

Social Report 2006



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Message from the Management

In 2006, we continued our efforts toward sustainable growth of the Usiminas System. We worked out an economic and commercial strategy well suited to the steel industry's specificities, contemplating a long-term vision of the Company. Moreover, we invested in good corporate governance, creation of intangible assets, intensive relationship with our stakeholders and environment preservation.

In line with our history of productivity, efficiency and quality, we ended the year with in excess of 8.8 million tons of crude steel produced by the steel mills in Ipatinga and Cubatão. Rolled steel sales reached 7.9 million tons of rolled products, an 8.1% rise from the previous year. These results show that the investments of more than US\$ 3 billion in technological improvement over the past ten years enabled us to cope with the challenges of an increasingly competitive steel market.

Our shareholders restated their commitment to this investment approach and the consolidation of the Usiminas System. By signing the new Shareholders' Agreement, the Nippon Group, the Group Caixa dos Empregados da Usiminas, the Votorantim/Camargo Correa Group, and Companhia Vale do Rio Doce reaffirmed their interest in supporting the projects under way, which helps to strengthen our long-term sustainability. These are solid partners that gather

together corporate skills, technological capabilities and market expertise, essential factors to enhance value creation for the Usiminas System's shareholders.

We ended the year with 39,329 direct employees in Brazil. All over the world – including MRS Logística S/A and Ternium S/A, companies in which we hold minority interest – our headcount is 63,900 direct jobs. And we invested about R\$ 9.68 million in educational, training and personal development programs for these employees in Brazil. Social benefits amounted to R\$ 529.96 million among supplementary retirement grants, catering, welfare, medical, hospital and dental care, education, leisure, sports and insurance.

Our employees are one of the foundations of our strong organizational culture, based on ethics, the endeavor to cope with the challenges, technological development, quality, and human being appreciation. In association with other attributes, this culture provides the Usiminas System with an intangible value higher than the value of its assets.

Another increasingly important factor behind the positive image our stakeholders have from us is our commitment to the rational use of natural resources and environment preservation. From 1994 through 2006 we invested R\$ 815.2 million in environmental impact control equipment at



José Bonifácio de Andrada e Silva Steel Mill, in Cubatão (SP). Similar investments at Intendente Câmara Steel Mill in Ipatinga (MG) amounted to R\$ 1.2 billion since the steelworks start-up.

This history enables us to start a new investment cycle, which translates into the two major aspirations of the Usiminas System, namely: to consolidate itself as absolute leader in the Brazilian flat steel market and become a major player in the international slab and rolled steel markets. This is the challenge we face in the medium and long run in view of the increasing concentration trend and competitiveness in the world steel industry.

We believe that any industrial expansion policy must have as an essential principle the harmony between production processes, on one side, and the society's natural and human capital preservation, on the other side. The steel industry and sustainable development are not paradoxes; rather, they are possible and necessary dialogues, and our investment cycles have always taken this principle into account.

This report of activities was prepared in accordance with the Guidelines for Sustainability Reports from the Global Reporting Initiative – GRI/2002. It represents a balanced and reasonable reporting of the Organization's economic, environmental and social

performance. In addition, it sheds light on this more comprehensive corporate vision we advocate and details our commitment to the principles of the Global Compact, so as to validate and disclose the investments made by the Usiminas System's companies.

Through this report we begin our progressive adherence to G3, the third generation of GRI guidelines, issued in October 2006. Such an effort starts with this annual report and it is set to continue in our future reports. It will improve our accountability toward all our stakeholders, helping us to continuously upgrade our practices and sustain our successful business.

We believe that a long-term vision and investments with a focus on sustainable growth will lead us to greater customer loyalty, healthier relations with suppliers, talent retention, respect for the communities affected by our activities, and meeting the present needs without endangering the possibility of future generations to meet their own needs.

Rinaldo Campos Soares
Chief Executive Officer of Usiminas

The steel industry and sustainable development are not paradoxes; rather, they are possible and necessary dialogues.

The Usiminas System

Mission

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

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

Vision

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

This Vision is the foundation for the Company's macro-strategies, crafted with the participation of the Senior Management Team and established through an analysis of culture, identity, the technical and operating diagnostic, the competitive position in the marketplace, the operating performance and social-environmental impacts, progressing towards business opportunity analyses and long-term forecasts, always and indissolubly reconciling the economic and social dimensions of profit:

- To consolidate the leadership in the Brazilian flat steel market and become a major player in the foreign slab and rolled steel market.



The Usiminas System's mission is focused on equitably creating value for its stakeholders through steelmaking and related activities.



Profile of the Usiminas System

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

Over the years, the Japanese influence has been renewed through technical assistance agreements and new joint business developments.

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

Usinas Siderúrgicas de Minas Gerais S/A – USIMINAS

Headquarters: Rua Professor José Vieira de Mendonça, 3.011
Belo Horizonte
CEP 31 310-260

Founded: April 25, 1956

Capital stock: R\$ 5,400 million

Total number of stocks: 225,285,820

Nominative common stocks: 112,280,152

Nominative preferred stocks: 113,005,668

Stock Exchange Listing

Bovespa: USIM3; USIM5 and USIM6

NYSE: ADR level 1 – USNZY

Latibex: XUSI

Number of employees: 21,495 (consolidated),
8,074 (company)

Quantitative data and the report refer to the fiscal year starting January 1 and ending December 31, 2006.

An overall view of the Company's managerial approach and financial information may be found at the website:

www.usiminas.com.br

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

Operating in steel making and in businesses where steel is present, the Usiminas System operates in Brazil in the production, distribution and processing of flat steels, structural shapes, blanks, capital goods and industrial logistics. In 2006, it kept its position as Latin America's biggest flat steel complex, through the integrated management of the following businesses:

Industry

Company

Number of employees as of December 31, 2006

Activities

Steel Mills

USIMINAS
Ipatinga (MG)
10.5 million sq. meters

8,074 employees;
6,782 outsourced personnel in support activities.

Production and sale of steel slabs, and hot- and cold-rolled steel products, either coated or not.

COSIPA
Cubatão (SP)
12.5 million sq. meters

5,646 employees;
5,965 outsourced personnel in support activities.

Production of uncoated flat steels (slabs, heavy plates, hot- and cold-rolled products).

TERNIUM
Argentina, Venezuela and Mexico

17,235 employees
3,479 outsourced personnel in support activities.

Luxembourg-headquartered steel complex whose industrial activities are carried out by Siderar (Argentina), Sidor (Venezuela) and Hylsa (Mexico).

UNIGAL
Ipatinga (MG)

166 employees;
80 outsourced personnel in support activities.

Processing of cold-rolled steel sheets by means of hot-dip galvanizing for civil construction, automobile and home appliance industries.

Capital Goods and Blanks

USIMINAS MECÂNICA
Ipatinga (MG),
299,000 sq. meters

4,405 employees;
701 outsourced personnel in support activities.

Manufacture of equipment and heavy steel structures.

USIPARTS
Pouso Alegre (MG),
143,000 sq. meters

1,059 employees;
102 outsourced personnel in support activities.

Production of cabs, complete assemblies and steel and aluminum car bodies for the automobile industry using stamping, assembling, welding and painting processes.

Logistics

USIFAST
Betim (MG),
125,000 sq. meters

702 employees;
66 outsourced personnel in support activities.

Focus on multimodal logistic solutions and customs services. It operates an Inland Customs Station (EAD) in Betim, general cargo warehouses, road transportation and complex industrial logistic services.

MRS Logística
Juiz de Fora (MG)

3,275 employees;
572 outsourced personnel in support activities.

Railway company that controls, operates and monitors the Federal Railway's Southeast System, with 1,674 km rail track in total. The company's focus is integrated logistics and general cargo transportation.

RIOS UNIDOS
Guarulhos (SP)

254 employees;
244 outsourced personnel in support activities.

Road transportation.

PORTO TPPM
Vitória (ES)

Terminal operated by Usiminas.

Maritime terminal.

PORTO TMPC
Cubatão (SP)

Terminal operated by Usiminas.

Maritime terminal.

Distribution and Services

FASAL
Santa Luzia (MG),
138,000 sq. meters

261 employees;
20 outsourced personnel in support activities.

Steel distributor with outstanding presence in the steel product market.

RIO NEGRO
Guarulhos (SP) and Taubaté (SP),
120,000 sq. meters

1,095 employees;
285 outsourced personnel in support activities.

One of the country's biggest steel service centers, with operations in steel distribution, processing and handling. In addition, it controls the company Rios Unidos Transportes, which is in charge of Rio Negro transport operations.

DUFER
São Paulo (SP),
46,000 sq. meters

320 employees;
23 outsourced personnel in support activities.

Coated and uncoated flat steel distribution and steel processing and cutting in different shapes and dimensions.

USIAL
Vitória (ES)

Company operated by Usiminas Mecânica.

Steelwork fabrication and sales.

USIROLL
Ipatinga (MG),
3,000 sq. meters

21 employees.

Texturizing and chromium plating services for cold rolling rolls and rollers in general.

Social

Fundação São Francisco Xavier – Ipatinga (MG),
177,801.61 sq. meters

3,257 employees.

Non-profit private entity that runs Colégio São Francisco Xavier, Márcio Cunha Hospital, Integrated Dental Center and Usiminas Cultural Center.

CONSUL
Ipatinga (MG),
6,842 sq. meters of sales area

482 employees.

Ensures the supply of quality consumer goods and foodstuffs at competitive prices.

Caixa dos Empregados da Usiminas e Femco
Ipatinga (MG) and Cubatão (SP)

66 employees.

These are private social security entities chartered to supplement retirement benefits for the employees of their institutor companies.

Coopeco and Cooperativa de Crédito Mútuo dos Empregados da Usiparts

23 employees.

These cooperatives promote savings and finance the needs or ventures of their participants.

Parent Company

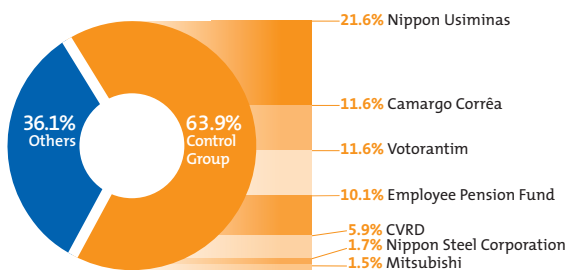
Controlled Company

Wholly-Owned Subsidiary

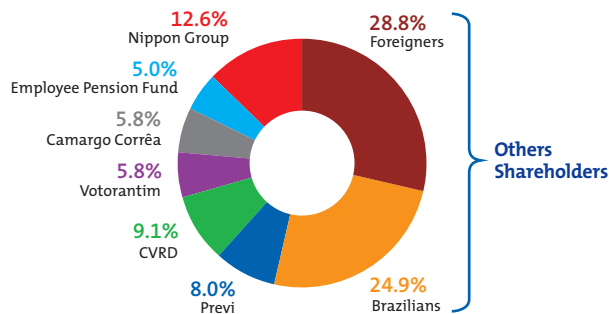
Controlling Stake

Social Entity

Usiminas S/A
Distribution of the Common Shares – Shareholding Control



Usiminas S/A
Capital Breakdown



Corporate Governance

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

On November 6, 2006, such orientation and commitment were again restated through a new Shareholders’ Agreement. Under this new Agreement, Companhia Vale do Rio Doce (which was already a shareholder) and Nippon Steel Corporation (an indirect participant of the previous Shareholders’ Agreement through its stockholding interest in Nippon Usiminas Co. Ltda) became part of the controlling group, which holds 63.9% of the common shares. The shareholders Selenium Holdings S/A (Bradesco) and Johannes Sleumer do not participate in the New Agreement.

This new Shareholders’ Agreement is valid through November 2021 and its main deliberations include:

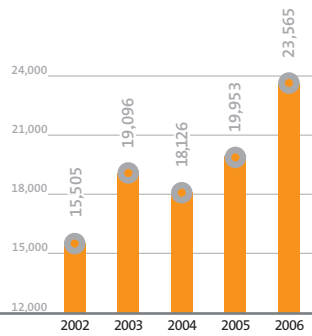
- The nine members of the Board of Directors that represent the controlling shareholders are appointed as follows: Nippon Usiminas Group, 3 members; Votorantim/Camargo Corrêa Group, 3 members; Caixa dos Empregados da Usiminas Group (Employee Pension Fund), 2 members; and Companhia Vale do Rio Doce, 1 member;
- The main deliberations are approved by at least 85% of the controlling shareholders.

As a public company, Usiminas institutional relations are in strict compliance with the provisions of the Brazilian Securities Commission. The Company adopts a formal, equitable relationship program with stock market agents and the public at large. The fulfillment of these guidelines is monitored by corporate internal auditing, reporting to the Board of Directors.

Managing the Usiminas System’s companies conforms to the principle of developing long-term relations with their customers and suppliers.

Along with full compliance with Brazilian law and universally accepted corporate governance, environment and human right conventions, treaties and principles, the companies favor quality parameters applicable to both products and services, as well as to interpersonal relations with shareholders, employees, communities, and governmental and non-governmental entities.

Usiminas S/A
Total Number of Shareholders



Structure of Corporate Governance Process

Board of Directors

Made up of twelve full-time members and their respective substitutes, elected by the General Shareholders' Meeting for a two-year term of office – with possibility of reelection – the Board of Directors brings together directors with vast experience and tradition in long-term investments in the productive sector, a hallmark of the steel industry.

Responsible for the election and powers of the Executive Board members, the Board of Directors' mission is to oversee the Company's business in general, establishing basic management guidelines and performance control criteria. The Board of Directors is also in charge of the annual budget, investment programs and interests in other companies, among other activities. The Board met nine times during 2006.

Executive Board

One Chief Executive Officer and six other officers (Finance and Investor Relations, Industrial, Domestic Sales, Export Sales, Development and Special Relations) comprise the unified Executive Board of the Usiminas System. Their terms of office coincide with those of the members of the Board of Directors and reelection is permitted.

The Executive Board seeks to equitably meet the objectives of the System companies' stakeholders. Clear, transparent guidelines are established for the day-to-day activities of the System management in its internal and external relationships, without accepting corruption, bribery or attitudes that go against universally accepted moral and ethical principles. By combining social corporate responsibility and effort and resource synergies, it offers the society high-quality technologies, products and services.

Under the new Agreement the shareholders reaffirmed their commitment to sustainable development.

Permanent Fiscal Council

The Fiscal Council is composed of five members elected by the General Shareholders' Meeting. The Council is in charge of overseeing the actions of the administrators and ensuring compliance with their duties, as set forth in applicable law and the company bylaws, in addition to reviewing the financial statements. The Fiscal Council also provides opinions on proposals related to changes in the corporate capital, investment plans and capital budget, the paying out of dividends and the transformations, merger or split-off of the Company. It met four times and issued four opinions in 2006.

Independent Auditors

The Company's policy concerning non-audit-related services of its independent auditors ensures that there are no conflicts of interest, or loss of independence or objectiveness. In addition, in compliance with CVM Ruling No. 381/2003, the contracts in force and the services currently rendered by the independent auditors to the Company and its affiliated companies are solely related to external audit works.

Moreover, the Usiminas System uses external auditors to check its facilities, and production and management systems for compliance with both international and local environment, safety, occupational medicine and quality standards.

Internal Auditors

Usiminas maintains an Internal Audit System that aims to guarantee compliance with policies and strategic objectives through organizational structure, rules and procedures. Giving priority to the adoption of control mechanisms that take into account the agility required by the competitive environment, this system is continually reviewed and monitored. In addition to ensuring an ethical behavior in conducting business, we seek transparency in the generation of information, rational use of resources, and preservation of organization's interests and assets.

There is a link on the intranet for the "Internal Auditors" page that allows employees to communicate with the Internal Audit Department to request its services or to report situations that may require its attention, thus expediting the flow of information and improving the internal control effectiveness.



Rolling Mill Control Room – Intendente Câmara Steel Mill.

Integrated Management System Guidelines

The management model, which is a distinguishing feature of the Usiminas System's organizational culture, reflects the struggle for continued improvement and innovation of processes, products and services, according to the following guidelines:

- Ethical behavior in business and compliance with legal and regulatory requirements associated to the products, processes, people and premises, acting as managerial vectors;
- Strategies, action plans and processes are designed to ensure customer satisfaction and loyalty;
- Preservation of the individual's health and well-being, whose valuation, capacity-building, involvement, motivation and accident prevention-based safety are permanent goals;
- Preventing pollution, identifying and controlling environmental impacts, reducing solid waste, ensuring the quality of liquid effluents and atmospheric emissions, and the rational use of water, power and raw materials are basic requirements in carrying out all of our activities.

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

Risk Management

Mapping the existing risks in the corporate processes and checking the risk control and treatment effectiveness are inherent aspects of Usiminas' internal corporate audit methodology, which takes a preventive approach. Control improvement and action implementation recommendations are monitored on a yearly basis, involving all the areas in charge of their implementation.

For 2007, this process will further deepen the assessment of risks in connection with the means and resources allocated to industrial equipment maintenance and meeting strategic customers' requirements. Besides, internal audit will broaden its focus to assess the existing risks and controls of at least 50% of the System's non-steel organizations.

The management model seeks continued improvement and innovation of processes, products and services.

Details of risk management related to industrial operations, finance and currency, technology, market and conjuncture, environment, social aspects, and information security are available in the electronic version of this document, which may be found at Usiminas web site www.usiminas.com.br

Awards

In 2006, the Usiminas System was conferred the following awards and distinctions:

- Winner of the Social Statement Award 2006 in the category Large Company Highlight – Industry, promoted by the Brazilian Association for Corporate Communication (Aberje), Capital Market Investment Professional and Analysts Association (Apimec), Foundation for Social and Corporate Development (Fides), Brazilian Institute for Social and Economic Analyses (Ibase) and Ethos Institute of Companies and Social Responsibility;
- Finalist in the Transparency Trophy 2006 – X Anefac/Fipecafi/Serasa Award, conferred by the National Association of Accounting, Management and Finance Executives (Anefac) in the Public Company category;
- Honorable Mention in the Best IR Executive Award by IR Magazine Awards according to a survey carried out by Getúlio Vargas Foundation;
- I3 Award – Individual Investor Index, conferred by Expo Money for participation in events in São Paulo and Minas Gerais;
- Apimec Assiduity Seal 2006 granted by Capital Market Investment Professional and Analysts Association (Apimec) to companies that make presentations to Apimec analysts for consecutive years: Apimec-MG – 5 years; Apimec-SP/RJ/DF/NE/Sul – 3 years.
- It was ranked first in this same category by Gazeta Mercantil Magazine – Annual Report 2006 Award, for its profitability and net revenue.



- In 2006, Usiminas' Xerimbabo Environmental Education Project was ranked 2nd in the CNI 2006 Award in the Sustainable Development category, Medium and Large Industries class.
- Cosipa won the 12th Edition of Fiesp's Environmental Merit.
- Cosipa was awarded the INDA Social Action 2006 Award by the National Steel Distributors Association for its Mantigueira Project.
- Rio Negro was conferred the INDA Social Action Award for its social and community initiatives.
- Rio Negro was honored with Valor 1000 Award by *Valor Econômico* newspaper among the 1000 most successful companies in Brazil.
- *Valor Econômico* newspaper also awarded Rio Negro, for the 3rd year in a row, with the Career Value Award for companies with 501 to 1000 employees.
- Rio Negro was also granted the Enlightened Company Award by Casas André Luiz, a welfare entity that assists 1,440 handicapped people.
- *Você S.A.* and *Exame* magazines mentioned Rio Negro for its workplace environment favorable to employee's personal and professional development, and for its actions toward the well-being of the surrounding communities.

**Cosipa won
the 12th
Edition of
Fiesp's
Environmental
Merit.**



Economic Performance

In 2006, the Usiminas System's net revenue amounted to R\$ 12.4 billion, a 4.8% drop from 2005 figures. This decline, in spite of the 8.1% rise in sales tonnage (+6.9% in the domestic market and +10.6% in the foreign market), resulted from lower average prices, product mix and the Brazilian currency appreciation versus the U.S. Dollar.

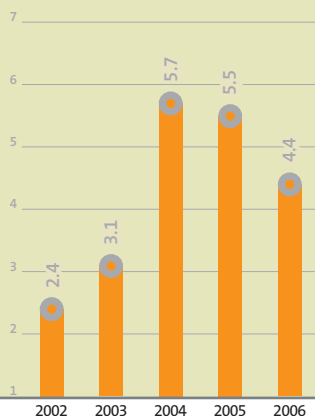
EBITDA (earnings before interest, tax, depreciation and amortization) amounted to R\$ 4.4 billion. The consolidated EBITDA margin

reached 35.2%, 7.2% down from 2005 figures, as a result of lower average prices in the period.

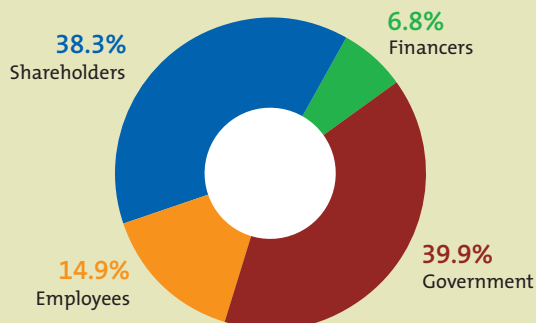
The consolidated net earnings reached R\$ 2.5 billion, 35.8% lower than that of the previous year. Net margin was 20.3%, compared to 30.0% in 2005.

Value added, an indicator of the wealth created by the Usiminas System and distributed to the society, amounted to R\$ 6.6 billion in 2006. This figure is 21.9% lower than that of 2005, and it is a consequence of the lower results.

Earning Before Interest, Tax, Depreciation and Amortization – EBITDA
R\$ billion



Value Added Distribution – R\$6.6 billion





View of Intendente Câmara Steel Mill in Ipatinga – MG.

Economic Performance Indicators

	USIMINAS		CONSOLIDATED	
	2006	2005	2006	2005
Wealth Generation – R\$ thousand				
(A) Gross sales revenue and non-operating result*	8,932,649	9,090,110	16,238,606	16,879,513
(B) Goods and services procured from third parties	(5,037,397)	(4,313,444)	(9,410,116)	(8,051,742)
(C) Gross value added (A – B)	3,895,252	4,776,666	6,828,490	8,827,771
(D) Retentions (depreciation, amortization, depletion)	(264,307)	(250,124)	(601,128)	(558,789)
(E) Net value added (C – D)	3,630,945	4,526,542	6,227,362	7,492,953
(F) Transfers				
Affiliated and subsidiary equity holdings	997,368	1,888,053	150,171	922,964
Financial revenue	61,399	129,774	185,192	114,220
	1,058,767	2,017,827	374,019	1,037,184
(G) Value Added to be distributed (E + F)	4,689,712	6,544,369	6,562,725	8,530,137

Distribution by Stakeholder

	2006	2005	2006	2005
GOVERNMENT				
Taxes, net of exemptions	1,432,701	1,809,406	2,477,139	2,898,954
EMPLOYEES				
Wages and benefits	384,427	339,502	774,309	727,639
Social security charges**	63,201	57,061	142,045	110,039
Private pension fund	93,391	32,670	75,802	29,535
Employee's result sharing	36,720	67,554	69,771	96,812
Executive Board remuneration	41,423	34,897	60,583	49,220
FINANCERS				
Debt remuneration	135,885	289,988	447,615	699,509
SHAREHOLDERS				
Dividend pay-out and interest on equity	850,000	1,115,308	850,000	1,115,308
Retained earnings/losses in the period	1,651,964	2,797,983	1,665,461	2,803,121

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

** Amounts relative to social security charges and taxes were allocated under "Government" in the published Value Added Statement, according to the guidelines issued by the Federal Accounting Council in the form of the Brazilian Accounting Standard T no. 37 published in the Government's Official Daily Newspaper on January 25, 2005.

Productivity Indicators

	USIMINAS		CONSOLIDATED	
	2006	2005	2006	2005
Gross Margin	34.6%	44.6%	34.4%	41.5%
Net Margin	36.9%	56.3%	20.3%	30.0%
Assets Turnover (net margin/average assets)	2.70	4.59	1.10	1.71
Average Return on Assets (ROA) (Operating income* /Average Assets**)	14.6%	23.2%	19.2%	27.1%
Indebtedness Ratio (loans + financing / Shareholders' Equity)	0.09	0.14	0.19	0.45
Liquidity Ratio	2.35	1.76	2.39	1.69

* Operating Income = Operating Income before interest expenses and revenues, and affiliated and subsidiary equity holdings.

** Average assets = Weighted average between the total assets of the current fiscal year and total assets of previous fiscal year.

The Usiminas System and its Customers

The Usiminas System's companies are positioned in the middle line of the production chain and have no direct contact with the end users of their products. Their customers are other segments of the manufacturing industry, and they are mostly sizeable industrial companies, certified by domestic and international standards relating to quality, environment, health, occupational safety and corporate social responsibility.

Therefore, instead of a conventional Customer Service Center, the Usiminas System's companies maintain specialized customer support teams, which count on the backup from Usiminas Research & Development Center. Besides this direct contact, the System offers the possibility of access via internet portals through a "Talk to us" tool, which is made available to any person, company or entity, either prospect customers or not.

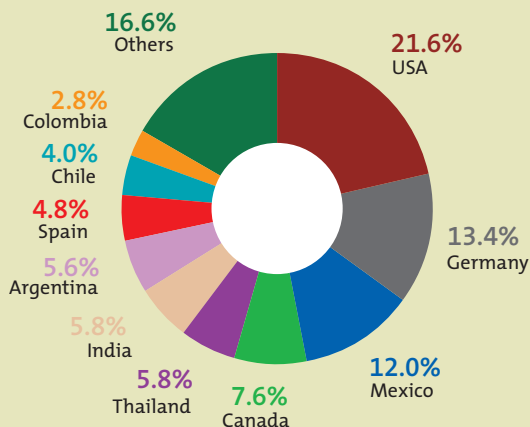
By developing innovative processes, products and technological solutions in a joint work with customers, suppliers, universities and research entities, the Research & Development Center provides the Usiminas System with the necessary conditions to meet future requirements. This search for innovation enabled the System to amass, as of December 2006, 615 patent applications with Brazil's National Institute of Industrial Property (INPI), of which 390 were granted, plus 51 applications abroad, out of which 23 granted.

The Usiminas System's overall sales volume reached about 7.945 million tons of steel products in 2006, a 8.1% rise from previous year.

Out of this total, 2.657 million tons were exported, with a special focus on steel slabs, cold-rolled sheets and galvanized steels.

In the domestic market, the Usiminas System answered for 51.9% of the overall demand, supplying products according to customer specifications.

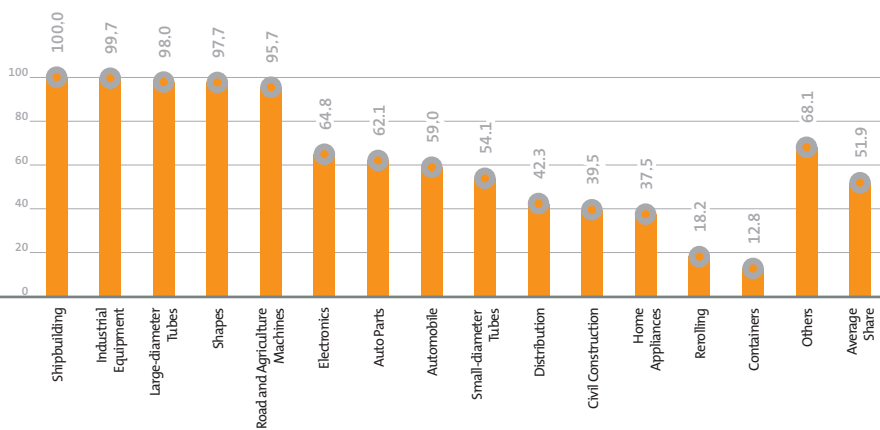
Usiminas System's
Main Foreign Markets Worldwide – 2006





Coil shipment at Unigal S/A.

Usiminas System's
Share in the Brazilian Flat Steel Market 2006
Percentage



The Usiminas System and its Suppliers

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

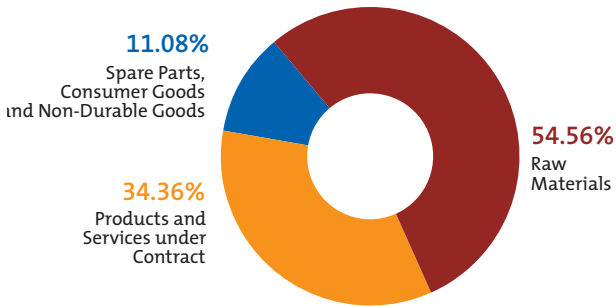
The procurement process management seeks to harmonize the interests of System's companies with the suppliers' profile, by working along four main fronts:

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

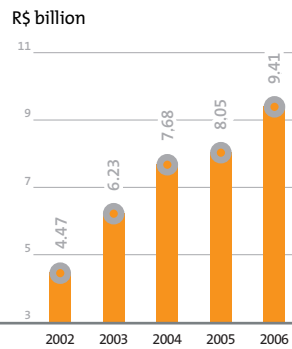
The suppliers of raw materials, such as coal, ores, ferro-alloys and refractories, among others, are also sizeable companies that adopt policies similar to those of the System's companies, and they are both domestically and internationally certified for their quality, corporate social responsibility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

All the contracts with service and product vendors contain provisions stipulating the compliance with legal obligations relating to environment, formal employee hiring as established by the current Brazilian labor laws and the International Labor Organization's conventions, social responsibility and human rights, and fostering the dissemination of the 10 Principles of UN Global Compact Program, which Usiminas has adhered to.

Usiminas System
Goods and Services Purchased from Third Parties



Usiminas System
Total Purchase Value



The System’s rigorous standards overlay these provisions as concerns environmental impact control, barring child labor, and a series of stances relating to quality, environment, occupational health and safety, verifiable by means of random inspections made by contract managers. The General Conditions for Supply of Services and Goods include over 150 clearly defined provisions. The General Conditions are available at the Usiminas website for whoever wishes to apply as a supplier.

The procurement of spare parts, non-durable consumer goods and single items, as well as all supply contract signatories rely on an on-line IT support available at the Usiminas System website. Called “e-Suppliers”, this support tool enables process follow-up and transparency.

Suppliers are reviewed via the “Supplier Development Process – SDP” in the different stages of the supply process, and they are granted a rating on issues such as delivery times, quality, environment, and labor relations, among others. The system is available for consultation by any supplier using an access password, affording the supplier’s continued development vis-à-vis requirements.

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

Awards conferred to Usiminas System’s Suppliers in 2006

General Materials Category

Henkel Ltda – chemicals used mainly in the cold rolling mill, such as degreasing and fastening agents

Raw Materials and Refractories Category

Companhia Brasileira de Metalurgia e Mineração – CBMM – mining, processing, manufacturing and sales of niobium-based products

Contracts and Services Category

NM Engenharia – NM Service Group – technological services in anticorrosion treatment, civil maintenance, boilermaking, thermal insulation, roofing and siding, electromechanical, and industrial cleaning.

The Usiminas System and its Employees

The Usiminas System's companies recorded 21,495 employees as of December 31, 2006, for a grand total of 39,329 direct jobs when added to the 13,780 outsourced support personnel and the 3,905 jobs in instituted or supported social entities. Worldwide, if one considers the two companies in which Usiminas holds a minority interest – MRS Logística S/A and Ternium S/A – the System totals 63,900 direct jobs, out of which 46,069 personnel employed in the companies' core activities and 17,381 outsourced support personnel.

In Brazil, approx. R\$ 9.68 million were invested in personnel education, training and development programs. Compensation plus security charges and benefits amounted to R\$ R\$ 1,122.51 million.

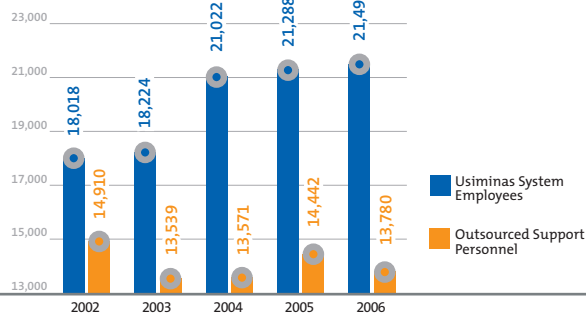
The social benefits provided to employees and their families amounted to R\$ 571.32 million, including supplementary pensions, catering, social, medical, hospital and dental care, education, leisure, sports and insurance.



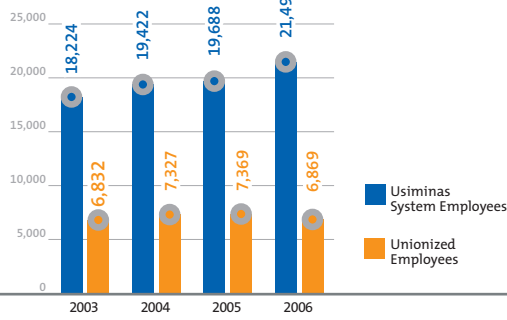
R\$ 9.7 million were invested in personnel capacity-building programs. Social benefits granted to employees and their dependents amounted to R\$ 530 million.



Usiminas System
Direct Jobs in Brazil
No. of employees



Usiminas System
Number of Unionized Employees in Brazil
No. of employees



Interaction between the Companies and their Employees

The management model adopted by the Usiminas System takes into consideration the regional cultural characteristics and highlights, as a matter of principle, the channeling of employee expectations through a direct relationship with the immediate superiors, with the labor unions and spontaneous leaders belonging to the Internal Accident Prevention Committees and voluntary groups who work on issues such as quality, environment, work safety and social activities in the community.

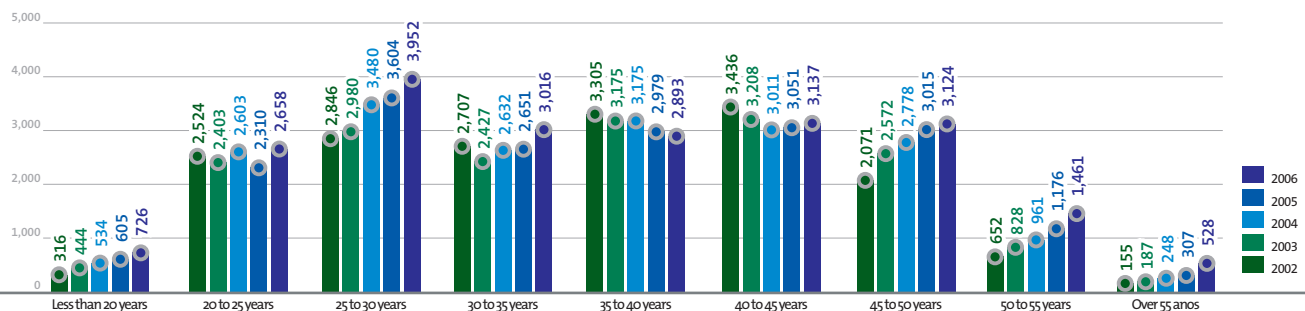
All employees, both unionized and non-unionized, are covered by Conventions and Collective Agreements that provide for Work Relations, always in compliance with and in addition to the Brazilian labor regulations and the International Labor Organization's deliberations concerning labor protection, human diversity, and child and slave labor. Such Agreements and

Conventions are annually renewed through negotiations with labor unions. Usiminas is a signatory of UN Global Compact to promote implementation of its 10 principles along its entire production chain.

In addition, the Usiminas System's people management model encourages the dialogue through programs such as "Meet the President", in which the employees spontaneously establish direct contact with the Company's senior management. Regular meetings between supervisors and managers with all their subordinate employees are also held, at which occasion the employees, either openly or undisclosed by request, voice their doubts, critiques and claims vis-à-vis the Company.

At Usiparts Sistemas Automotivos, such contact between the company and its employees entails general improvement actions for better internal communications, team engagement and a better internal ambiance, besides promoting awards for good suggestions. During 2006, around R\$ 26,000.00 were granted to suggestion authors.

Usiminas System
Headcount Frequency by Age Bracket in Brazil
No. of employees



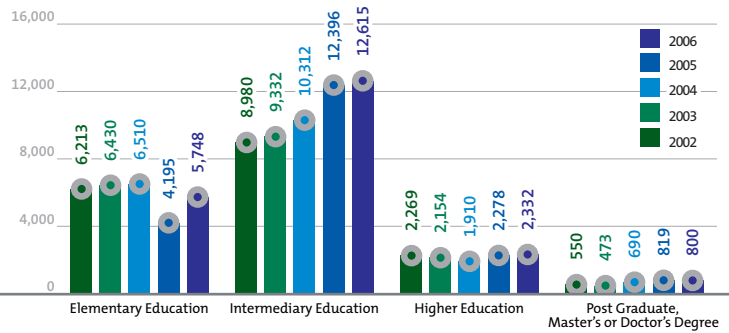
What makes the Capital x Labor relations in Ipatinga smoother, without major conflicts, is the open dialogue and negotiation approach both the company and the union adopt. For Sindipa, a fruitful negotiation is much more important than to show a demagogic, fictitious combativeness. Therefore, without waiving any of the worker's rights or claims, the union seeks and finds in Usiminas management a negotiation channel that enables the workers' struggles to advance, with the resulting social and economic progress for the workers, with positive impacts on the whole Ipatinga community.

This productive dialogue and good neighborhood policy leads to safety, well-being and financial gains to the workers, while allowing the company to plan its future investment steps without the fear of unnecessary disturbances in the labor relations.

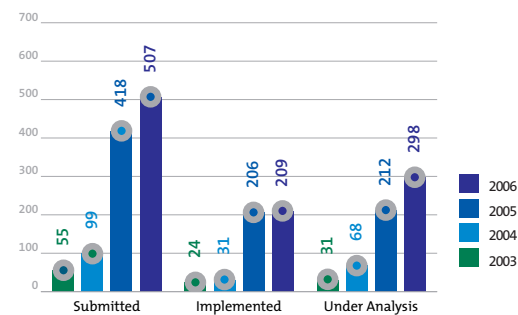
Luiz Carlos Miranda

President of the Steel Making, Metallurgical, Mechanical, Electrical Material and IT Workers of Ipatinga, Belo Oriente and Santana do Paraíso (Sindipa)

Usiminas System
Headcount Schooling Frequency, in Brazil
No. of employees



Usiparts Sistemas Automotivos
Employee Suggestion Program
No. of suggestions



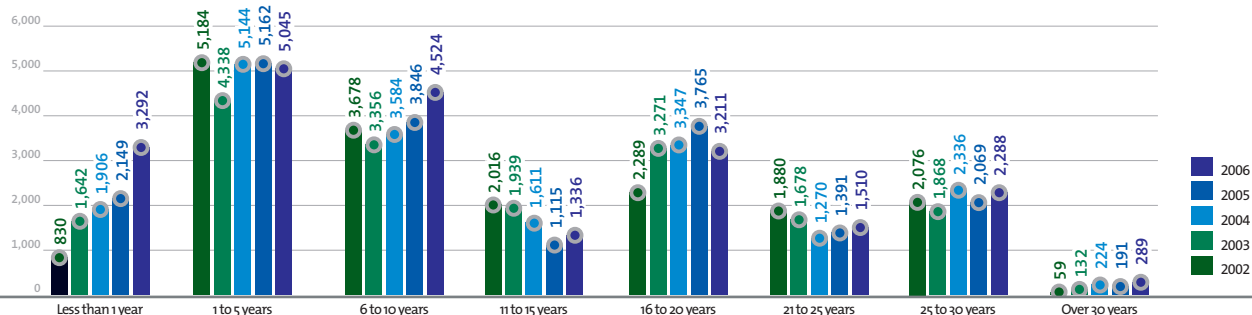
Usiparts has developed, among others, a specific program to encourage employees' families to visit the industrial plant, followed by speeches about the Company's plans and activities. The visits culminate with a lunch at the company's mess hall, where employees share with their families this moment of their daily routine.

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

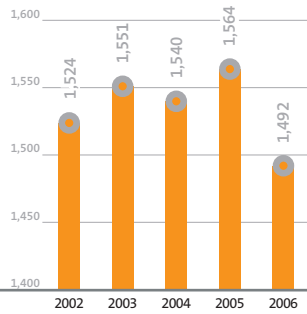
Under the slogan "Health and Quality of Living – A matter of attitude", Rio Negro implements programs such as Living Well, Managing Your Money, Combating Drugs and Preparation for Retirement, among others. These programs include speeches, examinations and in-house contests intended to promote a healthier, more balanced life style in a productive and harmonious workplace.

Among the main programs developed by the Usiminas System's companies with a focus on the employees and their families, the following are notable:

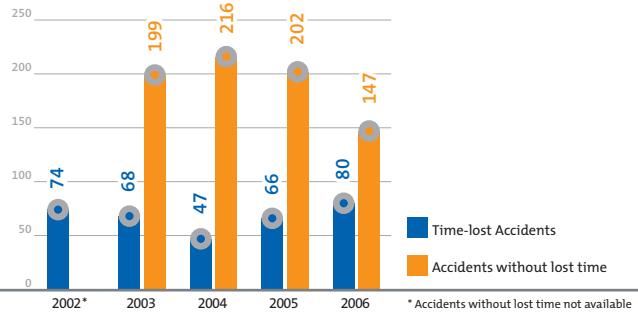
Usiminas System
Headcount Seniority Frequency in Brazil
No. of employees



Intendente Câmara Steel Mill
Membership of Voluntary Safety Group
No. of membership



Usiminas System – Brazil
Number of Work Accidents with and without Lost Time
No. of accidents



Occupational Safety and Health

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

Every day, before the beginning of the industrial activities, brief meetings are held in all the Usiminas System’s companies, during which the employees participate in the Daily Safety Dialogues under the leadership of their immediate supervisors. Matters discussed include the work conditions and risks, and preventive measures to be adopted during the performance of the scheduled activities. The outcome is a stronger commitment of every employee toward the team’s and his/her own safety.

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

They participate in the Study on Accident Hypotheses, in which the employee, either openly or undisclosed by request, can enter into a computerized system his/her remarks concerning accident-happening potentials. Every communication is assessed and the most complex cases are referred to Work Medicine and Safety specialists.

Together with expert personnel, the groups prepare the so-called “Operation Standards”, an analysis of every activity performed by the employees from the standpoints of quality, rationality, environmental impacts and mainly work safety and hygiene.

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

Since it was founded over 40 years ago, USIMINAS has always been one of the country's main steel producers. And one of the reasons that led to the acknowledgment, both in Brazil and abroad, as a company that meets its customers' requirements with quality products is the approach USIMINAS adopts in work safety matters. USIMINAS has always been concerned about its employees' awareness of the importance of following the operational procedures, with an emphasis not only on safety, but also on health and quality of living of all those who work for the company.

Gil César de Assunção
USIMINAS Standard Worker



Cosipa's Occupational Health Center.

As in Intendente Câmara Steel Mill, the operating activities of Cosipa's José Bonifácio de Andrada e Silva Steel Mill in Cubatão (SP) are also carefully described by occupational safety and medicine specialists, with the involvement of the operating cell and the decisive employee participation, organized as 434 Voluntary Safety Groups made up of 3,708 employees. In 2006, 2,535 employees participated also of Motivation Cells with a focus on quality, environmental and occupational safety issues.

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

Should an accident occur, with or without individual injury, involving either employees or outsourced personnel, it will be immediately communicated to all operating units' employees via intranet through the program "Dissemination with Participation". Supervisors hold weekly meetings with their respective employees to analyze accident circumstances, and they prepare a preventive action plant, which is submitted to the Work Safety department.

These and other programs and activities are a part of the Integrated Management System that establishes a clear policy comprising actions relating to the environment and occupational health and safety, all of them available online to all employees via intranet.

The Occupational Health Center (OHC) installed at José Bonifácio de Andrada e Silva Steel Mill, inaugurated in May 1996, has the purpose of promoting preventive employee health actions, besides complying with the legal aspects concerning Occupational Medicine. The OHC is a part of the Occupational Medicine, Safety and Environment Service and provides social, dental, physiotherapy, round-the-clock medical services at the company and collection of material for laboratory exams, at no cost to the employee.

3,708
employees of
Cosipa's José
Bonifácio de
Andrada e Silva
Steel Mill
participate in
Voluntary Safety
Groups.

At Rio Negro, the specialized occupational safety and health service is supervised by a Management Committee made up of employees appointed by fellow workers and elected in an open, free process. This strengthens the common commitment to accident and occupational disease prevention.

These procedures are included in the Integrated Management Systems of the Usiminas System's companies, and certified as compliant with standard OHSAS 18.001 – "Occupational Health and Safety Assessment Series", renewed following audits conducted by worldwide recognized and accredited certification entities.

In spite of all the efforts, we have to report a casualty in an accident on January 11, 2006 at 09:55. The employee was a 46 years old industrial erection and maintenance mechanic who worked for Usiminas S/A for 27 years. He was deemed as capable for the job according to periodical occupational medicine examinations, having attended both theoretical and practical courses on accident prevention in the mechanical maintenance job.

At the end of a periodic preventive maintenance of the pickling line uncoiler, the worker moved to one of the sides of the platform where he was working in order to signal to the overhead crane operator to move the repaired part. He fell from a height of 5.13 meters through a gap in the equipment. As a consequence, he broke the 5th thorax vertebra and had a rupture in his aorta. He was promptly assisted and sent to a hospital, but he did not afford the wounds and passed away.

Usiminas carried out extensive analyses on the conditions that led to this accident and adopted preventive measures with respect to all the Company's safety devices and programs. Improvement measures were introduced for similar working procedures and incorporated into the operating practices. They are now part of the operational standards and they must be strictly complied with.



Integrated Dental Center – FSFX.

Medical, Dental and Hospital Care

The Usiminas System offers employees and their family members extensive health-oriented programs, which emphasize preventive care. These are Health Promotion, Social Care, Occupational Health and Medical, Hospital and Dental Assistance programs, the latter involving expense-sharing. All of the System’s companies offer comprehensive health plan coverage to all employees and their family members equally.

Bringing together more than 115,000 individuals, including employees, their dependents and retirees, the companies USIMINAS, Cosipa, Usiminas Mecânica, Unigal, Usiroll and Usiparts offer broad healthcare coverage through Fundação São Francisco Xavier (FSFX). This coverage includes hospital stays, consultations, diagnostic examinations and highly complex medical procedures. Through the healthcare plan administrator, Fundação São Francisco Xavier provides quality medical treatment certified under

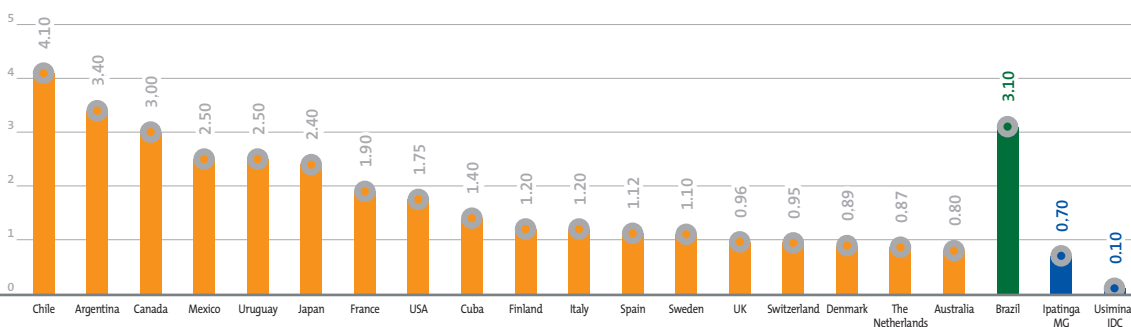
ISO 9000:2000, and improved through customer service surveys of providers and beneficiaries.

FSFX’ Integrated Dental Center (IDC) does not limit its activities to the full restoration of mouth health. Rather, it developed a proprietary service model, the Dental Care Inversion, in which prevention is prioritized as a service strategy.

Cosipa sponsors a program called “Steel Teeth” for its employees’ children, with the purpose of promoting mouth health. With special theater presentations, videos, drawings, speeches and practical tooth brushing, employee’s children between 5 and 12 years of age are motivated to take better care of their teeth.

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

Decayed, Missing and Filled Teeth Index
Population from 12 to 15 years old



Education and Knowledge – The Key to Business Growth

Professional Requalification

Through self-development programs, the Usiminas System enables its employees and outsourced support personnel to realign their professional profiles.

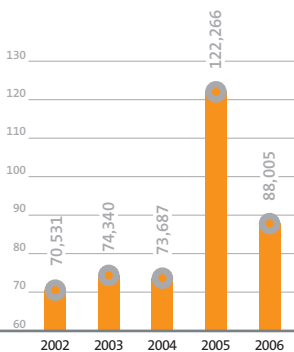
This initiative enables the companies to develop professionals to cope with new technological demands in their production and business structures. It also seeks to retrain professionals in the face of factors such as readapting to a job compatible with the physical capabilities, restructuring of the companies' productive processes and employability in its broadest sense.

Basic Employee Education – Elementary and High School

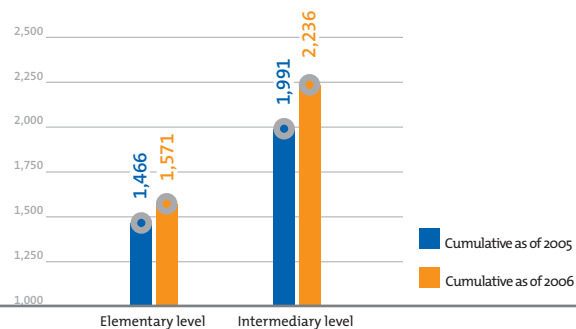
The Basic Education Programs for elementary and high school levels are offered free of charge and aim to raise the level of schooling among employees of the Usiminas System, affiliated companies and service providers.

Specialized teachers guide the students, who are offered flexible times, which do not conflict with the normal workday.

Usiminas System in Brazil
Self-Development – Employee Recycling Programs
No. of hours



Usiminas System in Brazil
Elementary and High School Education Programs
Cumulative no. of graduates





Practical lesson at the Intendente Câmara Steel Mill's Vocational Training Center.

Training and Professional Development

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

Implemented through the Corporate Education Process, these programs put a focus on moral and ethical aspects and at the same time they aim at technical and managerial development. They are conducted in-house and at other institutions, both in Brazil and abroad.

In addition to professional development courses, the Company also offers post-graduation courses (specialization, Master's and PhD) in areas such as management, quality, marketing, technology and environment. These activities are always carried

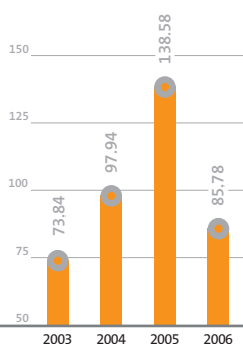
out in partnership with universities and colleges that are deemed as a benchmark in their respective areas.

These programs are opened to the participation of customers and suppliers, enriching the exchange of experiences and making a contribution to an increasingly tighter integration among the production chain agents. The courses offered raised to 34.31% the percentage of Usiminas System's higher education employees holding supplementary background.

The continued investment in personnel improvement enabled the Usiminas System to apply for 615 patents at the National Institute of Industrial Property (INPI) along its history. Of these applications, 390 were granted as of 2006.

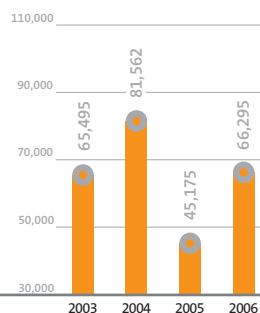
Usiminas System in Brazil

Hours of Capacity-Building Activities per Employee
No. of hours



Usiminas System in Brazil

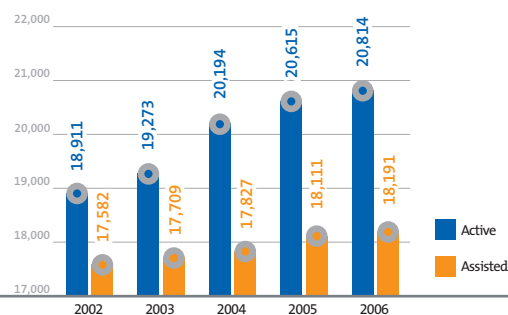
Total No. of Hours in Specialization, Master's and Doctor's Programs
No. of hours



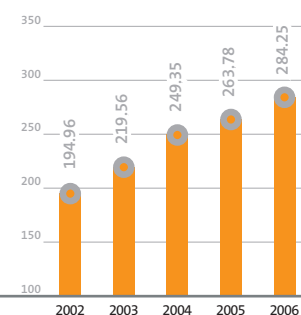
Usiminas System

Private Pension Fund – Caixa dos Empregados da Usiminas and Fundação Cosipa de Seguridade Social

Active and Assisted Participants Membership



Total Pension and Retirement Payments R\$ million



Supplementary Pension Funds

Caixa dos Empregados da Usiminas and Fundação Cosipa de Seguridade Social (FEMCO) were established for the purpose of providing supplementary pension benefits. These are in-house social security entities, and besides providing the employees with a stable standard of living during retirement, they play an important role in talent attraction and retention at the Usiminas System’s companies.

Supplementary pension funds, therefore, represent one of the main human resource management tools in talent seeking and retaining.

In 2006, social security plans paid out continuous benefits to 18,191 retirees and pensioners, totaling R\$ 284.25 million.

Also in 2006, 13,733 participants were extended loans in the amount of R\$ 44.2 million, which figures reflect the substantial social reach of the entities.

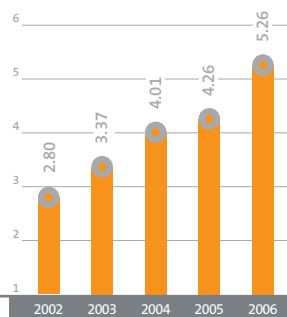
The participation of sponsoring companies in the benefit reserve building relative to the two social security entities amounted to 5.52% of the total payroll amount of participating employees.

Together with the social service of the System’s companies, retirement preparation programs are offered to employees nearing retirement and their families, dealing with behavioral concerns related to retirement and health care.

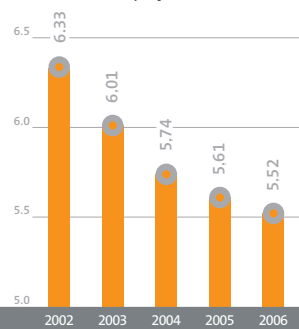
Femco has a standing operating agreement with the Catholic University of Santos (Unisantos), offering favorable conditions for their members and beneficiaries to have access to the remaining slots in the higher education program earmarked for senior citizens.

Both entities seek to permanently improve their services to all the participants and carried out satisfaction polls in 2006. The results showed high acceptance with respect to information made available through the internet, intranet and institutional bulletins, as well as to the customized service rendered by the entities.

Asset Growth
R\$ billion

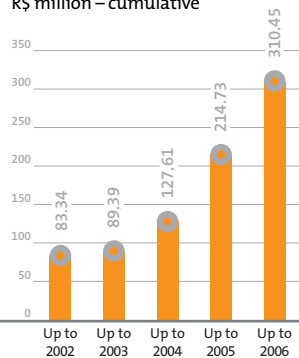


Share of the Sponsoring Entities on the Regular Funding of Pension Plans as a Proportion of Employees' Contribution Salary
% of overall employees' contribution salary

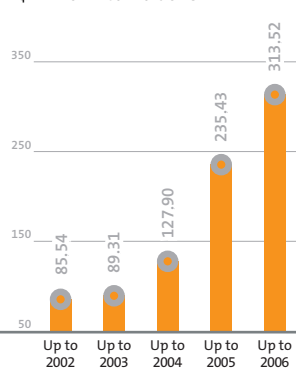


Intendente Câmara Steel Mill's In-house Olympics – Participating athletes.

Dividends and Interest on Equity Credited to Caixa dos Empregados da Usiminas
R\$ million – cumulative



Profit and/or Result Sharing Programs
R\$ million – cumulative



Participatory Programs

One of the most outstanding aspects of Usiminas’ organizational culture is the wide participation and mobilization of its employees.

Employees hold an equity interest, decisively influencing the company’s future. Today, this equity interest, held through Caixa dos Empregados da USIMINAS S/A, amounts to 10.13% of Usiminas’ voting stock, and has received in excess of R\$ 310.45 million in interest on equity and dividends.

Employees’ participation in the processes has been gradually incorporated into the organizational culture of those companies that become a part of the Usiminas System.

Operating and social goals are established through Employee Profit and/or Result Sharing programs, drafted following discussions with Trade Unions and Employee Committees nominated by fellow workers in each of the System’s companies. The accomplishment or excellence of these goals is rewarded by additional compensation.

Future Commitments

	Commitments taken	Progress in 2006	Future Commitments
Employee profile	<p>To increase employee schooling through access opportunities to elementary, intermediary and graduate course.</p> <p>At Usiparts, this commitment breaks down as follows:</p> <ul style="list-style-type: none"> • 85% of the headcount having full elementary education in 2006; • 55% of the headcount having full high school education in 2006. 	<p>Usiparts: The development of elementary and intermediary educational programs resulted in a schooling level (high school and college) of 65.81% as of December 31, 2006.</p>	<p>Usiparts: goals to be accomplished up to 2008 remained unchanged.</p>
	<p>At Usiminas, the goal is to achieve the following percentages of employees having supplementary education and being in capacities requiring higher education:</p> <ul style="list-style-type: none"> • Over 55% by the end of 2005; • Over 60% by the end of 2006. 	<p>At Usiminas, the number of employees having supplementary higher studies graduation increased from 307 to 330 as of December 31, 2006.</p>	<p>At Usiminas, the initial goals were kept unchanged, but deadline was extended up to 2009.</p>
	<p>At Cosipa, the commitment is 100% of the headcount minimally educated at the intermediary level by 2006.</p>	<p>The development of elementary and intermediary educational programs by Cosipa resulted in excess of 93% of personnel having completed the elementary and intermediary education as of December 31, 2006.</p>	<p>At Cosipa, educational actions continue to focus on achieving 100% employees having completed the intermediary education by 2009.</p>
Occupational Safety and Medicine	<p>1. To improve exercising at work programs in the System's companies;</p>	<p>1. The Usiminas program was enlarged in terms of employee participation.</p>	<p>1. To increase employee's participation in the Exercising at Work Program.</p>
	<p>2. To proceed with the studies to build and equip new mess halls closer to the work places at USIMINAS' Intendente Câmara Steel Mill, maintaining the comfort assumptions that beaoned the construction or revamping of the seven existing mess halls.</p>	<p>2. Two new mess halls were completed and inaugurated at Intendente Câmara Steel Mill in 2006.</p>	<p>2. To maintain the programs aiming at continued reduction in the number of accidents entailing time off in the System's companies.</p>
Support to Urban Development	<p>To complete the studies for the implementation of the New Usiminas Housing Plan for the construction of dwellings for employees of Intendente Câmara Steel Mill, irrespectively of their job position.</p>	<p>Completion of studies for construction of 320 new dwellings for employees in Ipatinga, in the following projects:</p> <ul style="list-style-type: none"> • Amaro Lanari Júnior Residence: completion and delivery scheduled for April 2008. • Vista do Parque Residence: completion and delivery scheduled for second half 2008. 	<p>To begin the works of the Housing Plan to build houses for Usiminas employees until 2008.</p>
Improving the Quality of Living	<p>To restructure and merge the programs to improve the quality of living of employees and their families, endowing them with greater effectiveness, complementarity of actions and systemic nature.</p>	<p>In 2006, Usiminas developed several work fronts in the frame of the Living for Good Project, unifying and focusing on the initiatives aiming at improving the quality of living at workplace.</p>	<p>Contemplating regional peculiarities, the Living for Good Project is to be improved and extended to other System's companies</p>

The Usiminas System in the Communities

The option made by Usiminas of allocating resources to the Children's and Youths' Fund of our city is admirable. After all, for the fourth year in a row, Usiminas has spontaneously helped to set up public policies for children and youths in Ipatinga. Today, 80 child and youth assistance entities are registered with the Municipal Children and Adolescent Rights Council of Ipatinga, which benefited approximately 4,000 children and adolescents during 2006.

Leonardo Oliveira Rodrigues
Chairman of the Municipal Children and Adolescent Rights Council of Ipatinga (MG)

Interaction between the Companies and Communities

The Usiminas System maintains regular relationship with representatives from NGOs, Civil Society Organizations of Public Interest and organized communities with an aim to channel expectations and monitor the impacts of its production activities. Specific organizational structures have been set up to deal with these issues in those places where the relative importance of the Company's presence vis-à-vis the community is greater, like in Cubatão (SP) and Ipatinga (MG).

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

In 2006, the Usiminas System allocated R\$ 3.47 million to the Municipal Children and Adolescent Rights Councils in the cities of Ipatinga and Pouso Alegre, in Minas Gerais, and Cubatão, Praia Grande, São Vicente, Santos and São Paulo, in the state of São Paulo. Such funds were donated to the Children and Adolescent Fund (CAF) for application in programs and actions to assist children and youths who are at risk, victims of violence, homeless, devoid of family support or structure, as well as combating child labor.

The "Athletes of Nature" program, developed by the Associação Esportiva e Recreativa Usipa, in Ipatinga (MG), is outstanding among these programs. It is geared towards children and adolescents between 8 and 14 years of age, in a condition of social vulnerability. In 2006, this Program assisted 200 children and youths with the support from social assistants, physical education teachers, pedagogues and environmental educators.

Dufer has decisively contributed to the implementation and maintenance of the "Embark on Reading" libraries near São Paulo's subway stations Paraíso and Tatuapé. The main goal is to foster the habit of reading as a means of social inclusion.



Ciesp's Community Advisory Panel program provides a communication channel between Cosipa and the community, through which it is possible to hear the community and identify its expectations.



Ipatinga and Usiminas have grown together for more than four decades. The company's history is associated to Ipatinga pretty much in the same way as the city's history has been in great part written by Usiminas. Side by side, the company and the city have shown that it's possible to grow and develop in a balanced way in the frame of a relationship of mutual respect and cooperation.

Ipatinga is proud of being the home of one of the world's biggest steel mills. Not only because it fosters the regional development, but also for its socially responsible and transparent relationship. Today and ever, Usiminas is present through actions that led Ipatinga to a high Human Development Index.

Sebastião Quintão

Mayor of Ipatinga (MG)

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

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

Support to Urban Development

The experience gathered by the Usiminas System during the Ipatinga urban planning stage, the construction of in excess of 10,000 houses for employees, the mastery of the technology of steels with technical specifications geared towards civil construction, and the development of construction solutions prompted the development by the Usiminas System of Housing Projects and the Steel Framing technology, an ensemble of technical solutions that have yielded substantial productivity gains by the use of steel.

With an aim to make the Steel Framing technology more popular, the Usiminas System is engaged in a work to develop the entire production chain by providing training to market professionals and both construction and erection companies, and introducing the technology to several Brazilian universities. In 2006, it prepared construction standards, having the system approved by Caixa Econômica Federal.

Cosipa introduced one more option to the market in May 2006: the Electro-Welded Shape – a shape designed on the basis of the continuous high-frequency current welding technology, which includes a slight roller pressure. Among the advantages of this shape it is worthy of mention its versatility and lower weight when compared to other shapes available on the market, which enables us to offer special customized shape characteristics.

2006 accomplishments involving the Usiminas System's dwelling technology are available in the electronic version of this document at Usiminas website:
www.usiminas.com.br



Houses at Areal Condominium in Angra dos Reis (RJ) built with Usiteto technology.

Moreover, the Usiminas System is engaged in an educational and know-how transfer program with respect to steel solutions for civil construction and architectural applications. Such program has been implemented by means of agreements with specialist teaching institutions. In 2006, in a partnership with Fumec (Fundação Mineira de Educação e Cultura University), Usiminas supported the creation of a *lato sensu* post graduation course in Steel Construction. The target is to prepare specialist architects and engineers to work with steel structures and to qualify engineering and architecture professors. In February 2007, Senai Minas Gerais will have started a course for steel structure erection workers with a focus on Steel Framing.

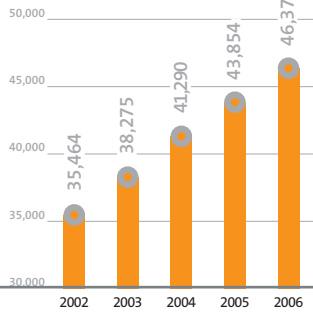
In continuation to the dwelling construction program dedicated to the Company's employees, surveys were conducted in 2006 to accurately determine the demand. The outcome was the decision to build 320 new dwellings for employees in Ipatinga (MG), which will involve the construction of the following residential complexes:

- Amaro Lanari Júnior Residence, whose completion and delivery is scheduled for April 2008; and
- Vista do Parque Residence, whose completion and delivery is scheduled for second half 2008.

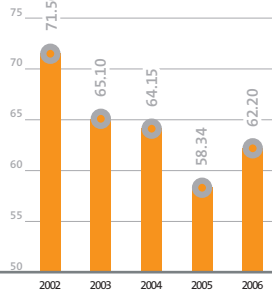
The close relationship with the community led Cosipa to actively take part in the activities that resulted in the Agenda 21 program in Cubatão. This program was developed under a participative approach, and it is open to all the stakeholders, having gathered together in excess of 1,700 people among City Council members and debaters on specific themes. It was consolidated in the form of a report named "Cubatão 2020 – The City We Want", comprising a number of action plans and projects to be implemented by 2020. The core objective is the city's sustainable development according to a clear, well-defined time schedule, which will be monitored by people who have contributed to the program preparation.

The close relationship with the community led Cosipa to actively take part in the activities that resulted in the Agenda 21 program in Cubatão.

Consul
Membership Growth
No. of membership



Consul
ICMS Tax Revenue from the Ipatinga Supermarket Industry – Consul's Share
Percentage



Support to Cooperativism

The Cooperativa de Consumo dos Empregados da Usiminas Ltda. (Consul) was established with the support from Usiminas and it is chartered to ensure the supply of quality consumer goods at competitive prices. Consul is today a cooperative open to the community and notable for its pricing policy and also for the generation of direct and indirect jobs.

Being the first consumer cooperative store to become an anchor-store, Consul's hypermarket is present in the Steel Valley Shopping Mall, the region's largest retail venture. It includes 4,800 m² of selling floor space with 30 computerized check-out cashiers and over 23,000 inventory items.

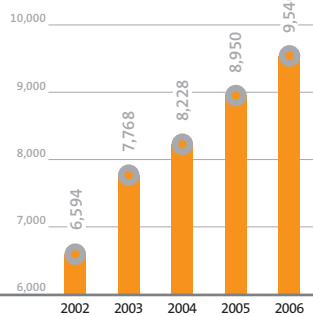
The same services are made available to the public at large by means of two other supermarkets with total 2,042 m² selling floor space.

Because of the positive results of its self-sustainable management, based on an effective market approach, Consul has held the first place in the ranking of the biggest consumer cooperatives in Minas Gerais, and one of the largest in the country.

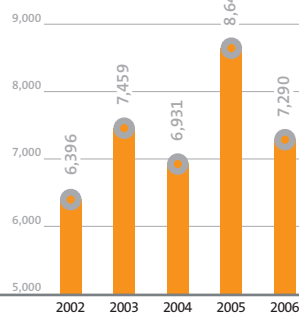
In 2006, R\$ 281,467 were paid to the cooperative members as surplus (profit) distribution as a proportion of each member's transactions during 2005. In addition, the paid-in capital earned remuneration at the rate of 10%.

Cooperativism concepts are also disseminated throughout the community by the Cooperativa de Economia e Crédito Mútuo dos Empregados da Usiminas e Empresas Coligadas Ltda (Coopeco) and the Cooperativa de Crédito dos Empregados da Usiparts. Both are chartered to promote savings and finance the needs or business ventures of their participants.

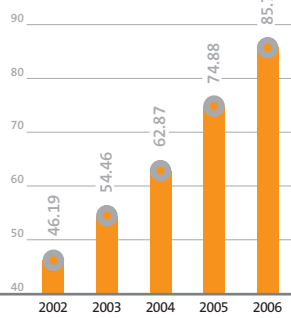
Coopeco
Membership
No. of membership



Coopeco
Number of Credit Transactions
No. of transactions



Consul
Gross Revenue
R\$ million



Consul – View of the hypermarket checkout.

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

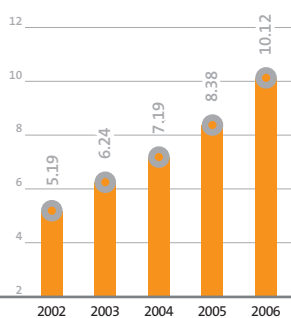
Integrated to over 1,350 branch offices of Banco Cooperativo do Brasil S/A (Bancoob), of which it is a founder, Coopeco offers all the services provided by a regular commercial bank, by running checking accounts, collection, accepting payment for utilities and making financial investments.

Restating the concept of an economically feasible credit cooperative and reflecting the confidence of its members, the actual return on the capital paid in by the members was 21%.

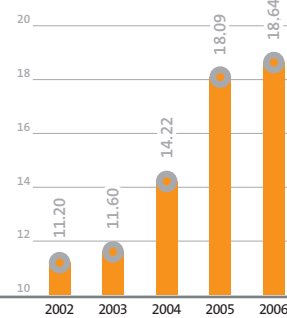
From its earned surplus (profitability), Coopeco earmarked 12% as the maximum compensation for the members' capital.

Support to cooperativism enabled the establishment of Consul, Coopeco and Usipart Employees' Credit Cooperative.

Coopeco
Members' Paid-in Capital
R\$ million



Coopeco
Total Loans Extended to Members
R\$ million





Athletes of Nature – Usipa's social program.

Voluntary Work in the Communities

The Usiminas System's companies encourage their employees to participate in voluntary social development initiatives, availing resources, consumer goods and facilities for this purpose. Voluntary work activities comprise the effective work developed in nurseries, neighborhood communities, churches, elder homes, hospitals and medical and social service stations. They are also present at NGOs dedicated to recover chemical abusers and to environmental protection and reclaiming.

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

In December, supported by local companies and institutions, the employees promote the "V Day", when different initiatives emerge to public visibility, thus encouraging other people's participation. Also in Ipatinga, the students of Intendente Câmara Steel Mill's Professional Development Center participate in the revamp of municipal schools, in one more voluntary initiative.

At Cosipa's José Bonifácio de Andrada e Silva Steel Mill, employees established the "Company of Volunteers", in which outsourced personnel also participate, for the purpose of providing aid to assistance entities of Baixada Santista, underprivileged neighborhood communities and to three schools in Cubatão (SP), Santos (SP) and São Vicente (SP).

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

- Dancing, theater and football lessons, plus mathematics and Portuguese tutorials;
- Preparation for technical school exams, offering chemistry, physics, mathematics and Portuguese tutorials;
- The "Mantiqueira Project", offering Portuguese and mathematics tutorials, theater workshops, environmental awareness programs and IT lessons. The Project contemplates adolescents between 11 and 14 years of age exposed to physical and social risks.



Volunteer of the “Cosipa at School” Program.

The Cosipa at School project aims at implementing a quality management system in the public schools of Santos, São Vicente and Cubatão. The program has been adopted in one school of each of these cities, and it benefits around 3,000 students, 150 teachers, 30 school workers and 9 technical coordinators every year. The program focuses on five main items: School Management System, School Environment Improvement, Schooling, Teacher Qualification, and Community Involvement. The program relies on volunteer employee participation, and professional specialists as well.

Rio Negro employees, together with their friends and families, also develop similar campaigns on a voluntary basis. In 2006, the following activities were carried out:

- under the company’s support, employees held the 4th blood donation campaign, with the participation of 150 donors;
- under Rio Negro’s sponsorship, 600 school kits were donated to children living in the neighboring Hatsuta community, in Guarulhos (SP);
- volunteering work at the institutions Lar Divino Amigo (assistance to 30 disadvantaged elders), Casa dos Velhos Irmã Alice (assistance to 40 disadvantaged elders) and Anasil Childcare center (assistance to 113 disadvantaged children of 0 to 6 years of age).

Rio Negro also develops the internal and nearby community “Selective Collection” program, selecting materials for later donation to the São Paulo chapter of Caritas Brazil, of the National Conference of Brazilian Bishops (CNBB). The products marketed by the entity provide resources earmarked for assistance projects.

In Ipatinga (MG) the Standard Workers coordinate campaigns in favor of more than 130 community entities .



Health in the Community

Márcio Cunha Hospital. Hospital Service Excellence.

Located in Ipatinga (MG) and serving a micro-region populated by approximately 620,000 people, Fundação São Francisco Xavier's Márcio Cunha Hospital is a general hospital for 30 medical specialties. It is considered by the Health Department of the State of Minas Gerais as a benchmark in urgency and emergency service, high-risk pregnancy care, kidney transplants and dialysis procedures, installation of heart pacemakers, neurosurgery and Intensive Treatment Unit care for adults. It is deemed as "strategic" by the Health Ministry within the scope of the SUS – free medical service extended to the population provided by the Brazilian government's medical and hospital assistance plan and accredited as a High Complexity Center in Oncology.

It was the first Brazilian hospital to obtain Hospital Accreditation at the Excellent Level according to the guidelines of the Brazilian Hospital Accreditation Manual, as established by the National Accreditation Organization (ONA) and approved by the Health Ministry. In 2006, the hospital certification at the Excellent Level was renewed in line with the latest requirements of the Hospital Service Organizations Manual – 2006 Version. Moreover, the certification of its Clinic Pathology Laboratory's Quality Management

System was renewed in accordance with NBR ISO 9001:2000.

In 2006 alone, FSFX invested in excess of R\$ 10.6 million in works, installations, equipment, IT and Márcio Cunha Hospital personnel training. The Hospital features 472 beds plus 8 day-care beds in its two units. This represents a significant support to the community covered by the government's free health care system (SUS), and the service level is exactly the same provided to the Usiminas System's employees and their families.

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

Through its Health Care Operator, Usisaúde, Fundação São Francisco Xavier (FSFX) offers individual and collective/corporate plans, joining quality and service diversity to the flexibility of benefits, safety and low costs.

Providing full assistance to over 126,000 beneficiaries and counting on a vast accredited network, Usisaúde offers highly qualified service providers to meet its clients' needs at the main medical reference centers in the country. Always aiming at the continuous improvement of its activities, Usisaúde holds quality of service polls directed to the beneficiaries and professionals of its accredited network. In 2006, such polls indicated a higher than 95% rate of customer satisfaction.



Room for cineangio-cardiography and catheterism at Márcio Cunha Hospital.



CSFX Elementary School Students.

Education in the Community

Elementary and Intermediary Education

In Ipatinga, Colégio São Francisco Xavier (CSFX), a school established by Usiminas, now has an enrolment of 2,950, from pre-school to high school. Quality of education earned CSFX a pioneer achievement in Brazil: the certificate of compliance with standard ISO 9002, relating to the quality of teaching and installation infrastructure, granted in 1997 and ratified in subsequent audits. The quality of teaching evaluation is also evidenced by the high alumni approval rate in the National High School Examination (Enem). In 2006, its former students graduated from high school achieved a rating 50% above the national average rate.

In 2006, the CSFX' Be More project granted 250 scholarships to the region's underprivileged students. Also as a part of the Be More Project, it was implemented the Room for Talent Program, where underprivileged children endowed with talents and high skills are identified in the public network schools by applying the appropriate scientific methodology. Following the identification and confirmation of this profile, these children's development is followed by CSFX specialists and, besides the education provided by the school, children participate in specific, custom-

made programs geared to the improvement of the confirmed abilities and potential talents. In its third year of existence, the Room for Talent program favored in excess of 320 children.

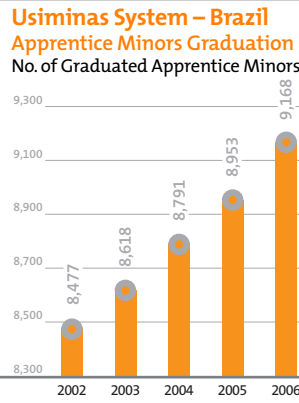
Usiminas also enabled the construction of 28 community schools, today managed by the municipal and state administrations.

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

The schools are equipped by the Company with IT laboratories and adequate furniture. The purpose is to turn them into quality reference schools for the State of São Paulo's public education system. This initiative prompted the Cosipa Employee Association and Santa Cecília University to join in to develop the sports program



Students at the Vocational Training Center – Intendente Câmara Steel Mill.



for 1st to 8th grade elementary education students, offering volleyball and court football lessons.

Cosipa’s employees voluntarily organized the schools’ libraries and offered tutorial lessons and professional orientation in different disciplines, and also developed dancing, theater, flute and origami workshops, among others. Altogether, the programs benefited 3,000 low-income children.

Vocational Training

Through its Vocational Training Center, Intendente Câmara Steel Mill has offered vocational training to apprentice minors in the disciplines of mechanics, electricity, lathe operation, welding, electronics and steelmaking operations. The courses extrapolate a merely technical training. Through disciplines focused upon environmental education, occupational safety, health and civism the youngsters are educated for the exercise of citizenship, becoming aware of their rights and duties while living in society.

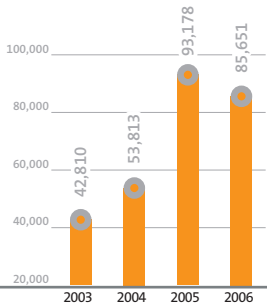
Of the current personnel employed in industrial operation and maintenance activities of Intendente Câmara Steel Mill, 32.0% studied at the Vocational Training Center.

An identical program is developed by Usiparts; as of 2006, 86 professionals were trained.

At Cosipa’s José Bonifácio de Andrada e Silva Steel Mill, this program has given adolescents between 14 and 17 years of age the opportunity of access to a 2-year vocational training. As happens at Intendente Câmara Steel Mill, the entire learning and traineeship period is compensated. Upon completing their courses, the students are ready to enter the market with a differentiated advantage.

Intendente Câmara Steel Mill, 32% of the operation and maintenance personnel studied in the Vocational Training Center.

Usiminas System – Brazil
Professional Recycling Course Hours Provided to the Community
 No. of man-hours



“This initiative unveils Usiminas Mecânica’s commitment to company citizenship. Gaining space in the labor market and, as consequence, promoting the social inclusion of handicapped people are APAE’s ultimate goals. It was a great victory and we wish to congratulate the company.”

José Modad,
 President of Ipatinga’s APAE

Professional Recycling at the Community

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

In 2006, the Usiminas System offered to 3,759 individuals from nearby communities adult vocational courses in the following technical areas: welding, mechanics, electricity and electronics, management, language courses, human relations and an extensive information technology program.

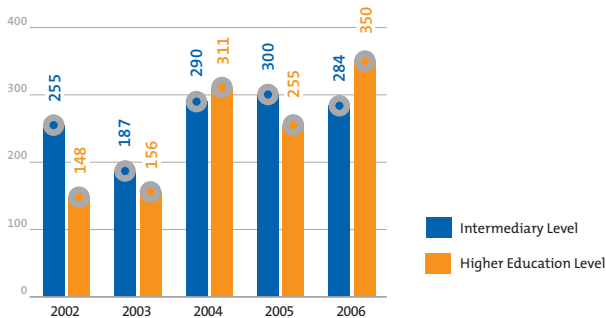
Supervised Internship Programs

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

The programs are structured in stages previously established jointly with the educational entity, followed up by advisors, and they seek to reconcile learning objectives with the corporate reality.

An example of this approach is the Supervised Internship Program implemented by Usiminas Mecânica, in which the requirements of certain jobs were adapted to the shortcomings of APAE students in Ipatinga (MG). Internship programs provide the identification of talents for future employment by the System.

Usiminas System
Supervised Internship Programs for Students
 No. of interns





Practical class in a professional requalification course – Intendente Câmara Steel Mill.



Usiminas Athletes in Pampulha International Race.

Sports and Leisure

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

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

AFC, together with Cosipa and Santa Cecília University, also develops the Education Through Sports project. Benefiting 360 students from three municipal public schools of Santos, São Vicente and Cubatão, the program's goal is to raise the 6th to 9th grade students' interest for sports, specially volleyball and court football.

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

In 2006, as in decades past, high-performing athletes – employees of the Usiminas System's companies – won excellent results in sports matches.

Details of such results are available in the electronic version of this document at Usiminas website www.usiminas.com.br

Commitments taken



Athletes training at Usipa.

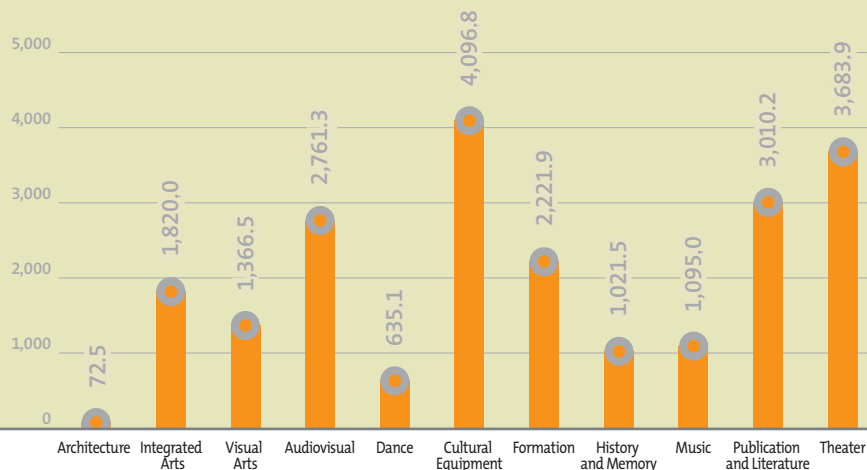
	Commitments taken	Progress in 2006	Future Commitments
Support to Urban Development	To complete in 2006 the studies for the implementation of the new phase of Usiminas Housing Plan for the construction of dwellings for employees of Intendente Câmara Steel Mill, irrespectively of their job position.	Demand survey and the design of the residential condominiums Amaro Lanari Júnior and Vista do Parque were completed for 320 apartments in total.	Completion of works, and delivery to the employees enrolled: <ul style="list-style-type: none"> • Amaro Lanari Júnior Residence: April 2008. • Vista do Parque Residence: second half 2008.
Community Health	To offer the population high-complexity hemodynamics and heart surgery services based on the technical support and technology transfer in the frame of an agreement with Fundação Zerbini/Instituto do Coração – Incor covering Cardiology, Heart Surgery and Hemodynamics.	Hospital Márcio Cunha now offers hemodynamic services and heart surgery to the public at large, including patients covered by the SUS. On average, 124 patients are assisted every month.	Continued improvement of medical, supplementary examination and hospital services offered to the public at large.
Community Education	To expand, through CSFX, actions involving underprivileged children and children endowed with talents and high skills.	In 2006, CSFX increased to 250 the number of scholarships for underprivileged students. In 2006, the number of talented and highly skilled children that were given special support through the "Room for Talent" Program was increased from 300 to 320.	To consolidate the BE MORE Project through the Room for Talent Program.
Sports – Participation in Games	Participation in men's swimming and volleyball teams in the National Worker Games promoted by SESI.	The Usiminas System's teams participated in all phases of the National Worker Games, achieving excellent results in many sports modes.	Participation of the Usiminas System companies' employees in the National Worker Games, sponsored by SESI.
Integration with the Community	To enhance the integration programs between Usiparts, its employees, employee's families and the community by approaching the local entities and implementing plant visiting programs involving families, students and regional entities.	Students from technical schools and universities in the region visited the plant.	Company-community approximation: to provide internship opportunities for technical level and higher education students; to bring schools closer to the company by means of visits and technical follow-up; to encourage employees in their voluntary actions.

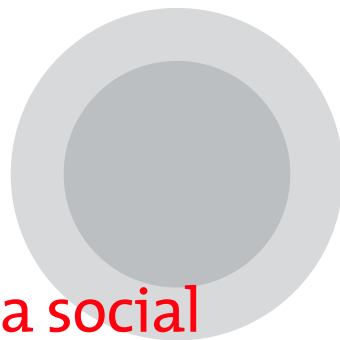
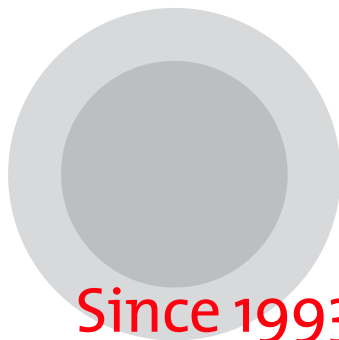
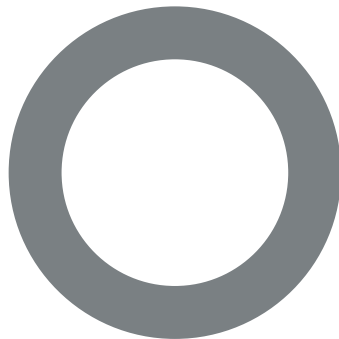
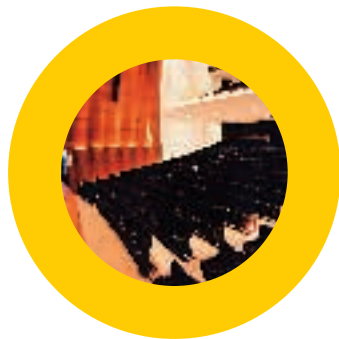
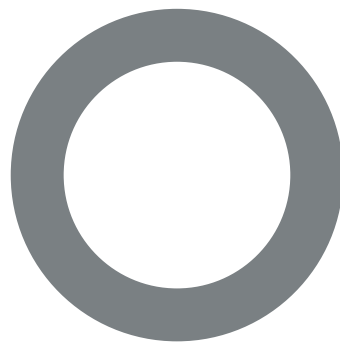
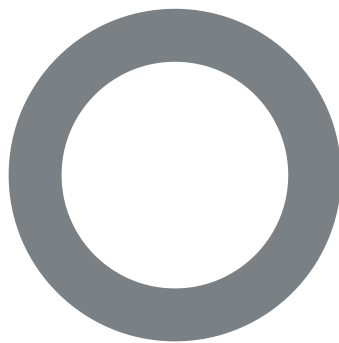
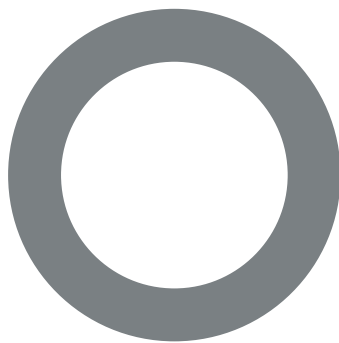
Cultural Performance

Since 1993, Fundação São Francisco Xavier's Usiminas Cultural Institute (Usicultura) uses culture as a social inclusion and human development tool. The Usiminas System's companies support a number of cultural and artistic events, particularly those involving communities living in the vicinities of its industrial plants. By aligning its private initiatives to the public policies, Usicultura seeks to develop local actions from a global standpoint, while sharing the outcome with the society.

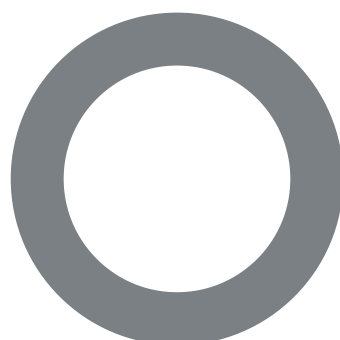
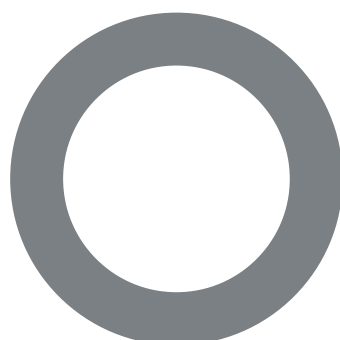
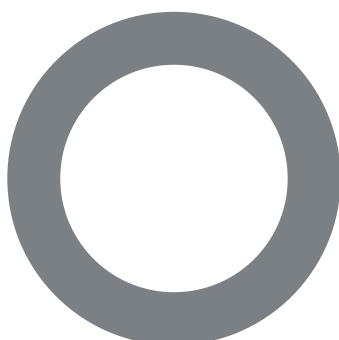
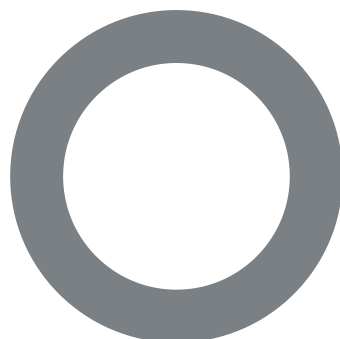
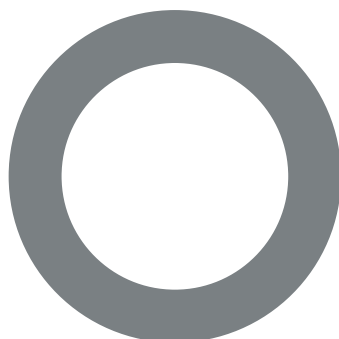
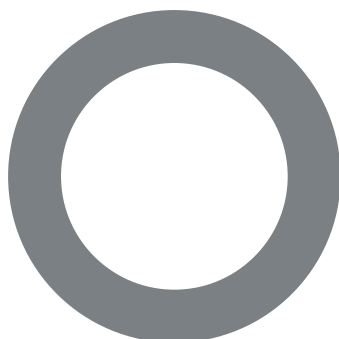
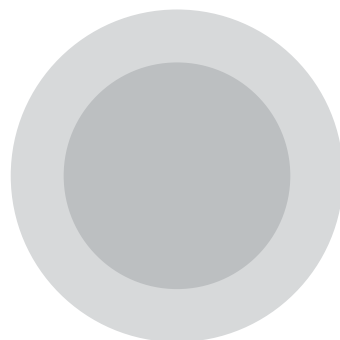
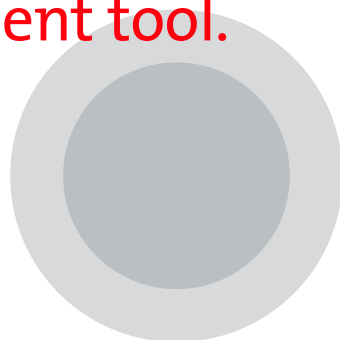
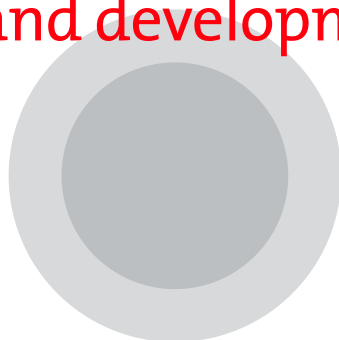
From 1993 through 2006, relying on incentives given by both federal and state legislations, the Usicultura assigned in excess of R\$ 109.08 million to 950 different cultural initiatives. In 2006, the cultural investments outstripped the mark of R\$ 21.78 million, allocated to 197 projects. According to a calculation methodology developed by João Pinheiro Foundation, it is estimated that cultural investments in 2006 generated around 3,000 direct and 4,500 indirect jobs.

Usicultura
Cultural Investments in 2006
R\$ thousand





Since 1993, Usicultura uses culture as a social inclusion and development tool.





Usiminas Cultural Center's Japanese Garden.

Interaction with Communities

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

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

Cultural Spaces and Infrastructure

In 1994, the Usicultura inaugurated its first own cultural space, the Zélia Olguin Theater in Ipatinga (MG), with seating capacity of 206 people, and intended to present and develop didactic and artistic formation projects. As of 2006, the Theater is used for regular theater, dancing and circus courses promoted by the Municipal Theater Initiation School Antônio Guarnieri under the coordination of the Municipal Culture, Sports and Leisure Department of Ipatinga.

Didactic shows and plays with the participation of regional groups were promoted. In addition, a number of events were promoted in the frame of the Dance and Theater Popularization Campaign and the Cultural Walkway Project, including speeches during the 1st Contemporary Arts Seminar.

In 2002, the Usicultura completed the works on the Usiminas Cultural Center in Ipatinga, which includes the Hideo Kobayashi Art Gallery (covering 1,000 m²) and one of the most modern theaters in Brazil, with 724 seats and the infrastructure required to present dance, shows, plays, concerts, operas and major Brazilian and international performances.



Usiminas Cultural Center's Theater.

With just four years of existence, the Usiminas Cultural Center Theater became a hallmark in plays, music shows, dancing and workshops, changing the city into a regional cultural and artistic diffusion pole.

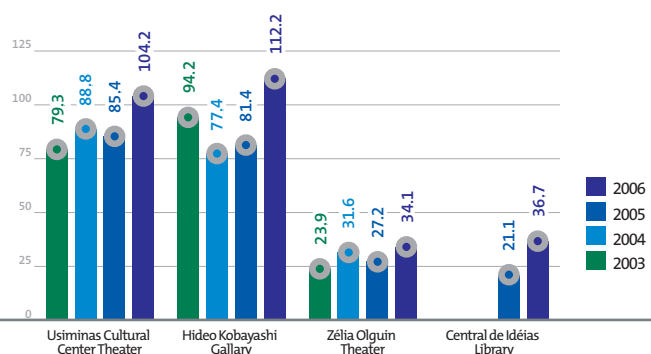
In 2005, in the frame of the celebrations of the 41st anniversary of Ipatinga, Usicultura inaugurated the Idea Factory Library, located in the Usiminas Cultural Center. The Library, a joint initiative by Usicultura and Instituto Brasil Leitor, makes available, at no cost, more than 3,500 books, with an emphasis on arts, culture, architecture and literature in general. Journals and free-of-charge internet access are also available. In addition, the Library offers a 45-seat room for debates, courses and speeches.

Usicultura started in 2006 the works of one more cultural space: the Cosipa Culture Theater, whose inauguration is planned for 2007. With architectural and scenographic design by Sérgio Tepperman and J.C. Serroni, respectively, the theater will be located in the Steel Corporate Center, at Jabaquara neighborhood, in the capital of the state of São Paulo. Its infrastructure will include high-tech scenic equipment, 288 seats and parking space.

Usicultura spent R\$ 4.1 million in maintenance, costs and acquisition of equipment for its own cultural spaces in 2006.

In 2006, with the decisive participation of Usicultura, several other third party's cultural spaces were sponsored, with particular emphasis to the Typographia Graphic Memory project, which assists children and adolescents at risk. (See additional information in the electronic version of this report at www.usiminas.com.br).

Usiminas Cultural Institute
Attending Public
 1,000 people





Lady Macbeth – Marília Gabriela.

Cultural and Artistic Production and Exhibition

Usicultura promoted 284 shows and plays in the Zélia Olguin Theater and Cultural Center Theater in 2006, in addition to speeches, seminars and workshops, with an overall audience of 138,242 people. Out of these 284 shows and plays, 109 were produced and presented by groups from the Ipatinga region, which is an evidence of a rich and diversified local cultural production.

Among the cultural and artistic production and exhibition activities promoted by Usicultura in 2006, the following are worth mentioning:

- Moving Theater project, produced by Rubim Produções to foment presentations of important national plays in Belo Horizonte and Ipatinga. In 2006, the following plays and shows were benefited: *Adivinha Quem vem para Rezar*, with Paulo Autran and Cláudio Fontana; *Grande Othelo*, with Maurício Tizumba; *7 Conto*, with Luís Miranda; *Molly Sweeney*, with Júlia Lemertz; *O Homem Inesperado*, with Paulo Goulart and Nicete Bruno, and *Fica Comigo esta Noite*, with Murilo Benício and Marisa Orth;
- Music shows, including among others the Cia Paulistana de Viola; Ipatinga Live Jazz, with Egberto Gismonte, Duofel, Renato Borghetti, Paulinho Trompete and Rosa Passos; *O Menino e o Poeta*, with Grupo Ponto de Partida; and *O Grivo*, with the Strings Chamber Orchestra of São Caetano do Sul Arts Foundation (SP), conducted by Geraldo Olivieri;
- Theater plays, such as: *O Zelador*, with Selton Mello; *Senhora Macbeth*, with Marília Gabriela; *Não Sou Feliz mas Tenho Marido*, with Zezé Polessa; *Pour Elise*, with Grupo Espanca; *Lampiãozinho e Maria Bonitinha*, with Cia. Compalco de Teatro; *Um Espírito Baixou em Mim*, with Maurício Canguçu and Ílvio Amaral; *The Best... Eiro!*, with Saulo Laranjeira, Arnaud Rodrigues and Daniela Christopher; *Quixote*, with Carlos Moreno, directed by Fábio Namatame;
- Dance shows, such as: *O Corpo Negro na Dança*, with Cia. Balé de Rua de Uberlândia; *Do Lado Esquerdo de Quem Sobe*, with Mimulus Cia. de Dança; and *Tempos de Verão*, with Márcia Milhazes Cia de Dança;
- Special projects, like Sempre um Papo, with the participation of Fernanda Young, Arnaldo Antunes and Vander Lee, the 8th International Short Movie Festival in Belo Horizonte and Ipatinga, and the 4th Cinedocumenta;
- Implementation of the *Spettacollo* Series, contemplating major theater plays, music and dance shows with renowned artists, like the conductor and pianist Arthur Moreira Lima, considered one of the most popular, versatile and complete interpreters of Brazilian classics;



Typography and Ceramic Exhibition – Máximo Soalheiro.



Street Art Exhibition.

- Implementation of the Music in the Garden Series, featuring instrumental and classic music concerts performed every month at the Usiminas Cultural Center's Japanese Garden. In the 2006 season the following artists and groups performed: Rio Trio; Som Catado; Deícola Trio; Unha de galo; Radamés Gnattali Quartet; Cacique Jazz Combo and Juarez Moreira.

Several outstanding exhibitions took place at Hideo Kobayashi Gallery, among which the following are worth mentioning:

- *Brazilian Indian Games*, presented in a thematic setting that carried the attending children and the rest of the public to the universe of the Brazilian Indian peoples in a trip through games, toys and plays. Visitors were introduced to original toys built by the Indians, and could participate in plays, toy manufacturing workshops and several games. In addition, it was presented a documentary by Alfredo Alves on an expedition through eight Indian tribes in the states of Amazonas, Acre, Maranhão, Mato Grosso and São Paulo, between 2003 and 2004.
- *Bus Art*, an exhibition of posters and reproductions of poems and plastic art images of 35 artists out of 80 in total who exhibited their works inside public buses in Belo Horizonte (MG).

- *Caixa Treasures*, a major exhibition of Caixa Econômica Federal's artistic asset, including valuable works from great names of the Brazilian arts in the modernist period.
- *The Scenographic Space of J. C. Serroni*, covering the work of this important scenographer and the project developed in the Scenographic Space under his coordination. The exhibit synthesizes 30 years of Serroni's work and depicts a recent period of the Brazilian theater. Actors, directors, architects, designers and technicians from artistic groups were offered a scenography workshop given by J.C. Serroni.
- *Street Art*, showing graffiti, sticker and stencil works, as well as objects, collage, drawings and pictures by 11 street artists. The public could talk to graffitiists and take part in the exhibition construction and preparation process.
- *Dom Quixote de la Mancha 400 Years*, in which, using texts and excerpts from Miguel de Cervantes' famous work, it is demonstrated its great influence on plastic arts, cinema, scenic arts and music plays.

**Usiminas
Cultural Center
has one of
Brazil's most
modern
theaters.**



Indian Games.

- *Henriqueta Lisboa and Alaide Lisboa*, exhibition of a set of panels and banners commemorating the 100th birth anniversary of these two artists from Lambari (MG). The show included also poems, a brief biography and references to the writers' works, following an extensive research work.
- *Ceramic Typography*, by Máximo Soalheiro, simultaneously with the launch of his book of the same name.
- *Endless Ways*, by the plastic artist Ana Dias, whose purpose was to convey the public to the artistic roots (baroque) of the people of Minas Gerais through the contemporaneity.
- *Muriliana*, a homage paid to the writer Murilo Rubião in his 90th anniversary on June 1, 2006. The exhibit theme was the life and work of Murilo Rubião, one of the precursors of the fantastic realism in the Brazilian literature and author of a dense and extremely original work. Videos and short movies on his work were presented, too.

Support to Artistic Groups

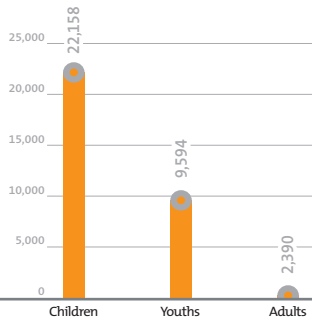
One of the approaches adopted by Usicultura is to support the professionalization and capacity-building of artistic groups, managers and other specialized personnel working in the arts and culture segments, thus fostering this segment's technical structuring.

Besides the support to the regional edition of the International Short Movie Festival in Belo Horizonte, the most important 2006 initiatives are described in the electronic version of this report at www.usiminas.com.br.

Usicultura – Aducaional Action Project

Attending Public

No. of people



Educational Action.

Educational Action

In 2006, the Educational Action Project reached about 34,000 people in cultural diffusion programs and art-education, including students from 408 public and private schools, college students, handicapped people with special needs, groups from welfare institutions, and the elderly.

The following actions are worthy of mention among those performed by the Educational Action Project in 2006:

Didactic Spectacles

Didactic presentations of spectacles for groups of students from public schools and universities. In 2006, the challenge was to introduce the theme Brazilian Modernist Artists – Tarsila, Portinari and Villa-Lobos – to a public consisting basically of children from 3 to 10 years of age.

During the year, works from these authors were presented to 8,368 children from 57 public and private schools and childcare centers. Prior to the presentation, the teachers are given instructions and didactic material to subsequently carry on the work in a multidisciplinary approach. This program's main objective is to discuss the spectacle theme before the presentation and maximize the information provided during the spectacle by merging knowledge, culture, art and education in one single project.

Art-Educator Formation Project

Based on a speech and debates involving 92 public and private school directors and coordinators, Usicultura's Educational Action project presented, discussed and designed the Art-Educator Formation Project. Its objective is to create opportunities for the continuous formation of teachers, turning them into multiplying agents of a working approach based on art-education, and opening significant possibilities to both students and teachers.

The program implemented in 2006 involved 140 teachers in four workshops – theater, music, dance and visual arts – enabling the investigation and encouragement of the different languages used in the various forms of expression in the educational processes.

The Educational Action Project reached in excess of **34,000** people in cultural diffusion and art-education programs.



Selton Melo – The Janitor.

Artistic Residency 2006 Series

This is an Educational Action proposition developed by Usicultura with an aim to promote the interaction of the public with the preparation of shows, workshops, creative laboratories and improvement of artistic manifestations through dance, theater and music. In 2006, the following workshops took place:

Selton Mello – Artistic Theater Residency

The actor delivered a speech on Accounts of the Creative Process, a workshop on Improvisation and the play *O Zelador*.

Cia. SeráQuê? – Artistic Dance Residency

The dance company Cia. SeráQuê? implemented a number of actions intended to approach high school and college students to the artistic doing, and to promote exchange and improvement opportunities for local scenic arts professionals. Two shows – *Não digas nada* and *Homens* – and the workshop *The Body at the Service of Subjectivity*, with the Ipatinga's dance group *Híbridos*, were presented.

The Scenographic Space of J.C. Serroni – Artistic Scenographic Residency

Usicultura promoted an exhibit with approximately 30 models of theater plays, comprising the scenography, theatrical architecture and wardrobe, accompanied by pictures, drawings and explanations by the scenographer J. C. Serroni. During the exhibition, the scenographers J. C. Serroni and Telumi Helen organized a scenographic workshop to regional artistic groups, giving the participants the opportunity of building their own models.

O Grivo and Cao Guimarães – Artistic Music and Audiovisual Residency

The series brought O Grivo, a group that researches electronic and acoustic sound sources by constructing “sound machines and mechanisms” and using traditional music instruments in a non-conventional way. Workshops *New Music and Cinema and Reality* were given by Cao Guimarães. The artist launched his DVD *HJW 3844*, and the group O Grivo presented the show *Com os pés um pouco fora do chão*.

Commitments taken

	Commitments taken	Progress in 2006	Future Commitments
Cultural Spaces and Infrastructure	<ol style="list-style-type: none"> To carry out maintenance of equipment, upgrading facilities and fine-tuning the services rendered by the Zélia Olguin Theater and Usiminas Cultural Center; To continue the policy of investing in infrastructure projects, as well as supporting and revitalizing cultural centers, theaters, museums and other cultural facilities. 	<ol style="list-style-type: none"> Investments in the acquisition of equipment, supporting and underwriting the costs of these activities exceeded R\$ 4.0 million. Part of this funding was brought in through projects benefiting from cultural incentive laws. Construction, refurbishment and maintenance of several cultural spaces in Minas Gerais and São Paulo. 	<ol style="list-style-type: none"> Adoption of an excellence approach in the Company's own cultural spaces by improving the personnel qualification through courses and technical visits. Continuation of the policy of cultural equipment maintenance and infrastructure investments. Implementation of cultural facilities in São Paulo and Baixada Santista, including the Cosipa Culture Theater in the Steel Corporate Center in São Paulo.
Refresher technical courses for regional and local artistic segments	Continuation of programs offering courses, workshops and seminars to local communities, artists, culture managers and educators.	<p>Expansion of activities, including also teachers, with the following results:</p> <ul style="list-style-type: none"> Attendance increased by 100% when compared to that of 2005. 135% rise in the number of schools and institutions assisted, when compared to 2005 figures. Assistance to 140 teachers. 11 towns were directly benefited. 	Expansion of the art-educator formation programs and other programs in this area.
Cultural and Artistic Production and Exhibition	<ol style="list-style-type: none"> Enhancement of Usicultura's Cultural Programs. Encouragement of cultural projects focused on educating the public and building up the market, as well as projects supporting artistic groups. 	<ol style="list-style-type: none"> Implementation of the series Spetaccolo, Talents, Usiminas Artistic Residency and Music in the Garden. The Usicultura productions represented 16.5% of the whole artistic productions presented in the theater. Sponsorship to groups and institutions that carry out this kind of activity. 	<ol style="list-style-type: none"> Expansion of the Usicultura's Cultural Programs, including the celebration of the 100th anniversary of the Japanese migration into Brazil. Continued sponsorship to projects with a focus on formation.
Educational Action	Expansion of activities under the Educational Action project, with greater emphasis to educators, in view of their multiplying effect.	Refer to the matter related to the Educational Action Project in this Report.	Commitment remains unchanged.
Investment in Culture	<ol style="list-style-type: none"> Continuation of responsible investment in culture with a focus on the sustainable development of the cultural production chain and taking in due account the demands and vocations of the communities where the Usiminas System's companies operate. Continued investments in infrastructure, cultural production, and artistic and public formation. Expansion of activities in São Paulo, particularly at Baixada Santista. 	<ol style="list-style-type: none"> Higher investment, as shown in the Report. Refer to the specific matter in this Report. Several projects were developed or intended for Baixada Santista, including qualification of cultural producers through a cultural management course in Cubatão. 	<ol style="list-style-type: none"> Commitment remains unchanged. Continued investments in infrastructure, cultural production, and artistic and public formation. Expansion and consolidation of the activities in São Paulo, particularly at Baixada Santista.

Environmental Performance



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

Environmental Investments

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

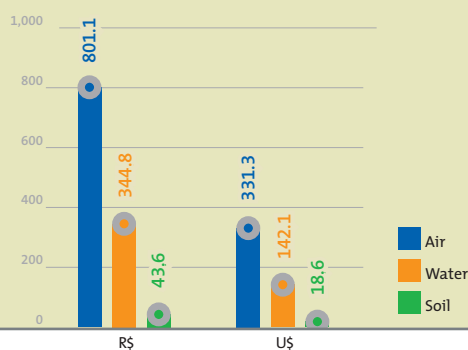
At the Intendente Câmara Steel Mill in Ipatinga (MG), these investments totaled some R\$ 70.3 million (US\$ 29.2 million) in 2006, amounting to R\$ 1.2 billion (US\$ 488.8 million) since the steelworks started up its operations.

At COSIPA's José Bonifácio de Andrada e Silva Steel Mill in Cubatão (SP), investments in equipment for environmental impact control reached R\$ 37.7 million (US\$ 17.3 million) in 2006. In the period from 1994 through 2006, the overall environmental investments totaled R\$ 815.2 million (US\$ 336.7 million).

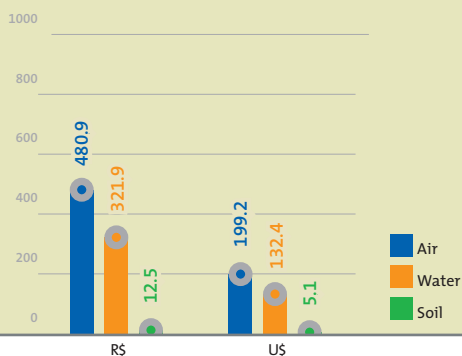
International certifications prove the concern of the System's companies about the impact of their industrial activities on the environment. The Environment Management Systems at the two iron- and steel-making mills are certified under the ISO 14001:2004 Standard; the same applies to other System's companies.

Accumulated Investments in Industrial Impact Control Equipment and Processes

Usiminas
million



Cosipa
million





Investments to mitigate environmental impacts in the Intendente Câmara and José Bonifácio de Andrada e Silva steel mills amounted to R\$ 108 million.



Environmental Guidelines

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

- Ethical behavior in business and compliance with legal and regulatory requirements associated to the products, processes, people and premises, acting as managerial vectors;
- Strategies, action plans and processes are designed to ensure customer satisfaction and loyalty;
- Preservation of the individual's health and well-being, whose valuation, capacity-building, involvement, motivation and prevention-based safety are permanent goals;
- Preventing pollution, identifying and controlling environmental impacts, reducing solid waste, the quality of liquid effluents and atmospheric emissions, and the rational use of water, power and raw materials are basic requirements in carrying out all of our activities.

Refer to the Usiminas System companies' websites to know more details about the environmental guidelines.

Legal Requirements

Water use and the production activities of the Usiminas System hold the necessary licenses and permits issued by the environmental agencies, thus ensuring compliance with legal and regulatory provisions. Any new or modified process is licensed by the applicable environmental agencies.

In 2006, in compliance with the conditions for the issuance of the Installation License for a thermoelectric power plant in Ipatinga, the Intendente Câmara Steel Mill obtained the necessary approval by the National Electric Power Agency (Aneel). Moreover, the Steel Mill was granted the installation license by the State Environmental Policy Council (Copam) for the construction of Coke Plant no. 3, with a production capacity of 750,000 of coke per year.

Usiparts filed with the environmental agencies in 2005 the required applications for the licensing of a new press line; the corresponding Installation License was issued by Feam/Copam in 2006, covering the new stamping line.

The environmental licenses and water intake and use permits of the Usiminas System's companies are available in the electronic version of this document at Usiminas web site www.usiminas.com.br



Liquid effluent treatment unit

Environmental Impact Indicators

Among the companies in the Usiminas System, the most significant environmental impacts are caused by the activities of the Intendente Câmara Steel Mill (Usiminas) and the José Bonifácio de Andrada e Silva Steel Mill (Cosipa). These impacts are subject to a specific management approach, providing input for ongoing improvements. They are monitored and controlled according to differentiated parameters and methodologies as a function of the specific regulations of the states where the companies are located.

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

In 2006, the environmental impacts of Usiminas System's activities were compatible with the Brazilian and international legal standards.

Materials

Among the main materials used in steel production at the Usiminas System's two steel mills are the raw materials (ores, fluxes and ferro-alloys) and processing consumables (such as oils and greases). These non-renewable resources amount to approximately 16.5 million tons per year, on top of recycled materials.

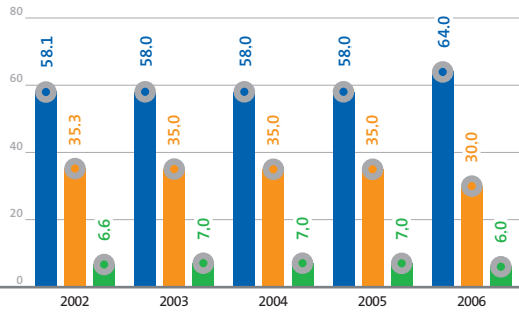
Solid Wastes

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

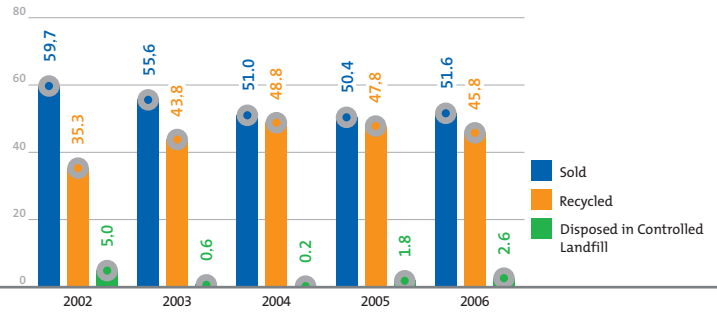
Both steel mills adopt a Solid Waste Management Program based on the 4 R's philosophy: Reduce, Reutilize, Recycle and Recover.

Both steel mills adopt a Solid Waste Management Program based on the 4 R's philosophy.

Intendente Câmara Steel Mill
Solid Waste Disposal
Percentage



José Bonifácio de Andrada e Silva Steel Mill
Solid Waste Disposal
Percentage



The solid wastes are fed back into the production processes, or may be sold to companies licensed by the local entity that oversees environment matters, or stored in special landfills that are tightly controlled, awaiting future applications. These industrial wastes find application as raw material for the cement industry, railbed ballast, fertilizer, and soil acidity correction agent, among others.

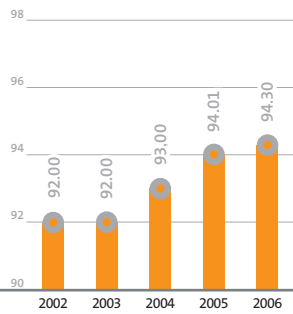
In 2006, Intendente Câmara Steel Mill generated 3,371,225 tons of solid wastes, corresponding to a specific average generation of 730.3 kg/ton of raw steel produced. The sale of such solid wastes reached 2.325 million tons in 2006, providing revenues 14.1% higher than those of 2005.

At José Bonifácio de Andrada e Silva Steel Mill, solid waste generation was 3,187,816 tons or 768.8 kg/ton of raw steel produced. Sales of 1.916 million tons of solid wastes brought in revenues 22% higher than those in 2005.

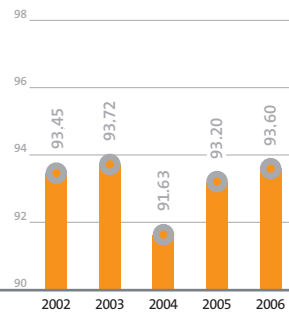
In 2006, 97.12% of the wastes generated by Usiparts Sistemas Automotivos were internally recycled, 2.29% were sold to licensed companies after analysis by the environmental agency, and 0.59% stored in controlled landfills.

At Usiminas Mecânica, Unigal, Dufer and Rio Negro, as well as other companies whose main activity is metallurgy, the main solid wastes consist of steel scrap, which is recycled by the System's steel mills.

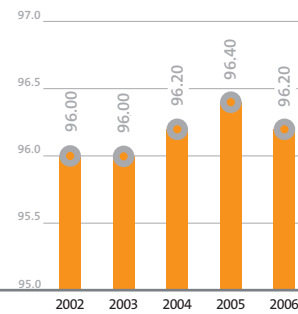
Intendente Câmara Steel Mill
Water Recirculation Rate
Percentage



Unigal S/A
Water Recirculation Rate
Percentage



Usina José Bonifácio de Andrada e Silva Steel Mill
Fresh Water Recirculation Rate
Percentage



Water Resources

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

The Intendente Câmara steel mill uses freshwater only in its production processes. Water is taken from the Piracicaba River at the average rate of 1,726 m³/hour. The overall water intake in 2006 was 15,124,140 m³.

This water is treated and recirculated at the rate of 94.3% in 2006, which represented an overall flow of 835,616,400 m³/year. The steel mill used 11.2 m³ of water per ton of crude steel, a 2.6% drop from the 2005 figures.

In the case of José Bonifácio de Andrada e Silva steel mill, two water sources are used, namely:

- Freshwater taken from Quilombo river, affluent of Quilombo river, affluent of Onça river and Moji river at an average flow of 2,379 m³/h. In 2006, the overall freshwater intake amounted to 20,845,165 m³.
- Brackish water taken from the Moji river mouth (canal) at an average flow of 1,063 m³/h. Brackish water intake totaled 9,310,169 m³ in 2006.

Out of the overall freshwater intake volume 96.2% are recirculated in the industrial processes. In the case of brackish water, the recirculation rate is 5.4%.

José Bonifácio de Andrada e Silva Steel Mill's overall water intake (including both fresh and brackish water) reached 30,155,334 m³ in 2006, with 77.4% average recirculation rate. The total recirculation volume amounted to 534,514,000 m³ in the year.

Unigal uses in its industrial processes part of Intendente Câmara Steel Mill's water intake. In 2006, Unigal consumed 8,031,528 m³, and recirculation systems led to a 93.60% recirculation rate.

Rio Negro and Dufer are supplied with water by Companhia de Saneamento Básico do Estado de São Paulo (Sabesp), and their water consumption in 2006 reached 66,240 m³ and 8,023 m³, respectively. Fasal and Usiparts were supplied by Companhia de Saneamento de Minas Gerais (Copasa) with 11,524 m³ and 64,800 m³, respectively.

In order to reduce water consumption investments are made in recirculation and use optimization.

Liquid Effluents

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

In 2006, R\$ 11.3 million were invested in the Intendente Câmara Steel Mill, totaling R\$ 344.8 million (US\$ 142.1 million).

In the case of José Bonifácio de Andrada e Silva

Steel Mill, investments amounted to approximately R\$ 321.9 million (US\$ 132.4 million) from 1995 through 2006, especially in settling, flocculation and filtering treatment processes. Before being discharged back into Piracicaba River, liquid effluents are monitored at the treatment station outlets and the general outfall of Intendente Câmara Steel Mill, with the following average results:

Average Values of Liquid Effluents Monitored at the General Outfall – Usiminas

Parameters	Ammonia (mg/l)	Cyanide (mg/l)	Phenols (mg/l)	Suspended solid (mg/l)	Oils and Greases (mg/l)	PH	Chemical Oxygen Demand (mg/l)
Legal Standard / COPAM	5.00	0.200	0.200	60.00 *	20.00	6.0 to 9.0	90.00
Average 2002	1.04	0.031	0.002	28.26	3.09	7.37	6.01
Average 2003	1.21	0.041	0.003	26.04	3.33	7.31	5.67
Average 2004	2.05	0.06	0.002	39.69	3.11	7.50	5.44
Average 2005	2.42	0.065	0.003	53.40	3.26	7.38	5.49
Average 2006	3.33	0.090	0.001	46.80	3.05	7.36	5.44

mg/l: milligram per liter

Monitoring at Liquid Effluent Treatment Stations – Usiminas

Parameters	Biological Treatment Station		Electrolytic Galvanizing Treatment Station		Acid Neutralization Station		Oil Treatment Station	
	Phenols mg/l	Ammonia mg/l	Chemical Oxygen Demand mg/l	Zinc mg/l	Soluble Iron mg/l	pH	Oil mg/l	Suspended Solids mg/l
Legal Standard/ Copam	0.200	5.0	90.0	5.0	10	6 to 9	20.0	60.0
Average 2002	0.007	0.19	6.91	2.73	0.27	7.42	11.41	19.44
Average 2003	0.007	1.22	9.47	2.65	0.46	7.50	12.86	18.66
Average 2004	0.008	1.10	2.97	2.73	0.38	7.44	10.55	21.20
Average 2005	0.007	0.50	2.20	2.70	0.44	7.51	9.95	20.30
Average 2006	0.010	0.58	2.69	2.37	0.32	7.16	9.27	19.71

mg/l: milligram per liter



Piracicaba river (MG) – Riverbank woods recovered by Usiminas.

At José Bonifácio de Andrada e Silva Steel Mill, liquid effluents go through specific treatments and are disposed in three different points of

Morrão River and its estuary. This Steel Mill posted the following average liquid effluent ratings in 2006:

**José Bonifácio de Andrada e Silva Steel Mill – Cosipa
Average Liquid Effluent Values at the Final Disposal Point – Points A**

Parameters	Ammonia (mg/l)	Cyanide (mg/l)	Phenols (mg/l)	Settleable Material (ml/l)	Oils and Greases (mg/l)	pH	BOD (mg/l)
Legal Standard	20	0.2	0.5	1 ml/l	20	5 to 9	60
Average 2003	1.6	0.03	0.09	0.16	13.1	7	10.3
Average 2004	1.7	0.04	0.1	0.1	15.2	7.3	7.4
Average 2005	1.8	0.014	0.1	0.1	16.2	7.2	6.3
Average 2006	2.1	0.01	0.05	0.1	14.7	7.1	3.8

mg/l: milligram per liter

**José Bonifácio de Andrada e Silva Steel Mill – Cosipa
Average Liquid Effluent Values at the Final Disposal Point – Points B**

Parameters	Ammonia (mg/l)	Cyanide (mg/l)	Phenols (mg/l)	Settleable Material (ml/l)	Oils and Greases (mg/l)	pH	BOD (mg/l)
Legal Standard	20	0.2	0.5	1 ml/l	20	5 to 9	60
Average 2003	3.71	0.039	0.091	0.37	15.1	7	30.4
Average 2004	6.4	0.18	0.1	0.25	16	7.6	18.9
Average 2005	8.1	0.02	0.1	0.2	17	7.6	13.4
Average 2006	4.5	0.01	0.05	0.1	17	7.1	10.5

mg/l: milligram per liter

**José Bonifácio de Andrada e Silva Steel Mill – Cosipa
Average Liquid Effluent Values at the Final Disposal Point – Points C**

Parameters	Ammonia (mg/l)	Cyanide (mg/l)	Phenols (mg/l)	Settleable Material (ml/l)	Oils and Greases (mg/l)	pH	BOD (mg/l)
Legal Standard	20	0.2	0.5	1 ml/l	20	5 to 9	60
Average 2003	2.44	0.059	0.09	0.18	13.4	7	12.6
Average 2004	2.33	0.039	0.09	0.15	14.5	7.4	8.1
Average 2005	2.6	0.01	0.1	0.13	16.2	7.1	6.3
Average 2006	2.9	0.01	0.06	0.1	15.4	7.3	3.7

mg/l: milligram per liter

At Usiminas Mecânica, the retention processes for the main liquid effluents generated by the production activities performed as follows

through the treatment processes at special stations, in the period from 2002 through 2006:

Average Liquid Effluent Values, Separation Unit, Usiminas Mecânica: Usicort Plant, Betim – MG

Parameters	Tensoactive Agent (mg/l)	Suspended Solids (mg/l)	Chemical Oxygen Demand (mg/l)	Oils and Greases (mg/l)	pH
Legal Standard	2.0	60.0	60.00	20.00	6 to 9
Average 2002	1.57	76.72	515.59	7.72	7.42
Average 2003	1.24	23.67	353.67	9.05	7.19
Average 2004	0.74	38.45	253.73	6.20	7.39
Average 2005	1.12	24.90	184.21	7.77	7.47
Average 2006	0.01	19.76	229.3	5.03	7.19

mg/l: milligram per liter

The chemical oxygen demand values at the Separation Box of Usiminas Mecânica unit in Betim are above the applicable legal standards, although complying with another condition established in the legislation with respect to the

actual reduction after treatment.

At Unigal, monitoring of treated effluents performed as follows on average, from 2002 through 2006:

Galvanizing Line Effluent Treatment Station – Unigal

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

* Settleable solids in 60 minutes, in milliliters per liter

mg/l: milligram per liter



Side view of the Intendente Câmara Steel Mill's rolling mills and Anta Pond.

Liquid wastes at Usiparts Sistemas Automotivos are treated at a special station consisting of a biological line and two physical-chemical lines. Due to higher production demands, it proved necessary to resize the existing stations. The adjustment of the Chemical and Biological Oxygen

Demand parameters was based on a consulting contract with Campinas University (Unicamp), which reviewed the design, implemented the Advanced Chemical Oxidation Process and conducted effluent tests. The whole project was approved by the environmental agency.

Usiparts – Monitoring at the Output of the Biological and Physical-Chemical Treatment Stations – Average Values

Parameters	Lead (mg/l)	Biological Oxygen Demand (mg/l)	Chemical Oxygen Demand (mg/l)	Soluble Iron (mg/l)	Detergent (A.B.S) (mg/l)	Settleable Material (mg/l)	Nickel (mg/l)	Oils and Greases (mg/l)	PH	Suspended Solids (mg/l)	Zinc (mg/l)
Legal standard/COPAM	0.1	60	90	10	2.0	1.0	1.0	20	6.5 – 8.5	100	5.0
Average 2002	<0.01	200.0	460.0	1.9	0.1	<0.1	0.2	2.0	7.3	29.0	0.3
Average 2003	<0.01	104.5	260.0	3.15	0.3	0.7	2.9	41.1	6.6	49.4	2.8
Average 2004	ND	51.0	418.0	ND	0.41	ND	8.14	79.0	6.99	187.0	20.8
Average 2005	ND	152.33	343.83	0.25	0.14	ND	0.72	13.42	7.47	38.17	0.39
Average 2006	ND	98.08	242.42	0.11	0.23	0.02	0.19	10.08	7.36	17.83	0.13

mg/l: milligram per liter

ND: non-detectable

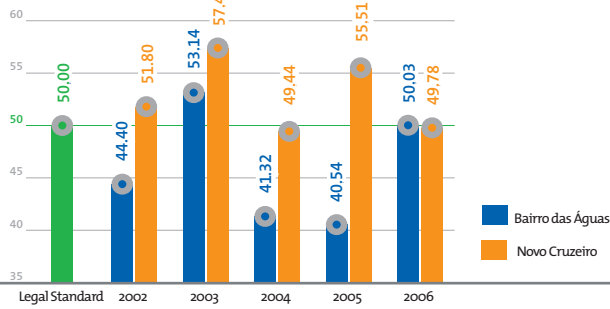
At Rio Negro, waste water goes through a treatment station designed for treating liquid effluents from the pickling line and is disposed

into Sabesp sewer system. Monitoring showed the following concentrations:

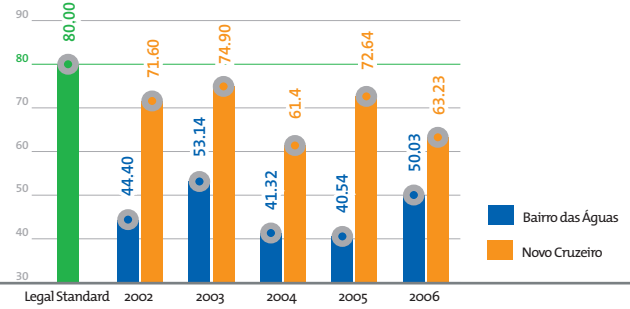
Rio Negro – Pickling Line Effluent Treatment

Parameters	Legal Standard	Average 2005	Average 2006
Oils and greases	20 mg/l	19.0	7.0
Nickel	1 mg/l	Non-detectable	0.06
Zinc	5 mg/l	0.14	0.39
Soluble Iron	10 mg/l	1.70	13.5

Intendente Câmara Steel Mill
Particulate Matter Emission Monitoring in the Neighborhoods
 µg/m³



Intendente Câmara Steel Mill
Inhalable Particle Emission Monitoring in the Neighborhoods
 µg/m³



Atmospheric Emissions

Air quality monitoring on the premises and around the Usiminas System’s steelmaking and metallurgical complexes is carried out at the emission sources and through monitoring stations that assess the performance of the atmospheric emissions control processes and equipment.

Investments in atmospheric emission control equipment at Intendente Câmara Steel Mill amounted to R\$ 46.02 million during 2006, taking the accumulated investment to R\$ 801.1 million (US\$ 331.3 million) to date. One of the most important investments was the Coal Crusher Dedusting System, which contributed to the 31.2% drop in the particulate matter emission compared to 2005, with a specific rate of 1.36 kg/tcs (kilogram per ton of crude steel produced).

Atmospheric emissions are monitored through the performance assessment of 74 environmental protection systems and by means of process control and monitoring of 54 fixed sources.

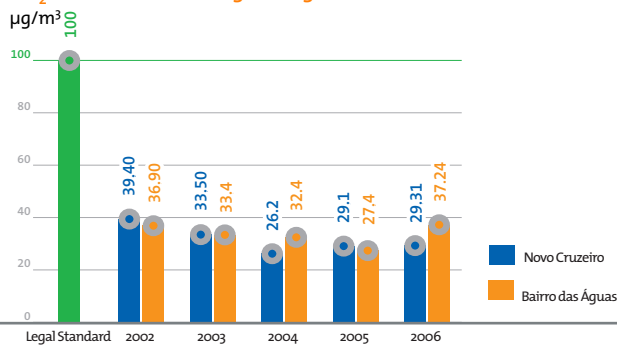
Air quality in the areas around the steel mill in Ipatinga is monitored by six stations in the Bom Retiro, Castelo, Cariru, Bairro das Águas, Escritório Central and Novo Cruzeiro neighborhoods. Data from these six stations are processed in a mathematic model named Breeze to assess pollution dispersion. This model provides prompt

dispersion analysis. The prevailing meteorological conditions in Ipatinga and the location of atmospheric emission sources in the steel mill make the monitoring stations of Novo Cruzeiro and Bairro das Águas the most representative ones for the sake of air quality assessment.

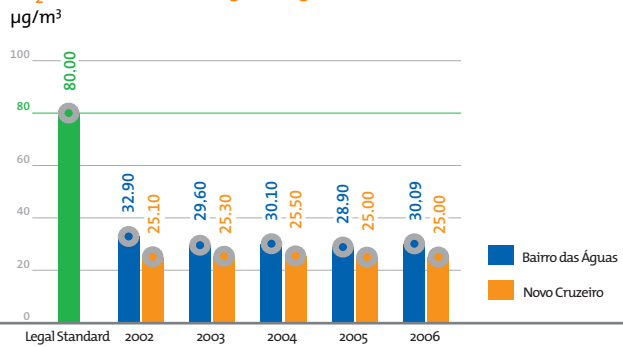
The José Bonifácio de Andrada e Silva Steel Mill invested around \$ 480.9 million (US\$ 199.2 million) in atmospheric emission control systems in the period 1995-2006. It was the first company in the industrial center of Cubatão (SP) to install stack emission monitoring through a system connected on line with Companhia de Tecnologia e Saneamento Ambiental de São Paulo (Cetesb/SP), which allows to continuously monitor potential atmospheric emission sources at the steel mill.

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

Intendente Câmara Steel Mill
NO₂ Emission Monitoring in Neighborhoods



Intendente Câmara Steel Mill
SO₂ Emission Monitoring in Neighborhood



The following average values resulted from monitoring:

José Bonifácio de Andrada e Silva Steel Mill – Atmospheric Emission Monitoring at the Sources

Parameters	Blast Furnace no. 1 atmospheric emissions			Blast Furnace no. 2 atmospheric emissions		
	Particulate matter (mg / Nm ³)	SO _x (mg / Nm ³)	NO _x (mg / Nm ³)	Particulate Matter (mg / Nm ³)	SO _x (mg / Nm ³)	NO _x (mg / Nm ³)
Legal standard	75	2500	100	75	2,500	100
Average 2002	47.5	ND	ND	29.75	ND	ND
Average 2003	20.41	63.71	47.44	36.65	101.60	ND
Average 2004	23.58	20.35	14.12	27.86	96.9	ND
Average 2005	21.5	62.2	1.6	26.54	2.5	1.75
Average 2006	20.71	21.51	7.28	16.34	48.16	4.7

ND: non-detectable

José Bonifácio de Andrada e Silva Steel Mill – Atmospheric Emission Monitoring at the Sources

Parameters	Sinter Plant no. 2			Sinter Plant no. 3		
	Particulate matter (mg / Nm ³)	SO _x (mg / Nm ³)	NO _x (mg / Nm ³)	Particulate Matter (mg / Nm ³)	SO _x (mg / Nm ³)	NO _x (mg / Nm ³)
Legal standard	75	2,500	100	75	2,500	100
Average 2002	68.1	ND	ND	67.2	189	188
Average 2003	67.3	276	ND	43	311	70
Average 2004	23.58	20.35	14.12	27.86	95.9	37
Average 2005	67.5	266	60.5	46.6	323	34
Average 2006	79.8	262.8	37.24	44.76	262.8	37.24

ND: non-detectable

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

Unigal – Atmospheric Emissions Monitored at their Respective Sources

Place	Parameters	Legal Standard	Average 2002	Average 2003	Average 2004	Average 2005	Average 2006
Continuous Reheating Furnace	Particulate Matter (mg/Nm ²)	<150	48.36	17.72	38.14	28.4	29.14
	SO ₂ (mg/Nm ²)	<2,500	529.4	385.6	485.47	277.28	307.4
	Zinc (mg /Nm ²)	50	0.553	0.13	0.626	0.25	0.001
Galvannealing Furnace	Particulate Matter (mg/Nm ²)	<150	5.12	9.4	18.28	2.54	1.85
	SO ₂ (mg/Nm ²)	<2,500	6.71	12.83	1.14	7.81	2.86
	Zinc (mg /Nm ²)	50	0.47	0.56	1.47	0.06	0.203
Chromium plating exhaust system	Particulate Matter (mg/Nm ²)	<150	16.69	2.84	8.92	3.66	1.63
	Chromium (mg/Nm ²)	5.0	0.005	0.32	ND	0.001	0.001
Chromium plating dryer	Particulate Matter (mg/Nm ²)	<150	8.48	7	6.19	1.7	2.5
	Chromium (mg/Nm ²)	5.0	ND	0.02	ND	ND	0.006

ND: Non-detectable

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

exhaust fans and flues (control systems licensed by the environmental agency).

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

Usiparts – Atmospheric Emissions Monitored at their Respective Sources

Source	Emissions	Legal Standard (ppm)	Average Values 2005	Average Values 2006
Painting Cabins	Volatile Organic Compounds – VOC	100 PPM	2.334	14.591
	Particulate Matter	150 PPM	7.950	13.39
	Lead	5 PPM-	< 0.17	< 0.0072
Enamel Curing Oven	Volatile Organic Compounds	100 PPM	4.066	16.55
	Particulate Matter	150 PPM	8.797	11.27
Paint Room Exhaust System	Volatile Organic Compounds	100 PPM	3.773	5.045
	Particulate Matter	150 PPM	3.197	6.032
Sandpapering Cabins	Particulate Matter	150 PPM	6.263	5.69

PPM: Parts per million



Bag filter for atmospheric emission control.

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

In 2006, Usiminas Mecânica expanded its painting facilities and installed appropriate filters in order to keep the resulting environmental impacts under control. As a consequence, monitoring is now carried out at the emission sources, with the following average values:

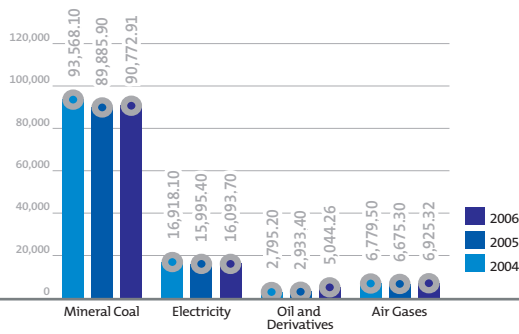
Atmospheric Emissions from the Painting Cabin

Painting Cabin – Stack I	Legal Standard	2005	2006
Particulate Matter – Fugitive and Fixed Sources	150 mg/Nm ³	*	10.45
Volatile Organic Compounds – VOC	100 mg/Nm ³	*	8.08
Heavy metals – Fixed Sources	5 mg/Nm ³	*	3.13
Painting Cabin – Stack II	Legal Standard	2005	2006
Particulate Matter – Fugitive and Fixed Sources	150 mg/Nm ³	*	9.69
Volatile Organic Compounds – VOC	100 mg/Nm ³	*	9.57
Heavy metals – Fixed Sources	5 mg/Nm ³	*	3.37
Shot Blasting – Blanks	Legal Standard	2005	2006
Particulate Matter – Fugitive and Fixed Sources	150 mg/Nm ³	*	11.86
Shot Blasting – I	Legal Standard	2005	2006
Particulate Matter – Fugitive and Fixed Sources	150 mg/Nm ³	14,01	65.48
Shot Blasting – II	Legal Standard	2005	2006
Particulate Matter – Fugitive and Fixed Sources	150 mg/Nm ³	*	21.01

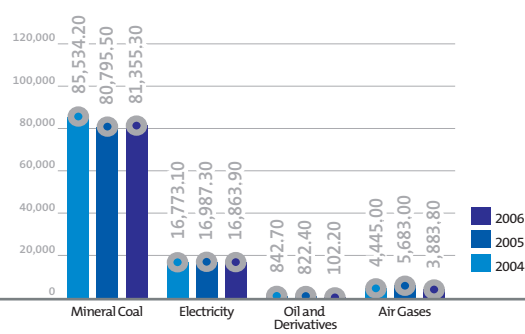
*Monitored at their respective sources as of 2006.

The production processes at the other companies in the System have no significant environmental impacts on the atmosphere.

Intendente Câmara Steel Mill – Ipatinga
Energy Consumption Curve
10³ x Giga Joules



José Bonifácio de Andrada e Silva Steel Mill
Energy Consumption Curve
10³ x Giga Joules



The Energy Matrix

The main energy source used by the Usiminas System’s steel mills is mineral coal. The coking, iron reduction and steel refining processes generate gases and liquid fuels that are cleaned, stored and reused in various stages of the production processes and for electric power generation. Projects implemented to optimize the energy matrix enable the utilization of these gases, covering around 29% of the two mills’ overall energy demand.

In 2006, the Intendente Câmara Steel Mill posted a consumption of 118,836,193.8 gigajoules, with the following equivalent breakdown by primary power source:

- Coal and by-products = 90,772,907.6 GJ (76.38%);
- Electricity = 16,093,701.8 GJ (13.54%);
- Oil derivatives = 5,044,259.9 GJ (4.24%);
- Air gases (cryogenics) = 6,925,324.4 GJ (5.84%).

At José Bonifácio de Andrada e Silva Steel Mill, the consumption of these and other power sources reached 102,205,182 Gjoules, with a specific consumption of 24.60 Gjoules per ton of crude steel produced, showing the following breakdown in 2006:

- Coal and by-products: 81,355,324.9 Gjoules (79.6%);
- Electricity: 16,863,855.0 Gjoules (16.5%);
- Natural Gas: 3,883,796.9 Gjoules (3.8%);
- Oil derivatives: 102,205.2 Gjoules (0.1%).

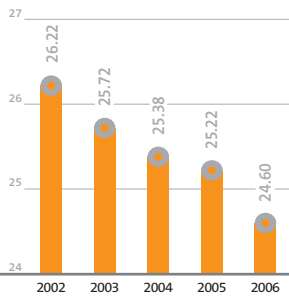
In 2006, the energy sources used by Usifast Logística Industrial included electricity acquired from the local utility company, amounting to 682,620 Kwh, equivalent to 2,457.4 Gjoules. Its vehicle fleet consumed 8,789,482 liters of diesel oil (equivalent to 375,107.0 Gjoules), 78,680 liters of gasoline (equivalent to 36.5 Gjoules) and 63,318.11 Kg of liquefied petroleum gas (equivalent to 3.1 Gjoules), which represents a total consumption of 440,885.6 Gjoules.

Usiparts consumes electric power (21,607.9 Kwh, equivalent to 77.8 Gjoules in 2006) provided by the local utility company and liquefied petroleum gas (200,174.68 Kg in 2006, equivalent to 9.8 Gjoules), thus totaling 87.6 Gjoules of energy consumption.

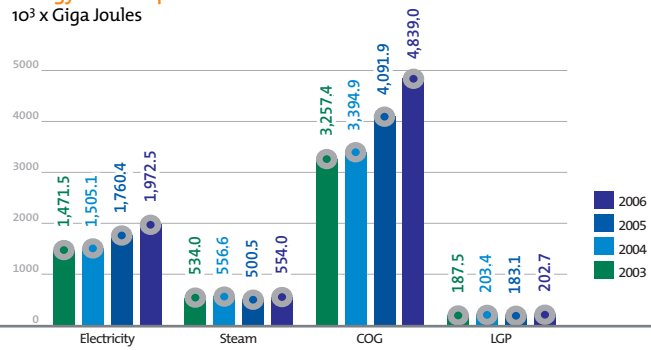
Rio Negro’s energy consumption reached 8,314 MW/h of electric power consumption (equivalent to 29,930.4 Gjoules), 63,304 Kg of liquefied petroleum gas (LPG) (equivalent to 2,873.1 Gjoules), 282 m³ of diesel oil (equivalent to 13,096.8 Gjoules) and 362 tons of heavy oil (equivalent to 15,529.8 Gjoules), with a total energy consumption of 61,430.1 Gjoules in the year.

In 2006, Usiminas Mecânica consumption of electric power reached 74,841.50 Gjoules, whereas that of oil derivatives, such as liquefied petroleum gas, gasoline and diesel oil achieved 44,382.80 Gjoules.

José Bonifácio de Andrada e Silva Steel Mill
Specific Energy Consumption Curve
 Giga Joules per ton of crude steel produced



Unigal S/A
Energy Consumption Curve
 10³ x Giga Joules



Unigal industrial plant consumes electric power provided by the local power utility, liquefied petroleum gas (LPG), and gases generated by USIMINAS, like the COG (Coke Oven Gas) and steam (generated by the industrial processes).

The other companies in the System use electricity as their primary energy source, acquired from local power utilities. In 2006, Usiroll consumed 1,158.96 Kw/h (equivalent to 4,172.3 Mjoules), Fasal used 860,144 Kw/h (equivalent to 3,096,518.4 Mjoules) and Dufer consumed 1,500.0 Kw/h (equivalent to 5,400.0 Mjoules).

Suppliers, Service Providers and Customers

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

Suppliers are assessed in terms of the environmental impacts of their activities, through the Usiminas and Cosipa Supplier Development Process. In 2006, 120 critical and strategic suppliers were revalidated in terms of their environmental conditions by the procurement department. In addition, 305 operating environmental licenses issued by environmental agencies were obtained or renewed.

Through provisions in their contracts, the service providers comply with the guidelines stipulated by the Environmental Management Systems in terms of the impact of their activities, always participating in campaigns, technical seminars and discussions. Both steel mills stipulate in their contracts that contractors must submit an Environmental Control Plan, comprising employee training, motivational campaigns, suitable operational practices and environmental impact control.

The Intendente Câmara Steel Mill promoted in 2006 the VII Usiminas Contractor’s Environment Week, during which a group of 28 contractors gathered together with an aim to enhance discussions among their representatives on how to meet the Steel Mill’s environmental standards.

The Usiminas System provides its customers with information about its products and precautions to be taken during their handling. As a 100% recyclable material, steel scrap is a quite effective market, which reduces scrap disposal in the environment.

Gas reutilization answers for 29% of the overall energy demand in both mills.

Community Involvement

Similar to the social and cultural areas, companies in the Usiminas System are endowed with methodical mechanisms for interacting with the community on matters related to the environment, perceiving concerns and developing specific programs.

The Usiminas System's companies actively participate in several committees, panels and regional and sectorial councils, as described in detail in the electronic version of this document available at Usiminas web site www.usiminas.com.br

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

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

Agenda 21 in Cubatão

Close contact with the community enabled Cosipa to take active part in the development of the works that resulted in the Agenda 21 program in Cubatão. This program was carried out under a participative approach, and open to all the stakeholders, having gathered together in excess of 1,700 people among City Council members and debaters on specific themes.

In Cubatão, half of the population lives in precarious situation in slopes and mangrove swamps, which demands a great endeavor from the public power to foster social inclusion. Private sector participation has been of great importance. In this respect, we must highlight Cosipa's partnership with the City Hall, not only in short- and medium-run social projects, but also through initiatives intended to find a permanent solution for the problems faced particularly by the neediest segments of the population.

Cosipa participation in the Agenda 21 implementation works is a great example of such a partnership. We may say that Cosipa made the Agenda 21 program feasible. This program is the most powerful and comprehensive tool for the Cubatão society participation in the quest for solutions for its problems and the planning of a better future.

Clermont Silveira Castor
Mayor of Cubatão

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

The 282 projects were joined together in the publication *Cubatão 2020 – The City We Want*, which describes the entire work methodology, analyses and diagnostics of the situation, target scenarios and action plans to be implemented by 2020. The core objective is the city's sustainable development. At the same time, a booklet was prepared with the Actions and Projects Time Schedule. It was distributed to the population in general, so that people could follow up the execution of each project, thus participating today in the transformation and construction of the city's future.



Zoo-botanic Park, Central Nursery – Intendente Câmara Steel Mill.

Green Area Program

The Usiminas System is engaged in a number of programs to recover and restore native vegetation in several areas previously deteriorated by human occupancy. The Intendente Câmara Steel Mill has a Main Plant Nursery in its zoo-botanical park, having produced 216,544 seedlings native to the Atlantic Forest in 2006, as well as fruit and ornamental trees to meet the Green Area Program requirements.

In addition, 35,825 seedlings were planted in the Urban Woodlands in 2006 in the Cariru, Ideal and Usipa neighborhoods of Ipatinga. Another 2,200 seedlings (totaling 393,479 trees to date) were planted along the banks of Piracicaba and Doce rivers in the frame of the Riverbank Forest Project, in a partnership with the NGO Relictos Foundation and the State Forest Institute.

With the initial objective of favoring tree pollination and obtaining seeds for the Green Area Program, Usiminas expanded its beekeeping program – Usimel – in its reforestation areas. In total, six beehives produced 4.5 tons of honey in 2006. Part of this production is consumed internally and the rest is donated to 37 welfare entities in the Steel Valley.

The “São Paulo Orchard – More Green, More Life” project introduced by the São Paulo State Environment Bureau was supported by Cosipa,

fostering the environmental reclamation of the Pinheiros River banks in the city of São Paulo. At the José Bonifácio de Andrada e Silva Steel Mill, a Landscape Master Plan has been implemented since 1999. This program took the total green area at Cosipa Plant to 1,154,000 m², resulting in an average of over 96 m² of green area per employee, well above the minimum level recommended by the World Health Organization (WHO).

Wildlife Protection

The Biodiversity Center (Cebus), run by the Usipa Sports and Recreation Association, and registered with the Brazilian Environment and Renewable Resources Institute (Ibama) under No. 247.002, is active in the regional wildlife protection. Cebus welcomes wild animals in many different situations, some seized by the Forest Rangers, or by Ibama itself, while others are donated privately. Most of these animals require special care during their recovery.

In 2006 the
Main Plant
Nursery
produced
216.5 thousand
seedlings native
to the
Atlantic Forest.



Guara wolf – animal handed over by IBAMA to CEBUS veterinarians for recovery and reintroduction to nature.

By the end of 2006, Cebus had 619 animals from 66 different species. Highlights were one blue macaw and one *canindé* macaw seized by the Environmental Police. 22 yellow caimans were born at Cebus. Compared to previous years, 2006 saw an increase in the birth rate and a reduction in the mortality rate in this Biodiversity Center.

In 2006, several joint actions were implemented in biology and veterinary areas, such as the enhancement of the disease prevention and control program, facility improvement, diet reformulation and environmental enrichment activities. Moreover, a number of studies on captive animal behavior were carried out in partnership with the University Center East Minas Gerais (Unileste/MG).

Moreover, Cebus team helped the Social Inclusion of Children and Youths Program – Athletes of Nature, which assists 200 children and adolescent at risk. The Center promoted several environmental education actions, including workshops on sustainability, medicinal plants, phytotherapy, composting techniques, recyclable material reutilization, hygiene and sanitary education.

Environmental Education

Every company in the Usiminas System is engaged in environmental education campaigns, whose focus are both the employees and the community.

At Intendente Câmara Steel Mill, all the new employees go through training courses during which global and specific environmental issues are discussed. In addition, they are given training on the Environmental Management System and participate of in-company contests, events and motivational campaigns. In 2006, Usiminas gave also several specific training courses for technicians, specialists and managers, among which it is worth mentioning the courses on Interpretation of Standard ISO 14001:2004, Measurement Uncertainty, and Auditor Formation based on Standards ISO 14001 and OHSAS 18.001.

The Energy and Transportation Division's Water and Industrial Wastes Department won the Usiminas Environment Highlight Contest in 2006. This department has 121 employees, all of them involved in environmental issues at Intendente Câmara Steel Mill.

During the year, this Unit reviewed the environmental aspects and impacts related to the activities carried out by the team, which led to a general and specific revision of procedures and 156 environmental matrixes in the department.



Seedlings of species native to transition woods, located in Ipatinga (MG). These seedlings are used by the Usiminas System's companies in projects to restore original vegetation.

The actions implemented helped to reduce water intake volume, avoid possible contamination of the rainwater draining system and eliminate the disposal of suspended solids in the Piracicaba River.

During the XXVIII Usiminas Environment Week, the Company promoted seminars and contests involving customers and suppliers in order to develop closer relationships with the community. In 2006, awards were given to the companies Fábrica Italiana de Automóveis Turim – Fiat Automóveis and Minerações Brasileiras Reunidas S/A – MBR in the “Customers” and Suppliers” categories, respectively, to highlight their environmental management approaches and as an acknowledgement for their contribution to programs and projects based on the environmental responsibility concept.

In order to enhance environmental awareness in the Steel Valley, Usiminas has been sponsoring the Xerimbabo Environmental Education Project since 1984. In its 22nd edition, this Project’s motif this year was Minas Gerais – The Heart of Waters, with didactic discussions on the importance of hydrographic basins. The Project welcomed 146,798 visitors, mostly teachers and students from 625 schools, particularly from East Minas Gerais, a 3.1% increase from 2005 attendance.

Rio Negro promoted in 2006 its 6th Environment Week, which highlighted the theme “Educating today not to regret tomorrow”, and encouraged a used edible oil collection campaign. Employees and their families attended speeches and were given explanatory material about the campaign and environment preservation as an element of social action. The used edible oil collected during the campaign was taken by a qualified reprocessor, who produces 60 liters of detergent from every 100 liters of oil. The outcome is donated to welfare institutions selected by the Company’s volunteering groups.

**Xerimbabo
Environmental
Education
Project discussed
the importance of
hydrographic
basins and
welcomed
146.8
thousand
visitors.**

Commitment to the Future

Goals and targets are constantly reworked, in order to control significant impacts and ensure the ongoing improvement of Usiminas environmental

performance. This program was reviewed in 2005, with the following commitments established for 2007 and 2008:

	Commitments taken	Progress in 2006	Future Commitments
AIR	<ol style="list-style-type: none"> 1. Completion of the High Pressure Ammonia Liquor System. 2. Installation of a new coal charging car at Coke Oven Battery no. 2. 3. Construction of the new coal crusher dedusting system. 	<ol style="list-style-type: none"> 1. The High Pressure Ammonia Liquor System for the Coke Oven Battery no. 2 was completed. 2. The installation of a new coal charging car at Coke Oven Battery no. 2. was postponed for 2007. 3. The new coal crusher dedusting system was built. 	<ol style="list-style-type: none"> 1. Installation of a new coal charging car at Coke Oven Battery no. 2. by August 2007. 2. Meeting the standards for emissions from HCl Regeneration Plants 1 and 2 by April 2007. 3. Installation of a new Electrostatic Precipitator for the Sinter Plant no. 2 and upgrading of the Electrostatic Precipitator of Sinter Plant no. 3 by September 2007.
Water	<p>The following goals were established for 2006:</p> <ul style="list-style-type: none"> • Specific new freshwater consumption lower than or equal to 10.9 m³/ton of crude steel. • Recirculation rate equal to or higher than 94.3%. 	<p>The 2006 goals were reached, namely:</p> <ul style="list-style-type: none"> • Specific new freshwater consumption of 10.9 m³/ton of crude steel. • Recirculation rate reached 94.3%. 	<p>The following are the targets for 2007:</p> <ul style="list-style-type: none"> • Specific new freshwater consumption equal to or lower than 11.2 m³/ton of crude steel. • Water intake from Piracicaba River equal to or lower than 98.7 m³/min. <p>In addition, the following project will be implemented:</p> <ol style="list-style-type: none"> 1. Meeting the standards for the effluents from the Coke Plant Biological Treatment Stations by August 2008.
Soil	<ol style="list-style-type: none"> 1. The 2006 goal was the disposal of class IIa and IIb wastes in controlled landfill equal to or lower than 7% of the total wastes generated. 2. Continued operation of the organic vapor and water treatment station in order to decontaminate the Poço Redondo area. 	<ol style="list-style-type: none"> 1. The goal was reached in 2006. Class IIA and IIB waste disposal in controlled landfill was 6.5%. 2. The water and organic vapor treatment station remained in normal operation in the Poço Redondo area in 2006. 	<p>The following are the targets for 2007:</p> <ul style="list-style-type: none"> • Disposal of class IIA and IIB solid wastes lower than 6% of the total wastes generated by December 2007. <p>Additionally, the following projects will be implemented:</p> <ol style="list-style-type: none"> 1. Feitosa III Controlled Landfill to meet the standards by December 2007. 2. Continued operation of the organic vapor and water treatment station in order to decontaminate the Poço Redondo area.

In order to identify the various environmental aspects, minimize their associated impacts and promote permanent environmental improvements at the steel mill, the corresponding

goals and targets are constantly reviewed according to Cosipa's procedures. This program was reassessed in 2006, and the following commitments have been set forth for 2007:

	Commitments taken	Progress in 2006	Future Commitments
Air	<ol style="list-style-type: none"> 1. Installation of self-adjusting doors on the coke battery ovens and refitting the furnace walls in order to eliminate gas leaks by December 31, 2007. 	<p>Executed in 2006:</p> <ul style="list-style-type: none"> • Group 1 – 36 doors delivered (out of 194 in total) • Group 2 – All the 212 doors delivered; 82 already installed. 	<ol style="list-style-type: none"> 1. Installation of self-adjusting doors on the coke battery ovens in order to eliminate gas leaks by December 2007. 2. Stop the use of cooling fluid R11 due to its impact on the ozone layer, by February 2007.
Water	<p>Installation of a containment bay in the pellet screening and secondary crusher screening areas in order to reduce dragging of material into the rainwater outfall galleries, by January 31, 2007.</p>	<p>Two containment bays were built.</p>	<ol style="list-style-type: none"> 1. Introduction of improvements in the STAA in order to eliminate eventual disposal of effluents at temperatures above the 40°C threshold, by December 30, 2007. 2. Reutilization of rainwater from the settling boxes of yard C2, using the effluent to moisten the yard; by December 2007.
Soil	<p>Minimize waste generation.</p>	<p>In spite of the reduction in the specific waste generation per ton of finished steel, there was no reduction in absolute figures due to the increased production volume.</p>	<ol style="list-style-type: none"> 1. To treat and/or dispose 100% of oily slurries, thus eliminating 60,000 tons of wastes stored in provisional bays, by December 2007. 2. To reduce the timber consumption and the resulting wood waste generation in the shipment of steel products, by December 2007.

The following environmental commitments were established by Usiparts Sistemas Automotivos:

	Commitments taken	Progress in 2006	Future Commitments
Air	To carry out annual monitoring of the painting cabin exhaust system, paint curing oven and paint room exhaust system.	Monitoring was carried out; results are shown at page 72.	Installation of a system to remove paint sludge from the painting cabin.
Water	<ol style="list-style-type: none"> 1. Installation of a press filter in the pre-treatment line to remove phosphate slurry in order to minimize the metal content (nickel, zinc, manganese and others) in the industrial effluents. 2. Installation of ultrafiltration membranes in the E-coat system in order to enable recirculation of the whole water volume. 	<ol style="list-style-type: none"> 1. Installation completed in 2006. 2. Membrane installation completed; piping to be completed. 	<ol style="list-style-type: none"> 1. Completion of the operational adjustment of the effluent treatment stations (ETS) in order to meet the Chemical Oxygen Demand requirements. 2. Installation of a paint slurry removal system in the painting cabin. 3. Reutilization of part of the water currently disposed for packaging washing. 4. Completion of the e-coat circuit .
Soil	Environmental evaluation and improvement of the tool yard.	<p>Study made by CSD-Geoklock was approved by the environmental agency.</p> <p>Execution of concrete pavement and contaminant collection system in 514 m² of yards.</p>	<ol style="list-style-type: none"> 1. Concrete pavement of an area of 1,790m² in the tool yard. 2. Completion of the spillage containment system, including connection to the ETS. 2. Covering of an area of 3,154 m² in the tool yard.

Usiminas Mecânica will implement an environmental investment program in its production units in 2007, in order to match their

main performance indicators with the accepted standards:

	Commitments taken	Progress in 2006	Future Commitments
Water	Operation of the Sewage Treatment Station at an operating rate equal to or higher than 95% in 2006.	The Sewage Treatment Station operated at an average rate of 89.5% in 2006. The goal was not accomplished due to maintenance problems in the scraper system.	To keep the Sewage Treatment Station operating performance at 95% in 2007.
Air	Control of atmospheric emissions from the painting processes through implementation of a painting process control by December 2005.	Atmospheric monitoring carried out in 2006 indicated that the system operates efficiently: Particulate Matter: 14.48 mg/Nm ³ against the applicable standard of 150 mg/Nm ³ VOC : 12.06 mg/Nm ³ against the legal standard of 100 mg/Nm ³ Heavy Metals: 0.001 mg/Nm ³ against the applicable standard of 5.0 mg/Nm ³	To implement movable atmospheric emission collection systems.
Power	To maintain in 2006 the electricity and LPG consumption rationalization program according to the established targets per ton produced, adjusting consumption goals for the different areas.	The Logistic, Equipment and Structures departments achieved the electric power consumption reduction goals; the LPG consumption also matched the reduction goals in the Blanking department.	To maintain in 2007 the electricity and LPG consumption rationalization program according to the established targets per ton produced, adjusting consumption goals for the different areas.

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

	Commitments taken	Progress in 2006	Future Commitments
Wastes	Minimum 2% reduction in the scrap generation index.	In 2006, there was a reduction in the specific generation per ton of finished product. However, due to the significant production increase, there was no reduction in absolute figures.	Scrap generation reduction: reduction in the consumption or natural resources and other inputs, such as steel coils, coke oven gas, water, electric power, zinc, LPG, paper and others. This objective is split in Goals and Projects/Actions, which will be controlled by means of monthly monitoring.

Economic and Social Indicators

Content Index – Global Reporting Initiative – GRI

Since 1997, Usiminas has based the preparation of its social statements on the recommendations of the Brazilian Institute for Social and Economic Analyses (Ibase) and, as of the year 2000, on the guidelines of the Global Reporting Initiative (GRI), both chartered to disseminate guidelines for the preparation of sustainability reports, applied globally and voluntarily by the organizations that wish to provide transparency to their activities' economic, environmental, social and cultural aspects. As of 2005, Usiminas formally and voluntarily adhered to the United Nation's Global Compact.

In the following sections we present the Content Index proposed by the Global Reporting Initiative, general information about the Usiminas System's economic, social and environmental performance, a Progress Report concerning the UN Global Compact principles, and Explanatory Notes regarding these three statements.

General Indicators

Strategy and Analysis	
1.1. Statement on sustainability importance.	Pages 2, 3
1.2. Description of main impacts, risks and opportunities.	Pages 2, 3
Organizational Profile	
2.1. Organization name.	Page 6
2.2. Main brands, products and/or services.	Page 6
2.3. Operational structure.	Page 7
2.4. Location of the organization headquarters	Page 6
2.5. Name of countries where the company operates and relevant numbers for sustainability.	Pages 7, 16
2.6. Nature of ownership and legal form.	Page 8
2.7. Served markets.	Page 16
2.8. Organization size.	Page 6
2.9. Main changes during the reporting period.	Pages 2, 3
2.10. Awards received in the reporting period.	Pages 12, 13
Report Parameters	
Report profile	
3.1. Reporting period.	January 01 through December 31, 2006.
3.2. Date of the latest previous report.	Relative to 2005.
3.3. Report issuance cycle.	Annual.
3.4. Contact details.	Page 87 (item 7)
Scope and Boundary of Reporting	
3.5. Process to define the report content.	The report is organized for reading by the main stakeholders, and its approaches take into account the importance with respect to the business sustainability and the facts documented by the company.
3.6. Report boundaries.	Page 7
3.7. Limitations as to the report scope or boundary.	Information disclosed refer to the Usiminas System's companies. Eventual exceptions are indicated along with the respective indicators.
3.8. Basis for the report preparation.	Page 7
3.9. Data measurement techniques and calculation bases.	Indicated along with the data and calculations which they refer to.
3.10. Consequences of information restatement.	There were no significant restatements in published information. Eventual exceptions are indicated along with the respective indicators.
3.11. Significant changes compared to previous years.	There are no significant changes with respect to the previous report, as far as the report scope or boundary is concerned.

Summary of GRI content	
3.12. Table to identify information location.	Pages 84, 85
Report Checking	
3.13. Current external checking practice and policy.	There is no external checking of the report.
Governance, Commitments and Engagement	
Governance	
4.1. Governance structure of the organization.	Pages 9, 10
4.2. Indication whether the chairman of the highest governance body is also an executive officer.	Page 91
4.3. Indication of the number of independent or non-executive members of the highest governance body.	Pages 8, 9, 10, 91
4.4. Mechanisms for shareholders and employees to submit recommendations to the highest governance body.	Page 10
4.5. Relation between compensation to the members of the highest governance body, executive management and other executive officers and the organization performance.	Pages 15, 87
4.6. Processes in the highest governance body to avoid conflict of interest.	Pages 8 to 10
4.7. Process to determine the skills and knowledge of the members of the highest governance body.	Pages 8 to 10
4.8. Statements of mission and values, codes of conduct and internal principles.	Page 4
4.9. Procedures of the highest governance body to supervise the social, environmental and economic performance management.	Pages 8 to 10
4.10. Processes for self-evaluation by the highest governance body.	Pages 8 to 10
Commitment to External Initiatives	
4.11. Precautionary principle.	Page 11
4.12. Subscription to charters, sets of principles or other initiatives.	Pages 3, 18, 22, 88
4.13. Participation in both national and international advocacy associations and/or organizations.	Pages 37, 76
Stakeholders Engagement	
4.14. List of stakeholder groups engaged by the organization.	Pages 16, 18, 20, 34, 35, 50, 60
4.15. Basis for identifying and selecting stakeholders.	Pages 16, 18, 20, 34, 35, 50, 60
4.16. Approaches for stakeholders engagement.	Pages 16, 18, 20, 34, 35, 50, 60
4.17. Main matters and concerns raised by stakeholders.	Pages 16, 18, 20, 34, 35, 50, 60

Performance Indicators

Economic performance	
EC1. Direct economic value generated and distributed.	Pages 14, 15
EC2. Financial implications, risks and opportunities due to climatic changes.	Page 11
EC3. Coverage of pension plan liabilities.	Page 15
EC4. Significant financial support received from the government.	Page 15
Presence in the Marketplace	
EC5. Variation of ratio of the lowest salary to the local minimum salary in major operational units (additional)	Page 87. The Usiminas System does not pay any salary lower than the local minimum salary.
EC6. Policies, practices and expenditures with local suppliers.	Pages 18, 19
EC7. Procedures for local hiring and proportion of top management members recruited from the local community.	Page 22
Indirect Economic Impact	
EC8. Investments in infrastructure and services	Page 33
EC9. Identification and description of significant indirect economic impacts, including impact extent (additional)	Pages 36, 37, 46
Environmental performance	
Materials	
EN1. Materials use	Page 63
EN2. Percentage of materials from recycling.	Pages 63, 64
Power	
EN3. Direct energy consumption.	Pages 74, 75
EN4. Indirect energy consumption.	Pages 74, 75
EN5. Energy saved due to improvements in conservation and efficiency (additional)	Pages 62, 74, 75
EN6. Initiatives to provide products and services that demand low energy consumption or use energy generated by renewable resources, and reduction in energy consumption arising out of such initiatives (additional)	Pages 62, 74, 75
EN7. Initiatives to reduce indirect energy consumptions and reductions achieved (additional)	Pages 62, 74, 75
Water	
EN8. Total water intake	Page 65
EN9. Water sources significantly affected by water intake (additional)	Pages 62, 65
EN10. Percentage and total volume of recycled and reutilized water (additional)	Page 65

Biodiversity	
EN11. Area inside or adjoining protected areas and high biodiversity areas outside protected areas.	The Usiminas System's companies do not operate in protected or environmentally sensitive areas.
EN12. Description of significant impacts on biodiversity.	Pages 77, 78
EN13. Protected or restored habitats (additional)	The Usiminas System's companies do not operate in protected or environmentally sensitive areas
EN14. Strategies, measures adopted and futures plans for biodiversity impact management (additional)	Pages 62, 76 to 79
EN15. Number of species in the IUCN Red List and national conservation lists whose habitat is affected by the operations, listed by extinction risk level (additional)	The Usiminas System's companies do not operate in areas where such operations could threaten species included in IUCN Red List
Emissions, Effluents and Wastes	
EN16. Total direct and indirect emissions of greenhouse gases.	Pages 70 to 73
EN17. Other relevant indirect emissions of greenhouse gases.	Pages 70 to 73
EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved (additional)	Pages 70 to 73
EN19. Emissions of ozone-depleting substances.	Usiminas does not use CFC-like gases in its activities.
EN20. NOx, SOx and other significant atmospheric emissions.	Pages 70 to 73
EN21. Total water disposal, by quality and destination.	Pages 66 to 69
EN22. Total waste weight, by type and disposal method.	Pages 63, 64
EN23. Total number and volume of significant runoffs.	Pages 66 to 69
EN24. Weight of transported, imported, exported or treated wastes deemed as hazardous according to the Basel Convention - Annexes I, II, III and IV, and percentage of transboundary waste movement (additional)	The Usiminas System's companies do not handle products and raw materials deemed as hazardous according to the Basel Convention
EN25. Identification, size, protection status and biodiversity of water bodies and their habitats significantly affected by water disposals and drainage made by the reporting organization (additional)	Page 62
Products and Services	
EN26. Initiatives to mitigate the environmental impacts of products and services.	Pages 63 and 64
EN27. Percentage of product and packaging reclaimed as a proportion of the actual product sales.	Pages 63 and 64
Conformity	
EN28. Significant fines and total number of non-monetary sanctions resulting from non-compliance with environmental laws and regulations.	No company of the Usiminas System has been fined due to breach of the environmental legislation.
General	
EN30. Overall environmental protection investments and expenditures, by type (additional)	Pages 60, 86

Social Performance – Labor Practices and Decent Work	
Employment	
LA1. Breakdown of workforce by employment type, employment contract and region.	Page 20
LA2. Total headcount and turnover rates.	Page 22
Labor/Management Relations	
LA4. Percentage of employees covered by collective bargaining agreements.	Page 22
LA3. Benefits offered to full-time employees that are not offered to temporary or part-time employees, split by main operations (additional)	Pages 22 and 23
LA5. Minimum time for information on operational changes.	As established by Collective Labor Agreements or Conventions
Health and Work Safety	
LA6. Percentage of employees represented in formal health and safety committees, made up of managers and workers, that help in occupational health and safety program monitoring and advice (additional)	Pages 24 to 26
LA7. Injury, occupational diseases, lost days, death and absentee rates.	Pages 24 to 26
LA8. Education, training, advice, prevention and risk control programs for employees, their families and community members with respect to serious diseases.	Pages 24 to 27
LA9. Health and safety matters covered by formal union agreements (additional)	Page 22
Training and Education	
LA10. Average training hours	Pages 28, 29
LA11. Skill management and continuous learning programs to support employee's employability and end of career (additional)	Page 28
Diversity and Opportunity	
LA13. Composition of bodies responsible for corporate governance and employees.	Page 9
LA14. Basic salary female/male ratio.	The Usiminas System does not adopt any kind of information control that could give rise to gender discrimination.

Social Performance – Human Rights	
Investment and Procurement Practices	
HR1. Significant investment contracts that include human rights clauses.	Page 18
HR2. Critical suppliers and contractors assessment in terms of respect for the human rights.	Page 18
Non-discrimination	
HR3. Total hours of employee training on human rights policies and practices relevant for the operations, including percentage of trained employees (additional)	Page 29
HR4. Total number of discrimination cases.	Page 87
Freedom of Association and Collective Bargaining	
HR5. Operations in which freedom of association and collective bargaining rights may be at risk.	Page 22
Child Labor	
HR6. Operations in which there is the risk of occurrence of child labor.	Pages 8, 16, 18, 19, 22
Forced and Compulsory Labor	
HR7. Operations in which there is the risk of occurrence of forced or compulsory labor.	Pages 8, 16, 18, 19, 22
Security Practices	
HR8. Percentage of security personnel trained on the organization's human rights practices or procedures that are relevant for the operations (additional)	Page 25
Indian Rights	
HR9. Total number of violations of Indian people's rights and measures taken (additional)	The Usiminas System's companies do not have facilities geographically close to Indian areas
Social Performance – Society	
Community	
SO1. Programs and practices to assess and manage impacts of operations on communities.	Pages 34 to 49
Corruption	
SO2. Units submitted to corruption risk assessment.	Pages 9, 10
SO3. Employees trained on anticorruption policies and procedures.	Page 29
SO4. Measures taken in response to corruption cases.	No case of corruption has been reported.
Public Policies	
SO5. Participation in lobbies and preparation of public policies.	Pages 34 to 37
SO6. Total amount of financial and in-kind contributions to political parties, politicians or related institutions, split by country (additional)	When made, contributions to Brazilian political parties comply with the applicable legislation in terms of both value and disclosure.

Unfair Competition	
SO7. Legal suits due to unfair competition, monopoly and antitrust practices, and their outcome (additional)	Zero
Conformity	
SO8. Penalties and non-monetary sanctions resulting from non-compliance with laws and regulations.	No company of the Usiminas System has been fined due to breach of laws and regulations.
Social Performance – Product Responsibility	
Customer Health and Safety	
PR1. Evaluation of the impacts of service and product life cycle on health and safety.	Page 16
PR2. Total number of cases of non-conformity with voluntary codes and regulations related to impacts on health and safety caused by products and services during their life cycle, split by type of result (additional)	The Usiminas System's companies are certified by BVQI with respect to quality, environment and occupational safety and health
Service and product labeling	
PR4. Total number of cases of non-conformity with voluntary codes and regulations related to information and labeling of products and services, split by type of result (additional)	Page 16
PR5. Practices related to customer satisfaction, including results of polls that measure such satisfaction (additional)	The Usiminas System's companies are certified by BVQI with respect to quality
Communication and Marketing	
PR6. Adherence to laws, standards and voluntary codes related to marketing, including advertising, promotion and sponsorship.	Page 16
PR7. Total number of cases of non-conformity with voluntary codes and regulations related to marketing communications, including advertising, promotion and sponsorship, split by type of result (additional)	Page 16
PR8. Total number of proven claims relative the breaking of privacy and loss of data of customers. (additional)	Page 16
Compliance	
PR9. Fines for non-compliance with laws and regulations related to supply and use of products and services.	No company of the Usiminas System has been fined due to breach of laws and regulations applicable to the supply and use of products and services.

Usiminas System in Numbers

(In R\$ Million)

1. Calculation Base	2006		2005	
	Usiminas	Usiminas System	Usiminas	Usiminas System
1.1. Net Revenues – NR	6,789,508	12,415,318	6,956,208	13,040,726
1.2. Operating Income – OI (1)	2,021,024	3,560,027	2,842,708	4,759,522
1.3. Gross Payroll – GP	619,162	1,122,510	531,684	1,013,133

2. Internal Social Indicators	Value R\$		% Gross Payroll		% Net Revenue		Value R\$		% Gross Payroll		% Net Revenue	
	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System
2.1 Mandatory Social Security	116,469	281,730	18.81	25.10	1.72	2.27	98,293	242,509	18.49	23.94	1.41	1.86
2.2. Supplementary Pension Fund	93,391	75,802	15.08	6.75	1.38	0.61	32,670	40,350	6.14	3.98	0.47	0.31
2.3. Benefits												
2.3.1. Catering	17,582	39,779	2.84	3.54	0.26	0.32	16,099	44,892	3.03	4.43	0.23	0.34
2.3.2. Healthcare	14,292	31,547	2.31	2.81	0.21	0.25	13,267	26,077	2.50	2.57	0.19	0.20
2.3.3. Industrial Safety and Medicine	18,891	27,605	3.05	2.46	0.28	0.22	14,621	23,094	2.75	2.28	0.21	0.18
2.3.4. Education	0	442	0	0.04	0	0	0	116	0	0.01	0	0
2.3.5. Culture	0	0	0	0	0	0	0	0	0	0	0	0
2.3.6. Professional Development and Capacity-Building	6,060	9,244	0.98	0.82	0.09	0.07	5,307	7,307	1.00	0.72	0.08	0.06
2.3.7 Day-care Centers or Allowances	0	21	0	0	0	0	0	19	0	0	0	0
2.3.8. Transporting	3,211	17,528	0.52	1.56	0.05	0.14	2,875	17,547	0.54	1.73	0.04	0.13
2.3.9. Insurance	1,129	2,026	0.18	0.18	0.02	0.02	1,121	2,591	0.21	0.26	0.02	0.02
2.4. Others	8,984	15,825	1.45	1.41	0.13	0.13	2,063	7,572	0.39	0.75	0.03	0.06
2.5. Employee Profit-Sharing Scheme	36,720	69,771	5.93	6.23	0.53	0.56	67,554	96,812	12.71	9.56	0.97	0.74
Total 2. Internal Social Indicators	316,729	571,320	51.15	50.90	4.67	4.59	253,870	508,886	47.76	50.23	3.65	3.90

3. External Social Indicators	Value R\$		% Operating Income		% Net Revenue		Value R\$		% Operating Income		% Net Revenue	
	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System
3.1. Education (2)	0	1,709	0	0.05	0	0.01	193	1,499	0.01	0.03	0	0.01
3.2. Culture (2) (a)	14,721	20,276	0.73	0.57	0.22	0.16	15,921	20,867	0.56	0.44	0.22	0.17
3.3. Healthcare and Sanitation (2)	0	0	0	0	0	0	397	497	0.01	0.01	0.01	0
3.4. Sport (2)	0	0	0	0	0	0	496	496	0.02	0.01	0.01	0
3.5. Combating Hunger/ Food Security (2)	0	0	0	0	0	0	30	30	0	0	0	0
3.6. Others (2)	13,960	13,986	0.69	0.39	0.21	0.11	1,051	1,069	0.04	0.02	0.02	0.01
Total contributions to society	28,681	35,971	1.42	1.01	0.42	0.28	18,088	24,458	0.64	0.51	0.26	0.19
3.7. Taxes (social security excluded) (2)	1,408,734	2,704,713	69.70	75.97	20.75	21.80	1,807,240	2,896,788	63.57	60.86	25.98	22.21
Total 3. External Social Indicators	1,437,415	2,740,684	71.12	76.98	21.17	22.08	1,825,328	2,921,246	64.21	61.37	26.24	22.40

4. Environmental Indicators	Value R\$		% Operating Income		% Net Revenue		Value R\$		% Operating Income		% Net Revenue	
	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System	Usiminas	Usiminas System
Investment related to corporate operating/ production	70,265	107,893	3.48	3.03	1.03	0.87	47,605	60,465	1.67	1.27	0.68	0.46
Investment in external programs and/or projects	0	0	0	0	0	0	0	0	0	0	0	0
4.1 Total Environmental Investments (3)	70,265	107,893	3.48	3.03	1.03	0.87	47,605	60,465	1.67	1.27	0.68	0.46
4.2 Regarding the establishment of annual targets for minimizing waste generation and consumption in general by the production /operation areas, and enhancing the efficient use of natural resources, the Company:	() Has no targets () Complies 0 - 50%						() Has no targets () Complies 0 - 50%					
	() Complies 51% - 75%						() Complies 51% - 75%					
	(X) Complies 76% - 100%						(X) Complies 76% - 100%					

5. Staff Indicators	As of December 12.31.2006		As of December 12.31.2005	
	Usiminas	Usiminas System	Usiminas	Usiminas System
5.1. Headcount at end of period	8,074	21,495	7,962	19,688
5.2. N° of Hires in Period	404	1,807	540	2,002
5.3. N° of Outsourced Personnel	6,782	13,780	5,628	16,042
5.4. N° of Interns/ On-the-job Trainees	271	634	179	555
5.5. N° of Employees over 45 years of age (4)	2,527	5,113	2,238	4,489
5.6. N° of Women working for the Company (4)	325	899	306	904
5.7. % Management Positions held by Women (4)	0.05%	0.08%	0.05%	0.08%
5.8. N° of Negroes working for the Company (4)	464	1,496	468	1,139
5.9 % of Management Positions held by Negroes (4)	0	0,02%	0	0,04%
5.10. N° of Disabled Employees (5)	138	502	26	297

6. Significant Information on the Exercise of Corporate Citizenship	2006 Actual			2007 Targets		
	Usiminas	Usiminas System		Usiminas	Usiminas System	
Ratio between the highest and lowest remuneration in the Company	36.5	60.9		36	60	
Total number of work accidents	14	80		0	0	
Outreach and environmental projects implemented by the Company were defined by:	● senior officers ● senior officers / managers ● all employees			● senior officers ● senior officers / managers ● all employees		
Workplace safety and health standards were defined by:	● senior officers ● senior officers / managers ● all employees plus CIPA			● senior officers ● senior officers / managers ● all employees		
With regard to trade union freedom, the right to collective bargaining and in-house worker representation, the Company	● is not involved ● follows ILO standards ● encourages and complies with ILO standards			● is not involved ● follows ILO standards ● encourages and complies with ILO standards		
The supplementary pension fund covers: (6)	● senior officers ● senior officers / managers ● all employees plus CIPA			● senior officers ● senior officers / managers ● all employees plus CIPA		
Profit or earnings sharing scheme includes:	● senior officers ● senior officers / managers ● all employees plus CIPA			● senior officers ● senior officers / managers ● all employees plus CIPA		
When selecting suppliers the same ethical, social accountability and environmental responsibility standards as adopted by the Company:	● are not considered ● are recommended ● are required			● are not considered ● are recommended ● are required		
With regard to employee participation in volunteering programs, the Company:	● is not involved ● supports ● organizes and encourages			● is not involved ● supports ● organizes and encourages		
Total number of consumer complaints and criticisms:	At the Company - 0 At Procom - 0 In Courts - 0			At the Company - 0 At Procom - 0 In Courts - 0		
% complaints and criticisms answered or resolved:	At the Company - 0 At Procom - 0 In Courts - 0			At the Company - 0 At Procom - 0 In Courts - 0		

Overall Value Added to be distributed (R\$ 000):	2006			2005	
	Usiminas	Consolidated		Usiminas	Consolidated
	R\$ 4,689,712	R\$ 6,562,725		R\$ 6,544,369	R\$ 8,530,137
Distribution of Value Added (DVA)	31.89 % Government 11.85 % Staff 18.12 % Stockholders 2.91 % Third Parties 35.23 % Withheld	39.91 % Government 14.94 % Staff 12.96 % Stockholders 6.81 % Third Parties 25.38 % Withheld		28.53 % Government 7.25 % Staff 17.04 % Stockholders 4.43 % Third Parties 42.75 % Withheld	35.28 % Government 10.58 % Staff 13.07 % Stockholders 8.21 % Third Parties 32.86 % Withheld

7. Other Information

Usinas Siderúrgicas de Minas Gerais S/A – USIMINAS CNPJ nº60.894.730/0001-05 ● Industry: Steel and Metallurgy ● Address: Rua Prof. José Vieira de Mendonça, 3.011 – Belo Horizonte – MG

For further explanation on the information disclosed: Engineer Marcus Rogério Carneiro Lemos ● Phone number: (55) xx 31 3499 8272 ● Mail : ubhpg01@usiminas.com.br

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

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

- Notes:**
- (1) - Before expenses and net financial income, equity income, amortization of goodwill and of negative goodwill, and interest.
 - (2) - Investments in education are understood by the Company as resulting from programs and projects integrated with Investments in Professional Qualification and Development.
 - (3) - Environmental investments are understood by the Company as projects and programs integrated with internal and external repercussions.
 - (4) - The companies in the Usiminas System do not accept any type of prejudice, whether racial, religious, political or any other type whatsoever. The figures reflect the employees' spontaneous individual statements, in compliance with the legal requirements for preparing the information presented in the RAIS, in compliance with Brazilian law.
 - (5) - In compliance with the conduct adjustment agreement signed with the Labor Department of Justice, the quotas required by Brazilian law exclude operating positions which, according to the laws which guarantee labor safety, would be incompatible or would expose disabled individuals to accidents. There are other disabled employees who work normally at the Company whose condition has not yet been certified by accredited organization.
 - (6) - The supplementary pension funds cover all the employees of those companies that adhered to them as sponsoring companies.
- (a) - Relative to the base year 2005, a reclassification was made in item 3.2 Culture relative to "Recoverable Cultural Incentive - ICMS" in the amount of R\$ 6,251,000 according to our accounting records; the corresponding value was changed from R\$ 9,670,000 to R\$ 15,921,000 (Usiminas) and the value of R\$ 14,616,000 to R\$ 20,867,000 (Usiminas System) in 2005.

Progress Report on Global Compact

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

Upon compliance with all the applicable requirements, Usiminas formalized its adherence on

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

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

Subject	Principles	Actions and Programs described in this Report	
Human Rights Principles	1. Respect and protection of human rights;	Corporate Governance, page 8 The Usiminas System and its Customers, page 16 The Usiminas System and its Suppliers, page 18 Interaction between the Companies and their Employees, page 22 The Usiminas System in the Communities, page 34 Interaction with Communities, page 52	
	2. Avoid human right abuses;	Corporate Governance, page 8 Integrated Management System Guidelines, page 11 The Usiminas System and its Suppliers, page 18 The Usiminas System in the Communities, page 34	
Labor Rights Principles	3. Uphold the freedom of labor association;	Interaction between the Companies and their Employees, page 22 Social Statement, page 87	
	4. Eliminate all forms of forced labor;	Corporate Governance, page 8 The Usiminas System and its Customers, page 16 The Usiminas System and its Suppliers, page 18 Interaction between the Companies and their Employees, page 22 The Usiminas System in the Communities, page 34 Interaction with Communities, page 52 Social Statement, page 87	
	5. Abolition of child labor;	Corporate Governance, page 8 The Usiminas System and its Customers, page 16 The Usiminas System and its Suppliers, page 18 Interaction between the Companies and their Employees, page 22 The Usiminas System in the Communities, page 34 Interaction with Communities, page 52 Social Statement, page 87	
	6. Eliminate discrimination in the workplace;	Interaction between the Companies and their Employees, page 22 Social Statement, page 87	
	Environmental Protection Principles	7. Support a precautionary approach to environmental challenges;	Integrated Management System Guidelines, page 11 Environmental Performance, page 60 Environmental Guidelines, page 62 Suppliers, Service Providers and Customers, page 75 Community Involvement, pages 76 to 79
		8. Promote greater environmental responsibility;	Awards, page 13 Environmental Performance, page 60 Environmental Guidelines, page 62 Suppliers, Service Providers and Customers, page 75 Community Involvement, pages 76 to 79
9. Encourage environmentally friendly technologies;		Environmental Performance, page 60 Environmental Guidelines, page 62 The Energy Matrix, page 74 Suppliers, Service Providers and Customers, page 75 Community Involvement, pages 76 to 79	
Anti-Corruption Principle	10. Work against all forms of corruption, including extortion and bribery	Structure of Corporate Governance Process, pages 9 and 10. Social Statement, page 87	

Explanatory Notes

IBASE Matrix

Breakdown of figures presented

Calculation Basis

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

Labor Indicators

Social Security: refers to the mandatory dues paid on wages in compliance with Brazilian Law.

Private Pension Fund: refers to the Company contribution to building up the closed private pension scheme reserves administered by Caixa dos Empregados da Usiminas and FEMCO. This includes monthly levies calculated on the wages paid and coverage for underfunding in future benefits reserves.

Benefits

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

Insurance: expenditures on groups life assurance premiums taken out on a joint basis and covering all employees, at the discretion of the Company.

Transportation: expenditures on employee commutes between the industrial areas of the Company, and awarding the Transportation Voucher benefit established by Brazilian Law.

Meals: refers to the expenditures incurred jointly for supplying meals at work, and investments in improvements.

Education, Capacity-Building, Training and Advance/Refresher Courses: investments in capacity-building and staff development at all employee levels, using in-house and outside resources in Brazil and abroad in the technological area, as well as human and social competencies. This also includes in-house work appreciation, industrial safety and quality campaigns.

Other Benefits: reimbursement of expenditures on day-care centers incurred for the offspring of employees and support for outreach activities within the community.

Taxes

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

Cultural Investments:

Refers to maintenance of and support to the cultural programs and assets of the Usiminas Cultural Institute (Usicultura); tax exemption-related amounts are not considered.

Company Information

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José Amilar da Silveira – Director of São Francisco Xavier School
Antônio Martins da Silva – Manager of Integrated Dental Care Center
Robson Miranda Pinto – Manager of Finance and Administrative Director
Adseu Álvares de Andrade – Manager of Health Plan

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Overall Coordination

Humand Resources and Administration
Department

Work Team:

- Audit and Internal Control
- Social Communication Department
- Environment and Urbanism Department
- Controllers Department
- Compensation and Benefit Division

Coordination

FIRB – Financial Investor Relations

Content

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