

Net profit in the 1st half is R\$ 1.0 billion and EBITDA reaches R\$ 2.0 billion

Positive outlook is confirmed and Usiminas sales volumes and margins improve.

"Our forecast since the beginning of 2006 was that the global steel market would reverse the decline seen in 2005. The recovery has been verified in the domestic market, even in the face of new turbulence in the international financial market, which the country has been able to overcome with maturity. In the same way, conditions abroad have proven much more favorable. Steel demand remained positive and prices in gradual increase, driven by growth in the global economy and inflation and interest rates at low levels in the main economies, in spite of some pressure from the United States.

We are experiencing a new growth phase in the global steel industry, mainly characterized by Chinese demand. We also saw continuation of the consolidation process, a transnational movement, which is a consequence of globalization, although at a slow pace.

In view of the constantly changing environment and multiple variables, the sustainability of the Usiminas System and its position of leadership in the domestic market are increasingly evidence, and the consistent results in the period encourage us to continue to go forward. We recorded expressive growth in comparison to the first quarter of this year. Domestic market sales already account for 69% of the total sold in 2Q06. Accumulated net revenues in the 1st half were R\$ 6.0 billion, we registered net profit of R\$ 1.0 billion and reached operating cash generation, measured by EBITDA, of R\$ 2.0 billion.

Our mills are operating at a stable rate, and we seek constant advance. We are implementing an action plan composed of several operational measures aimed to reduce costs, improve processes and increase revenues in order to generate more value to the business.

In this continuous evolutionary process, we note that Brazilian steel production is on a growth path, and Usiminas is actively participating through a vigorous investment program underway, which focuses on strengthening and maximizing the existing operations and future growth.

We can affirm that our business strategy is perfectly aligned with the trends derived from the significant transformations we are watching. We remain confident in the strengthening of the Usiminas System" **Rinaldo Campos Soares - CEO**

Highlights

R\$ million	2Q 2006	2Q 2005	1Q 2006	Chg. 2Q06/2Q05	1H 2006	1H 2005	Chg. 1H06/1H05
Total Sales Volume (000 t)	2,028	1,829	1,954	11%	3,982	3,598	11%
Net Revenues	3,053	3,484	2,958	-12%	6,011	6,954	-14%
Gross Profit	1,013	1,557	888	-35%	1,901	3,296	-42%
Operating Result (EBIT) a	890	1,359	741	-34%	1,631	2,928	-44%
Financial Result	(78)	(175)	(118)	-56%	(196)	(336)	-42%
Net Income	704	810	345	-13%	1,049	1,812	-42%
EBITDA b	1,046	1,629	908	-36%	1,955	3,359	-42%
EBITDA (R\$/t)	516	891	465	-42%	491	934	-47%
Total Assets	18,066	17,278	17,817	5%	18,066	17,278	5%
Net Debt	1,603	2,426	1,497	-34%	1,603	2,426	-34%
Stockholders' Equity	9,451	7,761	9,097	22%	9,451	7,761	22%

(a) Earnings before interest, tax and participations.

(b) Earnings before interest, taxes, depreciation, amortization and participations.

2Q06

Belo Horizonte, August 10, 2006 – Usinas Siderúrgicas de Minas Gerais S/A - USIMINAS (BOVESPA: USIM3, USIM5, USIM6; OTC: USNZY; Latibex: XUSI) announced today its second quarter 2006 results (2Q06). The operational and financial information of the Company, except where indicated to the contrary, are presented based on consolidated figures in reais according to Brazilian law. All comparisons made in this release take into consideration the same period of 2005 (2Q05), except when specified differently.

Conference calls: 08/11
National 10:00 a.m.
International 11:30 a.m.



ADR
Nível I



06/30/2006

Closing Quotes

USIM3 R\$ 85.00 / ação
USIM5 R\$ 77.65 / ação
USNZY US\$ 35.75 (1 ADR = 1 ação)
XUSI € 28,39

Bovespa Market Cap

R\$ 17.5 billion
US\$ 8.1 billion

INVESTOR RELATIONS

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Other Highlights

- EBITDA Margin: 34% in 2Q06 and 33% in 1H06.
- Debt Reduction in 1HQ06: R\$ 59 million.
- Cash Position on 06/30/06: R\$ 2.0 billion.
- Market Cap on 06/30/06: R\$ 17.5 billion (US\$ 8.1 billion).
- Usiminas shares are among the four most traded in the BOVESPA theoretical index and are among the five most traded in Latin America.
- Investment program following schedule.
- Growing international demand and gradually increasing prices.
- 3Q06 should show better price behavior in the year in the international market.
- Usiminas is leader in domestic market, with a 52% market share.
- Domestic demand recovered and grew 14% compared to 1Q06.
- Usiminas Mecânica concluded repair of CSN blast furnace in record time.
- Usiminas receives award from Arvin Meritor.
- Usiminas is a finalist in the Transparency Award promoted by ANEFAC/ FIPECAFI /SERASA.
- Usiminas is a finalist in the National and Regional APIMEC Awards.
- Cosipa issues EUROBOND and signs contract with BNDES to finance investments.

Analysis of the Economy and Outlook

International Economy

Behavior of the international market in the second quarter of this year confirmed the trend of stable demand and gradually increasing prices.

The main macroeconomic factors that led to the positive scenario can be highlighted as follows:

- Global economy growing at a rate similar to international forecasts;
- Inflation and interest rates at low levels, in spite of some pressure from the US;
- Favorable investment environment;
- Steel demand growth at 4% to 6% annual level.

Demand grew in the three main steel consumption markets: NAFTA, EUROPE and ASIA, with the latter being led by China. With good economic performance fueling demand and supply adjusted to demand, markets remained nervous, with low inventory levels.

As a consequence, prices rose faster than expected, especially from the second half of the quarter onward. The product that had the most significant price increase was slab, especially after blast furnace accidents in some mills around the world.



This favorable scenario of rising prices for steel products was further favored by increases in prices of raw materials, among which was zinc, which determined the rapid rise in prices for coated products to a higher than normal level of supply and demand. Another factor which spurred the steel price recovery in the international market was the behavior of scrap and pig iron prices, which pressured the costs of minimills.

Average quarterly international price levels on a FOB/ton basis were approximately: slab: US\$ 400.00; heavy plate: US\$ 550.00; hot rolled coil: US\$ 550.00; cold rolled coil: US\$ 600.00 and coated coil US\$ 700.00.

China:

Recent facts that should be followed:

- Increase in exports, that reached 20 million tons in the first half;
- Price reduction at the end of the quarter.

However, there are doubts of whether the facts mentioned above are a trend or a tactical adjustment related to a speculative movement for inventory build-up.

On this last item, it is worth observing that hot rolled prices were reduced by up to US\$ 90.00/ton, depending on the classification of the mills. The mills that deliver higher-quality products had prices reduced by US\$ 30.00/ton.

Taking into consideration economic growth above 10.5% in the quarter, contrary to expectations of the Chinese government, and the consequent increase in steel demand, inventory levels do not seem to be so high. Therefore, a preliminary conclusion is that prices fluctuations *per se* do not indicate a trend.

3rd Quarter

Our view is that in the third quarter prices will reach the highest level in the year, as per the table below: (FOB/metric ton)

FOB - Base (w/o extras)	US\$/ton
Slab	520 - 550 (*)
Heavy Plate	700
Hot rolled Coil	600
Cold rolled Coil	700
Coated Coil	800 - 850

(*) Sales to Western countries. For Asia, prices are CFR

However, it should be mentioned that these FOB price levels can see a slight reduction due to the trend for increasing ocean freight prices currently observed in the market.

4th Quarter:

Finally, the outlook for the fourth quarter of this year is for market stability. Slight price reduction could occur even with continued firm demand. Production costs will continue to be a determining factor to keep prices at higher levels and will be the main regulators of supply and demand. Consolidation will continue to contribute, adjusting production to supply, so that industry margins will be preserved.

Domestic Scenario

As mentioned in the previous quarter, the country is more mature and less susceptible to changes that could generate mistrust in the market and instability in the economy. For the first time since the beginning of the Real Plan, Brazil has faced a turmoil in the international financial market without seeing impacts on the exchange rate and on interest rates. After the crisis in May and June, the SELIC base interest rate was once again cut and rating agencies upgraded the rating of Brazilian sovereign debt, bringing the Country closer to investment grade.



In a more detailed analysis of the Brazilian economic behavior in the first half of 2006, it can be observed that exports have given way to family consumption and investments after two years as the main driver of country growth.

Market segments whose demand was linked to domestic consumer goods (autos, electronics, household appliances) and capital goods (industrial machinery and equipment) have demonstrated quite positive results, as it can be observed in the information shown in the table below.

Performance of other segments, such as small-diameter tubes and rerolling, has been affected by exchange appreciation, causing an increase in indirect imports (made up of products that use steel as raw material).

Generally speaking, the domestic flat steel market, contrary to what was seen in 2005, is growing in a sustainable manner this year, which allows us to forecast a positive outlook for demand in 2006 compared to the previous year.

The IBS (Brazilian Iron and Steel Institute) expects the flat steel market to grow around 7% in 2006.

Demand by Sector

Industry	2Q06 / 2Q05	2Q06 / 1Q06
Automotive	19.5%	14.4%
Agricultural/Highway Eqmt	1.2%	1.4%
Industrial	55.2%	42.3%
Electronic	24.8%	12.8%
White Goods	21.8%	11.3%
Civil Construction/Shapes	(0.3)%	14.0%
Rerolling	1.8%	21.5%
Small Diameter Tubes	9.3%	2.5%
Distribution	17.3%	20.3%
Large Diameter Tubes	(39.0)%	1.6%
Other	(13.8)%	4.6%
Total	9.4%	14.0%

Flat steel demand in the domestic market has been recovering since 1Q06, after a period of retraction that started in 2Q05. On a year-on-year basis, demand grew 9.4%, with the following highlights:

Industrial analysis - demand growth in the second quarter:

Automotive industry (automobile and autoparts): has shown positive growth in the past few years.

Electrical/Electronic Goods and Home Appliances: are benefited by lower interest rates, expansion of credit availability and increase in available income.

Industrial Machinery and Equipment: has also shown positive results in the period, driven by increase in investments, which have also been favored by lower interest rates and by greater business confidence in regard to future economic behavior and the domestic market.

Large Diameter Tubes: This segment has been negatively impacted by the postponement of pipeline projects by Petrobras.

Demand analysis compared to 1Q06

The domestic market grew 14% in 2Q06, indicating a recovery trend which began in 1Q06. The automotive industry is still the highlight, supported more by domestic sales this year than by exports. Industrial machinery and equipment, home appliance and electronics have posted quite positive growth, as well as the civil construction and rerolling segments.



Distribution segment: accounts for approximately 30% of the flat steel domestic demand. In 2005, it experienced high inventory levels. However, this year it was able to reverse the situation, with inventory coming in line since the beginning of the year in relation to sales, which made it possible to recover its purchasing volumes from the mills.

On a semester basis (1H06/1H05), flat steel demand retracted by 4%. Nevertheless, reiterating the information above, when compared to 2H05, demand grew 14.6%.

Raw Materials

Iron Ore: In 2Q06, price increase of iron ore was confirmed for sinter feed and granulated ore of 19% in the international market. In the case of pellets, there was a 3% reduction, which resulted in the smallest price difference in relation to granulated ore in the past few years, thus contributing to an increase in demand for pellets by steel makers.

Global demand for iron ore should still remain heated over the medium and long terms, basically due to China, which increased imports by 23% in the first half of 2006 over the same period in 2005.

Coal: The Usiminas System finalized coal negotiations for the 2006/2007 period with a price reduction varying between 8% and 45% depending on the type of material (an average of 17%). This, together with reduced negotiated ocean freight, will result in lower costs in the period mentioned of around US\$ 100 million.

Such reduction was a consequence not only of international market conditions, which evidenced greater supply, but also the efforts of the technical and sales personnel in developing and using cheaper coal without affecting optimal operational conditions at Usiminas and Cosipa. The effect of this reduction will begin to be felt in 3Q06, with the arrival of shipments at lower prices, which will start to be consumed in the process.

In the medium term, the outlook is for new price reductions for coal, due to the stabilization of demand and start up of new mines, mainly in Australia and Canada.

Alloys: Alloy, metals and refractory supply in 2Q06 occurred normally. The most significant fact deserving attention was the average prices of nickel and zinc on the London Exchange, which increased 30% on a quarterly basis in 2Q06.

The Steel Industry - Global and Brazilian Production

World

In 1H06, global raw steel production reached 596 million tons, 8% above the same period in 2005, according to preliminary data from IISI (International Iron and Steel Institute). Excluding China, global production in the period grew only 3%.

In June alone, production totaled 104 million tons, an increase of 13% compared to the same month in 2005. China accounted for 34% of global raw steel production, with slightly less than 200 million tons in the January-June period, compared to 31% in 2005. Production in the first six months of the year grew 19% from the same period in 2005.

Some of the more significant production increases in the January-June period in 2006 occurred in the United States (7%), India (17%), Turkey (11%) and Russia (7%). Production in the EU grew 4% in the period, reaching 101 million tons.

Brazil

According to preliminary data from the IBS (Brazilian Iron and Steel Institute), in 1H06 15 million tons of raw steel were produced, a decline of 9% from the first half of 2005. Usiminas accounted for 30% of the total. Finished steel production (flat and long products) reached 11 million tons in 1H06, the same level as in 1H05.

Raw steel production in Latin America declined by approximately 6% in 1H06 in comparison to 1H05 and Brazilian production was around 48% of the total.



Usiminas System Production and Sales

Production (Crude Steel)

Thousand tons	2Q 2006	2Q 2005	1Q 2006	Chg. 2Q06/2Q05	Chg. 2Q06/1Q06	1H 2006	1H 2005	Chg. 1H06/1H05
Ipainga Mill	1,168	1,161	1,110	1%	5%	2,278	2,296	-1%
Cubatão Mill	1,021	1,042	992	-2%	3%	2,013	2,074	-3%
Total	2,189	2,203	2,102	-1%	4%	4,291	4,370	-2%

The Ipainga and Cubatão mills have operated with stability and have met production plans for 2006.

In 2Q06, raw steel production at the two mills totaled 2.2 million tons and accumulated 4.3 million tons in the year. Finished and slab production was 1.9 million tons and reached 3.8 million tons in 1H06.

On 6/30/06, the two companies had 13,720 employees.

Value Creation Agenda:

With the aim of reevaluating production processes and creating new forms of savings, mainly in production costs, the two mills implemented an action plan called "Value Creation Agenda".

Under the coordination of the Industrial Director, the agenda was extended to all of the production areas of both plants, organizing an action plan focused on process improvement, cost savings and revenue increases. Among the measures taken are optimization of raw materials mix, yields, specific consumption and recovery of materials is expected in relation to cost composition of slab making, seeking to identify new opportunities and improvement of goals.

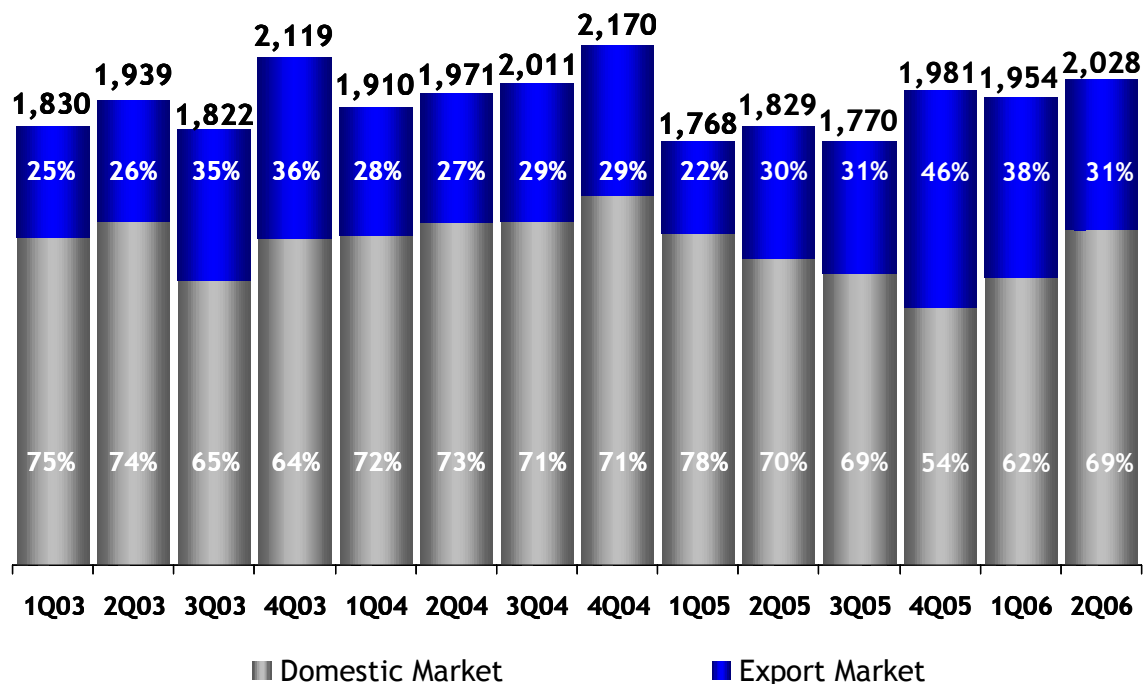
Other Relevant Production Facts:

At the Ipainga facility, there was an improvement in the general customer satisfaction index in regard to products and services from Usiminas, which reached the mark of 83.2% in 1H06 versus 80.3% in 2005. Focused on improvement in customer satisfaction, Usiminas uses the process targeting points of improvement and achievement of competitive advantages. The effects are verified in subsequent evaluations.

At the Cubatão facility the highlight is for the renewal of the Det Norske Veritas (DNV) Manufacturing Survey Arrangement (MAS) certificate, allowing this plant to supply materials to the shipbuilding industry with assured quality.



Consolidated Sales (000 t)



Total sales volume in 2Q06 was 2.0 million tons, 69% of it to the domestic market and 31% for export. When compared to the same period in the previous year, there was an 11% growth in sales volume, spurred by the recovery in domestic demand and by export performance. The volume was also approximately 4% above 1Q06. In the 1st half, sales volume reached 4.0 million tons, 11% above 1H05.

◆ Domestic Market

In 2Q06, sales reached 1.4 million tons (69% of total sales volume), which represented an increase of 9% y-o-y and 16% q-o-q. This performance is a result of demand growth observed in almost all market segments, with a highlight for the automotive industry, which has been growing over the past few years. Accumulated sales volume in 1H06 in the domestic market was 2.6 million tons, slightly (2%) below 1H05.

Market Share: The Usiminas System concluded the 1st half with a 52% market share and continues to be the main supplier to important consumer segments, highlighting agricultural and highway machinery, industrial machinery and equipment and large diameter tubes, where it is almost an exclusive supplier. In the demanding automotive segment, the Usiminas System has maintained a share of over 60% for flat steel, the same as in the electronic equipment segment. A gain of six percentage points in the home appliance segment is also worth mentioning.

◆ Export Market

In 2Q06, exports totaled 632 thousand tons (31% of total sales volume), representing an increase of 14% and accumulating a volume of 1.4 million tons in 1H06, 47% above the volume shipped in 1H05. Highlights go to exports of heavy plate, which increased 119%, hot rolled products, which increased 143% and cold rolled products, which increased 44%.

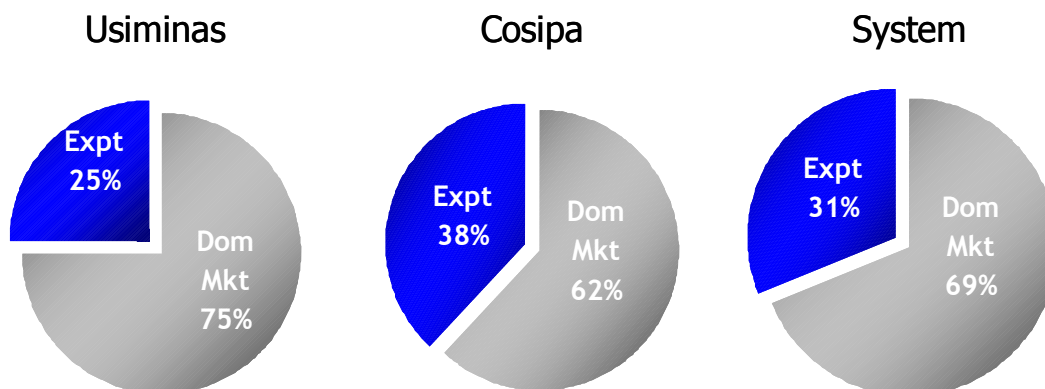
When compared to shipments in 1Q06, exports fell 16% with greater domestic market sales.



Sales Volume

Thousand tons	2Q 2006	2Q 2005	1Q 2006	Chg. 2Q06/2Q05	1H 2006	1H 2005	Chg. 1H06/1H05
Usiminas							
Domestic Market	832 75%	745 78%	724 68%	12%	1,556 72%	1,591 83%	-2%
Export Market	277 25%	212 22%	339 32%	31%	616 28%	326 17%	89%
Total	1,109 100%	957 100%	1,063 100%	16%	2,172 100%	1,917 100%	13%
Cosipa							
Domestic Market	564 61%	531 61%	478 54%	6%	1,042 58%	1,068 64%	-2%
Export Market	355 39%	341 39%	413 46%	4%	768 42%	613 36%	25%
Total	919 100%	872 100%	891 100%	5%	1,810 100%	1,681 100%	8%
System							
Domestic Market	1,396 69%	1,276 70%	1,202 62%	9%	2,598 65%	2,659 74%	-2%
Export Market	632 31%	553 30%	752 38%	14%	1,384 35%	939 26%	47%
Total	2,028 100%	1,829 100%	1,954 100%	11%	3,982 100%	3,598 100%	11%

Sales Volume Mix - 2Q06



Exports by Country - 2Q06 and 1H06 (1000 ton)

Country	2Q06	%	1H06	%
USA	96.7	15%	290.8	21%
Mexico	67.9	11%	207.5	15%
Canada	46.2	7%	141.2	10%
Germany	80.6	13%	135.7	10%
Thailand	98.7	16%	98.7	7%
Other	45.3	7%	114.6	8%
Chile	16.6	3%	64.1	5%
Spain	28.4	4%	59.1	4%
Argentina	27.3	4%	56.0	4%
South Korea	9.6	2%	48.2	3%
India	47.0	7%	47.0	3%
Colombia	16.6	3%	36.8	3%
Venezuela	23.1	4%	35.2	3%
Taiwan	16.0	3%	24.6	2%
Portugal	12.0	2%	24.5	2%
Total	632.0	100%	1384.0	100%

Economic and Financial Performance

Net Revenue

In 2Q06, net revenue totaled R\$ 3.1 billion, 3% higher in comparison with 1Q06, due to greater sales volume. Over the half, net revenue totaled R\$ 6.0 billion, 14% lower than in 1H05. In spite of the high shipments in the period, the decline was the result of three factors: lower prices, changing mix (greater share of exports) and the exchange rate (appreciation of the real against the dollar).

In 2Q06, total per-ton net revenue (domestic and export markets) of Usiminas/Cosipa reached R\$ 1,419/ton, 3% above net per-ton revenue in 1Q06.

COGS

In 2Q06, the cost of goods sold (COGS) totaled R\$ 2.0 billion, remaining stable in comparison to 1Q06 COGS, with a decrease of R\$ 29 million (1.4%).

The per-ton cost of goods sold (Usiminas and Cosipa) in the quarter was R\$ 975/ton.

In 1H06, COGS totaled R\$ 4.1 billion, 12% above that of 1H05. The following are the main variations:

The main item is raw materials, which accounted for 50% of production cost in 1H06. When compared to 1H05, they showed a reduction of 6% in value. However, higher coal and zinc costsoffset a reduction in the cost of coke and other raw materials.

Other cost items, such as supplies, electrical energy and third-party services, increased in the 1st half.

Gross Profit

Gross profit was R\$ 1.0 billion in 2Q06, 14% greater than in 1Q06. Gross margin rose from 30% in 1Q06 to 33% in 2Q06. In 1H06, gross profit totaled R\$ 1.9 billion and gross margin was 32%, lower compared with the results in 1H05.

The Company is implementing an action plan focused on process improvement and cost reduction with a view to achieve better margins and value generation.

Operating Profits before Financial Expense (EBIT)

Operating profit before financial expense grew 20% compared to 1Q06 and totaled R\$ 0.9 billion. In the 1H06, it totaled R\$ 1.6 billion, 44% lower than in 1H05.

Operating expenses and revenues declined 16% in 2Q06 from 1Q06. The main variations were in Sales Expense, which were 6% lower, mainly due to decrease in demurrage expense; SG&A grew 23% as a result of increase in sundry expense and labor adjustments, as well as Other Expenses and Operational Revenue, which showed a non-recurring gain due to reversion of provision for fiscal contingencies - PIS/COFINS.

The amount of operational expense and revenues in 1H06 showed a reduction of 27% compared to 1H05. The main variations were sales expense, which were 17% above, basically due to greater expenses with distribution cost due to large export volume and payment of demurrage. SG&A increased 7% basically due to effects of labor adjustments. Other expense and revenues showed gains in the period, a consequence of actuarial surplus at FEMCO (Cosipa pension fund) and a non-recurring gain with reversion of provision for fiscal contingencies relative to PIS/COFINS.

EBITDA

Ebitda was R\$ 1.0 billion in 2Q06, 15% above the total posted in the previous quarter. Ebitda margin rose from 31% to 34% in 2Q06.

Accumulated Ebitda in 1H06 was R\$ 2.0 billion, 42% below 1H05. Ebitda margin was 33% in 1H06 versus 48% in 1H05, for the reasons already explained above.



Financial Result

Net financial expense declined 34% in relation to 1Q06 mainly due to the reduction of exchange losses and swap transactions.

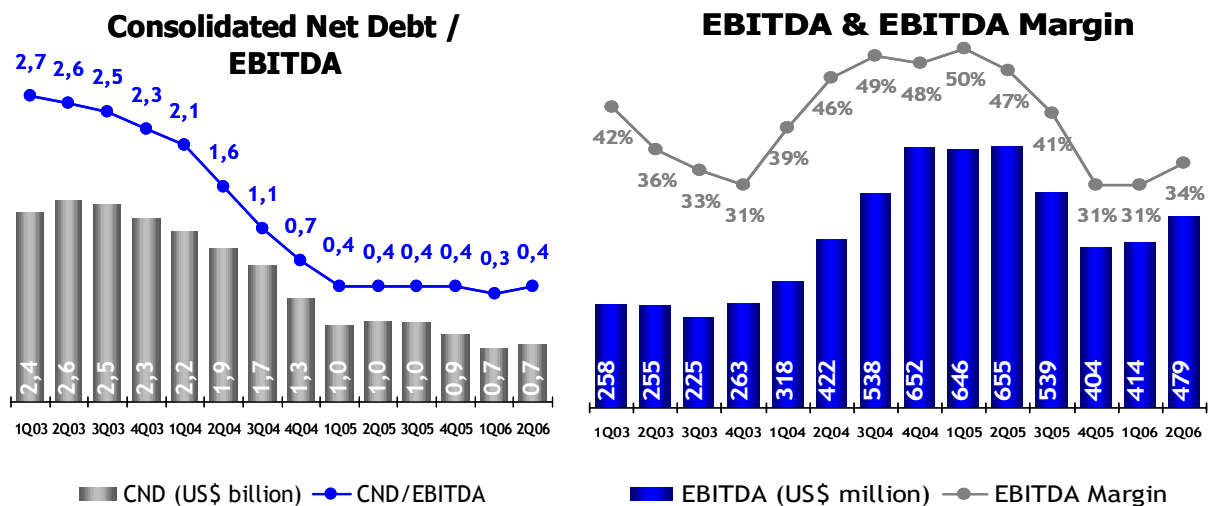
In 1H06, net financial expense declined R\$ 140 million (41%) in relation to 1H05 basically due to lower exchange losses and swap transactions, as well as reduction of interest payment on debt.

Equity Income

In the consolidated quarterly results, the highlights are Ternium and MRS, which contributed with R\$ 35 million and R\$ 13 million, respectively.

Financial Result and Indebtedness

Total consolidated debt went from R\$ 3.3 billion on 3/31/06 to R\$ 3.6 billion on 6/30/06, of which 26% denominated in local currency and 74% in foreign currency. Considering cash and securities, net debt on 6/30/06 totaled R\$ 1.6 billion, equivalent to US\$ 0.7 billion. Short-term debt accounted for 28% and long-term debt for 72%, which is considered an adequate profile by the Company. The Net Debt/Ebitda ratio, which on 3/31/06 was 0.3 times, rose to 0.4 times on 6/30/06. Effective debt amortization in 1H06 was R\$ 59 million.



Income Tax and Social Contribution

In the quarter, the amount referring to income tax was impacted by a provision for payment of interest on equity capital, according to determination of the Board of Directors in the most recent meeting, which authorized constitution of a provision for this purpose.

Net Income

Usiminas posted a consolidated net income of R\$ 704 million in 2Q06, 104% higher than in 1Q06, due to the effects mentioned above. In 1H06, net profit was R\$ 1.0 billion, with a net margin of 17%, while net margin in 1Q06 was 12%, which reflects the Company has made to achieve better results, and confirms the expectations of better margins as of 2Q06.



Capital Expenditure

Capex in fixed assets totaled R\$ 231 million, mainly on maintenance, technological updating of equipment and environmental protection.

Investment projects followed their normal course of technical specifications, price tenders, contract signing and construction, according to the established schedule.

The investments aim at quality and mix improvements, capacity expansion and cost reduction and have a total budget estimated between US\$ 2.2 and US\$ 2.4 billion. The main investments in the industrial facilities of Ipatinga and Cubatão and their benefits are detailed below:

USIMINAS - IPATINGA:

Blower for Blast Furnace No. 3: operating since Feb/06. It will increase nominal electrical power production by 6MW.

New Coke Oven Battery (No. 3): production of 750,000 tons/yr of coke as of 2H09, with a view to make coke production self-sufficient.

Steel Shop no. 3: improvements which will increase production of liquid steel to 2.8 million tons/yr as of 1H2010 and increase steel production volume with higher added value.

Heavy Plate Mill: increase in the production capacity by 300,000 tons/yr as of 1H2010 with quality improvements for API steel.

New Thermoelectric Power Plant: will provide generation of 60 MW of electrical power at the mill as of April 2008, using off gases.

COSIPA - CUBATÃO:

Hot Strip Mill No. 2: production of 2.25 million tons/yr of hot rolled strip as of 1H2010 in the first phase and 4.65 million tons in the second phase.

Modernization of Continuous Casting Machine no. 3: increase production capacity in the steel shop by 190,000 tons/yr as of January 2008, making it possible to produce higher value-added steel demanded by secondary steel refining for vacuum degassing and ladle furnace.

Pressure Recovery Turbine on Blast Furnace no. 2: provide average electrical power generation of 11.9 MW/h as of 2H2008.

Revamping no. 5 of Blast Furnace no. 1: will assure production increase and provide operational guarantee as of January 2008.



Capital Markets

• Bovespa Index Performance

Usiminas preferred class "A" shares (USIM5), which have greater liquidity, fell 3.2% in the period, while the Ibovespa Index fell 3.5%. On the other hand, voting shares (USIM3) appreciated 1.3%, above the industry average. The performance follows a highly volatile market, in which global investors paid close attention to data on the US economy because of US interest rate outlook.

Considering the period between 01/01 to 06/30/06, USIM5 shares appreciated 39.7%, while the IBOVESPA Index appreciated only 9.5%.

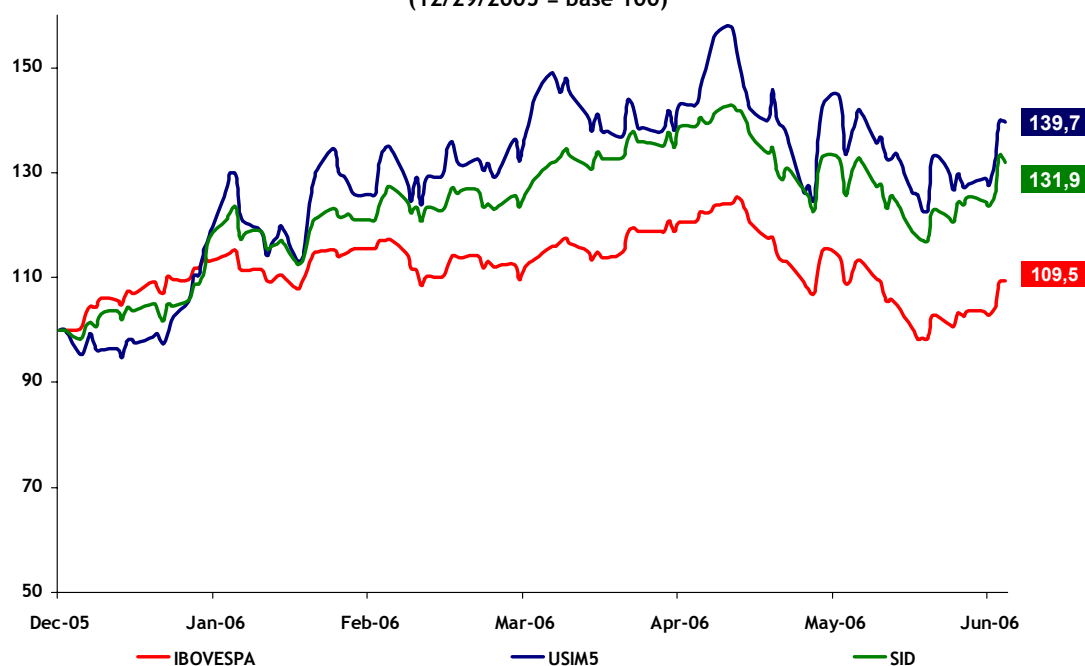
On 6/30/06, USIM5 preferred PN shares were quoted at R\$ 77.65 and USIM3 ON voting shares were R\$ 85.00. Trading volume in the period (considering ON and PN shares) was R\$ 6.0 billion. The Company continued to be recommended as an investment option among the companies in the steel industry, according to market consensus of its prospective performance.

Trading Summary Table for Usiminas Shares - 2Q06

Stock, ADR or Index	Number of Trades (daily avg)	Share Traded (000 shares)	Volume Traded 000 \$	Appreciation %	Closing Quotation 06/30/06
USIM3 (ON)	1,469	2,078	184,834	1.3%	R\$ 85.00
USIM5 (PNA)	98,588	76,191	5,840,256	-3.2%	R\$ 77.65
USNZY (ADR)	34	754	25,907	-3.4%	US\$ 35.75
XUSI (Latibex)	30	530	15,653	-5.1%	€ 28,39
IBOVESPA	3,101,993	1,283,492,797	134,651,156	-3.5%	36,630

USIM5 vs Ibovespa and Steel Industry

(12/29/2005 = base 100)



Usiminas ranks fourth among the companies with greatest weight in the IBOVESPA, with a share of 5.22% in the theoretical portfolio. The Ibovespa, main index in the São Paulo Stock Exchange, is used by the entire market as basis for decision making.

According to the ranking elaborated by Economática, Usiminas shares are among the five most traded in the Latin American market in 2006. The methodology adopted was that of daily average volume.

• ADR Performance in the US

In 2Q06, Usiminas shares traded in the United States as Level 1 - OTC (Over the Counter) ADRs ("USNZY"). They devalued 3.4%. USNZY was quoted at US\$ 35.75 on 6/30/06.

• Latibex Madrid Performance

Listed on the Latibex since 7/05/05, Usiminas shares ("XUSI") already rank third among the most traded shares and, in 2Q06, devalued 5.1%. The share was quoted at EUR 28.39 on 6/30/06.

• Shareholder Composition

The Company's capital totals R\$ 5.4 billion that represent 225,285,820 shares - 112,280,152 voting shares, 112,591,092 preferred class A shares and 414,576 preferred class B shares. From the adjusted net income of the fiscal year, a minimum legal share (25%) is destined for remuneration of the shareholders. Holders of preferred shares received dividends 10% greater than those attributed to voting shares.

• Cosipa issues Eurobond in the amount of US\$ 200 million

Cosipa issued 10-year bonds in the amount of US\$ 200 million, with a coupon of 8.25% per year, paid semestrally at the price of 99.165% over the face value of the security. The bonds will mature on June 14, 2016 and received a risk classification of BB+ by Standard & Poor's and a Ba2 rating by Moody's. The bonds have a yield for the investor of 8.375% per year (spread of 335 basis points above Treasury notes in the United States).

This issue had a demand of 2.3 times its size, and the coordinating banks are ABN AMRO and UBS. Funds are destined to finance investment needs of Cosipa.

Subsidiary Cosipa maintains two Eurobonds outstanding: the first, in the amount of US\$ 75 million, was issued in November 2003, with maturity set for November 2006 and coupon of 7.25%; the second, in the amount of US\$ 175 million, was issued in January 2004 and will come due in January 2009 with a coupon of 8.25%.

Other Highlights

• Usiminas receives award from Arvin Meritor

Wheel manufacturer Arvin Meritor awarded Usiminas the "Distinguished Supplier Award 2006 - Steel Industry" during its II Annual Supplier Mercosur Meeting in Campinas, SP. Usiminas is an exclusive supplier of hot rolled products to Arvin Meritor and this was the fifth prize received. The awarded companies are chosen by automotive industry clients. Commercial service, delivery performance, development and product quality, in addition to partnership in new business were the criteria used by Arvin Meritor for giving the award.

• Usiminas is a finalist in the Transparency Award

Usiminas is one of ten publicly-traded companies that are finalists in the 10th Transparency Awards 2006, sponsored by the National Association of Finance, Administrative and Accounting Executives (ANEFAC), by the Accounting Research, Actuarial and Financial Institute Foundation (FIIPECAFI) and SERASA.

This is the fourth time that Usiminas is nominated for the awards. The Company was also nominated in 1998, 2003 and 2005.



The prize is nationally recognized for its sobriety and technical rigor with which participants are selected and the winners are chosen. The candidates nominated to receive the awards are companies that publish accounting statements in a clear, precise and transparent manner, demonstrating the respect of the company for its consumers, shareholders, investors, customers, suppliers, creditors and society as a whole.

- **Usiminas is a finalist in the National and Regional Analyst Association (APIMEC) Awards**

Usiminas was nominated to two other prizes this quarter: National and MG Apimecs. The Company is competing in two of the six categories of the national awards: Investor Relations Professional and Publicly listed company. With regard to the Regional Apimec Award in Minas Gerais, it is competing in the Quality - Best Meeting Category. These Apimec awards are the oldest conceded to professionals, companies and institutions that significantly contribute to the technical improvement and development of capital markets.

- **Cosipa signs BNDES financing contract**

Subsidiary Cosipa signed a financing contract with BNDES in the amount of R\$ 130 million, destined for investments in modernization of its no. 3 continuous casting machine and installation of a pressure recuperating turbine on its Blast Furnace no. 2. Such investments will make it possible to increase steel shop capacity by 190,000 tons of liquid steel per year and increase own generation of electrical power in its industrial facilities located in Cubatão, SP. The financing matures in five years with two-year grace period and the cost is TJLP + 2.5% per annum and currency basket +2.5% per annum.

Other Companies of the Usiminas System (non-consolidated information)

Ternium

On 8/02/06, Ternium released its 2Q06 figures, as per the table below:

Summary of Results	2Q06	1H06
Product shipments - thsd t	2,412.9	4,660.8
Net Sales - US\$ million	1,709.1	3,238.0
Gross profit - US\$ million	631.0	1,172.7
Operating profit - US\$ million	476.7	869.2
EBITDA - US\$ million	582.2	1,082.7
EBITDA Margin	34%	33%
Net profit - US\$ million	289.2	483.7

Ternium's results continued to show improvement in 2Q06. Revenues increased compared to 1Q06 as a result of better prices and sales volume. These factors associated to stable costs produced an increase in EBITDA margin.

Demand for steel products in the main markets where Ternium sells maintained the positive trend during the second quarter, as is the case with the main economies in South and Central America. Prices for steel products increased in the period mainly in North America. Ternium expects that demand and prices for its products remain stable and does not foresee any seasonal impact relative to raw materials cost and energy cost fluctuations.

Ternium is one of the largest steel producers in the Americas, offering a large array of products including flat and long steel products. The company has operational facilities in Mexico (Hylsamex), Argentina (Siderar) and Venezuela (Sidor) and has a vast distribution network.

Usiminas has a 14.25% share of Ternium's capital, in which it is a partner with the Techint Group.



Unigal

A joint venture between Usiminas and Nippon Steel, the company processes cold rolled coils by the hot dip galvanized process.

In 2Q06, 110.1 thousand tons were processed, 11% above the volume shipped in 2Q05. In 1H06, a total of 217.5 thousand tons were processed, around 7% higher in comparison to the same period in 2005.

Net revenue in 2Q06 totaled R\$ 35.4 million, (R\$ 75.6 million in 1H06), a decrease of 33% in relation to 2Q05 (28% less than in 1H05).

In the quarter, EBITDA reached R\$ 29.9 million, accumulating a total of R\$ 62.4 million in 1H06. Net profit reached R\$ 6.5 million and accumulated R\$ 1.7 million in the 1st half.

Usiminas has 79.3% of Unigal's capital.

MRS Logística

On 7/26/06, MRS released in 2Q06 results as per the table below:

Summary of Results	2Q06	1H06
Volume transported - million tons	27.9	52.9
Gross Revenues - R\$ million	548.9	1,027.0
Net Revenues - R\$ million	474.0	885.4
Operating Profit (before financial results) - R\$ million	193.7	348.6
EBITDA - R\$ million	224.8	410.4
EBITDA Margin	47%	46%
Net Profit - R\$ million	114.5	212.9

MRS Logística is a concessionaire that controls, operates and monitors the Southeast Federal Railroad Network. The company operates in the rail transportation market, interconnecting the States of Rio de Janeiro, Minas Gerais and São Paulo. The region concentrates approximately 65% of Brazil's GDP. It also contains the largest industrial complexes in the country. Through MRS's network it is also possible to reach the ports of Sepetiba and Santos (the largest in Latin America).

MRS's activities focus on rail transportation of general cargo, such as ores, finished steel products, cement, bauxite, agricultural products, green coke and containers and integrated logistics.

Usiminas has 20% of the voting capital and is part of the Company's controlling group.

Usiminas Mecânica

The Company recorded a net profit of R\$ 3.7 million in 1H06. It is worth mentioning that current results are due to the slowdown in the operations seen in 4Q05 and 1Q06. With market recovery, the outlook for the 2nd half is favorable.

Usiminas holds 99.98% of Usiminas Mecânica's capital.



Highlights

- **UMSA concludes repair of CSN blast furnace in record time**

On 6/23/06, the repair work on CSN's No. 3 blast furnace was delivered in Volta Redonda, RJ. Responsible for the supply of 60% of the pig iron used in its steel production of around 6 million tons, the blast furnace was halted for five months after an accident on January 22.

Usiminas Mecânica is the only company in Brazil capable of making such repair and overcame the challenges in a short time, demonstrating capacity to mobilize and manage the works, guaranteeing the quality of services and equipment within safety requirements.

- **Partnership**

Usiminas Mecânica is today the largest constructor of metallic structures for Petrobras. In addition to the P-50 and P-47 platforms, the Company is also responsible for the supply of structure for four more platforms for petroleum extraction still under construction: P-51, P-52, P-53 and P-54. In order to build these modules, UMSA uses special high strength steel produced by Usiminas and Cosipa.

- **Passageway Bridge (Ponte da Passagem)**

After competing with the main construction companies in the country, UMSA won the public tender made by the Espírito Santo state government for construction of the Passageway Bridge (Ponte da Passagem), in Vitória. The bold project consists of a cable suspension bridge with 60-meter high steel tower, two 12-meter wide lanes and three traffic lanes each way. The construction may become the new calling card for the state's capital city. Deadline for conclusion of the bridge is 12 months.



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Visit the Investor Relations site: http://www.usiminas.com.br/ri_investidores/

Conference call: Friday, August 11

Local, at 10 AM (Brasília).
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International, at 11:30 AM (Brasília).
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Pin numbers: **452** (local) / **954** (international)

The audio of the conference calls will be transmitted live through the Internet accompanied by slide presentation on the website: www.usiminas.com.br

Declarations contained in this release relative to the business outlook of the Company, forecasts of operational and financial results and references to growth potential constitute mere forecasts and were based on the expectations of Management in relation to future performance. These expectations are highly dependent on market behavior, the economic situation in Brazil, its industry and international markets and, therefore, are subject to change.



Income Statement - Parent Company

Brazilian GAAP (Legislação Societária)

R\$ thousand	2Q 2006	2Q 2005	1Q 2006	Chg. 2Q06/2Q05
Net Revenues	1,676,619	1,824,359	1,607,694	-8%
Domestic Market	1,387,718	1,510,842	1,213,164	-8%
Export Market	288,901	313,517	394,530	-8%
COGS	(1,105,649)	(1,014,385)	(1,071,346)	9%
Gross Profit	570,970	809,974	536,348	-30%
Gross Margin	34%	44%	33%	-10 p.p.
Operating Income (Expenses)	(48,820)	(82,525)	(93,143)	-41%
Selling	(32,461)	(27,826)	(37,026)	17%
General and Administrative	(40,458)	(34,595)	(32,323)	17%
Others, Net	24,099	(20,104)	(23,794)	-220%
EBIT	522,150	727,449	443,205	-28%
EBIT Margin	31%	40%	28%	-9 p.p.
Financial Result	(24,361)	(89,227)	(58,354)	-73%
Financial Income	25,200	(25,914)	(10,216)	-197%
Financial Expenses	(49,561)	(63,313)	(48,138)	-22%
Equity Income	262,071	360,739	70,912	-27%
Operating Result	759,860	998,961	455,763	-24%
Non-Operating Income	1,055	713	1,245	48%
Profit Before Taxes	760,915	999,674	457,008	-24%
Income Tax / Social Contribution	(51,486)	(194,983)	(131,143)	-74%
Net Income	709,429	804,691	325,865	-12%
Net Margin	42%	44%	20%	-2 p.p.
Net Income per thousand shares	3.23383	3.66806	1.48541	-12%
EBITDA	566,757	832,814	525,210	-32%
EBITDA Margin	33.8%	45.6%	32.7%	-11,8 p.p.
Depreciation	65,261	64,327	65,189	1%
Provisions	(20,654)	41,038	16,816	0%



Income Statement - Parent Company

Brazilian GAAP (Legislação Societária)

R\$ thousand	1H 2006	1H 2005	Chg. 1H06/1H05
Net Revenues	3,284,313	3,727,523	-12%
Domestic Market	2,600,882	3,180,068	-18%
Export Market	683,431	547,455	25%
COGS	(2,176,995)	(1,901,945)	14%
Gross Profit	1,107,318	1,825,578	-39%
Gross Margin	34%	49%	-15 p.p.
Operating Income (Expenses)	(141,963)	(161,438)	-12%
Selling	(69,487)	(49,952)	39%
General and Administrative	(72,781)	(62,058)	17%
Others, Net	305	(49,428)	-101%
EBIT	965,355	1,664,140	-42%
EBIT Margin	29%	45%	-16 p.p.
Financial Result	(82,715)	(118,935)	-30%
Financial Income	14,984	30,631	-51%
Financial Expenses	(97,699)	(149,566)	-35%
Equity Income	332,983	853,767	-61%
Operating Result	1,215,623	2,398,972	-49%
Non-Operating Income	2,300	2,938	-22%
Profit Before Taxes	1,217,923	2,401,910	-49%
Income Tax / Social Contribution	(182,629)	(570,136)	-68%
Net Income	1,035,294	1,831,774	-43%
Net Margin	32%	49%	-17 p.p.
Net Income per thousand shares	4.71923	8.34987	-43%
EBITDA	1,091,967	1,832,927	-40%
EBITDA Margin	33.2%	49.2%	-16,0 p.p.
Depreciation	130,450	127,749	2%
Provisions	(3,838)	41,038	0%



Income Statement - Consolidated

Brazilian GAAP (Legislação Societária)

R\$ thousand	2Q 2006	2Q 2005	1Q 2006	Chg. 2Q06/2Q05
Net Revenues	3,053,395	3,483,816	2,957,602	-12%
Domestic Market	2,334,602	2,595,465	2,131,823	-10%
Export Market	718,793	888,351	825,779	-19%
COGS	(2,040,310)	(1,927,054)	(2,069,201)	6%
Gross Profit	1,013,085	1,556,762	888,401	-35%
Gross Margin %	33%	45%	30%	-12 p.p.
Operating Income (Expenses)	(123,028)	(198,108)	(147,146)	-38%
Selling	(65,959)	(60,836)	(69,972)	8%
General and Administrative	(74,173)	(66,731)	(60,468)	11%
Others, Net	17,104	(70,541)	(16,706)	-124%
EBIT	890,057	1,358,654	741,255	-34%
EBIT Margin %	29%	39%	25%	-10 p.p.
Financial Result	(77,665)	(174,840)	(118,331)	-56%
Financial Income	69,388	(111,538)	(20,521)	-162%
Financial Expenses	(147,053)	(63,302)	(97,810)	132%
Equity Income	48,156	26,057	(58,561)	85%
Operating Result	860,548	1,209,871	564,363	-29%
Non-Operating Income	688	669	11,290	3%
Profit Before Taxes	861,236	1,210,540	575,653	-29%
Income Tax / Social Contribution	(152,065)	(395,613)	(226,027)	-62%
Income before Taxes	709,171	814,927	349,626	-13%
Minority Interests	(5,122)	(4,473)	(5,013)	15%
Net Income	704,049	810,454	344,613	-13%
Net Margin	23%	23%	12%	0 p.p.
Net Income per thousand shares	3.20930	3.69433	1.57087	-13%
EBITDA	1,046,473	1,629,244	908,039	-36%
EBITDA Margin %	34.3%	46.8%	30.7%	-12,5 p.p.
Depreciation	171,999	198,452	170,838	-13%
Provisions	(15,583)	72,138	(4,054)	-122%



Income Statement - Consolidated

Brazilian GAAP (Legislação Societária)

R\$ thousand	1H 2006	1H 2005	Chg. 1H06/1H05
Net Revenues	6,010,997	6,953,815	-14%
Domestic Market	4,466,425	5,395,871	-17%
Export Market	1,544,572	1,557,944	-1%
COGS	(4,109,511)	(3,657,840)	12%
Gross Profit	1,901,486	3,295,975	-42%
Gross Margin	32%	47%	-15 p.p.
Operating Income (Expenses)	(270,174)	(368,044)	-27%
Selling	(135,931)	(116,305)	17%
General and Administrative	(134,641)	(126,016)	7%
Others, Net	398	(125,723)	-100%
EBIT	1,631,312	2,927,931	-44%
EBIT Margin	27%	42%	-15 p.p.
Financial Result	(195,996)	(335,618)	-42%
Financial Income	64,738	(34,539)	-287%
Financial Expenses	(260,734)	(301,079)	-13%
Equity Income	(10,405)	174,624	-106%
Operating Result	1,424,911	2,766,937	-49%
Non-Operating Income	11,978	2,135	461%
Profit Before Taxes	1,436,889	2,769,072	-48%
Income Tax / Social Contribution	(378,092)	(940,515)	-60%
Income before Taxes and Profit Sharing	1,058,797	1,828,557	-42%
Profit Sharing	(10,135)	(16,750)	-42%
Net Income	1,048,662	1,811,807	-42%
Net Margin	17%	26%	-9 p.p.
Net Income per thousand shares	4.78017	8.42327	-43%
EBITDA	1,954,512	3,359,273	-42%
EBITDA Margin	32.5%	48.3%	-15,8 p.p.
Depreciation	342,837	338,299	1%
Provisions	(19,637)	93,043	-121%



Cash Flow

Brazilian GAAP (Legislação Societária)

R\$ thousand	Parent Company		Consolidated	
	2Q 2006	2Q 2005	2Q 2006	2Q 2005
Operating Activities				
Net Income (Loss) in the Period	709,429	804,691	704,049	810,454
Financial Expenses and Monetary Var/Net Exchge Var	(114,037)	48,764	(25,213)	(4,305)
Depreciation, Exhaustion and Amortization	65,261	64,327	172,016	197,921
Investment Write-offs (Decrease in Permanent Assets)	(38)	4,419	14	4,631
Equity in the Results of Subsidiaries/Associated Companies	(262,070)	(360,739)	(48,156)	(26,093)
Dividend Income from Subsidiaries	0	0	5,122	3,079
Income Tax and Social Contribution	51,486	194,983	152,065	395,125
Provisions	(52,435)	(25,740)	(53,738)	17,254
Adjustment for Minority Participation	0	0	0	1,723
Total	397,596	730,705	906,159	1,399,789
Increase/Decrease of Assets				
Accounts Receivables	27,776	(52,091)	(35,139)	(54,920)
Inventories	(5,495)	(124,815)	(44,190)	(407,737)
Recovery of Taxes	(10,301)	3,776	(9,040)	78,624
Deferred Income Tax & Social Contrb'n	(24,902)	56,327	136	89,983
Judicial Deposits	(9,483)	(6,820)	(32,122)	(12,160)
Accounts Receivables from Affiliated Companies	556,907	17,282	10,727	(25,636)
Others	(11,249)	119,903	21,635	81,002
Total	523,253	13,562	(87,993)	(250,844)
Increase (Decrease) of Liabilities				
Increase (Decrease) in Suppliers	50,711	100,443	60,428	165,105
Amounts Owed to Affiliated Companies	36,375	4,942	17,291	(26,931)
Customers Advances	4,866	(2,532)	70,335	(32,861)
Tax Payable	17,007	(50,691)	28,740	(75,686)
Income Tax and Social Contribution	(71,647)	(93,831)	(167,987)	(174,658)
Others	(40,767)	(155,126)	(31,841)	(178,196)
Total	(3,455)	(196,795)	(23,034)	(323,227)
Cashflow Generated from Operating Activities	917,394	547,472	795,132	825,718
Financial Activities				
Inflow of Loans and Financing	1,515	0	504,878	93,347
Payment of Loans and Financing	(34,146)	(47,934)	(242,786)	(338,337)
Interest paid on Loans, Financ., & taxes payable in installments	(20,136)	(13,598)	(69,283)	(76,736)
Swap Operation Redemptions	(154,380)	0	(311,046)	140
Dividends Paid	(529,897)	(785,719)	(543,414)	(785,719)
Net Funds from Financial Activities	(737,044)	(847,251)	(661,651)	(1,107,305)
Investment Activities				
(Additions) in Long-term Investments	(527,320)	(7,833)	0	(25,647)
(Additions) to Permanent Assets, except Deferred Charges	(71,530)	(91,559)	(119,755)	(129,601)
(Additions) Right off of permanent assets	0	0	0	0
Funds Used for Investments	(598,850)	(99,392)	(119,755)	(155,248)
Exchange Variation of Cash and Cash Equivalents	153,547	(28)	148,456	(64,238)
Cash Balance Change	(264,953)	(399,199)	162,182	(501,073)
At the Beginning of the Period	1,126,582	1,469,959	1,879,794	2,333,825
At the End of the Period	861,629	1,070,760	2,041,976	1,832,752



Cash Flow

Brazilian GAAP (Legislação Societária)

R\$ thousand	Parent Company		Consolidated	
	1H 2006	1H 2005	1H 2006	1H 2005
Operating Activities				
Net Income (Loss) in the Period	1,035,294	1,831,774	1,048,662	1,811,772
Financial Expenses and Monetary Var/Net Exchge Var	(225,859)	122,242	(124,906)	189,099
Depreciation, Exhaustion and Amortization	130,450	127,749	342,837	337,768
Investment Write-offs (Decrease in Permanent Assets)	115	13,646	151	14,074
Equity in the Results of Subsidiaries/Associated Companies	(332,983)	(853,767)	10,405	(175,331)
Dividend Income from Subsidiaries	0	0	10,135	12,321
Income Tax and Social Contribution	182,629	570,136	378,092	938,388
Provisions	(55,657)	(20,158)	(78,823)	40,955
Adjustment for Minority Participation	0	0	0	1,723
Total	733,989	1,791,622	1,586,553	3,170,769
Increase/Decrease of Assets				
Accounts Receivables	19,394	8,933	29,668	180,184
Inventories	114,641	(264,163)	70,891	(668,236)
Recovery of Taxes	(21,229)	(1,789)	(14,000)	61,711
Deferred Income Tax & Social Contrb'n	(5,934)	170,417	28,325	251,926
(Decrease) in Judicial Deposits	(7,701)	(6,955)	(36,697)	(17,288)
Accounts Receivables from Affiliated Companies	554,360	26,844	281,220	(27,123)
Others	18,824	129,557	7,494	161,114
Total	672,355	62,844	366,901	(57,712)
Increase (Decrease) of Liabilities				
Increase (Decrease) in Suppliers	48,479	165,515	6,650	192,019
Amounts Owed to Affiliated Companies	37,815	51,417	9,611	41,836
Customers Advances	8,333	(3,380)	114,531	(637)
Tax Payable	10,901	(37,637)	45,933	(72,813)
Income Tax and Social Contribution	(328,202)	(413,247)	(619,792)	(585,446)
Others	(35,782)	(222,042)	72,670	(181,010)
Total	(258,456)	(459,374)	(370,397)	(606,051)
Cashflow Generated from Operating Activities	1,147,888	1,395,092	1,583,057	2,507,006
Financial Activities				
Inflow of Loans and Financing	2,226	0	545,724	206,626
Payment of Loans, Financing and Debentures	(166,945)	(374,779)	(604,446)	(990,367)
Interest paid on Loans, Financ. & taxes payable in installments	(53,264)	(52,777)	(167,089)	(193,636)
Swap Operation Redemptions	(259,383)	(15,830)	(463,530)	(78,005)
Dividends Paid	(536,747)	(792,728)	(550,264)	(807,639)
Net Funds from Financial Activities	(1,014,113)	(1,236,114)	(1,239,605)	(1,863,021)
Investment Activities				
(Additions) in Long-term Investments	(527,320)	(295,624)	(262,029)	(391,572)
(Additions) to Permanent Assets, except Deferred Charges	(119,486)	(191,783)	(231,091)	(255,124)
(Additions) Right off of permanent assets	0	0	0	0
Funds Used for Investments	(646,806)	(487,407)	(493,120)	(646,696)
Exchange Variation of Cash and Cash Equivalents	292,741	1,050	260,990	(66,711)
Cash Balance Change	(220,290)	(327,379)	111,322	(69,422)
At the Beginning of the Period	1,081,919	1,398,139	1,930,654	1,902,174
At the End of the Period	861,629	1,070,760	2,041,976	1,832,752



Balance Sheet - Assets

Brazilian GAAP (Legislação Societária) - R\$ thousand

Assets	Parent Company		Consolidated	
	30-jun-06	31-dec-05	30-jun-06	31-dec-05
Current Assets	3,159,251	3,719,421	6,602,557	6,640,126
Cash and Cash Equivalents	861,629	1,081,919	2,041,976	1,930,654
Trade Accounts Receivable	856,070	875,464	1,642,623	1,682,139
Taxes Recoverable	34,622	13,393	101,535	87,535
Inventories	1,150,836	1,265,477	2,460,970	2,531,861
Deferred Income Tax & Social Contrb'n	190,346	184,412	202,317	243,617
Other Securities Receivables	65,748	298,756	153,136	164,320
Long-Term Receivable	755,346	1,090,700	1,311,080	1,549,137
Deferred Income Tax & Social Contrb'n	491,550	491,550	837,641	824,666
Related Company Credits	6,219	327,405	1,059	267,140
Deposits at Law	182,319	174,618	340,640	303,943
Taxes Recoverable	23,774	42,074	45,623	63,989
Others	51,484	55,053	86,117	89,399
Permanent Assets	9,309,823	8,460,759	10,152,705	10,005,995
Investments	5,888,177	5,028,034	1,606,724	1,356,091
Property, Plant and Equipment	3,421,646	3,432,725	8,518,726	8,621,736
Deferred	-	-	27,255	28,168
Total Assets	13,224,420	13,270,880	18,066,342	18,195,258



Balance Sheet - Liabilities and Shareholders' Equity

Brazilian GAAP (Legislação Societária) - R\$ thousand

Liabilities and Shareholders' Equity	Parent Company		Consolidated	
	30-jun-06	31-dec-05	30-jun-06	31-dec-05
Current Liabilities	1,429,094	2,111,496	3,309,044	3,940,371
Loans and Financing and Taxes Payable in Installments	329,534	543,092	1,002,957	1,182,990
Suppliers, Subcontractors and Freight	192,963	144,484	401,746	395,096
Taxes, Charges and Payroll Taxes	249,449	386,736	453,709	676,851
Related Companies	104,431	66,616	67,819	58,208
Financial Instruments	54,081	271,587	497,457	675,817
FEMCO	-	-	7,087	10,607
Dividends Payable	359,640	540,544	361,064	546,955
Others	138,996	158,437	517,205	393,847
Long-Term Liabilities	2,302,070	2,351,422	5,213,227	5,418,178
Loans and Financing and Taxes Payable in Installments	700,546	724,773	2,345,684	2,436,823
Related Companies	59,041	57,658	11,186	14,062
Provision for Contingencies	552,246	579,083	1,030,900	1,058,218
Actuarial Liability	898,628	899,990	983,176	980,086
Financial Instruments	12,995	-	260,915	336,736
FEMCO	-	-	289,485	312,153
Others	78,614	89,918	291,881	280,100
Minority Interests	-	-	92,839	84,139
Shareholders' Equity	9,493,256	8,807,962	9,451,232	8,752,570
Capital	5,400,000	2,400,000	5,400,000	2,400,000
Reserves	3,057,962	2,494,671	3,002,570	2,434,141
Revenues from Fiscal Year	1,035,294	3,913,291	1,048,662	3,918,429
Total Liabilities and Shareholders' Equity	13,224,420	13,270,880	18,066,342	18,195,258



Companhia Siderúrgica Paulista - COSIPA

Income Statement - Consolidated

Brazilian GAAP (Corporate Law)

R\$ thousand	2Q 2006	2Q 2005	1Q 2006	Chg. 2Q06/2Q05
Net Revenues	1,234,902	1,469,912	1,113,086	-16%
Domestic Market	880,383	964,218	734,745	-9%
Export Market	354,519	505,694	378,341	-30%
COGS	(875,836)	(848,717)	(862,620)	3%
Gross Profit	359,066	621,195	250,466	-42%
Gross Margin	29%	42%	23%	-13 p.p.
Operating Income (Expenses)	(37,988)	(77,135)	(13,948)	-51%
Selling	(15,931)	(14,970)	(16,052)	6%
General and Administrative	(15,073)	(14,835)	(11,176)	2%
Others, Net	(6,984)	(47,330)	13,280	-85%
EBIT	321,078	544,060	236,518	-41%
EBIT Margin	26%	37%	21%	-11 p.p.
Financial Result	(46,999)	(29,246)	(34,216)	61%
Operating Result	274,079	514,814	202,302	-47%
Non-Operating Income	(490)	(486)	(465)	1%
Profit Before Taxes	273,589	514,328	201,837	-47%
Income Tax / Social Contribution	(91,220)	(175,583)	(67,234)	-48%
Minority Interests	(1,672)	(1,366)	(989)	22%
Net Income	180,697	337,379	133,614	-46%
EBITDA	416,824	698,153	307,054	-40%
EBITDA Margin	33.8%	47.5%	27.6%	-13,7 p.p.

R\$ thousand	1H 2006	1H 2005	Chg. 1H06/1H05
Net Revenues	2,347,988	2,827,565	-17%
Domestic Market	1,615,128	1,936,524	-17%
Export Market	732,860	891,041	-18%
COGS	(1,738,456)	(1,564,409)	11%
Gross Profit	609,532	1,263,156	-52%
Gross Margin	26%	45%	-19 p.p.
Operating Income (Expenses)	(51,936)	(134,293)	-61%
Selling	(31,983)	(33,084)	-3%
General and Administrative	(26,249)	(29,027)	-10%
Others, Net	6,296	(72,182)	-109%
EBIT	557,596	1,128,863	-51%
EBIT Margin	24%	40%	-16 p.p.
Financial Result	(81,215)	(153,876)	-47%
Operating Result	476,381	974,987	-51%
Non-Operating Income	(955)	(1,245)	-23%
Profit Before Taxes	475,426	973,742	-51%
Income Tax / Social Contribution	(158,454)	(335,165)	-53%
Minority Interests	(2,661)	(4,429)	-40%
Net Income	314,311	634,148	-50%
EBITDA	723,878	1,367,779	-47%
EBITDA Margin	30.8%	48.4%	-17,6 p.p.



Companhia Siderúrgica Paulista - COSIPA

Cash Flow

Brazilian GAAP (Corporate Law)

R\$ thousand	Consolidated		Consolidated	
	1Q 06	1Q 05	1H 2006	1H 2005
Operating Activities				
Net Income (Loss) in the Period	180,697	337,379	314,311	634,148
Financial Expenses and Monetary Var/Net Exchge Var	59,323	(15,790)	79,410	97,881
Depreciation, Exhaustion and Amortization	93,595	121,587	186,638	186,133
Investment Write-offs (Decrease in Permanent Assets)	33	9	33	229
Dividend Income from Subsidiaries	0	0	0	0
Income Tax and Social Contribution	91,220	175,582	158,454	335,164
Provisions	7,234	41,680	(14,901)	58,505
Others adjustments	1,672	1,367	2,661	4,430
Adjustment for Minority Participation	0	0	0	0
Total	433,774	661,814	726,606	1,316,490
Increase/Decrease of Assets				
Increase (Decrease) in Accounts Receivables	(35,946)	23,098	82,309	177,710
Increase (Decrease) in Inventories	(33,352)	(245,653)	(42,979)	(320,921)
Increase (Decrease) in Recovery of Taxes	(2,609)	(4,777)	(2,920)	27,933
Increase (Decrease) from Deferred Income Tax & Social Contrb'n	(2,786)	0	0	0
Increase (Decrease) in Judicial Deposits	(20,343)	(4,514)	(27,471)	(8,879)
Others	17,412	(28,811)	19,453	28,779
Total	(77,624)	(260,657)	28,392	(95,378)
Increase (Decrease) of Liabilities				
Increase (Decrease) in Suppliers	42,734	76,806	9,738	62,168
Amounts Owed to Affiliated Companies	0	0	(570)	0
Tax Payable	9,939	(23,521)	30,383	(20,623)
Income Tax and Social Contribution	(54,779)	(74,944)	(214,316)	(183,098)
Others	(18,941)	(77,411)	(10,439)	(59,426)
Total	(21,047)	(99,070)	(185,204)	(200,979)
Cashflow Generated from Operating Activities	335,103	302,087	569,794	1,020,133
Financial Activities				
Inflow of Loans and Financing	464,715	16,191	482,126	19,822
Payment of Loans, Financing and Debentures	(146,156)	(181,205)	(354,457)	(430,308)
Interest paid on Loans, Financ., Debent.and tax installments	(34,941)	(52,800)	(96,232)	(128,337)
Swap Operation Redemptions	(135,422)	16	(182,551)	(50,768)
Dividends Paid	(1,477)	(118,077)	(1,477)	(133,811)
Others	0	0	0	0
Net Funds from Financial Activities	146,719	(335,875)	(152,591)	(723,402)
Investment Activities				
(Additions) to Permanent Assets, except Deferred Charges	(36,864)	(40,749)	(91,706)	(62,264)
Funds Used for Investments	(36,864)	(40,749)	(91,706)	(62,264)
Exchange Variation of Cash and Cash Equivalentents	(5,176)	(40,934)	(15,882)	(45,489)
Cash Balance Change	439,782	(115,471)	309,615	188,978
At the Beginning of the Period	457,399	637,836	587,566	333,387
At the End of the Period	897,181	522,365	897,181	522,365



Companhia Siderúrgica Paulista - COSIPA
Balance Sheet - Assets

Brazilian GAAP (Corporate Law) - R\$ thousand

Assets	Consolidated	
	30-jun-06	31-Dec-05
Current Assets	2,578,501	2,349,188
Cash and Cash Equivalents	897,181	587,566
Trade Accounts Receivable	507,940	586,749
Taxes Recoverable	18,036	17,978
Inventories	1,083,158	1,040,179
Deferred Income Tax & Social Contrb'n	8,215	51,986
Other Securities Receivables	63,971	64,730
Long-Term Receivable	411,812	366,490
Deferred Income Tax & Social Contrb'n	235,582	219,353
Deposits at Law	126,062	96,929
Taxes Recoverable	21,248	21,264
Others	28,920	28,944
Permanent Assets	4,535,184	4,626,838
Investments	131	131
Property, Plant and Equipment	4,509,186	4,600,125
Deferred	25,867	26,582
Total Assets	7,525,497	7,342,516



Companhia Siderúrgica Paulista - COSIPA
Balance Sheet - Liabilities and Shareholders' Equity
Brazilian GAAP (Corporate Law) - R\$ thousand

Liabilities and Shareholders' Equity	Consolidated	
	30-Jun-06	31-Dec-05
Current Liabilities	1,496,879	1,864,879
Loans and Financing and Taxes Payable in Installments	580,910	688,995
Suppliers, Subcontractors and Freight	204,039	236,526
Taxes Payable in Installments	66,743	33,569
Income Tax and Social Contribution	93,356	202,338
Salaries	56,841	61,862
Financial Instruments	397,799	367,103
Actuarial Liability	7,087	10,605
Dividends Payable	1,424	205,467
Others	88,680	58,414
Long-Term Liabilities	2,705,395	2,743,920
Loans and Financing and Taxes Payable in Installments	1,673,291	1,576,109
Provision for Contingencies	403,020	402,445
Actuarial Liability	319,320	337,536
Financial Instruments	133,977	225,478
Deferred Income Tax & Social Contrb'n	171,073	147,431
Others	4,714	54,921
Minority Interests	30,380	29,185
Shareholders' Equity	3,292,843	2,704,532
Capital	2,037,814	1,763,814
Reserves	940,718	940,718
Revenues from Fiscal Year	314,311	-
Total Liabilities and Shareholders' Equity	7,525,497	7,342,516



Sales Volume Breakdown - Consolidated

Thousand tons	2Q 2006		2Q 2005		1Q 2006		Chg. 2Q06/2Q05	1H 2006		1H 2005		Chg. 1H06/1H05
TOTAL SALES	2,028	100%	1,829	100%	1,954	100%	11%	3,982	100%	3,598	100%	11%
Heavy Plates	443	22%	424	24%	365	19%	4%	808	20%	800	22%	1%
Hot Coils/Sheets	576	28%	434	24%	540	28%	33%	1,115	28%	945	26%	18%
Cold Coils/Sheets	505	25%	481	26%	521	27%	5%	1,028	26%	933	26%	10%
Electrogalvanized Coils	63	3%	55	3%	61	3%	15%	124	3%	128	4%	-3%
Hot Dip Galvanized Coils	107	5%	80	4%	105	5%	34%	212	5%	154	4%	38%
Processed Products	77	4%	79	4%	83	4%	-3%	159	4%	144	4%	10%
Slabs	257	13%	276	15%	279	14%	-7%	536	14%	494	14%	9%
TOTAL SALES - DOMESTIC MARKET	1,397	69%	1,275	70%	1,202	62%	10%	2,598	65%	2,660	74%	-2%
Heavy Plates	262	13%	353	19%	211	11%	-26%	473	12%	659	18%	-28%
Hot Coils/Sheets	528	26%	401	22%	434	23%	32%	961	24%	887	25%	8%
Cold Coils/Sheets	382	19%	336	18%	349	18%	14%	732	18%	729	20%	0%
Electrogalvanized Coils	54	3%	46	2%	44	2%	17%	98	3%	97	3%	1%
Hot Dip Galvanized Coils	86	4%	69	4%	77	4%	25%	163	4%	143	4%	14%
Processed Products	43	2%	43	2%	43	2%	0%	85	2%	85	2%	0%
Slabs	42	2%	27	1%	44	2%	56%	86	2%	60	2%	43%
TOTAL SALES - EXPORTS	631	31%	554	30%	752	38%	14%	1,384	35%	938	26%	48%
Heavy Plates	181	9%	71	4%	154	8%	155%	335	9%	141	4%	138%
Hot Coils/Sheets	48	2%	33	2%	106	5%	45%	154	4%	58	2%	166%
Cold Coils/Sheets	123	6%	145	8%	172	9%	-15%	296	7%	204	5%	45%
Electrogalvanized Coils	9	0%	9	0%	17	1%	0%	26	1%	31	1%	-16%
Hot Dip Galvanized Coils	21	1%	11	1%	28	1%	0%	49	1%	11	0%	345%
Processed Products	34	2%	36	2%	40	2%	-6%	74	2%	59	2%	25%
Slabs	215	11%	249	13%	235	12%	-14%	450	11%	434	12%	4%

Net Revenues per tonne - USIMINAS + COSIPA

R\$ / t.	2Q 06	1Q 06	4Q 05	3Q 05	2Q 05	1Q 05
Total	1,419	1,379	1,396	1,635	1,800	1,836
Heavy Plates	1,591	1,645	1,807	2,009	2,031	2,034
Hot Coils/Sheets	1,294	1,239	1,340	1,445	1,673	1,654
Cold Coils/Sheets	1,550	1,485	1,512	1,610	1,834	1,922
Electrogalvanized Coils	1,987	1,943	2,052	2,191	2,253	2,291
Hot Dip Galvanized Coils	1,934	1,861	2,095	2,094	2,195	2,289
Processed Products	1,812	1,766	1,982	2,078	2,296	2,342
Slabs	656	692	644	803	1,052	1,081



Sectorial Sales - Consolidated

Thousand tonnes	2Q 06		2Q 05		1Q 06		Chg. 2Q06/2Q05
Domestic Market	1,396	100%	1,275	100%	1,202	100%	10%
Auto	179	13%	167	13%	153	13%	7%
Autoparts	255	18%	167	13%	223	19%	53%
Shipbuilding	5	0%	12	1%	4	0%	-59%
Line Pipes	71	5%	111	9%	71	6%	-36%
Small Diameter Pipes	107	8%	96	8%	92	8%	11%
Packaging	22	2%	20	2%	21	2%	9%
Household Appliances	34	2%	22	2%	29	2%	53%
Civil Construction	128	9%	96	8%	108	9%	34%
Electrical Equipment	67	5%	56	4%	59	5%	20%
Distributors	338	24%	307	24%	273	23%	10%
Industrial Equipment	58	4%	37	3%	41	3%	59%
Others	132	9%	184	13%	128	10%	-28%

Market Share - Usiminas System (*)

(% volume)

	1H06 (*)	2005 (*)	2004 (*)	2003 (*)
DOMESTIC MARKET	52%	53%	55%	60%
Auto	58%	59%	55%	62%
Autoparts	62%	59%	62%	67%
Shipbuilding	100%	100%	100%	100%
Electrical Equipment	64%	66%	63%	58%
Household Appliances	39%	33%	36%	44%
Line Pipes	95%	94%	98%	95%
Small Diameter Pipes	52%	54%	60%	68%
Packaging	13%	14%	15%	16%
Civil Construction	44%	44%	48%	58%
Distributors	44%	44%	51%	59%

(*) Defined by USIMINAS, Cosipa, CSN, Acesita and CST markets.

Source: Information System - IBS



Loans and Financing by Index - Consolidated

R\$ million	30-jun-06			31-dec-05 TOTAL	Chg. jun06/dec05
	Short Term	Long Term	TOTAL		
TOTAL DEBT					
Foreign Currency (*)	629,865	2,030,916	2,660,781	2,757,591	-4%
IGP-M	114,983	55,346	170,329	223,758	-24%
TJLP	216,740	94,525	311,265	404,768	-23%
Others	19,074	26,513	45,587	57,685	-21%
Sub-Total	980,662	2,207,300	3,187,962	3,443,802	-7%
Debentures	0	0	0	0	0%
Sub-Total	980,662	2,207,300	3,187,962	3,443,802	-7%
Taxes Payable in Installments	22,295	138,384	160,679	176,011	-9%
TOTAL	1,002,957	2,345,684	3,348,641	3,619,813	-7%
FEMCO	7,087	289,485	296,572	322,760	-8%
TOTAL DEBT	1,010,044	2,635,169	3,645,213	3,942,573	-8%
Cash and Cash Equivalents			2,041,976	1,930,654	6%
NET DEBT			1,603,237	2,011,919	-20%

(*) 91.2% of total foreign currency is denominated in US dollars

Financial Income - Consolidated

R\$ million	2Q 2006	2Q 2005	1Q 2006	Chg. 2Q06/2Q05	1H 2006	1H 2005	Chg. 1H06/1H05
Exchange Variation	41,475	241,119	89,955	-83%	131,430	219,543	-40%
Hedge Income (Expenses)	(41,031)	(317,748)	(167,402)	-87%	(208,433)	(381,029)	-45%
Interest on Loans, Financing, ACC's and Pre-Payment	(66,174)	(87,033)	(70,604)	-24%	(136,778)	(180,468)	-24%
Financial Income	56,852	58,175	78,972	-2%	135,824	141,024	-4%
Other Financial Expenses	(55,491)	(44,484)	(30,928)	25%	(86,419)	(80,370)	8%
NET INTEREST INCOME	(77,665)	(174,840)	(118,331)	-56%	(195,996)	(335,618)	-42%

