

1Q08



Mining



Railroad



Production



Value Added



Port



Agenda

- ▶ **Global View**
- ▶ **Usiminas**
- ▶ **Investments**
- ▶ **J. Mendes**
- ▶ **Financials**
- ▶ **Corporate Governance and Social Responsibility**

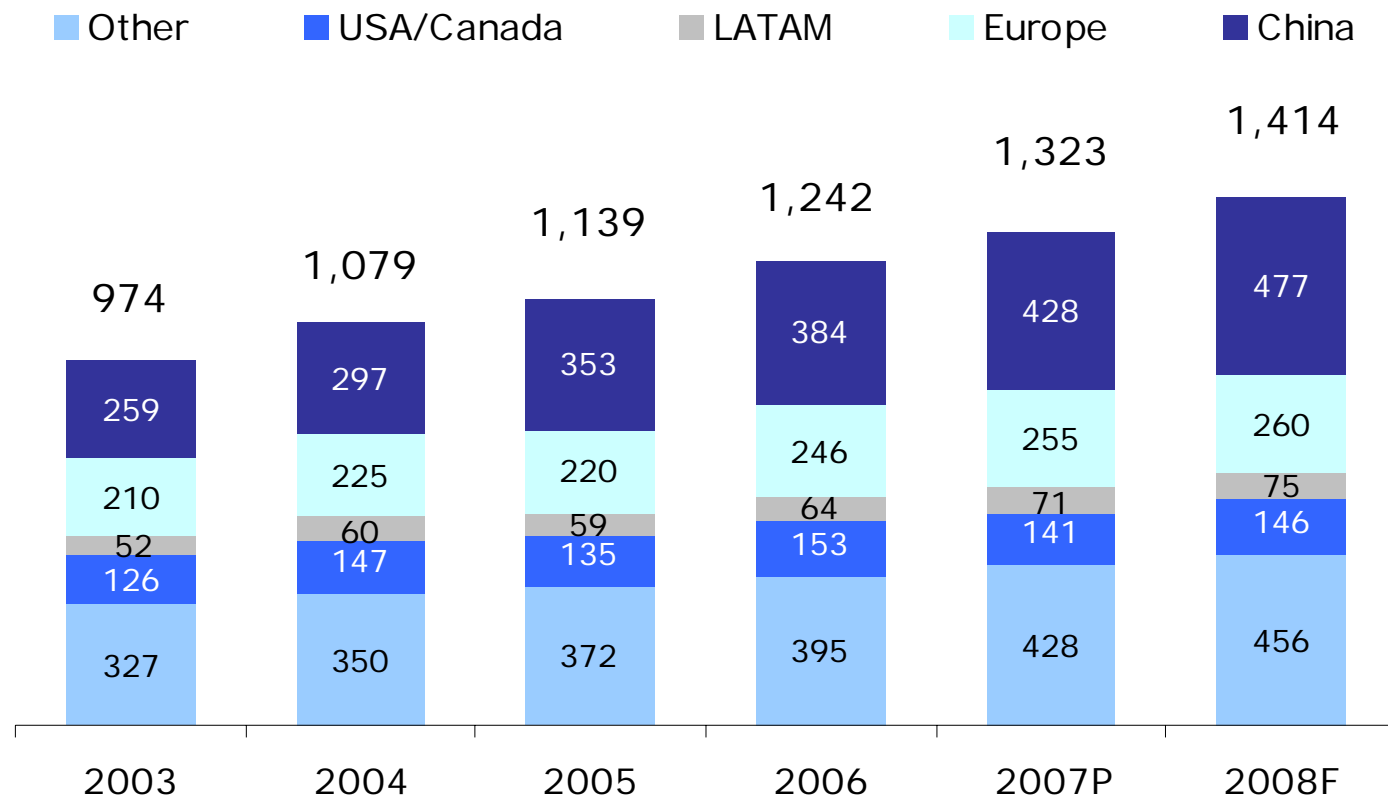


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Steel Consumption - World (million t)

Substantial growth in the past few years,
mainly coming from China ...

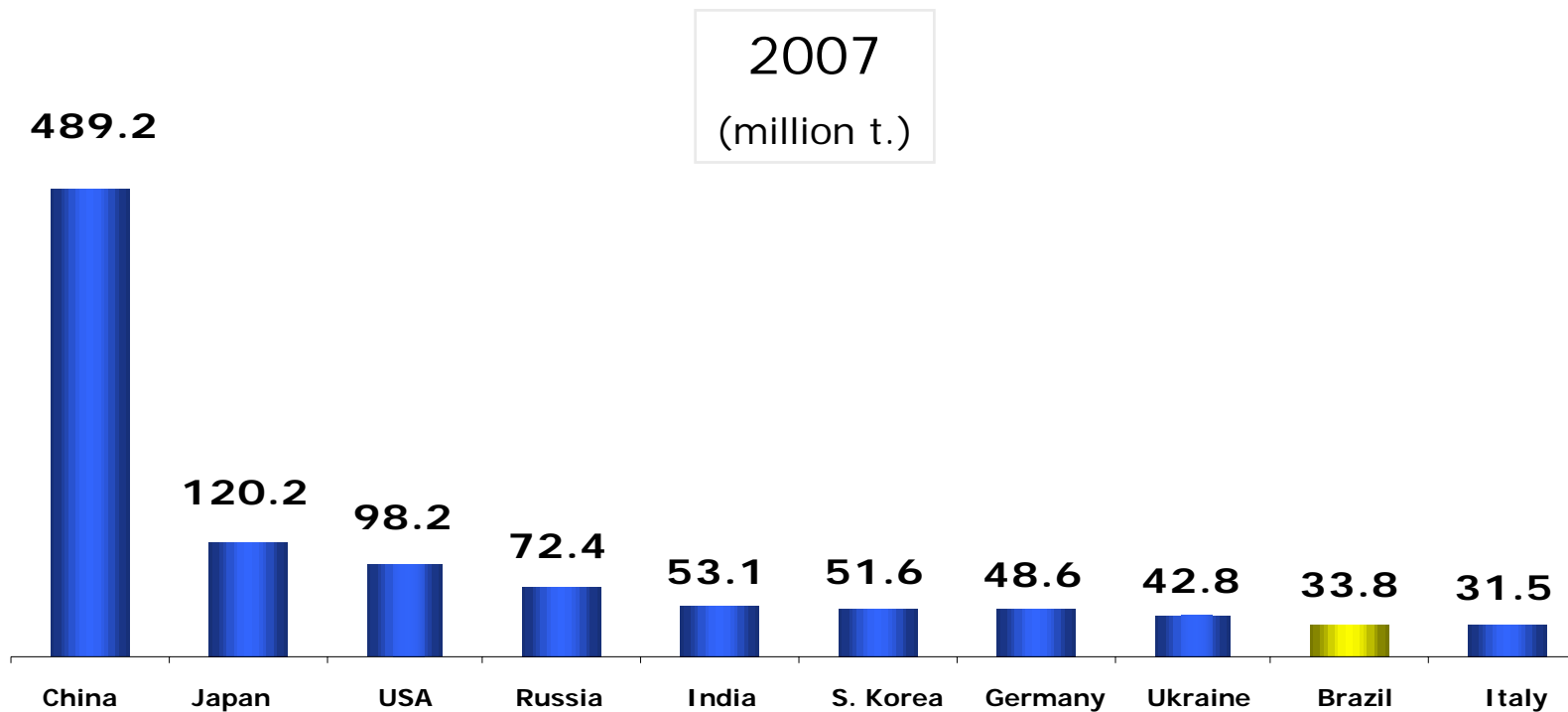


Source: IISI - 2008



World Steel Production

Brazil is the 9th largest producer...



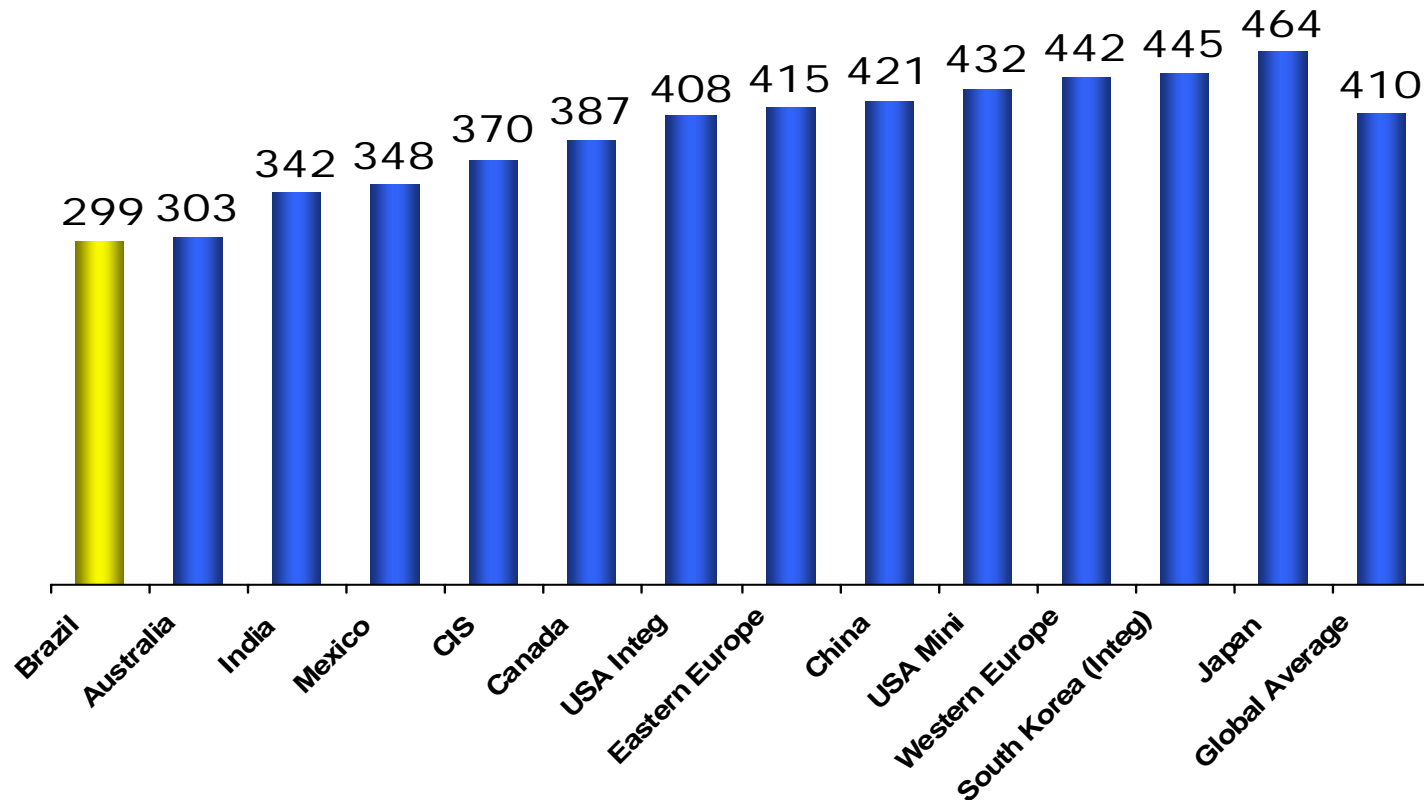
Source: International Iron and Steel Institute - IISI - 2008



Cost competitiveness

Brazil has the lowest production cost in the world

Production Cost USD / ton
(Slabs – Nov. 2007)



Source: WSD, Nov. 2007



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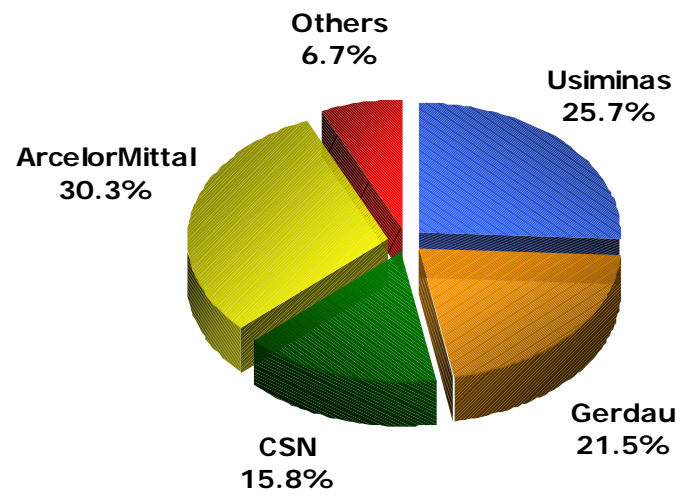
▶ Corporate Governance and Social Responsibility



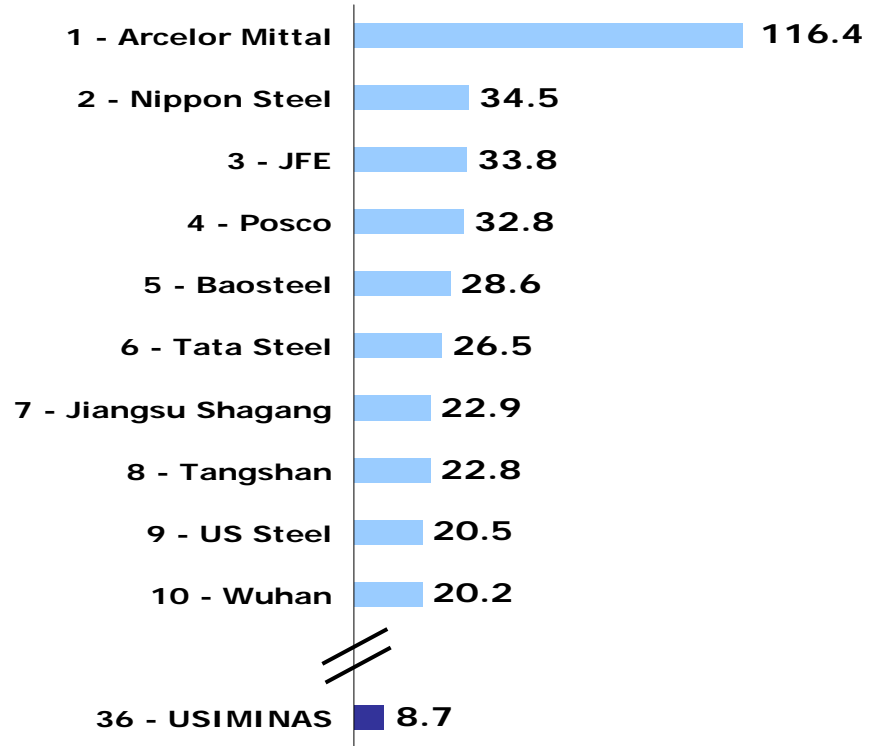
Brazilian Steel Production

Usiminas System is the 36th largest producer in the world and 1st **flat** steel producer in Latin America

Top Brazilian Steel Producers - 2007
(33.8 million ton = Brazil's crude steel production)



Major Producers 2007
(crude steel production - million t.)



Source: IBS - 2008 and Metal Bulletin - 2008

Shareholder Structure

Excellence of the main shareholders

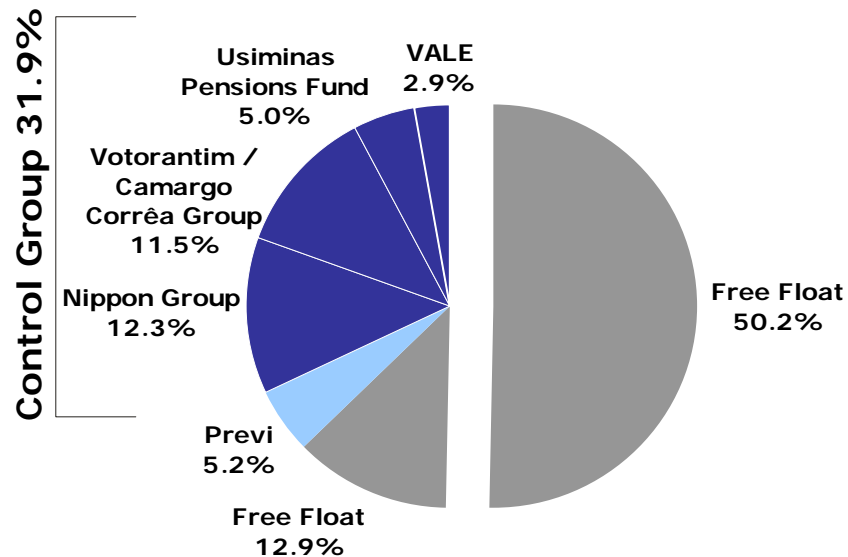
- Board of Directors from solid Brazilian and foreign groups
- Long-term commitment
- Excellence and experience of management

Total Capital

December, 2007

ON's - 49.8%

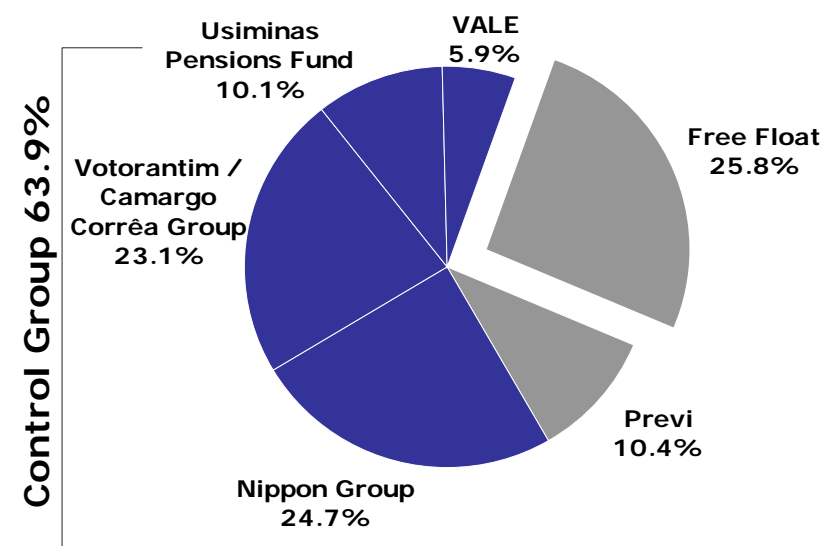
PN's - 50.2%



Voting Capital

December, 2007

ON's





Investments

Other relevant assets

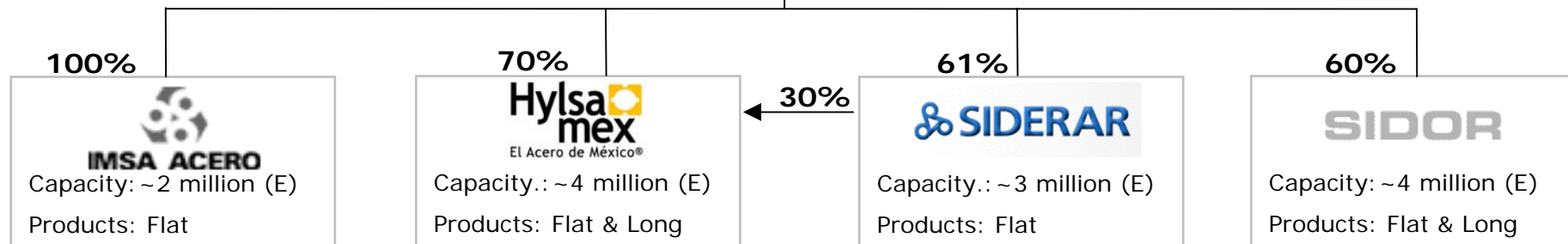
Steel business

Ternium

- Usiminas' Stake: **14.25% of total capital**
- Controlled by Techint Group
- Annual shipments: ~ 12 million tons
- Latin America's leader in finished steel shipments



- Revenues: **US\$ 8.2 billion**
 - EBITDA: **US\$ 2.2 billion**
- *FY/2007



www.ternium.com for additional information



Investments

Other relevant assets

Railroad



- Shareholder participation:
20% of voting capital and participation in control group

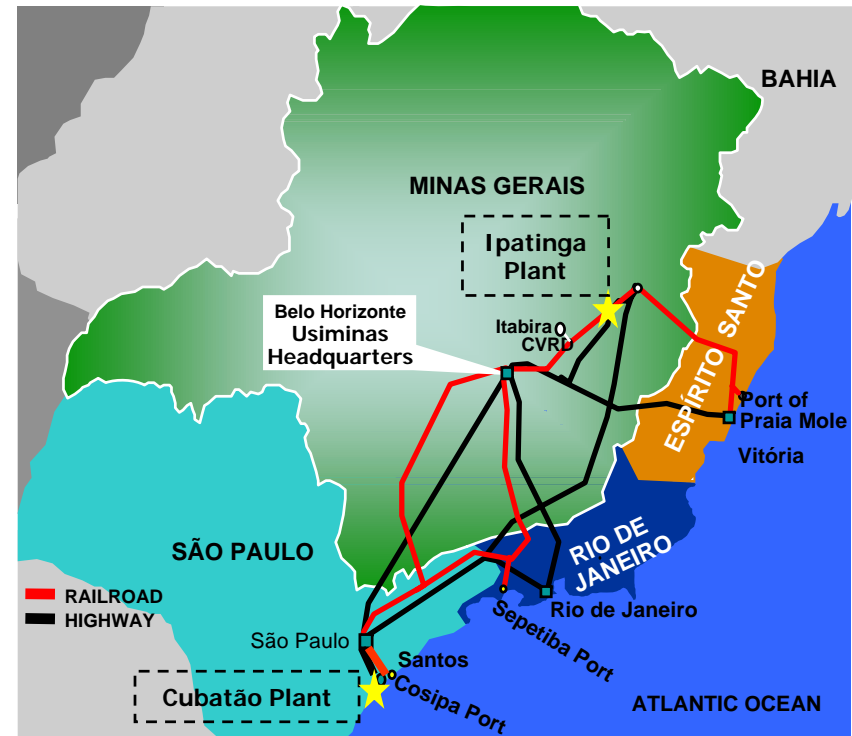
- Revenues (Gross): R\$ 2.5 billion
- EBITDA: R\$ 1.0 billion
- Debt (net): R\$ 326.6 million
- Products: 126.3 million tons transported in 2007 (general cargo)

*FY/2007

www.mrs.com.br for additional information



Usiminas is strategically located

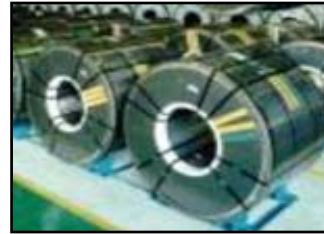


- ✓ Close to main markets
- ✓ 2 ports
- ✓ Railroad (MRS)

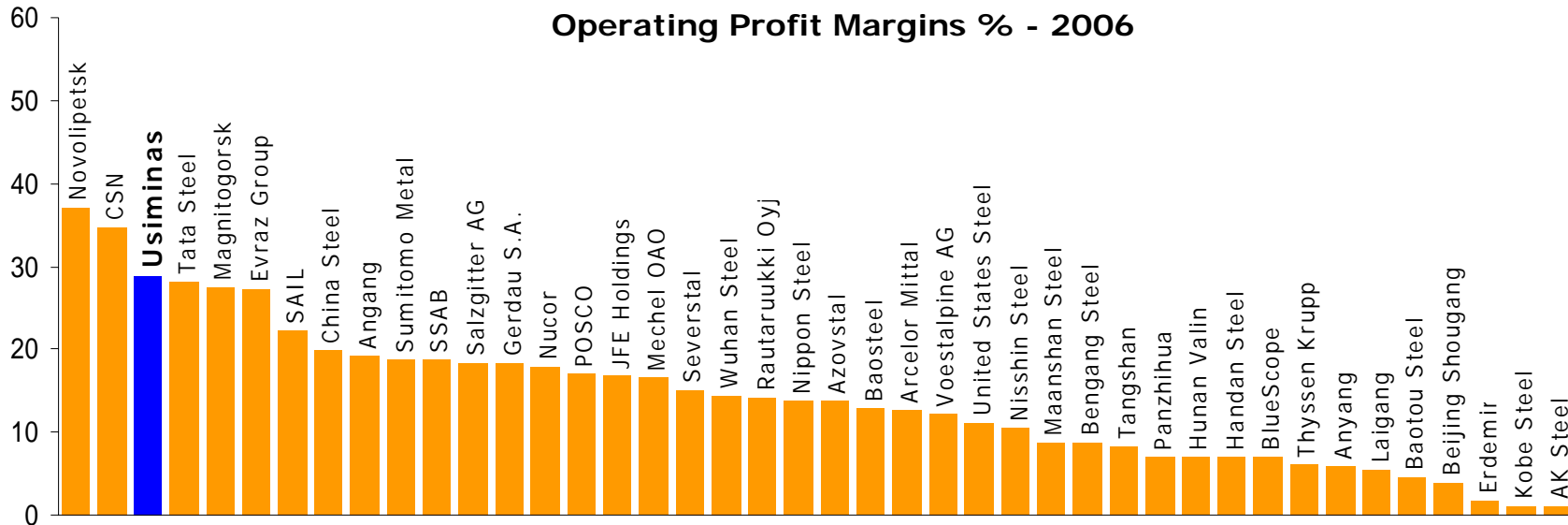


Cost competitiveness

High quality, value-added products (from slabs to coated products)



Among the lowest cost producers in the world



Source: Integer Research, 2007



Products

Complete product lines: from slabs to coated products

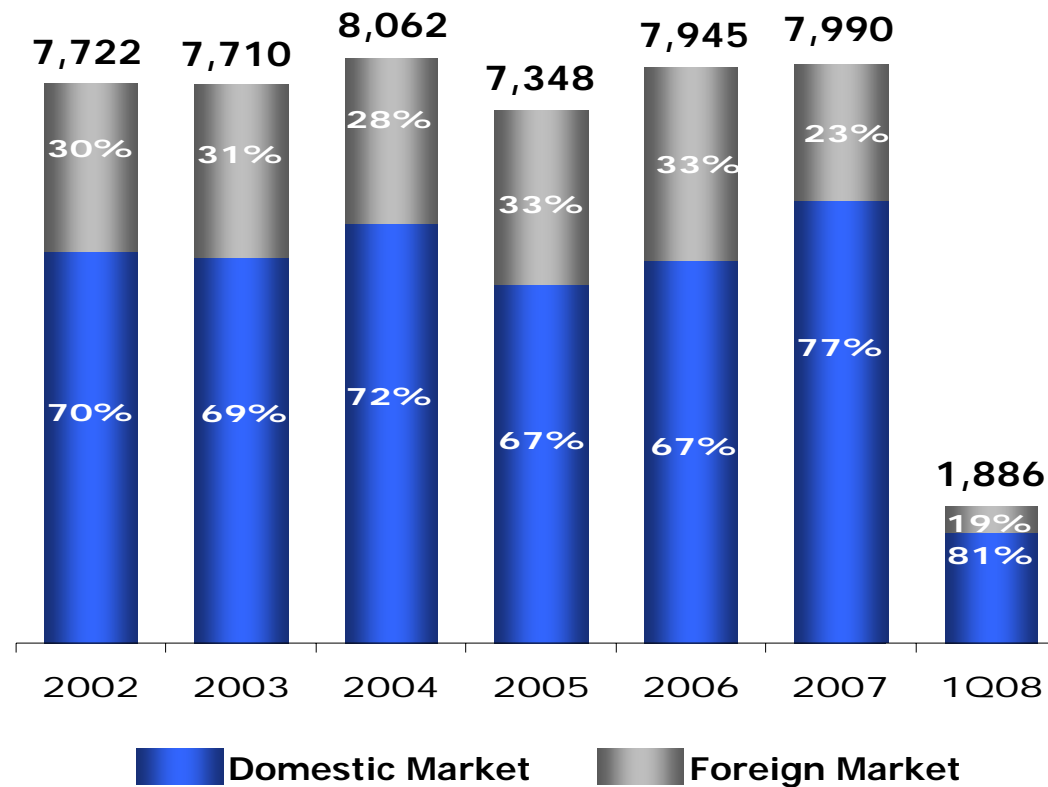
		Capacity (tonnage/year)		Major consumers
		Ipatinga Plant	Cubatão Plant	
Uncoated	Slab	5,000,000	4,500,000	Rolling mills.
	Heavy plate	1,000,000	1,000,000	Pipelines, pressure vessels, shipbuilding, general structures.
	Hot coil	3,550,000	2,100,000	Agricultural machinery, pipe and tube, chassis, gas cylinders, containers, general structures.
	Cold coil	2,500,000	1,200,000	Auto industry, household appliances, packaging.
Coated	Electrogalvanized coil	360,000	-	Auto industry, household appliances.
	Hot dip galvanized coil	480,000	-	Auto industry, household appliances, civil construction.



Sales

(million ton.)

Domestic market is a priority



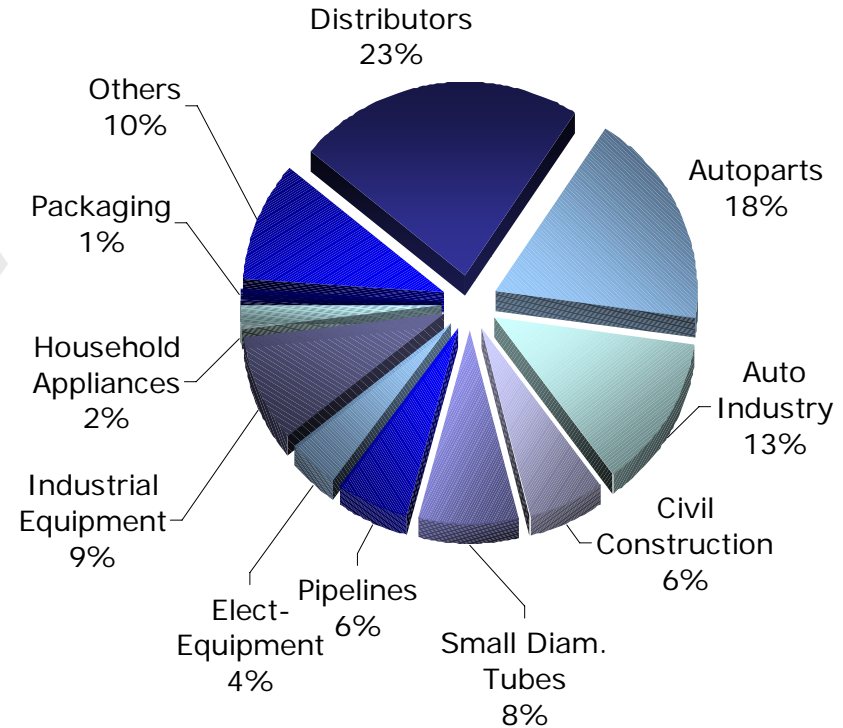
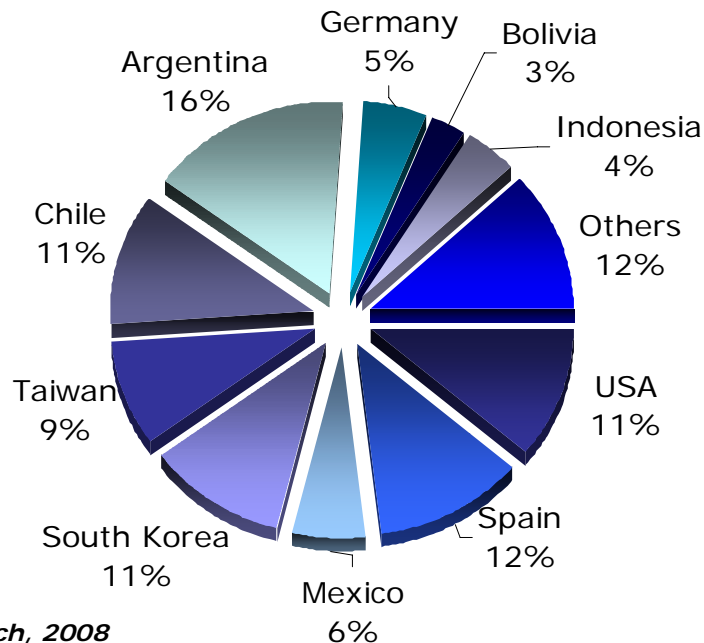
As of March, 2008



Sales

Domestic Market
(Volume: 1.532 million t. - 1Q08)

Combination of market leadership
and diversified customer base
reduces market risk



International Market
(Volume: 0.354 million t. - 1Q08)

Diversified geographic sales

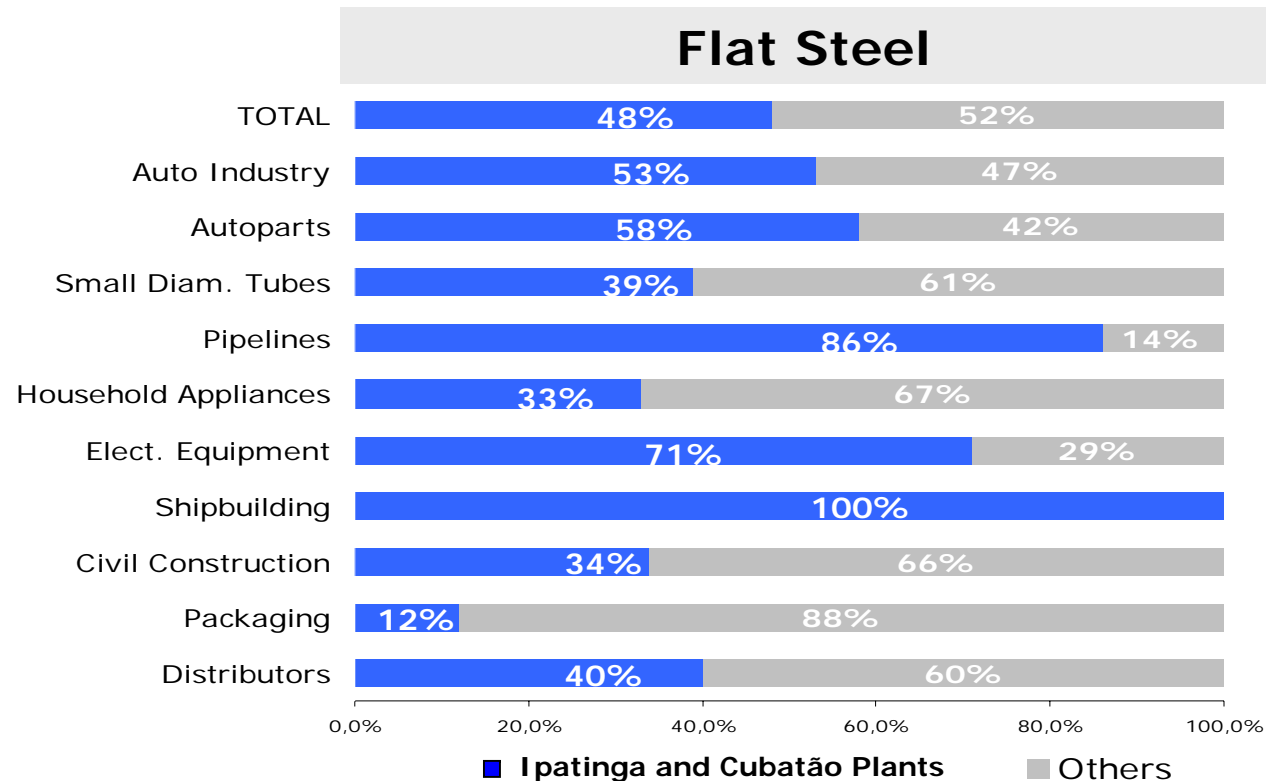
As of March, 2008



Market Share

Domestic Market (%) - 1Q08

Combination of market leadership and diversified customer base reduces market risk



48% Market share *

As of March, 2008

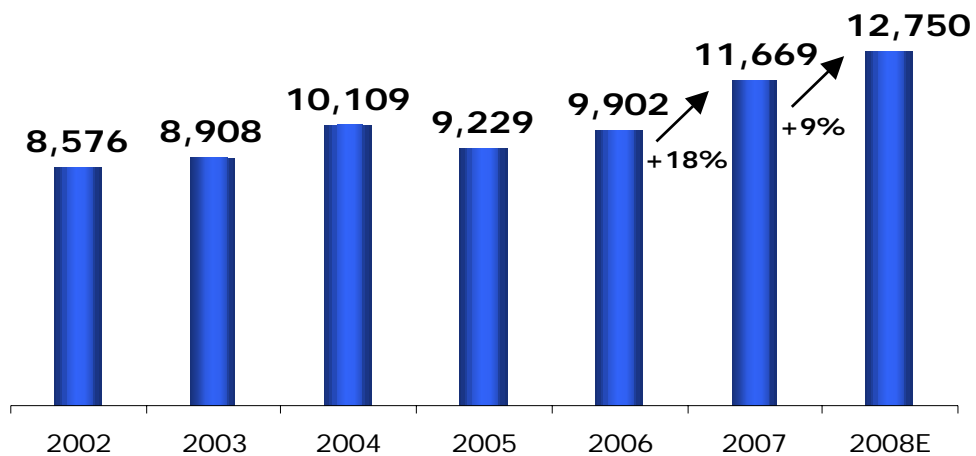
* Flat Steel market: Usiminas System, CSN, Acesita and Arcelor Brasil.



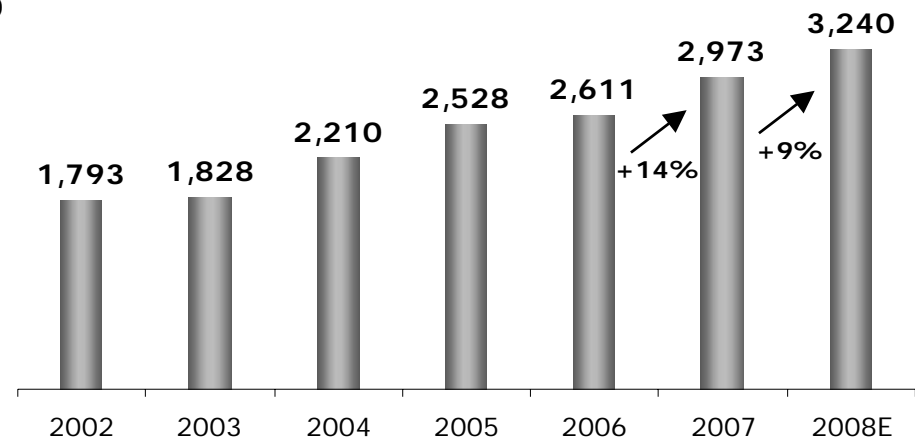
Brazil's outlook - 2008

- Flat steel demand is expected to exceed 9%
 - ✓ Vehicle production may reach 3.240 million (Anfavea - Jan/08)
 - ✓ Industrial segment should outperform, growth to exceed 10%
 - ✓ Civil Construction growing activities

Flat Steel Demand (1,000 t.)



Vehicle Production (1,000 vehicles)



Source: IBS / Usiminas / Anfavea (Jan/08)



Investments & Technology

Commitment to the best technology

- ✓ Partnership with Nippon Steel assures access to state-of-the-art technology in steel production, including high value-added products
 - 6th Technology Transfer Agreement with Nippon Steel, valid until 2009
- ✓ 425 received patents, of which 23 are international
- ✓ 150 researchers
- ✓ Usiminas sells US\$ 2 for each US\$ 1 of acquired technology.





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- ▶ **Investments**

- ▶ J. Mendes

- ▶ Financials

- ▶ Corporate Governance and Social Responsibility



Major Projects

Ongoing and new investments

	2008 - 2012		2013 - 2015
	(1) Ipatinga Plant	(2) Cubatão Plant	(3) To be defined
Expansion	Ipatinga Mill Expansion (+3.2 million tons/yr) *	Revamping of Cont. Casting Machine nr.3 (+325,000 tons/yr)	3.0 million tons/yr in the Company's installed capacity
Mix Improvement	Revamping of Hot Rolling Mill (+150,000 tons/yr)	New Hot Rolling Mill (+2.3 million tons/yr)	
	Revamping of Heavy Plate Mill (+500,000 tons/yr)		
	New Galvanizing line (+500,000 tons/yr)		
Cost Reduction	New Steel Shop (+5.0 million tons/yr)	Dredging of Cubatão Port Canal	
	New Coke Plant (+750,000 tons/yr)	New Power Plant (75 MW)	
	New Power Plant (60MW)	Top Blowing Turbine (12 MW)	
	Technology Updating Program	Technology Updating Program	
	Environmental Protection Program	Environmental Protection Program	
Total Investment:	US\$ 5.2 billion	US\$ 2.0 billion	US\$ 2.7 billion

* Note: It includes new Raw Material Yards, Sinter Plant, Coke Plant, Power Plant, Blast Furnace, Continuous Casting Machine and utilities.



Agenda

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J. Mendes brief overview

- ✓ J. Mendes is the last sizeable mining asset available in the Quadrilátero Ferrífero, a major iron ore province in Brazil
- ✓ The acquired company is comprised of four mining sites with total expected **resources of 2.7 to 3.0 Bt** and **expected reserves of 1.1 to 1.8 Bt**

Somisa



Global/Camargos



J Mendes



Pau de Vinho



- ✓ Expected mine **useful life** of at least **25 years**
- ✓ Expected iron content between **46 and 48%**
- ✓ Current production level at roughly **6 MMt/year**



Relative location of J Mendes

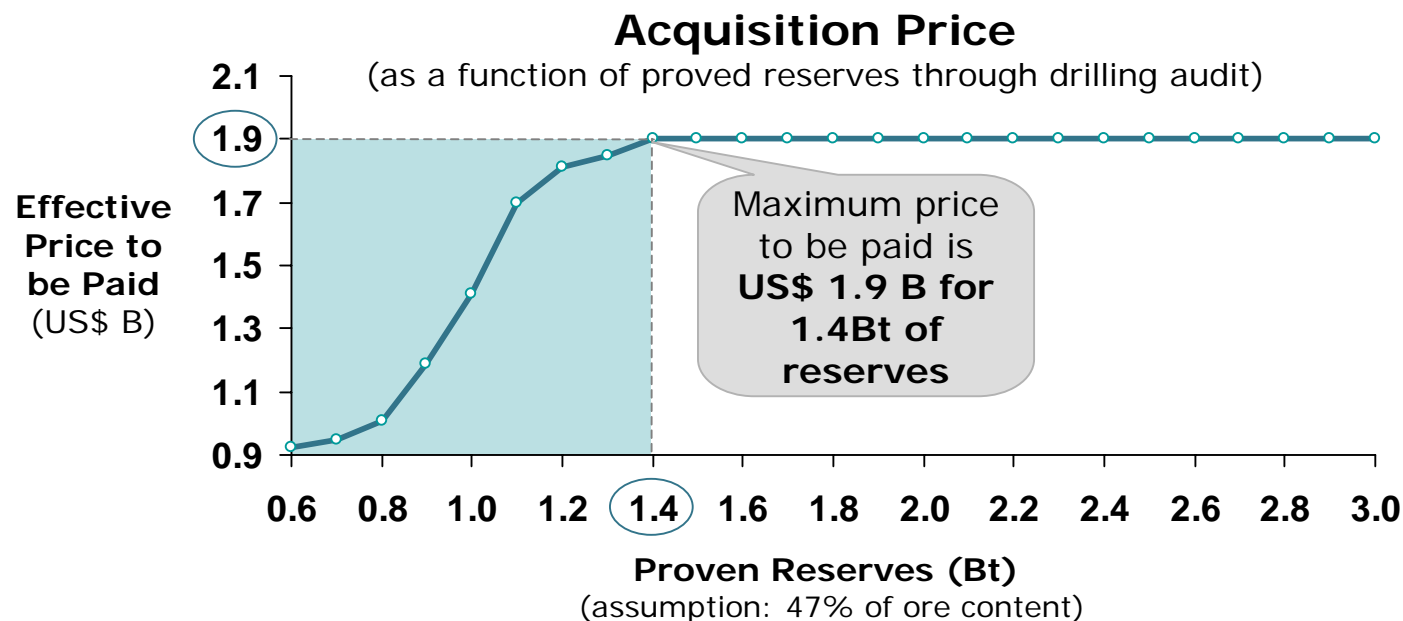
- ✓ J. Mendes mines are **close to existing railway lines** (MRS – 28km and FCA – 15km), with access to the ports of Cosipa and Sepetiba





What was the acquisition price?

- ✓ Usiminas acquired J. Mendes with a phased cash disbursement schedule
 - Upfront payment of **US\$ 925 MM**
 - Subsequent payments over the next two years, subject to confirmation of **reserves size** and **iron content** (drilling audit process)
 - Maximum total disbursement is limited to **US\$ 1,900 MM** (for example, in case of minimum proven reserves of **1.4Bt** with at least **47%** of iron content)
 - **No additional cash** will be paid for proven reserves **in excess of 1.4Bt**

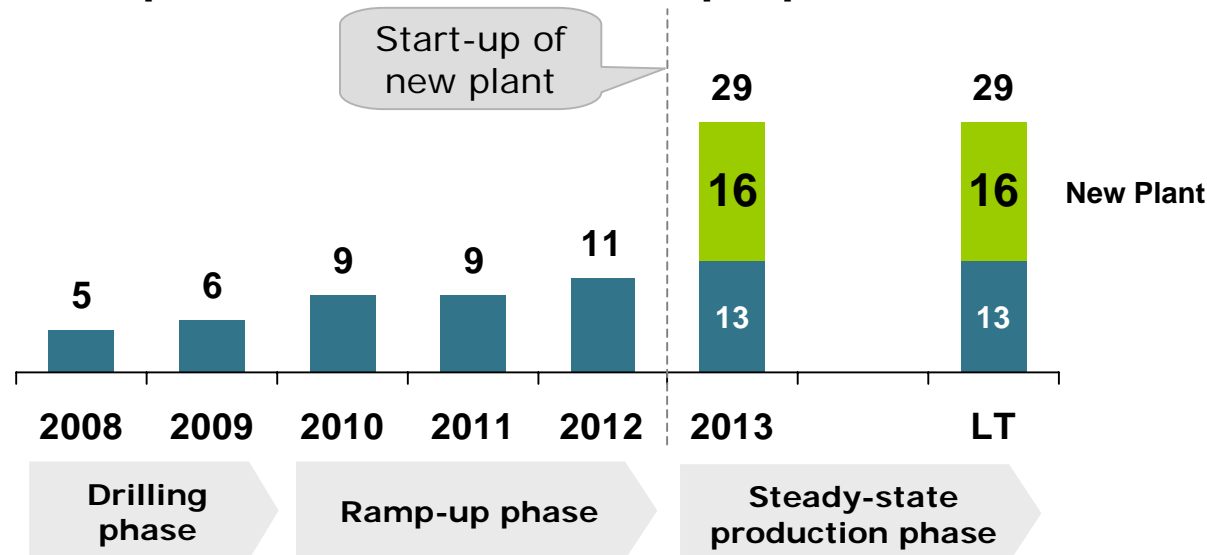




What is the production plan?

- ✓ Iron ore production capacity will be expanded to **29.2 MMt/year** in two stages
 - **First stage** – increase in current production from **6 MMt/year** to **13 MMt/year** with **marginal capex** commitments - **(Estimated US\$ 150 MM)**
 - **Second stage** – increase production to **29.2 MMt/year** from 2013 on with the addition of a new production plant - **(Estimated US\$ 600 MM)**
- ✓ With a 29.2 MMt/y production rate, the mine should operate for at least **25 years**
- ✓ Opportunities to speed-up production ramp-up under evaluation

Expected Production Ramp-up (MMt)

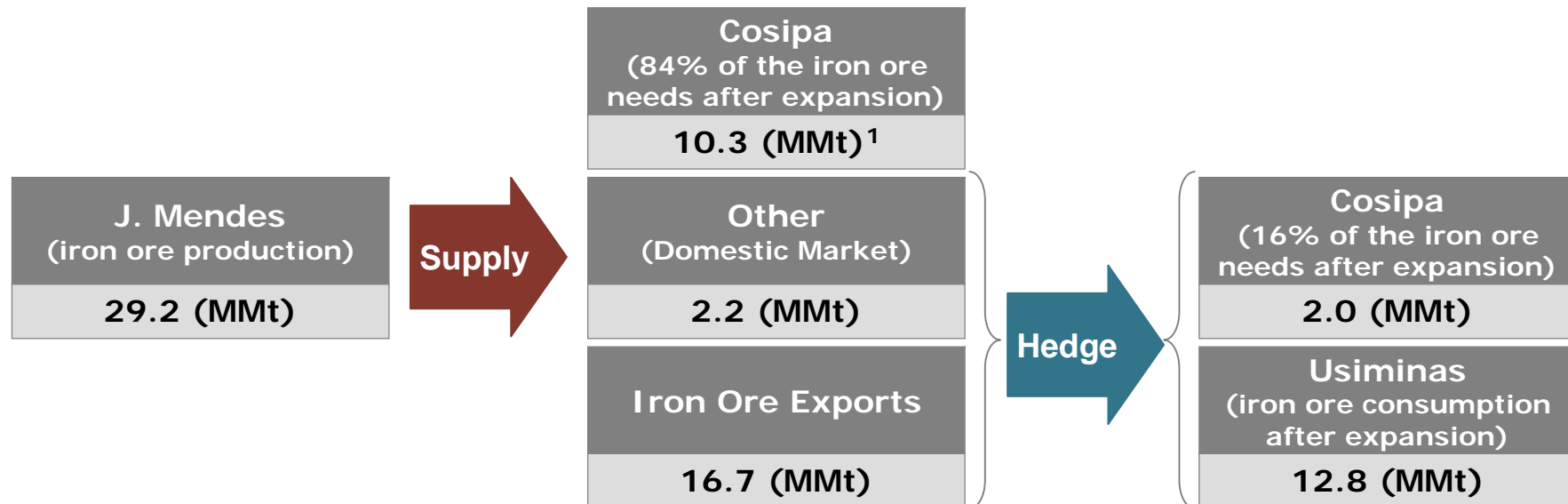




What is the commercialization plan?

- ✓ With the mine expansion plan, **Usiminas will be fully hedged** against iron ore price fluctuations
 - Cosipa plant expected to be mostly supplied by J. Mendes through MRS
 - Although Ipatinga is not logistically positioned to be supplied by J. Mendes, it will be fully hedged against iron ore prices fluctuations
- ✓ Production excess to be sold on contracts/spot basis – almost **60% of the total production will be exported** through Sepetiba and Cubatão

Macro-Volume Distribution



(1) besides receiving 10.3 MMt from J. Mendes, Cosipa will also receive an additional 2.0 MMt from other suppliers



How was the financing structured?

- ✓ Usiminas **secured financing** to maintain current liquidity levels
 - Usiminas has a firm commitment from an international first class bank, HSBC, to finance such acquisition
 - Bridge Facility: US\$800 MM
 - Revolving Facility: US\$700 MM for a period of 2 years of drawdowns

- ✓ Usiminas' **investment grade rating kept by rating agencies**



From a margin volatility standpoint, the acquisition of J. Mendes would further improve Usiminas' business profile by creating a natural hedge for its iron ore costs...



Usiminas' Ratings Unaffected By Acquisition Negotiations

We expect Usiminas to maintain a very conservative financial strategy and credit measures for the rating category, despite the acquisitions.



Fitch views the potential acquisition positively from a business perspective, as Usiminas will become less reliant on higher cost third-party sources for the iron ore used in the production of steel



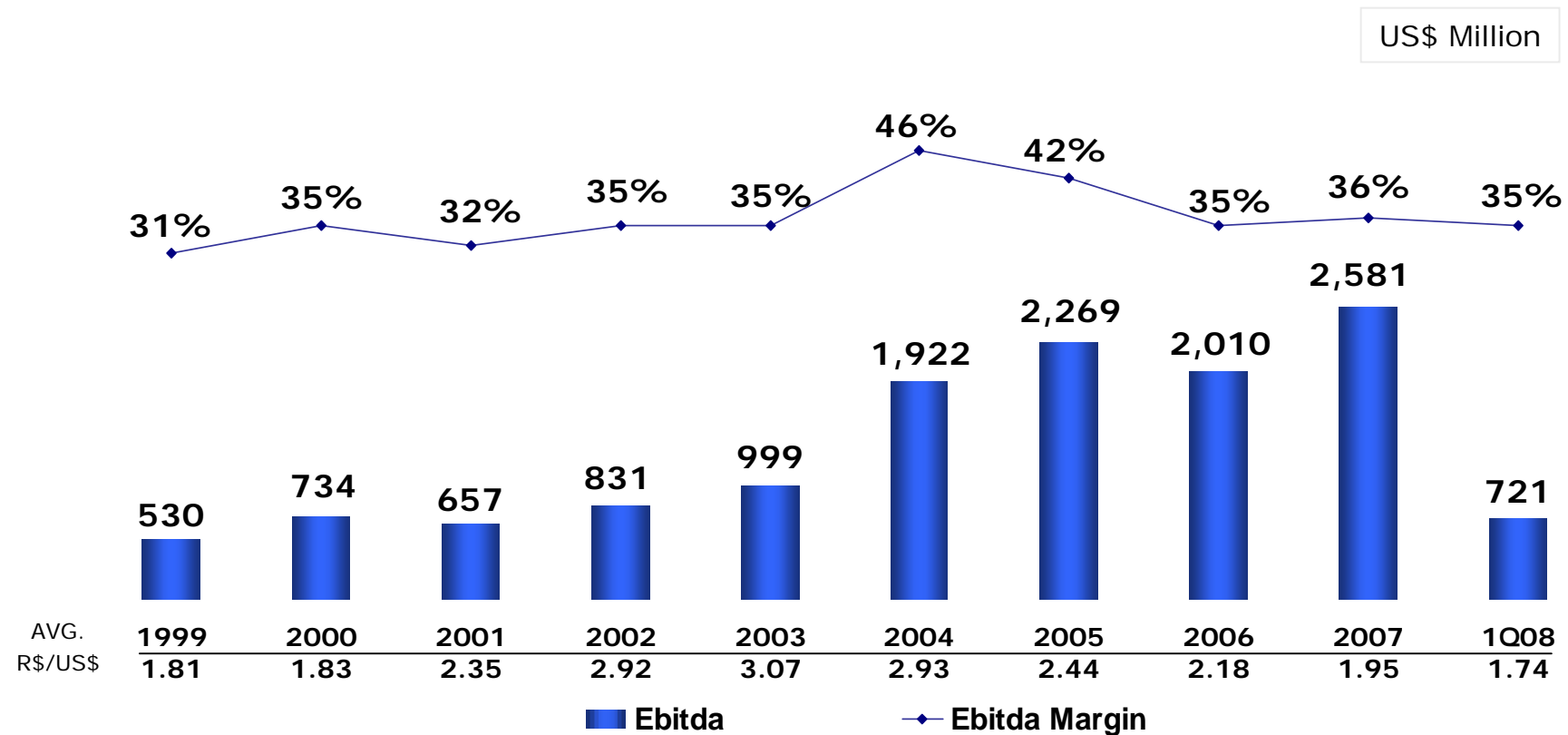
Agenda

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- ▶ J. Mendes
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Consolidated Ebitda

Investment return and market conditions have allowed consistent cash generation



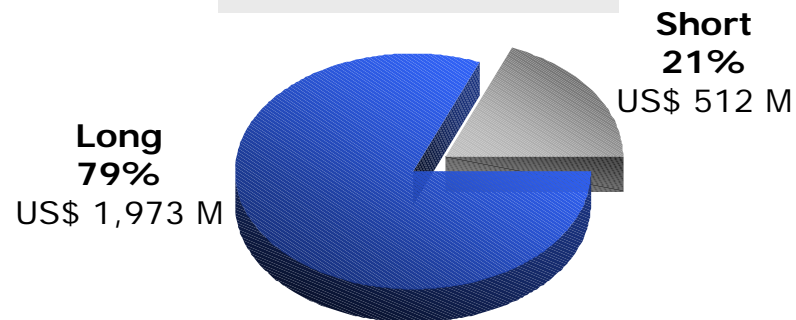
As of March, 2008

Consolidated Debt Maturity

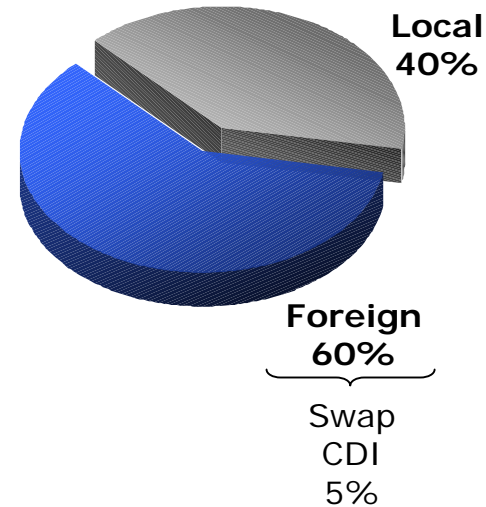
Debt has an adequate maturity profile

"Stand by Facility" - US\$ 300 million

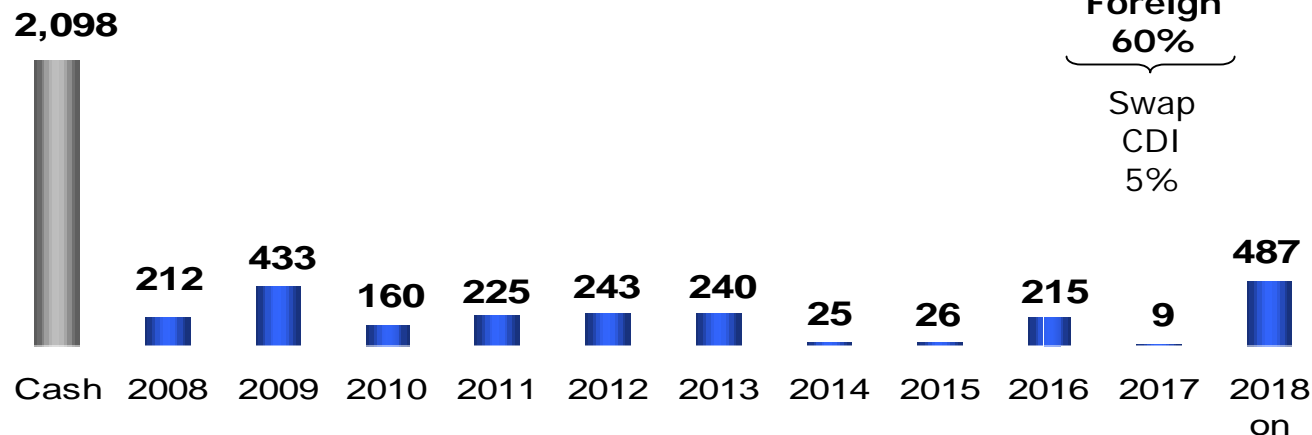
TERM



CURRENCY



US\$ Million



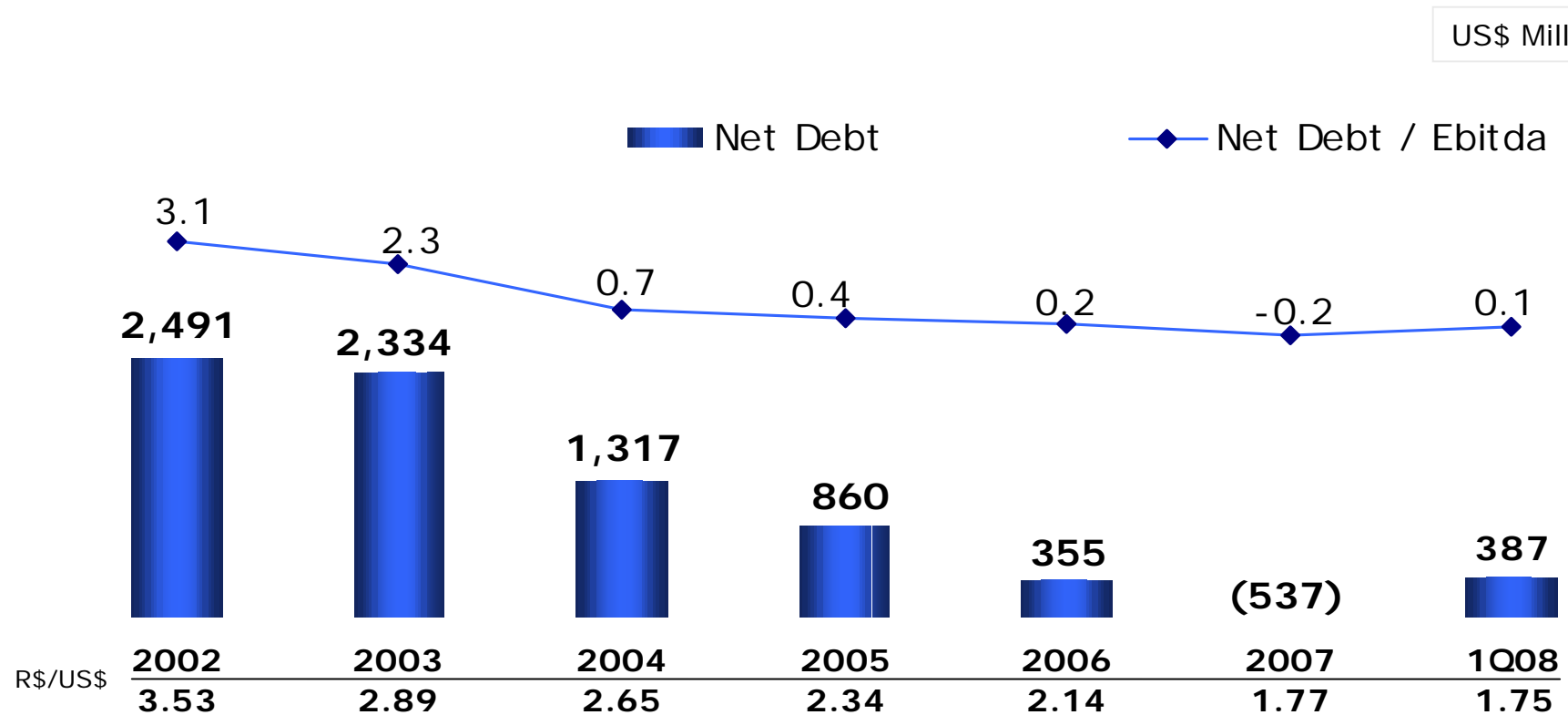
As of March, 2008

Note: Principal Values



Total Net Debt

And have made it possible to considerably reduce debt



As of March, 2008



Financial Highlights

Consolidated Figures

	March 31/08	Dec 31/07	Dec 31/06	Dec 31/05	Dec 31/04
Crude Steel Produc. (thsd t)	1,990	8,675	8,770	8,661	8,951
Sales (thsd t)	1,886	7,990	7,945	7,348	8,062
Net sales (US\$ million)	2,044	7,131	5,709	5,354	4,197
EBITDA (US\$ million)	721	2,581	2,010	2,269	1,922
Net Profit (US\$ million)	372	1,607	1,156	1,609	1,033
Gross Debt (US\$ million)	2,485	1,693	1,628	1,685	2,033
Net Debt / EBITDA	0.1	(0.2)	0.2	0.4	0.7
EBITDA / Interest	16.5	20.0	16.9	11.8	11.3



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Investments in Social Responsibility

Environmental Protection

- More than R\$ 2 billion invested in Ipatinga and Cubatão plants since 1992.
- Usiminas and Cosipa were the 2nd and 3rd steel companies in the world to be certified with ISO 14001.
- Fresh water recirculation rate above 93%.
- Green belt in Ipatinga area is 10 times above recommended level (World Health Organization).



Community

- More than R\$ 139 million invested in cultural activities in the last fifteen years (tax incentives), involving 3 thousand artists and 200 thousand spectators.
- Construction of its 2nd hospital, one of three in Brazil accredited by ONA (National Accreditation Organization), through USIMINAS Foundation, which is self sustaining. Both hospitals provide healthcare to a region with 600 thousand inhabitants.
- Investment in education through São Francisco Xavier School, maintained by USIMINAS foundation, teaching more than 3 thousand children and young people.
- The city of Ipatinga holds a "high standard of human development", as defined by the UN - United Nations.





Declarations relative to business perspectives of the Company, operating and financial results and projections, and references to the growth of the Company, constitute mere forecasts and were based on Management's expectations in relation to future performance. These expectations are highly dependent on market behavior, of Brazil's economic situation, on the industry and on international markets, and are therefore subject to change.

www.usiminas.com.br



**ADR
Level I**



**Dow Jones
Sustainability Indexes**
Member 2007/08



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