2Q10

August 2010

USIMINAS

Agenda

Overview | **2Q10 - Highlights** | **Business Units**







Agenda

Overview | 2Q10 - Highlights | Business Units







Usiminas

- Complete solution of services and value added products through its Business Units:

Mining and Logistics



- Mineração Usiminas
- MRS

Steel



- Ipatinga
- Cubatão
- Ternium

Steel Procecessing



- Soluções Usiminas
- Automotiva Usiminas
- Unigal Usiminas

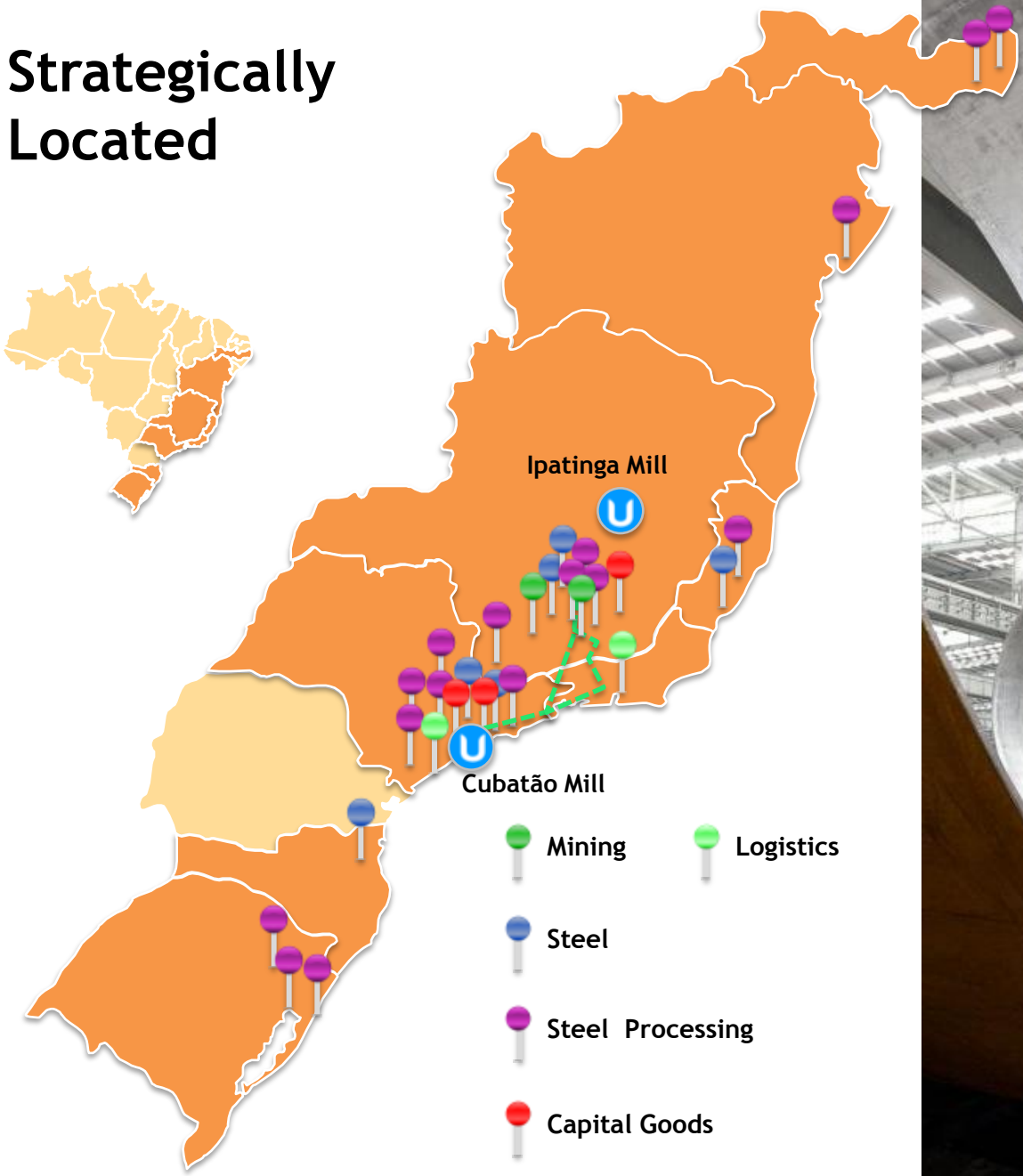
Capital Goods



- Usiminas Mecânica

UPSTREAM → DOWNSTREAM

Strategically Located





Business Strategy

1 UPSTREAM INTEGRATION

Protection against transfer of margin in the value chain
Keep competitiveness of production costs

2 CAPACITY EXPANSION

Take advantage of domestic market growth, capturing a premium for the logistics gains
Capture competitiveness from access to local competitive raw material and labor

3 DOWNSTREAM INTEGRATION

Assure presence in growing markets
Integrate and create value in new market niches

4 PRODUCT PORTFOLIO EXPANSION

Assure maximum potential of value creation
Reduce dependence of few product lines
Assure presence in growing markets

5 INTERNATIONALIZATION

Assure access to markets outside Brazil
Accelerate growth
Diversify and keep close to sector leaders



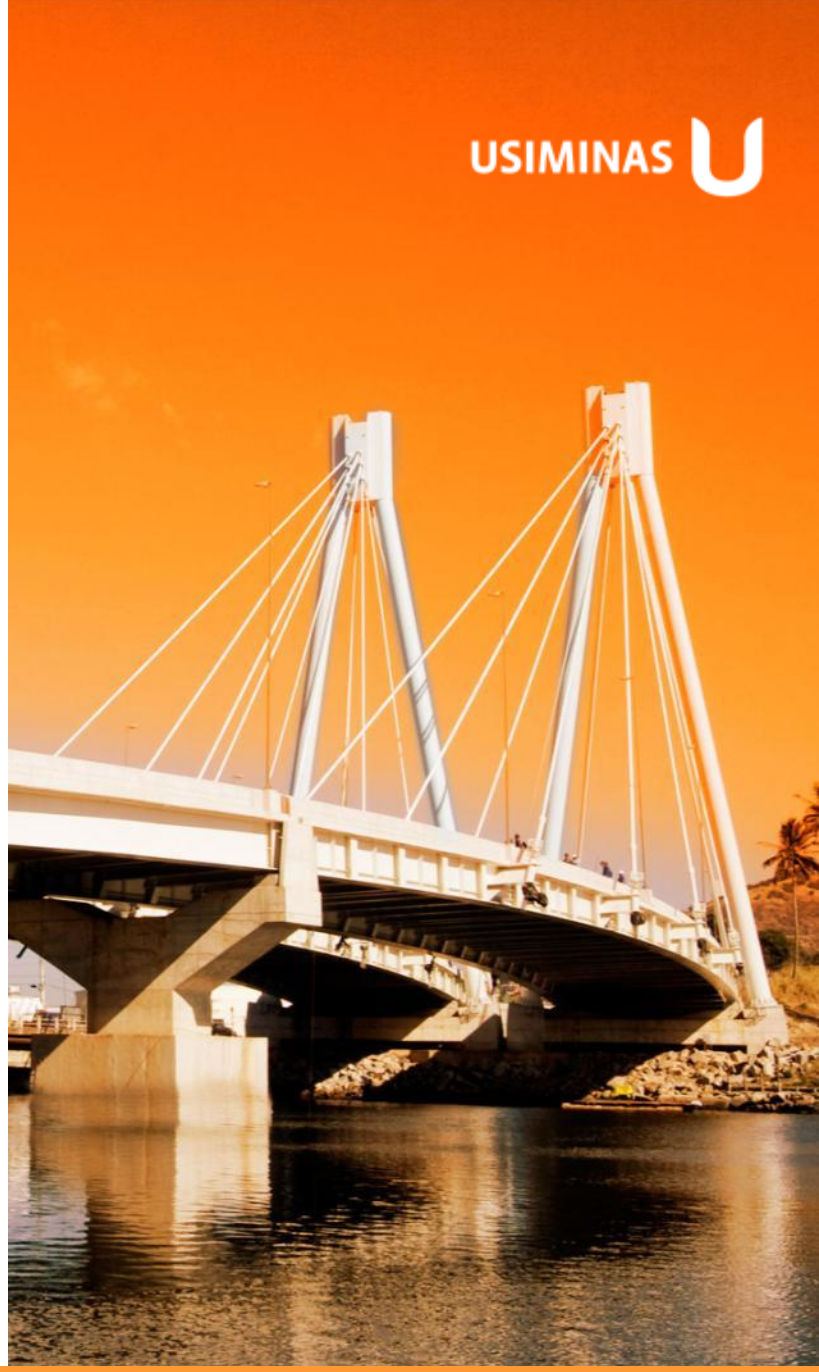
Domestic Market

Benefit from the Brazilian positive outlook

- GDP forecast:

  2010: ~ 7%
  2011 – 2014: ~5.5% p.a.

- Apparent crude steel consumption is estimated to increase by more than 40% in 2010



Source: Central Bank of Brazi / IABR / CRU / Usiminas

Domestic Market

Medium and long term projects

USIMINAS

PETROBRAS

2009-2015

~ US$ 224 billion

FIFA WORLD CUP Brasil 2014

2010-2014

~ US$ 55 billion

rio2016

2011-2016

~ US$ 12 billion

Source: Petrobrás / Tendências Consultoria

Agenda

Overview | 2Q10 - Highlights | Business Units

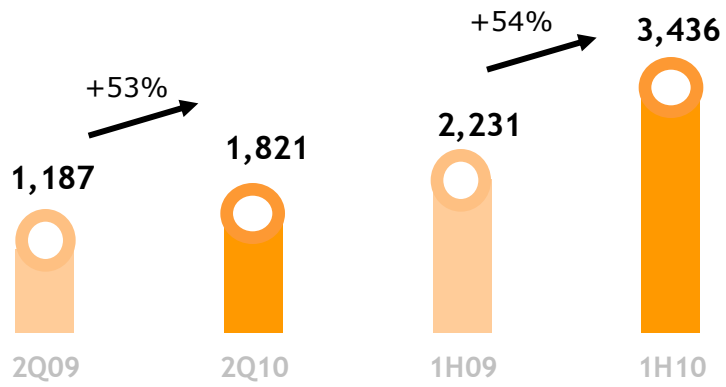




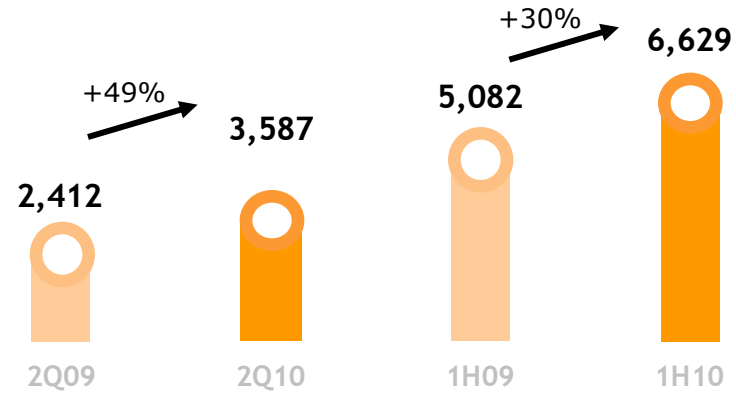


Results 2Q10
*Highlights**

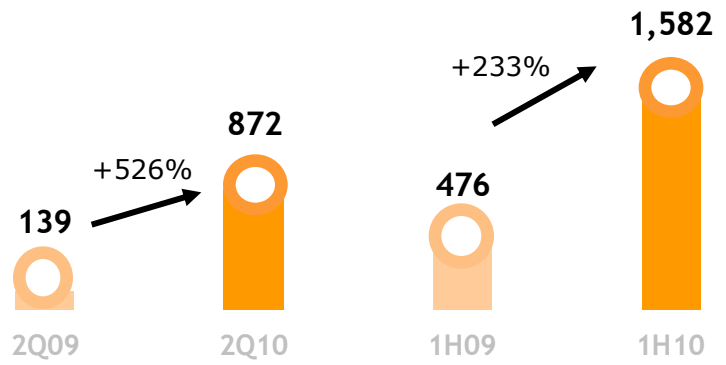
Sales - *thousand tons*



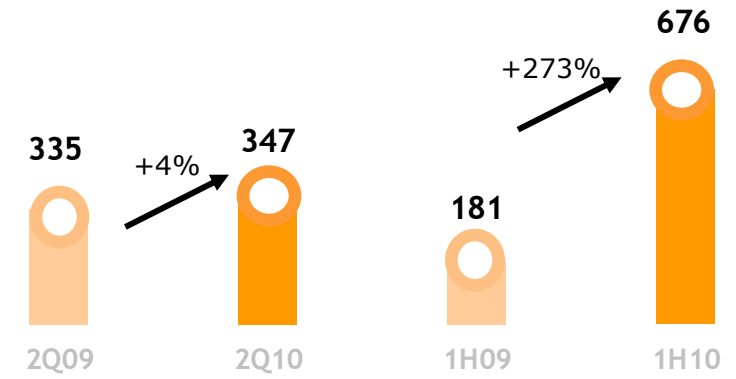
Net Revenues - *R$ Million*



Ebitda - *R$ Million*



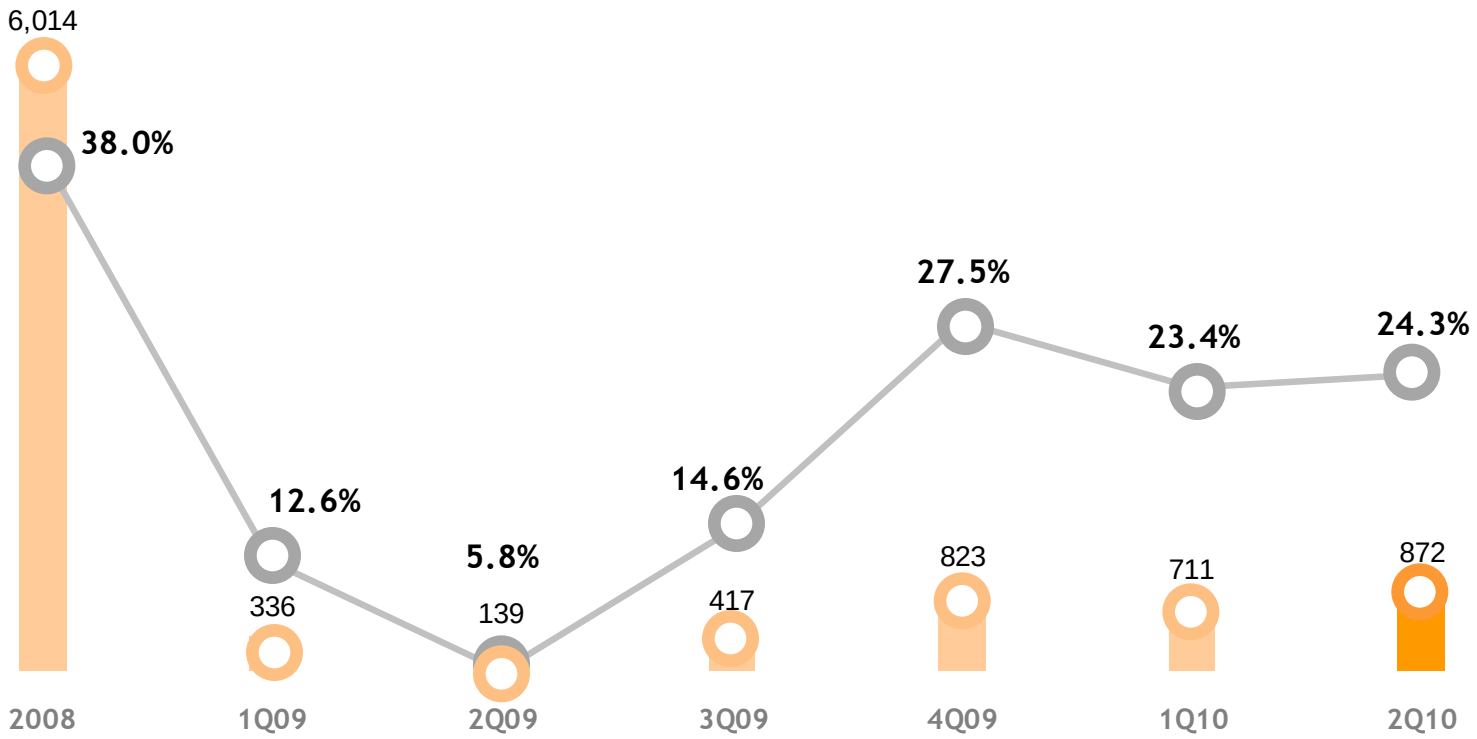
Net profit - *R$ Million*



*IFRS

Ebitda

*R$ Million**



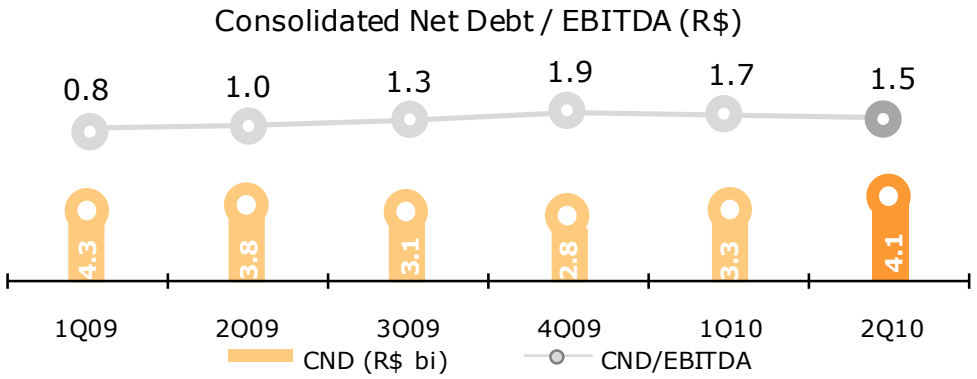
*IFRS

Debt

Focus in strong cash position and low indebtedness

R$ Million

Debt Cost
Local: 9.8% p.a. | Foreign: 3.1% p.a.



Agenda

Overview | 2Q10 - Highlights | Business Units







Results Accounted by Business Unit

R$ Million (Non Audited)*

	Mining & Logistics				Steel				Steel Processing				Capital Goods				Consolidated			
	2Q10	1Q10	1H10	1H09	2Q10	1Q10	1H10	1H09	2Q10	1Q10	1H10	1H09	2Q10	1Q10	1H10	1H09	2Q10	1Q10	1H10	1H09
Net Revenues	277	158	435	193	3,274	2,821	6,095	4,380	720	597	1,317	956	375	292	667	427	3,586	3,043	6,629	5,082
COGS	(70)	(66)	(136)	(68)	(2,822)	(2,313)	(5,135)	(3,776)	(580)	(490)	(1,070)	(859)	(332)	(247)	(579)	(346)	(2,760)	(2,343)	(5,103)	(4,084)
Gross Profit	207	92	299	125	452	508	960	604	140	107	247	97	43	45	88	81	826	700	1,526	998
Operating Income (Expenses)	(17)	(18)	(35)	(29)	(122)	(132)	(254)	(705)	(51)	(23)	(74)	(129)	(24)	(21)	(45)	(34)	(214)	(194)	(408)	(897)
EBIT	190	74	264	96	330	376	706	(101)	89	84	173	(32)	19	24	43	47	612	506	1,118	101
EBITDA	198	81	279	110	563	552	1,115	193	100	99	199	(4)	26	31	57	57	871	711	1,582	447
EBITDA Margin	72%	51%	61%	57%	17%	20%	18%	4%	14%	17%	15%	0%	7%	11%	9%	13%	24%	23%	24%	9%

*IFRS Note: MRS and Ternium results are accounted through equity on Equity Income.

Steel



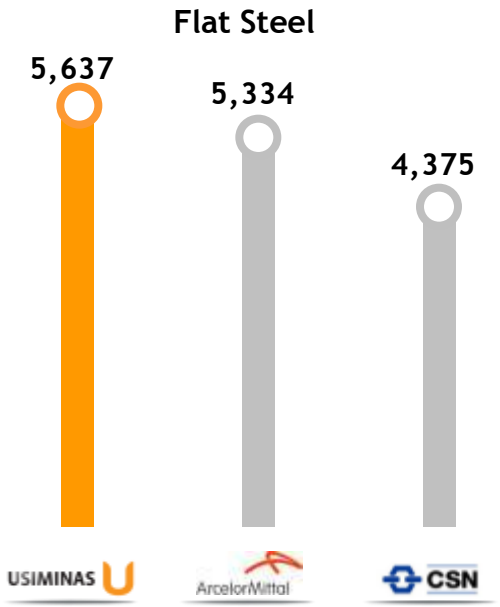


Steel Production

Usiminas is the largest flat steel producer in Latin American

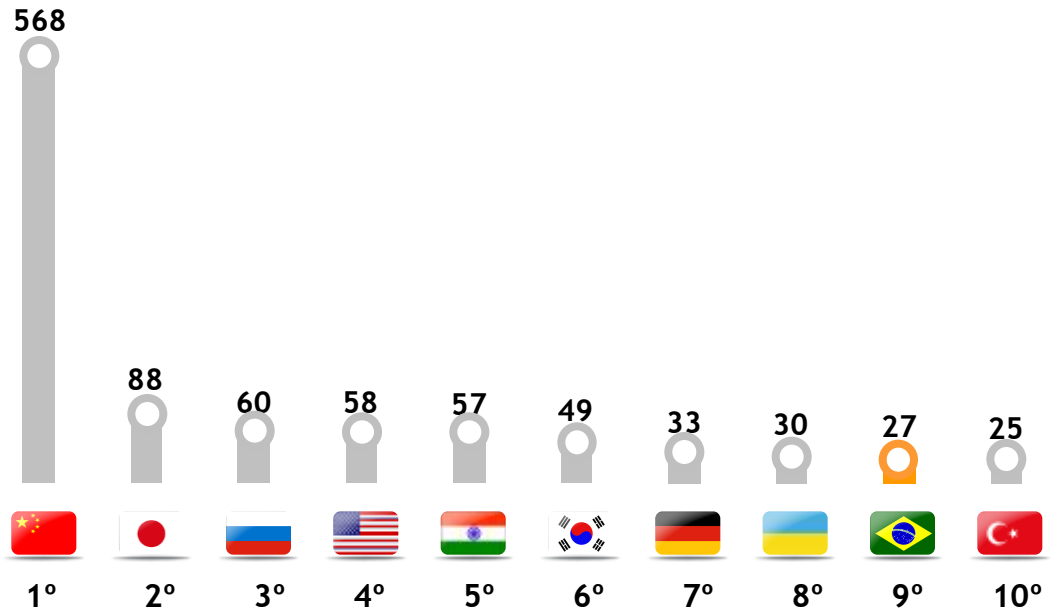
2009 - Crude Steel

Brazil: 26.5 Million tons



Source: Instituto Aço Brasil

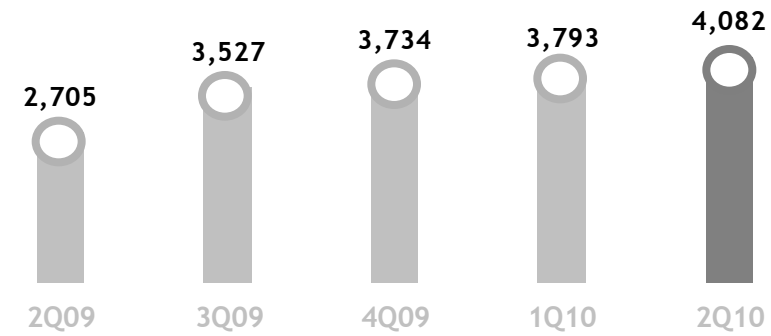
World: 1.22 Billion tons



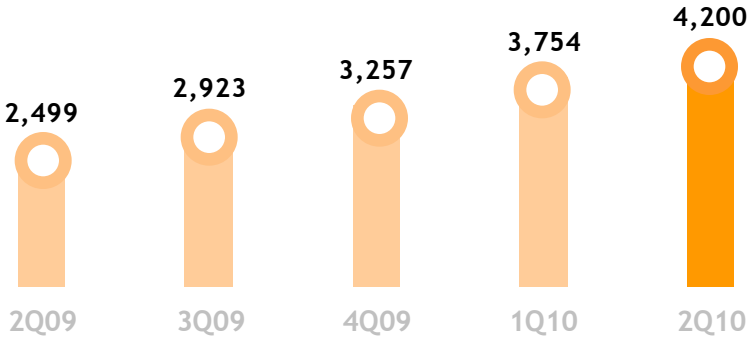
Source: WorldSteel

Brazilian Market – Flat Steel

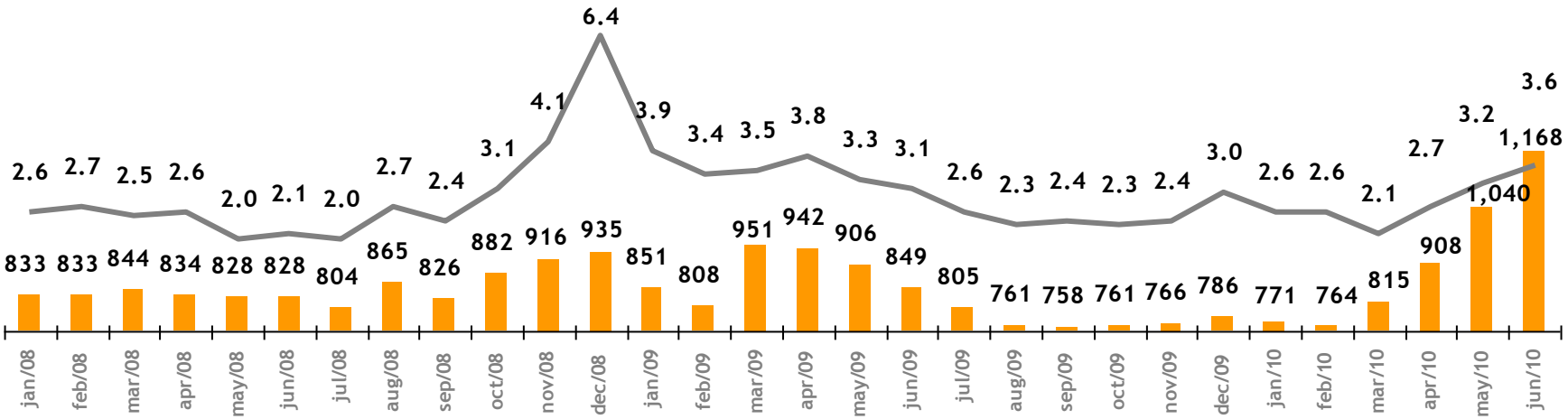
Production – *thousand tons*



Apparent Consumption – *thousand tons*



Inventories in the Distribution Network – *(flat + long)*

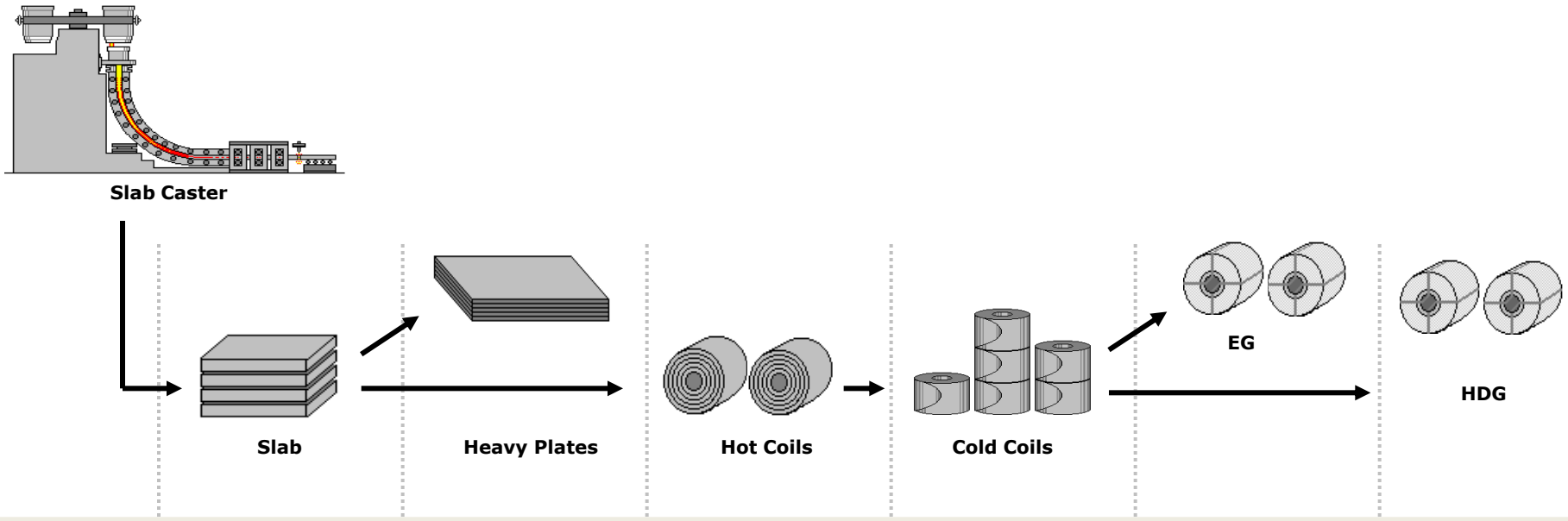


Source: WorldSteel / IABR / INDA

Flat Steel Production

Usiminas has a full range of flat steel products

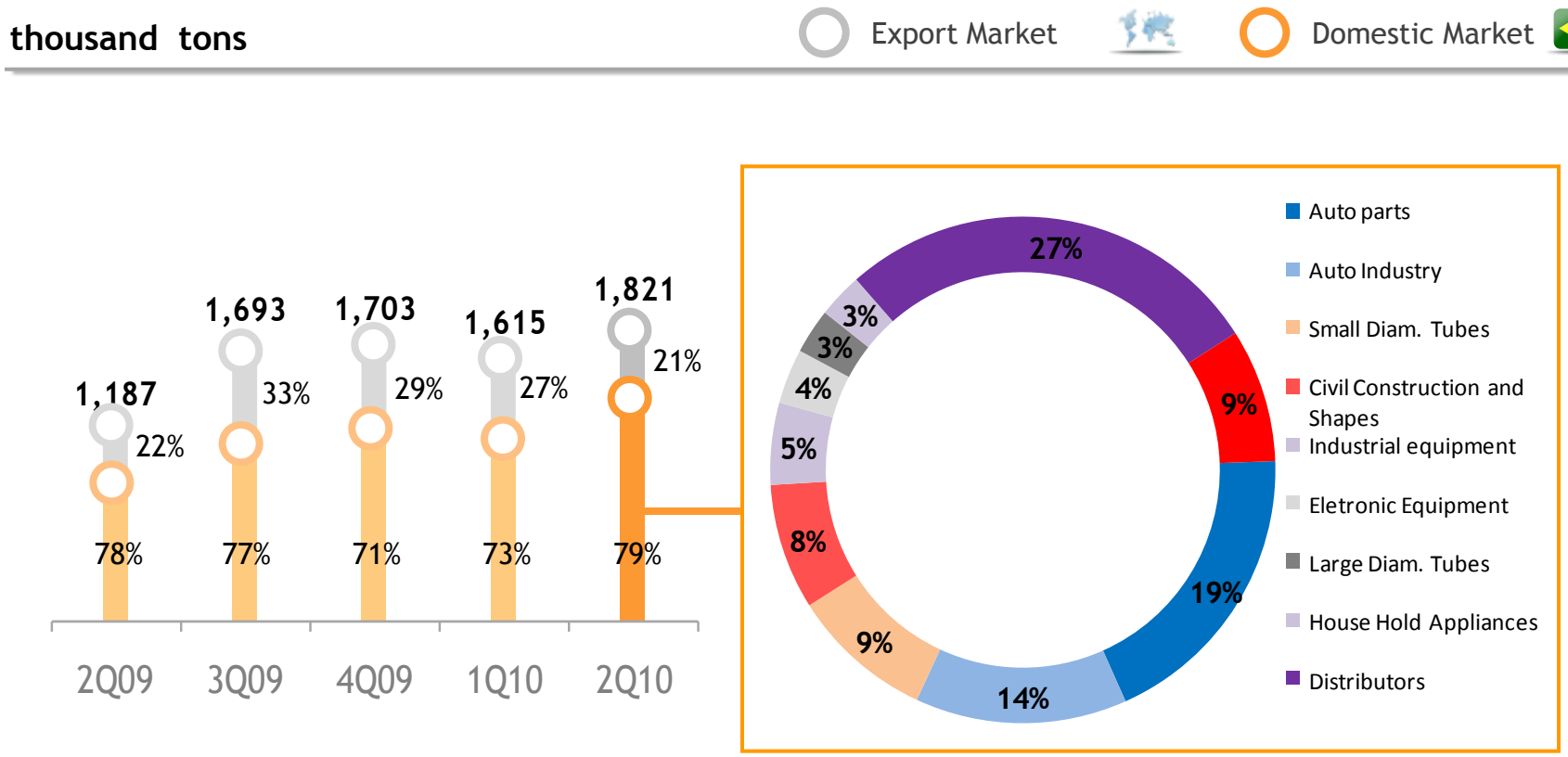
Installed Capacity : 9.5 million tons / year



Ipatinga Plant	**5,000 kt**	**1,000 kt**	**3,550 kt**	**2,500 kt**	**360 kt**	**480 kt**
Cubatão Plant	**4,500 kt**	**1,000 kt**	**2,100 kt**	**1,200 kt**	**-**	**-**

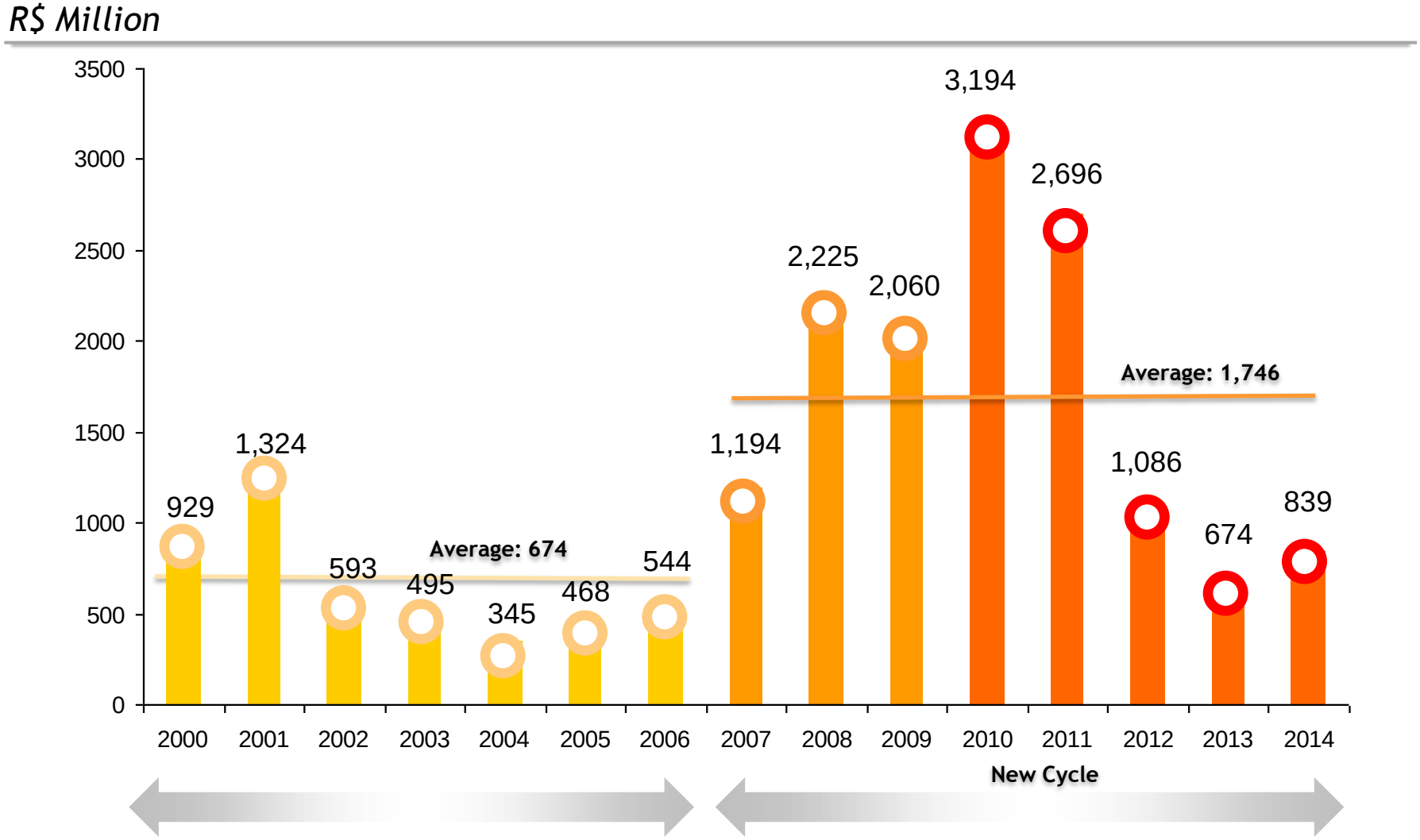
Domestic Market

Usiminas is focused in the domestic market with a product range to supply different sectors



Investments

The Steel Unit is going through a strong investment cycle pointed to value creation and cost reduction



Investments

Adding value and reducing costs

New Coke Facility #3

- Additional production of 750,000 tons/year – Ipatinga Plant
- Start-up: 3Q/2010



Heavy-Plate Mill Rolling Mill - Ipatinga

- Additional 400,000 tons/year with exclusive technology – Ipatinga Plant.
- CLC – Accelerated Cooling Technology – meeting the requirements of the pre-salt exploitation projects.
- Start-up: 4Q/2012.



Investments

Adding value and reducing costs

New Hot Dip Galvanizing Line (Unigal II)

- Additional production of 550,000 tons/year – Ipatinga Plant.
- Start-up: 1Q/2011



New Hot Strip Mill #2

- Additional production of 2.3 million tons/year – Cubatão Plant (stage 01).
- Start-up: 2Q/2011



12,000 jobs created in Ipatinga and Cubatão.

Investments
Capacity expansion

- New slab plant – 5 million tons
- Announcement – July/2008
- Postponed – 2009
- Technical and economical fundamentals reassesment is in progress, considering the current environment.






Investments

Products mix improvements

USIMINAS

Finished products generation- thousand/ton

Products Line	2010	2011 / 2012	Variation	
			Δ ton	Δ %
Heavy Plate	1,900	2,400	500	26%
Hot Rolled Coil	2,150	3,750	1,600	74%
Cold Rolled Coil	2,350	2,350	-	0%
Galvanized	800	1,300	500	63%
Total	7,200	9,800	2,600	36%

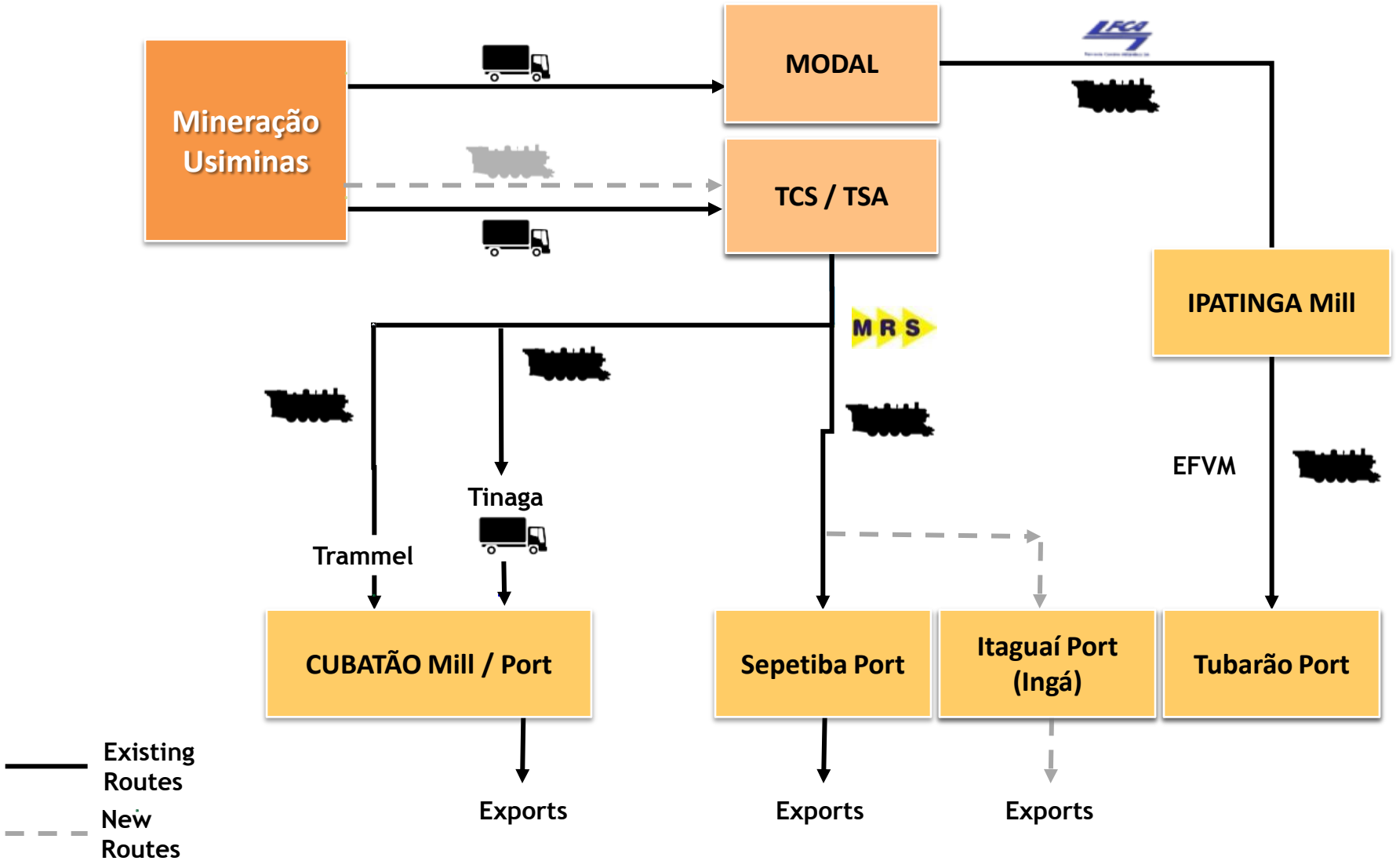
NPV (Net Present Value) estimated for the projects should increase the Company's value in R$ 3 billion

Mining and Logistics



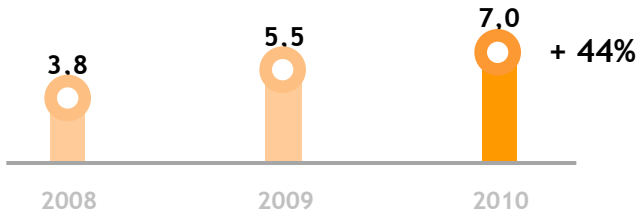


Logistics


Mineração Usiminas
MODAL
TCS / TSA
IPATINGA Mill
MRS
EFVM
Tinaga
Trammel
CUBATÃO Mill / Port
Sepetiba Port
Itaguaí Port (Ingá)
Tubarão Port
Exports
Exports
Exports
Existing Routes
New Routes

Mining and Logistics
Current status

- 4 mining sites, acquired from J. Mendes Group in Feb./2008
- Located in Serra Azul-MG, one of the richest iron ore sites in Brazil.
- Production – MM ton:

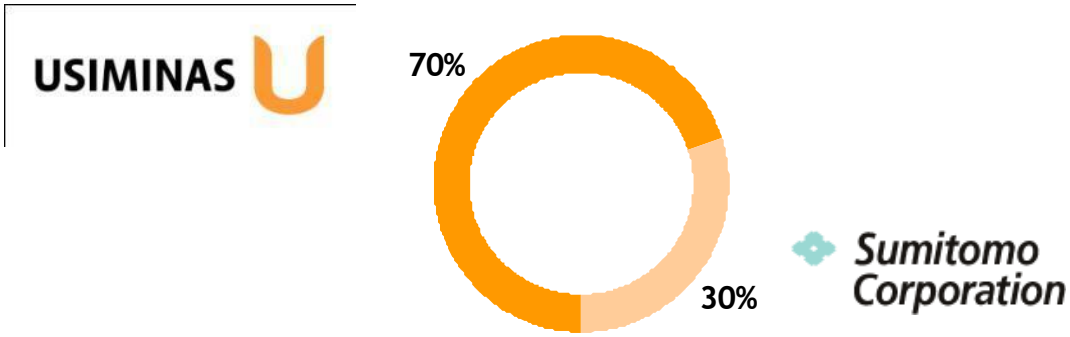


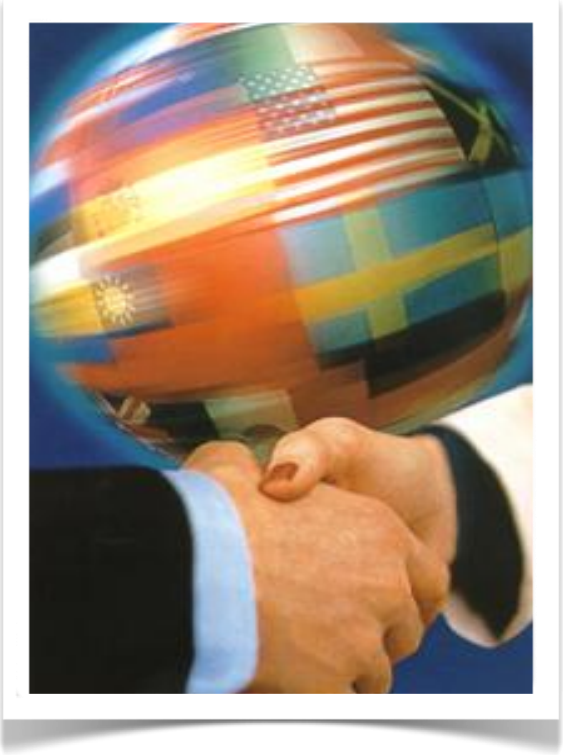
- May/2010: production record of 592 thousand tons.
- MRS: 20% of voting shares and part of the Control Group.
- Land in Itaguaí-RJ, acquired in 2008.



Mining and Logistics
Strategic partnership

- Acquisition, by the Japanese group Sumitomo Corporation, of 30% of Mineração Usiminas S.A., through the subscription of new shares, at the total maximum price of US$ 1.929 billion.





Estimated Market Value
Mineração Usiminas S.A.: US$ 6.4 bi

Mining and Logistics
Strategic Partnership

- Rationale of the Transaction

1 Cristalization of the mining business value in USIMINAS market value:

- *The stock market does not value accurately the mining and logistics assets*
- *A reference is created, based on a concrete transaction*

2 SUMITOMO's expertise in selling iron ore:

- *Market knowledge, mainly in China*
- *One of the most relevant Japanese traders of commodities*
- *Presence in diversified businesses: mining, logistics, infrastructure*
- *Global presence*

3 Equalization of the investment needs in Mining:

- *Assets potential depend on the implementation of the projects*
- *Does not compete with investments in the steel business*

Mining and Logistics
Strategic Partnership

- Rationale of the Transaction

4 **Create conditions for future expansions:**

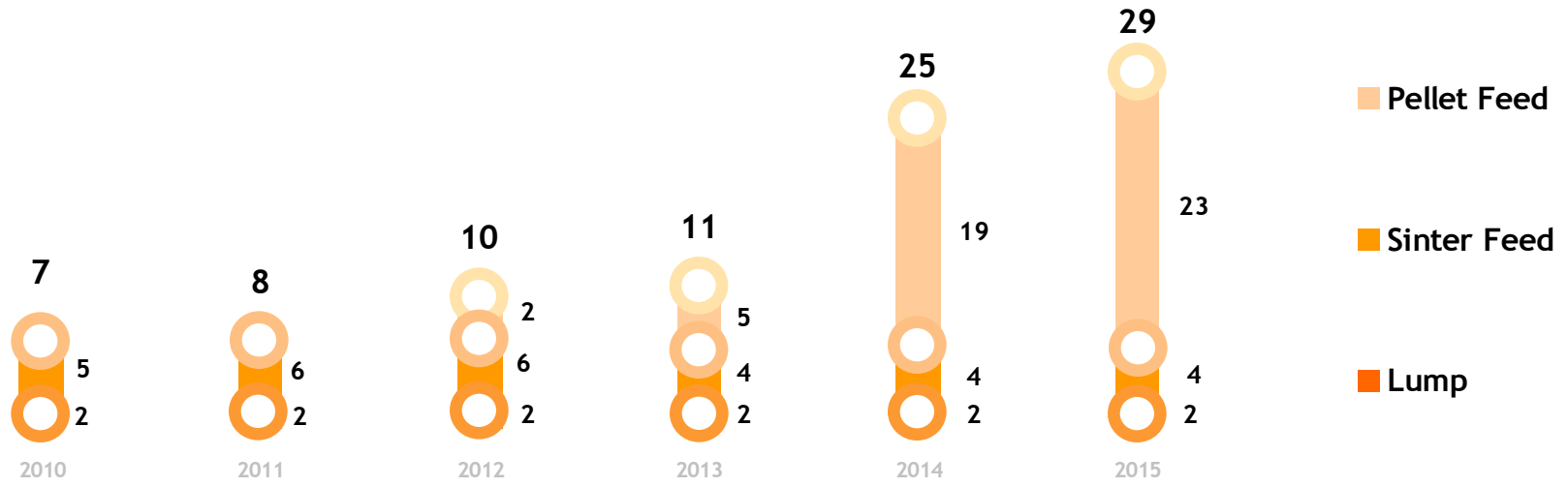
- *Mineração Usiminas will have a great potential for growth in the Serra Azul area, given its size, availability of capital and integrated logistics.*

5 **Upgrade to steel business:**

- *Through the integration of the mining and logistics businesses, assurance of a certain amount of iron ore to USIMINAS, it is considered an important step towards the integration of the steel business into the iron ore business, intended since the acquisition of J. Mendes.*

Development Plan

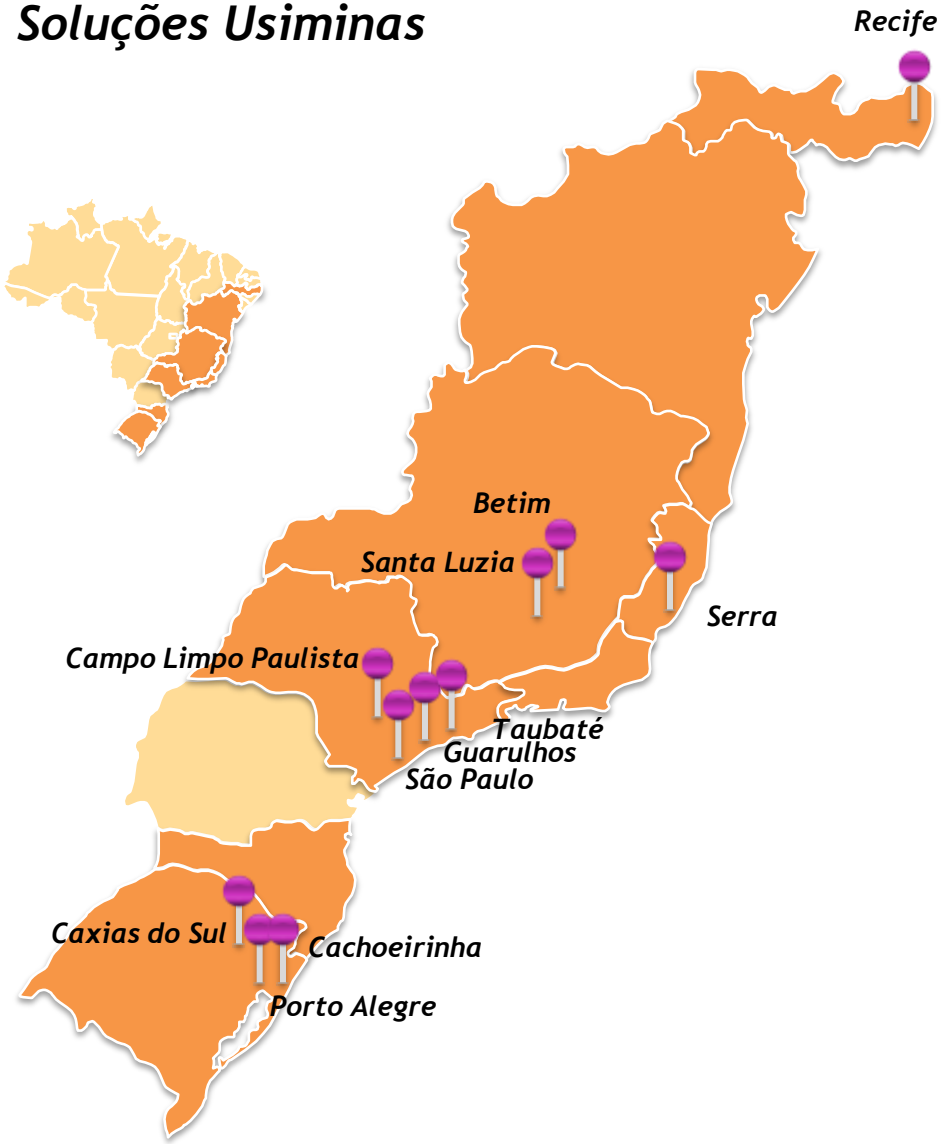
Iron Ore Production - *million tons*



- Capex until 2015 are estimated in R$ 4.1 billion including industrial facilities projects , equipments, loading terminals, etc.
- Reserves of 2.6 billion tons.

Steel Processing

Soluções Usiminas





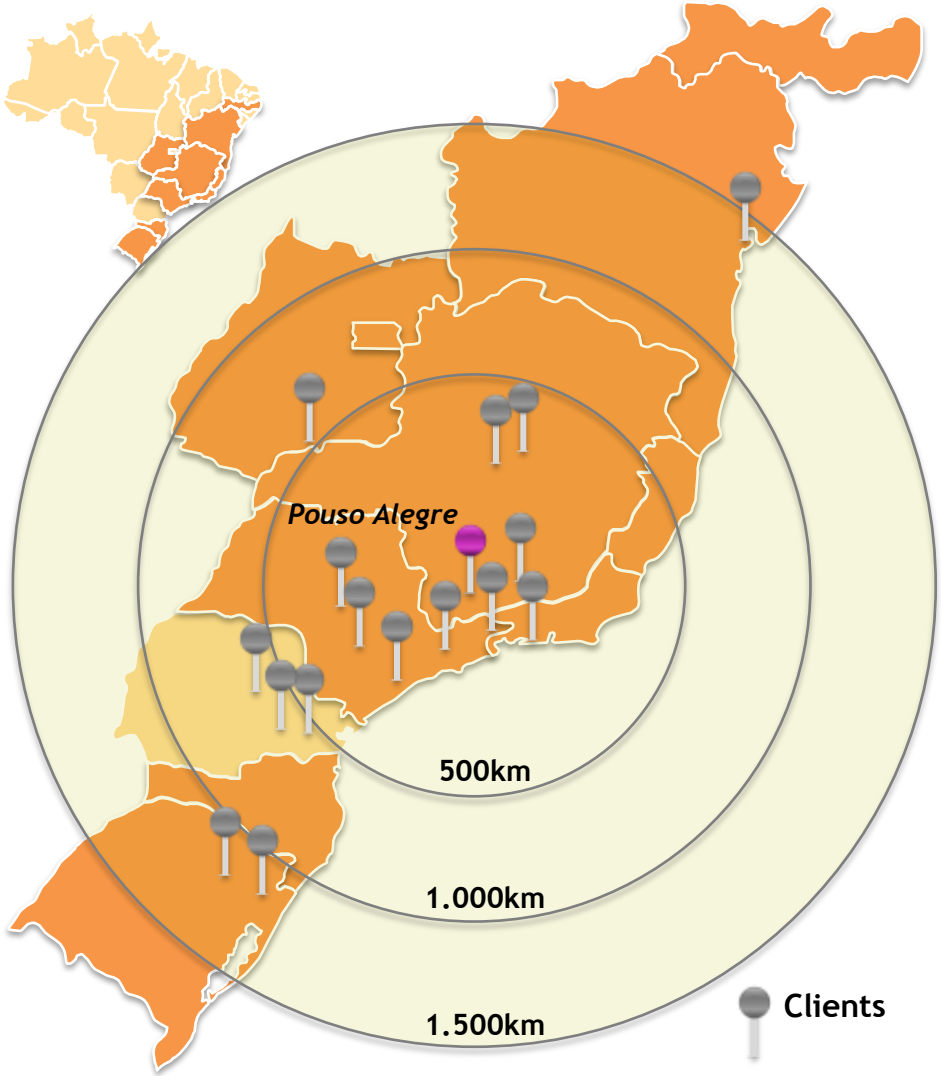
Soluções Usiminas

- 14 industrial units, in MG, SP, RS, ES and PE. Processing capacity of 2 million tons/year.
- 2009 Gross Revenues of R$1.6 billion
- Leadership:
  - In 1Q10, took over the leadership in the steel distribution sector, according to INDA.
- Investments:
  - 25% expansion in blanks production capacity (70,000 tons) of Taubaté plant (SP), to supply the auto industry. Up to April/2011.



Steel Processing

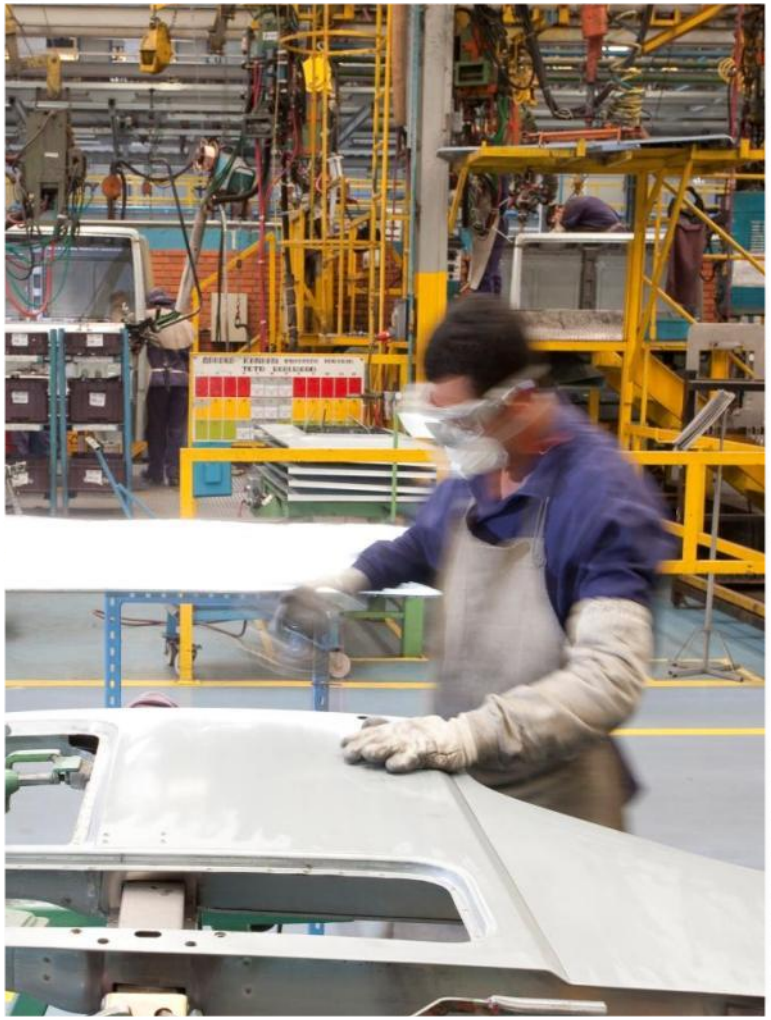
Automotiva Usiminas





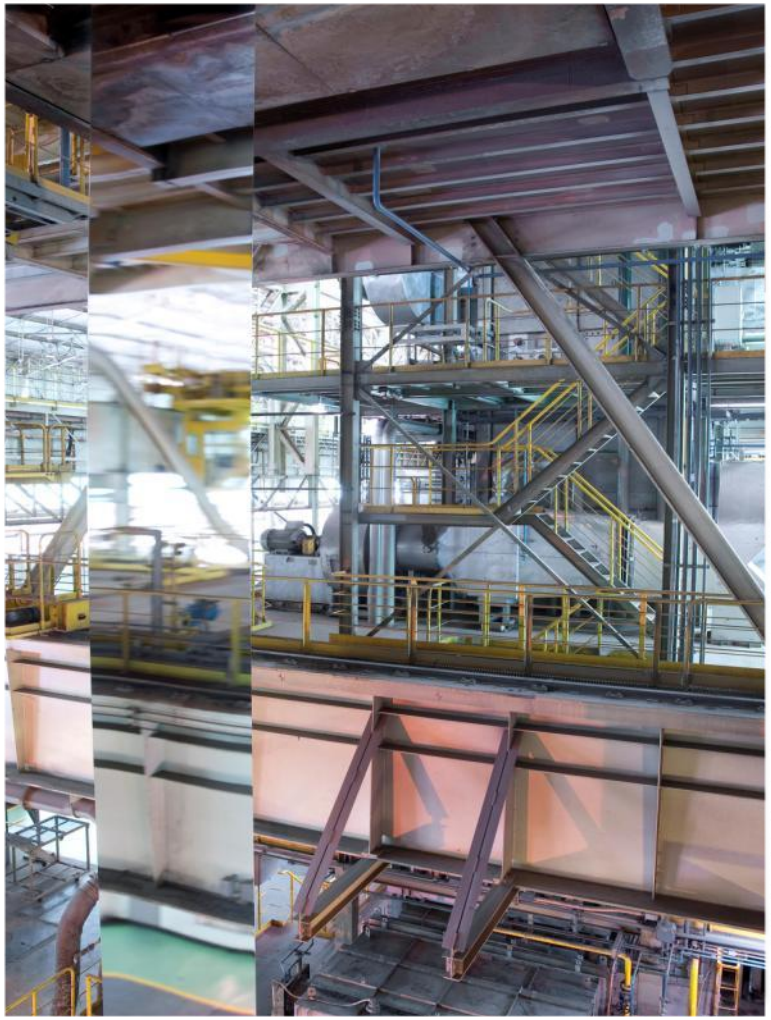
Automotiva Usiminas

- Pouso Alegre – MG
  - Close to major auto makers. Full service company
- 2009 Gross Revenues of R$278 million
- Major Clients:
  - Ford, Mercedes Benz, Fiat, Volkswagen, Volvo, General Motors, International Trucks, Honda Toyota, PSA Peugeot Citroën, Scania.
- Highlights:
  - 2009 - FIAT Qualitas Awards - “Metallic Supplier”



Unigal Usiminas

- Ipatinga – MG.
  - Joint-venture between Usiminas (70%) and Nippon Steel (30%) aimed at processing hot-dip galvanized coils.
  - Processing capacity of 480 thousand tons/year.
- 2009 Gross Revenues of R$277 million
- Market Sectors:
  - Galvanized steel is used mainly by the auto, household appliance and civil construction industries.
- Investments:
  - 550,000 expansion in HDG capacity. R$ 914 million capex. Start-up: 1Q 2011

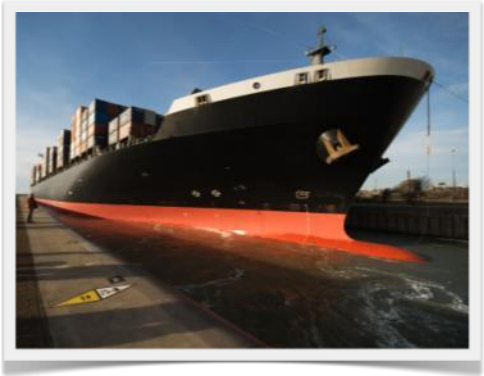


Capital Goods



Usiminas Mecânica

- Ipatinga – MG.
  - The Group's capital goods arm is one of the largest capital goods companies in the country.
- 2009 Gross Revenues of R$1.1 billion
- Market Sectors:
  - Structures and Metal Bridges.
  - Industrial Equipments.
  - Industrial Assembly.
  - Blanks and Stamping.
  - Funding, Forgery and Railcars.
  - Steel EPC Unit. (Engineering Procurement Construction)
  - Oil and Gas EPC Unit.







Usiminas Mecânica

- Major Contracts:
  - Production of the Towers of Refinaria do Nordeste (RNEST).
  - Production of metal structures for the Vallourec & Sumitomo Steelworks building in Jeceaba.
  - Production of metal structures for the new hot strip mill (HSM) of Usiminas/Cubatão.
  - Electromechanical assembly of Usiminas' projects:
    - Coke number 3 in Ipatinga (in its conclusion phase)
    - Unigal in Ipatinga – New HSM in Cubatão.



- Investments:
  - Funding and forgery: under an expansion and modernization process, expected to be concluded by the 4th quarter of 2011. Installed capacity: will reach 60,000 tons per year.
  - Manual and mechanized molding line: in the bidding stage. The construction work is scheduled to start in June/2010.

NÍVEL 1 BOVESPA BRASIL

ADR Level I

LATIBEX

THE GLOBAL COMPACT WE SUPPORT

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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, on Brazil's economic situation, on the industry and on international markets, and are therefore subject to change.

USIMINAS