be carried out in 2010, to identify vulnerability and opportunities linked to GHG. Information gathered will be the basis for consolidation of a Corporate Policy to fight Climate Change.

Other forms of air emission are monitored in the premises and surroundings of Usiminas' steelworks. Besides CO and CO2, the main emissions are nitrogen and sulfur oxides, emissions from smokestacks, leaks and particulate material.

### What methodology is used to reckon the volume of GHG?

According to the Brazilian Inventory of GHG from Steelworks – Methodology: IPCC 2006 – Tier 2 – Coke Onsite, Iron & Steel, Sinter Production and Energy (IBS - 2008)

Direct GHG emissions (tons of CO2 equivalent)	2009
<b>Usiminas</b>	
Generating electricity, heat or steam	1,332,527
Physical-chemical processing	11,633,971
Carriage of materials, products and waste	-275,382.01
Opening vents	NA
Leaked emissions	NA
Total of indirect emissions (according to EN4)	NA
(Not including emissions stemming from travelling)	
Total of direct and indirect emissions	12,691,116

Start of operations of Thermoelectric Center 2 in Ipatinga, planned to increase the use of steelworks gases generated during the process and increase internal production of electricity. This is a project to take advantage of steelworks gas in Cubatão, to reduce consumption of natural gas.

Emissions (in t)	Usiminas
NOx	20,683
SOx	12,605
Persistent organic pollutants (POPs)	NA
Volatile organic compounds (VOCs)	327
Emissions from smokestacks and leaks	10,535
Hazardous atmospheric pollutants (HAPs)	NA
Particulate materials (PMs)	12,386
TOTAL	56,536

Emission results show values below those for earlier years, in the steelworks particularly, due to shutdown of some lines in the first half of 2009, such as blast furnaces 1 and 2, furnaces for reheating plates and plants for regenerating HCl.

## EFFLUENTS

Approximately 140 million cubic meters of water from industrial processes is released into the Piracicaba River in Minas Gerais and the Santos Estuary in Sao Paulo. Usiminas is committed to its environmental concerns and submits these effluents to a rigorous treatment process before release. Steps in the process include sedimentation, flocculation and filtering, so discarded material meets specifications established by federal and the two states' regulatory bodies.

### Total water discharge by quality and destination

The Company concluded modernization of Automotiva Usiminas' physical-chemical Effluvia Treatment Station (ETS), which improved the quality of industrial effluents introducing reuse, and made improvements to the tool storage area by waterproofing the floor, roofing over the area, installing systems for containing and modernization of the wash, and eliminating contamination of rainwater and the soil.

### Quantity

140,767,495 m<sup>3</sup>/year

Treatment	Quality
General Sewer - Effluents from Effluvia Treating Stations	Meets Conama 357 – Art. 34, Sao Paulo State Decree 8468 – Art. 18, Copam Norm Deliberation /
Effluents form Effluvia Treating Stations	CERH-MG01/2008 or Self-Monitoring Scheme established in operation license, meeting legal requirements stipulated by competent State environmental bodies; whichever is more stringent.

### Destination

Main bodies of water: Piracicaba River, Santos Estuary associated to discharges from steelworks and companies within manufacturing units.

## SOLID WASTE

The activity at steelworks produces large amounts of solid waste at the end of the industrial process. The discarded part of Usiminas' waste going to sanitary or industrial landfills and local storage, however, is equivalent to 4% of produced mass, 5 million tons. Nearly three million tons are commercialized, and 1.9 million tons are recycled. Hazardous waste amounts to nearly 30 thousand tons, all of which is co-processed, recycled internally, treated or commercialized.

Non-hazardous residues	By disposal and weight	(in tons)
Sanitary landfill		20,350
Ground injection of waste		
Storage on premises		13,642
Reuse		
Recycling	recycled	1,896,006
Recovery		
Others (specify)	commercialized	3,096,042
	Industrial landfill	30,631
Hazardous residues		
Co-processing		7,955
Internal recycling		23,425
Treated		2,049
Commercialized		1,062
		5,091,162

## MITIGATION OF IMPACT

In its Corporate Sustainability Guidelines, Usiminas expresses its concern about the priority of eco-efficiency in all processes and the evaluation of the impact of long term availability of renewable and non-renewable natural resources. In the Company's opinion, therefore, business cannot be disassociated from processes for reducing impact, and management of impact is a part of business management.



Seedling nursery - Usiminas - Ipatinga/MG

Product/Impact	Initiative	Extent of Impact
Materials	NA	NA
Water	Recirculation of water	95,4% of water re-circulated
	Reuse of effluents in Cubatão	110 m <sup>3</sup> /h
Emissions	Rebuilding electrostatic precipitators in Cubatão	Reducing concentration of emissions from 70 mg/Nm <sup>3</sup> to 30 mg/Nm <sup>3</sup> by Dec 31, 2010
	New loading device CC no. 6 in coking plant 2 enters service	NA – objective is to reduce leaked emissions
	Total rebuild of coking plant 2 – battery 3 – to start in second half of 2010	NA – Bring air emissions in line with standards called for in Conama Resolution no. 382/2006
	Adapting final silos for recycling post-collection from sinter (Dec 2010)	NA – Objective: reduce leaked emissions
Effluents	NA	NA
Noise pollution	NA	NA
Residues	Develop applications	1,932,640 tons

\*In 2009 the focus for projects in Cubatão was reduction of water consumption. Regarding noise pollution, there are no significant associated impacts, and no measures will be adopted in this connection. In Ipatinga, internal and external applications were sought (recycling and commercialization of waste respectively) to reduce and/or eliminate environmental liabilities. The tonnage of recycled and commercialized waste was taken into account to quantify results. In the case of the other units, this indicator was not watched over. Usiminas is considering implementation for 2010.

## FINES

The value of environmental fines paid by Usiminas in 2009 was R\$ 148,840,00.

Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.		
Unit	Occurrences	Value
Ipatinga	Notice of infraction from the State Forest Institute, including a fine, for intervention in a Permanent Preservation Area	R\$ 1,010.00
Cubatão	Discharging liquid effluents into channel A, which flows into the Santos Estuary, disregarding existing laws	R\$ 49,276.00
	Discharging domestic liquid effluents through Sewage Treatment Station N° 1 (STS-1) into a receiving body, disregarding existing laws	R\$ 98,553.00
Mining	Notice of infraction from the City Hall of Brumadinho	0
	Notice of infraction for carrying out research drilling and probing without observing limitations established in the plan submitted to the State Forest Institute (IEF), causing environmental damage	0
Total value of fines received in 2009		R\$ 148,840.00

## TRANSPORTATION

Usiminas encourages and controls, by means of indicators and targets linked to remuneration of transported volume, prioritization of transportation by rail and cabotage over highway carriage, on account of the following benefits for the Company, the country and the environment:

- a) reduction of truck traffic on highways;
- b) reduction of number of accidents on highways;
- c) reduction of fuel consumption and emission of polluting gases from trucks;
- d) increase in transportation productivity.

The 75.2% target for use of alternative forms of transportation, (rail, rail-highway, highway-rail and cabotage) as against haulage on the highways of flows of supplies and output of the Ipatinga and Cubatão steelworks was met well before the end of 2009. By October it had already reached the 78.4% mark, and the target for 2010 is 79.5%.

Regarding transportation of effluvia, waste and hazardous products, the Company encourages carriers to submit sustainability projects and safety and mitigating measures.

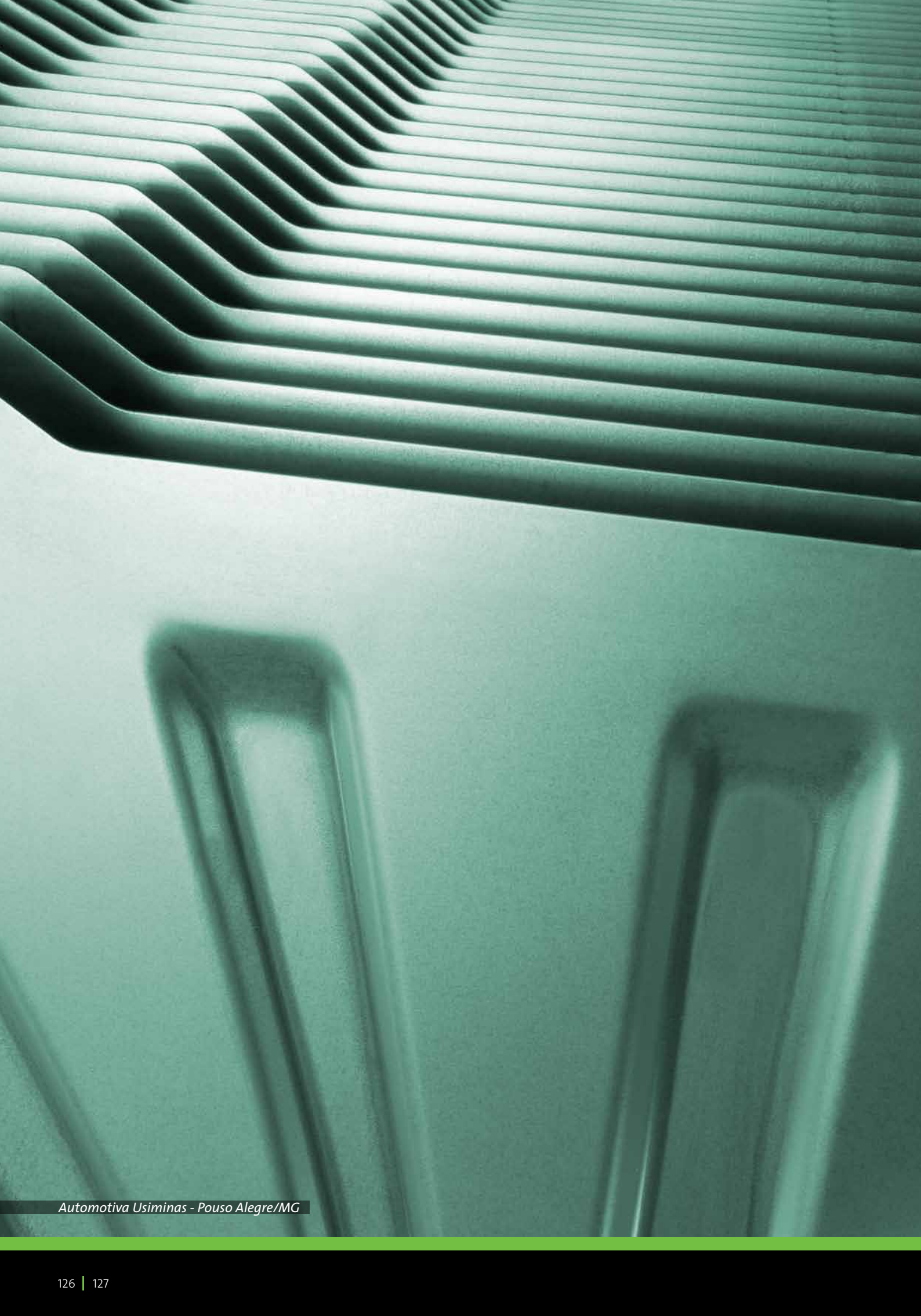
In the case of transportation of steelworks' products, steel cradles are used to carry the cargo. They are reused constantly and not discarded into the environment. If they are badly worn and can no longer be used, their steel base is reused as scrap in the steelmaking process.

## INVESTMENT IN ENVIRONMENTAL PROTECTION

Measures adopted over the years witness Usiminas' serious attention to environmental management, and the sums invested eloquently corroborate the Company's daily attention to the issue. Of R\$ 2.1 billion invested in business in 2009, R\$ 590 million, nearly 30%, were spent on improvements to the processes of consumption, emissions, reuse or discarding, environmental treatment, decontamination, consulting, certification and environmental education.


Total environmental protection expenditures and investments by type	
<b>Treatment and disposal of waste, treatment of emissions, outlay on purchase and use of emission certificates</b>	
Investments in engineering	R\$ 397,779,346
Environmental cost* - environmental preservation and recovery	R\$ 175,798,183
Disposal of waste in own landfill	R\$ 3,770,477
Decontamination of lamps	R\$ 51,639
Treatment and disposal of waste	R\$ 7,990,810
<b>Education and training, external environmental management services, external certification of management systems, personnel for general environmental management activities, R&amp;D</b>	
Environmental education	R\$ 733,616
External certification	R\$ 55,342
Specialized consulting	R\$ 3,668,743
<b>Total</b>	<b>R\$ 589,848,156</b>

\* Environmental cost considered: smokestack sampling, analytic experiments, publications, applications for licenses and Cadri (industrial waste destination certificates), Ibama rates; treatment and disposal of waste – co-processing and external landfill. Only the cost of the contract with the certifying agency is included in the figure for outlay on External Certification.



*Automotiva Usiminas - Pouso Alegre/MG*

# GRI - TABLE OF CONTENTS, GLOBAL COMPACT, DOW JONES AND ISE

		C	C+	B	B+	A	A+
Report Content	G3 Profile	Respond to items: 1.1; 2.1 - 2.10; 3.1 - 3.8, 3.10 - 3.12; 4.1 - 4.4, 4.14 - 4.15;	With External Assurance	Report all items Level C, plus: 1.2; 3.9, 3.13; 4.5 - 4.13, 4.16 - 4.17	With External Assurance	Same requirement Level B	 With External Assurance
	G3 Management Approach	Not required		Information of Management Approach for each Indicator Category		Disclosure of Management Approach for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Indicators	Report at least 10 Performance Indicators, including at least one of each area: social, economic and environmental.		Report at least 20 Performance Indicators, including at least one of each area: economic, environmental, human rights, labor, society, product responsibility		Respond on each core G3 and Sector Supplement indicator with due regard to the materiality Principle by either: (a) responding the indicator or (b) explaining its omission.	

Item	Subject	Page	Global Compact	ISE	DJSI
<b>1</b>	<b>STRATEGY AND ANALYSIS</b>				
1.1	Statement from the most senior decision-maker	9; 12			
1.2	Description of key impacts, risks, and opportunities	9; 12			
<b>2</b>	<b>ORGANIZATIONAL PROFILE</b>				
2.1	Name of the organization	32			
2.2	Primary brands, products, and/or services	24			
2.3	Operational structure	29			
2.4	Location of organization's headquarters	29			
2.5	Countries where the organization operates	27			
2.6	Nature of ownership and legal form	32			
2.7	Markets served	25			
2.8	Scale of the reporting organization	24-27			
2.9	Significant changes during the reporting period	32			
2.10	Awards received in the reporting period	85			
<b>3</b>	<b>REPORT PARAMETERS</b>				
3.1	Reporting period	5-7			
3.2	Date of most recent previous report	5-7			
3.3	Reporting cycle	5-7			
3.4	Contact point for questions regarding the report or its contents	5-7			
3.5	Process for defining report content (topics, priorities, stakeholders)	5-7			





(continued)

Item	Subject	Page	Global Compact	ISE	DJSI
3.6	Boundary of the report	5-7			
3.7	Limitations on the scope or boundary of the report	5-7			
3.8	Basis for reporting on other facilities that can significantly affect comparability from period to period and/or between organizations	5-7			
3.9	Data measurement techniques and the bases of calculations	5-7			
3.10	Restatements of information provided in earlier reports	5-7			
3.11	Significant changes from previous reporting periods (scope and/or measurement)	5-7			
3.12	Table identifying the location of the standard disclosures in the report	126			
3.13	Policy and current practice with regard to seeking external assurance for the report	130			
<b>4</b>	<b>GOVERNANCE, COMMITMENTS AND ENGAGEMENT</b>				
4.1	Governance structure of the organization	33-35			<i>DJSI Corporate Governance</i>
4.2	Chair of the highest governance body	33			
4.3	Number of members of the highest governance body that are independent and/or non-executive members	35			
4.4	Mechanisms for shareholders and employees to provide recommendations to the highest governance body	40			
4.5	Linkage between compensation and the organization's performance	36			
4.6	Processes in place for the highest governance body	33-35			
4.7	Qualifications and expertise of the members of the highest governance body	33-35			
4.8	Internally developed statements of mission or values, codes of conduct, and principles	28			
4.9	Procedures of the highest governance body for implementation of economic, environmental, and social policies	36-37			
4.10	Processes for evaluating own performance (economic, environmental, and social)	36-37			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	41			
4.12	Externally developed principles, or other initiatives	48-49			
4.13	Memberships in associations	41			
	<b>Management approach and performance indicators</b>				
4.14	List of stakeholder groups engaged by the organization	48-49			<i>DJSI Stakeholder engagement</i>
4.15	Basis for identification and selection of stakeholders	48-49			
4.16	Approaches to stakeholder engagement	48-49			
4.17	Concerns that have been raised through stakeholder engagement	48-51			
<b>5</b>	<b>MANAGEMENT APPROACH AND PERFORMANCE INDICATORS</b>				
	<b>Economic Performance Indicators</b>				
EC1	Direct economic value generated and distributed	76-77			<i>DJSI Climate Strategy</i>
EC2	Financial implications and other risks and opportunities due to climate change		7		
	<i>Usiminas' target for 2010 is to carry out an inventory of GHG emissions from its industrial operations. Within this process, there is to be a systematized survey identifying financial opportunities for reducing emissions and increasing power efficiency. Risks related to environmental and commercial adaptations and policies are to be monitored with the assistance of Brazil Steel Institute.</i>				
EC3	Coverage of the organization's defined benefit plan obligations				
	<i>Usiminas administers two benefit plans, PB1, a defined plan which is still active although in the process of extinction, and USIPREV, the variable contribution plan which is currently in place. In the case of PB1, resources come from a fund, liabilities are reckoned on the basis of registered data with an estimate made on December 31, 2008, and contributions have a relationship of coequality: 9.76% from the sponsor and 9.76% from the participant, on the actual salary for contribution.</i>				
EC4	Significant financial assistance received from government	101-102			

→

(continued)

Item	Subject	Page	Global Compact	ISE	DJSI
EC5	Range of ratios of standard entry level wage compared to local minimum wage	89	1		<i>DJSI Talent Attraction &amp; Retention</i>
EC6	Policy, practices, and proportion of spending on locally-based suppliers	100			<i>DJSI Standard for Suppliers</i>
EC7	Local hiring	102-103	6	Social Dimension - Indicators 3, 7	<i>DJSI Talent Attraction &amp; Retention</i>
EC8	Impact of investments in infrastructure for public benefit	103			<i>DJSI Corporate Citizenship/ Philanthropy</i>
<b>Environmental Performance Indicators</b>					
EN1	Materials used by weight or volume	118	8	Environmental Dimension Unified – Indicator 8	<i>DJSI Environmental Operational Eco-Efficiency</i>
EN2	Percentage of materials used that are recycled input materials	118	8-9		
EN3	Direct energy consumption by primary energy source	118-119	8		
EN4	Indirect energy consumption by primary source	118-119	8-9		
EN5	Energy saved due to conservation and efficiency improvements	118	8		
EN8	Total water withdrawal by source	120	8-9		
EN9	Water sources significantly affected by withdrawal of water	120	8		
EN10	Percentage and total volume of water recycled and reused	120	8		
EN11	Location and size of land owned	120	8		
EN12	Significant impacts of activities, products, and services on biodiversity	120	8		
EN16	Total direct and indirect greenhouse gas emissions	121	8	Environmental Dimension Unified - Indicator 9	
EN17	Other relevant indirect greenhouse gas emissions	121	8		
EN18	Initiatives to reduce indirect energy consumption and reductions achieved	121	7-9		
EN19	Emissions of ozone-depleting substances	121	8	Environmental Dimension Unified - Indicator 10	
EN20	NOx, SOx and other significant air emissions	121	8		
EN21	Total water discharge by quality and destination	122	8		
EN22	Total weight of waste by type and disposal method	122	8		
EN23	Total number and volume of significant spills		8		
<i>There were no spills on the part of Usiminas in 2009.</i>					
EN26	Initiatives to mitigate environmental impacts	126	7-9	Environmental Dimension Unified - Indicators 7, 8, 9, 11	<i>DJSI Environmental Operational Eco-Efficiency</i>
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	124	8-9		
EN28	Fines and total number of sanctions for noncompliance with laws	124	8		
EN29	Significant environmental impacts of transporting products and members of the workforce	125	8		
EN30	Total environmental protection expenditures and investments	125	7-9		
<b>Social Performance Indicators</b>					
<b>Labor Practices</b>					
LA1	Total workforce by employment type, employment contract, and region	89		Social Dimension - Indicator 12	<i>DJSI Labor Practice Indicators</i>
LA2	Total number and rate of employee turnover by age group, gender, and region	90	6		

→

(continued)

Item	Subject	Page	Global Compact	ISE	DJSI
LA4	Percentage of employees covered by collective bargaining agreements	91	1; 3	Social Dimension - Indicator 12	DJSI Labor Practice Indicators
LA5	Minimum notice periods regarding operational changes	91			
LA6	Workforce represented in formal health and safety committees		1; 3		

2.53% of Usiminas Mecânica's workers are represented by formal health and safety committees, at the factory, branch and worksite level. Steelworks: 6.76%, with 172 workers representing CIPA (Internal Commission for Accident Prevention) at the operational unit level. Mining: Total headcount of its own workforce: 1,035. Percentage of workers represented: 100%. Percentage of workers representing the employees: 0.06%, 59 employees.

LA7	Rates of injury, occupational diseases, lost days	95	1	Social Dimension - Indicator 12	DJSI Occupational Health & Safety
LA8	Education, training, counseling, prevention, and risk-control programs	95	1		
LA9	Health and safety topics covered in formal agreements with trade unions		1		

The health and safety topic is increasingly part of the dialogue between Usiminas and labor unions, including the scope of collective bargaining. Employees are covered by union agreements and/or Company regulations establishing mechanisms and requirements to prevent accidents and occupational diseases, e.g. joint committees for health and safety, providing equipment for individual protection, training, etc.

LA10	Average hours of training per year	95	6	Social Dimension - Indicator 12	DJSI Human Capital Development
LA11	Programs for skills management and lifelong learning	93-94			
LA12	Employees receiving regular performance and career development reviews	94		Social Dimension - Indicator 8	DJSI Talent Attraction & Retention
LA13	Composition of governance bodies and breakdown of employees per category	88	1; 3		
LA14	Ratio of basic salary of men to women by employee category	89	1; 3		

#### Human Rights

HR1	Description of policies and guidelines to manage all human rights aspects				DJSI Standards for Suppliers
-----	---	--	--	--	------------------------------

Usiminas made three significant investment operations in 2009, including acquisitions and joint ventures in the distribution and civil construction markets. All contracts linked to these operations include clauses on human rights.

HR2	Significant suppliers and contractors that have undergone screening on human rights	100	1-4	Social Dimension - Indicators 4, 6	DJSI Standards for Suppliers
HR4	Total number of incidents of discrimination and actions taken		1-3		DJSI Labor Practice Indicators

No cases of discrimination were reported in 2009.

HR5	Freedom of association policy and application degree		1-3	Social Dimension - Indicator 12	DJSI Labor Practice Indicators
-----	--	--	-----	---------------------------------	--------------------------------

There has been no retrenchment of the rights to exercise freedom of association and collective bargaining.

HR6	Measures taken to contribute to the elimination of child labor	100	1-3	Social Dimension - Indicators 4, 6	DJSI Standards for Suppliers
HR7	Measures taken to contribute to the elimination of forced or compulsory labor	100	1-3		

#### Society

SO1	Programs and practices that assess and manage the impacts of operations on communities	102-103		Social Dimension - Indicator 5	DJSI Social Impacts on Communities
SO2	Units analyzed for risks related to corruption		10		DJSI Codes of Conduct/ Compliance/ Corruption & Bribery

Risks linked to corruption have not been evaluated. The target for 2010 is to implement a system for evaluating corruption-related risks in Ipatinga and Cubatão steelworks' relations with Public Power.



(continued)

Item	Subject	Page	Global Compact	ISE	DJSI
SO3	Employees trained in anti-corruption policies and procedures		10		DJSI Codes of Conduct/ Compliance/ Corruption & Bribery
<i>There has been no training in fighting corruption. The target for 2010 is to put an anti-corruption policy in place in the organization and train main leadership how to deal with the issue.</i>					
SO4	Actions taken in response to incidents of corruption		10		DJSI Codes of Conduct/ Compliance/ Corruption & Bribery
<i>Usiminas does not currently evaluate corruption-related risk, but the target for 2010 is to implement a system for assessing risk linked to relations with Public Power at the Ipatinga and Cubatão steelworks. A further company goal is internal consolidation of anti-corruption procedure and policy, which includes training the main leadership. Moreover, a mechanism must be made available for the organization's leaders and employees to report illegal action.</i>					
SO5	Public policy positions	101	10	Social Dimension - Indicator 2	DJSI Codes of Conduct/ Compliance/ Corruption & Bribery
SO6	Contributions to political parties, politicians, and related institutions	102	10		
SO7	Legal actions for anticompetitive behavior				
<i>There were no instances of unfair competition in 2009.</i>					
SO8	Significant fines and total number of non-monetary sanctions				
<i>The Company received no penalty or fine of this nature.</i>					
<b>Responsibility for the Product</b>					
PR1	Life cycle stages in which health and safety impacts of products and services are assessed	110-111	1	Social Dimension - Indicator 13	DJSI Corporate Citizenship/ Philanthropy
PR2	Total number of incidents of non-compliance of products and services				
<i>There were no incidents of non-compliance in 2009.</i>					
PR3	Life cycle stages in which health and safety impacts of products and services are assessed	98-99	8	Social Dimension - Indicator 2	
PR4	Total number of incidents of non-compliance of products and services			Social Dimension - Indicator 13	
<i>There were no incidents of non-compliance in 2009.</i>					
PR5	Practices related to customer satisfaction, including results of surveys	97		Social Dimension - Indicator 7	DJSI Corporate Citizenship/ Philanthropy
PR6	Programs for adherence to laws, standards, and voluntary codes			Social Dimension - Indicator 13	
<i>Usiminas adheres to the Brazilian Code of Advertising Self-Regulation, which follows recommendations made by ICC – International Code of Advertising Practice.</i>					
PR7	Incidents of non-compliance concerning marketing communications of products and services			Social Dimension - Indicator 13	
<i>There were no incidents of non-compliance in 2009.</i>					
PR8	Total number of substantiated complaints regarding breaches of customer privacy			Social Dimension - Indicator 2	DJSI Corporate Citizenship/ Philanthropy
<i>There were no breaches of customers' privacy. Therefore, the target for 2010 is to maintain this result.</i>					
PR9	Fines for noncompliance with laws and regulations concerning the provision and use of products and services			Social Dimension - Indicator 13	
<i>The Company received no penalty or fine of this nature.</i>					



Usiminas Mecânica - Ipatinga/MG

# IBASE SOCIAL AUDIT

1. Basis of Calculation	2009 Amount (thousand reais)			2008 Amount (thousand reais)		
Net Revenues (NR)			10.924.140			15.706.529
Operating Results (OR)			919.041			4.978.034
Gross Payroll (GP)			1.341.099			1.488.000
2. Internal Social Indicators	Amount (thousand)	% of GP	% of NR	Amount (thousand)	% of GP	% of NR
Food	67.170	4.24%	0.61%	70.272	4.72%	0.45%
Mandatory Payroll Taxes	411.612	25.97%	3.77%	356.889	23.98%	2.27%
Private Pension Plan	63.305	3.88%	0.56%	176.989	11.89%	1.13%
Health	45.481	2.87%	0.42%	47.652	3.20%	0.30%
Safety and Health at Workplace	69.939	4.41%	0.64%	69.105	4.64%	0.44%
Education	867	0.05%	0.01%	534	0.04%	0.00%
Culture	0	0.00%	0.00%	0	0.00%	0.00%
Training and Professional Development	14.913	0.94%	0.14%	13.975	0.94%	0.09%
Day Care or Stipend for Day Care	2	0.00%	0.00%	25	0.00%	0.00%
Profit Sharing	58.448	3.69%	0.54%	76.685	5.15%	0.49%
Other	21.769	1.08%	0.16%	22.936	1.54%	0.15%
<b>Total - Internal Social Indicators</b>	<b>753.506</b>	<b>48.70%</b>	<b>7.06%</b>	<b>858.276</b>	<b>57.68%</b>	<b>5.46%</b>
3. External Social Indicators	Amount (thousand)	% of OR	% of NR	Amount (thousand)	% of OR	% of NR
Education	0	0.00%	0.00%	147	0.00%	0.00%
Culture	10,941	1.19%	0.10%	30,382	0.61%	0.19%
Health and Sanitation	0	0.00%	0.00%	0	0.00%	0.00%
Sports	776	0.08%	0.01%	4,898	0.10%	0.03%
Hunger Relief and Food Security	279	0.03%	0.00%	0	0.00%	0.00%
Other	26,521	2.89%	0.24%	25,725	0.52%	0.16%
Total Contributions to Society	38,517	4.19%	0.35%	61,151	1.23%	0.39%
Taxes (excluding payroll taxes)	2,219,663	241.52%	20.32%	3,484,058	69.99%	22.18%
<b>Total - External Social Indicators</b>	<b>2,258,180</b>	<b>245.71%</b>	<b>20.67%</b>	<b>3,545,209</b>	<b>71.22%</b>	<b>22.57%</b>



(continued)

4. Environmental Indicators	Amount (thousand)	% of OR	% of NR	Amount (thousand)	% of OR	% of NR
Investments Related to Company Production/ Operations	85,556	9.31%	0.78%	267,882	5.38%	1.71%
Investments in External Programs and/or Projects	119	0.01%	0.00%	1,821	0.04%	0.01%
Total Investments in Environment	85,675	9.32%	0.78%	269,975	5.42%	1.72%
Regarding the establishment of "annual targets" to minimize waste, consumption during production/operation and to improve the better use of natural resources, the company:	<input type="checkbox"/> does not establish targets <input type="checkbox"/> attains 51 to 75% <input type="checkbox"/> attains 0 to 50% <input checked="" type="checkbox"/> attains 76 to 100%		<input type="checkbox"/> does not establish targets <input type="checkbox"/> attains 51 to 75% <input type="checkbox"/> attains 0 to 50% <input checked="" type="checkbox"/> attains 76 to 100%			
5. Employee Composition Indicators *	2009		2008			
# of Employees at the End of Term	29,603		29,784			
# of Hires During Term	9,112		9,829			
# of Outsourced Employees	28,666		16,936			
# of Interns	315		2,422			
# of Employees over 45	5,881		7,876			
# of Women Working at the Company	1,743		4,284			
% of Management Positions Occupied by Women	0.00%		0.00%			
# of Black Employees Working at the Company	1,135		1,542			
% of Management Positions Occupied by Blacks	0.00%		0.00%			
# of Employees with Disabilities	661		651			
* figures were updated after the Management Report was published						
6. Information relating to the exercise of corporate citizenship	2009		2010 Targets			
Ratio of highest to lowest compensation at company	85,76		ND			
Total number of labor-related accidents			ND			
Social and environmental projects developed by the company were selected by:	<input type="checkbox"/> top level	<input checked="" type="checkbox"/> top and mid-level management	<input type="checkbox"/> all employees	<input type="checkbox"/> top level	<input checked="" type="checkbox"/> top and mid-level management	<input type="checkbox"/> all employees
The company's standards for safety and cleanliness in the workplace were set by:	<input type="checkbox"/> top and mid-level management	<input type="checkbox"/> all employees	<input checked="" type="checkbox"/> all + CIPA	<input type="checkbox"/> top and mid-level management	<input type="checkbox"/> all employees	<input checked="" type="checkbox"/> all + CIPA



(continued)

6. Information relating to the exercise of corporate citizenship	2009			2010 Targets		
	Concerning freedom of association, the right to collective bargaining and employee representation in unions, the company:	( ) does not become involved	( ) follows ILO norms	(x) encourages and follows ILO	( ) will not interfere	( ) will follow ILO norms
The pension plan covers:	( ) top level	( ) top and mid-level management	(x) all employees	( ) top level	( ) top and mid-level management	(x) all employees
The profit-sharing program covers:	( ) top level	( ) top and mid-level management	(x) all employees	( ) top level	( ) top and mid-level management	(x) all employees
In the selection of suppliers, the standards for ethics and social/environmental responsibility used at the company:	( ) are not considered	(x) are suggested	( ) are required	( ) will not be considered	(x) will be suggested	( ) will be required
With relation to volunteer work by employees, the company:	( ) does not become involved	( ) supports it	(x) organizes and stimulates	( ) will not interfere	( ) will support it	(x) will organize and stimulate
Total number of consumer complaints and criticism:	with the company __NA__	with the Consumer Protection Agency __NA__	taken to Court __NA__	with the company __NA__	with the Consumer Protection Agency __NA__	taken to Court __NA__
% of answered and solved complaints:	with the company __NA__%	with the Consumer Protection Agency __NA__%	taken to Court __NA__%	with the company __NA__%	with the Consumer Protection Agency __NA__%	taken to Court __NA__%
	<b>2009</b>			<b>2008</b>		
Total Added Value to be distributed (in thousand R\$):	In 2009: 5,416,650			In 2008: 9,710,614		
Distribution of Added Value (DAV):	45.35% government 20.76% employees 8.70% shareholders 9.08% third parties 16.11% retained			33.94% government 11.24% employees 11.71% shareholders 21.63% third parties 21.48% retained		

## 7. Other Information

Usinas Siderúrgicas de Minas Gerais S.A. - Usiminas

CNPJ nº. 60.894.730/0001-05

Industry: Steelmaking and Metallurgy

Address: rua Professor José Vieira de Mendonça, nº. 3.011 - CEP 31310-260 - Belo Horizonte (MG)

Telephone: 55 xx 31 3499 8272

This company does not make use of child labor or compulsory labor, and is not involved with prostitution or exploration of children or adolescents.

Our company appreciates and respects internal and external diversity.



## CREDITS

### General Coordination

Institutional Relations and Corporate Communication Area

### Working Team

Planning and Management Area

Usiminas Mecânica Management

Mining Area

Research and Innovation Area

Human Resources Area

Institutional Relations and Corporate Communication Area

Legal Area

Strategic Planning, Merger, Acquisitions and Alliances Area

Automotiva Usiminas Management

Soluções Usiminas Management

Accounts Area

Sales Area

Planning and Logistics Area

Engineering and Expansion Area

Supplies Area

Ipatinga Steelworks General Superintendence

Cubatão Steelworks General Superintendence

Internal Auditing Superintendence

Corporate Communication Superintendence

Controlling Superintendence

Marketing Superintendence

Steelworks Environment Superintendence

Investor Relations Superintendence

Usiminas Companies

### Coordination and Contents

Report Comunicação

### Consulting for Economic-Financial Data Communication

FIRB – Financial Investor Relations

### Graphic Design

Tom Comunicação

### Digital Version

Bhtec

### Photos

Daniel Mansur

Ronaldo Ito

Leonardo Galvani Horta

Lumini Fotografia

### Printing

Rona Editora