LISTING PROSPECTUS

US$1,000,000,000

CSN Islands XII Corp.

7.00% Guaranteed Perpetual Notes

Unconditionally and irrevocably guaranteed by

Companhia Siderúrgica Nacional

We are offering US$1,000,000,000 aggregate principal amount of CSN Islands XII Corp.'s 7.00% Guaranteed Perpetual Notes, or the Notes. CSN Islands XII Corp., or the Issuer, is a Cayman Islands exempted limited liability company incorporated for the purpose of issuing the Notes. The Notes are unconditionally and irrevocably guaranteed by Companhia Siderúrgica Nacional, referred to as the Company, CSN or the Guarantor, a *sociedade anônima* incorporated under the laws of the Federative Republic of Brazil, or Brazil. The Issuer is a subsidiary of the Guarantor.

Interest on the Notes will accrue from and including September 23, 2010, and the Issuer will pay interest on the Notes quarterly in arrears on March 23, June 23, September 23 and December 23 of each year, starting December 23, 2010.

The Notes are perpetual notes with no fixed final maturity and will not be subject to any mandatory redemption provisions. The Notes will be repaid only in the event that we redeem or repurchase the Notes or upon acceleration due to an Event of Default, as described under "Description of the Notes." We may, at our option, redeem the Notes, in whole but not in part, at 100% of their principal amount plus accrued interest and additional amounts, if any, on any interest payment date on or after September 23, 2015 or at any time upon the imposition of certain changes affecting taxation in the Cayman Islands or Brazil. Payments on the Notes or the guarantee of the Notes, or the Guaranty, will be payable in U.S. dollars and will be paid without deduction for or on account of taxes imposed or levied by the Cayman Islands or Brazil to the extent set forth under "Description of the Notes—Additional Amounts."

The Notes will rank pari passu with all other unsecured and unsubordinated obligations of the Issuer. The Guaranty, will rank pari passu with all other unsecured and unsubordinated obligations of CSN.

There is currently no public market for the Notes. An application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF market.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 17.

Notes Price: 100.00%

Delivery of the Notes is expected to be made in book-entry form only through The Depository Trust Company, or DTC, on or about September 23, 2010.

The Notes and the Guaranty have not been and will not be registered under the Securities Act. The Notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A and to certain persons in offshore transactions in reliance on Regulation S. You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes, see "Notice to Investors."

BofA Merrill Lynch Credit Suisse Deutsche Bank Securities Morgan Stanley

The date of this offering memorandum is September 16, 2010.

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In this offering memorandum, except where otherwise specified or the context otherwise requires, "we," "us," "our," "CSN," and "the Company" refer to Companhia Siderúrgica Nacional and its subsidiaries. All references to "the Issuer" refer to CSN Islands XII Corp., a subsidiary of CSN.

You should rely only on the information contained in this offering memorandum. Neither the Issuer, CSN, nor the initial purchasers has authorized anyone to provide you with different information. The information contained in this offering memorandum is accurate only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or of any sale of the Notes. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in the affairs of the Issuer, CSN or in the affairs of each of CSN's subsidiaries or that the information set forth herein is correct as of any date subsequent to the date hereof.

We have incorporated by reference to this offering memorandum our annual report on Form 20-F for the year ended December 31, 2009, as filed on June 1, 2010 (the "Form 20-F") except that we do not incorporate by reference the selected financial information for the years ended December 31, 2006 and 2005, which information is not deemed to be part of this offering memorandum and you expressly acknowledge that you will not rely on that information. The Form 20-F includes risk factors, our audited consolidated financial statements prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") and disclosure concerning our business and financial condition and results of operations, as well as other matters. We have also included financial data from our audited annual consolidated financial information for the fiscal years ended December 31, 2007, 2008 and 2009 and our unaudited interim consolidated financial information for the six-month periods ended June 30, 2010 and 2009 prepared in accordance with accounting practices adopted in Brazil ("Brazilian GAAP"). You should carefully review the entire offering memorandum, including the Form 20-F, before making an investment decision. All references contained herein to the offering memorandum mean the offering memorandum including the Form 20-F and other exhibits to the offering memorandum.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes and for listing of the Notes on the Euro MTF. This offering memorandum does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this offering memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of any documents referred to in this offering memorandum.

This offering memorandum is intended solely for the purpose of soliciting expressions of interest in the Notes from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions contained in the Indenture, the Notes and other transaction documents. The information provided is not all-inclusive and may not contain all the information that may be relevant to you. Certain industry information in this offering memorandum has been obtained by the Issuer and CSN from publicly available sources that the Issuer and CSN deem reliable. The Issuer and CSN have not independently verified such information.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum, including, without limitation, the financial statements and other annexes to this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future. The Issuer and CSN have furnished the information contained in this offering memorandum.

The Issuer and CSN confirm that, after having made all reasonable inquiries, this offering memorandum does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Issuer and CSN accept responsibility for the information contained in this offering memorandum regarding the Issuer, CSN and the Notes.

This offering memorandum contains summaries intended to be accurate with respect to certain terms of certain documents, but reference is made to the actual documents, all of which will be made available to you upon request to CSN, for complete information with respect thereto, and all such summaries are qualified in their entirety by such reference.

You hereby acknowledge that (i) you have been afforded an opportunity to request from the Issuer and CSN and to review, and have received, all additional public information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) you have had the opportunity to review all of the documents described herein, (iii) you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with any investigation of the accuracy of such information or the investment decision and (iv) no person has been authorized to give any information or to make any representation concerning CSN, the Issuer or the Notes (other than as contained herein and information given by duly authorized officers and employees of CSN in connection with your examination of the Issuer, CSN and the terms of this offering) and, if given or made, you should not rely upon any such other information or representation as having been authorized by CSN, the Issuer or the initial purchasers.

In connection with the issue of the Notes, the initial purchasers (or persons acting on behalf of the initial purchasers) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the initial purchasers (or persons acting on behalf of the initial purchasers) will undertake stabilization action. Such stabilizing, if commenced, may be discontinued at any time and, if begun, must be brought to an end after a limited period. Any stabilization action or over-allotment must be conducted by the relevant initial purchasers (or person(s) acting on behalf of any initial purchasers) in accordance with all applicable laws and rules.

In making an investment decision, you must rely on your own examination of the business of the Issuer and of CSN and the terms of this offering, including the merits and risks involved. These Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

Each person receiving this offering memorandum acknowledges that (i) this offering memorandum does not contain all the information that would be included in a prospectus for this offering were this offering registered under the Securities Act of 1933, as amended ("Securities Act"), and (ii) all financial information contained herein, including in our annual report on Form 20-F incorporated by reference to this offering memorandum, has been prepared in accordance with U.S. GAAP in U.S. dollars, except for the audited annual consolidated financial information for the fiscal years ended December 31, 2007, 2008 and 2009 and the unaudited interim consolidated financial information for the six-month periods ended June 30, 2010 and 2009 which were prepared in accordance with Brazilian GAAP, prescribed by the Brazilian Corporate Law No. 6,404, dated December 15, 1976, as amended (the "Brazilian Corporate Law"), pronouncements issued by the Committee for Accounting Pronouncements, or CPC, and rules and regulations issued periodically by the *Comissão de Valores Mobiliários* (the Brazilian Securities Commission, the "CVM"). CSN does not currently prepare interim financial information in U.S. GAAP, and it is not required to do so.

Brazilian GAAP differs in certain respects from U.S. GAAP. See "Annex A: Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP" for a description of the principal differences as they relate to CSN. Because of the differences in the accounting principles (and the currency of reporting) used in the preparation of the annual consolidated financial information, on the one hand, and the annual and interim consolidated financial information contained herein, on the other, such information contained in our 2009 Form 20-F is not comparable and you should use caution when comparing the interim consolidated financial information to the annual consolidated financial information in U.S. GAAP.

NOTICE TO INVESTORS WITHIN BRAZIL

THE NOTES (AND RELATED GUARANTEE) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE BRAZILIAN SECURITIES COMMISSION (*COMISSÃO DE VALORES MOBILIÁRIOS*), OR THE "CVM." THE NOTES MAY NOT BE OFFERED OR SOLD IN BRAZIL, EXCEPT IN CIRCUMSTANCES THAT DO NOT CONSTITUTE A PUBLIC OFFERING OR UNAUTHORIZED DISTRIBUTION UNDER BRAZILIAN LAWS AND REGULATIONS. THE NOTES (AND RELATED GUARANTEE) ARE NOT BEING OFFERED INTO BRAZIL. DOCUMENTS RELATING TO THE OFFERING OF THE NOTES, AS WELL AS INFORMATION CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC IN BRAZIL, NOR BE USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF THE NOTES TO THE PUBLIC IN BRAZIL.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO MEMBERS OF THE PUBLIC IN THE CAYMAN ISLANDS

SECTION 175 OF THE COMPANIES LAW (AS AMENDED) OF THE CAYMAN ISLANDS PROVIDES THAT AN EXEMPTED COMPANY (SUCH AS THE ISSUER) THAT IS NOT LISTED ON THE CAYMAN ISLANDS STOCK EXCHANGE IS PROHIBITED FROM MAKING ANY INVITATION TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR ANY OF ITS NOTES. EACH PURCHASER OF THE NOTES ACKNOWLEDGES THAT NO INVITATION MAY BE MADE TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR THE NOTES AND THAT NONE IS MADE HEREBY.

This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any Note offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. This offering memorandum may only be used for the purposes for which it has been published.

None of the Issuer, CSN, the initial purchasers, or any of their respective affiliates or representatives is making any representation to you regarding the legality of any investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this offering memorandum entitled “Plan of Distribution” and “Notice to Investors.”

This offering memorandum is a prospectus for purposes of the Luxembourg Law dated July 10, 2005 on prospectuses for securities.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS OFFERING MEMORANDUM AND RELATED MATERIALS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY YOU, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON YOU UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED; (B) ANY SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING BY US OF THE MATTERS DESCRIBED HEREIN; AND (C) YOU SHOULD SEEK ADVICE BASED ON YOUR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Notwithstanding anything to the contrary contained in this offering memorandum and the related materials, the obligations of confidentiality contained herein and therein, as they relate to the transactions contemplated by this offering circular, shall not apply to the tax structure or tax treatment of such transactions, and each recipient (and its employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the tax structure and tax treatment of such transactions; provided, that no person may disclose the name of or identifying information with respect to any party identified herein or any pricing terms or other nonpublic business or financial information that is unrelated to the tax structure or tax treatment of such transactions.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is duly incorporated as an exempted limited liability company under the laws of the Cayman Islands and CSN is duly incorporated as a *sociedade anônima* under the laws of Brazil. Many of the Issuer's and CSN's directors and officers, as well as certain of the experts named herein, reside in Brazil. All or a substantial portion of the assets of CSN and of such directors and officers and such experts are located in Brazil. In the Indenture (as defined under "Description of the Notes" below), each of the Issuer and CSN, as the case may be:

- agrees to submit to the jurisdiction of the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, The City of New York, in connection with any suit, action or proceedings, or to settle any disputes, which arise out of or in connection with the Notes, the Indenture or the Guaranty and, for such purposes, agrees to submit to the jurisdiction of such courts; and

- has agreed to appoint an agent for service of process in the Borough of Manhattan, The City of New York.

Except to the extent indicated in the immediately preceding sentence, none of the Issuer, CSN or any of their respective directors or officers or such experts has consented to the jurisdiction of the courts of the United States or any State thereof in connection with any suit brought by an investor in the Notes or the Guaranty or named an agent for service of process within the United States or in any State thereof.

As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, CSN or such persons or to enforce, in U.S. courts or the courts of other jurisdictions outside of Brazil, judgments against the Issuer, CSN or such persons or judgments obtained in such courts predicated upon the civil liability provisions of the federal securities laws of the United States or other applicable laws.

Brazil

CSN has been advised by its internal legal counsel that judgments of United States courts for civil liabilities, including those predicated upon the federal securities laws of the United States, may be enforced in Brazil, subject to certain requirements described below. A judgment against CSN or its directors and officers obtained outside Brazil would be enforceable in Brazil against such entity or person, without reconsideration of the merits, upon confirmation ("*homologacão*") of the judgment by the Brazilian Superior Court of Justice. Confirmation will occur if the foreign judgment:

- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted;

- is issued by a competent court after proper service of process made in accordance with the laws of the country where the foreign judgment is granted or the default ("*revelia*") of the defendant is legally verified;

- is final and not subject to appeal;

- is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese; and

- is not contrary to Brazilian national sovereignty, public policy or good morals.

CSN has been further advised by internal legal counsel that, to the extent not deemed contrary to Brazilian national sovereignty, public policy or good morals, original actions predicated on the federal securities laws of the United States may be brought in Brazilian courts and that Brazilian courts will enforce liabilities in such actions against CSN and its directors and officers. Internal legal counsel has further advised CSN that a person seeking to enforce such a judgment in Brazilian courts (whether Brazilian or non-Brazilian) who resides outside Brazil during the course of litigation in Brazil must post a bond to guarantee legal fees and court expenses if such person owns no real property in Brazil that may assure such payment, except in the case of the enforcement of foreign judgments which have been duly confirmed by the Brazilian Superior Court of Justice and in the case of claims for collection on a *título executivo extrajudicial* (an instrument which may be enforced in Brazilian courts without a review on the merits). This bond must have a value sufficient to satisfy the payment of court fees and defendant's attorney's fees, as determined by the Brazilian court. Notwithstanding the foregoing, no assurance can be given that the confirmation process described above will be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the federal securities laws of the United States with respect to the Notes or the Guaranty. We have been advised that, if the Notes or the Indenture were to be declared void by a court applying the laws of the State of New York, a judgment obtained outside of Brazil seeking to enforce the Guarantee may not be ratified by the Superior Court of Justice in Brazil.

Cayman Islands

The Issuer has been advised by Walkers, its Cayman Islands counsel, that there is uncertainty as to whether the courts of the Cayman Islands would (1) recognize or enforce judgments of U.S. courts obtained against the Issuer or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or (2) be competent to hear original actions brought in each respective jurisdiction, against the Issuer or such persons predicated upon the securities laws of the United States or any state thereof.

Walkers has further advised the Issuer that a final and conclusive judgment in federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings by way of an action commenced on the judgment debt in the courts of the Cayman Islands.

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

The statements contained in this offering memorandum that are not historical facts, including, without limitation, certain statements made in the sections entitled "Recent Developments" in this offering memorandum and "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects" in our Form 20-F, incorporated by reference to this offering memorandum, are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those expressed or implied in such statements due to, without limitation:

- general economic, political and business conditions in Brazil and abroad;
- effects of global financial markets and economic crisis;
- changes in competitive conditions and in the general level of demand and supply for our products;
- management's expectations and estimates concerning our future financial performance and financing plans;
- our level of debt;
- availability of raw materials;
- changes in international trade or international trade regulations;
- protectionist measures imposed by Brazil and other countries;
- anticipated trends in our industry;
- our capital expenditure plans;
- inflation, interest rate levels and fluctuations in foreign exchange rates;
- our ability to develop and deliver our products on a timely basis;
- electricity and natural gas shortages and government responses to them;
- existing and future governmental regulation; and
- other risk factors as set forth under "Item 3D. Risk Factors," in our Form 20-F, incorporated by reference to this offering memorandum.

Forward-looking statements also include, but are not limited to:

- the projected completion dates of, and the projected total investments in, projects under construction;
- the completion of satisfactory financing arrangements for projects and other transactions;
- plans to increase steel output;
- plans to expand iron ore production at our mines, including Casa de Pedra;
- plans to expand the existing seaport terminal in Sepetiba;
- plans to built a logistics complex, including the expansion of the existing container seaport terminal in Sepetiba; the construction of a Logistic Support Center and the construction of the Lago da Pedra private seaport terminal;

- plans to segregate our mining assets;
- plans to increase our cement production; and
- plans to built and revamp a railway track in the northeastern part of Brazil, Transnordestina Logística S.A., or Transnordestina.

See "Recent Developments" in this offering memorandum and "Item 5. Operating and Financial Review and Prospectus" in our Form 20-F, incorporated by reference to this offering memorandum.

Our forward-looking statements are not guarantees of future performance, and our actual results or other developments may differ materially from the expectations expressed in the forward-looking statements. As for forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainty of estimates, forecasts and projections. Because of these uncertainties, potential investors should not rely on these forward-looking statements.

Forward-looking statements speak only as of the date they are made, and neither we nor the initial purchasers undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

Our independent auditors have not examined or compiled the forward-looking statements, and accordingly, do not provide any assurance with respect to such statements. Investors should consider these cautionary statements together with any written or oral forward-looking statements that we may issue in the future.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements as of December 31, 2009 and 2008 and for each of the years in the three-year period ended December 31, 2009 included in Form 20-F attached to this offering memorandum, as well as the other financial information related to these financial statements included in this offering memorandum, are presented in accordance with U.S. GAAP in U.S. dollars.

This offering memorandum also includes audited annual financial statements as of and for each of the years in the three-year period ended December 31, 2009 and the unaudited interim consolidated financial statements as of and for the six-month periods ended June 30, 2010 and 2009, as well as the other financial information related to these financial statements included in this offering memorandum, presented in accordance with Brazilian GAAP in Brazilian *reais*. Brazilian GAAP differs in certain respects from U.S. GAAP. See "Annex A: Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP" for a description of the principal differences as they relate to us.

Because of the differences in the accounting principles (and the currency of reporting) used in the preparation of the annual consolidated financial information contained in Form 20-F, on the one hand, and the annual and interim consolidated financial information contained herein, on the other, such information is not comparable and you should use caution when comparing the interim consolidated financial information to the annual consolidated financial information in U.S. GAAP.

In this offering memorandum, references to "U.S. dollars" and "US$" are to the currency of the United States of America, references to "*reais*" and "R$" are to the currency of Brazil and references to "euro" or "€" are to the currency of the European Union. References in this offering memorandum to "billions" are to thousands of millions, to "mt" denotes metric tons and to "mtpy" to metric tons per year.

For the convenience of the reader, certain financial information relating to us is presented in U.S. dollars in this offering memorandum. Such information has been converted into U.S. dollars using the period end *real*/U.S. dollar exchange rates published by the Brazilian Central Bank (*Banco Central do Brasil*), or the Central Bank, on December 31, 2009, which was US$1.00 = R$1.741 or on June 30, 2010, which was US$1.00 = R$1.802. The *real*/U.S. dollar exchange rate published by the Central Bank on September 15, 2010 was US$1.00 = R$1.717. Investment amounts contained in this offering memorandum have been translated at the commercial market exchange rate in effect on the date the investment was made. For a discussion of historical Brazilian currency and U.S. dollar exchange rates, see "Exchange Rates." This translation should not be construed as a representation that any such amounts have been, would have been or could be converted at these or any other exchange rates.

Certain figures included in this offering memorandum have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Changes in Accounting Principles in the Financial Statements

On July 13, 2007, the CVM issued CVM Rule No. 457 to require listed companies to publish their consolidated financial statements in accordance with International Financial Reporting Standards, or IFRS, starting with the year ending December 31, 2010.

On December 28, 2007, Law No. 11,638, or Law 11,638, was enacted and amended numerous provisions of Brazilian Corporate Law relating to accounting principles and authority to issue accounting standards. Law 11,638 sought to enable greater convergence between Brazilian GAAP and IFRS. To promote convergence, Law 11,638 modified certain accounting principles of Brazilian Corporate Law and mandated the CVM to issue accounting rules conforming to the accounting standards adopted in international markets. Additionally, the statute acknowledged a role in the setting of accounting standards for CPC, which is a committee of officials from the São Paulo Stock Exchange (BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros), industry representatives and academic bodies that has issued accounting guidance and pursued the improvement of accounting standards in Brazil. Law 11,638 permits the CVM to rely on the accounting standards issued by the CPC in establishing accounting principles for regulated entities. Further, on May 27, 2009, Law No. 11,941 (formerly Provisional Measure No. 449/08), or Law 11,941, was enacted and complemented Law 11,638.

Therefore, we adopted for the first time Law 11,638 and Law 11,941 in preparing the 2008 financial statements, as allowed by CVM, reflecting the initial adjustments as of January 1, 2008, the transition date, on the retained earnings account without retroactive effect on our 2007 Brazilian GAAP financial statements. For a summary of the various pronouncements issued by the CPC and approved by the CVM throughout 2008, with mandatory application to our financial statements for the year ended December 31, 2009, please see Note No. 3 to our Brazilian GAAP financial statements as of and for the year ended December 31, 2008.

As discussed in note 2 to our consolidated financial statements for the six-months period ended June 30, 2010, the CPC issued several pronouncements in 2009 that altered Brazilian accounting principles as of January 1, 2010, with retroactive application to January 1, 2009 for comparative purposes. As permitted by the CVM rules, our financial information as of and for the six months ended June 30, 2010 is presented using the accounting principles in effect as of December 31, 2009 and do not reflect the new 2010 rules. As required under the CVM rules, when we present our financial statements as of and for the year ended December 31, 2010, we will also adjust our financial information as of and for the six-month periods ended June 30, 2010 and 2009 and our annual financial statements as of and for the year ended December 31, 2009. These adjustments could result in material changes to our financial information as of and for the six-month periods ended June 30, 2010 and 2009 and to our financial statements as of and for the year ended December 31, 2009.

OFFERING MEMORANDUM SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information and the financial statements (including the notes thereto) appearing elsewhere in this offering memorandum.

The Issuer

CSN Islands XII Corp. (the "Issuer") is an exempted limited liability company which was incorporated in the Cayman Islands on December 7, 2009 (registration number WK-234324) and is a subsidiary of CSN incorporated for the purpose of issuing the Notes. The Issuer's activities will be limited by the terms of the Indenture. See "Description of the Notes—Covenants—Negative Covenants." The Issuer has an authorized share capital of US$50,000 divided into 50,000 ordinary shares of par value US$1.00 each. As of the date hereof 1,540 shares have been issued as fully paid and are outstanding.

The Guarantor

General

We are one of the largest fully integrated steel producers in Brazil and in Latin America in terms of crude steel production. Our current annual crude steel capacity and rolled product capacity is 5.6 million and 5.1 million tons, respectively. In addition to our steel business, we operate in the mining and cement businesses, which have become increasingly important to our operations and growth.

Steel

Our fully integrated manufacturing facilities produce a broad line of steel products, principally to the domestic market, including slabs, hot and cold-rolled, galvanized and tin mill products for the distribution, packaging, automotive, home appliance and construction industries. In 2009, we accounted for approximately 47% of the galvanized steel products market share in Brazil. We are also one of the world's leading producers of tin mill products for packaging containers. In 2009, we accounted for approximately 98% of the tin mill products market share in Brazil.

Our production process is based on the integrated steelworks concept. Below is a brief summary of the steel making process at our Presidente Vargas steelworks, located in the city of Volta Redonda, in the State of Rio de Janeiro:

- iron ore produced from our own mines is processed in continuous sintering machines to produce sinter;
- sinter and lump ore direct charges are smelted with lump coke and injected powdered coal in blast furnaces to produce pig iron;
- pig iron is then refined into steel by means of basic oxygen converters;
- steel is continuously cast in slabs; and
- slabs are then hot rolled, producing hot bands that are coiled and sent to finishing facilities.

We currently produce all of our requirements of iron ore, limestone and dolomite, and a portion of our tin requirements from our own mines. Using imported coal, we produce approximately 75% of our coke requirements, at current production levels, in our own coke batteries at Volta Redonda. Imported coal is also pulverized and used directly in the pig iron production process. Zinc, manganese ore, aluminum and a portion of our tin requirements are purchased in local markets. Our steel production and distribution also require water, industrial gases, electricity, rail and road transportation, and port facilities. In the first six months of 2010, 75% of our total revenues came from steel sales, while in the first six months of 2009, 71% of our total revenues came from steel sales.

Mining

Our mining activities are among the largest in Brazil and are mainly driven by exploration of one of the richest Brazilian iron ore reserves, Casa de Pedra. Our mining activities include our 60% equity interest in Nacional Minérios S.A., or Namisa, which owns four other iron ore mines in Brazil. Both Casa de Pedra and the Namisa mines are located in the State of Minas Gerais.

The first step to our entry into the international iron ore market was taken in February 2007, with the completion of the first phase of the expansion of our solid bulks seaport terminal in the city of Itaguaí, in the State of Rio de Janeiro, which enabled the terminal to also handle and export iron ore and to load from its facilities the first shipment of our iron ore products.

In the first six months of 2010, 18% of our total revenues came from mining activities, while in the first six months of 2009, 22% of our total revenues came from mining activities.

Cement

Our cement business aims to increase utilization of by-products by constructing a greenfield grinding mill and a clinker facility. This project represented our entry into the cement market, taking advantage of the slag generated by our blast furnaces and of our limestone reserves, located in the city of Arcos, in the State of Minas Gerais. The limestone, which is transformed into clinker, and the slag, account for approximately 95% of the production cost to produce cement.

Competitive Strengths

We believe that we have the following competitive strengths:

Fully integrated business model. We believe we are one of the mostly fully integrated steelmakers in the world. We have captive iron ore reserves, which differentiate us from our main competitors in Brazil that purchase their iron ore from mining companies such as Vale S.A., or Vale. In 2006, we hired Golder Associates S.A., or Golder, to evaluate the Casa de Pedra iron ore reserves. The results confirmed proven and probable mineral resources of 1.6 billion tons with a grade of approximately 48.0%. In addition to our iron ore reserves, we have captive dolomite and limestone mines that supply our Presidente Vargas steelworks. Our steelworks are close to the main steel consumer centers in Brazil, with easy access to port facilities and railroads. Our operations are strongly integrated as a result of our captive sources of raw materials, such as iron ore, and our access to owned infrastructure, such as railroads and deep-sea water port facilities.

Highly profitable and growing mining activities. We own one of the richest iron ore reserves in Brazil, the Casa de Pedra mine, in addition to a 60% equity interest in Namisa, which owns four other iron ore mines. As transportation costs are a significant component of iron ore production costs, we greatly benefit from Casa de Pedra and Namisa's mines being located in the state of Minas Gerais, close to the Itaguaí port and to our steelworks in Volta Redonda. All of our mines are connected by the MRS railway (which we jointly control with a 33.3% equity interest). Our mining activities provide us with strong revenue generation and have significantly increased production of iron ore in the last four years: we sold 3.2 million tons in 2006, 10.5 million tons in 2007, 18.4 million tons in 2008 and 22.4 million tons in 2009 (considering a 100% stake in Namisa throughout this period). All these factors contribute to the high EBITDA margins of this segment.

Thoroughly developed transport infrastructure. We have a thoroughly developed transport infrastructure, from our iron ore mine to our steel mill to our ports. The location of our steelworks facility is next to railroad systems and port facilities, facilitating the supply of raw material, the shipment of our production and easy access to our principal clients. The concession for the main railroad used and operated by us is owned by MRS, a company in which we hold, directly and indirectly, a 33.3% equity interest. The railway connects the Presidente Vargas steelworks to the container terminal at Itaguaí Port, which handles most of our steel exports. Since we obtained the concession to operate MRS' railway in 1996, we have significantly improved its tracks and developed its business, with strong cash generation. We also own concessions to operate two deep-sea water terminals from which we export our products and also import coal and small amounts of coke, which are the only important raw materials that we need to purchase from third-parties.

Self-sufficiency in energy generation. We are self-sufficient in energy, through our interests in the hydroelectric plants of Itá and Igarapava, and our own thermoelectric plant inside the Presidente Vargas steelworks. We also sell excess energy we generate into the energy market. Our 238 MW thermoelectric co-generation plant provides the Presidente Vargas steelworks with approximately 60% of its energy needs for its steel mills, using as its primary fuel the waste gases generated by our coke ovens, blast furnaces and steel processing facilities. We indirectly hold 29.5% of the Itá hydroelectric plant that has installed capacity of 1,450 MW, with a guaranteed output of 668 MW to us and to the other shareholders of Itá Energética S.A., or ITASA, proportionally to our interests in the project, pursuant to 30-year power purchase agreements at a fixed price per megawatt hour, adjusted annually for inflation. In addition, we hold 17.9% of the Igarapava hydroelectric plant, with 210 MW fully installed capacity. We have been using part of our 22 MW take from Igarapava to supply energy to the Casa de Pedra and Arcos mines.

Low cost structure. As a result of our fully integrated business model, our thoroughly developed transportation infrastructure and our self-sufficiency in energy generation, we have been consistently generating high margins. Other factors that lead to these margins are the strategic location of our steelworks facility and iron ore mines, the use of state of the art technology and our qualified work force.

Diverse product portfolio and product mix. We have a diversified product mix that includes: hot-rolled, cold-rolled, galvanized and steel tin mill products. We offer many kinds of steel packaging produced in Brazil, accounting for 98.0% of the steel tin mill products and 47.0% of the galvanized flat steel produced in Brazil. We also produce a diversified portfolio of products to meet a wide range of customer needs across all steel consuming industries. We focus on selling high margin products, such as tin plate, pre-painted, galvalume and galvanized products, in our product mix. Our GalvaSud product provides material for exposed auto parts, using hot-dip galvanized steel and laser-welded blanks. This, together with our hot-dip galvanizing process know-how, allows us to increase our sales to the automotive segment. In 2009, our market share in the automotive industry accounted for 24.0% of total domestic sales, an increase of three percentage points over 2008, and we expect to further increase our sales to the automotive industry until the end of 2010. Our branch CSN Paraná provides us additional capacity to produce high-quality galvanized, galvalume and pre-painted steel products for the construction and home appliance industries. In addition, our subsidiary, Prada, the largest flat steel distributor in Brazil, is a strong sales channel in the domestic market, enabling us to meet demands from smaller customer, and therefore to have a strong presence in this market.

Strong presence in domestic market and strategic international exposure. We have a strong presence in the domestic market for steel products, with a 98.0% market share of the steel tin mill product industry in Brazil in 2009 and a large market share for galvanized flat steel. In addition, our subsidiaries CSN LLC and Lusosider Aços Planos S.A. constitute sales channels for our products in the United States and in Europe. Sales by these subsidiaries were stable in 2008 and 2009, representing 5.0% of our total sales in each year.

Business Strategy

Our goal is to increase value for our shareholders by further benefiting from our competitive cost advantages, maintaining our position as one of the world’s lowest-cost steel producers, becoming an important iron ore global player, growing our cement business and optimizing our infrastructure assets (including ports, railways and power generating plants). To achieve this goal we have developed specific strategies for each of our business segments as described below.

Steel

Our strategy for our steel business involves:

- focus on domestic markets, in which we have historically recorded higher profit margins and better competitiveness, by expanding our market-share in flat steel and by entering in the long steel market as a relevant player;

- constant pursuit of operational excellence, by implementing cost reduction projects (e.g. pellet plant, coque battery revamp, energy efficiency) and programs (e.g. internal logistic optimization, inventories reduction, project development and implementation disciplines);

- emphasis on high value-added steel products, such as galvanized, pre-painted and tin-coated, in addition to enhancing service centers and finished goods offering (e.g. expansion of GalvaSud service center for automotive segment and expansion of pre-painted production);

- explore synergic markets and profitability, by employing flat steel distribution units and portfolio complementarily to accelerate entrance in longs market, capturing synergies with cement and others products; and

- gain market-share in services and distribution network, via new deposits and service centers regions, by importing products.

For information on our planned investments relating to our steel activities, see "Item 4A. History and Development of the Company—Planned Investments—Steel" in our 2009 Form 20-F.

Mining

In order to strengthen our position as a player in the iron ore market, we plan to expand our mining assets, Casa de Pedra and Namisa, and search for investment opportunities, primarily in mining operations and advanced projects.

We plan to reach an annual sales level of 89 mtpy of iron ore products by 2014, which represents more than 3 times the volume of observed in 2009, by increasing capacity to 50 mtpy in Casa de Pedra and 39 mtpy in our 60% non-consolidated investee Namisa.

In order to maximize the profitability of our product portfolio and resources, we will also focus on pellet and pellet-feed, by using Itabiritos resources, investing with strategic partners and clients in pellet capacity and seeking strategic partnerships towards captive consumption of pellet feed.

Regarding our infrastructure to sustain this growth, we plan to increase capacity in TECAR (our private port in the State of Rio de Janeiro) from 30 mtpy to 84 mtpy until 2014, and we are analyzing other capacity increases. In addition to the port expansion, we are also studying seaborne shipping opportunities, focused on gaining competitiveness in the Asian market.

For information on our planned investments relating to our mining activities, see "Item 4. Information on the Company—A. History and Development of the Company—Planned Investments—Iron Ore" in our 2009 Form 20-F.

On December 15, 2009, our board of directors authorized the adoption of internal measures in connection with the segregation of our iron ore business and correlated logistics activities into one of our subsidiaries. For information on the segregation of our mining assets, see "Item 4. Information on the Company—A. History and Development of the Company—Acquisitions and Dispositions—Segregation of Mining Assets" in our 2009 Form 20-F.

Logistics

We expect to take advantage of and expand our logistics capabilities, including our integrated infrastructure operations of railways and ports.

We have substantially improved the infrastructure that supports the Presidente Vargas steelworks by investing in projects such as railways and port facilities in order to increase our ability to control production costs and delivery services.

In addition to investments in TECAR mentioned above (iron ore and coal), we will strengthen STSA (container terminal) in order to operate larger ships, increasing its capacity and competitiveness by aggregating services to facilitate client loyalty.

In our railway operations, we plan to accelerate implementation of our Transnordestina project, in the Northeast region of Brazil, and explore its logistic potential through terminals and regional cargo, focusing on iron ore, agricultural, gypsum and fuel volumes. We also plan to invest in increasing our efficiency and capacity in the southern region of Brazil, through our interest in MRS.

Cement

Our strategy for cement business includes greater utilization of by-products by continuing construction of our cement grinding and a clinker facility that we expect will produce 2.8 million tons of cement by 2011. We have an advanced project to build a new integrated cement plant in the State of Minas Gerais (grinding and clinker), taking advantage of our calcareous reserves, with capacity to produce 0.6 million tons of cement. We are also developing 3 other new projects with projected capacity 1 mtpy each, in locations in Brazil yet to be defined. For information on our planned investments relating to our cement activities, see "Item 4. Information on the Company—A. History and Development of the Company—Planned Investments—Cement" in our 2009 Form 20-F.

Additional Investments

In addition to the currently planned investments and maintenance capital expenditures, we continue to consider possible acquisitions, joint ventures and brownfield or greenfield projects to increase or complement our steel, cement, mining producing and logistics capabilities, in addition to logistic infrastructure and energy generation.

Our executive offices are located at Av. Brigadeiro Faria Lima, 3400, 20º andar, São Paulo, SP, Brazil, 04538-132, telephone +55 (11) 3049 7100; the registered office of the Issuer is at the offices of Walkers Corporate Services Limited, Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands KY1-9005.

THE OFFERING

The following summary contains basic information about the Notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the Notes, please refer to the section entitled "Description of the Notes" in this offering memorandum.

Issuer	CSN Islands XII Corp.
Guarantor	Companhia Siderúrgica Nacional.
The Notes	US$1,000,000,000 aggregate principal amount of 7.00% Guaranteed Perpetual Notes.
Guaranty	The Guarantor will irrevocably and unconditionally guarantee the full and punctual payment of principal, interest, additional amounts and all other amounts that may become due and payable in respect of the Notes, subject to certain priority of payments as described in "—Ranking."
Issue Price	100.00% of the principal amount of the Notes.
Maturity Date	The Notes are perpetual notes with no fixed final maturity date and no sinking fund provisions and will not be subject to any mandatory redemption provisions. The Notes will be repaid only in the event that we redeem or repurchase the Notes or upon acceleration due to an Event of Default, as described under "Description of the Notes."
Use of Proceeds	The Issuer will make the net proceeds available to the Guarantor and its subsidiaries to be used by the Guarantor and its subsidiaries (i) to redeem in their entirety the 9.5% Guaranteed Perpetual Notes issued in 2005 by CSN Islands X Corp., in the aggregate principal amount of US$750 million, plus accrued interest and additional amounts thereon; and (ii) for general corporate purposes.
Issue Date	September 23, 2010.
Indenture	The Notes will be issued under an Indenture between the Issuer, the Guarantor and The Bank of New York Mellon, as trustee, principal paying agent and transfer agent; and The Bank of New York Mellon (Luxembourg) S.A., as paying agent, transfer agent and listing agent in Luxembourg.
Interest Payment Dates	March 23, June 23, September 23 and December 23 of each year, commencing on December 23, 2010.
Interest	The Notes will bear interest from September 23, 2010 at the annual rate of 7.00%, payable quarterly in arrears on each interest payment date.

Additional Amounts	Any and all payments in respect of the Notes and the Guaranty shall be made free and clear of, and without withholding or deduction for, any taxes imposed, levied, collected, withheld or assessed by the Cayman Islands or Brazil or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or the Guarantor, as the case may be, shall pay, subject to certain customary exceptions, such additional amounts as will result in the receipt by the noteholders of such amounts as would have been received by them if no such withholding or deduction had been required. See "Description of the Notes—Additional Amounts."
Ranking	The Notes constitute general unsecured and unsubordinated obligations of the Issuer and will at all times rank *pari passu* among themselves and with all other unsecured obligations of the Issuer that are not by their terms expressly subordinated in right of payment to the Notes. The Guaranty will constitute a general, unsecured and unsubordinated obligation of the Guarantor and will rank *pari passu* with all present and future unsecured obligations of the Guarantor that are not by their terms expressly subordinated in right of payment to the Guaranty. The right to payment under the Notes will be: • equal in right of payment to all other existing and future unsecured and unsubordinated debt of the Issuer and the Guarantor; • senior in right of payment to the subordinated debt of the Issuer and the Guarantor; • effectively subordinated to certain obligations of the Issuer and Guarantor that benefit from priority of payment under applicable law; and • effectively subordinated to secured debt of the Issuer and Guarantor to the extent of such security. As of June 30, 2010, on a consolidated basis and under Brazilian GAAP, the Guarantor had R$17,941 million aggregate principal amount of debt outstanding, of which R$451 million was secured, and the Guarantor's obligations under the Notes would have been effectively subordinated to R$1,992 million of debt obligations and R$8,612 million of trade payables (net of intercompany trade payables) of the Guarantor's subsidiaries.
Listing	An application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF market.

Optional Redemption	The Issuer may, at its option, redeem the Notes, in whole, but not in part, on any interest payment date on or after September 23, 2015, at 100% of their principal amount plus accrued and unpaid interest, if any, and additional amounts. See "Description of the Notes—Optional Redemption." In addition, the Notes will be redeemable in whole, but not in part, at their principal amount, plus accrued and unpaid interest, if any, to the date of redemption, at the Issuer's option at any time in the event of certain changes affecting taxation. See "Description of the Notes—Optional Redemption—Redemption for Taxation Reasons."
Negative Covenants of the Issuer	The Indenture contains negative covenants that will place limitations on the Issuer's ability to, among other activities, and subject to certain exceptions: • release any party from its obligations under the Indenture; or • file for, or consent to the filing of, any bankruptcy, liquidation or similar proceeding. See "Description of the Notes—Negative Covenants of the Issuer."
Negative Pledge of the Guarantor and the Issuer	So long as any Note remains outstanding, neither the Issuer nor the Guarantor shall create, incur, issue or assume any Lien, other than a Permitted Lien (as defined herein), upon the whole or any part of its present or future property, assets or revenues (including uncalled capital) to secure any Public External Indebtedness (as defined herein) or any guarantees of any Public External Indebtedness, without at the same time or prior thereto, securing the Notes and the Guarantor's obligations under the Indenture equally and ratably therewith. See "Description of the Notes—Negative Pledge."
Events of Default	The Notes and the Indenture will contain certain events of default, consisting of, among others, the following: • Failure to pay the principal when due or failure to pay interest in respect of the Notes within 30 days of the due date for an interest payment. • Default by the Issuer or the Guarantor in the performance or observance of any of its obligations and such default remains unremedied for 30 days after the trustee has given written notice thereof to the Issuer. • Failure to pay when due or acceleration of certain indebtedness or guarantees of the Guarantor or its Subsidiaries exceeding US$25 million. • A final unappealable judgment for an amount greater than US$25 million is rendered against the Guarantor or any of its Subsidiaries and continues unsatisfied and unstayed for a period of 60 days.

	• Occurrence of certain specified events of bankruptcy, liquidation or insolvency of the Issuer or the Guarantor. • Specified attachments against a substantial part of the property of the Guarantor or any of its subsidiaries occur and are not discharged within 60 days. • Condemnation, seizure or other appropriation of all or a substantial part of the assets of the Guarantor or its subsidiaries. • Loss or failure to obtain necessary governmental authorizations. • Illegality of performance of obligations by the Issuer or Guarantor under the Notes, the Indenture or the Guaranty. • The Guaranty ceases to be in full force and effect. For a full description of the Events of Default, see "Description of the Notes—Events of Default."
Mergers, Consolidations and Certain Sales of Assets	The Indenture will restrict the ability of the Issuer and the Guarantor to engage in mergers, consolidations and certain sales of assets. See "Description of the Notes—Mergers, Consolidations and Certain Sales of Assets."
Notice to Investors	The Notes have not been registered under the Securities Act, are subject to limitations on transfers and payments and are subject to noteholders satisfying certain requirements, all as described under "Notice to Investors."
Governing Law	The Indenture, the Notes and other transaction documents will be governed by, and construed in accordance with, the laws of the State of New York.
Clearance and Settlement	Delivery of the Notes is expected to be made in book-entry form through DTC. The Notes will be issued through the facilities of DTC for the accounts of its participants, including Euroclear Bank S.A./N.V., as the operator of the Euroclear System ("Euroclear"), and Clearstream Banking, *société anonyme* ("Clearstream"), and will trade in DTC's Same-Day Funds Settlement System. Beneficial interests in Notes held in book-entry form will not be entitled to receive physical delivery of certificated Notes except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see "Description of the Notes."
Form and Denomination	The Notes will be issued in fully registered form without interest coupons attached only in denominations of US$ 100,000 and in integral multiples of US$ 1,000 in excess thereof.
Transfer Restrictions	The Notes have not been registered under the Securities Act and may be transferred only as described under "Transfer Restrictions."

U.S. ERISA and Certain Other Considerations	Sales of the Notes to specified types of employees benefit plans and affiliates are subject to certain conditions. See "Certain ERISA Considerations."
Additional Notes	Upon the satisfaction of the conditions set forth in the Indenture, we may issue additional Notes having the same terms as the Notes (other than the issue date thereof). The original Notes and any additional Notes will be treated as a single series for all purposes under the Indenture. See "Description of the Notes—Further Issuances."
Risk Factors	You should carefully consider the risk factors discussed elsewhere in this offering memorandum before purchasing any Notes and "Item 3D. Risk Factors" in our Form 20-F incorporated by reference to this offering memorandum.

SUMMARY FINANCIAL AND OTHER DATA OF CSN

U.S. GAAP Financial and Other Data

The following table presents our selected financial data as of the dates and for each of the years indicated, prepared in accordance with U.S. GAAP. The balance sheet data as of December 31, 2009 and 2008 and the income statement and other data for each of the years in the three-year period ended December 31, 2009 have been derived from our audited consolidated financial statements, which appear in Item 18 of our Form 20-F, incorporated by reference to this offering memorandum. The information below should be read in conjunction with our consolidated financial statements, including their notes and "Item 5. Operating and Financial Review and Prospects" in our Form 20-F, incorporated by reference to this offering memorandum. Also see "Presentation of Financial Information," in this offering memorandum. In addition, the following table presents selected balance sheet data as of December 31, 2007, which has been prepared in accordance with U.S. GAAP and presented in U.S. dollars in a manner consistent with the information set forth in our consolidated financial statements.

US GAAP	**Year Ended December 31,**		
	2007	**2008**	**2009**
Income Statement Data:		**(in millions of US$)**	
Operating revenues			
Domestic sales	5,283	7,377	5,204
Export sales	1,695	1,830	1,137
Total	**6,978**	**9,207**	**6,341**
Deductions from operating revenues			
Sales taxes	1,305	1,835	1,257
Discounts, returns and allowances	156	185	70
Net operating revenues(1)	**5,517**	**7,187**	**5,014**
Cost of products sold	3,076	3,602	3,250
Gross profit	**2,441**	**3,585**	**1,764**
Operating expenses			
Selling	310	412	345
General and administrative	185	219	208
Other income (expense)	85	110	47
Total	**580**	**741**	**600**
Operating income	**1,861**	**2,844**	**1,164**
Non-operating income (expenses), net			
Financial income (expenses), net	(219)	(380)	(871)
Foreign exchange and monetary gain (loss), net	438	(1,265)	422
Gain on dilution of interest in subsidiaries	–	1,667	–
Other	81	75	(26)
Total	**300**	**97**	**(475)**
Income before income taxes and equity in results of affiliated companies	**2,161**	**2,941**	**689**
Income taxes			
Current	(619)	(615)	(167)
Deferred	85	201	(52)
Total	**(534)**	**(414)**	**(219)**
Equity in results of affiliated companies	**76**	**127**	**809**
Net income	**1,703**	**2,654**	**1,279**
Net loss attributable to noncontrolling interest	**–**	**–**	**2**
Net income attributable to CSN	**1,703**	**2,654**	**1,281**

(1) Net operating revenues consist of operating revenues minus sales taxes, discounts, returns and allowances.

US GAAP	As of December 31,		
	2007	2008	2009
Balance Sheet Data:		(in millions of US$)	
Current assets	4,665	7,307	6,841
Property, plant and equipment, net	4,824	3,543	5,616
Investments in affiliated companies and other investments (including goodwill)	565	2,715	4,384
Other assets	2,011	2,144	2,347
Total assets	**12,065**	**15,709**	**19,188**
Current liabilities	2,865	3,813	2,091
Long-term liabilities(1)	6,512	8,580	12,833
Stockholders' equity	2,688	3,316	4,264
Total liabilities and stockholders' equity	**12,065**	**15,709**	**19,188**
Other Data:			
Gross debt	4,623	4,839	7,901
Cash and cash equivalents	1,213	3,542	3,981
Net debt(2)	3,410	1,297	3,920
Earnings/Fixed Charges(3)	6.10x	7.59x	1.81x
Cash flows from operating activities	1,264	2,067	40
Cash flows used in investing activities	(1,091)	(1,292)	(829)
Cash flows from (used in) financing activities	(122)	1,867	872

(1) Excluding the current portion of long-term debt.
(2) Net debt is the amount resulting from subtracting cash and cash equivalents from gross debt.
(3) Earnings is the amount resulting from (i) adding pre-tax income from continuing operations before adjustment for income or loss from equity investees; fixed charges; amortization of capitalized interest; distributed income of equity investees; and our share of pre-tax losses of equity investees for which charges arising from guarantees are included in fixed charges; and (ii) subtracting the interest capitalized. Equity investees are investments that are accounted for using the equity method of accounting. Fixed charges consist of interest expensed and capitalized, amortized premiums and capitalized expenses related to indebtedness.

Brazilian GAAP Financial Information and Other Data

The following tables set forth selected financial data derived from our audited consolidated annual financial statements for the fiscal years ended December 31, 2009, 2008 and 2007, and our unaudited interim consolidated financial information for the six-month periods ended June 30, 2010 and 2009, prepared in accordance with Brazilian GAAP. This financial information is presented on a different basis than the audited financial statements included in our Form 20-F, incorporated by reference to this offering memorandum, which have been prepared in accordance with U.S. GAAP. See "Annex A: Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP" for a description of the principal differences as they relate to us.

Changes to Brazilian corporate law

Law No. 11,638 and Law No. 11,941 amended and introduced new provisions to Brazilian corporate law. These amendments became enforceable as of January 1, 2009; they refer mainly to accounting rules and are applicable to all corporations (*sociedades anônimas*). We refer to these amendments to Brazilian corporate law as changes to the accounting rules.

The main changes to the accounting rules refer to updating Brazilian legislation to provide for (i) the process of converging the accounting practices adopted in Brazil with the international accounting rules of the International Accounting Standards Board (IASB), by using the International Financial Reporting Standards (IFRS), and (ii) new accounting rules and proceedings to be issued by the CVM, based on the IASB rules.

As a result of the changes to the accounting rules, several pronouncements from the Accounting Pronouncement Committee (*Comitê de Pronunciamentos Contábeis*, or CPC) were issued, and compliance with such pronouncements was mandatory in the preparation of the financial statements for the year ended December 31, 2008.

Our financial statements for the year ended December 31, 2008 were the first financial statements presented in accordance with the new accounting rules. According to CVM Deliberation No. 565/2008, which approved CPC pronouncement No. 13 with respect to the preparation of the first financial statements in accordance with the new rules, we opted to adjust our balance sheet using January 1, 2008 as our transition date.

As a result, our financial statements for the year ended December 31, 2007 (included elsewhere in this offering circular) were prepared in accordance with the accounting principles accepted in Brazil and the CVM rules applicable at that time, and were not adjusted for purposes of comparison with other periods.

For a better understanding of the changes to the accounting rules and the consequent adjustments to our balance sheet and results of operations, see explanatory note 3.1—Enforcement of Law No. 11,638/07 to our financial statements for the year ended December 31, 2008, included elsewhere in this offering memorandum, under the title "Adjustments Resulting from the Adoption of Law No. 11,638/07 and MP No. 449/08 in the Balance Sheet at the Date of Transition—January 1, 2008."

During 2009, the CVM approved several accounting standards, interpretations and guides, which were released by the CPC. As permitted by the CVM, our management opted to present its interim financial statements in accordance with accounting practices adopted in Brazil as of December 31, 2009, and therefore did not apply the new accounting standards. However, the adoption of the new accounting standards will be mandatory for the fiscal year 2010. When we file our financial statements with the CVM for the year ended December 31, 2010, we will also refile with the CVM our interim financial information for the six months ended June 30, 2009 and 2010 in accordance with the new accounting standards effective in 2010.

New CPC pronouncements will continue to be issued during this convergence process, and such pronouncements may significantly impact our results of operations and, consequently, the base for calculating our distribution of dividends. We do not control and cannot foresee the content of new pronouncements to be issued in the future. Our future financial statements may be materially adversely affected as a result of CPC pronouncements expected to be issued in the future.

The U.S. dollar amounts provided below are translations from the *reais* amounts, solely for the convenience of the reader, at the exchange rate of US$1.00 to R$1.802, published by the Central Bank on June 30, 2010. These translations should not be construed as representations that the *reais* amounts actually represent such U.S. dollar amounts or would be converted into U.S. dollars at the rate indicated as of any of the dates mentioned in this offering memorandum or at all.

Brazilian GAAP	Year Ended December 31,				Six-month Period Ended June 30,		
	2007	2008	2009		2009	2010	
	(in millions of R$)			(in millions of U.S.$)(1)	(in millions of R$)		(in millions of U.S.$)(1)
Income Statement Data:							
Net operating revenues(2)	**11,441**	**14,003**	**10,978**	**6,094**	**4,936**	**7,057**	**3,918**
Domestic sales	8,229	10,811	8,106	4,500	3,559	5,413	3,005
Export sales	3,212	3,192	2,872	1,594	1,377	1,644	913
Cost of products sold	(6,674)	(6,976)	(6,788)	(3,768)	(3,404)	(3,790)	(2,104)
Gross profit	**4,767**	**7,027**	**4,190**	**2,326**	**1,532**	**3,267**	**1,814**
Operating expenses				0			
Selling	(599)	(776)	(888)	(493)	(279)	(370)	(205)
General and administrative	(430)	(498)	(483)	(268)	(228)	(248)	(138)
Other income (expense)	(152)	(189)	718	399	(128)	(177)	(98)
Total	**(1,181)**	**(1,463)**	**(653)**	**(362)**	**(635)**	**(795)**	**(441)**
Operating income (expenses) before financial results							
Financial income (expenses), net	(508)	(1,092)	(1,305)	(724)	(198)	(790)	(439)
Foreign exchange and monetary gain (loss), net	824	(1,689)	1,054	585	363	(108)	(61)
Gain on dilution of interest in subsidiaries	–	4,043	–	–	–	–	–
Other, net	35	–	–	–	–	–	–
Financial income (expenses), net	**351**	**1,262**	**(251)**	**(139)**	**165**	**(898)**	**(499)**
Income before income taxes and equity in results of affiliated companies	**3,937**	**6,826**	**3,286**	**1,825**	**1,062**	**1,574**	**874**
Income taxes							
Current	(1,309)	(1,356)	(582)	(323)	(577)	(53)	(29)
Deferred	294	401	(109)	(61)	219	(145)	(80)
Total	**(1,015)**	**(955)**	**(691)**	**(384)**	**(358)**	**(199)**	**(110)**
Equity in results of affiliated companies	–	(97)	–	–	–	–	–
Minority interest	–	–	4	2	–	–	–
Net income	**2,922**	**5,774**	**2,599**	**1,443**	**704**	**1,376**	**764**

(1) Translated into U.S. dollars using the period end exchange rate published by the Central Bank on June 30, 2010 of US$1.00 to R$1.802.

(2) Net operating revenues consist of operating revenues minus sales taxes, discounts, returns and allowances.

Brazilian GAAP	Year Ended December 31,				Six-month Period Ended June 30,		
	2007	2008	2009		2009	2010	
	(in millions of R$)			(in millions of U.S.$)(1)	(in millions of R$)		(in millions of U.S.$)(1)
Balance Sheet Data:							
Current assets	8,396	18,329	13,569	7,532	13,528	15,956	8,857
Property, plant and equipment, net	15,296	10,084	11,146	6,187	10,524	12,200	6,772
Investments in affiliated companies and other investments (including goodwill)	956	1	322	179	1	511	284
Other assets	2,404	3,083	4,130	2,292	3,597	3,995	2,217
Total assets	**27,052**	**31,497**	**29,167**	**16,190**	**27,650**	**32,662**	**18,130**
Current liabilities	6,844	9,632	5,128	2,847	6,942	4,117	2,285
Long-term liabilities(2)	12,666	15,202	18,446	10,239	13,780	21,554	11,964
Stockholders' equity	7,542	6,663	5,510	3,058	6,928	6,849	3,802
Minority interest	–	–	83	46	–	142	79
Total liabilities and stockholders' equity	**27,052**	**31,497**	**29,167**	**16,190**	**27,650**	**32,662**	**18,130**
Other Data:							
Net cash provided by (used in) operations	4,023	4,845	2,231	1,238	(1,368)	1,254	696
Net cash used in investing activities	(3,505)	(3,450)	(1,350)	(749)	436	(1,497)	(831)
Net cash provided by (used in) financing activities	(283)	5,461	1,510	838	(1,240)	1,723	956
Gross debt	8,759	11,635(3)	14,363	7,973	10,963	17,941	9.959
Cash and cash equivalents	2,367	9,224	8,087	4,489	6,081	9,672	5.369
Net debt(4)	6,392	2,411(3)	6,276	3,484	4,882	8,269	4.590
Earnings/Fixed Charges(5)	5.60x	6.65x	2.79x	2.79x	2.82x	2.95x	2.95x

(1) Translated into U.S. dollars using the period end exchange rate published by the Central Bank on June 30, 2010 of US$1.00 to R$1.802.
(2) Excluding the current portion of long-term debt.
(3) Considers reclassification of advance to suppliers received from Namisa in the amount of R$2,914 million, regarding contractual obligation of iron ore supply and port services by CSN from loans and financing to accounts payable – subsidiaries.
(4) Net debt is the amount resulting from subtracting cash and cash equivalents from gross debt.
(5) Earnings is the amount resulting from (i) adding pre-tax income from continuing operations before adjustment for income or loss from equity investees; fixed charges; amortization of capitalized interest; distributed income of equity investees; and our share of pre-tax losses of equity investees for which charges arising from guarantees are included in fixed charges; and (ii) subtracting the interest capitalized. Equity investees are investments that are accounted for using the equity method of accounting. Fixed charges consist of interest expensed and capitalized, amortized premiums and capitalized expenses related to indebtedness.

Brazilian GAAP	Year Ended December 31,				Six-month Period Ended June 30,		
	2007	2008	2009		2009	2010	
	(in millions of R$)			(in millions of U.S.$)(1)	(in millions of R$)		(in millions of U.S.$)(1)
Reconciliation of Net Profit to Adjusted EBITDA:							
Net profit	2,922	5,774	2,599	1,443	704	1,376	764
Net financial income (expenses)(2)	(316)	2,781	251	139	(165)	898	498
Income taxes and social contribution	1,015	955	691	384	358	199	110
Depreciation and amortization	1,132	840	787	437	385	449	248
Equity results of affiliated companies	110	97	–	–	–	–	–
Net non-operational income (expenses)(3)	(145)	–	–	–	–	–	–
Other income (expenses)	152	(3,901)	(722)	(401)	128	177	98
Adjusted EBITDA(4)	4,870	6,546	3,606	2,002	1,410	3,099	1,718
Net Debt/Adjusted EBITDA(5)	1.31x	0.36x	1.74x	1.74x	0.98x	1.56x	1.56x
EBITDA margin	42.6%	46.7%	32.8%	32.8%	28.6%	43.9%	43.9%

(1) Translated into U.S. dollars using the period end exchange rate published by the Central Bank on June 30, 2010 of US$1.00 to R$1.802.

(2) Includes financial income (expenses), net and foreign exchange and monetary gains (loss), net.

(3) Law 11,638 has extinguished the line item "non-operational income (expenses)." In our financial statements for periods ending on or after December 31, 2008, items previously classified as "non-operational income (expenses)" are classified as "other income (expenses)."

(4) Adjusted EBITDA consists of net profit (loss) plus net financial result, income tax and social contribution, depreciation and amortization, equity results of affiliated companies, net other income (expenses) and, for financial statements prior to December 31, 2008, net non-operational income (expenses). Adjusted EBITDA should not be regarded as an alternative for net profit (loss) as a reference of operational performance of CSN or as an alternative to cash flow as an indicator of liquidity. Although CSN's management considers Adjusted EBITDA to be a practical means of measuring operating performance and permitting comparisons with other companies, it is not recognized by Brazilian GAAP or U.S. GAAP and other companies may define and calculate it differently. We and many other companies use Adjusted EBITDA as a criteria for evaluating our performance relative to that of our peers. We believe that Adjusted EBITDA is useful for that purpose because comparisons based on other measures, such as net income or cash flows from operating activities; include elements that vary from company to company depending on where they are located or on their capital structure. We also use Adjusted EBITDA in the determination of a portion of the compensation for our employees and as a performance indicator for our management and shareholders.

(5) Refers to Adjusted EBITDA for the previous 12 months, which was R$4,971 million for the 12-month period ended on June 30, 2009 and R$5,296 million for the 12-month period ended on June 30, 2010.

Since the date of its incorporation, no separate financial statements of the Issuer have been published nor prepared. The Issuer is not required by Cayman Islands law, and does not intend, to publish audited financial statements for any period, or appoint any auditors.

RISK FACTORS

Purchasing the Notes involve a high degree of risk. Prospective purchasers of Notes should carefully consider the risks described below and those described in CSN's 2009 Annual Report on Form 20-F incorporated by reference to this offering memorandum, as well as the other information in this offering memorandum, before deciding to purchase any Notes.

Risk Factors Relating to the Notes and the Guaranty

The Notes have no maturity date or sinking fund provisions and are not redeemable at the option of the noteholders.

The Notes have no fixed final maturity date or any sinking fund provisions and are not redeemable at par at the option of the noteholders. As a result, noteholders will be entitled to receive a return of the principal amount of their investment only if we elect to redeem or repurchase the Notes or in the event of acceleration due to an Event of Default. Therefore, you should be aware that you may be required to bear the financial risks of an investment in the Notes for an indefinite period of time. See "Description of the Notes—Optional Redemption."

There is no established trading market for the Notes.

The Notes are a new issue of securities with no established trading market or prior trading history and there can be no assurance regarding the future development of a market for the Notes, the ability of holders of the Notes to sell their Notes or the price for which such holders may be able to sell their Notes. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial offering price, depending on many factors including some beyond the Issuer's control. The Issuer has been advised by the initial purchasers that they intend to make a market in the Notes but it is not obligated to do so and may discontinue market making at any time. Furthermore, the liquidity of, and trading market for, the Notes may be adversely affected by changes in interest rates and declines and volatility in the market for similar securities as well as by any changes in the Issuer's or our financial condition or results of operations.

The Guarantor's obligations under the Guaranty will be junior to the Guarantor's secured debt obligations as well as to other statutory preferences and effectively junior to debt obligations of the Guarantor's subsidiaries.

The Guaranty will constitute a senior unsecured obligation of the Guarantor. The Guaranty will rank equal in right of payment with all of the Guarantor's other existing and future senior unsecured indebtedness. Although the Guaranty will provide the holders of the Notes with a direct, but unsecured, claim on the Guarantor's assets and property, payment on the Guaranty under the Notes will be subordinated to the secured debt of the Guarantor to the extent of the assets and property securing such debt, as well as to other statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses, among others. Payment on the Guaranty under the Notes will also be structurally subordinated to the payment of secured and unsecured debt and other obligations of the Guarantor's subsidiaries.

Upon a liquidation or reorganization of the Guarantor, any right of the holders of the Notes to participate in the assets of the Guarantor, including the capital stock of its subsidiaries, will be subject to the prior claims of the Guarantor's secured creditors, as well as to other statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses, and any such right to participate in the assets of the Guarantor's subsidiaries will be subject to the prior claims of the creditors of its subsidiaries. The Indenture includes a covenant limiting the ability of the Guarantor and its subsidiaries to create or suffer to exist liens, although this limitation is subject to significant exceptions. In such a scenario, enforcement of the Guaranty under the Notes may be jeopardized and noteholders may lose some or all of their investment.

As of June 30, 2010, on a consolidated basis and under Brazilian GAAP, the Guarantor had R$17,941 million aggregate principal amount of debt outstanding, of which R$451 million was secured, and the Guarantor's obligations under the Notes would have been effectively subordinated to R$1,992 million of debt obligations and R$8,612 million of trade payables (net of intercompany trade payables) of the Guarantor's subsidiaries.

The Issuer's ability to make payments on the Notes depends on its receipt of payments from CSN.

The Issuer's principal business activity is to act as a financing vehicle for CSN's activities and operations. The Issuer has no business operations of its own other than issuing securities from time to time and no assets other than its claims for repayment of the funds it makes available to the Guarantor and its subsidiaries and amounts received in respect thereof. Holders of the Notes must rely on CSN operations to pay amounts due in connection with the Notes. The ability of the Issuer to make payments of principal, interest and any other amounts due under the Notes is contingent on its receipt from CSN of amounts sufficient to make these payments, and, in turn, on CSN's ability to make these payments. In the event that CSN is unable to make such payments for any reason, the Issuer will not have sufficient resources to satisfy its obligations under the Indenture governing the Notes.

Judgments of Brazilian courts enforcing the obligations of the Issuer and the Guarantor under the Notes would be payable only in reais.

If proceedings were brought in Brazil seeking to enforce the obligations of the Issuer and the Guarantor under the Notes, neither the Issuer nor the Guarantor would be required to discharge its or their obligations, as the case may be, in a currency other than *reais*. Under Brazilian exchange control limitations, an obligation to pay amounts denominated in a currency other than Brazilian currency, which is payable in Brazil, may only be satisfied in Brazilian currency at the exchange rate prevailing on the market on either (i) the date of payment, (ii) the date on which such judgment is rendered, or (iii) the actual due date of the obligations, as published by the Brazilian Central Bank. There can be no assurance that such exchange rate will afford you full compensation of the amounts invested in the Notes plus accrued interest.

We may incur additional indebtedness ranking equal to the notes and the guarantee.

The indenture will permit the Issuer and the Guarantor and its subsidiaries to incur additional debt, including debt that ranks on an equal and ratable basis with the guarantee. If the Issuer or the Guarantor or any of its subsidiaries incur additional debt or guarantees that rank on an equal and ratable basis with their respective indebtedness or guarantee of the notes, as the case may be, the holders of that debt (and beneficiaries of those guarantees) would be entitled to share ratably with the holders of the notes in any proceeds that may be distributed upon the guarantor's insolvency, liquidation, reorganization, dissolution or other winding up, this would likely reduce the amount of any liquidation proceeds that would be available to be paid to you.

The Issuer may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. Holders

For U.S. federal income tax purposes, the Notes are expected to be characterized as equity interests in the Issuer, rather than as indebtedness. U.S. Holders could be subject to certain adverse U.S. federal income tax consequences in the event the Issuer is classified for U.S. federal income tax purposes as a "passive foreign investment company" (a "PFIC"). For a discussion of the adverse tax consequences applicable to a U.S. Holder owning equity interests in a PFIC, see "Taxation—U.S. Federal Income Tax Considerations." The Issuer is a special purpose company whose activities will be limited to providing financing for the activities of related affiliates. Thus, the determination of whether or not the Issuer is a PFIC will depend on the terms of the inter-company financing arrangements, and the nature of the income and operations of the related companies that obtain financing from the Issuer. We intend to structure the Issuer's inter-company financing arrangements and to use commercially reasonable efforts to manage and conduct our affairs so as to cause the Issuer not to be classified as a PFIC for the current and foreseeable future taxable years. However, the Issuer's business plans may change, which may affect the PFIC determination in future years.

USE OF PROCEEDS

The net proceeds from the sale of the Notes are expected to amount to approximately US$996,740,000 after deduction of underwriting discounts and commissions. The Issuer will make the net proceeds available to the Guarantor and its subsidiaries to be used by the Guarantor and its subsidiaries (i) to redeem in their entirety the 9.5% Guaranteed Perpetual Notes issued in 2005 by CSN Islands X Corp., in the aggregate principal amount of US$750 million, plus accrued interest and additional amounts thereon; and (ii) general corporate purposes.

EXCHANGE RATES

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Central Bank has allowed the U.S. dollar-*real* exchange rate to float freely, and, since then, the U.S. dollar-*real* exchange rate has fluctuated considerably. Until early 2003, the value of the *real* declined relative to the U.S. dollar. The *real* appreciated against the U.S. dollar in 2004-2007. In 2008, as a result of the aggravation of the global financial and economic crisis, the *real* depreciated 32% against the U.S. dollar. During 2009, the *real* appreciated by approximately 25%, reaching R$1.74 per US$1.00 on December 31, 2009, mainly due to the strong economic recovery of Brazil. On September 15, 2010 the exchange rate between the *real* and the U.S. dollar was R$1.717 to US$1.00.

In the past, the Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to let the *real* float freely or will intervene in the exchange rate market through the return of a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially.

The following table sets forth the commercial selling rate, expressed in *reais* per U.S. dollar, for the periods indicated.

Year ended	Low	High	Average(1)	Period-end
2005	2.163	2.762	2.412	2.341
2006	2.059	2.371	2.177	2.138
2007	1.733	2.156	1.944	1.771
2008	1.559	2.500	1.837	2.337
2009	1.702	2.422	1.994	1.741
Month ended	**Low**	**High**	**Average**	**Period-end**
March 2010	1.764	1.823	1.786	1.781
April 2010	1.731	1.781	1.757	1.731
May 2010	1.731	1.881	1.809	1.817
June 2010	1.766	1.866	1.807	1.802
July 2010	1.753	1.801	1.770	1.757
August 2010	1.749	1.773	1.760	1.756
September 2010 (through September 15)	1.708	1.744	1.724	1.717

Source: Central Bank.

(1) Represents the daily average of the close exchange rates during the period.

CAPITALIZATION OF CSN

The following table sets forth the consolidated capitalization of the Guarantor at June 30, 2010. This table is presented on a consolidated basis in accordance with Brazilian GAAP. Except as otherwise described herein, since June 30, 2010, there has been no material change in the consolidated capitalization of CSN.

	At June 30, 2010(1)			
	Actual		As adjusted(2)	
	R$	US$	R$	US$
	(in millions)			
Cash and cash equivalents	9,672	5,369	13,247	7,353
Current Indebtedness	1,469	815	1,469	815
Long-Term Indebtedness	16,472	9,143	20,076	11,143
Total indebtedness	**17,941**	**9,958**	**21,545**	**11,958**
Shareholders' Equity	6,849	3,802	6,849	3,802
Total capitalization	**24,790**	**13,760**	**28,394**	**15,760**

(1) *Real* amounts shown in the "Actual" column above are derived from our unaudited balance sheet as of June 30, 2010. Amounts in *reais* have been translated for convenience only to U.S. dollars at an exchange rate of R$1.802 per US$1.00, which was the commercial selling rate for U.S. dollars in effect on June 30, 2010, as reported by the Central Bank.

(2) Adjusted to show the effect of the net proceeds (after deduction of underwriting discounts, commissions and estimated expenses) of this offering of US$1,000,000,000 7.00% Guaranteed Perpetual Notes and the issue of US$1,000,000,000 6.50% Senior Guaranteed Notes by the Issuer on July 21, 2010.

As of June 30, 2010, on a consolidated basis and under Brazilian GAAP, the Guarantor had R$17,941 million aggregate principal amount of debt outstanding, of which R$451 million was secured, and the Guarantor's obligations under the Notes would have been effectively subordinated to R$1,992 million of debt obligations and R$8,612 million of trade payables (net of intercompany trade payables) of the Guarantor's subsidiaries.

Issuer

The Issuer has no assets or liabilities.

RECENT DEVELOPMENTS

Results of Operations for the six-month periods ended June 30, 2010 and 2009

The following tables set forth selected financial data derived from our unaudited interim consolidated financial information for the six-month periods ended June 30, 2010 and 2009, prepared in accordance with Brazilian GAAP. This financial information is presented on a different basis than the audited consolidated financial statements included in our Form 20-F, incorporated by reference to this offering memorandum, which have been prepared in accordance with U.S. GAAP. See "Annex A: Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP" for a description of the principal differences as they relate to us.

Brazilian GAAP	**Six-month Period Ended June 30,**		
	2009	**2010**	
	(in millions of R$)		**(in millions of U.S.$)(1)**
Income Statement Data:			
Net operating revenues(2)	**4,936**	**7,057**	**3,918**
Domestic sales	3,559	5,413	3,005
Export sales	1,377	1,644	913
Cost of products sold	(3,404)	(3,790)	(2,104)
Gross profit	**1,532**	**3,267**	**1,814**
Operating expenses			
Selling	(279)	(370)	(205)
General and administrative	(228)	(248)	(138)
Other income (expense)	(128)	(177)	(98)
Total	**(635)**	**(795)**	**(441)**
Operating income (expenses) before financial results			
Financial income (expenses), net	(198)	(790)	(439)
Foreign exchange and monetary gain (loss), net	363	(108)	(61)
Gain on dilution of interest in subsidiaries	–	–	–
Other, net	–	–	–
Financial income (expenses), net	**165**	**(898)**	**(499)**
Income before income taxes and equity in results of affiliated companies	**1,062**	**1,574**	**874**
Income taxes			
Current	(577)	(53)	(29)
Deferred	219	(145)	(80)
Total	**(358)**	**(199)**	**(110)**
Equity in results of affiliated companies	–	–	–
Net income	**704**	**1,376**	**764**

(1) Translated into U.S. dollars using the period end exchange rate published by the Central Bank on June 30, 2010 of US$1.00 to R$1.802.
(2) Net operating revenues consist of operating revenues minus sales taxes, discounts, returns and allowances.

Results of Operations for the Six-month Period Ended June 30, 2010 Compared to the Six-month Period Ended June 30, 2009 – Brazilian GAAP

Overview

The global economy has improved since the second half of 2009. In 2010, the developing countries have recovered more dynamically than developed nations, led by the BRIC (Brazil, Russia, India and China) countries. The BRIC countries are expected to lead economic growth rankings in 2010 according to the International Monetary Fund, or IMF, despite an expectation of moderate global growth for the second half 2010.

Brazil has been growing since mid-2009 and, according to the Central Bank's Focus report, is expected to increase its GDP by 7% in 2010, the strongest growth since the introduction of the *real* in 1994. In order to avoid inflationary pressures, the Central Bank has since mid 2009 gradually increased interest rates in order to control demand in Brazil. The Selic base rate is currently at 10.75% p.a., the highest level since March 2009, a 200 basis points increase since the beginning of the year. According to *Fundação Getúlio Vargas*, or FGV, confidence indicators show that industrial output has returned to pre-crisis levels. The recovery in industrial production was led by production of consumer durables, which resulted in increased demand for steel products. The Brazilian consumer confidence index, or ICC, published by FGV, recorded 120.8 points in August 2010, as compared to 112.3 points in December 2009.

Unemployment in Brazil, as measured by the Brazilian Geography and Statistics Institute, or IBGE, decreased to 7% in June 2010. Current market conditions indicate the continuation of a positive scenario until the end of the year. The unemployment rate is expected to decline to 6.6% in 2011, according to MB Associados, and the average salary increase in 2010 is expected to be of approximately 6%.

The National Confederation of Industry, or CNI, expects an increase in public and private investments this year, from the current level of 18% of GDP to 19.4%, the highest level since the 1970s. According to CNI, this increase will be essential to sustain economic growth in Brazil and to maintain installed capacity use within appropriate levels.

Steel

According to the World Steel Association, or WSA, global steel production in the first seven months of 2010 totaled 821 million tons, a 25% increase as compared to the same period of 2009 and slightly more than the 816 million tons produced in the same period of 2008. This increase is due to the recovery of various markets, led by China, which produced 375 million tons of crude steel in the first seven months of 2010. According to WSA China's annual output in 2010 may exceed 2009 volumes. For the second half of 2010, the market expects a deceleration in the global economy which may impact the sector. WSA data shows that the installed crude steel capacity utilization ratio of the 66 surveyed countries in July 2010 declined to 75.1% from 80.4% in June 2010. Compared to July 2009, this ratio increased by 2.7 percentage points in July 2010.

Brazil's improved economic fundamentals have led to a significant increase in potential steel product consumers. According to IBGE and FGV, in the last five years, an estimated 20 million people have entered the middle class, equivalent to 10% of the Brazilian population. With a total of 92 million people, this class represents 46% of Brazil's national income according to IBGE. The entry of these new consumers in our market may increase annual per capita steel consumption, which in 2009 was approximately 100 kg, as compared to approximately 400 kg in China. Other factors that may support consumption include the infrastructure investments contemplated in the Brazilian Growth Acceleration Program (PAC) and the projects associated with the World Cup in 2014 and the Olympics in 2016. These investments are in the aggregate expected to be of approximately R$1.5 trillion according to the Brazilian National Development Bank, or BNDES.

The recovery of Brazil's steel industry is also evidenced by an increase in apparent consumption, which totaled 13.3 million tons in the first half of 2010, a 60.3% increase as compared to the same period in 2009. Domestic sales recorded a similar growth, with rolled flat products increasing to 6.1 million tons, a 62% increase when compared to the first half of 2009. Steel product exports were 4.3 million tons in the first half of 2010, a 25% increase compared to the same period in 2009.

The Brazilian Steel Institute, or IABr, estimates apparent steel product consumption in Brazil of 25 million tons in 2010, 34% more than in 2009 and a new annual record, reflecting the performance of Brazil's economy and its impact on growth in demand from the leading steel-intensive industrial segments, e.g., construction and automotive and the positive performance of the capital goods and home appliance / OEM segments.

The IABr estimates total production in Brazil of 33 million tons of crude steel and 21 million tons of rolled steel in 2010, with exports of 11 million tons.

Import of steel products to the Brazilian market significantly increased in the first half of 2010 as compared to the same period in 2009 according to the Brazilian Steel Distributor's Association, or INDA, as a result of a strong demand in the domestic market, the appreciation of the *real* against the U.S. dollar and increased supply in the international market. Other contributing factors included import incentives of certain Brazilian state governments (for the benefit of port operations in those states) and production and export subsidies in various markets abroad. In connection with our strategy to maintain our market share in the rolled steel product segment, this increase in imports has resulted in increased pricing pressure and has led us to grant discounts in certain of our products.

The growth in the automotive segment in the first half of 2010 was positively driven by domestic demand, which was significantly supported by government tax breaks during the worldwide financial crisis and greater availability of credit. According to the Brazilian Car Dealer Association, or FENABRAVE, the national fleet comprises of approximately 34 million vehicles, or one per 5.6 inhabitants, versus one per 1.2 inhabitants in the United States. Many consumers anticipated vehicle purchases as the Brazilian federal government tax break through reduction in IPI (federal VAT) expired in the end of March 2010. According to FENABRAVE, first-half 2010 production totaled 1.75 million units, a 19% increase as compared to 2009. Growth in 2010 is estimated at 7%. A total of 1.6 million units were licensed in the first half of 2010, a 9% increase as compared to the same period in 2009 and a new six-month record. Exports totaled 358,000 units in the same period, 78% more than in the first half of 2009, when global sales decreased significantly. The Brazilian Auto Manufacturers Association, or ANFAVEA, estimates annual production of 3.4 million units in 2010, 8% more than in 2009.

The positive performance of the Brazilian economy has continued to favor the construction industry, mainly due to the expansion of credit, lower unemployment rates and an increase in average salary. According to recent Brazilian Labor Ministry data, the number of jobs in the construction industry increased from 79,000 in the first half of 2009 to 230,000 in the first half of 2010. Also in the first six months of 2010, the Brazilian Construction Materials Association, or ABRAMAT, estimated a 20% increase in the sale of construction materials as compared to the first half of 2009, which is higher than the average 2010 forecast of a 15% increase. As a result, at the end of the first quarter of 2010, the Central Bank increased its construction GDP growth forecast for 2010 from 10% to 13%.

The steel distribution segment was positively affected in the first half of 2010 by an increase in demand and the recovery of industrial investments. According to INDA flat steel purchases by distributors in the first half of 2010 were 2,352 million tons, an 85% increase as compared to the 1,269 million tons in the first half of 2009. Also according to INDA, flat steel purchases by distributors recorded consistent growth in the second quarter of 2010, totaling 1.3 million tons, a 33% increase as compared to the first quarter of 2010. This increase was also due to an 8% increase in import volumes in the second quarter of 2010 as compared to the first quarter of 2010, and a 171% increase in the first half of 2010 as compared to the first half of 2009. Steel sales in the distribution segment totaled 2.0 million tons in the first six months of 2010, representing a 28% increase as compared to the same period in 2009. Inventories were sufficient for 3.6 months of sales (equivalent to 1.1 million tons) above the historical average of 2.8 months, according to INDA, principally due to increased imports.

The home appliance market recorded higher-than-expected growth in early 2010, despite the expiration of the IPI (federal VAT) tax break for these products at the end of January 2010. Strong demand was a result of an increased employment rate, credit availability and average salaries, which have sustained the increase in deliveries. Home appliance sales increased by approximately 7% in the first half of 2010 as compared to the first half of 2009. Many consumers anticipated their purchases in order to take advantage of the IPI tax incentive. Although the tax incentive expired at the end of January 2010, home appliance prices only began to increase in May 2010 when retail inventories existing at the time of the termination of the tax incentive ran out. Therefore, a reduction in sales volumes was already expected. However, according to the Brazilian Appliance Manufacturer's Association, or Eletros, annual sector growth is expected to be 8% in 2010.

Mining

The worldwide iron ore market experienced strong demand in 2009, mainly in the second half of the year, with seaborne annual trade of 944 million tons, according to Macquarie Group. According to Macquarie Group, the annual seaborne trade in 2010 is expected to be greater than in 2009.

China continued as the largest importer of iron ore, with imports of 628 million tons in 2009, according to the Tex report, while CRU believes the country will account for two-thirds of global iron ore demand by 2014. In 2010, China is expected to import 667 million tons.

After the second half of 2008, spot prices of iron ore decreased significantly. During the second half of 2009 and the first quarter of 2010, iron ore prices in the spot market recovered from that decline. However, during the second quarter of 2010 iron ore spot market prices decreased again and became volatile. Since July 2010 these prices have recovered, remaining at a level higher than the average spot prices in 2009, reaching US$136/t (CIF China) at the end of July 2010.

Given the large gap between iron ore prices on the benchmark and spot markets, in April 2010 the major mining companies introduced new sales policies contemplating a more flexible approach to iron ore pricing with quarterly calculations, among other factors. This flexibility was adopted in relation to several markets and clients worldwide, reflecting the market reality and specific needs of clients. The purpose of these new policies was to reduce the gap between the benchmark price and the spot market price and maintain benchmark prices closer to market reality.

We expect that imports of iron ore in China, especially from Brazil and Australia, are not likely to decrease, given China's higher production costs and the lower quality of the iron ore it produces.

In addition, we expect that Indian production will likely be directed to its local steel industry, especially if steel output increases. In addition, the Indian government has introduced a series of measures to make iron ore exports less attractive.

According to the Brazilian Foreign Trade Secretary, or SECEX, Brazil exported 141 million tons of iron ore in the first half of 2010, an increase of 20% as compared to the first half of 2009, reaching the levels recorded in the pre-crisis period of 2008.

Investments in mining assets are increasing, particularly in Brazil and Australia. According to Dealogic, in 2010 to date China invested US$8.3 billion in the acquisition of mining assets abroad, representing 76 new transactions. According to the Heritage Foundation, total investments in mining and metals should reach US$100 billion by 2014.

Cement

Driven by the construction sector, local demand for cement in Brazil has increased substantially. The disparity between demand and supply in some Brazilian regions at certain times can trigger a recourse to imports. Because cement is a perishable product that requires significant storage space, inventory levels are generally sufficient only to cover immediate demand. When demand peaks, therefore, imports tend to increase.

Investments in new cement plants added four million tons of annual installed capacity in Brazil, which is currently at 67 million tons, according to the Brazilian Cement Industry Association, or SNIC.

Also according to SNIC, cement sales in the first half of 2010 totaled 27.6 million tons, representing a 15% increase as compared to the first half of 2009, while annual sales are expected to increase by 12.5% to 58 million tons.

Net Operating Revenue*s*

In the six-month period ended June 30, 2010, our net operating revenues totaled R$7,057 million, an increase of R$2,121 million, or 43%, as compared to the R$4,936 million recorded in the six-month period ended June 30, 2009, mainly due to:

- an increase of R$1,799 million, or 51%, in steel revenues, from R$3,514 million in the six-month period ended June 30, 2009 to R$5,313 million in the six-month period ended June 30, 2010, mainly due to an increase of 61% in the sales of steel products from 1.59 million tons in the six-month period ended June 30, 2009 to 2.56 million tons in the six-month period ended June 30, 2010, driven by the economic recovery in Brazil in the first half of 2010 and the increase in domestic sales as a result thereof;

- an increase of R$230 million, or 22%, in consolidated mining revenues, from R$1,069 million in the six-month period ended June 30, 2009 to R$1,299 million in the six-month period ended June 30, 2010, mainly due to higher iron ore prices in the international market, which principally resulted from the adoption of the new iron ore pricing mechanism in April 2010; and

- an increase of R$71 million in cement revenue. In 2010 we produced and sold cement in the entire first six-month period, as compared to 2009 when we began cement production and sales in May 2009.

In the first six months of 2010, 75% of our total revenues came from steel sales, while 18% came from mining activities and the remaining 7% from logistics, cement and other businesses, while in the first six months of 2009, 71% of our total revenues came from steel sales, 22% from mining activities and the remaining 7% from logistics and other businesses.

Domestic Revenues

In the six-month period ended June 30, 2010, net domestic revenue was R$5,413 million, or 77% of our net operating revenues, representing a 52% increase as compared to the R$3,559 million recorded in the six-month period ended June 30, 2009. This increase resulted mainly from greater sales volumes of steel products to domestic customers, which increased by 66% to 2.25 million metric tons in the six-month period ended June 30, 2010, from 1.35 million metric tons in the six-month period ended June 30, 2009, driven by the economic recovery in Brazil in the first half of 2010 and the increase in domestic sales as a result thereof.

In the first six months of 2010, of the 2.25 million metric tons of steel products sold by us in the Brazilian domestic market, 42% were hot-rolled, 18% were cold-rolled, 26% galvanized, 12% tin plates and 2% slabs, while in the first six months of 2009, of the 1.35 million metric tons of steel products sold by us in the Brazilian domestic market, 35% were hot-rolled, 20% were cold-rolled, 27% galvanized and 18% tin plates.

Domestic net revenues from our mining activities in the first half of 2010 were R$91 million, as compared to R$27 million in the same period in 2009, mainly due to an increase of 130% in sales volumes, from 357 thousand tons in the first half of 2009 to 820 thousand tons in the first half of 2010, coupled with increased iron ore prices.

In the six-month period ended June 30, 2010 our total domestic cement revenues were R$76 million, corresponding to sales of 373 thousand tons, compared with cement revenue of R$5 million and sales of 25 thousand tons in the six-month period ended June 30, 2009.

Exports

In the first six months of 2010, our net export revenues accounted for R$1,644 million, equivalent to 23% of our net operating revenues, an increase of 19% as compared to the R$1,377 million of net export revenue recorded in the six-month period ended June 30, 2009. Exports of steel products represented R$524 million while exports from iron ore represented R$1,088 million in the first half of 2010, as compared to R$392 million of steel products exports and R$975 million of iron ore exports in the same period of 2009. The R$132 million increase in steel export net revenues was mainly due to an increase of 33% in sales of steel products to 315 thousand tons in the six-month period ended June 30, 2010, from 236 thousand tons in the six-month period ended June 30, 2009. The R$113 million increase in iron ore export net revenues was mainly due to higher international iron ore prices, partially offset by a 3% reduction in consolidated iron ore exports, to 7.99 million tons in the six-month period ended June 30, 2010, from 8.25 million tons in the six-month period ended June 30, 2009.

Cost of Products Sold

Our cost of products sold increased by 11% in the six-month period ended June 30, 2010, to R$3,790 million from R$3,404 million in the six-month period ended June 30, 2009 mainly due to an increase in the sales of steel products, partially offset by lower costs of raw materials such as coal and coke, which prices are denominated in U.S. dollars and were positively impacted by the *real* appreciation during the period, and a higher dilution of fixed costs due to the increase in steel sales volumes.

Gross Profit

Gross profit increased by 113% in the first half of 2010, or R$1,735 million, to R$3,267 million in the six-month period ended June 30, 2010 from R$1,532 million in the six-month period ended June 30, 2009, mainly due to the increase of R$2,121 million in our net operating revenues, partially offset by the increase of R$386 million in the cost of products sold.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 22%, or R$111 million, to R$618 million in the six-month period ended June 30, 2010, from R$507 million in the six-month period ended June 30, 2009, in light of an increase in sales efforts, related primarily to sales of steel products.

Other Income (Expenses)

In the six-month period ended June 30, 2010, other expenses increased by R$49 million, to R$177 million as compared to R$128 million recorded in the six-month period ended June 30, 2009, due to fiscal, labor and other provisions.

Operating Income

Operating income increased by 175% in the first half of 2010, or R$1,575 million, to R$2,472 million in the six-month period ended June 30, 2010 from R$897 million in the six-month period ended June 30, 2009. This increase was a result of the R$1,735 million increase in gross profit, partially offset by the increase of R$111 million in selling, general and administrative expenses and the R$49 million increase in other expenses.

Net Financial Results

In the six-month period ended June 30, 2010, net financial results (net financial income (expenses) and foreign exchange monetary and transaction losses) amounted to an expense of R$898 million, a decrease of R$1,063 million as compared to a revenue of R$165 million in the six-month period ended June 30, 2009, mainly due to:

- an increase of R$220 million in provisions for interest on loans and financing;
- a decrease of R$373 million in net monetary and exchange rate variation, from a revenue of R$117 million in the six-month period ended June 30, 2009, to an expense of R$256 million in the six-month period ended June 30, 2010;
- a decrease of R$514 million in the results of derivative transactions, mainly due to a gain of R$854 million related to the total return equity swap transaction recorded in the six-month period ended June 30, 2009, which equity swap was unwound in August 2009 and not renewed; and
- a decrease of R$95 million in other financial revenues.

These effects were partially offset by the positive impacts of:

- returns on financial investments that increased by R$52 million, from R$103 million in the six-month period ended June 30, 2009 to R$155 million in the six-month period ended June 30, 2010; and
- a decrease of R$87 million in other financial expenses.

Income Taxes

Provision for income tax and social contribution decreased 44%, or R$160 million, to R$198 million in the six-month period ended June 30, 2010 from R$358 million in the six-month period ended June 30, 2009 mainly due to lower taxable income in the period. Our taxable income varies significantly over time depending on the availability of tax credits under tax regulations in foreign jurisdictions.

Net Income

Net income amounted to R$1,376 million in the six-month period ended June 30, 2010, an increase of 95%, or R$672 million, from R$704 million recorded in the six-month period ended June 30, 2009, due to the factors discussed above.

Liquidity and Capital Resources

Overview

Our main uses of funds are for investments and capital expenditures, repayment of debt and dividend payments. We have historically met these requirements by using cash generated from operating activities and through the issuance of short-term and long-term debt instruments.

In addition, from time to time, we review acquisition and investment opportunities and will, if a suitable opportunity arises, make selected acquisitions and investments to implement our business strategy. We generally make investments directly or through our subsidiaries, joint ventures or affiliated companies, and fund these investments through internally generated funds, the issuance of debt, or a combination of these methods.

Sources of Funds and Working Capital

Cash Flows

As of June 30, 2010, our cash, cash equivalents and marketable securities were R$9,672 million.

Net Cash Provided by (Used in) Operations

Net cash provided by operations was R$1,254 million in the six-month period ended June 30, 2010, compared to net cash used in our operations of R$1,368 million in the six-month period ended June 30, 2009. This R$2,622 million increase was mainly due to an increase of R$1,794 million in gross profits (excluding the effects of depreciation in the amount of R$58 million), mainly resulting from an increase in steel and mining revenues, partially offset by a R$1,165 million related translation loss on cash flow of certain subsidiaries that use the U.S. dollar as their functional currency, due to the devaluation of the U.S. dollar against the real in the first half of 2009; and an increase of R$211 million in our working capital.

Net Cash Provided by (Used in) Investing Activities

Net cash used in investing activities was R$1,497 million in the six-month period ended June 30, 2010, compared to net cash provided by investing activities of R$436 million in the six-month period ended June 30, 2009. This R$1,933 million difference was mainly a result of:

(i) a decrease of R$1,358 million related to realized gains in our equity swap transactions in 2009, which did not occur in 2010; and

(ii) an increase of R$540 million in investments in fixed assets, in our main projects.

Net Cash Provided by (Used in) Financing Activities

In the six-month period ended June 30, 2010, net cash provided by financing activities was R$1,723 million, while in the six-month period ended June 30, 2009 net cash used in these activities was R$1,240 million. The R$2,963 million increase in net cash provided by financing activities was mainly a result of a R$1.0 billion 3-year loan to us by CEF through a bank credit certificate (*Cédula de Crédito Bancário*), or CCB, entered into on February 9, 2010 and a R$2.0 billion Export Credit Note (*Nota de Crédito a Exportaçao*) issued by us in favor of Banco do Brasil S.A.

Effect of Exchange Rate Changes on Cash and Cash Equivalents

Since our adoption of the new Brazilian accounting rules during the fourth quarter of 2008 the effect of exchange rate changes on cash and cash equivalents denominated in U.S. Dollars was required to be disclosed in a separate line item of our cash flow statement. In the six-month period ended June 30, 2010, we recorded a translation gain of R$105 million as compared to a translation loss in the six-month period ended June 30, 2009 of R$972 million, due to an increase in cash and cash equivalents denominated in U.S. Dollars and an appreciation of the real against the U.S. Dollar of approximately 8% between the two periods.

Consolidated Debt

As of June 30, 2010 our consolidated gross debt (composed of short and long-term loans, financing and debentures) was R$17,941 million, equivalent to 262% of our stockholders' equity as of June 30, 2010. As of June 30, 2010, our short-term debt (composed of current portion of long-term loans, financing and debentures) totaled R$1,469 million and our long-term debt (composed of long-term loans, financing and debentures) totaled R$16,472 million.

At June 30, 2010, 53% of our debt was denominated in *reais* and the remaining balance in foreign currencies, mostly denominated in U.S. dollars.

Our current policy is to protect ourselves against foreign exchange losses on our foreign currency-denominated debt. Currently our exposure is protected through foreign exchange derivative products, U.S. dollar-denominated fixed income investments and equity investments in offshore subsidiaries. We continue to review our foreign exchange exposure policy and there is no assurance that we will maintain our current level of protection against such exposure.

For a description of our derivative instruments, see Note 18 to our consolidated financial statements contained in "Item 18. Financial Statements" of our 2009 Form 20-F, incorporated by reference to this offering memorandum.

The major components of the R$1,469 million that comprised our consolidated current portion of short-term debt outstanding as of June 30, 2010 were:

- R$806 million of export pre-payments and trade-related transactions;
- R$27 million in current interest of perpetual bonds;
- R$65 million in fixed rate notes;
- R$83 million in import financing;
- R$329 million of BNDES-Finame loan;
- R$40 million in current interest of CCB with CEF;
- R$33 million in local debentures;
- R$52 million in derivatives; and
- R$34 million of other financings.

The major components of the R$16,472 million that comprised our consolidated long-term debt outstanding as of June 30, 2010 were:

- R$1,063 million in local debentures;
- R$6,073 million of export pre-payments and trade-related transactions (including the R$1,000 million export credit notes purchased by Banco do Brasil S.A. and the R$300 million export credit notes purchased by Banco Nossa Caixa S.A on September 30, 2009, and the R$2,000 million export credit note issued in favor of Banco do Brasil S.A. on May 21, 2010);
- R$3,063 million in fixed rate notes (including the US$750 million (or R$1,351 million, on June 30, 2010) 10-year bond closed on September 21, 2009);
- R$3,000 million of CCB with CEF;
- R$1,672 million of BNDES-Finame loan;
- R$1,351 million in perpetual bonds;
- R$109 million in import financing;
- R$9 million in derivatives; and
- R$132 million of other financings.

As of June 30, 2010, the principal of our consolidated debt, including short and long-term loans, financing and debentures presents the following composition, by year of maturity:

	R$ million	US$ million(1)
Current Liabilities(2)	**1,469**	**815**
Noncurrent Liabilities	**16,472**	**9,143**
2011(3)	1,484	824
2012	4,629	2,569
2013	2,707	1,503
2014	982	545
2015	921	511
After 2015	4,398	2,441
Perpetual bonds	1,351	750
Total	**17,941**	**9,958**

(1) Amounts in *reais* have been translated for convenience only to U.S. dollars at an exchange rate of R$1.802 per US$1.00, which was the commercial selling rate for U.S. dollars in effect on June 30, 2010, as reported by the Central Bank.
(2) Includes the following 12 months, until the second quarter of 2011.
(3) Includes only 6 months, the third and fourth quarters of 2011.

On July 21, 2010, CSN Resources S.A., an indirect subsidiary of CSN, issued a 6.50% US$1 billion 10-year bond, which is not included in the figures above.

On September 9, 2010, CSN Islands X Corp., a subsidiary of CSN, instructed the trustee to notify the holders of US$750 million 9.50% perpetual bonds issued by CSN Islands X Corp. in July 2005 that it will redeem all outstanding bonds. This notice is irrevocable and payment will be performed on October 14, 2010. We intend to fund this redemption with proceeds from this offering.

We are negotiating with banks holding certain of our existing export pre-payment facilities scheduled to expire between 2011 and 2014 to extend their respective maturity until 2017. This process is intended to extend the maturity profile of our current indebtedness.

Other Recent Developments

Share Buyback

On May 6, 2010, our Board of Directors approved a new share buyback program, authorizing us to acquire up to 28,874,810 of our common shares. As of the date of this offering memorandum no shares were acquired through this buyback program.

Segregation of Mining Assets

On December 15, 2009, our board of directors authorized the adoption of internal measures in connection with the segregation of our iron ore business and correlated logistics activities into one of our subsidiaries. The segregation is expected to occur upon the transfer, by means of a capital increase, of assets, liabilities, rights and obligations comprising our mining and correlated logistic businesses as well as of investments in related operating companies. The implementation of the segregation depends on certain governmental approvals. We expect to complete the segregation by the end of 2010. See "Item 5. Operating and Financial Review and Prospects—D. Trend Information—Iron Ore" in our 2009 Form 20-F.

Release of Treasury Shares

On May 24, 2010 state courts in Rio de Janeiro authorized the release of 40 million of our treasury shares which were deposited before a federal court to guarantee four tax proceedings. We are currently taking the necessary measures to implement the release of our treasury shares, which is expected to be completed by the end of 2010.

10-year Bond

On July 21, 2010 CSN Resources S.A., an indirect subsidiary of CSN, issued US$1 billion 6.50% Senior Guaranteed Notes due 2020, which are guaranteed by CSN.

Antitrust Litigation

In October 1999, the Brazilian antitrust authority (*Conselho Administrativo de Defesa Econômica*), or CADE, fined us R$22 million claiming that certain practices adopted by us and other Brazilian steel companies until 1997 allegedly comprised a cartel. We challenged the cartel allegation and the imposition of the fine judicially, and in June 2003 obtained a partially favorable judgment by a federal trial court. CADE appealed the trial court decision and on June 14, 2010 a federal appellate court in Brasília held a judgment reversing the trial court's decision and confirming the cartel allegation as well as the fine imposed by CADE. We have asked the appellate court to clarify its decision and we will only know the exact content of the judgment, including the rate for adjustment of the fine amount, when the appellate court clarifies its decision. Accordingly, we have not yet recorded any provision in connection with this fine. We believe we have grounds for reversal of the judgment and intend to appeal the decision of the appellate court to the Brazilian Superior Court of Justice. In addition, we believe that even if the fine is ultimately upheld it will not have a material adverse effect on our business or financial condition.

REFIS Program

On November 26, 2009, CSN and its subsidiaries adhered to the Federal Tax Repayment Program, or REFIS, introduced by Law 11,941/09 and Provisional Measure 470/09, in order to settle certain tax and social security liabilities through a special settlement and installment payment system. Although we had expected that the inclusion of such tax and social securities liabilities in the REFIS would be ratified by the Brazilian tax authorities by mid-2010, we have yet to receive such ratification. See "Item 5. Operating and Financial Review and Prospects" of our Form 20-F. No assurance can be given that ratification will be received for the inclusion of all such tax and social security liabilities in REFIS or as to the timing of such ratification.

DESCRIPTION OF THE NOTES

The following summary describes certain provisions of the Notes and the Indenture. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture and the Notes. Capitalized terms used in the following summary and not otherwise defined herein shall have the meanings ascribed to them in the Indenture. You may obtain copies of the Indenture and specimen Notes upon request to the trustee or the paying agent in Luxembourg at 101 Barclay Street, Floor 4E, New York, NY 10286, and 1 A Aerogolf Center-Hoehenhof, L - 1736 Senningerberg (Sennengerbierg), BP: 263 L – 2012, Luxembourg, respectively.

General

The Notes will be issued under the Indenture dated as of September 23, 2010, among Issuer, the Guarantor, The Bank of New York Mellon, as trustee, principal paying agent and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent, transfer agent and listing agent.

The Notes will have the following basic terms:

- the Notes will initially be issued in an aggregate principal amount of U.S.$1,000,000,000. The Notes will be repaid only in the event that we redeem or repurchase the Notes or upon acceleration due to an Event of Default.
- the Notes will bear interest at a fixed rate of 7.00% per annum, from September 23, 2010 until all required amounts due in respect thereof have been paid. Interest on the Notes will be paid quarterly in arrears on March 23, June 23, September 23 and December 23 of each year, commencing on December 23, 2010 to the noteholders registered as such as of the close of business on a record date being the 15th day preceding such payment date. Interest for the first interest period will accrue from September 23, 2010. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months; and
- payments of amounts due by the Issuer under the Notes and the Indenture will be guaranteed by the Guarantor, and any and all payments by the Guarantor will be made free and clear of and without withholding or deduction of any taxes, subject to certain limitations and conditions.

Ranking

The Notes will be general senior unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* among themselves and at least equal in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer that are not, by their terms, expressly subordinated in right of payment to the Notes.

Guaranty

Pursuant to the Guaranty, the Guarantor will irrevocably and unconditionally guarantee the full and punctual payment of principal, interest, additional amounts and all other amounts that may become due and payable in respect of the Notes or under the Indenture. If the Issuer fails to punctually pay any such amount, the Guarantor will immediately pay the amount that is required to be paid and has not been paid. This Guaranty constitutes a direct, general and unconditional obligation of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, except for such obligations as may be preferred by provisions of law that are both mandatory and of general application. So long as any Note remains outstanding (as defined in the Indenture), the Guarantor shall continue to own, directly or indirectly, 100% of the outstanding share capital of the Issuer (excluding any directors' qualifying shares).

Listing

An application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF market.

Further Issuances

The Indenture by its terms does not limit the aggregate principal amount of Notes that may be issued thereunder and permits the issuance, from time to time, of additional Notes, provided that among other requirements (i) no Default or Event of Default under the Indenture shall have occurred and then be continuing or shall occur as a result of such additional issuance, and (ii) such additional Notes rank *pari passu* and have equivalent terms (except as to issue date and price) and benefits as the Notes offered hereby. Any additional Notes will be part of the same series as the Notes that the Issuer is currently offering and will vote on all matters with the Notes as a single class.

Payments of Principal and Interest

Payment of the principal of the Notes, together with accrued and unpaid interest thereon, or payment upon redemption prior to maturity, will be made only:

- following the surrender of the Notes at the office of the trustee or any other paying agent; and
- to the person in whose name the Note is registered as of the close of business, New York City time, on the due date for such payment.

Payments of interest on a Note, other than the last payment of interest or payment in connection with a redemption of the Notes, will be made on each payment date to the person in whose name the Note is registered at the close of business, New York City time, on the record date, which shall be the 15th day preceding each such payment date.

Payments of principal and interest shall be made by depositing immediately available funds in U.S. dollars into an account maintained by the trustee, acting on behalf of the noteholders.

The Notes will initially be represented by one or more global Notes (as defined below), as described herein. Payments of principal and interest on the global Notes will be made to DTC or its nominee, as the case may be, as registered holder thereof. It is expected that such registered holder of global Notes will receive the funds for distribution to the holders of beneficial interests in the global Notes. Neither the Issuer nor the trustee shall have any responsibility or liability for any of the records of, or payments made by, DTC or its nominee or Euroclear or Clearstream.

If any date for a payment of principal or interest or redemption is not a business day in the city in which the relevant paying agent is located, the Issuer will make the payment on the next business day in the respective city. No interest on the Notes will accrue as a result of this delay in payment. All payments made by the Guarantor under the Guaranty shall be paid to the trustee. To the extent that funds are received in excess of those required to satisfy the Issuer's obligations under the Notes and the Indenture then due and payable, the trustee shall be required to deposit such excess amounts in a segregated account until the next payment date when such funds shall be used by the trustee to satisfy the Issuer's obligations under the Notes.

In the case of amounts not paid by the Issuer under the Notes (after giving effect to any applicable grace period therefor), interest will continue to accrue on such amounts (except as provided below) at a rate equal to the default rate (i.e., 1.0% in excess of the Note rate), from and including the date when such amounts were due (after giving effect to any applicable grace period therefor), and through but excluding the date of payment by the Issuer or the Guarantor, as the case may be.

Subject to applicable law, the trustee and the paying agents will pay to the Issuer upon request any monies held by them for the payment of principal or interest that remains unclaimed for two years. Thereafter, noteholders entitled to these monies must seek payment from the Issuer.

Additional Amounts

Any and all payments by or at the direction of the Issuer or the Guarantor of principal, premium, if any, and interest in respect of the Notes and the Guaranty shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Cayman Islands, Brazil or the jurisdiction where any successor entity is located, or any political subdivision or any authority thereof or therein having power to tax a "Taxing Authority," unless such withholding or deduction is required by law. In that event, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts as will result in the receipt by the noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:

(a) to the extent that such taxes in respect of such Note would not have been imposed but for the existence of any current or former connection with such Taxing Authority (including being a citizen, resident or national of, being incorporated in, carrying on a business or maintaining a permanent establishment in the Taxing Jurisdiction) other than the mere holding of such Note or the receipt of payments thereon;

(b) to the extent of any estate, inheritance, gift, sales, excise, transfer or personal property taxes imposed with respect to such Notes, except as otherwise provided in the Indenture;

(c) to the extent that such holder would not be liable or subject to such withholding or deduction of taxes but for the failure to make a valid declaration of non-residence, nationality, identity or other similar claim for exemption if:

   (i) the making of such declaration or claim is required or imposed by statute, treaty, regulation, ruling or administrative practice of the relevant Taxing Authority as a precondition to an exemption from, or reduction in, the relevant taxes; and

   (ii) at least 60 days prior to the first payment date with respect to which the Issuer or the Guarantor shall apply this clause (c), such party has notified the holders of Notes in writing that they shall be required to provide such declaration or claim;

(d) where (in the case of a payment of principal or interest on redemption) the relevant Note is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had surrendered the relevant Note on the last day of such period of 30 days;

(e) for any tax, duty, assessment or governmental charge that is payable other than by deduction or withholding from payments on the Notes and the Guaranty;

(f) where such withholding or deduction is imposed on a payment to an individual or a residual entity and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income, the related agreements between the EU Member States with certain territories dependent or associated with an EU Member State or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, or any law implementing or complying with, or introduced in order to conform to, such Directive;

(g) to the extent that any tax, duty, assessment or governmental charge could have been avoided by the presentation of the relevant Note to another paying agent of the Issuer or the Guarantor; or

(h) where, had the beneficial owner of the Note held the Note directly, it would not have been entitled to payment of additional amounts by reason of section (a) through (h) above.

"Relevant Date" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in New York by the trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the noteholders.

Any reference to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this section or under "Payments of Principal and Interest" above.

Negative Covenants of the Issuer

The Indenture will contain restrictive covenants applicable to the Issuer, including the following:

- *Limitation on releases from obligations under the Indenture.* The Issuer will not, so long as any of the Notes are outstanding, release any party to the Indenture from its obligations under the Indenture other than in accordance with the terms of the Indenture; and

- *Bankruptcy, Liquidation or Similar Proceedings.* The Issuer will not, so long as any of the Notes are outstanding, file for, or consent to the filing of, any bankruptcy, liquidation or similar proceeding, except as required under Cayman Islands law.

Negative Pledge

So long as any Note remains outstanding (as defined in the Indenture), neither the Issuer nor the Guarantor shall create, incur, issue or assume any Lien, other than a Permitted Lien, upon the whole or any part of its present or future property, assets or revenues (including uncalled capital) to secure any Public External Indebtedness or any guarantees of any Public External Indebtedness, without at the same time or prior thereto, securing the Notes and the Issuer and Guarantor's obligations under the Indenture equally and ratably therewith.

Reports

The Guarantor shall furnish to the Trustee:

(a) as soon as available and in any event by no later than 120 days after the end of each fiscal year of the Guarantor, annual audited consolidated financial statements in English for the Guarantor prepared in accordance with the Brazilian corporate law method accompanied by an opinion of internationally recognized independent public accountants selected by the Guarantor, which opinion shall be based upon an examination made in accordance with generally accepted auditing standards in Brazil, provided that any document publicly available in English on the Securities and Exchange Commission's ("SEC") IDEA website or the Guarantor's website shall be deemed to have been furnished for the purposes of this covenant; and

(b) as soon as available and in any event by no later than 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Guarantor, quarterly unaudited consolidated financial statements in English for the Guarantor prepared in accordance with the Brazilian corporate law method accompanied by a "limited review" (*revisão limitada*) report of internationally recognized independent public accountants selected by the Guarantor, which report shall be based upon an examination made in accordance with the specific applicable rules issued by the *Instituto Brasileiro dos Auditores Independentes* – IBRACON (Brazilian Accountants Institute) and the *Conselho Federal de Contabilidade* (Federal Accounting Counsel), provided that any document publicly available in English on SEC's IDEA website or the Guarantor's website shall be deemed to have been furnished for the purposes of this covenant.

At all times while the Guarantor or the Issuer files any financial statements or reports with the SEC, the Guarantor or the Issuer, as the case may be, shall make available a copy of such statements or reports to the trustee within 15 calendar days of the date of filing. In addition, at any time when the Guarantor is not subject to or is not current in its reporting obligations under Section 13 or Section 15(d) of the Exchange Act, the Guarantor will make available, upon request, to any holder and any prospective purchaser of Notes that are "restricted securities" under the Securities Act the information required pursuant to section (d)(4) of rule 144A under the Securities Act ("Rule 144A").

Delivery of such reports, information and documents to the trustee is for informational purposes only and the trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's or the Guarantor's compliance with any of the provisions of the Indenture (as to which the trustee is entitled to rely exclusively on the officers' certificate).

Mergers, Consolidations and Certain Sales of Assets

So long as any of the Notes remain outstanding (as defined in the Indenture), neither the Issuer nor the Guarantor will, in a single transaction or a related series of transactions, consolidate with, or merge with or into any other Person or permit any other Person to consolidate with or merge into it, or directly or indirectly, transfer, sell, lease, convey or dispose of all or substantially all its assets to a Person unless (i) either the Issuer or, as the case may be, the Guarantor is the surviving corporation or the surviving, resulting or transferee entity (the "successor entity") is a Cayman Islands company (in the case of the Issuer), a Brazilian corporation, a corporation under any country that is a member of the European Union on the date of issuance, or a corporation organized in any state in the United States of America (in the case of the Guarantor) which irrevocably submits to the jurisdiction of the federal and state courts sitting in the City of New York and expressly assumes the due and punctual payment of all obligations on the Notes or the Guaranty, as the case may be, and the due and punctual performance of all the covenants and obligations of the Issuer or the Guarantor under the Notes or the Guaranty, as the case may be, and the Indenture, by a supplemental Indenture in form satisfactory to the trustee; (ii) after such event, there is no Default or Event of Default under the Indenture; and (iii) we shall have delivered to the trustee an officers' certificate and an opinion of counsel each stating that such merger, consolidation, conveyance, or transfer and such supplemental indenture comply with the foregoing provisions relating to such transaction.

Definitions

As used in this offering memorandum, the following terms have the respective meanings set forth below:

"*Affiliate*" with respect to a specified Person means a Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Person specified.

"Annual Statements" means in relation to the Guarantor, its audited annual consolidated financial statements prepared in accordance with Brazilian GAAP.

"*Brazil*" means the Federative Republic of Brazil.

"*Brazilian Corporate Law*" means the Brazilian corporate law No. 6,404 of December 15, 1976, as amended.

"*Brazilian GAAP*" means the Brazilian generally accepted accounting principles prescribed by Brazilian Corporate Law, the rules and regulations issued periodically by the Comissão de Valores Mobiliários, the Brazilian securities regulatory authority (the "CVM") and the technical releases issued by the Instituto de Auditores Independentes do Brasil (the Institute of Independent Auditors of Brazil or "IBRACON").

"*External Indebtedness*" means any Indebtedness which is payable (or may be paid) (i) in a currency or by reference to a currency which is not the lawful currency for the time being of Brazil and/or (ii) to a Person resident outside Brazil.

"*Guarantee*" means any obligation of a Person to pay the Indebtedness of another Person, including, without limitation:

(1) an obligation to pay or purchase such Indebtedness;

(2) an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(3) an indemnity against the consequences of a default in the payment of such Indebtedness; or

(4) any other agreement to be responsible for such Indebtedness.

"*Indebtedness*" of any Person means any obligation or amount payable (whether present, future, actual or contingent) pursuant to an agreement or instrument involving or evidencing money borrowed or received, the advance of credit, a conditional sale or a transfer with recourse or with an obligation to repurchase or pursuant to a lease with substantially the same economic effect as any such agreement or instrument and which, under U.S. generally accepted accounting principles, would constitute a capitalized lease obligation.

"Interim Statements" means in relation to the Guarantor, its unaudited quarterly consolidated financial statements prepared in accordance with Brazilian GAAP.

"*Lien*" means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance including, without limitation, any equivalent created or arising under the laws of Brazil.

"*Net Worth*" means, at any time, the sum of paid-in capital, reserves and retained earnings appearing on the most recent Annual Statements of the Guarantor or (if prepared as at a date subsequent thereto) Interim Statements of the Guarantor.

"*Permitted Lien*" means any Lien (i) created on the proceeds arising from agreements entered into by the Guarantor, to the extent such proceeds represent Receivables due to the Guarantor in respect of sales by the Guarantor of iron, steel, iron products and/or steel products to any person or (ii) that secures Public External Indebtedness (or guarantees thereof) provided that at the time the Lien is created, incurred, issued or assumed, the aggregate amount of outstanding Public External Indebtedness (and guarantees thereof) secured by Liens, after giving effect to such Lien, would not exceed in the aggregate 30% of the Guarantor's Net Worth.

"*Person*" means any individual, company, corporation, firm, limited liability company, partnership, joint venture, association, organization, state or agency or other entity, whether or not having a separate legal personality.

"*Public External Indebtedness*" means any External Indebtedness (whether present, future, actual or contingent) which is in the form of, or represented by, bonds, Notes or other securities which are for the time being or intended to be quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

"*Receivables*" means receivables in respect of sales whether past, present or future.

"*Subsidiary*" means any corporation or other entity of which at least a majority of the outstanding securities or other ownership interest having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation or other entity (irrespective of whether or not at the time securities or other ownership, interests of any other class or classes of such corporation or entity shall have or might have voting power by reason of the happening of any contingency) as at the time, directly or indirectly, owned or controlled by such person or persons and/or one or more of its Subsidiaries; provided, however, that "Subsidiary" shall not include any corporation or other entity where by contract such person or persons may not control such corporation or other entity.

Optional Redemption

The Issuer will not be permitted to redeem the Notes except as set forth below.

The Notes will not be entitled to the benefit of any sinking fund, which means that the Issuer will not deposit money on a regular basis into any separate account to repay the Notes. In addition, noteholders will not be entitled to require the Issuer to repurchase the Notes.

Optional Redemption

The Notes will be redeemable, from time to time, at the option of the Issuer, in whole but not in part, on any interest payment date on or after September 23, 2015, at 100% of the principal amount of the Notes, plus accrued and unpaid interest (if any) through the redemption date and any additional amounts payable with respect thereto.

Notice of such redemption to each noteholder (which notice will be irrevocable) must be mailed and published in accordance with the provisions set forth under "—Notices," not less than 30 days nor more than 60 days prior to the redemption date.

Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the noteholders (which notice shall be irrevocable) at 100% of the principal amount thereof, together with interest accrued to the date fixed for redemption and additional amounts, if any, if the Issuer satisfies the trustee that (a) the Issuer has or will become obliged to pay additional amounts as provided or referred to under "Additional Amounts" above or (b) the Guarantor has or will become obliged to pay additional amounts in respect of payments due under the Guaranty or direct or indirect payments to the Issuer made to permit the Issuer to service the Notes reflecting a withholding tax rate in excess of 15% (or 25% in the case of holders located in a tax haven jurisdiction, as defined in "Taxation—Brazilian Taxation"), in each case as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, Brazil or the jurisdiction where any successor entity is located, respectively, or any political subdivision or any authority thereof or therein having power to tax, or any change in the official application or interpretation of such laws or regulations (including a determination by a court of competent jurisdiction), which change or amendment becomes effective on or after the issue date of the Notes and, in any such case, such obligation cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to it; provided that no such notice of redemption shall be given to redeem the Notes earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be would be obliged to pay such additional amounts if a payment in respect of the Notes were then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the trustee:

(1) a certificate signed by an Authorized Signatory (as defined in the Indenture) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(2) an opinion in form and substance satisfactory to the trustee of independent legal advisers of recognized standing to the effect that the Issuer or the Guarantor, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment.

The trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances, as the case may be, set out in paragraph (a) or (b) above, in which event it shall be conclusive and binding on the noteholders. Upon the expiry of any such notice as is referred to in this paragraph, the Issuer shall be bound to redeem the Notes in accordance with this paragraph.

Purchases of Notes by the Issuer and the Guarantor

The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase any of the Notes at any price, in negotiated transactions not available to all holders of the Notes, or otherwise, provided that the Issuer must give the trustee notice of any such purchase in accordance with the Indenture. All Notes so purchased may not be reissued or resold except (i) to an Affiliate of the Guarantor which must agree not to resell such Notes otherwise than as permitted by this provision or (ii) one year after the issuance of the Notes offered hereby.

Events of Default

The following events will each be an "Event of Default" under the terms of the Notes and the Indenture:

(a) failure to pay any amount of principal (or any additional amount as provided or referred to under "—Payments of Principal and Interest" above) in respect of the Notes on the due date for payment thereof or failure to pay any amount of interest (or additional amounts as provided or referred to in "—Additional Amounts" above) in respect of the Notes within 30 days of the due date for payment; or

(b) the Issuer or the Guarantor defaults in the performance or observance of any of its obligations under or in respect of the Notes, the Guaranty, as the case may be, or the Indenture and such default remains unremedied for 30 days after the trustee has given written notice thereof to the Issuer; or

(c) (i) any Indebtedness (having a principal amount equal to or exceeding U.S.$25,000,000 or its equivalent in any other currency or currencies) of the Guarantor or any of its Subsidiaries (other than any Indebtedness owed by the Guarantor to any Subsidiary) is not paid when due or (as the case may be) within any originally applicable grace period, (ii) any Indebtedness (having a principal amount equal to or exceeding U.S.$25,000,000 or its equivalent in any other currency or currencies) becomes due and payable prior to its stated maturity otherwise than at the option of the Guarantor or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness or (iii) the Guarantor or any of its Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness (having a principal amount equal to or exceeding U.S.$25,000,000 or its equivalent in any other currency or currencies); or

(d) a final unappealable judgment or final unappealable order for the payment of any amount in excess of U.S.$25,000,000 (or its equivalent in any other currency or currencies as reasonably determined by the trustee) is rendered against the Guarantor or any of its Subsidiaries and continues unsatisfied and unstayed for a period of 60 days after the date thereof or, if later, the date therein specified for payment; or

(e) (i) the Issuer or the Guarantor becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the Guarantor on the whole or any part of the undertaking, assets and revenues of the Issuer or the Guarantor is appointed (or application for any such appointment is made), (iii) the Issuer or the Guarantor takes any action for a readjustment or deferment of any of its payment obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium or suspension of payment in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or the Guarantor ceases or threatens to cease to carry on all or any substantial part of its business or (v) the Issuer or the Guarantor commences a voluntary case in insolvency or bankruptcy or takes any other action or commences any other proceedings for any other relief under any law affecting creditors' rights or (vi) the Issuer or the Guarantor consents to the commencement against it of an involuntary case in insolvency or bankruptcy or any other action or proceeding is commenced relating to involuntary insolvency or bankruptcy in respect of the Issuer or the Guarantor and such proceeding is not dismissed or stayed within 60 days after the commencement thereof; or

(f) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or the Guarantor; or

(g) a distress, attachment, execution or seizure before judgment is levied or enforced upon or sued out against a substantial part of the property of the Guarantor or any of its Subsidiaries and is not discharged within 60 days thereof; or

(h) any event which under the laws of the Cayman Islands or Brazil, as the case may be, has an analogous effect to any of the events referred to in paragraphs (e), (f) or (g) above occurs (including any request for *recuperação judicial* or *recuperação extrajudicial*, requested by the Issuer or the Guarantor); or

(i) (i) all or any substantial part of the undertaking, assets and revenues of the Guarantor is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or the Guarantor is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues or (ii) all or any substantial part of the undertaking, assets and revenues of any of the Guarantor's Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or any of the Guarantor's Subsidiaries is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues, in each case, to an extent that such action may have a materially adverse effect on the ability of the Guarantor to fulfill its obligations under the Guaranty or the Notes; or

(j) any governmental authorization necessary for the performance of any obligation of the Issuer or the Guarantor under the Indenture, the Notes or the Guaranty is not obtained or fails to become or remain in full force and effect or remain valid and subsisting; or

(k) it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Indenture, any of the Notes or the Guaranty; or

(l) the Guaranty is not (or is claimed by the Guarantor not to be) in full force and effect.

Remedies Upon Occurrence of an Event of Default

If an Event of Default occurs and is continuing, the trustee shall (and any noteholder may), upon the request of noteholders holding not less than 25% in principal amount of the Notes then outstanding, by written notice to the Issuer (and to the trustee if given by noteholders) declare the principal amount of all of the Notes and all accrued interest thereon immediately due and payable; *provided* that if an Event of Default described in paragraphs (e), (f) or (h) above occurs and is continuing, then and in each and every such case, the principal amount of all of the Notes and all accrued interest thereon shall, without any notice to the Issuer or any other act by the trustee or any noteholder, become and be accelerated and immediately due and payable. Upon any such declaration of acceleration, the principal of the Notes so accelerated and the interest accrued thereon and all other amounts payable with respect to the Notes shall be immediately due and payable. If all Events of Default giving rise to any such declaration of acceleration shall be cured following such declaration, such declaration may be rescinded by noteholders holding a majority of the Notes provided that the trustee has been paid all fees and expenses incurred in connection with such Event of Default.

The noteholders holding at least a majority of the aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee. However, the trustee may refuse to follow any direction that conflicts with law or the Indenture, or that the trustee determines in good faith may involve the trustee in personal liability, or that the trustee reasonably believes it will not be adequately indemnified against the costs, expenses or liabilities, which might be incurred, or that may be unduly prejudicial to the rights of noteholders not taking part in such direction and the trustee may take any other action it deems proper that is not inconsistent with any such direction received from noteholders. A noteholder may not pursue any remedy with respect to the Indenture or the Notes unless:

(i) the noteholder gives the trustee written notice of a continuing Event of Default;

(ii) noteholders holding not less than 25% in aggregate principal amount of outstanding Notes make a written request to the trustee to pursue the remedy;

(iii) such noteholder or noteholders offer the trustee adequate security and indemnity satisfactory to the trustee against any costs, liability or expense;

(iv) the trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(v) during such 60-day period, noteholders holding a majority in aggregate principal amount of the outstanding Notes do not give the trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any noteholder to receive payment of the principal of, premium, if any, interest on or additional amounts related to such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the noteholder.

Modification of the Indenture

The Issuer, the Guarantor and the trustee may, without the consent of the noteholders, amend, waive or supplement the Indenture to certain specific purposes, including, among other things, curing ambiguities, defects or inconsistencies, or making any other provisions with respect to matters or questions arising under the Indenture or the Notes or making any other change that will not adversely affect the interest of any noteholder. In addition, with certain exceptions, the Indenture may be modified by the Issuer, the Guarantor and the trustee with the consent of the holders of a majority of the aggregate principal amount of the Notes then outstanding. However, no modification may, without the consent of the noteholder of each outstanding Note:

- change the payment date of any installment of interest on any Note or the date on which any Notes may be redeemed;
- reduce the principal amount or the rate of interest, or change the method of computing the amount of principal or interest payable on any date;
- change any place of payment where the principal of or interest on Notes is payable;
- change the coin or currency in which the principal of or interest on the Notes is payable;
- impair the right of the noteholders to institute suit for the enforcement of any payment on or after the date due;
- reduce the percentage in principal amount of the outstanding Notes, the consent of whose noteholders is required for any modification or the consent of whose noteholders is required for any waiver of compliance with certain provisions of the Indenture or certain defaults under the Indenture and their consequences provided for in the Indenture;
- modify any of the provisions of certain sections of the Indenture, including the provisions summarized in "—Modification of the Indenture," except to increase any percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of each noteholder; or
- amend or modify the Guaranty, except (i) as otherwise permitted by the Indenture or (ii) in a manner that will not adversely affect the interest of any noteholder.

No modification of the Indenture will take effect until the Trustee receives the documents required to be provided by the Indenture in connection with an amendment, supplement or waiver.

Defeasance and Covenant Defeasance

The Issuer may, at its option, elect to be discharged from the Issuer's obligations with respect to the Notes. In general, upon a defeasance, the Issuer will be deemed to have paid and discharged the entire Indebtedness represented by the Notes and to have satisfied all of the Issuer's obligations under the Notes and the Indenture except for (i) the rights of the noteholders to receive payments in respect of the principal of and interest and additional amounts, if any, on the Notes when the payments are due, (ii) certain provisions of the Indenture relating to ownership, registration and transfer of the Notes, (iii) the covenant relating to the maintenance of a paying agent in New York City and (iv) certain provisions relating to the rights, powers, trusts, duties and immunities of the trustee.

In addition, the Issuer may, at its option, and at any time, elect to be released with respect to the Notes from the covenants described above under the captions "—Negative Covenants of the Issuer," "—Negative Pledge," "—Reports," or "—Mergers, Consolidations and Certain Sales of Assets" ("covenant defeasance"). Following such covenant defeasance, the occurrence of a breach or violation of any such covenant with respect to the Notes will not constitute an Event of Default under the Indenture, and certain other events (not including, among other things, non-payment or bankruptcy and insolvency events) described under "—Events of Default" also will not constitute Events of Default.

In order to exercise either defeasance or covenant defeasance, the Issuer will be required to satisfy, among other conditions, the following:

- the Issuer must irrevocably deposit with the trustee, in trust, for the benefit of the noteholders, cash in U.S. dollars or U.S. government obligations, or a combination thereof, in amounts sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay and discharge the principal of and each installment of interest on the Notes on the redemption date of such principal or stated maturity of the installment of interest in accordance with the terms of the Indenture and the Notes;

- in the case of an election to fully defease the Notes, the Issuer must deliver to the trustee an opinion of counsel stating that (x) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (y) since the date of the Indenture there has been a change in the applicable U.S. Federal income tax law or an official interpretation thereof, in either case to the effect that, and based thereon the opinion of counsel shall confirm that, the noteholders will not recognize income, gain or loss for U.S. Federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to U.S. Federal income tax on the same amount, in the same manner and at the same time as would have been the case if such deposit, defeasance and discharge had not occurred;

- in the case of a covenant defeasance, the Issuer must deliver to the trustee an opinion of counsel to the effect that the noteholders will not recognize income, gain or loss for U.S. Federal income tax purposes as a result of such deposit and covenant defeasance and will be subject to U.S. federal income tax on the same amount, in the same manner and at the same time as would have been the case if such deposit and covenant defeasance had not occurred;

- no Event of Default, or event or condition that with the giving of notice, the lapse of time or failure to satisfy certain specified conditions, or any combination thereof, would become an Event of Default (other than an Event of Default resulting from the borrowing of funds to be applied to such deposit and the grant of any Lien securing such borrowing) exists on the date of the deposit;

- the Issuer must deliver to the trustee an opinion of counsel (subject to customary assumptions) to the effect that payment of amounts deposited in trust with the trustee (i) will not after the 91st day following the deposit, be part of any "estate" formed by the bankruptcy or reorganization of the Issuer or subject to an "automatic stay" or, in the case of covenant defeasance, will be subject to a first priority Lien in favor of the Trustee for the benefit of the noteholders and (ii) will not be subject to future taxes, duties, fines, penalties, assessments or other governmental charges imposed by a taxing jurisdiction, except to the extent that additional amounts in respect thereof shall have been deposited in trust with the trustee;

- such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument (other than under the Indenture to the extent that the borrowing of the funds to be applied to the deposit and the grant of any Lien securing such borrowing results in an Event of Default) to which the Issuer is a party or by which it is bound; and

- the Issuer shall have delivered to the trustee an opinion of counsel (subject to customary qualifications) to the effect that such defeasance or covenant defeasance shall not result in the trust arising from such deposit constituting an investment company as defined under the Investment Company Act of 1940, as amended.

The Trustee

The Bank of New York Mellon is the trustee under the Indenture and has been appointed by the Issuer as registrar, transfer agent and paying agent with respect to the Notes. The Issuer may have normal banking relationships with The Bank of New York Mellon in the ordinary course of business. The address of the trustee is 101 Barclay Street, Floor 4E, New York, New York, 10286.

The noteholders holding at least a majority of the aggregate principal amount of the outstanding Notes may at any time remove the Trustee and appoint a successor Trustee with, unless an Event of Default is continuing, the consent of the Issuer (such consent not to be unreasonably withheld). Under certain circumstances, if the Trustee fails to comply with the Trust Indenture Act, ceases to be an eligible Trustee or otherwise becomes incapable of acting as Trustee, the Issuer may remove the Trustee and appoint a successor.

Paying Agents; Transfer Agents; Registrar

The Issuer has initially appointed The Bank of New York Mellon as principal paying agent, registrar and transfer agent and The Bank of New York Mellon (Luxembourg) S.A., as the Luxembourg, paying agent, transfer agent and listing agent. The Issuer may at any time appoint new paying agents, transfer agents and registrars. However, the Issuer will at all times maintain a paying agent in New York City until the Notes are paid.

The Issuer will maintain a paying agent and transfer agent in Luxembourg. The Issuer will provide prompt notice of the termination, appointment or change in the office of any Luxembourg paying agent or Luxembourg transfer agent acting in connection with the Notes.

Notices

The Issuer will publish notices either in a leading daily newspaper of general circulation in Luxembourg, which is expected to be the *Luxemburger Wort,* or on-line on the Luxembourg Stock Exchange website: www.bourse.lu, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require. A notice will be deemed given on the date of its first publication.

In addition, the Issuer will mail notices to the registered address of the noteholders as provided in the register. So long as DTC, or its nominee, is the registered holder of the global Notes, each person owning a beneficial interest in a global Note must rely on the procedures of DTC to receive notices provided to DTC. Each person owning a beneficial interest in a global Note who is not a participant in DTC must rely on the procedures of the participant through which the person owns its interest in the global Note to receive notices provided to DTC.

Governing Law

The Indenture and the Notes are governed by the laws of the State of New York.

Jurisdiction

The Issuer and the Guarantor have consented to the non-exclusive jurisdiction of any court of the State of New York or any U.S. Federal court sitting in The City of New York, New York, United States. The Issuer and the Guarantor have appointed CT Corporation System, 111 Eighth Avenue, New York, NY 10011 as their authorized agent upon which service of process may be served in any action or proceeding brought in any court of the State of New York or any U.S. Federal court sitting in The City of New York in connection with the Indenture or the Notes.

Waiver of Immunities

To the extent that the Issuer or the Guarantor may in any jurisdiction claim for itself or its assets immunity from a suit, execution, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with the Indenture and the Notes and to the extent that in any jurisdiction there may be immunity attributed to the Issuer, the Issuer's assets, the Guarantor or the Guarantor's assets whether or not claimed, the Issuer and the Guarantor have irrevocably agreed for the benefit of the noteholders not to claim, and irrevocably waive, the immunity to the full extent permitted by law.

Currency Rate Indemnity

The Issuer and the Guarantor have agreed that, if a judgment or order made by any court for the payment of any amount in respect of any Notes is expressed in a currency other than U.S. dollars, the Issuer and the Guarantor will jointly indemnify the relevant noteholder against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. This indemnity will constitute a separate and independent obligation from the Issuer's and Guarantor's other obligations under the Indenture, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due under the Indenture or the Notes.

Form, Denomination and Registration

The Notes will be issued in registered form without interest coupons. No Notes will be issued in bearer form. The Notes will be issued in registered form only in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof.

The Issuer has agreed to maintain a paying agent, registrar and transfer agent in the Borough of Manhattan, the City of New York and to maintain a Luxembourg paying agent and Luxembourg transfer agent in Luxembourg. The Issuer has initially appointed the trustee at its corporate trust office as principal paying agent, transfer agent, authenticating agent and registrar, and The Bank of New York Mellon (Luxembourg) S.A., as its Luxembourg paying agent, transfer agent and listing agent for all Notes. Each transfer agent will keep a register, subject to such reasonable regulations as the Issuer may prescribe.

Book-Entry; Delivery and Form

Notes offered and sold to qualified institutional buyers ("QIBs") in reliance on Rule l44A under the Securities Act will be represented by one or more permanent global Notes in definitive, fully registered book-entry form (the "restricted global Note"). Notes offered and sold in reliance on Regulation S under the Securities Act ("Regulation S") will be represented by one ore more permanent global Notes in definitive, fully registered book-entry form (the "Regulation S global Note" and, together with the restricted global Note, the "global Notes"). The global Notes will be registered in the name of a nominee of DTC and deposited on behalf of the purchasers of the Notes represented thereby with a custodian for DTC for credit to the respective accounts of direct or indirect participants in DTC, including the Euroclear System ("Euroclear") or Clearstream Banking S.A. ("Clearstream").

Each global Note (and any Notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under "Notice to Investors." Except in the limited circumstances described below, owners of beneficial interests in a global Note will not be entitled to receive physical delivery of certificated Notes.

Global Notes

The Issuer expects that pursuant to procedures established by DTC (a) upon deposit of the global Notes, DTC or its custodian will credit on its internal system portions of the global Notes to the respective accounts of persons who have accounts therewith and (b) ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants as defined below) and the records of participants (with respect to interests of persons other than participants). Such accounts will initially be designated by or on behalf of the initial purchaser and ownership of beneficial interests in the global Notes will be limited to persons who are participants and have accounts with DTC or persons who hold interests through participants. Except as otherwise described herein, investors may hold their interests in a global Note directly through DTC only if they are participants in such system, or indirectly through organizations (including Euroclear and Clearstream) which are participants in such system.

So long as DTC or its nominee is the registered owner or holder of any global Note, DTC or such nominee will be considered the sole owner or noteholder represented by that global Note for all purposes under the Indenture and the Notes. No beneficial owner of an interest in any Note will be able to transfer such interest except in accordance with the applicable procedures of DTC and, if applicable, Euroclear and Clearstream, in addition to those provided for under the Indenture.

Payments of principal of and interest (including additional amounts) on the global Notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. None of the Issuer, the trustee or any paying agent under the Indenture will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the global Notes, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests representing any Notes held by DTC or its nominee.

The Issuer expects that DTC or its nominee, upon receipt of any payment of principal of or premium and interest (including Additional Amounts) on a global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global Note as shown on the records of DTC or its nominee.

Payment to owners of beneficial interests in a global Note held through such participant will be governed by standing instructions and customary practice, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in accordance with DTC rules and will be settled in same day funds. Transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures. The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a global Note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of beneficial owners of interests in a global Note to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Before the 40th calendar day after the later of the commencement of the offering of the Notes and the issue date, transfers by an owner of a beneficial interest in the Regulation S global Note to a transferee who takes delivery of such interest through the restricted global Note will be made only in accordance with the applicable procedures and upon receipt by the trustee of a written certification from the transferor in the form provided in the Indenture to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A. After the expiration of the 40-day period such transfers may occur without compliance with these certification requirements.

Transfers by an owner of a beneficial interest in the restricted global Note to a transferee who takes delivery of such interest through the Regulation S global Note, whether before, on or after the 40th day referred to above, will be made only upon receipt by the trustee of a certification to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act (if available).

Transfers of beneficial interests within a global Note may be made without delivery of any written certification or other documentation from the transferor or transferee.

Any beneficial interest in a global Note that is transferred to a person who takes delivery in the form of an interest in the other global Note will, upon transfer, cease to have an interest in the first global Note and become an interest in the other global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other global Note.

Subject to compliance with the transfer restrictions applicable to the Notes, the Issuer understands that crossmarket transfers between DTC participants, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such crossmarket transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels or Luxembourg time, respectively). The Issuer understands that Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global Note in DTC and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to the depositories of Clearstream or Euroclear.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a restricted global Note from a DTC participant will be credited during the securities settlement processing day immediately following the DTC settlement date, and such credit will be reported to the relevant Euroclear or Clearstream participant on such business day following the DTC settlement date. Cash received in Euroclear or Clearstream as a result of sales of interests in the Regulation S global Note by or through a Euroclear or Clearstream participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the Business Day following settlement in DTC.

The Issuer expects that DTC will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange) only at the direction of the participant to whose interests in the applicable global Notes are credited and only in respect of the aggregate principal amount of Notes as to which such participant has given such direction. However, if there is an Event of Default under the Indenture and the Notes and the holders of more than 50% of the total principal amount of the Notes represented by the global Note advise the trustee in writing that it is in the holders' best interest to do so, DTC will exchange the applicable global Note for physical Notes (as defined below), which it will distribute to participants and which will be legended to the extent set forth under "Notice to Investors."

The Issuer understands that DTC is a limited purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of New York banking law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section l7A of the Exchange Act. The Issuer further understands that DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations ("participants"). The Issuer further understands that indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the global Notes among the DTC participants, Euroclear and Clearstream, they are under no obligation to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the trustee or the paying agents will have any responsibility for the performance by DTC, Euroclear, Clearstream, the participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Physical Notes

Interests in the global Notes will be exchangeable or transferable, as the case may be, for physical Notes ("physical Notes") in registered form if (i) DTC notifies the Issuer that it is unwilling or unable to continue as depositary for the global Notes, or DTC ceases to be a "clearing agency" registered under the Exchange Act, and a successor depositary is not appointed by the Issuer within 90 calendar days, (ii) the Issuer, at its option, elects to terminate the book-entry system through a depositary or (iii) an Event of Default has occurred and is continuing with respect to the global Notes and the holders of more than 50% of the total principal amount of the Notes represented by the global Note advise the trustee in writing that it is in the holders' best interest to do so.

Replacement, Exchange and Transfer of Notes

If a Note becomes mutilated, destroyed, lost or stolen, the Issuer may issue, and the trustee will authenticate and deliver, a substitute Note in replacement. In each case, the affected noteholder will be required to furnish to the Issuer, the trustee and certain other specified parties an indemnity under which it will agree to pay the Issuer, the trustee and certain other specified parties for any losses they may suffer relating to the Note that was mutilated, destroyed, lost or stolen. The Issuer and the trustee may also require that the affected noteholder present other documents or proof. The affected noteholder will be required to pay all expenses and reasonable charges associated with the replacement of the mutilated, destroyed, lost or stolen Note.

Under certain limited circumstances, beneficial interests in the global Note may be exchanged for physical Notes. If the Issuer issues physical Notes, a noteholder of such physical Note may present its Notes for exchange with Notes of a different authorized denomination, together with a written request for an exchange, at the office or agency of the registrar designated for such purpose in the City of New York or Luxembourg. In addition, the noteholder of any physical Note may transfer such physical Note, in whole or in part, by surrendering it at any such office or agency together with an executed instrument of assignment. Each new physical Note issued in connection with a transfer of one or more physical Notes will be available for delivery from the registrar and the Luxembourg transfer agent within five Luxembourg business days after receipt by the registrar and the Luxembourg transfer agent of the relevant original physical Note or physical Notes and the relevant executed instrument of assignment. Transfers of the physical Notes will be effected without charge by or on behalf of the Issuer, the registrar or the Luxembourg transfer agent, but only upon payment (or the giving of such indemnity as the registrar or such transfer agent may require in respect) of any tax or other governmental charges which may be imposed in relation thereto.

The Issuer will not charge the noteholders of Notes for the costs and expenses associated with the exchange, transfer or registration of transfer of the Notes. The Issuer may, however, charge the noteholders of Notes for any tax or other governmental charges incurred in connection with such exchange, transfer or registration. The Issuer may reject any request for an exchange or registration of transfer of any Note (i) made within 15 calendar days of the mailing of a notice of redemption of Notes or (ii) made between any regular record date and the next interest payment date.

No Registration Rights

The Issuer will not file a shelf registration statement for the resale of the Notes. As a result, you may only resell your Notes pursuant to an exemption from the registration requirements of the Securities Act. Under Rule 144 as currently in effect, a person who acquired Notes from the Issuer or one of its affiliates and has beneficially owned Notes for at least one year is entitled to sell its Notes; provided that such person is not deemed to have been one of the Issuer’s affiliates at the time of, or at any time during three months preceding, the sale. However, a person who acquires Notes from the Issuer or one of its affiliates and has beneficially owned Notes for at least six months is entitled to sell their Notes; provided that (1) such person is not deemed to have been one of the Issuer’s affiliates at the time of, or at any time during three months preceding, the sale and (2) the Issuer has filed all required reports under Section 13 or 15(d) of the Exchange Act, as applicable, during the twelve months preceding such sale. If the Issuer is not current in its Exchange Act reports, persons who acquire Notes from the Issuer or one of its affiliates could be required to hold their Notes for up to one year following such acquisition, unless another exemption from registration is available for the offer and sale of such Notes. If the Issuer is not current in its Exchange Act reports, a person who is one of the Issuer’s affiliates and who owns Notes could be required to hold their securities indefinitely, unless another exemption from registration is available for the offer and sale of such Notes. In any event, the removal of any restrictive legend from the Notes will only occur upon an authorization from the Issuer to the relevant transfer agent.

NOTICE TO INVESTORS

The Notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or the benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (a) to qualified institutional buyers ("QIBs") in compliance with Rule 144A under the Securities Act and (b) to persons other than U.S. persons ("non-U.S. Persons") in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act. As used in this offering memorandum, the terms "offshore transaction," "United States" and "U.S. Person" have the meaning given to them in Regulation S.

Each purchaser of Notes will be deemed to have acknowledged, represented to and agreed with the Issuer, the Guarantor and the initial purchasers as follows:

(a) it is not an "affiliate" of the Issuer within the meaning of Rule 144 under the Securities Act or acting on behalf of the Issuer and it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is either:

- a QIB and is aware that the sale to it is being made in reliance on Rule 144A; or
- a non-U.S. person purchasing Notes in an offshore transaction in compliance with Regulation S.

(b) it acknowledges that the Notes have not been and will not be registered under the Securities Act and that they may not be offered or sold except as set forth below;

(c) in the case of a purchaser under Rule 144A, it shall not resell or otherwise transfer any of the Notes within one year after the original issuance of the Notes except:

  (1) to the Issuer;

  (2) to a QIB in compliance with Rule 144A;

  (3) in offshore transactions in compliance with Regulation S under the Securities Act;

  (4) pursuant to an exemption from registration under the Securities Act (if available); or

  (5) pursuant to an effective registration statement under the Securities Act.

(d) (i) no assets of an employee benefit plan subject to Title I of the US Employee Retirement Income Security Act of 1974, as amended ("ERISA"), a plan subject to Section 4975 of the US Internal Revenue Code of 1986, as amended (the "Code") or a non-US, governmental or church plan have been used to acquire the Notes or an interest therein or (ii) the purchase and holding of such Notes or an interest therein by such person do not constitute a non-exempt prohibited transaction under ERISA or the Code or violation of any non-US, state, local or other federal laws or regulations that are substantially similar to Section 406 of ERISA or Section 4975 of the Code;

(e) in the case of a purchaser under Regulation S, it acknowledges that until 40 days after the later of the commencement of the offering and the closing of the offering, any transfers of beneficial interests in the Regulation S global Notes may be made to a person who takes delivery in the form of an interest in the restricted global note only in compliance with the requirements described under "Description of the Notes—Global Notes;"

(f) each purchaser of the Notes understands that its Notes will bear a legend substantially to the following effect, unless the Issuer determines otherwise in compliance with applicable law:

Each purchaser of the Notes also agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of the Notes.

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, THE SECURITIES ACT, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND IN ACCORDANCE WITH THE TRANSFER RESTRICTIONS CONTAINED IN THE INDENTURE UNDER WHICH THIS NOTE WAS ISSUED. EACH PURCHASER OF ANY OF THE NOTES EVIDENCED HEREBY IS NOTIFIED THAT THE SELLER OF ANY OF THESE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

THESE NOTES AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON RESALES AND OTHER TRANSFERS OF THESE NOTES TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THESE NOTES SHALL BE DEEMED BY THE ACCEPTANCE HEREOF TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

(g) it acknowledges that the trustee will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the trustee that the restrictions set forth herein have been complied with;

(h) it acknowledges that we, the initial purchasers, the affiliates of the initial purchasers and others will rely upon the truth and accuracy of the foregoing representations and agreements and agrees that if any of the representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify us and the initial purchasers. If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, such purchaser of Notes represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing representations and agreements on behalf of each account;

(i) it acknowledges that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to registered holders of the Notes; and

(j) it acknowledges that until 40 days after the later of the commencement of the offering and the closing of the offering, any offer or sale of the Notes within the United States by a broker/dealer (whether or not participating in the offering) not made in compliance with Rule 144A may violate the registration requirements of the Securities Act.

TAXATION

The following discussion summarizes certain Cayman Islands, Brazilian, U.S. federal income and European Union tax considerations that may be relevant to you if you invest in the notes. Unless otherwise indicated, all information contained in this Section is based on laws, regulations, rulings and decisions now in effect in the Cayman Islands, Brazil and the United States, and a directive of the European Union, in each case which may change. Any changes could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the tax consequences of purchasing, holding and disposing of the notes (and receipt of interest and sale or redemption of the notes), including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Cayman Islands Taxation

The Issuer received from the Governor in Cabinet of the Cayman Islands an undertaking pursuant to the Tax Concessions Law (as amended) of the Cayman Islands dated December 15, 2009 to the effect that, for a period of 20 years (from the date of such undertaking), no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Issuer or its operations and no such tax or tax in the nature of estate duty or inheritance tax shall be payable on the shares, debentures or other obligations of the Issuer.

The Issuer has been advised that, under existing Cayman Islands laws:

1. Payments in respect of the Notes and Guaranty will not be subject to taxation in the Cayman Islands and no withholding will be required on such payments to any holder of the notes and gains derived from sale of the notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently has no income tax or taxation in the nature of a withholding tax, corporate or capital tax and no estate duty, inheritance tax or gift tax; and

2. No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of the Notes. There is no applicable tax treaty between the United States and Cayman Islands

However, holders whose Notes are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of the Notes and an instrument transferring title to a security which is in registered form would, if brought into or executed in the Cayman Islands, be subject to Cayman Islands stamp duty. Cayman Islands stamp duty of a nominal amount would also be payable in the event that documentation relating to the Guaranty were brought into or executed in the Cayman Islands.

Brazilian Taxation

The following discussion is a general description of certain Brazilian tax aspects of the notes, which does not purport to be a comprehensive description thereof, and does not address all of the Brazilian tax considerations relating to the acquisition, ownership and disposition of the notes applicable to any particular individual, entity, trust or organization that is not resident or domiciled in Brazil for purposes of Brazilian taxation ("Non-Resident Holder"). Therefore, each Non-Resident Holder should consult his/her/its own tax advisor concerning the Brazilian tax consequences in respect of the notes.

Investors should note that, as to the discussion below, other income tax rate or treatment may be provided for in any applicable tax treaty between Brazil and the country where the Non-Resident Holder is domiciled. Investors should also note that there is no tax treaty between Brazil and the United States.

Payments on the Notes made by the Issuer and Gains on the Notes

Generally, a Non-Resident Holder is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposition of assets located in Brazil.

Therefore, as the Issuer will be considered, for tax purposes, as domiciled abroad, any income (including interest and original issue discount, if any) paid by it in respect of the notes issued in favor of Non-Resident Holders is not subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with funds held by such entity outside of Brazil.

Capital gains generated outside Brazil as a result of a transaction between two non-residents of Brazil with assets located in Brazil are subject to income tax in Brazil, according to Article 26 of Law No. 10,833, enacted on December 29, 2003. Based on the fact that the notes are issued and registered abroad and, thus, will not fall within the definition of assets located in Brazil for purposes of Law No. 10,833, gains on the sale or the disposition of the notes made outside Brazil by a Non-Resident Holder to another are not subject to Brazilian taxes. Notwithstanding, considering the general and unclear scope of this legislation and the absence of judicial guidance in respect thereof, we cannot assure prospective investors that such interpretation of this law will prevail in the courts of Brazil. If the income tax is deemed to be due or even if the disposition is made to a resident in Brazil, the gains may be subject to income tax in Brazil at a rate of 15%, or 25% if such Non-Resident Holder is located in a tax haven jurisdiction (i.e., countries which do not impose any income tax or which impose it at a maximum rate lower than 20% or where the laws impose restrictions on the disclosure of ownership composition or securities ownership (“Tax Haven Jurisdiction”)).

On June 23, 2008, Law No. 11,727 introduced a broader concept of Tax Haven Jurisdiction in connection with transactions subject to Brazilian transfer pricing rules, and also applicable to thin capitalization rules/cross border interest deductibility rules, with the creation of the preferential or privileged tax regime concept (which came into effect on January 1, 2009). Pursuant to Law No. 11,727, a privileged tax regime is a tax regime that: (1) does not tax income or taxes it at a maximum rate lower than 20.0%; (2) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or in the territory or (b) conditioned upon the non-exercise of a substantial economic activity in the country or in the territory; (3) does not tax or taxes foreign sourced income at a maximum rate lower than 20.0%; or (4) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out.

In addition, on June 7, 2010, the Brazilian tax authorities enacted Ordinance No. 1,037, as amended, listing (i) the countries and jurisdictions considered Tax Haven Jurisdictions, and (ii) the privileged tax regimes. Nevertheless, it is still not clear whether this “privileged tax regime” concept will also be applied to interest and payments made to Non-Resident Holders in respect of the Notes.

However, if the Brazilian tax authorities determine that interest payments on the Notes will be made to a recipient that will benefit from a “privileged tax regime”, such payments could be subject to the Brazilian withholding income tax at a rate of 25%. Potential investors should consult with their own tax advisors regarding the consequences of the implementation of Law No. 11,727, Ordinance No. 1,037 and any relevant Brazilian tax law or regulation concerning Tax Haven Jurisdiction and “privileged tax regime.”

Payments on the Notes Made by CSN as Guarantor

In case CSN is required to make any payment under the notes (including the principal amount of or interest on the notes) to the Non-Resident Holder, the Brazilian tax authorities could try to impose withholding income tax at a rate of up to 25% (depending on the nature of the payment and the location of the Non-Resident Holder).

In addition to withholding income tax, the Guarantor would be required to pay such additional amounts as may be necessary to ensure that the net amounts receivable by the Non-Resident Holder after withholding for taxes will equal the amounts that would have been payable in the absence of such withholding. Brazilian law imposes a Tax on Foreign Exchange Transactions (*Imposto sobre Operações de Crédito, Câmbio e Seguro, ou relativas a Títulos e Valores Mobiliários*), or IOF/Exchange, due on the conversion of reais into foreign currency and on the conversion of foreign currency into reais. Currently, the IOF/Exchange rate for almost all foreign currency exchange transactions is 0.38%, including foreign exchange transactions in connection with payments under the guarantee by CSN to Non-Resident Holders. The Brazilian government is permitted to increase this rate at any time up to 25.0%. Any such increase in rates may only apply to future foreign exchange transactions.

Stamp, Transfer and Other Similar Taxes

Generally, there are no stamp, transfer or other similar taxes in Brazil applicable to the transfer, assignment or sale of the notes outside Brazil, nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed in some states of Brazil on gifts and bequests by the Non-Resident Holder to individuals or entities domiciled or residing within such Brazilian states.

THE ABOVE DESCRIPTION IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL BRAZILIAN TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF NOTES. PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS OFFERING MEMORANDUM AND RELATED MATERIALS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY YOU, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON YOU UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED; (B) ANY SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING BY US OF THE MATTERS DESCRIBED HEREIN; AND (C) YOU SHOULD SEEK ADVICE BASED ON YOUR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following summary sets forth certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), final and proposed Treasury regulations promulgated thereunder, judicial interpretations and administrative pronouncements, all as of the date of this offering memorandum, and all of which are subject to change, possibly with retroactive effect, and different interpretations.

This summary does not purport to discuss all aspects of U.S. federal income taxation which may be relevant to the particular circumstances of investors, and does not apply to investors subject to special tax rules, such as financial institutions, insurance companies, dealers in securities or currencies, traders in securities or currencies electing to mark their positions to market, regulated investment companies, real estate investment trusts, U.S. expatriates, tax-exempt organizations, persons subject to the alternative minimum tax, persons holding Notes as part of a position in a "straddle" or as part of a hedging transaction, constructive sale or conversion transaction for U.S. tax purposes, investors whose functional currency is not the U.S. dollar, partnerships (or other entities treated as partnerships for U.S. federal income tax purposes) or persons who own, directly or indirectly, 10 percent or more of the Issuer's voting power. In addition, this summary does not discuss any foreign, state or local tax considerations, or any aspect of U.S. federal tax law other than U.S. federal income taxation (such as the estate tax or gift tax). This summary only applies to holders that purchase Notes at their initial issuance for an amount of cash equal to their issue price and that hold the Notes as "capital assets" (generally, property held for investment) within the meaning of the Code. Prospective investors should consult their own tax advisors regarding the U.S. federal, state and local, as well as foreign income and other, tax considerations of investing in the Notes.

For purposes of this discussion, a U.S. Holder is any beneficial owner of the Notes that is (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if (a) a U.S. court is able to exercise primary supervision over administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust or (b) the trust has a valid election in effect under applicable Treasury regulations to be taxed as a U.S. person. A "Non-U.S. Holder" is any beneficial owner of the Notes that is not a U.S. Holder or a partnership.

If a partnership (or an entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A prospective investor who is a partner of a partnership holding the Notes should consult its own tax advisor.

The U.S. federal tax discussion set forth above is included for general information purposes only and may not be applicable depending on a holder's particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the Notes, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in federal and other tax laws.

U.S. Federal Income Tax Characterization of the Notes

For U.S. federal income tax purposes, one of the primary characteristics used to distinguish the treatment of an instrument as debt from an instrument as equity is whether the instrument, according to its terms, involves an unconditional promise to pay a fixed sum certain on a particular date in the future. We believe that the Notes, due to their perpetual term, are likely to be treated as equity of the Issuer for U.S. federal income tax purposes and the following discussion assumes such treatment. However, no assurance can be given that the U.S. Internal Revenue Service (the "IRS") will not assert that the Notes should be treated as indebtedness or in some other manner for U.S. federal income tax purposes. If the Notes were not treated as equity for U.S. federal income tax purposes, the timing, amount and character of income, gain and loss recognized by a holder could differ in material respects from the consequences discussed below. U.S. Holders should consult their own tax advisors regarding the treatment of the Notes as indebtedness.

U.S. Holders

Payments of Interest

Subject to the passive foreign investment company ("PFIC") rules discussed below, U.S. Holders will include in gross income the gross amount of any payment under the Notes that is referred to thereunder as "interest," including any additional amounts, as dividend income to the extent of our current or accumulated earnings and profits (as determined under U.S. federal income tax purposes) when the payment is actually or constructively received by the U.S. Holder. Distributions in excess of current and accumulated earnings and profits will be treated as a return of capital to the extent of the U.S. Holder's adjusted tax basis in the Notes and thereafter as capital gain. We do not intend to maintain calculations of the Issuer's earnings and profits under U.S. federal income tax principles and, unless and until such calculations are made, U.S. Holders should assume all payments are made out of earnings and profits and constitute dividend income. All references to "dividends," "dividend income," or "distributions" below refer to amounts payable under the Notes as "interest" (including additional amounts).

Dividend income with respect to the Notes will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The dividend income will not also not be eligible for the reduced rates of taxation currently allowed for "qualified dividend income."

Dividends received by U.S. Holders will generally constitute foreign source “passive category income” for foreign tax credit purposes. Subject to limitations under U.S. federal income tax law concerning credits or deductions for foreign income taxes and certain exceptions for short-term and hedged positions, any Brazilian income tax withheld from dividends paid by the Issuer would be treated as a foreign income tax eligible for credit against a U.S. Holder’s U.S. federal income tax liability (or at a U.S. Holder’s election, may be deducted in computing taxable income if the U.S. Holder has elected to deduct all foreign income taxes paid or accrued for the relevant taxable year). The rules governing foreign tax credits are complex and U.S. Holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Taxation of Capital Gains

Subject to the PFIC rules discussed below, upon a sale, redemption or other taxable disposition of the Notes, a U.S. Holder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized (before deduction of any Brazilian tax) and the U.S. Holder’s adjusted tax basis (determined in U.S. dollars) in the Notes. A U.S. Holder’s initial tax basis in a Note will generally be such holder’s cost for the Note. Generally, the U.S. Holder’s gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the property is held for more than one year. Long-term capital gain of a non-corporate U.S. Holder is generally taxed at preferential rates. The deductibility of capital losses is subject to limitations.

If a Brazilian income tax is withheld on the sale, exchange or other taxable disposition of the Notes, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale, redemption or other taxable disposition before deduction of the Brazilian tax. Capital gain or loss, if any, realized by a U.S. Holder on the sale, redemption or other taxable disposition of the Notes generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of a gain from the disposition of the Notes that is subject to Brazilian income tax (see “Taxation — Brazilian Taxation”), the U.S. Holder may not be able to benefit from the foreign tax credit for that Brazilian income tax (i.e., because the gain from the disposition would be U.S. source income), unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. Alternatively, the U.S. Holder may take a deduction for the Brazilian income tax if it does not elect to claim a foreign income tax credit for any foreign taxes paid or accrued during the taxable year.

Passive Foreign Investment Company Rules

In general, the Issuer will be a PFIC with respect to a U.S. Holder if, for any taxable year in which the U.S. Holder held the Notes, either (i) at least 75% of our gross income for the taxable year is passive income or (ii) at least 50% of the value (determined on the basis of a quarterly average) of the Issuer’s assets is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income generally includes, among other things, dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation’s income. In the case of interest, dividends, rent or royalties received from a related party, the character of that income will be an item of active income to the extent such payment can be properly allocated to income of the related party which is not passive income.

The Issuer is a special purpose company whose activities will be limited to providing financing for the activities of related affiliates. Thus, the determination of whether or not the Issuer is a PFIC will depend on the terms of the inter-company financing arrangements, and the nature of the income and operations of the related companies that obtain financing from the Issuer. We intend to structure the Issuer’s inter-company financing arrangements and to use commercially reasonable efforts to manage and conduct our affairs so as to cause the Issuer not to be classified as a PFIC for the current and foreseeable future taxable years. However, the Issuer’s business plans may change, which may affect the PFIC determination in future years.

If the Issuer is treated as a PFIC, a U.S. Holder that did not make a "mark-to-market election" or "QEF election," each as described below, would be subject to special rules with respect to (a) any gain realized on the sale or other disposition of the Notes and (b) any "excess distribution" by the Issuer to the U.S. Holder (generally, any distributions to the U.S. Holder in respect of the Notes during a single taxable year that are greater than 125% of the average annual distributions received by the U.S. Holder with respect to the Notes during the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the Notes). Under these rules, (i) the gain or excess distribution would be allocated ratably over the U.S. Holder's holding period for the Notes, (ii) the amount allocated to the taxable year in which the gain or excess distribution was realized would be taxable as ordinary income, (iii) the amount allocated to each prior year, with certain exceptions, would be subject to tax at the highest tax rate in effect for that year and (iv) the interest charge generally applicable to underpayments of tax would be imposed in respect of the tax attributable to each such prior year.

The special PFIC tax rules described above will not apply to a U.S. Holder if the U.S. Holder makes an election (i) to "mark-to-market" with respect to the Notes (a "mark-to-market election") or (ii) to have the Issuer treated as a "qualified electing fund" (a "QEF election"). We do not expect to provide the information a U.S. Holder would need to make a QEF election. We also cannot assure you that the Notes will be traded on an established market as required to be eligible for the mark-to-market election. Prospective investors are urged to consult their own tax advisors regarding the availability and advisability of making a QEF or a mark-to-market election.

Special rules apply with respect to the calculation of the amount of the foreign tax credit with respect to excess distributions by a PFIC or, in certain cases, QEF inclusions. Additionally, a U.S. Holder who owns the Notes during any year that the Issuer is a PFIC must file IRS Form 8621.

U.S. Holders should also be aware that recently enacted legislation would impose an additional annual filing requirement for U.S. persons owning equity of a PFIC. The legislation does not describe what information would be required to be included in the additional annual filing, but grants the Secretary of the U.S. Treasury Department power to prescribe this information through regulations. As of the date of this offering memorandum, such Treasury regulations have not yet been promulgated. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to the Notes, the availability and advisability of making an election to avoid the adverse tax consequences of the PFIC rules should we be considered a PFIC for any taxable year and the application of the recently enacted legislation to their particular situation.

New Legislation Related to Surtax on Unearned Income

For taxable years beginning after December 31, 2012, newly enacted legislation is scheduled to impose a 3.8% tax on the "net investment income" of certain U.S. Holders who are citizens and resident aliens, and on the undistributed "net investment income" of certain U.S. estates and trusts. Among other items, "net investment income" generally would include gross income from dividends on the Notes and net gain from the sale, exchange, retirement or other taxable disposition of the Notes, less certain deductions.

Non-U.S. Holders

Dividends paid to a Non-U.S. Holder in respect of the Notes generally will not be subject to U.S. federal income or withholding tax unless those dividends are effectively connected with the conduct of a trade or business within the United States by the Non-U.S. Holder.

A Non-U.S. Holder generally will not be subject to U.S. federal income tax in respect of gain recognized on a sale, exchange or other taxable disposition of the Notes unless:

- the gain is effectively connected with a trade or business of the Non-U.S. Holder in the United States; or
- in the case of a Non-U.S. Holder who is an individual, that Non-U.S. Holder is present in the United States for 183 or more days in the taxable year of the sale and certain other conditions apply.

Backup Withholding and Information Reporting

In general, payments under the Notes are subject to information reporting and payments of the proceeds of a sale, redemption or other taxable disposition of the Notes, paid within the United States or through certain U.S. connected financial intermediaries to a U.S. Holder may be subject to information reporting unless such holder is an exempt recipient. Backup withholding may apply to such payments unless the holder (i) establishes that it is an exempt recipient or (ii) provides an accurate taxpayer identification number and certifies that it is a U.S. person and that no loss of exemption from backup withholding has occurred.

Backup withholding is not an additional tax. The amount of any backup withholding tax from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability, if any, and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

A Non-U.S. Holder generally will be exempt from the information reporting requirements and backup withholding, but may be required to comply with certain certification and identification procedures in order to establish its eligibility for such exemption.

Recently enacted legislation requires certain U.S. Holders to report information with respect to their investment in certain "foreign financial assets," which would include an investment in the Notes, not held through a custodial account with a U.S. financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in the Notes.

European Union Tax Considerations

Under Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), each Member State of the EU is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual beneficial owner resident in, or certain limited types of entity established in, that other Member State. However, for a transitional period, Austria and Luxembourg will (unless during such period such Member States elect otherwise) instead operate a withholding system in relation to such payments. Under such a withholding system, tax will be deducted unless, with respect to Luxembourg, the recipient of the payment elects instead for an exchange of information procedure or provides a tax residence certificate in the form prescribed by the Savings Directive to the person making the payment or, in the case of Austria, the recipient of the payment instead provides such tax residence certificate to the person making the payment. The current rate of withholding is 20% and it will be increased to 35% with effect from July 1, 2011.

The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income. A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted or agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to an individual beneficial owner resident in, or certain limited types of entity established in, a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those countries and territories in relation to payments made by a person in a Member State to an individual beneficial owner resident in, or certain limited types of entity established in, one of those countries or territories.

A proposal for amendments to the Savings Directive has been published, including a number of suggested changes, which, if implemented, would broaden the scope of the rules described above. Investors who are in any doubt as to their position should consult their professional advisers.

CERTAIN ERISA CONSIDERATIONS

General

ERISA, imposes certain requirements on employee benefit plans subject to Title I of ERISA and on entities that are deemed to hold the assets of such plans ("*ERISA Plans*"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the plan.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended (the "*Code*"), prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "*Plans*")) and certain persons (referred to as "*parties in interest*" or "*disqualified persons*") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

Any Plan fiduciary which proposes to cause a Plan to purchase and hold the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase and holding will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA or the Code.

Non-US plans, governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non-US, state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("*Similar Law*"). Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such law or regulations.

Prohibited Transaction Exemptions

The fiduciary of a Plan that proposes to purchase and hold any Notes should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, the Issuer, the Guarantor, the initial purchasers or any of their respective affiliates. Depending on the satisfaction of certain conditions which may include the identity of the Plan fiduciary making the decision to acquire or hold the Notes on behalf of a Plan, Section 408(b)(17) of ERISA or Prohibited Transaction Class Exemption ("*PTCE*") 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively, the "*Class Exemptions*") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

By its purchase of any Note, the purchaser thereof will be deemed to have represented and warranted either:

(i) no assets of a Plan or non-US, governmental or church plan have been used to acquire the Notes or an interest therein or (ii) the purchase and holding of such Notes or an interest therein by such person do not constitute a non-exempt prohibited transaction under ERISA or the Code or violation of Similar Law.

The foregoing is a summary of certain considerations associated with the purchase and holding of the Notes or an interest therein by Plans and is designed only to provide a general overview of the basic issues. Each Plan fiduciary (and each fiduciary for non-US, governmental or church plans subject to Similar Law) should consult with its legal advisor concerning the potential consequences to the plan under ERISA, the Code or such Similar Laws of an investment in the Notes.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement dated September 16, 2010 (the "Purchase Agreement") among the Issuer, CSN, Banc of America Securities LLC, Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc. and Morgan Stanley & Co. Incorporated, as initial purchasers, relating to the Notes, the initial purchasers have severally and not jointly agreed to purchase from the Issuer the following respective principal amounts of Notes listed opposite their name below at the initial offering price set forth on the cover page of this offering memorandum less discounts and commissions:

Initial Purchasers	Principal Amount
Banc of America Securities LLC	US$250,000,000
Credit Suisse Securities (USA) LLC	US$250,000,000
Deutsche Bank Securities Inc.	US$250,000,000
Morgan Stanley & Co. Incorporated	US$250,000,000
Total	**US$1,000,000,000**

The Purchase Agreement provides that the obligations of the initial purchasers to purchase the Notes are subject to the approval of certain legal matters by counsel and certain other conditions. The initial purchasers are obligated to take and pay for all the Notes, if any are taken. If an initial purchaser defaults, the Purchase Agreement provides that, if arrangements satisfactory to the Issuer for the purchase of the Notes are not made within 36 hours after such default, the purchase agreement may be terminated.

The initial purchasers propose to resell the Notes at the offering price set forth on the cover page within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Notice to Investors." The price at which the Notes are offered may be changed at any time without notice.

The initial purchasers and/or their affiliates may enter into derivative and/or structured transactions with clients, at their request, in connection with the Notes and the initial purchasers and/or their affiliates may also purchase some of the Notes to hedge their risk exposure in connection with such transactions. Also, the initial purchasers and/or their affiliates may acquire for their own proprietary account the Notes. Such acquisitions may have an effect on demand and price of the offering.

The initial purchasers and their affiliates currently engage in other banking and financing transactions with CSN and may in the future from time to time in the ordinary course of business act as financial advisors or lenders to the Issuer and CSN.

Each purchaser of Notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors."

CSN has agreed that it will not, without the prior written consent of the initial purchasers, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, (A) for a period of four weeks following the closing date of this offering, any dated debt securities offered or guaranteed by it and (B) for a period of three months following the closing date of this offering, any undated debt securities offered or guaranteed by it.

The initial purchasers have agreed in the Purchase Agreement that (A) they have not offered or sold, and will not offer or sell any Notes except (i) to persons they reasonably believe to be QIBs in accordance with Rule 144A under the Securities Act and (ii) to non-U.S. Persons in offshore transactions in accordance with Regulation S under the Securities Act; and (B) except as permitted under Rule 144A under the Securities Act, they will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the closing date of this offering, within the United States or to, or for the account or benefit of, U.S. persons, and they will have sent to each distributor, dealer or person to which they sell the Notes other than a sale pursuant to Rule 144A during such 40 day period, a confirmation or other notice detailing the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption under the Securities Act.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), an offer to the public of any Notes which are the subject of the offering contemplated by this offering memorandum (the "Securities") may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the initial purchasers; or

d) in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Securities shall require the Issuer, the Guarantor or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

This EEA selling restriction is in addition to any other selling restrictions set out in this offering memorandum.

The initial purchasers have represented, warranted and agreed that:

a) they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("FSMA")) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA or in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

b) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each initial purchaser has further represented and agreed that:

a. it has not offered or sold, and will not offer or sell, any Notes in Brazil, except in circumstances which do not constitute a public offering or distribution under Brazilian laws and regulations. The Notes have not been and will not be registered with the CVM. Any public offering or distribution of the Notes in Brazil is not legal without prior registration with the CVM. Trading of the Notes in private transactions is not subject to registration with the CVM to the extent that such trading does not qualify as a public offering or distribution under Brazilian laws and regulations. Persons wishing to offer or acquire Notes in Brazil should consult their own counsel as to the applicability of the registration requirement or any exemption therefrom;

b. neither the Notes, nor this offering memorandum nor any other material relating to the Notes will be offered, sold, distributed or otherwise made available in the Grand-Duchy of Luxembourg other than in compliance with the law of July 10, 2005 on prospectuses for securities;

c. it has not (i) offered or sold, and will not offer or sell, in Hong Kong, by means of any document, the Notes other than (a) to "professional investors'' as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a "prospectus'' as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance or (ii) issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors,'' as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice;

d. this offering memorandum or any other offering material relating to the Notes has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered in Singapore pursuant to exemptions under Section 274 and Section 275 of the Securities and Futures Act, Chapter 289, of Singapore (the "Securities and Futures Act''). Accordingly, the Notes may not be offered or sold, or be the subject of an invitation for subscription or purchase, nor may this offering circular or any other offering material relating to the Notes be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, (b) to a sophisticated investor and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act; and

e. this offering memorandum is not intended to constitute an offer, sale or delivery of Notes under the laws of the United Arab Emirates, or UAE. The Notes have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other UAE exchange. This offer and the Notes have not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities in the UAE, and do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise. This offering memorandum is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Notes may not be offered or sold directly or indirectly to the public in the UAE.

f. it has not, on behalf of the Issuer, made any invitation to the public in the Cayman Islands to subscribe for notes.

No action has been or will be taken in any jurisdiction by CSN or the initial purchasers that would, or are intended to, permit a public offering of the Notes, or possession or distribution of this offering memorandum or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this offering memorandum comes are required by CSN and the initial purchasers to comply with all applicable laws and regulations of each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this offering memorandum or any other offering material relating to the Notes, in all cases at their own expense.

Delivery of the Notes is expected to be made in book-entry form against payment therefor on or about September 23, 2010, which will be the fifth business day following the date of pricing of the Notes (such settlement cycle being herein referred to as "T+5"). Purchasers of the Notes should note that trading of the Notes on the date of pricing of the Notes and the next succeeding three business days may be affected by the T+5 settlement.

The Purchase Agreement provides that the Issuer and CSN will, jointly and severally, indemnify the initial purchasers and their controlling persons against certain liabilities, including liabilities under the U.S. federal securities laws, and will contribute to payments the initial purchasers may be required to make in respect thereof.

LUXEMBOURG LISTING INFORMATION

Admission to Trading and Listing

Application will be made for the Notes to be admitted to trading on the Euro MTF and to listing on the official list of the Luxembourg Stock Exchange, in accordance with the rules and regulations of such exchange.

Luxembourg Listing Information

For so long as the Notes are admitted to trading on the Euro MTF and listing on the official list of the Luxembourg Stock Exchange and the rules and regulations of that exchange require, copies of the following documents may be inspected and obtained at the specified office of the paying agent in Luxembourg during normal business hours on any weekday:

- the memorandum and articles of incorporation of the Issuer;
- the financial statements included in this offering memorandum;
- any annual and interim financial statements or accounts of the Issuer and the Company, to the extent available;
- the Indenture governing the Notes;
- the purchase agreement relating to the Notes; and
- the incorporation documents of the Issuer and the Company.

We have appointed The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg paying agent, transfer agent and listing agent, The Bank of New York Mellon, as trustee, principal paying agent and transfer agent, to make payments on, and transfers of, the Notes. We reserve the right to vary such appointments in accordance with the terms of the Indenture governing the Notes.

The Issuer and the Company each accept responsibility for the information contained in this offering memorandum. To our best knowledge, except as otherwise noted, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum. This offering memorandum may only be used for the purposes for which it has been published.

LEGAL MATTERS

The validity of the issuance of the Notes and certain matters in connection with the laws of the Cayman Islands will be passed upon by Walkers, attorneys at law, Cayman Islands counsel for the Issuer. The validity of the Notes and Guaranty will be passed upon by Milbank, Tweed, Hadley & McCloy LLP, New York, New York, counsel to the Issuer and the Guarantor with respect to matters of United States law. The validity of the issuance of the Guaranty and certain matters in connection with Brazilian law will be passed upon for the Company by its internal counsel, and for the initial purchasers by Pinheiro Guimarães – Advogados, São Paulo, Brazil, counsel to the initial purchasers with respect to matters of Brazilian law. Certain legal matters will be passed upon for the initial purchasers by Proskauer Rose LLP, New York, New York, counsel to the initial purchasers with respect to matters of United States law.

INDEPENDENT ACCOUNTANTS

The U.S. GAAP consolidated financial statements of CSN as of December 31, 2009 and 2008, and for each of the years in the three-year period ended December 31, 2009, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2009, appearing in CSN's Form 20-F for the year ended December 31, 2009, incorporated by reference to this offering memorandum, have been audited by KPMG Auditores Independentes, or KPMG, independent registered public accounting firm, as stated in their separate reports appearing in CSN's Form 20-F for the year ended December 31, 2009 which has been incorporated by reference to this offering memorandum.

Further, the Brazilian GAAP consolidated financial statements of CSN as of December 31, 2009 and 2008, and for each of the years in the two-year period ended December 31, 2009, included in this offering memorandum, have been audited by KPMG, independent accountants, as stated in their report appearing herein. The independent accountants' report covering the December 31, 2009 Brazilian GAAP consolidated annual financial statements includes an emphasis of a matter paragraph stating that the Company has been negotiating with insurance and reinsurance companies in Brazil and abroad in order to obtain insurance coverage for property damage and business interruption in certain of its sites.

In addition, the Brazilian GAAP consolidated financial statements of CSN as of December 31, 2008 and 2007, and for each of the years in the two-year period ended December 31, 2008, included in this offering memorandum, have been audited by KPMG, independent accountants, as stated in their reports appearing herein. The independent accountants' report covering the December 31, 2008 Brazilian GAAP consolidated annual financial statements includes emphasis of a matter paragraphs stating that: (i) the December 31, 2007 financial statements were prepared in accordance with existing accounting rules in Brazil until December 31, 2007 and were not restated for comparative purposes as a result of changes in Brazilian accounting rules; and (ii) the Company is negotiating insurance coverage for its operational risks with insurance and reinsurance companies in Brazil and abroad.

With respect to the Brazilian GAAP unaudited interim consolidated financial information of CSN for the six-month period ended June 30, 2010, included herein, KPMG, independent accountants, have reported that they applied limited procedures in accordance with professional standards for a review of such information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. KPMG's review report, included herein, covering the June 30, 2010 interim consolidated financial information contains emphasis paragraphs stating that (i) the Company has been negotiating with insurance and reinsurance companies in Brazil and abroad, in order to obtain insurance coverage for property damages and business interruption in certain of its sites; and (ii) during 2009, the CVM has approved several accounting pronouncements, interpretations and guidance issued by CPC and effective in 2010, with retroactive application for 2009 for comparative purposes, which alter the accounting practice adopted in Brazil. As allowed by CVM through Deliberation 603/09, management has presented its interim financial information as of and for the six-month period ended June 30, 2010 in accordance with accounting practices adopted in Brazil during fiscal year 2009.

GENERAL INFORMATION

1. The Unrestricted Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN, CUSIP and Common Code numbers for the Unrestricted Global Note are USG2585XAA75, G2585XAA7 and 054409664, respectively. The Notes have been accepted for clearance through DTC. The ISIN and CUSIP for the Restricted Global Note are US12644XAA28 and 12644XAA2, respectively.

2. The creation and issue of the Notes was authorized by the directors of the Issuer on September 16, 2010, who also granted any director of the Issuer the authority to bind the Issuer on all matters in respect of the issue of the Notes. The execution of the Guaranty was authorized by the Board of Directors of the Company on September 9 and 16, 2010.

3. Except as disclosed herein, there are no pending actions, suits or proceedings against or affecting the Company, any of the Company's Subsidiaries, including the Issuer, or any of their respective properties, which, if determined adversely to the Company or any such Subsidiary could individually or in the aggregate have an adverse effect on the financial condition of the Company and its Subsidiaries taken as a whole or would adversely affect the ability of the Issuer to perform its obligations under the Notes or the Company's obligations under the Guaranty, or which are otherwise material in context of the issue of the Notes, and, to the best of the Company's knowledge, no such actions, suits or proceeding are threatened.

4. Except as disclosed herein, since June 30, 2010, there has been no change (or any development or event involving a prospective change of which the Company is or might reasonably be expected to be aware), which is materially adverse to the financial condition of the Company and its Subsidiaries as a whole.

5. Except as disclosed herein, since December 7, 2009, its date of incorporation, there has been no change (or any development or event involving a prospective change of which the Issuer is or might reasonably be expected to be aware), which is materially adverse to the financial condition of the Issuer.

6. For so long as any of the Notes are outstanding, copies of the Indenture and the form of Transfer Certificates may be inspected during normal business hours at the specified office of each Agent, including at the offices of the listing agent in Luxembourg. The Issuer does not produce or publish financial information. Any present and future annual and interim reports of the Company or the Issuer to the extent published will be available free of charge during normal business hours at the specified office of each Agent, including at the offices of the listing agent in Luxembourg.

7. In connection with the application for the Notes to be listed on the Luxembourg Stock Exchange, copies of the constitutive documents of the Issuer and a translation of the Estatuto Social of the Company have been deposited with the Luxembourg Listing Agent, where they may be inspected and copies obtained upon request.

8. The corporate purpose of CSN, as described in Article 2 of our Estatuto Social includes the production and transformation of, and commerce relating to, steel products and the establishment or operation of such other activities in furtherance of the foregoing.

9. The Company's capital stock is comprised of 1,510,359,220 common shares (*ações ordinárias*), without par value, all of which have been issued and are fully paid up.

10. The Issuer is managed by two directors, Alberto Monteiro de Queiroz Netto and Paulo Penido Pinto Marques. The directors' main commercial address is Av. Brigadeiro Faria Lima, 3400, 20º andar, São Paulo, SP, Brazil, 04538-132.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF CSN

Unaudited Quarterly Consolidated Financial Statements of CSN as of and for the six-month period ended June 30, 2010, in Brazilian GAAP

Audited Annual Consolidated Financial Statements of CSN as of and for the fiscal years ended December 31, 2009 and 2008, in Brazilian GAAP

Audited Annual Consolidated Financial Statements of CSN as of and for the fiscal years ended December 31, 2008 and 2007, in Brazilian GAAP

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Board of Directors and Shareholders of
Companhia Siderúrgica Nacional
Rio de Janeiro – RJ

1. We have reviewed the accounting information contained in the Quarterly Financial Information of Companhia Siderúrgica Nacional (the Company) and in the consolidated Quarterly Financial Information of the Company and its subsidiaries for the quarter ended June 30, 2010, comprising the balance sheets, the statements of income, changes in shareholders' equity, cash flows and added value, and explanatory notes, which are the responsibility of its management.

2. Our review was conducted in accordance with the standards set by IBRACON – The Brazilian Institute of Independent Auditors, in conjunction with the Federal Accounting Council (CFC) and consisted mainly of the following: (a) inquiry and discussion with management responsible for the accounting, financial and operational areas of the Company and its subsidiaries, regarding the main criteria adopted in the preparation of the Quarterly Financial Information; and (b) reviewing information and subsequent events that have or may have relevant effects on the financial position and operations of the Company and its subsidiaries.

3. Based on our review, we are not aware of any material modifications that should be made to the accounting information contained in the Quarterly Financial Information referred above, in order to be in accordance with accounting practices adopted in Brazil and the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of the Quarterly Financial Information.

4. As mentioned in note 30 of the Quarterly Financial Information, the Company has been negotiating with insurance and reinsurance companies in Brazil and abroad, in order to obtain insurance coverage for property damages and business interruption in certain sites of the Company.

5. As described in note 2, during 2009, the Brazilian Securities and Exchange Commission (CVM) approved several pronouncements, interpretations and guidance issued by the Accounting Pronouncements Committee (CPC), which are effective as from the fiscal year 2010 and changed the accounting practices adopted in Brazil. As permitted by CVM Resolution 603/09, Management of the Company and its subsidiaries opted to present its Quarterly Financial Information in accordance with accounting practices adopted in Brazil until December 31, 2009, not applying these new accounting pronouncements, which have mandatory application for the fiscal year 2010. As required by the above mentioned CVM Resolution 603/09, the Company disclosed this fact in note 2 to the Quarterly Financial Information, and described the main changes that could impact its year-ending financial statements, as well as it clarified the reasons for not disclosing the estimate of the possible effects in the Company's shareholders' equity and statement of income, as required by this Resolution.

August 10, 2010

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ

Anselmo Neves Macedo
Accountant CRC SP-160482/O-6 S-RJ

COMPANHIA SIDERÚRGICA NACIONAL – CSN
BALANCE SHEET – ASSETS

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 6/30/2010	4 –3/31/2010
1	Total Assets	33,585,424	34,166,011
1.01	Current Assets	5,626,688	7,133,218
1.01.01	Cash and Cash Equivalents	507,817	1,681,646
1.01.01.01	Cash	33,017	24,808
1.01.01.02	Cash Equivalents	474,800	1,656,838
1.01.02	Receivables	2,618,540	3,124,296
1.01.02.01	Accounts Receivable	1,429,378	1,617,863
1.01.02.01.01	Accounts Receivable Subsidiaries	915,191	1,155,925
1.01.02.01.02	Accounts Receivable Third Parties	859,959	802,483
1.01.02.01.03	Allowance for Doubtful Accounts	(345,772)	(340,545)
1.01.02.02	Sundry Receivables	1,189,162	1,506,433
1.01.02.02.01	Employees	7,208	5,449
1.01.02.02.02	Corporate Income Tax and Social Contribution Recoverable	140,960	264,053
1.01.02.02.03	Deferred Income Tax and Social Contribution Taxes	579,335	664,433
1.01.02.02.06	Other Taxes	103,569	164,052
1.01.02.02.07	Proposed Dividends Receivable	176,349	369,981
1.01.02.02.08	Marketable securities available for sale	119,757	0
1.01.02.02.09	Other Receivables	61,984	38,465
1.01.03	Inventories	2,485,136	2,303,834
1.01.04	Other	15,195	23,442
1.01.04.02	Prepaid Expenses	15,195	23,442
1.02	Noncurrent Assets	27,958,736	27,032,793
1.02.01	Long-Term Assets	3,101,707	3,109,757
1.02.01.01	Sundry Receivables	487,757	518,041
1.02.01.01.01	Securities Receivables	23,131	26,422
1.02.01.01.02	Deferred Income Tax and Social Contribution Taxes	345,847	355,977
1.02.01.01.04	Other Taxes	118,779	135,642
1.02.01.02	Receivables from Related Parties	1,197,800	1,197,800
1.02.01.02.01	Associated and Related Companies	0	0
1.02.01.02.02	Subsidiaries	1,197,800	1,197,800
1.02.01.02.03	Other Related Parties	0	0
1.02.01.03	Other	1,416,150	1,393,916
1.02.01.03.01	Judicial Deposits	1,222,253	1,213,634
1.02.01.03.02	Prepaid Expenses	29,030	16,650
1.02.01.03.03	Other	164,867	163,632
1.02.02	Permanent Assets	24,857,029	23,923,036
1.02.02.01	Investments	16,843,062	16,083,352
1.02.02.01.01	Interest in Associated/Related Companies	0	0
1.02.02.01.02	Interest in Associated/Related Companies – Goodwill	0	0
1.02.02.01.03	Interest in Subsidiaries	16,833,012	16,073,321
1.02.02.01.04	Interest in Subsidiaries – Goodwill	0	0
1.02.02.01.05	Other Investments	10,050	10,031
1.02.02.02	Property, Plant and Equipment	7,900,069	7,724,853
1.02.02.02.01	In operation, Net	6,609,150	6,350,864
1.02.02.02.02	In Construction	1,205,436	1,288,594
1.02.02.02.03	Land	85,483	85,395
1.02.02.03	Intangible Assets	87,924	87,650
1.02.02.04	Deferred Charges	25,974	27,181

UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS OF CSN **JUNE 30, 2010** **BRAZILIAN GAAP**

COMPANHIA SIDERÚRGICA NACIONAL – CSN
BALANCE SHEET – LIABILITIES

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 6/30/2010	4 –3/31/2010
2	Total Liabilities	33,585,424	34,166,011
2.01	Current Liabilities	4,252,349	5,330,886
2.01.01	Loans and Financing	1,920,342	1,644,548
2.01.02	Debentures	22,177	8,211
2.01.03	Suppliers	437,590	323,116
2.01.04	Taxes, Fees and Contributions	916,289	932,136
2.01.04.01	Salaries and Social Charges	112,959	87,701
2.01.04.02	Taxes Payable	48,381	95,549
2.01.04.05	Taxes Paid by Installments	754,949	748,886
2.01.05	Dividends Payable	179,759	1,650,908
2.01.06	Provisions	94,291	119,855
2.01.06.01	Civil and Labor Contingencies	196,568	183,410
2.01.06.02	Judicial Deposits	(102,277)	(95,867)
2.01.06.03	Provision for Pension Fund	0	32,312
2.01.07	Debts with Related Parties	0	0
2.01.08	Other	681,901	652,112
2.01.08.01	Accounts Payable – Subsidiaries	376,627	283,292
2.01.08.02	Other	305,274	368,820
2.02	Noncurrent Liabilities	22,438,177	22,784,954
2.02.01	Long-Term Liabilities	22,438,177	22,784,954
2.02.01.01	Loans and Financing	11,940,600	12,196,857
2.02.01.02	Debentures	600,000	600,000
2.02.01.03	Provisions	722,326	636,759
2.02.01.03.01	Tax Contingencies	1,855,777	1,808,835
2.02.01.03.02	Environmental Contingencies	122,240	122,277
2.02.01.03.03	Social Security Contingencies	67,003	51,533
2.02.01.03.04	Judicial Deposits	(1,345,810)	(1,345,886)
2.02.01.03.05	Deferred Income Tax and Social Contribution taxes	23,116	0
2.02.01.04	Debts with Related Parties	0	0
2.02.01.05	Advance for Future Capital Increase	0	0
2.02.01.06	Other	9,175,251	9,351,338
2.02.01.06.01	Provision for investment losses	35,631	34,091
2.02.01.06.02	Accounts Payable – Subsidiaries	8,069,104	8,104,477
2.02.01.06.03	Provision for Pension Fund	0	0
2.02.01.06.04	Taxes Paid by Installments	852,451	962,991
2.02.01.06.05	Other	218,065	249,779
2.03	Deferred Income	0	0
2.05	Shareholders' Equity	6,894,898	6,050,171
2.05.01	Paid-In Capital Stock	1,680,947	1,680,947
2.05.02	Capital Reserves	30	30
2.05.03	Revaluation Reserves	0	0
2.05.03.01	Own Assets	0	0
2.05.03.02	Subsidiaries/Associated and Related Companies	0	0
2.05.04	Profit Reserves	4,265,935	4,265,970
2.05.04.01	Legal	336,190	336,190
2.05.04.02	Statutory	0	0
2.05.04.03	For Contingencies	0	0
2.05.04.04	Unrealized Income / retained earnings	3,779,357	3,779,357
2.05.04.05	Retention of Profits	0	0
2.05.04.06	Special For Undistributed Dividends	0	0
2.05.04.07	Other Profit Reserves	150,388	150,423
2.05.04.07.01	From Investments	1,341,947	1,341,982
2.05.04.07.02	Treasury Shares	(1,191,559)	(1,191,559)
2.05.05	Equity Valuation Adjustments	(240,642)	(270,538)
2.05.05.01	Securities Adjustments	181,406	147,798
2.05.05.02	Accumulated Translation Adjustments	(422,048)	(418,336)
2.05.05.03	Business Combination Adjustments	0	0
2.05.06	Retained Earnings/ Accumulated Losses	1,188,628	373,762
2.05.07	Advance for Future Capital Increase	0	0

COMPANHIA SIDERÚRGICA NACIONAL – CSN
STATEMENT OF INCOME

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 4/1/2010 to 6/30/2010	4 – 1/1/2010 to 6/30/2010	5 – 4/1/2009 to 6/30/2009	6 – 1/1/2009 to 6/30/2009
3.01	Gross Revenue from Sales and/or Services	3,690,364	6,973,063	2,516,244	4,798,504
3.02	Gross Revenue Deductions	(806,280)	(1,539,637)	(579,945)	(1,056,187)
3.03	Net Revenue from Sales and/ or Services	2,884,084	5,433,426	1,936,299	3,742,317
3.04	Cost of Goods Sold and/ or Services Rendered	(1,546,867)	(2,967,582)	(1,225,531)	(2,570,626)
3.04.01	Depreciation, Depletion and Amortization	(164,369)	(325,028)	(167,043)	(279,487)
3.04.02	Other	(1,382,498)	(2,642,554)	(1,058,488)	(2,291,139)
3.05	Gross Income	1,337,217	2,465,844	710,768	1,171,691
3.06	Operating Income/Expenses	(329,865)	(1,038,433)	(142,832)	(322,222)
3.06.01	Selling Expenses	(134,490)	(306,277)	(120,469)	(216,902)
3.06.01.01	Depreciation and Amortization	(1,330)	(2,640)	(1,252)	(2,378)
3.06.01.02	Other	(133,160)	(303,637)	(119,217)	(214,524)
3.06.02	General and Administrative	(89,466)	(161,009)	(84,470)	(155,247)
3.06.02.01	Depreciation and Amortization	(2,343)	(4,583)	(1,904)	(3,732)
3.06.02.02	Other	(87,123)	(156,426)	(82,566)	(151,515)
3.06.03	Financial	(603,554)	(1,162,377)	325,261	18,855
3.06.03.01	Financial Income	73,958	301,838	93,431	168,304
3.06.03.02	Financial Expenses	(677,512)	(1,464,215)	231,830	(149,449)
3.06.03.02.01	Foreign Exchange and Monetary Variation, net	(137,598)	(329,905)	838,574	1,023,269
3.06.03.02.02	Financial Expenses	(539,914)	(1,134,310)	(606,744)	(1,172,718)
3.06.04	Other Operating Income	78,496	106,543	30,603	105,423
3.06.05	Other Operating Expenses	(157,103)	(306,519)	(144,556)	(229,733)
3.06.06	Equity Pick-Up	576,252	791,206	(149,201)	155,382
3.07	Operating Income	1,007,352	1,427,411	567,936	849,469
3.08	Non-operating Income	0	0	0	0
3.08.01	Income	0	0	0	0
3.08.02	Expenses	0	0	0	0
3.09	Income before Taxes/ Profit Sharing	1,007,352	1,427,411	567,936	849,469
3.10	Provision for Income and Social Contribution Taxes	6,129	(3,671)	(333,719)	(418,704)
3.11	Deferred Income Taxes	(109,410)	(56,703)	142,206	249,702
3.11.01	Deferred Income Tax	(82,718)	(44,464)	105,005	184,350
3.11.02	Deferred Social Contribution	(26,692)	(12,239)	37,201	65,352
3.12	Statutory Profit Sharing/Contributions	0	0	0	0
3.12.01	Profit Sharing	0	0	0	0
3.12.02	Contributions	0	0	0	0
3.13	Reversal of Interest on Shareholders' Equity	0	0	0	0
3.15	Income/Loss for the Period	904,071	1,367,037	376,423	680,467
	OUTSTANDING SHARES, EX-TREASURY (in thousands)	1,457,970	1,457,970	758,670	758,670
	EARNINGS PER SHARE (in Reais)	0.62009	0.93763	0.49616	0.89692
	LOSS PER SHARE (in Reais)				

COMPANHIA SIDERÚRGICA NACIONAL – CSN
STATEMENT OF CASH FLOWS – INDIRECT METHOD

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 4/1/2010 to 6/30/2010	4 – 1/1/2010 to 6/30/2010	5 – 4/1/2009 to 6/30/2009	6 – 1/1/2009 to 6/30/2009
4.01	Net Cash from Operating Activities	915,957	1,349,959	(494,165)	(1,725,427)
4.01.01	Cash Generated in the Operations	1,061,255	2,229,607	(396,604)	(156,271)
4.01.01.01	Net Income for the Period	904,071	1,367,037	376,423	680,467
4.01.01.02	Foreign Exchange and Monetary Variation, net	161,140	403,957	(1,163,727)	(1,362,124)
4.01.01.03	Provision for Charges on Loans and Financing	421,188	877,790	149,319	577,709
4.01.01.04	Depreciation, Depletion and Amortization	168,042	332,251	170,199	285,597
4.01.01.05	Equity Pick Up	(576,252)	(791,206)	149,200	(155,383)
4.01.01.06	Deferred Income and Social Contribution Taxes	109,410	56,703	(142,206)	(249,702)
4.01.01.07	Asset Sale Write-Off Results	0	0	15,733	15,733
4.01.01.08	Provision for Contingencies	8,165	43,046	32,805	46,364
4.01.01.09	Provision for Actuarial Liability	0	0	(10,731)	(21,283)
4.01.01.10	Other Provisions	(134,509)	(59,971)	26,381	26,351
4.01.02	Changes in Assets and Liabilities	(145,298)	(879,648)	(97,561)	(1,569,156)
4.01.02.01	Accounts Receivable	135,882	(61,520)	71,307	81,953
4.01.02.02	Inventories	(175,111)	(438,332)	135,839	185,276
4.01.02.03	Taxes to Offset	143,839	342,081	(397,572)	(464,846)
4.01.02.04	Suppliers	115,436	97,750	(217,540)	(325,674)
4.01.02.05	Salaries and Social Charges	(44,869)	(48,655)	17,679	10,372
4.01.02.06	Taxes	35,993	125,148	305,251	374,633
4.01.02.07	Contingent Liabilities	57,142	14,744	7,308	19,957
4.01.02.08	Accounts Payable – Subsidiaries	2,434	11,594	213,696	213,696
4.01.02.09	Interest paid	(324,924)	(641,405)	(138,897)	(367,424)
4.01.02.10	Receivables from Subsidiaries	0	0	432,583	(765,804)
4.01.02.11	Judicial Deposits	(6,698)	(13,236)	(662,740)	(715,461)
4.01.02.12	Tax paid in installments – REFIS	(159,439)	(316,675)	0	0
4.01.02.13	Dividends Received from Subsidiaries	171,232	191,649	225,765	225,765
4.01.02.14	Marketable securities available for sale	(119,757)	(119,757)	0	0
4.01.02.15	Other	23,542	(23,034)	(90,240)	(41,599)
4.01.03	Other	0	0	0	0
4.02	Net Cash from Investment Activities	(407,719)	(2,862,514)	882,790	2,630,914
4.02.01	Capital reduction in subsidiary	234,172	234,172	1,674,829	3,816,387
4.02.04	Investments	(363,334)	(2,897,592)	(387,229)	(624,337)
4.02.05	Property, Plant and Equipment	(278,557)	(498,326)	(404,810)	(561,136)
4.02.06	Cash from merger of subsidiary	0	299,232	0	0
4.03	Net Cash from Financing Activities	(1,682,079)	(852,580)	(1,657,886)	(1,426,114)
4.03.01	Loans and Financing – Funding	44,220	1,272,570	542,676	1,005,513
4.03.02	Financial Institutions – Principal – Payment	(165,901)	(564,752)	(432,473)	(663,536)
4.03.05	Interest on Shareholders' Equity and Dividends	(1,560,398)	(1,560,398)	(1,768,089)	(1,768,091)
4.04	Foreign Exchange Variation on Cash and Cash Equivalents	12	33	(1,049)	(1,159)
4.05	Increase (Decrease) in Cash and Cash Equivalents	(1,173,829)	(2,365,102)	(1,270,310)	(521,786)
4.05.01	Opening Balance of Cash and Cash Equivalents	1,681,646	2,872,919	2,018,068	1,269,544
4.05.02	Closing Balance of Cash and Cash Equivalents	507,817	507,817	747,758	747,758

COMPANHIA SIDERÚRGICA NACIONAL – CSN
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 4/1/2010 TO 6/30/2010

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – CAPITAL STOCK	4 – CAPITAL RESERVES	5 –REVALUATION RESERVES	6 – PROFIT RESERVES	7 – RETAINED EARNINGS/ ACCUMULATED LOSSES	8 –EQUITY VALUATION ADJUSTMENTS	9 – TOTAL SHAREHOLDERS' EQUITY
5.01	Opening Balance	1,680,947	30	0	4,265,970	373,762	(270,538)	6,050,171
5.02	Prior Year Adjustments	0	0	0	0	0	0	0
5.03	Adjusted Balance	1,680,947	30	0	4,265,970	373,762	(270,538)	6,050,171
5.04	Income/Loss for the Period	0	0	0	0	904,071	0	904,071
5.05	Allocations	0	0	0	0	(89,205)	0	(89,205)
5.05.01	Dividends	0	0	0	0	0	0	0
5.05.02	Interest on Shareholders' Equity	0	0	0	0	(89,205)	0	(89,205)
5.05.03	Other Allocations	0	0	0	0	0	0	0
5.06	Profit Reserve Realization	0	0	0	0	0	0	0
5.07	Equity Valuation Adjustments	0	0	0	0	0	29,896	29,896
5.07.01	Securities Adjustments	0	0	0	0	0	33,608	33,608
5.07.02	Accumulated Translation Adjustments	0	0	0	0	0	(3,712)	(3,712)
5.07.03	Business Combination Adjustments	0	0	0	0	0	0	0
5.08	Increase/Reduction in Capital Stock	0	0	0	0	0	0	0
5.09	Recording/Realization of Capital Reserves	0	0	0	0	0	0	0
5.10	Treasury Shares	0	0	0	0	0	0	0
5.11	Other Capital Transactions	0	0	0	0	0	0	0
5.12	Other	0	0	0	(35)	0	0	(35)
5.13	Closing Balance	1,680,947	30	0	4,265,935	1,188,628	(240,642)	6,894,898

COMPANHIA SIDERÚRGICA NACIONAL – CSN
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 1/1/2010 TO 6/30/2010

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – CAPITAL STOCK	4 – CAPITAL RESERVES	5 –REVALUATION RESERVES	6 – PROFIT RESERVES	7 – RETAINED EARNINGS/ ACCUMULATED LOSSES	8 –EQUITY VALUATION ADJUSTMENTS	9 – TOTAL SHAREHOLDERS' EQUITY
5.01	Opening Balance	1,680,947	30	0	4,265,970	0	(382,314)	5,564,633
5.02	Prior Year Adjustments	0	0	0	0	0	0	0
5.03	Adjusted Balance	1,680,947	30	0	4,265,970	0	(382,314)	5,564,633
5.04	Net Income/Loss for the Period	0	0	0	0	1,367,037	0	1,367,037
5.05	Allocations	0	0	0	0	(178,409)	0	(178,409)
5.05.01	Dividends	0	0	0	0	0	0	0
5.05.02	Interest on Shareholders' Equity	0	0	0	0	(178,409)	0	(178,409)
5.05.03	Other Allocations	0	0	0	0	0	0	0
5.06	Realization of Profit Reserves	0	0	0	0	0	0	0
5.07	Equity Valuation Adjustments	0	0	0	0	0	141,672	141,672
5.07.01	Securities Adjustments	0	0	0	0	0	144,521	144,521
5.07.02	Accumulated Translation Adjustments	0	0	0	0	0	(2,849)	(2,849)
5.07.03	Business Combination Adjustments	0	0	0	0	0	0	0
5.08	Increase/Reduction in Capital Stock	0	0	0	0	0	0	0
5.09	Recording/Realization of Capital Reserves	0	0	0	0	0	0	0
5.10	Treasury Shares	0	0	0	0	0	0	0
5.11	Other Capital Transactions	0	0	0	0	0	0	0
5.12	Other	0	0	0	(35)	0	0	(35)
5.13	Closing Balance	1,680,947	30	0	4,265,935	1,188,628	(240,642)	6,894,898

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED BALANCE SHEET – ASSETS

(In thousands of *reais*)

1– CODE	2 – DESCRIPTION	3 – 6/30/2010	4 –3/31/2010
1	Total Assets	32,662,337	31,155,699
1.01	Current Assets	15,955,672	15,257,199
1.01.01	Cash and Cash Equivalents	9,672,152	9,148,907
1.01.01.01	Cash	165,968	132,722
1.01.01.02	Cash Equivalents	9,506,184	9,016,185
1.01.02	Receivables	2,937,785	2,892,859
1.01.02.01	Accounts receivable	1,298,017	1,098,885
1.01.02.01.01	Accounts Receivable Subsidiaries	27,114	11,229
1.01.02.01.02	Accounts Receivable Third Parties	1,665,943	1,475,023
1.01.02.01.03	Allowance for Doubtful Accounts	(395,040)	(387,367)
1.01.02.02	Sundry Receivables	1,639,768	1,793,974
1.01.02.02.01	Employees	21,691	19,630
1.01.02.02.02	Corporate Income Tax and Social Contribution Recoverable	205,817	312,930
1.01.02.02.03	Deferred Income and Social Contribution Taxes	784,686	870,656
1.01.02.02.05	Other Taxes	244,377	264,677
1.01.02.02.06	Marketable Securities Available for Sale	317,603	188,491
1.01.02.02.07	Other Receivables	65,594	137,590
1.01.03	Inventories	3,169,689	3,023,241
1.01.04	Other	176,046	192,192
1.01.04.01	Financial Instruments Guarantee Margin	147,109	155,686
1.01.04.02	Prepaid Expenses	28,937	36,506
1.02	Noncurrent Assets	16,706,665	15,898,500
1.02.01	Long-Term Assets	3,497,551	3,537,541
1.02.01.01	Sundry Receivables	1,376,251	1,441,553
1.02.01.01.01	Securities Receivables	211,721	209,732
1.02.01.01.02	Deferred Income and Social Contribution Taxes	938,347	990,965
1.02.01.01.04	Other Taxes	226,183	240,856
1.02.01.02	Receivables from Related Parties	479,120	479,120
1.02.01.02.01	Associated and Related Companies	0	0
1.02.01.02.02	Subsidiaries	479,120	479,120
1.02.01.02.03	Other Related Parties	0	0
1.02.01.03	Other	1,642,180	1,616,868
1.02.01.03.01	Judicial Deposits	1,240,641	1,230,194
1.02.01.03.02	Prepaid Expenses	117,026	104,491
1.02.01.03.03	Securities	0	0
1.02.01.03.04	Other	284,513	282,183
1.02.02	Permanent Assets	13,209,114	12,360,959
1.02.02.01	Investments	511,045	473,920
1.02.02.01.01	Interest in Associated/Related Companies	0	0
1.02.02.01.02	Interest in Subsidiaries	0	0
1.02.02.01.03	Other investments	511,045	473,920
1.02.02.02	Property, Plant and Equipment	12,199,654	11,384,015
1.02.02.02.01	In Operation, Net	9,046,489	8,807,606
1.02.02.02.02	Under Construction	3,026,886	2,449,430
1.02.02.02.03	Land	126,279	126,979
1.02.02.03	Intangible Assets	468,983	471,636
1.02.02.04	Deferred Charges	29,432	31,388

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED BALANCE SHEET – LIABILITIES

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 6/30/2010	4 –3/31/2010
2	Total Liabilities	32,662,337	31,155,699
2.01	Current Liabilities	4,117,301	5,170,031
2.01.01	Loans and Financing	1,435,768	1,055,846
2.01.02	Debentures	33,159	18,983
2.01.03	Suppliers	691,768	549,910
2.01.04	Taxes, Fees and Contributions	1,107,928	1,097,732
2.01.04.01	Salaries and Social Charges	167,041	133,366
2.01.04.02	Taxes Payable	152,445	184,173
2.01.04.03	Taxes Paid by Installments	784,018	780,193
2.01.04.04	Deferred Income and Social Contribution Taxes	4,424	0
2.01.05	Dividends Payable	179,030	1,651,110
2.01.06	Provisions	109,382	139,661
2.01.06.01	Contingencies	220,866	212,461
2.01.06.02	Judicial Deposits	(111,484)	(105,112)
2.01.06.03	Pension Fund Provision	0	32,312
2.01.07	Debts with Related Parties	0	0
2.01.08	Other	560,266	656,789
2.01.08.01	Accounts payable – Subsidiaries	140,768	76,964
2.01.08.02	Other	419,498	579,825
2.02	Noncurrent Liabilities	21,553,457	19,802,587
2.02.01	Long-Term Liabilities	21,553,457	19,802,587
2.02.01.01	Loans and Financing	15,409,438	13,723,254
2.02.01.02	Debentures	1,062,978	961,217
2.02.01.03	Provisions	803,479	704,257
2.02.01.03.01	Labor and Social Security Contingencies	108,302	89,480
2.02.01.03.02	Civil Contingencies	18,501	18,673
2.02.01.03.03	Tax Contingencies	1,875,663	1,825,338
2.02.01.03.04	Environmental Contingencies	122,748	122,521
2.02.01.03.05	Judicial Deposits	(1,387,339)	(1,387,161)
2.02.01.03.06	Deferred Income and Social Contribution Taxes	65,604	35,406
2.02.01.04	Debts with Related Parties	0	0
2.02.01.05	Advance for Future Capital Increase	0	0
2.02.01.06	Other	4,277,562	4,413,859
2.02.01.06.01	Provision for investment loss	0	0
2.02.01.06.02	Accounts Payable – Subsidiaries	2,977,760	3,011,178
2.02.01.06.03	Pension Fund Provision	0	0
2.02.01.06.04	Taxes Paid by Installments	1,034,820	1,147,820
2.02.01.06.05	Other	264,982	254,861
2.03	Deferred Income	0	0
2.04	Minority Interests	142,327	168,450
2.05	Shareholders' Equity	6,849,252	6,014,631
2.05.01	Paid-In Capital	1,680,947	1,680,947
2.05.02	Capital Reserves	30	30
2.05.03	Revaluation Reserves	0	0
2.05.03.01	Own Assets	0	0
2.05.03.02	Subsidiaries/Associated and Related Companies	0	0
2.05.04	Profit Reserves	4,220,289	4,230,430
2.05.04.01	Legal	336,190	336,190
2.05.04.02	Statutory	0	0
2.05.04.03	For Contingencies	0	0
2.05.04.04	Unrealized Income/ retained earnings	3,779,357	3,779,357
2.05.04.05	Profit Retention	0	0
2.05.04.06	Special For Undistributed Dividends	0	0
2.05.04.07	Other Profit Reserves	104,742	114,883
2.05.04.07.01	From Investments	1,341,947	1,341,982
2.05.04.07.02	Treasury Shares	(1,191,559)	(1,191,559)
2.05.04.07.03	Unrealized Profit	(45,646)	(35,540)
2.05.05	Equity Valuation Adjustments	(240,642)	(270,538)
2.05.05.01	Securities Adjustments	181,406	147,798
2.05.05.02	Accumulated Translation Adjustments	(422,048)	(418,336)
2.05.05.03	Business Combination Adjustments	0	0
2.05.06	Retained Earnings/Accumulated Losses	1,188,628	373,762
2.05.07	Advance for Future Capital Increase	0	0

UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS OF CSN **JUNE 30, 2010** **BRAZILIAN GAAP**

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED STATEMENT OF INCOME

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 4/1/2010 to 6/30/2010	4 – 1/1/2010 to 6/30/2010	5 – 4/1/2009 to 6/30/2009	6 – 1/1/2009 to 6/30/2009
3.01	Gross Revenue from Sales and/or Services	4,744,485	8,750,723	3,286,842	6,479,230
3.02	Deductions from Gross Revenue	(871,930)	(1,693,535)	(795,141)	(1,543,546)
3.03	Net Revenue from Sales and/ or Services	3,872,555	7,057,188	2,491,701	4,935,684
3.04	Cost of Goods Sold and/or Services Rendered	(2,002,139)	(3,789,676)	(1,714,019)	(3,403,932)
3.04.01	Depreciation, Depletion and amortization	(217,372)	(427,428)	(213,111)	(369,593)
3.04.02	Other	(1,784,767)	(3,362,248)	(1,500,908)	(3,034,339)
3.05	Gross Profit	1,870,416	3,267,512	777,682	1,531,752
3.06	Operating Income/Expenses	(804,839)	(1,693,483)	(169,081)	(469,418)
3.06.01	Selling expenses	(168,479)	(370,436)	(150,920)	(278,611)
3.06.01.01	Depreciation and amortization	(1,718)	(3,394)	(1,551)	(2,966)
3.06.01.02	Other	(166,761)	(367,042)	(149,369)	(275,645)
3.06.02	General and Administrative	(135,362)	(247,738)	(119,047)	(227,764)
3.06.02.01	Depreciation and amortization	(8,522)	(16,195)	(5,137)	(12,171)
3.06.02.02	Other	(126,840)	(231,543)	(113,910)	(215,593)
3.06.03	Financial	(420,585)	(898,493)	204,221	165,017
3.06.03.01	Financial Income	89,072	216,771	493,844	868,082
3.06.03.02	Financial Expenses	(509,657)	(1,115,264)	(289,623)	(703,065)
3.06.03.02.01	Foreign Exchange and Monetary Variation, Net	(34,953)	(108,387)	311,660	363,246
3.06.03.02.02	Financial Expenses	(474,704)	(1,006,877)	(601,283)	(1,066,311)
3.06.04	Other Operating Income	90,700	137,168	53,339	123,311
3.06.05	Other Operating Expenses	(171,113)	(313,984)	(156,666)	(251,375)
3.06.06	Equity Pick-Up	0	0	(8)	4
3.07	Operating Income	1,065,577	1,574,029	608,601	1,062,334
3.08	Non-Operating Income	0	0	0	0
3.08.01	Revenues	0	0	0	0
3.08.02	Expenses	0	0	0	0
3.09	Income before Taxes/Profit Sharing	1,065,577	1,574,029	608,601	1,062,334
3.10	Provision for Income and Social Contribution Taxes	(15,535)	(53,170)	(462,770)	(577,423)
3.11	Deferred Income Taxes	(154,497)	(145,410)	188,913	218,657
3.11.01	Deferred Income Tax	(112,702)	(106,343)	139,585	161,445
3.11.02	Deferred Social Contribution	(41,795)	(39,067)	49,328	57,212
3.12	Statutory Profit Sharing/Contributions	0	0	0	0
3.12.01	Profit Sharing	0	0	0	0
3.12.02	Contributions	0	0	0	0
3.13	Reversal of Interest on Shareholders' Equity	0	0	0	0
3.14	Minority Interest	(1,546)	122	0	0
3.15	Income/Loss for the Period	893,999	1,375,571	334,744	703,568
	OUTSTANDING SHARES, EX-TREASURY (in thousands)	1,457,970	1,457,970	758,670	758,670
	EARNINGS PER SHARE (in reais)	0.61318	0.94348	0.44122	0.92737
	LOSS PER SHARE (in reais)				

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED STATEMENT OF CASH FLOWS – INDIRECT METHOD

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 4/1/2010 to 6/30/2010	4 – 1/1/2010 to 6/30/2010	5 –4/1/2009 to 6/30/2009	6 – 1/1/2009 to 6/30/2009
4.01	Net Cash from Operating Activities	994,268	1,254,038	(1,358,040)	(1,367,773)
4.01.01	Cash Generated in the Operations	1,634,956	2,807,042	(546,216)	(26,218)
4.01.01.01	Net Income	893,999	1,375,571	334,745	703,569
4.01.01.02	Monetary and Exchange Variation, net	58,413	272,438	(967,280)	(1,106,177)
4.01.01.03	Provision for Charges on Loans	337,948	689,268	254,805	547,077
4.01.01.04	Depreciation, Depletion and Amortization	227,612	447,017	219,799	384,730
4.01.01.05	Minority Interest	1,546	(122)	0	0
4.01.01.06	Deferred Income and Social Contribution Taxes	154,497	145,410	(188,914)	(218,657)
4.01.01.07	Provision for Swap Operations	6,326	(136,714)	(209,725)	(407,438)
4.01.01.08	Provision for Contingencies	28,532	28,936	25,392	53,497
4.01.01.09	Asset Sale Write-Off Result	0	0	9,047	9,047
4.01.01.10	Provision for Actuarial Liabilities	0	0	(21,282)	(21,283)
4.01.01.11	Other Provisions	(73,917)	(14,762)	(2,803)	29,417
4.01.02	Variation in Assets and Liabilities	(640,688)	(1,553,004)	(811,824)	(1,341,555)
4.01.02.01	Accounts Receivable	(115,354)	(66,771)	123,748	(35,974)
4.01.02.02	Inventories	(170,984)	(602,902)	163,371	103,322
4.01.02.03	Taxes to Offset	59,985	292,472	(404,447)	(345,329)
4.01.02.04	Suppliers	141,944	183,794	(106,368)	(239,710)
4.01.02.05	Salaries and Social Charges	(38,037)	(39,668)	24,553	12,067
4.01.02.06	Taxes	60,728	32,811	380,282	394,643
4.01.02.07	Contingent Liabilities	44,541	26,536	8,978	21,709
4.01.02.08	Interest Paid	(264,416)	(624,873)	(298,343)	(523,569)
4.01.02.09	Taxes paid in installments – REFIS	(159,143)	(316,675)	0	0
4.01.02.10	Judicial Deposits	(9,387)	(16,955)	(664,614)	(717,425)
4.01.02.11	Marketable securities available for sale	(168,235)	(356,726)	0	0
4.01.02.13	Other	(22,330)	(64,047)	(38,984)	(11,289)
4.01.03	Other	0	0	0	0
4.02	Net Cash from Investment Activities	(988,772)	(1,496,571)	655,364	436,234
4.02.01	Payment of Derivative Operations	(10,004)	(32,741)	(169,382)	0
4.02.04	Investments	(19)	(34,217)	0	0
4.02.05	Property, Plant and Equipment	(977,992)	(1,411,972)	(500,601)	(887,950)
4.02.06	Intangible Assets	(757)	(17,641)	(138)	(1,301)
4.02.07	Swap Contracts	0	0	235,891	235,891
4.02.08	Recovery of Equity Swap Guarantee Margin	0	0	1,089,594	1,089,594
4.03	Net Cash from Financing Activities	454,020	1,723,110	(1,474,600)	(1,239,511)
4.03.01	Loans and Financing – Funding	2,177,391	3,828,765	698,875	1,200,829
4.03.02	Financial Institutions – Payment of Principal	(162,973)	(545,257)	(405,386)	(672,249)
4.03.04	Interest on Shareholders' Equity and Dividends	(1,560,398)	(1,560,398)	(1,768,089)	(1,768,091)
4.04	Foreign Exchange Variation on Cash and Cash Equivalents	63,729	104,833	(898,565)	(972,181)
4.05	Increase (Decrease) in Cash and Cash Equivalents	523,245	1,585,410	(3,075,841)	(3,143,231)
4.05.01	Opening Balance of Cash and Cash Equivalents	9,148,907	8,086,742	9,156,722	9,224,112
4.05.02	Closing Balance of Cash and Cash Equivalents	9,672,152	9,672,152	6,080,881	6,080,881

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 1/1/2010 TO 6/30/2010

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – CAPITAL STOCK	4 – CAPITAL RESERVES	5 –REVALUATION RESERVES	6 – PROFIT RESERVES	7 – RETAINED EARNINGS/ ACCUMULATED LOSSES	8 –EQUITY VALUATION ADJUSTMENTS	9 – TOTAL SHAREHOLDERS' EQUITY
5.01............	Opening Balance	1,680,947	30	0	4,230,430	373,762	(270,538)	6,014,631
5.02............	Prior Year Adjustments	0	0	0	0	0	0	0
5.03............	Adjusted Balance	1,680,947	30	0	4,230,430	373,762	(270,538)	6,014,631
5.04............	Net Income/Loss for the Period	0	0	0	0	893,999	0	893,999
5.05............	Allocations	0	0	0	0	(89,205)	0	(89,205)
5.05.01........	Dividends	0	0	0	0	0	0	0
5.05.02........	Interest on Shareholders' Equity	0	0	0	0	(89,205)	0	(89,205)
5.05.03........	Other Allocations	0	0	0	0	0	0	0
5.06............	Realization of Profit Reserves	0	0	0	0	0	0	0
5.07............	Equity Valuation Adjustments	0	0	0	0	0	29,896	29,896
5.07.01........	Securities Adjustments	0	0	0	0	0	33,608	33,608
5.07.02........	Accumulated Translation Adjustments	0	0	0	0	0	(3,712)	(3,712)
5.07.03........	Business Combination Adjustments	0	0	0	0	0	0	0
5.08............	Increase/Reduction in Capital Stock	0	0	0	0	0	0	0
5.09............	Recording/Realization of Capital Reserves	0	0	0	0	0	0	0
5.10............	Treasury Shares	0	0	0	0	0	0	0
5.11............	Other Capital Transactions	0	0	0	0	0	0	0
5.12............	Other	0	0	0	(10,141)	10,072	0	(69)
5.12.01........	Unrealized Profit	0	0	0	(10,106)	10,106	0	0
5.12.03........	Other	0	0	0	(35)	(34)	0	(69)
5.13............	Closing Balance	1,680,947	30	0	4,220,289	1,188,628	(240,642)	6,849,252

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 1/1/2010 TO 6/30/2010

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – CAPITAL STOCK	4 – CAPITAL RESERVES	5 –REVALUATION RESERVES	6 – PROFIT RESERVES	7 – RETAINED EARNINGS/ ACCUMULATED LOSSES	8 –EQUITY VALUATION ADJUSTMENTS	9 – TOTAL SHAREHOLDERS' EQUITY
5.01	Opening Balance	1,680,947	30	0	4,211,770	0	(382,314)	5,510,433
5.02	Prior Year Adjustments	0	0	0	0	0	0	0
5.03	Adjusted Balance	1,680,947	30	0	4,211,770	0	(382,314)	5,510,433
5.04	Net Income/Loss for the Period	0	0	0	0	1,375,571	0	1,375,571
5.05	Allocations	0	0	0	0	(178,409)	0	(178,409)
5.05.01	Dividends	0	0	0	0	0	0	0
5.05.02	Interest on Shareholders' Equity	0	0	0	0	(178,409)	0	(178,409)
5.05.03	Other Allocations	0	0	0	0	0	0	0
5.06	Realization of Profit Reserves	0	0	0	0	0	0	0
5.07	Equity Valuation Adjustments	0	0	0	0	0	141,672	141,672
5.07.01	Securities Adjustments	0	0	0	0	0	144,521	144,521
5.07.02	Accumulated Translation Adjustments	0	0	0	0	0	(2,849)	(2,849)
5.07.03	Business Combination Adjustments	0	0	0	0	0	0	0
5.08	Increase/Reduction in Capital Stock	0	0	0	0	0	0	0
5.09	Recording/Realization of Capital Reserves	0	0	0	0	0	0	0
5.10	Treasury Shares	0	0	0	0	0	0	0
5.11	Other Capital Transactions	0	0	0	0	0	0	0
5.12	Other	0	0	0	8,519	(8,534)	0	(15)
5.12.01	Unrealized Profit	0	0	0	8,554	(8,554)	0	0
5.12.03	Other	0	0	0	(35)	20	0	(15)
5.13	Closing Balance	1,680,947	30	0	4,220,289	1,188,628	(240,642)	6,849,252

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

1. OPERATIONS

The main activities of Companhia Siderúrgica Nacional ("CSN") or "Company" are the production of flat steel products and its main industrial complex is the Presidente Vargas Steelworks ("UPV") located in the city of Volta Redonda, State of Rio de Janeiro and iron ore production, whose operation is developed in the city of Congonhas, in the State of Minas Gerais.

CSN also explores limestone and dolomite in the branches in the State of Minas Gerais and tin in the State of Rondônia, in order to meet the needs of UPV and the surplus raw materials are traded with subsidiaries and third parties. In order to provide greater synergy to the processes, the Company also maintains strategic investments in mining companies, railroad, electricity, and cement. In addition, the Company is establishing a long steel plant in Volta Redonda (see Note 12 c).

The Company, aiming to get closer to clients and exploit markets on a global level, has a steel distributor, metal packaging plants, in addition to a galvanized steel plant in the southern region of Brazil and another in the southeast of Brazil to meet the demand of the home appliance, civil construction and automotive industries. Abroad, the Company has a steel rolling mill in Portugal and another mill in the United States.

The Company's shares are listed on the Stock Exchanges in Brazil under ticker CSNA3 (BOVESPA) and in the United States – SID (NYSE).

2. PRESENTATION OF THE QUARTERLY INFORMATION

The individual (Parent Company) and consolidated quarterly information was prepared in accordance with the accounting practices adopted in Brazil, which include the Brazilian Corporate Law, Pronouncements, Guidelines and Interpretations issued by the Committee for Accounting Pronouncements and rules issued by the Brazilian Securities and Exchange Commission ("CVM"), in effect on December 31, 2009, which will be different than those that will be used in the preparation of financial statements of December 31, 2010.

In 2009, the Committee for Accounting Pronouncements – CPC issued several pronouncements, interpretations and guidelines approved by the Brazilian Securities and Exchange Commission (CVM) and by the Federal Accounting Council, also in 2009, mandatory as of 2010.

CVM, through its Resolution 603 of November 10, 2009, authorized publicly-held companies to present their quarterly information throughout 2010, pursuant to the accounting practices in effect on December 31, 2009.

The Company's Management started the process to assess the possible impacts caused by these new rules and, therefore, is disclosing its quarterly information related to June 30, 2010 based on the accounting practices effective as of December 31, 2009. This process involves revising internal controls, systems and other material aspects. The analyses are not advanced yet to allow a safe disclosure of possible effects of the adoption of the new accounting rules. In the Management's preliminary evaluation, the main Pronouncements, Guidelines and Interpretations issued by the Committee for Accounting Pronouncements that may impact the financial statements as of the year ended December 31, 2010, are:

- **CPC 16 – Inventory**

Due to possible changes on property, plant and equipment's depreciation rates related to the revision of their useful lives, the cost of inventory and of products sold shall be impacted. Since there is not an estimate of the impacts of the change on the useful lives of property, plant and equipment, purpose of CPC 27, we cannot measure the impacts on the result for the year or shareholders' equity. The Company is assessing other possible impacts from the adoption of this pronouncement.

- **CPC 27 – Property, plant and equipment and ICPC 10 – Clarifications on Technical Pronouncements CPC 27 – Property, plant and equipment and CPC 28 – Investment Property**

The adoption of this pronouncement might change depreciation amounts recorded due to the revision of property, plant and equipment' useful lives. The expected accounting effects will occur in depreciation cost and expenses in the year and, consequently, on property, plant and equipment' residual amounts. The analysis of changes on property, plant and equipment' useful lives is in progress and the effects of the possible changes have not been measured so far. The Company's Management is still evaluating the possible effects from the eventual utilization of property, plant and equipment costs.

- **CPC 32 – Income Taxes**

The adoption of this pronouncement is being evaluated regarding its impact on the calculation of deferred taxes, especially regarding the treatment of some temporary differences mentioned in paragraph 39 of this pronouncement. The Company's Management has not concluded the analysis of this pronouncement and understands that it is not possible to safely measure the eventual impacts on the financial statements yet.

In addition to the topics mentioned above, the following accounting pronouncements can impact the Company's financial statements. However, the Company's Management has not concluded the possible impacts caused by the adoption of these pronouncements:

- CPC 22 – Segment information
- CPC 26 – Disclosure of financial statements
- CPC 36 – Consolidated financial statements
- CPC 38 – Financial instruments: Recognition and measurement
- CPC 39 – Financial instruments: Presentation
- CPC 40 – Financial instruments: Disclosure
- ICPC 04 – Scope of CPC 10 – Share-based payment
- ICPC 05 – Pronouncement CPC 10 Share-based payment – Transaction with the group's shares and treasury shares
- ICPC 08 – Accounting of proposed dividend payment
- ICPC 09 – Individual financial statements, separate financial statements, consolidated financial statements and application of the equity accounting method
- OCPC 03 – Financial instruments: Recognition, measurement and disclosure

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

The Company shall restate the quarterly information taking into consideration the application of the new rules until the issuance of annual financial statements.

Foreign currency translation

Foreign currency transactions are translated into reais using exchange rates in effect on the transaction dates. The result from balance sheet accounts are translated at the exchange rate on the balance sheet date, and US$1 was equivalent to R$1.8015 on June 30, 2009 (R$1.7810 on March 31, 2010). Foreign currency-denominated revenues, costs and expenses are translated at the average exchange rate of the month when they occur. Exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign currency-denominated monetary assets and liabilities are recorded in the statement of income.

This quarterly information was approved by the Company's Board of Directors on August 10, 2010.

3. MAIN ACCOUNTING PRACTICES

(a) Determination of results of operations

The results of operations are recognized on an accrual basis. Revenues from the sale of products are recognized when all risks and rewards related to the goods ownership have been transferred to the buyer. Revenues from services rendered are recognized as services are provided.

The Company adopts as revenue recognition policy the date the product is delivered to the buyer, and when it can safely measure its value.

The income includes revenues, monetary and exchange charges and variations, restated according to official indices and rates levied on assets and liabilities and, when applicable, the effects of adjustments at market or realization value.

(b) Current and noncurrent assets

- **Cash and cash equivalents**

Cash and cash equivalents include cash, bank deposits and other short-term investments of immediate liquidity, redeemable in up to 90 days from the balance sheet dates, immediately convertible into cash and with an insignificant risk of change in their market value. Deposit certificates that may be redeemed at any time without penalties are considered cash equivalents.

- **Trade accounts receivable**

Trade accounts receivable are recorded at the invoiced amount, including the respective taxes and ancillary expenses and credits from clients in foreign currency corrected at the exchange rate as of the date of the financial statements. The allowance for doubtful accounts was recorded in an amount considered adequate to support possible losses. Management's assessment takes into account the client's history, the financial situation and the opinion of our legal advisors regarding the receipt of these credits for the recording of this provision.

- **Inventories**

These are recorded at the lowest value between the cost and the net realizable value. The cost is determined using the average weighted cost method in the acquisition of raw materials, whereas products in progress and/or finished are measured at production or acquisition cost. Imports in progress are recorded at identified purchase cost.

- **Investments**

Investments in subsidiaries, jointly-owned subsidiaries and associated companies are recorded and measured by the equity accounting method and the gains and losses are recognized in income for the period as operating income (or expenses). In the case of exchange variation of investment abroad whose functional currency is different to the Company's currency, variations in the amount of investments deriving solely from the exchange variation are recorded in the "Equity Valuation Adjustment" account, in the Company's shareholders' equity, and are only registered in the result when the investment is sold or written-off by loss. Gains or transactions to be performed between the Company and its subsidiaries and related companies are eliminated. Other investments are recorded and held at cost.

When necessary, the accounting practices of the subsidiaries and jointly-owned subsidiaries are changed to ensure criteria, consistency and uniformity with the practices adopted by the Company.

- **Property, plant and equipment**

These are recorded at acquisition, formation or construction cost. Depreciation is calculated through the straight-line method, based on the remaining economic useful lives of the assets (Note 13), and depletion of the mines is calculated based on the quantity of iron ore extracted. Loans costs are capitalized until the constructions in progress are concluded.

Machinery, equipment, buildings and other items of property, plant and equipment are stated at the historical acquisition cost, monetarily restated up to December 31, 1995.

Improvements in existing assets will be added to property, plant and equipment, and maintenance and repair costs to the result, when incurred.

- **Asset impairment**

Property, plant and equipment and other non-current assets, including goodwill and intangible assets are reviewed annually to identify evidences of non-recoverable losses, or also, whenever events or changes in circumstances indicate that the book value cannot be recovered. For valuation purposes, the assets are grouped in the smallest group of assets for which cash flows are identified separately.

- **Intangible assets**

Intangible assets comprise of assets acquired from third parties, including by means of business combinations, and/or those internally generated.

These assets are recorded at the acquisition or formation cost, less amortization calculated through the straight-line method based on exploration or recovery terms.

Intangible assets with indefinite useful lives, as well as goodwill for expected future profitability, are no longer amortized as from January 1, 2009, and their recoverable value are tested on a yearly basis, or whenever it is necessary.

- **Deferred charges**

In this group, just the remaining balances of deferred pre-operating expenses are maintained, which are amortized in accordance with the criteria prior to Law 11,638/07 due to the option offered by the CPC Technical Pronouncement 13 (Initial adoption of Law 11,638/07) and Provisional Measure 449/08.

- **Other current and noncurrent assets**

Stated at their realization value, including, when applicable, the yields earned up to the date of the quarterly information or, in the case of prepaid expenses, at cost.

(c) Current and noncurrent liabilities

These are stated at their known or calculable values, plus, when applicable, the corresponding charges and monetary and foreign exchange variations incurred up to the date of the financial statements.

- **Employee benefits**

i) Pension obligations

The liability related to defined benefit pension plans is the present value of the defined benefit liability on the balance sheet date less the market value of the plan assets adjusted by actuarial gains or losses and cost of services rendered. The defined benefit liability is calculated annually by independent actuaries. The present value of the defined benefit liability is determined by the estimate of future cash outflow, using the interest rates of government bonds whose maturity terms are close to those of the related liability.

The actuarial gains and losses resulting from changes in the actuarial assumptions and changes to the pension plans are allocated or credited to income by the average remaining length of service of related employees.

For the defined contribution plans, the company pays contributions to government or private pension plans on a mandatory, contractual or voluntary basis. As soon as contributions are paid, the company has no other additional payments obligations. Regular contributions comprise the net costs for the period in which they are due, being included in personnel costs.

In compliance with Resolution 371/00, issued by the CVM, the Company has been recording the respective actuarial liabilities as from January 1, 2002, in accordance with the aforementioned reported resolution and based on independent actuary studies, which are carried out annually.

ii) Profit sharing and bonuses

Profit sharing of employees is subject to achieving certain operating and financial targets, mainly allocated to the production cost when applicable and to general and administrative expenses.

- **Income and social contribution taxes**

Income tax is calculated at rates of 15% plus an additional of 10% on taxable basis and social contribution on net income at a 9% rate on the taxable basis. In the calculation of taxes, the offsetting of the tax loss carryforward and negative basis of social contribution is also considered, and it is limited to 30% of the taxable income.

The deferred tax assets deriving from tax loss carry forwards, negative basis of social contribution on net income and temporary differences between calculation basis of tax on assets and liabilities and book values of the quarterly information were recorded in compliance with the CVM Rule 371/02 and took into consideration the historic profitability and the expectations of generating future taxable income, based on a technical study.

(d) Financial instruments

i) Classification and measurement

Financial assets are classified in the following categories: measured at fair value through profit and loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. The Company's Management sets forth the classification of its financial assets at the initial recognition.

- **Financial assets measured at fair value through profit and loss**

Financial assets measured at fair value through profit and loss are financial assets held for active and frequent trading. Derivatives are also categorized as held for trading and, therefore, are classified in this category, unless they have been recorded as hedge instruments. Assets in this category are classified as current. Gains or losses from variations in fair value of financial assets measured at fair value through profit and loss are recorded in the statement of income under "Financial income" in the period they occur, unless the instrument has been taken out in connection with another operation. In this case, variations are recorded in the same line as the income impacted by said operation.

- **Loans and receivables**

This category includes loans granted and receivables that are non-derivative financial assets with fixed payment or to be established, not priced at an active market. They are included as current assets, except those with a maturity term greater than 12 months after the balance sheet date (these are classified as noncurrent assets). Loans and receivables comprise loans to associated companies, trade accounts receivable, other accounts receivable and cash and cash equivalents, excluding short-term investments. Loans and receivables are accounted for at the amortized cost, using the effective interest rate method.

- **Financial assets held to maturity**

They are basically financial assets that cannot be classified as loans and receivables and are acquired with the financial purpose and ability to be held in portfolio until maturity. They are measured at the amortized cost by the effective interest rate method.

- **Financial assets available for sale**

These are non-derivative financial assets that are not classified in any other category. They are included in noncurrent assets, unless Management intends to dispose of the investment within 12 months after the balance sheet date. Financial assets available for sale are recorded at fair value. Interest on securities available for sale, calculated through the effective interest rate method, are booked as financial revenues in the statement of income. The amount corresponding to variation in fair value is recorded against shareholders' equity, in the Equity Valuation Adjustments account and is realized against result during its settlement or impairment.

- **Fair value**

Fair value of listed investments is based on current acquisition prices. For financial assets without an active market or which are not publicly traded, the fair value is established through appraisal techniques, including the use of recent outsourced operations, the use of other materially similar instruments as reference, discounted cash flow analysis and option pricing models that make the greatest possible use of information from the market and the least possible use of information generated by the Company's Management.

On the balance sheet date, the Company assesses whether there is any objective evidence that a given financial asset or group of financial assets is recorded at a value higher than its recoverable value (impairment). In case of financial assets available for sale, should there be any such evidence, the accrued loss (calculated as the difference between the acquisition cost and the current fair value less any impairment loss of such financial asset previously recorded in the result) is taken from the shareholders' equity and recorded in the statement of income.

ii) Derivative instruments and hedge activities

Initially, derivatives are recorded at their fair value on the date that derivative agreements are signed, being subsequently remeasured at their fair value. The resulting variations in fair value are booked against the result, except in the case of derivatives designated as cash flow hedge instruments.

In 2009, the Company maintained a financial instrument called total return equity swap, purpose of which is to increase the return on financial assets. This instrument was recorded at fair value and gains and losses were recognized in the statement of income.

This instrument was recorded in other accounts payable, and its margin of guarantee in other accounts receivable; the instrument was settled on August 13, 2009.

Although the Company makes use of derivatives for protection purposes, it does not apply hedge accounting.

Fair value of derivative instruments is disclosed in Note 18.

(e) Treasury shares

As established by the CVM Rule 10 of February 14, 1980, shares held in treasury are recorded at cost of acquisition, and the market value of these shares is calculated based on the average stock exchange quotation on the last day of the year.

(f) Accounting estimates

Accounting estimates are required when the quarterly information is prepared, for recording certain assets, liabilities and other transactions. Therefore, the quarterly information includes estimates to measure allowance for doubtful accounts, provision for inventory losses, provisions for labor, civil, tax, environmental and social security liabilities, depreciation, amortization, depletion, provision for impairment, deferred taxes, financial instruments and employees' benefits. The estimates and assumptions are periodically reviewed; however, the actual results can differ from these estimates.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

4. AMENDMENTS TO THE 2009 QUARTERLY INFORMATION AS REVIEWED BY CPC 2R

Quarterly information includes the changes introduced by the revision of CPC 02. Below is the Company's charts with the effects from the application of CPC 2R.

- **Income**

	Parent Company			
	Closing balance	Adjustments of Resolution 624/10		Balance prior to adjustments
NET REVENUE	3,742,317			3,742,317
Cost of products and services sold	(2,570,626)			(2,570,626)
GROSS OPERATING INCOME	**1,171,691**			**1,171,691**
OPERATING EXPENSES AND REVENUES				
Selling expenses	(216,902)			(216,902)
General and administrative expenses	(155,247)			(155,247)
Other operating expenses	(124,310)	96	(1)	(124,406)
OPERATING INCOME BEFORE FINANCIAL EFFECTS AND INTEREST	**675,232**	**96**		**675,136**
Financial expenses and revenues				
Gains and losses for equity pick-up	155,382	(831,372)	(1)	986,754
Monetary and exchange variation, net	1,023,268	(210,665)	(1) and (2)	1,233,933
Other financial expenses/revenues	(1,004,413)	24,834	(1)	(1,029,247)
INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES	**849,469**	**(1,017,107)**		**1,866,576**
Income and social contribution taxes	(169,002)	364,984	(3)	(533,986)
NET INCOME FOR THE PERIOD	**680,467**	**(652,123)**		**1,332,590**

(1) Change in the accounting treatment of the companies Islands VII, VIII, IX, X, XI; Tangua and International Investment Fund, previously accounted for as branches, and are now registered as subsidiaries of CSN, pursuant to CVM Resolution 624 as of January 28, 2010.
(2) Exchange rate variation of loans and financing from related party operations: Fixed rate notes, intercompany, prepayment and loan.
(3) Income tax (IR) and social contribution on net income (CSLL) related to exchange rate variation of loans and financing from intercompany operations: Fixed rate notes, intercompany, prepayment and loan.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

- **Cash flows**

	6/30/2009		
	Parent Company		
	Adjusted balance	Adjustments of Resolution 624/10	Balance prior to adjustments
Cash flow from operating activities:			
Net income for the period	**680,467**	**(652,123)**	**1,332,590**
Adjustments to reconciliate net income for the period with funds from operating activities:			
- Monetary and exchange variations, net	(1,362,124)	1,490,571	(2,852,695)
- Provision for charges on loans and financing	577,709	(343,661)	921,370
- Equity pick-up	(155,383)	831,371	(986,754)
- Deferred income and social contribution taxes	(249,702)	(364,984)	115,282
- Swap provision		(9,264)	9,264
- Other provisions	26,351	(2)	26,353
- Other without the effect of CVM Resolution 624 (1)	326,411	1	326,410
	(156,271)	**951,909**	**(1,108,180)**
(Increase) decrease in assets:			
- Credits with subsidiaries and associated companies	(765,804)	(1,537,559)	771,755
- Other	24,551	(5,426)	29,977
- Other without the effect of CVM Resolution 624 (1)	28,148		28,148
	(713,105)	**(1,542,985)**	**829,880**
Increase (decrease) in liabilities:			
- Accounts payable - subsidiary	213,696	84,352	129,344
- Other	(66,150)	(67,844)	1,694
- Other without the effect of CVM Resolution 624 (1)	(636,173)		(636,173)
	(488,627)	**16,508**	**(505,135)**
Charges on paid loans and financing			
- Interest paid	(367,424)	223,673	(591,097)
- Other without the effect of CVM Resolution 624 (1)		9,049	(9,049)
	(367,424)	**232,722**	**(600,146)**
Net cash from operating activities	**(1,725,427)**	**(341,846)**	**(1,383,581)**
Cash flow used in investing activities:			
- Investments / advances for future capital increase	3,192,050	3,816,387	(624,337)
- Other without the effect of CVM Resolution 624 (1)	(561,136)		(561,136)
Net cash used in investing activities	**2,630,914**	**3,816,387**	**(1,185,473)**
Cash flow from financing activities			
- Loans and financing	1,005,513	(23,366)	1,028,879
- Financial institutions - principal	(663,536)	48,645	(712,181)
- Other without the effect of CVM Resolution 624 (1)	(1,768,091)		(1,768,091)
Net cash used in financing activities	**(1,426,114)**	**25,279**	**(1,451,393)**
Exchange variation on cash and cash equivalents (2)	(1,160)	(1,160)	
Increase (decrease) of cash and cash equivalents	**(521,787)**	**3,498,660**	**(4,020,447)**
Cash and cash equivalents at the beginning of the year	1,269,545	(6,122,134)	7,391,679
Cash and cash equivalents at the end of the year	**747,758**	**(2,623,474)**	**3,371,232**

(1) These refer to the total cash flow operations that were not amended by CVM Resolution 624 as of January 28, 2010.
(2) For a better presentation, according to the CPC Technical Pronouncement 3 – Statements of cash flows, the exchange variations on cash and cash equivalents were reclassified in the parent company and consolidated.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

- **Statement of Value Added**

			6/30/2009
			Parent Company
	Adjusted result	Adjustments of Resolution 624/10	Balance prior to adjustments
Revenues			
Sales of goods, products and services	4,718,526	355,496	5,074,022
Other revenues/expenses	1,988		1,988
Allowance for/reversal of doubtful accounts	(60,524)		(60,524)
	4,659,990	**355,496**	**5,015,486**
Input acquired from third parties			
Costs of products, goods and services sold	(2,701,078)	(249,728)	(2,950,806)
Materials, energy - Third party services - other	(308,916)	(96)	(309,012)
Asset impairment	(5,209)		(5,209)
	(3,015,203)	**(249,824)**	**(3,265,027)**
Gross value added	**1,644,787**	**105,672**	**1,750,459**
Retention			
Depreciation, amortization and depletion	(285,597)		(285,597)
Net value added produced	**1,359,190**	**105,672**	**1,464,862**
Value added received in transfers			
Equity pick-up	155,383	831,370	986,753
Financial income/assets exchange variation	2,874	47,753	50,627
Other	4,579		4,579
	162,836	**879,123**	**1,041,959**
Total value added to distribute	**1,522,026**	**984,795**	**2,506,821**
DISTRIBUTION OF VALUE ADDED			
Personnel	**323,889**		**323,889**
Direct compensation	246,566		246,566
Benefits	53,218		53,218
Government Severance Indemnity Fund for Employees (FGTS)	24,105		24,105
Taxes, fees and contributions	**533,783**	**(470,748)**	**1,004,531**
Federal	409,360	(427,630)	836,990
State	117,574	(43,118)	160,692
Municipal	6,849		6,849
Third party capital remuneration	**(16,113)**	**138,076**	**(154,189)**
Interest	(17,283)	138,076	(155,359)
Rentals	1,170		1,170
Remuneration of shareholders' equity	**680,467**	**(652,123)**	**1,332,590**
Interest on shareholders' equity	193,223		193,223
Retained earnings	487,244	(652,123)	1,139,367
	1,522,026	**(984,795)**	**2,506,821**

(In thousands of reais, unless otherwise stated)

5. CONSOLIDATED QUARTERLY INFORMATION

The accounting practices were applied uniformly in all the consolidated companies.

The consolidated quarterly information for the period ended June 30, 2010 and March 31, 2010 include the following jointly-owned subsidiaries, direct and indirect subsidiaries, in addition to exclusive funds Diplic and Mugen, as follows:

	Ownership interest (%)		
Companies	**6/30/2010**	**3/31/2010**	**Main activities**
Direct investment: full consolidation			
CSN Islands VII	100.00	100.00	Financial operations
CSN Islands VIII	100.00	100.00	Financial operations
CSN Islands IX	100.00	100.00	Financial operations
CSN Islands X	100.00	100.00	Financial operations
CSN Islands XI	100.00	100.00	Financial operations
CSN Islands XII	100.00	100.00	Financial operations
Tangua	100.00	100.00	Financial operations
International Investment Fund	100.00	100.00	Equity interest and financial operations
CSN Energy	100.00	100.00	Equity interest
CSN Export	100.00	100.00	Financial operations, trading of products and equity interest
CSN Overseas	100.00	100.00	Financial operations and equity interest
CSN Panama	100.00	100.00	Financial operations and equity interest
CSN Steel	100.00	100.00	Financial operations and equity interest
DIPLIC - Multimarket investment fund	100.00	100.00	Investment fund
Mugen - Multimarket investment fund	100.00	100.00	Investment fund
TdBB S.A	100.00	100.00	Dorment Company
Sepetiba Tecon	99.99	99.99	Port Services
Mineração Nacional	99.99	99.99	Mining and equity interest
CSN Aços Longos	99.99	99.99	Steel and/or metal products industry and trade
Itaguaí Logística	99.99	99.99	Logistics
Estanho de Rondônia - ERSA	99.99	99.99	Mining
Cia Metalic Nordeste	99.99	99.99	Packaging production
Companhia Metalúrgica Prada	99.99	99.99	Packaging production
CSN Cimentos	99.99	99.99	Cement production
Inal Nordeste	99.99	99.99	Steel products service center
CSN Gestão de Recursos Financeiros	99.99	99.99	Dorment Company
Congonhas Minérios	99.99	99.99	Mining and equity interest
CSN Energia	99.90	99.90	Electricity trading
Transnordestina Logística	77.02	72.56	Railroad transport
Unincorporated joint venture	39.47	39.47	Equity interest
Indirect investment: full consolidation			
CSN Aceros	100.00	100.00	Equity interest
CSN Cayman	100.00	100.00	Financial operations, trading of products and equity interest
CSN Resources (1)	100.00	100.00	Financial operations and equity interest
Companhia Siderurgica Nacional LLC	100.00	100.00	Steel
CSN Europe	100.00	100.00	Financial operations, trading of products and equity interest
CSN Ibéria	100.00	100.00	Financial operations and equity interest
CSN Portugal	100.00	100.00	Financial operations e trading of products
Lusosider Projectos Siderúrgicos	100.00	100.00	Equity interest
CSN Acquisitions	100.00	100.00	Financial operations and equity interest
CSN Finance UK Ltd	100.00	100.00	Financial operations and equity interest
CSN Holdings UK Ltd	100.00	100.00	Financial operations and equity interest
Energy I	99.99	99.99	Equity interest
Itamambuca Participações	99.99	99.99	Mining and equity interest
Lusosider Aços Planos	99.94	99.94	Steel and equity interest
Unincorporated Joint Venture	60.53	60.53	Equity interest
CSN Energia	0.10	0.10	Electricity trading
Direct investment: proportional consolidation			
Nacional Minérios	60.00	60.00	Mining and equity interest
Itá Energética	48.75	48.75	Electricity generation
MRS Logística	22.93	22.93	Railroad transport
Igarapava Hydroelectric Plant Consortium	17.92	17.92	Electricity consortium
Aceros Del Orinoco	22.73	22.73	Equity interest
Indirect investment: proportional consolidation			
Namisa International Minerios SLU	60.00	60.00	Equity interest and trading of products and mining
Namisa Europe	60.00	60.00	Equity interest and trading of products and mining
Pelotização Nacional	59.99	59.99	Mining and equity interest
MG Minérios	59.99	59.99	Mining and equity interest
MRS Logística	10.34	10.34	Railroad transport
Aceros Del Orinoco	9.08	9.08	Equity interest

(1) New corporate name of CSN Cement, changed on June 18, 2010.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

The following consolidation procedures were adopted in the preparation of the consolidated quarterly information:

- Elimination of the balances of asset and liability accounts between consolidated companies;
- Elimination of the balances of investments and shareholders' equity between consolidated companies;
- Elimination of balances of income and expenses and unrealized profit deriving from consolidated intercompany transactions;
- Presentation of income and social contribution taxes on the unrealized profit as deferred taxes in the consolidated quarterly information; and
- Reclassification of exchange rate variations of monetary items with net foreign investment characteristics from financial income to shareholders' equity. Due to the change in the Management's intent regarding the settlement of these loans, the foreign exchange effects determined after August 31, 2009 have been recorded in income for the year, and accumulated amount calculated up to August 31, 2009 will be recorded in income as the respective monetary items are settled.

Pursuant to the CVM Rule 408 of August 18, 2004, the Company consolidates the quarterly information of the exclusive investment funds Diplic and Mugen.

The base date for the subsidiaries' and jointly-owned subsidiaries' quarterly information coincides with that of the Parent Company.

The reconciliation between shareholders' equity and net income for the period of the Parent Company and consolidated is as follows:

	Shareholders' equity		Net income for the period	
	6/30/2010	3/31/2010	6/30/2010	6/30/2009
Parent Company	**6,894,898**	**6,050,171**	**1,367,037**	**680,467**
Elimination of profit	(45,646)	(35,540)	8,554	13,460
Other adjustments			(20)	9,641
Consolidated	**6,849,252**	**6,014,631**	**1,375,571**	**703,568**

6. RELATED PARTIES TRANSACTIONS

a) Transactions with Parent Company

Vicunha Siderurgia S.A. is a holding company whose purpose is to hold interest in other companies. It is the Company's main shareholder, with a 46.20% interest in the voting capital.

Vicunha Siderurgia's corporate structure is as follows (information not reviewed):

Rio Purus Participações S.A. – holds 60% of National Steel and 59.99% of Vicunha Steel S.A.

CFL Participações S.A. – holds 40% of National Steel and 39.99% of Vicunha Steel S.A.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

National Steel – holds 33.04% of Vicunha Aços

Vicunha Steel – holds 66.96% of Vicunha Aços

Vicunha Aços – holds 99.99% of Vicunha Siderurgia

CSN recorded interest on shareholders' equity for the year, paid dividends and interest on shareholders' equity for Vicunha Siderurgia in the amount indicated in the table below, according to the percentage of Vicunha Siderurgia's interest in CSN as of the closing date of this quarterly information.

Parent Company	Proposed interest on shareholders' equity	Dividends paid in the period	Interest on shareholders' equity paid in the period
Total on 6/30/2010	85,395	717,834	33,499
Total on 3/31/2010	42,689		

b) Transactions with jointly-owned subsidiaries

The Company holds interest in jointly-owned subsidiaries in the strategic areas of mining, logistics and power generation. The characteristics, purposes and transactions with these companies are stated as follows:

- **Assets**

Companies	Accounts receivable	Dividends receivable	Loans/Current accounts(*)	Total
Nacional Minérios	48,166	137,569	1,233,703	1,419,438
MRS Logística	1,168	32,990		34,158
Itá Energetica		5,790		5,790
Total on 6/30/2010	49,334	176,349	1,233,703	1,459,386
Total on 3/31/2010	25,715	346,908	1,211,304	1,583,927

(*) Loan agreement in the amount of R$1,197,800, starting on January 28, 2009, and interest rates of R$35,903 on June 30, 2010; the face value of this agreement is entitled to compensatory interest corresponding to 101% of CDI Cetip, maturing on January 31, 2012.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

- **Liabilities and shareholders' equity**

	Liabilities				Shareholders' equity	
Companies	Advance from clients	Loans / Current accounts	Other (*)	Total	Equity valuation adjustments - Effects	Total
Nacional Minérios	7,796,319	20,911	27	7,817,257	(11,820)	(11,820)
MRS Logística		2,142	70,627	72,769		
Itá Energetica			12,626	12,626		
Total on 6/30/2010	7,796,319	23,053	83,280	7,902,652	(11,820)	(11,820)
Total on 3/31/2010	7,720,355	14,714	87,717	7,822,786	(15,243)	(15,243)

Namisa: the advance from clients received from the jointly-owned subsidiary Nacional Minérios S.A. is related to the contractual obligation of iron ore supply and port services. The contract has a 12.5% p.a. interest rate and maturity expected for June 2042. The amount due in 2011 corresponds to R$325,477.

The valuation adjustment effects refer to an investee abroad whose functional currency is different from the real.

(*) MRS: in other accounts payable we recorded the amount provisioned to cover take-or-pay and block rates contractual expenses related to the rail transportation contract.
(*) Itasa: it is related to the electric power supply billed under normal market conditions of the Brazilian energy market, ruled by Electric Power Trade Chamber.

- **Income**

	Revenues			Costs/Expenses		
Companies	Products and services	Interest and monetary and exchange variations	Total	Cost of products and services	Interest expenses	Total
Nacional Minérios	290,637	51,731	342,368	80,420	462,614	543,034
MRS Logística				183,942		183,942
Itá Energetica				76,405		76,405
Total on 6/30/2010	290,637	51,731	342,368	340,767	462,614	803,381
Total on 6/30/2009	178,653	53,092	231,745	335,611	444,074	779,685

- **Nacional Minérios S.A. ("Namisa")**

Its main purpose is to extract and sell own and third-party iron ore. The main operations are developed in the cities of Congonhas, Ouro Preto, Itabirito and Rio Acima in the state of Minas Gerais, and in Itaguaí, state of Rio de Janeiro. CSN maintains iron ore supply and port service provision transactions, in addition to administrative, operating and financial support.

- **MRS Logística S.A.**

Its purpose is to exploit and develop the public rail cargo transportation service in the Southeast Network, which serves the Rio de Janeiro-São Paulo-Belo Horizonte stretch and provide rail cargo transportation services for the supply and outflow of the CSN raw materials and finished products.

- **Itá Energética S.A. – Itasa**

Itasa holds an interest in the Itá Hydroelectric Power Plant consortium and the operations between the parties are related to contracting electric power supply for operations.

(In thousands of reais, unless otherwise stated)

c) Transactions with subsidiaries and special purpose entities (exclusive investment funds)

- **Assets**

Companies	Accounts receivable	Marketable securities (**)	Loans/current accounts(*)	Dividends receivable	Advance for future capital increase	Other	Total
Exclusive investment funds		459,027					459,027
CSN Europe	411,866						411,866
CSN Export	345,849						345,849
Prada	85,388						85,388
IIF			21,543				21,543
Inal Nordeste	13,183						13,183
Cia. Metalic Nordeste	6,536						6,536
CSN Cimentos	2,904						2,904
ERSA						1,396	1,396
Sepetiba Tecon	119						119
Total on 6/30/2010	865,845	459,027	21,543			1,396	1,347,811
Total on 3/31/2010	1,131,415	857,068	21,143	23,073	106,374	2,870	2,141,943

(*) Contracts in US$ – IIF: interest rate of 3% p.a. with indefinite maturity.
(**) Financial investments in exclusive investment funds managed by Banco BTG Pactual.

Accounts receivable derive from sales operations of products and services among the parent company and the subsidiaries.

- **Liabilities**

Companies	Loans and financing: Pre-payment (1)	Loans and financing: Fixed Rate Notes (2)	Loans and financing: Loans and intercompany bonds (2)	Accounts payable: Loans (3) / current accounts	Accounts payable: Other (*)	Total
CSN Resources	1,803,957		1,166,652			2,970,609
CSN Islands VIII		1,419,846		1,655		1,421,501
CSN Ibéria		736,034		277,669		1,013,703
CSN Export	464,040			10,876		474,916
CSN Europe			18,887	318,049		336,936
CSN Aceros				18,110		18,110
Other (*)					1,154	1,154
Total on 6/30/2010	2,267,997	2,155,880	1,185,539	626,359	1,154	6,236,929
Total on 3/31/2010	2,324,433	1,971,115	1,195,290	618,711	5,193	6,114,742

Transactions with these subsidiaries are carried out under market conditions.
(1) Contracts in US$ – Cement: interest from 4.00% to 9.78% p.a. with maturity in June 2018.
Contracts in US$ – CSN Export: interest from 6.01% to 7.26% p.a. with maturity in May 2015.
(2) Contracts in US$ – Cement: Intercompany Bonds interest of 9.12% p.a. with maturity on June 1, 2047.
Contracts in US$ – Cement (part): 3.99% p.a. with maturity in April 2013.
Contracts in YEN – CSN Islands VIII: interest of 5.65% p.a. with maturity in December 2013.
Contracts in YEN – CSN Ibéria: interest of 1.5% p.a. with maturity on July 13, 2015.
Contracts in US$ – CSN Europe (part): semiannual Libor + 2.25% p.a. with maturity on September 15, 2011.
(3) Contracts in US$ – CSN Ibéria (part): semiannual Libor + 3% p.a. with indefinite maturity.
Contracts in US$ – CSN Export: semiannual Euribor + 0.5% p.a. with indefinite maturity.
Contracts in US$ – CSN Europe (part): semiannual Libor + 3% p.a. with indefinite maturity.
(*) Other**:** Prada, Metalic, Ersa, Inal Nordeste, Sepetiba, Tecon, Aços Longos and CSN Energia.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

- **Income**

	Revenues			Costs/Expenses		
Companies	Products and services	Interest and monetary and exchange variations	Total	Cost of products and services	Interest and monetary and exchange variations	Total
CSN Resources					219,927	219,927
Prada	512,742		512,742	315,349		315,349
CSN Export	199,608	23,717	223,325	131,951	35,208	167,159
CSN Europe	227,037	9,647	236,684	69,920	12,168	82,088
Island VIII					83,069	83,069
CSN Ibéria					70,593	70,593
Cia. Metalic Nordeste	42,304		42,304	23,282		23,282
Inal Nordeste	31,828		31,828	13,544		13,544
Galvasud	48,114		48,114	25,674		25,674
CSN Cimentos	18,155		18,155	4,049		4,049
Exclusive investment funds		194,356	194,356			
Other (*)	1,615	1,379	2,994	16,091	607	16,698
Total on 6/30/2010	1,081,403	229,099	1,310,502	599,860	421,572	1,021,432
Total on 6/30/2009	1,476,821	(86,960)	1,389,861	794,245	(1,365,313)	(571,069)

(*) Sepetiba Tecon, ERSA, Aceros, Namisa Europe and IIF.

d) Other related parties

- **CBS Previdência**

The Company is its main sponsor, a non-profit civil association set up in July 1960, whose main purpose is to pay supplementary benefits to those paid by social security. As a sponsor, CSN maintains payment transactions of contributions and actuarial liability recognition ascertained in defined benefit plans, Note 29.

- **Fundação CSN**

The Company develops socially responsible policies currently focused on Fundação CSN, whose sponsor is the Company. Transactions between the parties are related to operating and financial support for Fundação CSN to develop social projects, mainly in the localities where CSN operates.

- **Banco Fibra**

Banco Fibra is under the same control structure of Vicunha Siderurgia, and financial transactions with this bank are limited to transactions in checking accounts and financial investments in fixed income.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

The balances of transactions between the Company and these entities are shown as follows:

Assets and Liabilities

	Assets		Liabilities		
Company	Banking checking account and marketable securities	Total	Actuarial liabilities	Other Accounts Payable	Total
Fundação CSN	906	906		23	23
Banco Fibra	142	142			
Total on 6/30/2010	1,048	1,048		23	23
Total on 3/31/2010	965	965	32,312	232	32,544

Income

	Revenues			Expenses		
Company	Interest and monetary and exchange variations revenues	Other revenues	Total	Pension Fund Expenses	Other expenses	Total
CBS Previdência		53	53	(1,682)		(1,682)
Fundação CSN					916	916
Banco Fibra	391		391			
Total on 6/30/2010	391	53	444	(1,682)	916	(766)
Total on 6/30/2009	140	116	256	34,656	1,516	36,172

e) Key-management personnel

Key management personnel are responsible for planning, directing and controlling the Company's activities and include the members of the Board of Directors and other officers. Information on compensation and balances existing on June 30, 2010 is shown below.

	6/30/2010	6/30/2009
	Income	Income
Short-term benefits for employees and management	12,555	13,661
Post-employment benefits	19	17
Other long-term benefits	n/a	n/a
Benefits of labor agreement termination	n/a	n/a
Share-based compensation	n/a	n/a
	12,574	13,678

n/a – not applicable

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

7. CASH AND CASH EQUIVALENTS

	Consolidated		Parent Company	
	6/30/2010	3/31/2010	6/30/2010	3/31/2010
Current assets				
Cash and cash equivalents				
Cash and Banks	**165,968**	**132,722**	**33,017**	**24,808**
Marketable Securities				
In Brazil:				
Exclusive investment funds			459,027	857,068
Government bonds (*)	2,774,258	1,148,596		
Fixed income and debentures (**)	1,520,858	2,552,422	15,062	799,119
	4,295,116	**3,701,018**	**474,089**	**1,656,187**
Abroad:				
Time Deposits	5,211,068	5,315,167	711	651
Total Marketable securities	**9,506,184**	**9,016,185**	**474,800**	**1,656,838**
Cash and Cash Equivalents	**9,672,152**	**9,148,907**	**507,817**	**1,681,646**

The available financial funds in the Parent Company and subsidiaries established in Brazil are primarily invested in exclusive investment funds, whose cash is mostly invested in repurchase operations pegged to Brazilian government bonds, with immediate liquidity. Additionally, a significant portion of the financial funds of the Company and its subsidiaries abroad is invested in Time Deposits in first-tier banks.

The exclusive investment funds, managed by BTG Pactual Serviços Financeiros S.A DTVM, and its assets, are accountable for possible losses in investments and operations carried out. The Company may bear the fund's operation fees (management, custody and audit fees) and it may also be called to back the shareholders' equity in the event of losses resulting from interest rate, exchange rate or other financial asset variations.

(*) 67.58% – Repurchase operations
29.80% – CDB Investments
2.62% – National Treasury Notes

(**) **Debentures:** Investments in the jointly-controlled subsidiary MRS amounting to R$217,073 in Secured Debentures, with remuneration based on the variation of Interbank Deposit Certificates (CDI) in securities of Unibanco, Votorantim, Safra, Itaú BBA, Bradesco and ABN.

Fixed Income: financial investments in the amount of R$15,062 in the parent company and R$1,305,961 in the consolidated, backed by Bank Deposit Certificates, with remuneration based on the variation of Interbank Deposit Certificates (CDI).

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

8. ACCOUNTS RECEIVABLE FROM THIRD PARTIES

	Consolidated		Parent Company	
	6/30/2010	3/31/2010	6/30/2010	3/31/2010
Domestic market	1,179,210	1,185,140	848,416	792,759
Foreign market	486,733	289,883	11,543	9,724
Allowance for doubtful accounts	(395,040)	(387,367)	(345,772)	(340,545)
	1,270,903	**1,087,656**	**514,187**	**461,938**

The Company also maintains other long-term accounts receivable, and among these assets we have debentures issued by Companhia Brasileira de Latas in 2002, in the amount of R$212,870. On June 30, 2010, the Company held a loss reserve of all these debentures.

9. ESCROW DEPOSITS

The Company has escrow deposits amounting to R$147,109 (R$155,826 on March 31, 2010). This amount is invested in Deutsche Bank as guarantee for the swap operation between Islands VIII and CSN (see Note 18-XI).

Escrow deposit amounts guarantee the investments and their financial operations as derivatives.

10. INVENTORIES

	Consolidated		Parent Company	
	6/30/2010	3/31/2010	6/30/2010	3/31/2010
Finished products	662,577	597,904	465,767	429,514
Work in process	501,666	516,487	447,294	463,413
Raw materials	1,326,784	1,273,075	999,351	873,533
Supplies	733,562	696,865	628,277	592,479
Provision for losses	(54,900)	(61,090)	(55,553)	(55,105)
	3,169,689	**3,023,241**	**2,485,136**	**2,303,834**

Certain items taken as obsolete, or with a low turnover, were the purpose of provisions for adjustment at realization value.

(In thousands of reais, unless otherwise stated)

11. DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES

(a) Deferred income and social contribution taxes

Deferred income and social contribution taxes are recorded in order to reflect future tax effects attributable to temporary differences between the tax base of assets, liabilities and the respective carrying value.

	Consolidated		Parent Company	
	6/30/2010	3/31/2010	6/30/2010	3/31/2010
Deferred assets				
Tax losses in income tax	164,234	194,487	153,738	183,924
Negative basis of social contribution	61,529	74,597	57,613	70,550
Temporary differences	**1,497,270**	**1,592,537**	**713,831**	**765,936**
- Provision for contingencies	232,629	192,307	216,853	188,930
- Provision for losses in assets	42,909	63,531	37,190	45,948
- Provision for losses in inventories	19,392	20,816	18,888	19,981
- Provision for gains/losses in Financial Instruments	128,258	152,721	121,694	150,690
- Provision for interest on shareholders' equity	60,719	51,041	60,719	51,035
- Provision for long-term sales	2,383	2,383	2,383	2,383
- Provision for inputs and services	35,918	33,694	31,928	32,844
- Allowance for doubtful accounts	110,290	136,891	107,061	110,060
- Goodwill from merger of Big Jump	685,356	727,350		
- Provision for payment of private pension plans	7	16,964		10,986
- Other	179,409	194,839	117,115	153,079
Total assets	**1,723,033**	**1,861,621**	**925,182**	**1,020,410**
Current assets	784,686	870,656	579,335	664,433
Noncurrent assets	938,347	990,965	345,847	355,977
Deferred liabilities				
Temporary differences				
- Goodwill from merger	42,487	35,406		
- Other	27,541		23,116	
Total liabilities	70,028	35,406	23,116	
Current liabilities	4,424			
Noncurrent liabilities	65,604	35,406	23,116	

Pursuant to CVM Rule 371/02, some companies of the group, recorded tax credits on tax loss carryforwards and negative basis of social contribution that are not subject to statute of limitations based on the history of profitability and on the expectations of future taxable income determined in technical valuation approved by the Management.

The Company has credits on tax losses in the amounts of R$153,738 in the parent company and R$164,234 in the consolidated (R$183,924 and R$194,487 on March 31, 2010) and R$57,613 on the parent company's negative basis and R$61,529 in the consolidated (R$70,550 and R$74,597 on March 31, 2010). For being subject to any material aspects that might change realization projections, the book value of deferred tax assets is reviewed monthly and projections are reviewed annually. These studies indicate the realization of these tax assets within the term established by said Instruction and within the 30% limit of the taxable income.

(In thousands of reais, unless otherwise stated)

The tax benefit over goodwill of Nacional Minérios S.A., resulting from the merger of Big Jump in July 2009, was R$1,391,858. Up to June 2010, R$139,186 (R$115,988 in the year) was realized, and in the following years (2011 to 2013) this realization will be R$278,372 per year. In 2014, the last year, the benefit will be R$162,382.

(b) The reconciliation of income and social contribution taxes expenses and revenues of the Parent Company and consolidated and the effective IR and CSLL rate are shown as follows:

	Consolidated		Parent Company	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Income before income and social contribution taxes	**1,574,029**	**1,062,334**	**1,427,411**	**849,469**
Tax rate	34%	34%	34%	34%
Income and social contribution taxes at the combined tax rate	**(535,170)**	**(361,194)**	**(485,320)**	**(288,819)**
Adjustments to reflect the effective tax rate:				
Benefit of Interest on shareholders' equity - JCP	60,659	65,696	60,659	65,696
Equity income of subsidiaries at different rates or which are not taxable	167,064	(49,801)	269,010	71,997
Tax incentives	27,308	5,326	27,308	4,312
Adjustments from installments of Law 11,941 and MP 470	107,615		91,907	
Other permanent (additions) deductions	(26,056)	(18,793)	(23,938)	(22,188)
Income and social contribution taxes on net income for the year	**(198,580)**	**(358,766)**	**(60,374)**	**(169,002)**
Effective rate	**13%**	**34%**	**4%**	**20%**

(c) Transitional Tax Regime

The Transitional Tax Regime (RTT), which was regulated by Law 11,941/09, will be effective until the law that rules tax effects of new accounting methods becomes effective, aiming at tax neutrality.

The regime is optional in calendar years 2008 and 2009, provided that: (i) it is applied to the two-year period 2008-2009, not to a single calendar year; and (ii) the option is expressed in the Statement of Corporate Economic-Financial Information (DIPJ), mandatory as of calendar year 2010.

The Company chose to adopt the RTT in 2008. As a consequence, for the purposes of calculating the income tax and social contribution on net income for the years ended in 2009 and 2008, prerogatives set forth in the RTT were used.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

12. INVESTMENTS

a) Direct interest in subsidiaries and jointly-owned subsidiaries

The amounts of income/loss for the period and shareholders' equity refer to 100% of the companies' income.

					6/30/2010			3/31/2010
Companies	Number of shares (in units)		% Direct interest	Net income (loss) for the period	Shareholders' equity	% Direct interest	Net income (loss) for the period	Shareholders' equity
	Common	Preferred						
Steel								
Cia. Metalic Nordeste	87,868,185	4,424,971	99.99	3,062	102,220	99.99	8,590	99,158
INAL Nordeste	43,985,567		99.99	(736)	35,414	99.99	(808)	36,150
CSN Aços Longos	240,278,171		99.99	(829)	453,320	99.99	(282)	341,079
Cia. Metalurgica Prada	3,155,036		99.99	5,995	494,224	100.00	4,572	488,229
GalvaSud							8,424	
CSN Steel	480,726,588		100.00	439,543	3,990,050	100.00	(83,814)	3,562,305
CSN Overseas	7,173,411		100.00	(487,344)	544,746	100.00	26,775	1,031,892
CSN Panama	4,240,032		100.00	137,666	888,420	100.00	26,497	743,451
CSN Energy	3,675,319		100.00	108,617	1,191,110	100.00	48,772	1,056,188
CSN Export	1,036,429		100.00	57,590	263,862	100.00	(1,340)	206,272
CSN Islands VII	20,001,000		100.00	(411)	32,108	100.00	(40)	32,519
CSN Islands VIII	1,000		100.00	127	11,636	100.00	851	11,509
CSN Islands IX	1,000,000		100.00	(947)	(133)	100.00	(896)	814
CSN Islands X	1,000		100.00	(1,407)	(35,498)	100.00	(1,743)	(34,091)
CSN Islands XI	50,000		100.00	23	6,665	100.00	(5,090)	6,642
Tangua	15		100.00	1,339	22,912	100.00	6,803	255,745
International Investment Fund	50,000		100.00	4,287	117,403	100.00	5,503	113,116
Logistics								
MRS Logística	188,332,667	151,667,313	22.93	94,356	1,875,994	22.9317	111,803	1,781,638
Transnordestina Logística	740,372,383	45,513,333	77.02	5,498	842,458	72.56	(6,089)	720,333
Sepetiba Tecon	254,015,053		99.99	6,601	190,392	99.99	7,694	184,151
Itaguaí Logística	1,000,000		99.99	(110)	889	99.99	1	999
Energy								
Itá Energética	520,219,172		48.75	9,844	656,864	48.75	10,826	647,020
CSN Energia	1,000		99.90	(22)	62,038	99.9	640	62,060
Mining								
ERSA	34,236,307		99.99	985	15,779	99.99	75	14,794
Congonhas Minérios	5,010,000		99.99	(2,201)	7,109	99.99	86	9,310
Mineração Nacional	1,000,000		99.99	10	1,010	99.99	2	1,000
Nacional Minérios	475,067,405		59.99	443,043	10,517,184	59.99	231,567	10,068,436
Cement								
CSN Cimentos	722,113,330		99.99	8,213	640,906	99.99	(1,798)	499,074

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

b) Investment breakdown

		3/31/2010						6/30/2010
Companies	Opening balance of investments	Opening balance of loss reserves	Capital decrease	Dividends	Equity pick-up and loss reserves	Other	Closing balance of investments	Closing balance of loss reserves
Steel								
Cia. Metalic Nordeste	99,158				3,062		102,220	
INAL Nordeste	36,150				(736)		35,414	
CSN Aços Longos	341,079				(829)	113,070 (3)	453,320	
CSN Steel	3,562,305				439,519	(11,774) (1)	3,990,050	
CSN Overseas	1,031,892				(487,344)	198 (1)	544,746	
CSN Panama	743,451				137,666	7,303 (2)	888,420	
CSN Energy	1,056,188				108,617	26,305 (2)	1,191,110	
CSN Export	206,272				57,590		263,862	
Cia Metalurgica Prada	488,229				5,995		494,224	
CSN Islands VII	32,519				(411)		32,108	
CSN Islands VIII	11,509				127		11,636	
CSN Islands IX	814				(947)			(133)
CSN Islands X		(34,091)			(1,407)			(35,498)
CSN Islands XI	6,642				23		6,665	
Tangua	255,745		(234,172)		1,339		22,912	
International Investment Fund	113,116				4,287		117,403	
	7,985,069	**(34,091)**	**(234,172)**		**266,551**	**135,102**	**8,154,090**	**(35,631)**
Logistics								
MRS Logistica	408,560				21,637		430,197	
Transnordestina Logística	551,882				3,963	144,287 (3)+(4)	700,132	
Sepetiba Tecon	184,151			(360)	6,601		190,392	
Itaguaí Logística	999				(110)		889	
	1,145,592			**(360)**	**32,091**	**144,287**	**1,321,610**	
Energy								
Itá Energética	315,422				4,799		320,221	
CSN Energia	61,998				(22)		61,976	
	377,420				**4,777**		**382,197**	
Mining								
ERSA	14,794				985		15,779	
Congonhas Minérios	9,310				(2,201)		7,109	
Mineração Nacional	1,000				10		1,010	
Nacional Minérios	6,041,062				265,826	3,423 (1)	6,310,311	
	6,066,166				**264,620**	**3,423**	**6,334,209**	
Cement								
CSN Cimentos	499,074				8,213	133,619 (3)	640,906	
Total MEP	**16,073,321**	**(34,091)**	**(234,172)**	**(360)**	**576,252**	**416,431**	**16,833,012**	**(35,631)**
Other investments	10,031					19 (5)	10,050	
Total investments	**16,083,352**	**(34,091)**	**(234,172)**	**(360)**	**576,252**	**416,450**	**16,843,062**	**(35,631)**

(1) Other adjustments from subsidiaries in accordance with the rules of CPC 02 – classified into shareholders' equity under translation accumulated adjustments.
(2) Adjustment at fair value as a result of the investment recorded as available for sale (Riversdale Mining Ltd.).
(3) Advance for Future Capital Increase.
(4) Transfer of FINOR preferred shares to investors as a result of funds raised.
(5) Purchase of 139 common shares from Panatlântica on June 18, 2010.

c) Additional Information on the main operating subsidiaries

- CIA. METALIC NORDESTE

The Company, with its head office located in Maracanaú, State of Ceará, has as its main corporate purpose the manufacturing of metallic packaging destined to the beverage industry.

Its operation unit can be characterized as one of the world's most modern ones and counts on two different production lines: the can production line, whose raw material is tin-coated steel, supplied by the parent company, and the lid production line, whose raw material is aluminum.

Its production is mainly geared towards the Brazilian northern and northeastern markets, with the surplus production of lids sold abroad.

The subsidiary received an incentive from PROVIN – Incentive Program for the Companies' Operations, established by the Government of the State of Ceará, main purpose of which is the promotion of the industrial development and job generation in that State.

- INAL NORDESTE

Based in Camaçari, State of Bahia, the Company has as its main purpose to reprocess and distribute the CSN steel products, operating as a service and distribution center in the Northeast region of the country.

- AÇOS LONGOS

Established in Volta Redonda in the state of Rio de Janeiro, it aims at manufacturing and selling rolled long steel, except tubes.

In October 2, 2009, the Company started the construction works of the plant, which is expected to be concluded in 2010 and to become operational in 2011.

- GALVASUD

Located in Porto Real, in the State of Rio de Janeiro, the Company has as purpose all industrial, commercial and sales promotion activities related to: i) installation and operation of a steel products service center; ii) installation and operation of a hot-immersion galvanization line, iii) installation and operation of laser welding lines for the production of welded blanks destined for the automobile production; iv) just-in-time supply to the automotive industry; and v) promotion and sales of the products of the Company and of third parties, shareholders inclusively, to the automotive industry.

On January 29, 2010, CSN merged subsidiary GalvaSud S.A., given the resemblance between the activities performed by both companies. The equity merger resulted in the optimization of processes and maximization of results, by concentrating both companies' selling, operating and administrative activities in one single organizational structure. The Company informed the merger, approved at the Extraordinary General Meeting held on January 29, 2010, to shareholders and to the market on January 13, 2010 by disclosing a Material Fact.

The amounts included totaled a net asset of R$783,421, which mainly corresponded to cash and cash equivalents of R$299,232, inventory of R$122,104, fixed assets of R$228,138 and other assets and liabilities amounting to R$142,355.

- COMPANHIA METALÚRGICA PRADA

Based in the city of São Paulo, Prada has branches in several states of the country and has as its main activities the rolled steel reprocessing and distribution, the manufacturing and trading of metallic products, manufacturing and trading of metallic packaging, as well as the import and export of these products.

- SEPETIBA TECON

Company whose objective is to exploit the No.1 Containers Terminal of the Itaguaí Port, located in Itaguaí, State of Rio de Janeiro. This terminal is linked to Presidente Vargas Steelworks by the Southeast railroad network, which is granted to MRS Logística.

Sepetiba Tecon was the winner of the auction that occurred on September 3, 1998 for the takeover of the terminal concession and this concession allows the exploitation of the aforementioned terminal for the term of 25 years, extendable for another term of 25 years.

- CSN ENERGIA

Its main purpose is distributing and trading the surplus electric power generated by CSN and by companies, consortiums or other entities in which Company holds an interest.

A balance receivable related to the electric power sales is held under the scope of the Electric Power Trade Chamber ("Câmara de Comercialização de Energia Elétrica") – CCEE, in the amount of R$54,224 (R$54,224 on March 31, 2010), which are due by concessionaires that present injunctions suspending the corresponding payments. Management understands that recording an allowance for doubtful accounts is not necessary in view of the judicial measures taken by the official entities of the sector.

- TRANSNORDESTINA LOGÍSTICA

Transnordestina has as its main purpose the exploitation and development of the public rail cargo transport service for the Northeast network of Brazil.

Transnordestina entered into a concession agreement with the Federal Government on December 31, 1997 for a period of 30 years, extendable for another equal period. The agreement allows the development of the public service of exploitation of the northeast network which comprises seven States of the Federal Government in an extension of 4,534 km. The concession also comprises the lease of assets of Rede Ferroviária Federal S.A. (RFFSA) which serve this network and include, among others, constructions, permanent tracks, locomotives, railcars, vehicles, tracks and accessories.

In May 2009, Fundo de Investimentos do Nordeste – FINOR paid-up capital in Transnordestina by issuing 45,513,333 preferred shares in the amount of R$27,308, corresponding to a 6.40% interest in Transnordestina's capital stock.

On December 10, 2009, the Company increased Transnordestina's capital stock, with the issue of 124,831,721 common shares, which were subscribed and paid-up upon the capitalization of advance for future capital increase. As a consequence, the Company's interest in Transnordestina increased to 84.34%, whereby Transnordestina was fully merged.

(In thousands of reais, unless otherwise stated)

In March 2010, Fundo de Investimentos do Nordeste increased Transnordestina's capital in the amount of R$89,438. Due to this capital increase, CSN's interest on Transnordestina's total capital stock went from 84.34% to 72.56%, resulting in percentage gain of R$2,959. Transnordestina will continue to be fully consolidated and the difference of percentage not corresponding to the Company will be accounted as minority interest.

On May 7, 2010, 45,513,333 preferred shares were transferred and subscribed by FINOR to CSN. Due to this transfer, CSN now holds 77.02% interest in Transnordestina's capital stock, resulting in percentage gain of R$217.

- ESTANHO DE RONDÔNIA – ERSA

Ersa is a subsidiary based in the State of Rondônia, where it operates two units, one in the city of Itapuã do Oeste and the other one in the city of Ariquemes. The subsidiary's mining operation for cassiterite (tin ore) is located in Itapuã do Oeste and the casting operation from which metallic tin is obtained, which is the raw material used in UPV for the production of tin plates, is located in Ariquemes.

- CSN CIMENTOS

Based in Volta Redonda, State of Rio de Janeiro, it has the production and trading of cement as its corporate purpose. CSN Cimentos use as one of its raw material the blast furnace slag from the pig iron production of the Presidente Vargas Steelworks. The company started to operate on May 14, 2009 and its results are also related to residual expenditures deriving from activities of metallic structure manufacturing discontinued in 2002, when the corporate name was FEM-Projetos, construções e montagens.

d) Additional information on the main jointly-owned subsidiaries

The amounts of the balance sheet and of the statement of income of the companies whose control is shared are shown as follows. These amounts were consolidated in the Company's quarterly information, in accordance with the interest described in item (a) of this Note.

			6/30/2010			3/31/2010
	NAMISA	MRS	ITASA	NAMISA	MRS	ITASA
Current assets	2,813,928	1,369,823	87,929	2,626,525	1,204,771	88,837
Noncurrent assets	9,980,152	3,575,352	861,717	9,840,461	3,559,837	873,162
Long-term assets	8,310,629	646,651	8,608	8,467,397	667,753	8,064
Investments, property, plant and equipment and deferred charges	1,669,524	2,928,701	853,109	1,373,064	2,892,085	865,098
Total Assets	**12,794,080**	**4,945,175**	**949,646**	**12,466,986**	**4,764,608**	**961,999**
Current liabilities	539,115	951,907	112,582	645,999	1,127,720	117,318
Noncurrent liabilities	1,737,781	2,117,274	180,200	1,752,551	1,855,251	197,661
Shareholders' equity	10,517,184	1,875,994	656,864	10,068,436	1,781,638	647,020
Total liabilities and shareholders' equity	**12,794,080**	**4,945,175**	**949,646**	**12,466,986**	**4,764,608**	**961,999**

			6/30/2010			6/30/2009
	NAMISA	MRS	ITASA	NAMISA	MRS	ITASA
Net Revenue	625,059	1,155,075	111,724	572,546	983,516	111,813
Cost of goods sold and services rendered	(422,263)	(670,712)	(39,781)	(393,565)	(573,851)	(32,163)
Gross income	202,796	484,363	71,943	178,981	409,665	79,650
Operating income (expenses)	(167,704)	(122,638)	(27,782)	(91,053)	(54,656)	(19,553)
Net financial income	805,527	(49,958)	(12,804)	518,195	(11,488)	(13,127)
Income before income and social contribution taxes	**840,619**	**311,766**	**31,357**	606,123	**343,521**	**46,970**
Current and deferred income and social contribution taxes	(166,009)	(105,607)	(10,687)	(173,708)	(112,653)	(14,255)
Net income for the year	**674,610**	**206,159**	**20,670**	**432,415**	**230,868**	**32,715**

- NACIONAL MINÉRIOS – NAMISA

Headquartered in Congonhas, state of Minas Gerais, the NAMISA main purpose is the production, purchase and sale of iron ore. NAMISA sells its products mainly in the foreign market. NAMISA's main operations are developed in the municipalities of Congonhas, Ouro Preto, Itabirito and Rio Acima, state of Minas Gerais, and in Itaguaí, state of Rio de Janeiro.

In December 2008, CSN sold 2,271,825 shares of the voting capital of Nacional Minérios S.A. ("NAMISA") to Big Jump Energy Participações S.A. ("Big Jump"), whose shareholders are the companies Posco and Brazil Japan Iron Ore Corp (Itochu Corporation, JFE Steel Corporation, Sumitomo Metal Industries, Ltd., Kobe Steel Ltd., Nisshin Steel Co. Ltd., Nippon Steel). Subsequently to this sale, Big Jump subscribed new shares, paying in cash the total of US$3,041,473 thousand, corresponding to R$7,286,154 thousand, R$6,707,886 thousand of which were recorded as goodwill at the subscription of the shares.

Due to the new corporate structure of the jointly-owned subsidiary, in which Big Jump holds 40% and CSN 60% and, due to the shareholders' agreement entered into between the parties, CSN consolidated NAMISA in a proportional manner.

Continuing the restructuring process of Namisa, on July 30, 2009, the jointly-controlled subsidiary merged its parent company Big Jump Energy Participações S.A. Said merger did not change the company's shareholding structure.

- MRS LOGÍSTICA

The Company's main purpose is to exploit, by onerous concession, the public rail cargo transport service in the right of way of the Southeast network, located in the stretch connecting Rio de Janeiro, São Paulo and Belo Horizonte, of Rede Ferroviária Federal S.A. - RFFSA, privatized on September 20, 1996. CSN paid in Namisa 10% of its interest in MRS, and decreased this direct interest from 32.93% to 22.93%.

In addition to this direct interest, the Company also holds an indirect interest of 6% through Nacional Minérios S.A. – Namisa, a proportionally consolidated company, and 4.34% through International Investment Fund.

MRS may also exploit modal transportation services regarding the rail transport and take part in developments aiming at the extension of rail transport services granted.

To provide the services which are the purpose of the concession obtained for a 30-year period, as from December 1, 1996, and extendable for another equal period at the exclusive discretion of the grantor, MRS leased from RFFSA, for the same period of the concession, the assets necessary to operate and maintain rail cargo transportation activities.

- ITÁ ENERGÉTICA S.A. – ITASA

Itasa holds a 60.5% interest in the Itá Consortium, which was created for the exploitation of the Itá Hydroelectric Power Plant pursuant to the concession agreement of December 28, 1995, and its Addendum 1 dated July 31, 2000, entered into between the consortium holders (Itasa and Centrais Geradoras do Sul do Brasil - Gerasul, formerly called Tractebel Energia S.A.) and the Brazilian Agency for Electric Energy (ANEEL).

CSN holds 48.75% of the subscribed capital and the total amount of common shares issued by Itasa, a special purpose entity (SPE) originally established to make feasible the construction of the Itá Hydroelectric Power Plant, the contracting of the supply of goods and services necessary to carry out the venture and the obtainment of financing through the offering of the corresponding guarantees.

- CONSORTIUM OF THE IGARAPAVA HYDROELECTRIC POWER PLANT

The Igarapava Hydroelectric Power Plant is located in Rio Grande, 400 km from Belo Horizonte and 450 km from São Paulo, with installed capacity of 210 MW, formed by 5 bulb-type generating units, and is considered a landmark for energy generation in Brazil.

Igarapava stands out for being the first Hydroelectric Power Plant built by a consortium of 5 large companies.

CSN holds 17.92% of the consortium subscribed capital, whose specific purpose is the distribution of electric energy, which is distributed according to the interest percentage of each company.

e) Additional information on indirect interests abroad

- COMPANHIA SIDERURGICA NACIONAL – LLC

Incorporated in 2001 with the assets and liabilities of the extinct Heartland Steel Inc., headquartered in Wilmington, State of Delaware – USA, it has an industrial plant in Terre Haute, State of Indiana – USA, where there is a complex comprising a cold rolling line, a hot pickling line for spools and a galvanization line. CSN LLC is a wholly-owned indirect subsidiary of CSN Panama.

- LUSOSIDER

Incorporated in 1996 in succession to Siderurgia Nacional – a company privatized by the Portuguese government that year. Lusosider is the only Portuguese company of the steel sector to produce cold-re-rolled flat steel, with a corrosion-resistant coating. The company presents in Paio Pires an installed capacity of around 550 thousand tonnes/year to produce four large groups of steel products: galvanized plate, cold-rolled plate, pickled and oiled plate.

Products manufactured by Lusosider may be used in the packaging industry, civil construction (piping and metallic structures), and in home appliance components.

- RIVERSDALE MINING LIMITED

Incorporated in 1986, Riversdale Mining Limited ("Riversdale") is a mining company listed on the Australian Stock Exchange. Riversdale Mining intends to develop a diversified mining company, focusing on growth by investing in mining opportunities. The company has a coal mine in South Africa, and a reserve in Mozambique, among other mines.

In November 2009, the Company's Board of Directors approved the acquisition by indirect subsidiary CSN Madeira (currently called CSN Europe) of minority interest in Riversdale Mining Limited's capital stock. The acquisition comprised 28,750,598 shares representing 14.99% of Riversdale's capital stock and, on January 8, 2010, the Australian authorities allowed the Company to conclude the second stage to acquire 2,482,729 capital stock shares of Riversdale Mining Limited, for the price of six Australian dollars and ten cents (A$6.10) per share.

In January 2010, with the conclusion of two stages of the operation, CSN indirectly reached a total interest of 16.10% of Riversdale's capital stock.

In June 2010, Riversdale had a capital increase from third parties, decreasing CSN's interest in its capital stock to 15.6%.

(In thousands of reais, unless otherwise stated)

f) Other investments

- PANATLÂNTICA

On January 5, 2010, the Company's Board of Directors approved the acquisition of 802,069 common shares of the capital stock of Panatlântica S.A. ("Panatlântica"), a publicly-held company, headquartered in the city of Gravataí, state of Rio Grande do Sul, and an industrial unit in the city of Glorinha, in the same state. This company's purpose is the industrialization, trade, imports, exports and processing of steel and ferrous or non-ferrous metals, coated or not.

On June 18, 2010, the Company acquired other 139 Panatlântica's common shares totaling a 9.39% interest in Panatlântica's capital stock. Currently, this investment is valued as available for sale.

13. PROPERTY, PLANT AND EQUIPMENT

					Consolidated
	Depreciation, depletion and amortization rate (% p.a.)	Cost	Accumulated depreciation, depletion and amortization	Residual value 6/30/2010	Residual value 3/31/2010
Machinery and equipment	2.50 to 50.00	8,325,822	(2,046,373)	6,279,449	6,098,680
Mines and mineral deposits	0.08 to 0.13	5,332	(1,172)	4,160	4,254
Buildings	1.67 to 20.00	1,589,478	(224,088)	1,365,390	1,331,722
Furniture and fixtures	8.06 to 10.00	124,022	(98,873)	25,149	22,156
Land		126,279		126,279	126,979
Property, plant and equipment in progress		3,026,886		3,026,886	2,449,430
Other assets	2.50 to 50.00	2,029,604	(657,263)	1,372,341	1,350,794
		15,227,423	**(3,027,769)**	**12,199,654**	**11,384,015**

					Parent Company
Machinery and equipment	2.50 to 50.00	7,221,460	(1,640,721)	5,580,739	5,386,662
Mines and mineral deposits	0.08	2,323	(4)	2,319	2,319
Buildings	1.67 to 20.00	883,112	(77,916)	805,196	763,479
Furniture and fixtures	10.00	109,074	(89,699)	19,375	16,584
Land		85,483		85,483	85,395
Property, plant and equipment in progress		1,205,436		1,205,436	1,288,594
Other assets	2.50 to 33.33	279,823	(78,302)	201,521	181,820
		9,786,711	**(1,886,642)**	**7,900,069**	**7,724,853**

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

The changes made to property, plant and equipment between March 31, 2010 and June 30, 2010 are as follows:

								Consolidated
	Net 3/31/2010	**Addition**	**Transfers**	**Write-offs**	**Other**	**Depreciation in the period**	**Translation adjustment into reais**	**Net 6/30/2010**
Machinery and Equipment	6,098,680	15,694	339,900	(518)		(170,789)	(3,518)	6,279,449
Mines and mineral deposits	4,254					(94)		4,160
Buildings	1,331,722	43	50,070			(14,595)	(1,850)	1,365,390
Furniture and fixtures	22,156	1,389	2,923	(3)	(34)	(1,154)	(128)	25,149
Land	126,979	466	36				(1,202)	126,279
Property, plant and equipment in progress	2,449,430	849,951	(359,820)	(15,501)	102,704		122	3,026,886
Other	1,350,794	110,448	(33,109)	15,398	(37,035)	(33,443)	(712)	1,372,341
Total property, plant and equipment	**11,384,015**	**977,991**		**(624)**	**65,635**	**(220,075)**	**(7,288)**	**12,199,654**

							Parent Company
	Net 3/31/2010	**Addition**	**Transfers**	**Write-offs**	**Other**	**Depreciation in the period**	**Net 6/30/2010**
Machinery and Equipment	5,386,662	12,181	337,552	(312)		(155,344)	5,580,739
Mines and mineral deposits	2,319						2,319
Buildings	763,479		50,070			(8,353)	805,196
Furniture and fixtures	16,584	834	2,869	(2)		(910)	19,375
Land	85,395	52	36				85,483
Property, plant and equipment in progress	1,288,594	231,526	(390,524)	(15,419)	91,259		1,205,436
Other	181,820	33,964	(3)	15,419	(27,811)	(1,868)	201,521
Total property, plant and equipment	**7,724,853**	**278,557**		**(314)**	**63,448**	**(166,475)**	**7,900,069**

a) During the semester loan costs were capitalized in the amount of R$94,636 (R$29,003 in first semester 09) in the Parent Company and R$106,083 (R$31,668 in first semester 09) in the consolidated financial information. These costs are determined on the financing contracts for the mining, cement and long steel projects.

b) The assets provided as collateral for financial operations totaled R$47,985 on June 30, 2010 and March 31, 2010.

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14. INTANGIBLE ASSETS

					Consolidated	
					Net value	
	Useful life terms	Amortization annual rates %	Cost	Accumulated amortization	**6/30/2010**	**3/31/2010**
Software	05 years	20	73,609	(35,832)	37,777	39,182
Goodwill from expected future profitability			753,917	(322,711)	431,206	432,454
			827,526	(358,543)	468,983	471,636

					Parent Company	
					Net value	
	Useful life terms	Amortization annual rates %	Cost	Accumulated amortization	**6/30/2010**	**3/31/2010**
Software	05 years	20	21,375	(10,051)	11,324	11,050
Goodwill from expected future profitability			284,572	(207,972)	76,600	76,600
			305,947	(218,023)	87,924	87,650

Software: This is valued at the cost of acquisition, less accumulated amortization and, when applicable, less impairment losses.

Goodwill: The goodwill economic basis is the expected future profitability and, in accordance with the new pronouncements, these amounts are not amortized as from January 1, 2009, when they started to be subject only to impairment tests, which did not result in impairment charges.

Goodwill on investments	Balance on 3/31/2010	Amortization	Balance on 6/30/2010	Investor
Parent Company				
Galvasud	13,091		13,091	CSN
Prada	63,509		63,509	CSN
Subtotal parent company	**76,600**		**76,600**	
NAMISA				
CFM	339,637		339,637	Namisa
Cayman do Brasil	7,481		7,481	Namisa
ITASA	8,736	(1,248)	7,488	
Total consolidated	**432,454**	**(1,248)**	**431,206**	

15. DEFERRED CHARGES

In compliance with Law 11,638/07 and the CPC Technical Pronouncement 13, the Company maintains a record of the remaining balance of deferred assets referring to pre-operating expenses recognized up to December 31, 2007.

These assets will be kept in the Company's accounting up to their total amortization and/or write-off due to impairment. On June 30, 2010, the balance of these assets was R$25,974 (R$27,181 on March 31, 2010) in the Parent Company and R$29,432 (R$31,388 on March 31, 2010 in the consolidated financial information).

(In thousands of reais, unless otherwise stated)

16. LOANS, FINANCING AND DEBENTURES

	Consolidated				Parent Company			
	Current liabilities		Noncurrent liabilities		Current liabilities		Noncurrent liabilities	
	6/30/2010	3/31/2010	6/30/2010	3/31/2010	6/30/2010	3/31/2010	6/30/2010	3/31/2010
FOREIGN CURRENCY								
Long-term loans								
Pre-payment	750,012	469,208	2,673,153	2,960,972	1,031,481	735,914	4,208,560	4,544,984
Perpetual Bonds	27,098	26,789	1,351,125	1,335,750				
Fixed Rate Notes	65,044	48,777	3,062,550	3,027,700	748,366	743,079	2,285,154	2,194,855
Import Financing	82,865	86,983	108,900	116,365	56,103	59,555	56,049	58,363
BNDES/Finame	21,787	20,226	70,289	71,969	19,396	17,859	63,583	64,754
Other	55,697	35,499	168,097	181,446	33,037	31,362	75,773	74,910
	1,002,503	**687,482**	**7,434,114**	**7,694,202**	**1,888,383**	**1,587,769**	**6,689,119**	**6,937,866**
LOCAL CURRENCY								
Long-term loans								
BNDES/Finame	307,117	281,425	1,602,195	1,649,364	195,885	181,238	900,748	915,161
Debentures	33,159	18,983	1,062,978	962,211	22,177	8,211	600,000	600,000
Pre-payment	55,979	4,072	3,400,000	1,400,000	33,673	4,072	1,400,000	1,400,000
CCB	40,225	35,214	3,000,000	3,000,000	40,225	35,214	3,000,000	3,000,000
Other	11,208	12,343	39,099	38,408	1,646	1,598	7,410	7,985
	447,688	**352,037**	**9,104,272**	**7,049,983**	**293,606**	**230,333**	**5,908,158**	**5,923,146**
Total loans and financing	**1,450,191**	**1,039,519**	**16,538,386**	**14,744,185**	**2,181,989**	**1,818,102**	**12,597,277**	**12,861,012**
Derivatives	52,145	68,190	8,697	10,445	(209,448)	(135,087)		
Total loans and financing and derivatives	**1,502,336**	**1,107,709**	**16,547,083**	**14,754,630**	**1,972,541**	**1,683,015**	**12,597,277**	**12,861,012**
Transacion costs	(33,409)	(32,880)	(74,667)	(70,159)	(30,022)	(30,256)	(56,677)	(64,155)
Total loans, financing, derivatives and transaction costs	**1,468,927**	**1,074,829**	**16,472,416**	**14,684,471**	**1,942,519**	**1,652,759**	**12,540,600**	**12,796,857**

On June 30, 2010, funding transaction costs are as follows:

				Consolidated
	Short-term	**Long-term**	**TJ (1)**	**TE (2)**
Fixed rate notes	1,776	4,198	6.88% to 10%	10.01% to 10.7%
BNDES	2,237	10,053	1.3% to 3.2%	1.44% to 9.75%
Pre-payment	7,771	31,589	6.25% to 8.62%	6.75% to 10.08%
CCB	20,765	28,264	117.5% CDI	11.33%
Other	860	563	103.6% CDI	12.59%
Total	**33,409**	**74,667**		

				Parent Company
	Short-term	**Long-term**	**TJ (1)**	**TE (2)**
Fixed rate notes	701	1,753	1.5% to 10%	10.01% to 10.7%
BNDES	1,856	7,318	1.3% to 3.2%	1.44% to 9.75%
Pre-payment	5,840	18,779	6.25% to 8.62%	6.75% to 10.08%
CCB	20,765	28,264	117.5% CDI	11.33%
Other	860	563	103.6% CDI	12.59%
Total	**30,022**	**56,677**		

(1) TJ – contractual annual interest rate.
(2) TE – effective interest rate.

(In thousands of reais, unless otherwise stated)

On June 30, 2010, transaction costs to be recorded in the result for subsequent periods are presented as follows.

							Consolidated
	2011	2012	2013	2014	2015	After 2015	Total
Fixed rate notes	546	1,099	1,099	397	234	821	4,196
BNDES	1,011	4,343	1,980	618	300	1,802	10,054
Pre-payment	3,885	7,771	7,771	6,109	1,825	4,229	31,590
CCB	10,959	16,151	1,154				28,264
Other	378	185					563
Total	**16,779**	**29,549**	**12,004**	**7,124**	**2,359**	**6,852**	**74,667**

							Parent Company
	2011	2012	2013	2014	2015	After 2015	Total
Fixed rate notes	351	701	701				1,753
BNDES	928	1,856	1,856	577	300	1,801	7,318
Pre-payment	2,920	5,840	5,840	4,179			18,779
CCB	10,959	16,151	1,154				28,264
Other	378	185					563
Total	**15,536**	**24,733**	**9,551**	**4,756**	**300**	**1,801**	**56,677**

On June 30, 2010, the principal of long-term loans, financing and debentures presents the following composition, by year of maturity:

	Consolidated		Parent Company	
2011	1,501,073	9.1%	1,480,839	11.8%
2012	4,659,026	28.2%	4,617,917	36.7%
2013	2,718,678	16.4%	2,980,001	23.7%
2014	988,887	6.0%	1,155,673	9.2%
2015	923,052	5.6%	458,180	3.6%
After 2015	4,405,241	26.6%	1,904,667	15.1%
Perpetual Bonds	1,351,126	8.2%		
	16,547,083	**100.0%**	**12,597,277**	**100.0%**

Loans, financing and debentures are subject to interest, the annual rates of which, on June 30, 2010, are presented as follows:

	Consolidated		Parent Company	
	Local Currency	Foreign Currency	Local Currency	Foreign Currency
Up to 7%	537,635	5,039,450		6,042,545
From 7.1 to 9%	1,546,702	159,426	1,183,271	1,069,098
From 9.1 to 11%	649,715	3,224,825	544,595	1,465,859
Above 11%	301,862			
Derivatives		60,841		(209,448)
Variable	6,516,051	12,912	4,473,898	
	9,551,965	**8,497,454**	**6,201,764**	**8,368,054**
		18,049,419		**14,569,818**

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In July 2005, the Company issued perpetual bonds amounting to US$750 million through its subsidiary CSN Islands X Corp. These indefinite maturity bonds pay 9.5% p.a. and the Company has the right to settle the transaction at its face value after 5 years, on the maturity dates for the interest. Up to the closure of this quarterly information, Management did not intend to settle this operation in the foreseeable future.

The guarantees provided for loans comprise fixed asset items, sureties, bank guarantees and securitization operations (exports), as shown in the following table and do not include the guarantees provided to subsidiaries and jointly-owned subsidiaries mentioned in Note 20.

	6/30/2010	3/31/2010
Property, plant and equipment	47,985	47,985
Personal guarantee	78,846	77,127
Imports	33,306	40,790
Securitizations (exports)	238,161	177,642
	398,298	**343,545**

The following table shows the amortization and funding in the current period:

	6/30/2010	3/31/2010
Opening balance	15,862,339	14,452,759
Funding	2,177,391	1,651,374
Amortization	(427,389)	(742,741)
Other (*)	437,078	500,947
Closing balance	**18,049,419**	**15,862,339**

(*) Including exchange and monetary variations.

a) Loans and financing with certain agents contain covenants, with which the Company is in compliance on June 30, 2010. Some of the main covenants are informed as follows:

Export and import financing operations

"The Company shall maintain all authorizations necessary to comply with the obligations established in the contract."

"The Company shall export products in an amount sufficient to cover the principal and interest accrued which are due on the respective payment dates."

Export credit notes issued in favor of Banco do Brasil S.A. and Banco Nossa Caixa S.A.

"The Company shall export steel products in general and/or iron ore in an amount sufficient to cover the principal of the operation."

BNDES financing

"The Company shall prove the investment of own funds established in the project."

"The Company undertakes to not promote any acts or measures that may jeopardize or change the economic-financial breakeven of the loan beneficiary."

Debentures

"The Company shall immediately notify the Fiduciary Agent on the announcement of any general debenture holders' meeting by the issuer."

b) The Company and its subsidiaries also assume covenants, which are specific to certain contracts, but usual in operations of the same nature, and also had been complied with on June 30, 2010, as follows:

Covenants of the Company and subsidiaries for Eurobonds issued by subsidiaries:

"In foreign currency and debt operations represented by securities traded on stock exchanges outside Brazil, the Company must not constitute guarantees on its assets, except for those allowed in the operation agreements, without simultaneously guaranteeing the notes."

CSN Islands IX Corp., CSN Islands X Corp. CSN Islands XI Corp. (Eurobonds): "The issuer must not assume debts, except for those represented by the notes, or debts representing commissions, costs or indemnifications due in accordance with the established in the operation documentation."

Company's covenant in Bank Letter of Credit ("CCB") with Caixa Econômica Federal:

"The Company shall maintain in the collection account, at Caixa Econômica Federal, receivables in the amount of 10% of the operation's outstanding balance."

Covenants applicable to the Company's subsidiaries:

CSN Export S.à.r.l (Securitization): "CSN Export must not assume debts except for those established in the operation documentation and debts resulting from law and which do not have a materially adverse effect."

CSN Export S.à.r.l. recorded in the 26th quarter of its Securitization program ended on January 31, 2010, an insufficient export level to comply with certain export coverage ratios provided for in the program agreements, which resulted in an Accumulation Event, with a temporary allocation of funds (up to the amount corresponding to twice the debt service) to an accumulation account managed by the custodian bank. In the 27th quarter of the program ended on April 30, 2010, CSN Export recovered sufficient export levels to comply with the coverage ratios originally provided for in the program, resulting in the release of funds then retained in the accumulation account.

Transnordestina (BNDES financing): "Transnordestina undertakes to not change, without prior and express authorization of BNDES, its share control."

17. DEBENTURES

Fourth issue

As approved at the Board of Directors Meeting held on December 20, 2005 and ratified on April 24, 2006, the Company issued, on February 1, 2006, 60,000 non-convertible and unsecured debentures, in one single tranche, with a unit face value of R$10. These debentures were issued in the total issuance value of R$600,000. The credits from the negotiations with the financial institutions were received on May 3, 2006.

Compensation interest is applied on the face value of these debentures corresponding to 103.6% of the Clearing House for the Custody and Financial Settlement of Securities (Cetip) Interbank Deposit Certificate (CDI), and the maturity of the face value is scheduled for February 1, 2012, with early redemption option.

The indenture of this debenture issue contains covenants – usual in this kind of operation – which have been duly complied with by the Company and are described below:

a) Provision of information: the Company must provide to the trustee any information that the latter may reasonably require the former in up to ten business days counting from the date of the respective requirement;

b) Audit: the Company must submit, pursuant to the law, its accounts and balance sheets for examination by an independent audit firm registered with CVM;

General Debenture holders' Meeting: it must immediately notify the trustee on the call for any General Meeting by the Issuer.

18. FINANCIAL INSTRUMENTS

I – Identification and appraisal of financial instruments

The Company operates with several financial instruments, from which the most relevant are funds available, including financial investments, trade accounts receivable, accounts payable to suppliers and loans and financing. In addition, the Company also operates with derivative financial instruments, especially exchange swap and interest rate swap operations.

Considering the nature of instruments, excluding derivative financial instruments, the fair value is basically determined by applying the discounted cash flow method. The amounts recorded in current assets and liabilities either have acid test ratio or are mostly due in three-month periods or less. Given the term and characteristics of these instruments, which are systematically renegotiated, book values are close to fair values.

II – Cash and cash equivalents, financial investments, accounts receivable, other current assets and accounts payable

Amounts recorded are close to realization amounts.

III – Investments (except for subsidiaries and affiliates)

These mainly consist of investments in publicly-held companies, recorded at fair value and classified as available for sale, in which the Company has strategic interest.

IV – Financial risk management policy

The Company has and follows a risk management that provides guidance on transactions and requires the diversification of transactions and counterparties. According to this policy, the nature and general position of financial risks is regularly monitored and managed with the purpose of evaluating results and the financial impact on cash flow. Credit limits and the quality of the counterparties' hedge are also periodically revised.

The risk management policy was established by the Board of Directors. According to this policy, market risks are hedged when it is considered necessary to support the corporate strategy or when it is necessary to maintain the financial flexibility level.

Under the risk management policy, risks are managed by using derivative instruments.

V – Liquidity risk

This is the risk that the Company might not have sufficient cash to honor its financial commitments, due to term or volume mismatch between receipts and expected payments.

In order to manage cash liquidity in domestic and foreign currency, disbursement and future receipts assumptions were established and are daily monitored by the Treasury.

VI – Exchange rate risk

Although most of the revenues are denominated in Brazilian Reais, on June 30, 2010, R$8,436,611 or 47% of the consolidated loans and financing were denominated in foreign currency (R$8,381,684 or 53% on March 31, 2010). As a result, the Company is subject to variations in exchange and interest rates and it manages the risk of the fluctuations in the amounts in Brazilian Reais that will be necessary to pay the obligations in foreign currency using a number of financial instruments, including cash invested in dollar and derivatives (derivative contracts without financial leverage, such as foreign currency swaps and futures contracts).

VII – Derivatives

a) Policies for the use of hedging derivatives

The Company's financial policy reflects the liquidity parameters, credit and market risk approved by the Audit Committee and Board of Directors. The use of derivative instruments, with the purpose of preventing interest rate and foreign exchange rate fluctuations from having a negative impact on the Company's balance sheet and statement of income, should comply with the same parameters. Pursuant to internal rules, this financial investment policy was approved and is managed by the Board of Executive Officers.

As a routine, the Board of Executive Officers presents and discusses, at the meetings of the Board of Executive Officers and Board of Directors, the Company's financial positions. Pursuant to the Bylaws, significant amount operations require previous approval by the Company's Management. The use of other derivative instruments is subject to prior approval by the Board of Directors.

In order to finance its activities, the Company often resorts to capital markets, either domestic or international ones, and due to the debt profile it seeks, part of the Company's debt is pegged to foreign currency, mainly to the U.S. dollar, which motivates the Company to seek hedge for its indebtedness through derivative financial instruments.

In order to contract financial instruments and derivatives with the purpose of hedge in compliance with the structure of internal controls, the Company adopts the following policies:

- continuous ascertainment of the exchange exposure, which occurs by means of the assessment of assets and liabilities exposed to foreign currency, within the following terms: (i) accounts receivable and payable in foreign currency; (ii) cash and cash equivalents and debt in foreign currency;

- presentation of the financial position and foreign exchange exposure, as a routine, at meetings of the Board of Executive Officers and of the Board of Directors which approve this hedging strategy; and

- contracting of hedge derivative operations only with first-tier banks.

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The consolidated net exposure to the foreign exchange rate on June 30, 2010 is shown as follows:

	6/30/2010
	Consolidated (amounts in US$ thousand)
Cash and cash equivalents abroad	2,843,370
Margin of derivative guarantee	81,659
Investiments in securities for sale	90,774
Accounts receivable - foreign market clients	99,497
Advances to suppliers	124,050
Securitization reserve fund	32,490
Other assets	19,121
Intercompany loans	61,627
Total assets	**3,352,588**
Loans and financing	(4,666,054)
Suppliers	(81,735)
Other liabilities	(32,588)
Intercompany loans	(875)
Total liabilities	**(4,781,252)**
Gross exposure	**(1,428,664)**
Notional value of contracted derivatives	1,592,051
Net exposure	**163,387**

The results obtained with these operations are in accordance with the policies and strategies defined by the Management.

b) Main risks resulting from the Company's operations

- **Interest rate risk**

Short and long-term liabilities, indexed to floating interest rates and inflation indexes. Due to this exposure, the Company maintains derivatives to manage these risks better.

- **Credit risk**

The exposure to credit risk of financial institutions complies with the parameters established in the financial policy. The exposure to credit risk of our clients and suppliers complies with the parameters established by the credit policy.

Since part of the Companies' funds is invested in Brazilian government bonds, there is also exposure to the Brazil's credit risk.

(In thousands of reais, unless otherwise stated)

In order to mitigate market risks, as foreign exchange and interest rate, the Management contracts operations with derivatives, as shown below:

- **Libor x CDI swap transactions**

The purpose of these transactions is to hedge liabilities indexed to US Dollar Libor from Brazilian interest rate fluctuations. The Company has basically executed swaps of its liabilities indexed to Libor, in which it receives interest of 1.25% p.a. on the notional value in dollar (long position) and pays 96% of the Interbank Deposit Certificate – CDI on the notional value in Reais on the date of the contracting (short position). The notional value of these swaps on June 30, 2010 is US$150,000 thousand, hedging an export pre-payment operation in the same amount. The gains and losses from these contracts are directly related to exchange (dollar), Libor and CDI fluctuations. They are related to operations in the Brazilian over-the-counter market, in general, having first-tier financial institutions as counterparts.

On June 30, 2010, the position of these contracts is as follows:

a) Outstanding operations

		Notional value US$ thousand	Valuation - 2010 (R$ thousand)		Fair value (market) (R$ thousand)	Amount payable or receivable in the period (R$ thousand)
Date of maturity	Counterparties	6/30/2010	Long-term	Short-term	6/30/2010	Amount payable
Aug-12-10	*CSFB*	150,000	254,742	(257,295)	(2,553)	(2,553)

b) Settled operations

		Notional value US$ thousand		Valuation - 2010 (R$ thousand)		Valuation - 2009 (R$ thousand)		Fair value (market) (R$		
Date of maturity	Counterparties	2010	2009	Long-term	Short-term	Long-term	Short-term	2010	2009	Amount paid
2/12/2010	*CSFB*	150,000	150,000	255,316	(259,412)	254,787	(256,971)	(4,096)	(2,184)	(1,912)
5/12/2010	*CSFB*	150,000		255,227	(259,066)			(3,838)		(3,838)
				510,543	(518,478)	254,787	(256,971)	(7,934)	(2,184)	(5,750)

The net position of the aforementioned contracts is recorded in a specific derivative account in the loans and financing group as loss in the amount of R$2,553 on June 30, 2010 and its effects are recognized in the Company's financial result as a loss in the amount of R$8,303.

- **Real-U.S. Dollar Commercial Exchange Rate Futures Contract**

It seeks to hedge foreign-denominated liabilities against the Real variation. The Company may buy or sell commercial U.S. dollar futures contracts on the Commodities and Futures Exchange (BM&F) to mitigate the foreign currency exposure of its US dollar-denominated liabilities. The specifications of the Real-U.S. dollar exchange rate futures contract, including detailed explanation on the contracts' characteristics and calculation of daily adjustments, are published by BM&F and disclosed on its website (www.bmf.com.br). During the quarter, the Company paid R$178,827 and received R$256,498 in adjustments, thus having a gain of R$77,671. Gains and losses from these contracts are directly related to the currency fluctuations.

(In thousands of reais, unless otherwise stated)

On June 30, 2010, the position of these operations is as follows:

Description	Notional value US$ thousand 6/30/2010	Fair value 6/30/2010	Amount payable or receivable in the period: Amount received in R$	Amount paid in R$
Purchase commitment				
Foreign currency (US Dollar futures)	455,000	(4,428)	256,498	(178,827)

VIII – Exchange swap transactions

Exchange swap transactions aim at protecting its liabilities denominated in foreign currency against the fluctuation of the Real. The Company carried out swaps of its U.S. dollar-denominated liabilities, in which the Company will receive the difference between the exchange variation observed in the period plus interest rate which ranges between 4.35% and 9.00% p.a., multiplied by the notional value (long position) and pays interest based on the Interbank Deposit Certificate – CDI, on the amount in Reais of the notional value on the date of the contracting (short position). The notional value of these swaps on June 30, 2010 was US$1,049,500 thousand. The gains and losses from these contracts are directly related to exchange (dollar) and CDI fluctuations. These transactions are related to operations in the Brazilian over-the-counter market, primarily having first-tier financial institutions as counterparties, contracted within exclusive investment funds.

On June 30, 2010, the consolidated position of these contracts is as follows:

a) Outstanding operations

	Notional value (US$ thousand)		Valuation - 2010 (R$ thousand)		Fair value (market) (R$	Amount payable or receivable in the year (R$
Counterparties	**6/30/2010**	**Operation maturity**	**Long-term position**	**Short-term position**	**6/30/2010**	**Amount payable/paid**
Itau BBA	125,000	July 1,2010 to Aug 2,2010	224,897	(228,796)	(3,899)	(3,899)
Goldman Sachs	234,500	Jul 1,2010 to Aug 2,2010	422,864	(429,221)	(6,357)	(6,357)
HSBC	465,000	Jul 1,2010 to Sep 1,2010	837,834	(851,120)	(13,286)	(13,286)
Santander	175,000	July 1,2010	315,658	(320,314)	(4,656)	(4,656)
Deutsche Bank	50,000	January 3,2011	90,053	(91,518)	(1,465)	(1,465)
	1,049,500		1,891,307	(1,920,970)	(29,663)	(29,663)

(In thousands of reais, unless otherwise stated)

b) Settled operations

	Notional value US$ thousand		Valuation - 2010 (R$ thousand)		Valuation - 2009 (R$ thousand)		Fair value (market) (R$ thousand)		Amount payable or receivable in the year (R$ thousand)	
Counterparties	**2010**	**2009**	**Long-term position**	**Short-term position**	**Long-term position**	**Short-term position**	**2010**	**2009**	**Amount receivable/ received**	**Amount payable/paid**
Itau BBA	832,000	130,000	1,522,345	(1,464,783)	226,753	(228,968)	57,562	(2,215)	64,236	(4,459)
Santander	3,623,220	1,024,500	6,584,553	(6,565,971)	1,788,212	(1,824,172)	18,582	(35,960)	130,885	(76,342)
Goldman Sachs	1,537,500	300,000	2,804,972	(2,768,658)	523,270	(527,928)	36,314	(4,658)	54,579	(13,607)
Westlb	265,000	65,000	475,789	(491,788)	113,379	(114,569)	(15,999)	(1,190)		(14,809)
Deutsche Bank	450,000		830,982	(830,892)			90		5,592	(5,502)
HSBC	1,649,000		2,901,712	(2,962,011)			(60,299)		16,848	(77,147)
	8,356,720	1,519,500	15,120,353	(15,084,103)	2,651,614	(2,695,637)	36,250	(44,023)	272,140	(191,866)

The net position of the aforementioned contracts (dollars and euros) is recorded in a specific derivative account in the loans and financing group as a loss in the amount of R$29,663 on June 30, 2010 (loss of R$42,966 on March 31, 2010) and its effects are recognized in the Company's financial result as gains in the amount of R$50,611.

The subsidiaries Tecon and Lusosider maintain derivative operations to hedge against Yen and US Dollar exposures. The notional value of these operations are JPY 2,390,398 and US$91,090 respectively and the results of these operations are consolidated in the Company's results in the amount of R$15,043.

The jointly-owned subsidiary MRS Logística has derivative (swap) operations which caused proportional losses to the Company's interest, in the amount of R$971 recognized in CSN's consolidated balance sheet for June 30, 2010.

In addition to the swaps above mentioned, the Company also made NDFs (Non Deliverable Forward) of its assets in euros. Basically, the Company realized financial derivatives of its assets in euros, from which it will receive the difference between the exchange variation in U.S. dollars observed in the period, multiplied by the notional value (long position) and pays the difference between the exchange variation in euros observed in the period, over the notional value in euros on the agreement date (short position). These are over-the-counter Brazilian market operations, and first-tier financial institutions are the counterparties, contracted within exclusive funds.

On June 30, 2010, the consolidated position of these agreements was as follows:

	Notional value EUR thousand		Valuation - 2010 (R$ thousand)		Fair value (market) (R$ thousand)	Amount payable or receivable in the period (R$ thousand)	
Counterparties	**2010**	**Operation Maturity**	**Long-term position**	**Short-term position**	**2010**	**Amount receivable/ received**	**Amount payable/paid**
Itau BBA	25,000	July 12,2010	56,833	(55,066)	1,767	1,767	
Deutsche Bank	25,000	July 12,2010	56,864	(55,066)	1,798	1,798	
HSBC	25,000	July 12,2010	56,891	(55,066)	1,825	1,825	
	75,000		170,588	(165,198)	5,390	5,390	

IX – Methods and assumptions used to calculate and measure financial instruments – derivatives

- **Foreign exchange swap transactions, Libor x CDI swap transactions**

The Company uses an exclusive fund for its foreign exchange swap operations. The fund's manager, Banco BTG Pactual, calculates and discloses the market value of the fund assets (NAV – Net Asset Value) on a daily basis, using the following pricing methodology to ascertain the market value of the foreign exchange swap.

- **US Dollar**

Pricing Methodology

The first step in order to calculate the swap is to correct its notional financial value at the foreign exchange rate variation.

$$FinNocSwap_{corr} = \left(1 + \frac{PtaxV_{calc}}{PtaxV_{ini}}\right) \cdot FinNocSwap$$

The second step consists of calculating which value the corrected notional value would have on the maturity date.

$$FinSwap_{vcto} = FinNocSwap_{corr} \cdot \left(1 + i \cdot \frac{DC_{vcto,ini}}{360}\right)$$

The third and last stage of the calculation is to carry the swap value on the maturity date to the calculation date.

$$FinSwap_{calc} = \frac{FinSwap_{vcto}}{\left(1 + tx \cdot \frac{DC_{vcto,calc}}{360}\right)}$$

Combining all steps in one single equation we would have the following:

$$FinSwap_{calc} = \left(1 + \frac{PtaxV_{calc}}{PtaxV_{ini}}\right) \cdot \left(\frac{FinNocSwap \cdot \left(1 + i \cdot \frac{DC_{vcto,ini}}{360}\right)}{\left(1 + tx \cdot \frac{DC_{vcto,calc}}{360}\right)}\right)$$

Where:

$FinSwap_{calc}$	Swap's financial value on calculation date
$FinNocSwap$	Swap's notional financial value (initial financial value)
$FinNocSwap_{corr}$	Swap's notional financial value restated to calculation date
$FinSwap_{vcto}$	Swap's estimated financial value on maturity
$PtaxV_{calc}$	Sale PTAX800 on calculation date. Source: Brazilian Central Bank
$PtaxV_{ini}$	Sale PTAX800 on initial swap date. Source: Brazilian Central Bank
$DC_{vcto.ini}$	Days elapsed between initial swap and maturity
$DC_{vcto.hoje}$	Days elapsed between initial swap and calculation date
i	Swap's remuneration rate
tx	Current market foreign exchange coupon rate. Primary Source: BM&F

(In thousands of reais, unless otherwise stated)

The rates used for all swaps are the ones disclosed by BM&F. In their absence, or in situations of liquidity decrease or systemic crisis situations, coupons of the government bonds of each of the respective indexes are used as a notion for calculation. In the absence of the rate for the specific vertex to be calculated, the BM&F interpolated rates are used.

The Libor x CDI swap was directly contracted by the Company and, therefore, its market value was calculated as follows:

- Long position (purchased): carried to future value at current Libor and discounted at present value by the prefixed US Dollar curve.

- Short position (sold): carried to future value at current CDI and discounted at present value by the prefixed Brazilian Real curve.

The data sources for the mark-to-market of these instruments are the following: BBA (British Bankers Association), BM&F, BOVESPA and CETIP, and all data were taken from Bloomberg.

X – Sensitivity analysis

For the consolidated exchange operations with US Dollar fluctuation risk, based on the foreign exchange rate on June 30, 2010 of R$1.8015 per US$1.00, adjustments were estimated for five scenarios:

- Scenario 1: Probable Scenario, which used the future U.S. Dollar rate of BM&F, maturing on August 2, 2010, from June 30, 2010;
- Scenario 2: (25% of Real appreciation) rate of R$1.3511 per US$1.00;
- Scenario 3: (50% of Real appreciation) rate of R$0.9008 per US$1.00;
- Scenario 4: (25% of Real devaluation) rate of R$2.2519 per US$1.00;
- Scenario 5: (50% of Real devaluation) rate of R$2.7023 per US$1.00.

							6/30/2010
	Risk	US$ Notional value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
		1.8015	1.8108	1.3511	0.9008	2.2519	2.7023
Exchange Swap	U.S. Dollar fluctuatior	1,049,500	9,750	(472,669)	(945,337)	472,669	945,337
Swap Libor vs. CDI	U.S. Dollar fluctuatior	1,417	13	(638)	(1,277)	638	1,277
US dollar futures	U.S. Dollar fluctuatior	455,000	4,227	(204,921)	(409,841)	204,921	409,841
Exchange position - functional currency Bazilian Reais (not including the foreign exchange derivatives above)	U.S. Dollar fluctuatior	(1,428,664)	(13,272)	643,435	1,286,869	(643,435)	(1,286,869)
Consolidated exchange position (including the foreign exchange derivatives above)	U.S. Dollar fluctuatior	163,387	1,518	(73,585)	(147,171)	73,585	147,171

(In thousands of reais, unless otherwise stated)

XI – Classification of financial instruments

Consolidated - R$ thousand	Balances	Available-for-sale	Fair value through profit and loss	Loans and receivables - effective	Other liabilities - Amortized cost method	Balances	Available-for-sale	Fair value through profit and loss	Loans and receivables - effective interest	Other liabilities - Amortized cost method
					6/30/2010					3/31/2010
Assets										
Current										
Cash and cash equivalents	9,672,152		9,672,152			9,148,907		9,148,907		
Net accounts receivable	1,298,017			1,298,017		1,098,886			1,098,886	
Financial Investment - Securities for trading (*)	317,603		317,603			188,491		188,491		
Guarantee (margin) of financial instruments	147,109		147,109			155,686		155,686		
Securitization reserve fund	23,413		23,413			101,436		101,436		
Noncurrent										
Other receivables	59,495			59,495		63,186			63,186	
Other financial interests	499,112	499,112				461,888	461,888			
Securitization reserve fund	35,119		35,119			35,034		35,034		
Liabilities										
Current										
Loans and financing	1,417,033				1,417,033	1,325,297				1,325,297
Debentures	33,159				33,159	18,983				18,983
Derivatives	52,145		52,145			68,190		68,190		
Suppliers	691,768				691,768	549,845				549,845
Salaries and social contribution	167,041				167,041	29,730				29,730
Dividends, Interest on shareholders' equity and profit sharing	222,145				222,145	1,846,486				1,846,486
Noncurrent										
Loans and financing	15,475,408				15,475,408	13,711,812				13,711,812
Debentures	1,062,978				1,062,978	624,570				624,570
Derivatives	8,697		8,697			10,445		10,445		

(*) In 2010, CSN acquired ADRs and blue-chip stocks abroad. This investment is classified at the Company by its fair value, does not have a maturity and can be traded at any moment. The fair value calculation takes into consideration the market price of these securities.

19. FINANCIAL INSTRUMENTS ASSOCIATED TO OTHER FINANCIAL ASSET PRICE FLUCTUATION RISKS

Total return equity swap contracts

On August 13, 2009, the Company presettled the total return equity swap operation contracted on September 5, 2008, as approved by the Board of Directors on July 8, 2009.

Date of issue	Settlement date	Notional value (Us$ thousand)	Assets	Liabilities	Market value
					2009
9/5/2008	8/13/2009	1,050,763	1,364,812	(1,934,741)	(569,929)

Despite this operation’s accumulated losses from September 5, 2008 up to the date of its settlement, in the amount of R$569,929, during 2009 the operation generated a profit totaling R$1,026,465.

Swap contract without cash, had as counterpart Banco Goldman Sachs International, was pegged to 29,684,400 American Depositary Receipts (“ADR”) of Companhia Siderúrgica Nacional (long position) and Libor of 3 months + spread of 0.75% p.a. (short position).

The gains and losses from this contract were directly related to foreign exchange fluctuations, the Company’s ADRs and Libor quotation. This instrument was recorded in other accounts payable in the balance sheet, and gains and loss, by accrual period, in the Company’s financial results.

This operation had deposit related to the guarantee margin with the counterparty in the amount of US$593,410 remunerated daily at the FedFund rate, and this deposit was released on the operation settlement date. The guarantee margin was recorded in other accounts receivable under current assets.

(In thousands of reais, unless otherwise stated)

20. SURETIES AND GUARANTEES

The Company has the following liabilities with its subsidiaries and jointly-owned subsidiaries, in the amount of R$5,198 million (R$5,216 million on March 31, 2010), for guarantees provided:

In million

	Currency	Maturity	Loans		Tax foreclosure		Other		Total	
			6/30/2010	3/31/2010	6/30/2010	3/31/2010	6/30/2010	3/31/2010	6/30/2010	3/31/2010
Transnordestina	R$	6/1/2010 to 5/8/2028	338.6	389.3			2.8	2.8	341.4	392.1
CSN Cimentos	R$	Indefinite			32.5	32.5	27.0	27.0	59.5	59.5
Prada	R$	Indefinite			9.9	9.9	0.7	0.7	10.6	10.6
Sepetiba Tecon	R$	Indefinite	1.7	1.7	15.0	20.0	61.5	61.5	78.2	83.2
Itá Energética	R$	9/15/2013	93.7	93.7					93.7	93.7
CSN Energia	R$	Indefinite			1.0	1.0			1.0	1.0
Total in R$			**434.0**	**484.7**	**58.4**	**63.4**	**92.0**	**92.0**	**584.4**	**640.1**
CSN Islands VIII	US$	12/16/2013	550.0	550.0					550.0	550.0
CSN Islands IX	US$	1/15/2015	400.0	400.0					400.0	400.0
CSN Islands X	US$	Perpetual	750.0	750.0					750.0	750.0
CSN Islands XI	US$	9/21/2019	750.0	750.0					750.0	750.0
Aços Longos	US$	12/31/2011	4.4	8.7					4.4	8.7
CSN Cimentos	US$	Indefinite					2.1	0.2	2.1	0.2
Prada	US$	9/13/2010	2.0	2.0					2.0	2.0
Transnordestina	US$	Indefinite					62.1	62.1	62.1	62.1
Total in US$			**2,456.4**	**2,460.7**			**64.2**	**62.3**	**2,520.6**	**2,523.0**
Transnordestina	EUR	Indefinite					33.3	33.3	33.3	33.3
Total in EUR							**33.3**	**33.3**	**33.3**	**33.3**

21. TAXES PAID IN INSTALLMENTS

a) Tax recovery program (Refis)

- **Federal Refis**

On November 26, 2009, CSN and its subsidiaries adhered to the Federal Tax Repayment Program (REFIS) introduced by Law 11,941/09 and Provisional Measure 470/09, in order to settle their tax and social security liabilities through a special settlement and installment payment system. The adhesion to special tax programs reduced the amount payable of fines, interests and legal charges previously due.

The Management's decision took into account the matters judged by higher courts, as well as the evaluation of its external advisors as to the possibility of a favorable court decision for the lawsuits in progress.

In November 2009 and February 2010, companies recorded the adjustments necessary to be made in the provisions, as well as reductions in debits set forth in special programs, according to the waiver date of administrative appeals or legal proceedings. In 2009, the Parent Company recorded a positive effect of R$505,853 before IRPJ and CSLL whereas the consolidated was R$507,633. In 1Q10, those amounts corresponded to a negative effect of R$48,890 and R$42,364 before IRPJ and CSLL in the Parent Company and consolidated, respectively, which were recorded in the financial result and other operating revenues and expenses (see Notes 25 and 26).

The new debit value after the application of reductions related to the tax program of Law 11,941/09 was offset with court deposits related to these lawsuits and is subject to validation by the proper authorities. The remaining balance will be paid in 180 monthly installments as of the consolidation of debits by the authorities.

(In thousands of reais, unless otherwise stated)

As for debits recorded pursuant to Provisional Measure 470/09, these are being paid in 12 installments as of November 2009.

On June 30, 2010, the position of debits from Refis, recorded in taxes paid in installments was R$1,607,400 (R$1,711,877 on March 31, 2010) in the parent company and R$1,638,291 (R$1,742,135 on March 31, 2010) in the consolidated.

- **State Refis**

On January 18, 2010, the state of Rio de Janeiro enacted Law 5,647/10, which implemented the Tax Recovery Program. Based on this new rule, amounts due have reduced fines and interests and could be settled with judgment debts of the government until May 31, 2010. The Company and its subsidiaries, CSN Cimentos and MRS, have chosen to include certain state tax debits in the Tax Recovery Program (REFIS), which amounted to R$52,387, with no significant impact on the second quarter of 2010.

b) Taxes paid in installments

In 2008, jointly-owned subsidiary MRS Logística renegotiated the payment schedule of the ICMS debit with the State of Minas Gerais to be paid in 120 installments, and it is regularly complying with the payment.

On June 30, 2010, this installment was R$180,547 (R$185,878 on March 31, 2010).

22. PROVISIONS AND JUDICIAL DEPOSITS

Several proceedings involving actions and complaints of a number of issues are being challenged at the proper jurisdictions. The breakdown of the amounts recorded as provisions and the respective judicial deposits related to those actions are shown as follows:

			6/30/2010			3/31/2010
	Judicial Deposits	Liabilities provisioned	Net Provisions	Judicial Deposits	Liabilities provisioned	Net Provisions
Current liabilities						
Provisions:						
Labor	(66,714)	142,703	75,989	(62,516)	139,592	77,076
Civil	(35,563)	53,865	18,302	(33,351)	43,818	10,467
Parent Company	**(102,277)**	**196,568**	**94,291**	**(95,867)**	**183,410**	**87,543**
Consolidated	**(111,484)**	**220,866**	**109,382**	**(105,112)**	**212,461**	**107,349**
Noncurrent						
Provisions:						
Labor					1,025	1,025
Environmental	(282)	122,240	121,958	(282)	122,277	121,995
Tax		61,075	61,075		65,410	65,410
	(282)	**183,315**	**183,033**	**(282)**	**188,712**	**188,430**
Legal liabilities challenged in court:						
Tax						
IPI premium credit	(1,227,892)	1,227,892		(1,227,892)	1,227,892	
CSLL credit on exports		374,601	374,601		324,557	324,557
SAT		67,003	67,003		50,508	50,508
Education Allowance	(33,121)	33,121		(33,121)	33,121	
CIDE	(27,576)	27,576		(27,621)	27,621	
Income tax / “Plano Verão”	(20,892)	20,892		(20,892)	20,892	
Other provisions	(36,047)	110,620	74,573	(36,078)	109,342	73,264
	(1,345,528)	**1,861,705**	**516,177**	**(1,345,604)**	**1,793,933**	**448,329**
Total parent company current	**(102,277)**	**196,568**	**94,291**	**(95,867)**	**183,410**	**87,543**
Total parent company noncurrent	**(1,345,810)**	**2,045,020**	**699,210**	**(1,345,886)**	**1,982,645**	**636,759**
Total consolidated current	**(111,484)**	**220,866**	**109,382**	**(105,112)**	**212,461**	**107,349**
Total consolidated noncurrent	**(1,387,339)**	**2,125,214**	**737,875**	**(1,387,161)**	**2,056,012**	**668,851**

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The change in provisions for contingencies for the period ended June 30, 2010 and March 31, 2010 are as follows:

					Consolidated
Nature	3/31/2010	Additions	Financial Charges	Utilization	6/30/2010
Civil	65,205	15,090	688	(5,657)	75,326
Labor	172,368	9,930	7,855	(8,822)	181,331
Tax	1,835,811		66,931	(25,130)	1,877,612
Environmental	122,521		264	(37)	122,748
Pension Plan	72,568		16,495		89,063
Total	**2,268,473**	**25,020**	**92,233**	**(39,646)**	**2,346,080**

					Parent Company
Nature	3/31/2010	Additions	Financial Charges	Utilization	6/30/2010
Civil	43,818	14,679	649	(5,281)	53,865
Labor	140,617	5,442	4,166	(7,522)	142,703
Tax	1,808,835		55,921	(8,979)	1,855,777
Environmental	122,277			(37)	122,240
Pension Plan	50,508		16,495		67,003
Total	**2,166,055**	**20,121**	**77,231**	**(21,819)**	**2,241,588**

The provisions for civil, labor, tax, environmental and social security liabilities were estimated by the Company's Management substantially based on the opinion of its legal counsel, and only the cases classified as risk of probable loss were recorded. Additionally, the provisions include tax liabilities arising from actions taken on the Company's initiative, plus SELIC (Special Settlement and Custody System) interest.

The Company and its subsidiaries are defendants in other judicial and administrative proceedings (labor, civil and tax) in the approximate amount of R$4.0 billion, R$2.6 billion of which corresponds to tax proceedings, R$0.4 billion to civil actions and R$1.0 billion to labor and social security lawsuits. According to the Company's legal counsel, these administrative and legal proceedings are assessed as possible risk of loss. These proceedings were not accrued in accordance with the Management's judgment and with accounting practices adopted in Brazil.

a) Labor proceedings

On June 30, 2010, the Company is defendant in 9,165 labor claims, with a provision in the amount of R$142,703 (R$140,617 on March 31, 2010). Most of the pleadings of the actions are related to joint and/or subsidiary liability, wage parity, additional allowances for unhealthy and hazardous activities, overtime and differences related to the 40% fine on FGTS (severance pay) resulting from the federal government's economic plans and profit sharing differences from 1997 to 1999 and from 2001 to 2003.

b) Civil proceedings

Among the civil judicial proceedings to which the Company is defendant, there are mainly actions with indemnification request. Such proceedings, in general, arise from occupational accidents and diseases related to the Company's industrial activities. A provision in the amount of R$53,865 on June 30, 2010 (R$43,818 on March 31, 2010) was recorded for proceedings involving civil matters.

c) Environmental liabilities

On June 30, 2010, the Company has a provision in the amount of R$122,240 (R$122,277 on March 31, 2010) for use in expenses related to services for environmental investigation and recovery of areas potentially polluted within the plants in the States of Rio de Janeiro, Minas Gerais and Santa Catarina.

d) Tax proceedings

- Income and Social Contribution Taxes

(i) Plano Verão – The parent company claims the recognition of the financial-tax effects on the calculation of the income and social contribution taxes on net income, related to the 51.87% inflation write-down of the Consumer Price Index (IPC), which occurred in January and February 1989 ("Plano Verão").

In 2004, the proceeding was concluded and a final and unappealable decision was reached, granting the right to apply the index of 42.72% (January 1989), from which the 12.15% already applied should be deducted. The use of the index of 10.14% (February 1989) was also granted. The proceeding is currently under expert inspection.

On June 30, 2010 the Company recorded R$339,856 (R$339,483 on March 31, 2010) deposited in court and classified in a specific court deposit account in long-term receivables and provision of R$20,892 (R$20,892 on March 31, 2010), representing the portion not recognized in court.

(ii) Social Contribution on Net Income – Exports – In February 2004, the Company filed a lawsuit in order to be exempted from the social contribution payment on its export revenues/earnings, as well as obtaining a court authorization to be able to repeat/offset all social contribution values that had been improperly paid on export revenues/earnings since the publication of the Amendment 33/2001, which provided a new wording to Article 149, paragraph 2 of CF/88, when establishing that "social contributions will not levy on revenues resulting from exports."

In March 2004, a preliminary injunction was issued, later confirmed in a court decision, which authorized the exclusion (of the CSLL calculation basis) only from the profit from exports.

Said decision was renewed by the 4th Panel of the 2nd Regional Federal Court (TRF), which overruled the writ claimed by the Parent Company. An Extraordinary Appeal was filed against this decision, whose progress was suspended until the Brazilian Federal Court (STF) renders a decision on the matter in the records of the Extraordinary Appeal 564,413 (leading case), in which the existence of a general rebound of this very constitutional issue was acknowledged.

In December 2008, the Company received a Collection Letter of the amounts referred to the exclusion of "revenues" on the CSLL calculation basis. Consequently, the Company's Management approved the adhesion of the Collection Letter to the tax payment in installments program set forth by Law 11,941/2009 (REFIS), and also the litigation continuity about the main principle, related to the non-levy of CSLL on export profit, currently awaiting decision by the STF in the records of RE 564,413 (leading case).

Up to June 30, 2010, the amount of suspended liability and the credits offset based on the aforementioned proceeding was R$374,602 (R$324,557 on March 31, 2010), plus Selic interest rate.

- Contribution for intervention in the Economic Domain – CIDE

The parent company questioned the legality of Law 10168/00, which established the payment of CIDE on the amounts paid, credited or remitted to beneficiaries not resident in Brazil, for royalties or remuneration purposes on supply contracts, technical assistance, trademark license agreement and exploitation of patents.

The lower court decision was unfavorable, which was ratified by the 2nd Regional Federal Court (TRF). Appeals for Clarification of Judgment were filed, which were rejected, and an Extraordinary Appeal was filed at STF, which is awaiting decision as to its admissibility.

Due to adverse decisions and benefits from reduction of fines and interest rates, the Company's Board of Directors approved the adhesion of said litigation to the tax recovery program of Law 11,941/2009.

After having applied the benefits of this program, the Company also maintains judicial deposits in the amount of R$6,141, out of which R$2,895 refer to excess deposits after the application of REFIS reductions that may be offset with other debits discussed in court by the taxpayer or converted into income. On June 30, 2010, there is a provision in the amount of R$3,277 (R$3,322 on March 31, 2010), which includes legal charges.

- Education allowance

The parent company challenged the unconstitutionality of the education allowance and the possible recovery of the amounts paid in the period from January 5, 1989 to October 16, 1996. The proceeding was judged unfounded, and the Federal Regional Court maintained its unfavorable decision, which is final and unappealable.

In view of this fact, CSN attempted to pay the amount due, but FNDE and INSS did not reach an agreement about who should receive it. A fine was also demanded, but CSN did not agree on it.

CSN filed new proceedings questioning the above-mentioned facts and deposited in court the amounts due. In the first proceeding, the 1st level sentence judged partially favorable the pleading, in which the Judge removed the amount of the fine, maintaining, however, the SELIC rate. The Company presented brief of respondent to the defendant's appeal, and appealed concerning the SELIC rate.

The amount provided for and deposited in court on June 30, 2010 totals R$33,121 (R$33,121 on March 31, 2010).

- Workers' Compensation Insurance – SAT

The parent company is challenging in court the increase in the SAT rate from 1% to 3% and is also contests the raise in SAT for purposes of Contribution to Special Retirement, whose rate was set at 6%, in accordance with the legislation, for employees who are exposed to harmful agents.

As for the first proceeding mentioned above, the lower court decision was unfavorable and the proceeding is under judgment in the 2nd Region of the Federal Regional Court. As for the second proceeding it ended up unfavorably for the Company, and the total amount due in this proceeding of R$33,077, which was deposited in court, was converted into revenue for the benefit of INSS.

The amount accrued on June 30, 2010, totals R$67,003 (R$50,880 on March 31, 2010), which includes legal additions and is exclusively related to the process of rate difference from 1% to 3% for all establishments of the Company. Due to the probability of losing of this discussion, the Company's Board of Directors approved the adhesion of said discussions to the installment payment set forth by Law 11941/09.

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- IPI premium credit on exports

The Brazilian tax laws allowed companies to recognize IPI premium credit until 1983, when the Brazilian government, through Executive act, cancelled these benefits, prohibiting companies to use these credits.

The parent company challenged the constitutionality of this act and filed a claim to obtain the right to use the IPI premium credit on exports from 1992 to 2002, once only laws enacted by the legislative branch may cancel or revoke benefits prepared by prior legislation.

In August 2003 the Company obtained a favorable lower court decision, authorizing the use of the credits aforementioned. The national treasury appealed against this decision and obtained a favorable decision, and the Company then filed a special and extraordinary appeal against this decision at the Superior Court of Justice and at the Federal Supreme Court, respectively.

Between September 2006 and May 2007, the Brazilian Treasury filed 5 tax foreclosures and 3 administrative proceedings against the Company requesting the payment in the amount of approximately R$2.6 billion on June 30, 2010, related to the payment of taxes which were offset with IPI premium credits.

On August 29, 2007, CSN offered property to be levied upon treasury shares in the amount of R$536 million. 25% of this amount will be replaced by judicial deposits in monthly installments performed up to December 31, 2007 and as these substitutions take place, it was requested that the equivalent amount in shares be released from the levy of execution for the share price determined at the closing price of the day prior to the deposit. The requirement was pending decision.

On August 13, 2009, the Federal Supreme Court issued a decision with effects of general repercussion establishing that the IPI Premium Credit was only effective up to October 1990. Thus, the credits determined after 1990 were not recognized, and, in view of this court decision, the Company's Board of Directors approved the adhesion of said issues to the tax recovery programs of tax debits pursuant to the Provisional Measure 470/09 and Law 11941/09, in which there is the advantage of reduced fines, interest and legal charges.

The Company held accrued the amount of credits already offset, increased by default charges up to September 30, 2009. The new debit value after the application of reductions set forth in the program of Law 11941/09, was offset with court deposits related to said operations, resulting in an excess deposits amounting to R$516,215 after the application of REFIS reductions, which can be offset by other debits discussed in court by the taxpayer or converted into income. Such debits are yet subject to ratification by the proper authorities, which will take place by mid 2010.

Debits registered pursuant to MP 470/09 have been paid in 12 installments as of November 2009.

- Other

The parent company also recorded provisions for proceedings related to Severance Pay (FGTS) – Supplementary Law 110, COFINS Law 10833/03, PIS – Law 10637/02 and PIS/COFINS – Manaus Free-trade Zone, amount of which totaled R$81,435 on June 30, 2010 (R$80,158 on March 31, 2010), which includes legal accruals.

Regarding the Cofins debit Law 10833/03, the Board of Executive Officers approved the adhesion of said discussions to the tax recovery program Law 11941/09. The Parent Company maintained a provision in the amount of credits already offset, increased by default charges up to September 30, 2009.

The new debit value after the application of reductions set forth in the program of Law 11941/09, was offset by court deposits related to said operations, resulting in an excess deposits amounting to R$9,141 after the application of REFIS reductions, which can be offset by other debits discussed in court by the taxpayer or converted into income. Such debits are yet subject to ratification by the proper authorities yet, which will take place by mid 2010.

On June 14, 2010, the Regional Federal Court of Brasília rejected the annulment action filed by CSN against CADE – Administrative Council for Economic Defense, which aimed at annulling its decision rendered on October 27, 1999. In this administrative decision, CSN and other two companies were sentenced for the infringements provided for in Articles 20 and 21, item I of Law 8884/1984. The court decision was not published, hence, we are not aware of the entire content thereof; and after publication, other appeals may be filed at the same court and/or higher courts. Currently, there is no administrative or legal proceeding for collection and the debt amount is uncertain.

23. SHAREHOLDERS' EQUITY

i. Paid-in capital stock

The Company's fully subscribed and paid-in capital stock on June 30, 2010 amounted to R$1,680,947 (R$1,680,947 on December 31, 2009), split into 1,510,359,220 (1,510,359,220 on March 31, 2010) common book-entry shares, with no par value. Each share is entitled to one vote in the resolutions of the General Meeting. The Extraordinary General Meeting held on March 25, 2010, approved the split of shares representing the capital stock. After this split, each share is now represented by two (2) new shares.

ii. Authorized capital stock

The Company's bylaws in force on June 30, 2010, determine that the capital stock can be increased up to 2,400,000,000 shares, by decision of the Board of Directors.

iii. Legal reserve

Recorded at the proportion of 5% on the net income determined in each period, pursuant to Article 193 of Law 6404/76, reaching the limit for its recording, as determined by the current legislation.

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iv. Treasury shares

The Board of Directors authorized several share repurchase programs, with the purpose of holding those shares in treasury for subsequent disposal and/or cancellation, which are shown as follows:

Board authorization	Number of shares authorized	Program term	Number of shares acquired	Shares cancellation	Average weighted acquisition cost	Maximum and minimum acquisition cost	Balance in treasury
12/21/2007	4,000,000	From 1/23/2008 to 2/27/2008 (1)			Not applicable	Not applicable	34,734,384
3/20/2008	10,800,000(2)	Up to 4/28/2008			Not applicable	Not applicable	34,734,384
5/6/2008	10,800,000	Up to 5/28/2008			Not applicable	Not applicable	34,734,384
6/2/2008	10,800,000	Up tp 6/26/2008			Not applicable	Not applicable	34,734,384
6/27/2008	10,800,000	From 6/30/2008 to 7/29/2008			Not applicable	Not applicable	34,734,384
8/1/2008	10,800,000	From 8/4/2008 to 8/27/2008			Not applicable	Not applicable	34,734,384
9/26/2008	10,800,000	From 9/29/2008 to 10/29/2008	10,800,000(3)		29.4	24.99 and 41.85	45,534,384
12/3/2008				10,800,000(4)	Not applicable	Not applicable	34,734,384
12/3/2008	9,720,000	From 12/4/2008 to 1/4/2009			Not applicable	Not applicable	34,734,384
1/7/2009	9,720,000	From 1/8/2009 to 1/28/2009			Not applicable	Not applicable	34,734,384
2/2/2009	9,720,000	From 2/3/2009 to 2/25/2009			Not applicable	Not applicable	34,734,384
7/20/2009	29,684,400	Up to settlement of Equity Swap(5)	29,684,400(5)		45.49	45.49	64,418,784
8/21/2009				8,539,828(6)	Not applicable	Not applicable	55,878,956
9/14/2009				29,684,400(7)	Not applicable	Not applicable	26,194,556
12/18/2009	14,437,405	From 12/18/2009 to 1/15/2010 (8)			Not applicable	Not applicable	26,194,556
3/25/2010 (9)					Not applicable	Not applicable	52,389,112
5/7/2010	28,874,810	From 5/7/2010 to 6/8/2010 (10)			Not applicable	Not applicable	52,389,112

(1) The start of this program only occurred after the cancellation of shares approved at the Extraordinary General Meeting (AGE) held on January 22, 2008.
(2) As from this share repurchase program the number of shares informed already reflects the split and cancellation of shares approved at the AGE held on January 22, 2008.
(3) All shares acquired in this program were repurchased as from October 2008.
(4) The Extraordinary General Meeting held on December 3, 2008 approved the cancelation of 10,800,000 treasury shares, without reducing the capital stock.
(5) The Board of Directors approved the acquisition by the Company, through a private operation, of 29,684,400 ADRs previously held by Goldman Sachs due to an operation called "Total Return Equity Swap Transaction", for the settlement price that was defined based on the weighted average of the price of the Company's shares in the 30 floors sessions prior to the settlement date, translated into U.S. dollars by using the spot dollar translation rate of the business day immediately prior to the settlement date, as per the CVM Board's decision – Proceeding RJ2009/5962. On August 13, the operation was settled and the ADRs were repurchased, converted into common shares and subsequently cancelled.
(6) The Extraordinary General Meeting held on August 21, 2009 approved the cancelation of 8,539,828 treasury shares, without reducing the capital stock.
(7) The Extraordinary General Meeting held on September 14, 2009 approved the cancelation of 29,684,400 treasury shares for the historical cost of acquisitions at the unit price of R$25.28, without reducing the capital stock.
(8) On December 18, 2009, the Board of Directors authorized the opening of a new share buyback program, to be held in treasury for subsequent sale or cancellation; up to the closure of the these statements the Company had not yet repurchased the shares.
(9) The Extraordinary General Meeting held on March 25, 2010 approved the split of treasury shares. Therefore, each share now represents two shares.
(10) On May 5, 2010, the Board of Directors authorized the opening of a new share repurchase program to be held in treasury for subsequent disposal or cancellation; until the conclusion of this quarterly information, the Company had not repurchased shares yet.

(In thousands of reais, unless otherwise stated)

On June 30, 2010, the position of treasury shares was as follows.

Number of shares acquired (in units)	Total amount paid for the shares	Share unit cost Average	Share market value on 6/30/2010 (*)
52,389,112	R$ 1,191,559	R$ 22.75	R$ 1,377,834

(*) Average quotation of shares on BOVESPA on June 30, 2010 at the value of R$26.30 per share.

v. Shareholding structure

On June 30, 2010, the shareholding structure was as follows:

	6/30/2010		
	Number of Common Shares	Total % of shares	% excluding treasury shares
Vicunha Siderurgia S.A.	697,719,990	46.20%	47.86%
Caixa Beneficente dos Empregados da CSN - CBS	70,981,734	4.70%	4.87%
BNDESPAR	31,773,516	2.10%	2.18%
Sundry (ADR - NYSE)	343,752,002	22.76%	23.58%
Other shareholders (approximately 10 thousand)	313,742,866	20.77%	21.51%
	1,457,970,108	**96.53%**	**100.00%**
Treasury shares	52,389,112	3.47%	
Total shares	**1,510,359,220**	**100.00%**	

vi. Investment policy and payment of interest on shareholders' equity and dividends distribution

On December 11, 2000, the CSN Board of Directors decided to adopt a profit distribution policy which results in the full distribution of net income to its shareholders, in compliance with Law 6,404/76 amended by Law 9,457/97, provided that the following priorities are preserved, irrespective of their order: (i) business strategy; (ii) compliance with liabilities; (iii) execution of the necessary investments; and (iv) maintenance of the Company's good financial standing.

24. INTEREST ON SHAREHOLDERS' EQUITY

The calculation of interest on shareholders' equity is based on the variation of the Long-Term Interest Rate (TJLP) on shareholders' equity, limited to 50% of the income for the year before income tax or 50% of retained earnings and profit reserves, in which case the higher of the two limits may be used, pursuant to the legislation in force.

In compliance with the CVM Resolution 207, of December 31, 1996, and with tax rules, the Company opted to record the proposed interest on shareholders' equity in the amount of R$178,409 in the six-month period, corresponding to R$0.122367675 per share, as corresponding entry against the financial expenses account, and reverse it in the same account, and not presenting it in the statement of income and not generating effects on net income, except with respect to tax effects recognized in deferred income and social contribution taxes. Management will propose that the amount of interest on shareholders' equity be attributed to the mandatory minimum dividend.

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25. FINANCIAL INCOME AND MONETARY AND FOREIGN EXCHANGE VARIATIONS, NET

	Consolidated		Parent Company	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009 Adjusted
Financial expenses:				
Loans and financing - foreign currency	(298,998)	(320,641)	(55,974)	(80,834)
Loans and financing - local currency	(314,161)	(79,527)	(275,679)	(71,290)
Related parties	(185,726)	(178,576)	(640,857)	(757,641)
PIS/COFINS on other revenues	(505)	(625)	(470)	(625)
Losses from derivative instruments (*)	(8,303)	(200,316)	(8,303)	(9,264)
REFIS effect Law 11,941/09 and MP 470/09	(33,921)		(6,055)	
Other financial expenses	(165,263)	(286,626)	(146,972)	(253,064)
	(1,006,877)	**(1,066,311)**	**(1,134,310)**	**(1,172,718)**
Financial income:				
Related parties	24,319	21,245	246,418	53,603
Income on financial investments	154,714	103,109	29,028	3,958
Derivatives gains (*)		607,756		
Other income	37,738	135,972	26,392	110,743
	216,771	**868,082**	**301,838**	**168,304**
Net financial result	**(790,106)**	**(198,229)**	**(832,472)**	**(1,004,414)**
Monetary variations:				
- Gains	2,496	881	1,274	778
- Losses	(13,949)	50,091	(3,628)	4,543
	(11,453)	**50,972**	**(2,354)**	**5,321**
Exchange variations:				
- Gains	263,430	(174,585)	34,248	(45,390)
- Losses	(508,108)	240,608	(361,799)	1,063,338
- Exchange variations with derivatives (*)	147,744	246,251		
	(96,934)	**312,274**	**(327,551)**	**1,017,948**
Net monetary and exchange variations	**(108,387)**	**363,246**	**(329,905)**	**1,023,269**
(*) Statement of income from derivative operations				
Swap CDI x USD	50,610	(133,018)		
Swap EUR x USD	5,391			
Swap Libor x CDI	(8,303)	(9,264)	(8,303)	(9,264)
U.S. Dollar Futures	77,671	(18,238)		
Total return equity swap		854,006		
Other	14,072	(39,795)		
	139,441	**653,691**	**(8,303)**	**(9,264)**

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(In thousands of *reais*, unless otherwise stated)

26. OTHER OPERATING (EXPENSES) AND INCOME

	Consolidated		Parent Company	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009 Adjusted
Other operating expenses	**(313,984)**	**(251,375)**	**(306,519)**	**(209,883)**
Taxes and fees	(53,935)	(48,801)	(45,953)	(46,103)
REFIS effect Law 11,941/09 and MP 470/09	(8,444)		(42,835)	
Provision for contingencies and net losses of reversals	(19,260)	(65,577)	(6,364)	(52,437)
Contractual fines	(147,470)	(3,507)	(152,859)	(11,157)
Equipment Stoppage	(11,068)	(23,066)	(9,191)	(20,915)
Inventory loss	(6,576)	(7,075)	(7,300)	(5,210)
Expenses with engineering projects	(9,912)		(9,912)	
Impairment ERSA		(23,137)		(23,137)
Other expenses	(57,319)	(80,212)	(32,105)	(50,924)
Other operating income	**137,168**	**123,311**	**106,543**	**85,573**
Indemnifications	2,227	3,717	1,245	3,457
Reversal of provision for contingencies		71,648		71,648
Actuarial liabilities	38,722		40,779	
Extemporaneous credit PIS / COFINS / ICMS	32,739		32,739	
Acquisition of government securities issued to cover ordered debts of Piraí city	22,269		22,269	
Other income	41,211	47,946	9,511	10,468
Other operating income and (expenses)	**(176,816)**	**(128,064)**	**(199,976)**	**(124,310)**

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27. INFORMATION BY BUSINESS UNIT

(i) Consolidated balance sheet by business unit

					6/30/2010
	Steel	Mining	Logistics, Energy and Cement	Corporate Center and Others	Total
Current assets	**3,242,766**	**1,304,525**	**501,348**	**10,907,033**	**15,955,672**
Cash and cash equivalents				9,672,152	9,672,152
Accounts receivable	343,017	755,595	199,405		1,298,017
Advance to suppliers	244,131	17,211	23,252		284,594
Taxes recoverable				1,234,881	1,234,881
Escrow and deposits	147,109				147,109
Inventories	2,173,234	485,629	226,232		2,885,095
Other	335,275	46,090	52,459		433,824
Noncurrent assets	**7,248,663**	**5,029,969**	**4,428,033**		**16,706,665**
Long-term assets	1,176,909	1,898,141	422,501		3,497,551
Investments, property, plant and equipment and inta	6,071,754	3,131,828	4,005,532		13,209,114
Total Assets	**10,491,429**	**6,334,494**	**4,929,381**	**10,907,033**	**32,662,337**
Current liabilities	**2,163,994**	**116,799**	**345,526**	**1,490,982**	**4,117,301**
Loans, financing and debentures				1,468,927	1,468,927
Suppliers	484,373	59,836	147,559		691,768
Corporate income and social contribution taxes				22,055	22,055
Tax payable	839,200	11,281	70,300		920,781
Accounts payable	305,304	3,667	28,021		336,992
Provisions and contingencies	267,179	25,104	34,390		326,673
Other	267,938	16,911	65,256		350,105
Noncurrent liabilities	**44,616**	**453**	**26,734**	**21,481,654**	**21,553,457**
Loans, financing and debentures				16,472,416	16,472,416
Net contingencies – judicial deposits				737,875	737,875
Obligations and taxes paid in installments				1,268,101	1,268,101
Accounts payable long-term	44,616	453	26,734		71,803
Other				3,003,262	3,003,262
Minority interest				142,327	142,327
Net differences	8,282,819	6,217,242	4,557,121	(12,207,930)	
Shareholders' equity					**6,849,252**
Total liabilities and shareholders' equity	**10,491,429**	**6,334,494**	**4,929,381**	**10,907,033**	**32,662,337**

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(ii) Net revenue and cost of goods sold

										Consolidated
					6/30/2010					6/30/2009
	Tonnes (thousand) (not reviewed)	Net revenue	Cost of Goods Sold	Gross income	%	Tonnes (thousand) (not reviewed)	Net revenue	Cost of Goods Sold	Gross income	%
Steel										
Steel	**2,561,065**	**5,175,993**	**(3,030,704)**	**2,145,289**	**41%**	**1,590,779**	**3,382,991**	**(2,573,666)**	**809,325**	**24%**
Domestic market	2,245,587	4,652,167	(2,578,883)	2,073,284	45%	1,355,026	2,991,146	(2,161,208)	829,938	28%
Foreign market	315,478	523,826	(451,821)	72,005	14%	235,753	391,845	(412,458)	(20,613)	-5%
Other products and services		136,562	(50,308)	86,254	63%		130,877	(99,334)	31,543	24%
		5,312,555	**(3,081,012)**	**2,231,543**	**42%**		**3,513,868**	**(2,673,000)**	**840,868**	**24%**
Mining										
Ore	**8,810,127**	**1,179,285**	**(394,386)**	**784,899**	**67%**	**8,607,890**	**1,002,810**	**(546,174)**	**456,636**	**46%**
Domestic market	819,725	91,367	(15,291)	76,076	83%	357,205	27,356	(6,194)	21,162	77%
Foreign market	7,990,402	1,087,918	(379,095)	708,823	65%	8,250,685	975,454	(539,980)	435,474	45%
Other products and services		119,668	(107,103)	12,565	10%		66,190	(72,827)	(6,636)	-10%
		1,298,953	**(501,489)**	**797,464**	**61%**		**1,069,000**	**(619,001)**	**450,000**	**42%**
Infrastructure										
Domestic market		534,651	(309,726)	224,925	42%		494,302	(277,534)	216,768	44%
Cement										
Domestic market	372,903	75,775	(64,288)	11,487	15%	24,652	5,349	(7,041)	(1,692)	-32%
Corporate/Other		(164,746)	166,839	2,093	-1%		(146,835)	172,643	25,808	-18%
TOTAL		**7,057,188**	**(3,789,676)**	**3,267,512**	**46%**		**4,935,684**	**(3,403,932)**	**1,531,752**	**31%**

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28. STATEMENT OF VALUE ADDED

	Consolidated		Parent Company	
	6/30/2010	6/30/2009	6/30/20010	6/30/2009 Adjusted
Revenues				
Sales of goods, products and services	8,657,167	6,101,535	6,904,686	4,718,526
Other revenues/expenses	2,222	1,372	2,199	1,988
Allowance for/reversal of doubtful accounts	(47,845)	(62,132)	(46,063)	(60,524)
	8,611,544	**6,040,775**	**6,860,822**	**4,659,990**
Input acquired from third parties				
Costs of products, goods and services sold	(3,834,430)	(3,379,438)	(3,040,410)	(2,701,078)
Materials, energy - Third party services - other	(485,153)	(483,378)	(420,577)	(308,916)
Impairment	(6,576)	(7,075)	(7,300)	(5,209)
	(4,326,159)	**(3,869,891)**	**(3,468,287)**	**(3,015,203)**
Gross value added	**4,285,385**	**2,170,884**	**3,392,535**	**1,644,787**
Retention				
Depreciation, amortization and depletion	(447,018)	(377,297)	(332,251)	(285,597)
Net value added produced	**3,838,367**	**1,793,587**	**3,060,284**	**1,359,190**
Value added received in transfers				
Equity pick-up		4	791,206	155,383
Financial income/assets exchange variation	612,244	494,063	329,057	2,874
Other	3,856	5,125	2,906	4,579
	616,100	**499,192**	**1,123,169**	**162,836**
Total value added to distribute	**4,454,467**	**2,292,779**	**4,183,453**	**1,522,026**
DISTRIBUTION OF VALUE ADDED				
Personnel	**472,320**	**465,998**	**315,496**	**323,889**
Direct compensation	365,770	368,273	238,584	246,566
Benefits	81,233	68,373	59,257	53,218
Government Severance Indemnity Fund for Employees (FGTS)	25,317	29,352	17,655	24,105
Taxes, fees and contributions	**1,091,203**	**793,226**	**1,009,188**	**533,783**
Federal	867,575	648,140	655,557	409,360
State	208,838	133,082	342,517	117,574
Municipal	14,790	12,004	11,114	6,849
Third party capital remuneration	**1,515,373**	**329,986**	**1,491,732**	**(16,113)**
Interest	1,509,530	327,715	1,490,388	(17,283)
Rentals	5,843	2,271	1,344	1,170
Remuneration of shareholders' equity	**1,375,571**	**703,569**	**1,367,037**	**680,467**
Interest on shareholders' equity	178,408	193,223	178,408	193,223
Retained earnings	1,188,629	487,245	1,188,629	487,244
Earnings in inventories	8,534	23,101		
	4,454,467	**2,292,779**	**4,183,453**	**1,522,026**

29. EMPLOYEES' PENSION FUND

(i) Management of the Private Pension Plan

The Company is the main sponsor of CBS Previdência, a private not-for-profit pension fund established in July 1960, main purpose of which is to pay supplementary benefits to participants in the official Pension Plan. CBS Previdência is composed of employees of CSN, CSN-related companies and the entity itself, provided they sign the adherence agreement.

(ii) Description of characteristics of the plans

CBS Previdência has three benefit plans:

35%-of-average-salary plan

It is a defined benefit plan (BD), which began on February 1, 1966, for the purpose of paying retirements (due to time in service, special cases, disability or age) on a life-long basis, equivalent to 35% of the participant's last average 12 salaries. The plan also guarantees the payment of a sickness allowance to a participant on sick leave through the Official Pension Plan and it also guarantees the payment of death grant and a cash grant. The active and retired participants and the sponsors make thirteen contributions per year, which is the same as the number of benefits paid. This plan became inactive on October 31, 1977, when the supplementation of the average salary plan, which is in process of extinction, came into force.

Supplementation plan for the average salary

The defined benefit plan (BD) began on November 1, 1977. The purpose of this plan is to supplement the difference between the 12 last average salaries and the benefit paid by the Social Security Pension Plan (Previdência Oficial) benefit, to the retired employees, on a life-long basis. Like in the 35% Average Salary Plan, there is sickness allowance, death grant and pension coverage. Thirteen contributions are paid per year, the same number of benefits paid. This plan became inactive on December 26, 1995, after the combined supplementary benefits plan has been implemented.

Combined supplementary benefit plan

Begun on December 27, 1995, this is a combined variable contribution plan (CV). Besides the programmed pension benefit, there is the payment of risk benefits (pension in activity, disability and sickness benefit). In this plan, the retirement benefit is calculated based on the total accumulated sponsor's and participant's contributions (thirteen per year). Upon the participant's retirement grant, the plan starts having a defined benefit plan and thirteen benefits are paid per year.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2010

(In thousands of *reais*, unless otherwise stated)

On June 30, 2010 and March 31, 2010, the plans are composed as follows:

	35%-of-Average-Salary Plan		Supplementation Plan for the Average Salary		Combined Supplementary Benefit Plan		Total members	
	6/30/2010	3/31/2010	6/30/2010	3/31/2010	6/30/2010	3/31/2010	6/30/2010	3/31/2010
Members								
In service	10 (*)	9	17	18	13,735	13,430	13,762	13,457
Retired	4,515	4,605	4,623	4,652	854	800	9,992	10,057
	4,525	**4,614**	**4,640**	**4,670**	**14,589**	**14,230**	**23,754**	**23,514**
Related beneficiaries:								
Beneficiaries	3,718	3,893	3,718	1,457	99	92	7,535	5,442
Total participants (members/ beneficiaries)	**8,243**	**8,507**	**8,358**	**6,127**	**14,688**	**14,322**	**31,289**	**28,956**

(*) Return to CBS staff, active participant which is part of the 35% of Average-Salary Plan as established by a legal proceeding.

(iii) Solution approaches for the payment of the actuarial deficit

According to Official Letter 1555/SPC/GAB/COA of August 22, 2002, confirmed by Official Letter 1598/SPC/GAB/COA of August 28, 2002, a proposal for refinancing the reserves to amortize the sponsors' liability in 240 consecutive monthly installments, monetarily indexed by INPC + 6% p.a., starting as from June 28, 2002 was approved.

The agreement establishes the prepayment of installments should there be a need for cash in the defined benefit plan and the incorporation to the updated debit balance of the eventual deficits/surpluses under the sponsors' responsibility, so as to preserve the equilibrium of the plans without exceeding the maximum period of amortization stipulated in the agreement.

(iv) Actuarial liabilities

Due to the CVM Resolution 371/00, which approved the NPC 26 of IBRACON – "Accounting of the Employee's benefits" and which established new accounting practices for the calculation and disclosure, the Management, through a study performed by external actuaries, determined the effects arising from this practice, and the Company has kept records in conformity with the actuarial report issued on January 21, 2010.

	Plans on 12/31/2009			
	35%-of-Average-Salary	Supplementation Plan for the Average Salary	Combined Supplementary Benefit Plan	Total
Present value of the actuarial liabilities with guarantee	307,302	1,187,161	1,351,213	2,845,676
Plan's assets fair value	(348,787)	(1,514,694)	(1,481,034)	(3,344,515)
Present value of the actuarial obligations exceeding the assets fair value	**(41,485)**	**(327,533)**	**(129,821)**	**(498,839)**
Adjustments by allowed deferral:	**67,392**	**400,975**	**78,294**	**546,661**
- Unrecognized actuarial gains	67,392	400,975	60,394	528,761
- Unrecognized cost of service rendered			17,900	17,900
Present value of the amortizing contributions of members	(6,443)	(22,960)		(29,403)
Actuarial liabilities/ (assets)	**19,464**	**50,482**	**(51,527)**	**18,419**
Provisioned actuarial liabilities/ (assets) (long-term/Other)	**19,464**	**50,482**		**69,946**

(In thousands of reais, unless otherwise stated)

Breakdown of actuarial liability

On June 30, 2010, the Company does not have a provision for actuarial liabilities since defined benefit contribution plans have surplus. On March 31, 2010, the balance was R$32,312.

With regards to the recognition of the actuarial liability, the amortizing contribution related to the portion of the participants in the settlement of the reserve insufficiency was deducted from the present value of total actuarial liabilities of the respective plans. Some participants are questioning this amortizing contribution in court, however, the Company, grounded on the opinion of its legal and actuarial advisors, understands that this amortizing contribution was duly approved by the Brazilian Department of Supplementary Private Pensions – SPC and, therefore, is legally due by the participants.

In accordance with the actuarial calculations prepared using the projected credit unit method, the amounts to be appropriated in 2010 are as follows:

	ESTIMATES PER PLAN - 2010			
	35%-of-Average-Salary	Supplementation Plan for the Average Salary	Combined Supplementary Benefit Plan	Total
Cost of current service	(12)	(203)	(3,673)	(3,888)
Interest on actuarial liabilities	(31,980)	(124,918)	(22,109)	(179,007)
Expected income from assets	34,873	152,055	35,295	222,223
Cost of amortizations	**16,257**	**46,205**	**2,659**	**65,121**
- Unrecognized actuarial gains	16,257	46,205	1,568	64,030
- Unrecognized cost of service rendered			1,091	1,091
Expected impact on the 2010 result	**19,138**	**73,139**	**12,172**	**104,449**

(In thousands of reais, unless otherwise stated)

Main actuarial assumptions adopted in the calculation of the actuarial liability on December 31, 2009

Actuarial financing method	Projected Credit Unit
Functional Currency	Real (R$)
Accounting for the plan assets	Market Value
Amount used as estimate for the closing shareholders' equity for the year	Best estimate for shareholders' equity on the closing date of the fiscal year obtained based on the projection of the amounts recorded in October
Nominal annual rate of return on investments	35% of the average: 10.27%; Supplementation: 10.21%; Millennium: 10.78%
Nominal annual rate for discount of the actuarial liability	11.18%
Nominal annual rate of salary growth	5.24%
Nominal annual index for social security benefits correction	4.2%
Long-term annual inflation rate	4.2%
Administrative expenses	The amounts used are net of administrative expenses
General mortality table	AT2000 segregated by gender
Disability table	Mercer Disability with probabilities multiplied by 2
Disabled mortality table	Winklevoss - 1%
Turnover table	Millennium Plan 2% per annum, null for BD plans
Retirement age	100% on the first date on which the employee becomes eligible to a retirement benefit scheduled by the plan
Family composition of the participants in activity	95% will be married at the time of retirement, and the wife is 4 years younger than the husband

The Company does not have other post-employment benefit plans.

30. INSURANCE

Aiming at properly mitigating risks and in view of the nature of its operations, the Company and its subsidiaries took out several different types of insurance policies. The policies are taken out in line with the Risk Management policy and are similar to insurances taken out by other companies operating in the same line as CSN and its subsidiaries. The coverage of these policies include: National Transportation, International Transportation, Carrier Civil Responsibility, Import, Export, Life and Personal Accidents Insurance, Health, Vehicle Fleet, D&O (Administrator Civil Responsibility Insurance), General Civil Responsibility, Engineering Risks, Sundry Risks, Export Credit, Guarantee Insurance and Port Operator Civil Responsibility.

The Company also renewed the Property Damage and Loss of Profits insurances to its entities and subsidiaries with the following exceptions: Usina Presidente Vargas, Casa de Pedra, Mineração Arcos, CSN Paraná, Terminal de Carvão TECAR (it has Property Damage), which are under negotiation with insurance and reinsurance companies in Brazil and abroad in order to obtain, place and pay these other policies.

The risk assumptions adopted, given their nature, are not part of the scope of a quarterly information review, and, consequently, they were not reviewed by our independent auditors.

During the period between June 17 and 20, 2010, rainfalls hit the states of Pernambuco and Alagoas. As a result, Tronco Sul Recife track that connects the city of Cabo (Pernambuco) and the city of Porto Real do Colégio (Alagoas) was damaged in several stretches, from km 29 to km 450, caused by floods in several locations, affecting infrastructure and superstructure of the rail network. The company contracted an insurance with MAPFRE Vera Cruz Seguradora SA, which covers civil construction works. The insurance company and the regulatory agency appointed by reinsurers already started to map and inspect the damaged area but, until the conclusion of this quarterly review, the experts were not able to conclude their reports with the insurance company, mainly due to the difficult access to the region. Consequently, it was not possible to measure the impact on our financial statements ended June 30, 2010. After the conclusion of the expert report and complete survey of impact on the Company's property, plant and equipment, then this impact will be recognized in the financial statements, however, no significant impact on the Company's results is expected.

31. SUBSEQUENT EVENTS

- **Issue of Bonds**

On July 21, 2010, the Company, through its indirect subsidiary CSN Resources S.A., issued bonds worth US$1 billion. The issue price was 99.096% on the face value, at 6.5% p.a. maturity in July 2020.

INDEPENDENT AUDITOR'S REPORT

To
The Board of Directors and Shareholders
Companhia Siderúrgica Nacional
Rio de Janeiro - RJ

1. We have examined the accompanying balance sheets of Companhia Siderúrgica Nacional (the "Company") and the consolidated balance sheets of the Company and its subsidiaries as of December 31, 2009 and 2008 and the related statements of income, changes in shareholders' equity, cash flows and added value for the years then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

2. Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Company's management and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Companhia Siderúrgica Nacional and the consolidated financial position of the Company and its subsidiaries as of December 31, 2009 and 2008, and the results of its operations, changes in its shareholders' equity, cash flows and added value for the years then ended, in conformity with accounting practices adopted in Brazil.

4. As mentioned in note 29 to the financial statements, the Company has been negotiating with insurance and reinsurance companies in Brazil and abroad, in order to obtain insurance coverage for property damages and business interruption in certain sites of the Company.

São Paulo, February 25, 2010

KPMG Auditores Independentes
CRC SP014428/O-6 F-RJ

Anselmo Neves Macedo
Accountant CRC 1SP160482/O-6 S-RJ

Carla Bellangero
Accountant CRC 1SP196751/O-4 S-RJ

COMPANHIA SIDERÚRGICA NACIONAL – CSN
BALANCE SHEET – ASSETS

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 12/31/2009	4 – 12/31/2008
1	Total Assets	32,454,410	35,222,842
1.01	Current Assets	7,753,387	6,598,670
1.01.01	Cash and banks	31,023	68,753
1.01.02	Receivable	2,917,108	2,651,665
1.01.02.01	Accounts Receivable	1,420,435	1,563,245
1.01.02.01.01	Accounts Receivable – Subsidiaries	1,031,593	1,144,854
1.01.02.01.02	Accounts Receivable – Third paries	678,975	720,739
1.01.02.01.05	Advance on Export Contracts (ACE)	0	(140,220)
1.01.02.01.06	Allowance for Doubtful Accounts	(290,133)	(162,128)
1.01.02.02	Sundry Receivable	1,496,673	1,088,420
1.01.02.02.01	Employees	4,872	5,263
1.01.02.02.02	Corporate Income and Social Contribution Taxes Recoverable	366,928	26,999
1.01.02.02.03	Deferred Income Tax	382,018	448,738
1.01.02.02.04	Deferred Social Contribution	140,373	161,289
1.01.02.02.05	Prepaid Income Tax	0	0
1.01.02.02.06	Other Taxes	172,480	129,559
1.01.02.02.07	Proposed Dividends Receivable	369,981	305,391
1.01.02.02.08	Loans with Subsidiaries	0	0
1.01.02.02.09	Other Receivable	60,021	11,181
1.01.03	Inventories	1,955,541	2,664,862
1.01.04	Other	2,849,715	1,213,390
1.01.04.01	Marketable Securities	2,841,896	1,200,793
1.01.04.02	Prepaid Expenses	7,819	12,597
1.01.04.03	Insurance claimed	0	0
1.02	Noncurrent Assets	24,701,023	28,624,172
1.02.01	Long-Term Assets	3,136,275	2,084,917
1.02.01.01	Sundry Receivables	557,870	900,232
1.02.01.01.01	Borrowings – Eletrobrás	0	0
1.02.01.01.02	Securities Receivable	27,139	90,711
1.02.01.01.03	Deferred Income Tax	280,947	464,710
1.02.01.01.04	Deferred Social Contribution	96,206	155,410
1.02.01.01.05	Other Taxes	153,578	189,401
1.02.01.02	Receivable from Related Parties	1,201,162	404,841
1.02.01.02.01	Associated and Related Companies	0	0
1.02.01.02.02	Subsidiaries	1,201,162	404,841
1.02.01.02.03	Other Related Parties	0	0
1.02.01.03	Other	1,377,243	779,844
1.02.01.03.01	Judicial Deposits	1,197,136	722,165
1.02.01.03.02	Marketable Securities	0	0
1.02.01.03.03	Prepaid Expenses	17,390	29,283
1.02.01.03.04	Other	162,717	28,396
1.02.02	Permanent Assets	21,564,748	26,539,255
1.02.02.01	Investments	14,029,455	19,581,327
1.02.02.01.01	Interest in Associated/Related Companies	0	0
1.02.02.01.02	Interest in Associated/Related Companies – Goodwill	0	0
1.02.02.01.03	Interest in Subsidiaries	14,029,424	19,581,296
1.02.02.01.04	Interest in Subsidiaries – Goodwill	0	0
1.02.02.01.05	Other Investments	31	31
1.02.02.02	Property, Plant and Equipment	7,418,185	6,887,348
1.02.02.02.01	In Operation, Net	6,226,861	5,203,522
1.02.02.02.02	In Construction	1,107,449	1,598,458
1.02.02.02.03	Land	83,875	85,368
1.02.02.03	Intangible Assets	88,594	36,049
1.02.02.04	Deferred Charges	28,514	34,531

COMPANHIA SIDERÚRGICA NACIONAL – CSN
BALANCE SHEET – LIABILITIES

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 12/31/2009	4 – 12/31/2008
2	Total Liabilities	32,454,410	35,222,842
2.01	Current Liabilities	5,108,658	7,072,347
2.01.01	Loans and Financing	1,679,464	2,683,841
2.01.02	Debentures	21,592	33,947
2.01.03	Suppliers	337,444	1,669,447
2.01.04	Taxes, Fees and Contributions	726,857	359,836
2.01.04.01	Salaries and Social Contributions	89,685	75,649
2.01.04.02	Taxes Payable	89,880	54,716
2.01.04.03	Deferred Income Tax	0	0
2.01.04.04	Deferred Social Contribution	0	0
2.01.04.05	Taxes Paid by Installments	547,292	229,471
2.01.05	Dividends Payable	1,561,713	1,769,348
2.01.06	Provisions	132,581	139,468
2.01.06.01	Contingencies	172,657	149,799
2.01.06.02	Judicial deposits	(97,234)	(65,149)
2.01.06.03	Provision for Pension Fund	57,158	54,818
2.01.07	Debts with Related Parties	0	0
2.01.08	Other	649,007	416,460
2.01.08.01	Accounts Payable – Subsidiaries	200,152	109,911
2.01.08.02	Other	448,855	306,549
2.02	Noncurrent Liabilities	21,781,119	21,402,033
2.02.01	Long-Term Liabilities	21,781,119	21,402,033
2.02.01.01	Loans and Financing	11,132,108	9,511,784
2.02.01.02	Debentures	600,000	600,000
2.02.01.03	Provisions	1,495,091	2,442,131
2.02.01.03.01	Labor and Social Security Contingencies	0	15,308
2.02.01.03.02	Civil Contingencies	0	0
2.02.01.03.03	Tax Contingencies	2,724,573	3,640,788
2.02.01.03.04	Environmental Contingencies	116,309	71,361
2.02.01.03.05	Other Contingencies	0	0
2.02.01.03.06	Judicial Deposits	(1,345,791)	(1,285,326)
2.02.01.03.07	Deferred Income Tax	0	0
2.02.01.03.08	Deferred Social Contribution	0	0
2.02.01.04	Debts with Related Parties	0	0
2.02.01.05	Advance for Future Capital Increase	0	0
2.02.01.06	Other	8,553,920	8,848,118
2.02.01.06.01	Provision for investment losses	51,246	39,014
2.02.01.06.02	Accounts Payable – Subsidiaries	8,016,557	8,000,005
2.02.01.06.03	Provision for Pension Fund	12,788	62,750
2.02.01.06.04	Taxes paid in installments	277,050	631,813
2.02.01.06.05	Other	196,279	114,536
2.03	Deferred Income	0	0
2.05	Shareholders' Equity	5,564,633	6,748,462
2.05.01	Paid-in Capital Stock	1,680,947	1,680,947
2.05.02	Capital Reserves	30	30
2.05.03	Revaluation Reserves	0	0
2.05.03.01	Own Assets	0	0
2.05.03.02	Subsidiaries/Associated and Related Companies	0	0
2.05.04	Profit Reserves	4,265,970	3,768,756
2.05.04.01	Legal	336,190	336,190
2.05.04.02	Statutory	0	0
2.05.04.03	For	0	0
2.05.04.04	Unrealized Profit	3,779,357	0
2.05.04.05	Retention of Profits	0	0
2.05.04.06	Special For Undistributed Dividends	0	0

COMPANHIA SIDERÚRGICA NACIONAL – CSN
BALANCE SHEET – LIABILITIES

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 12/31/2009	4 – 12/31/2008
2.05.04.07	Other Profit Reserves	150,423	3,432,566
2.05.04.07.01	From Investments	1,341,982	4,151,608
2.05.04.07.02	Treasury Shares	(1,191,559)	(719,042)
2.05.05	Equity Valuation Adjustments	(382,314)	1,298,729
2.05.05.01	Securities Adjustments	36,885	0
2.05.05.02	Accumulated Translation Adjustments	(419,199)	1,298,729
2.05.05.03	Business Combination Adjustments	0	0
2.05.06	Retained Earnings/Accumulated Losses	0	0
2.05.07	Advance for Future Capital Increase	0	0

COMPANHIA SIDERÚRGICA NACIONAL – CSN
STATEMENT OF INCOME

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 01/01/2009 to 12/31/2009	4 – 01/01/2008 to 12/31/2008
3.01	Gross Revenue from Sales and/or Services	10,909,529	13,861,536
3.02	Gross Revenue Deductions	(2,305,169)	(3,356,982)
3.03	Net Revenue from Sales and/or Services	8,604,360	10,504,554
3.04	Cost of Goods Sold and/or Services Rendered	(5,544,860)	(5,434,460)
3.04.01	Depreciation and Amortization	(561,071)	(632,513)
3.04.02	Other	(4,983,789)	(4,801,947)
3.05	Gross Income	3,059,500	5,070,094
3.06	Operating Income/Expenses	(315,180)	1,559,376
3.06.01	Selling Expenses	(489,986)	(517,935)
3.06.01.01	Depreciation and Amortization	(4,988)	(5,496)
3.06.01.02	Other	(484,998)	(512,439)
3.06.02	General and Administrative	(322,313)	(329,148)
3.06.02.01	Depreciation and Amortization	(7,471)	(14,661)
3.06.02.02	Other	(314,842)	(314,487)
3.06.03	Financial	(681,890)	(1,582,232)
3.06.03.01	Financial Income	789,931	999,901
3.06.03.02	Financial Expenses	(1,471,821)	(2,582,133)
3.06.03.02.01	Foreign Exchange and Monetary Variation, net	1,795,792	(1,364,197)
3.06.03.02.02	Financial Expenses	(3,267,613)	(1,217,936)
3.06.04	Other Operating Income	1,590,383	4,480,409
3.06.05	Other Operating Expenses	(862,123)	(430,980)
3.06.06	Equity Pick-Up	450,749	(60,738)
3.07	Operating Income	2,744,320	6,629,470
3.08	Non-operating Income	0	0
3.08.01	Income	0	0
3.08.02	Expenses	0	0
3.09	Income before Taxes/Profit Sharing	2,744,320	6,629,470
3.10	Provision for Income and Social Contribution Taxes	(270,649)	(572,075)
3.11	Deferred Income Tax	94,906	(283,264)
3.11.01	Deferred Income Tax	62,391	(209,023)
3.11.02	Deferred Social Contribution	32,515	(74,241)
3.12	Statutory Profit Sharing/Contributions	0	0
3.12.01	Profit Sharing	0	0
3.12.02	Contributions	0	0
3.13	Reversal of Interest on Shareholders' Equity	0	0
3.15	Income/Loss for the Period	2,568,577	5,774,131
	OUTSTANDING SHARES, EX-TREASURY (in thousands)	728,985	758,670
	EARNINGS PER SHARE (in *Reais*)	3.52350	7.61086
	LOSS PER SHARE (in *Reais*)		

COMPANHIA SIDERÚRGICA NACIONAL – CSN
STATEMENT OF CASH FLOWS – INDIRECT METHOD

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 01/01/2009 to 12/31/2009	4 – 01/01/2008 to 12/31/2008
4.01	Net Cash from Operating Activities	(1,175,471)	3,891,850
4.01.01	Cash Generated in the Operations	1,303,561	5,182,098
4.01.01.01	Net Income for the Period	2,568,577	5,774,131
4.01.01.02	Provision for Charges on Loans and Financing	1,666,715	699,166
4.01.01.03	Depreciation, Depletion and Amortization	573,530	652,670
4.01.01.04	Income from Write-off and Disposal of Assets	59,733	23,822
4.01.01.05	Income from Equity Pick-up	(450,749)	60,738
4.01.01.06	Deferred Income Tax and Social Contribution Taxes	(94,906)	283,264
4.01.01.07	Provision for Swap/Forward Operations	0	(51,722)
4.01.01.08	Provision for Actuarial Liability	(47,622)	(114,815)
4.01.01.09	Provision rec. claim – AFIII	0	0
4.01.01.10	Provision for Contingencies	91,436	58,404
4.01.01.11	Percentage Change – Gain and Loss	(819,927)	(4,036,544)
4.01.01.12	Monetary and Exchange Variation, net	(2,625,095)	1,588,025
4.01.01.13	Other Provisions	381,869	244,959
4.01.02	Variation in Assets and Liabilities	(2,479,032)	(1,290,248)
4.01.02.01	Accounts Receivable	(321,750)	(653,856)
4.01.02.02	Inventories	598,805	(744,089)
4.01.02.03	Receivables from Subsidiaries	(41,465)	614,296
4.01.02.04	Taxes to Offset	(354,068)	(123,472)
4.01.02.05	Suppliers	(1,027,178)	452,858
4.01.02.06	Salaries and Social Charges	14,037	2,752
4.01.02.07	Taxes	269,107	(376,338)
4.01.02.08	Accounts Payable – Subsidiaries	106,787	145,260
4.01.02.09	Contingent Liabilities	(427,355)	184,849
4.01.02.10	Financial Institutions – Interest	(1,073,098)	(698,278)
4.01.02.11	Financial Institutions – Swap	(17,000)	(396,424)
4.01.02.12	Taxes Paid in Installments – REFIS	(103,500)	0
4.01.02.13	Other	(102,354)	302,194
4.01.03	Other	0	0
4.02	Net Cash from Investment Activities	2,596,672	(9,926,466)
4.02.01	Judicial Deposits	(702,598)	(319,113)
4.02.02	Investments	(1,485,149)	(8,310,253)
4.02.03	Property, Plant and Equipment	(1,164,430)	(1,217,660)
4.02.04	Deferred charges	0	(79,440)
4.02.05	Receipt from capital decrease – subsidiary	5,948,849	0
4.03	Net Cash from Financing Activities	183,723	6,208,178
4.03.01	Loans and Financing	5,946,354	10,185,700
4.03.02	Debentures	0	0
4.03.03	Financial Institutions – Principal	(2,384,724)	(1,385,459)
4.03.04	Dividends and Interest on Shareholders' Equity	(2,027,600)	(2,274,565)
4.03.05	Treasury Share	(1,350,307)	(317,498)
4.04	Foreign Exchange Variation on Cash and Cash Equivalents	(1,551)	350,869
4.05	Increase (Decrease) in Cash and Cash Equivalents	1,603,373	524,431
4.05.01	Opening Balance of Cash and Cash Equivalents	1,269,546	745,115
4.05.02	Closing Balance of Cash and Cash Equivalents	2,872,919	1,269,546

COMPANHIA SIDERÚRGICA NACIONAL – CSN
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 1/1/2009 TO 12/31/2009

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – CAPITAL STOCK	4 – CAPITAL RESERVES	5 – REVALUATION RESERVES	6 – PROFIT RESERVES	7 – RETAINED EARNINGS/ ACCUMULATED LOSSES	8 – EQUITY VALUATION ADJUSTMENTS	9 – TOTAL SHAREHOLDERS' EQUITY
5.01	Opening Balance	1,680,947	30	0	3,768,756	0	1,298,729	6,748,462
5.02	Prior Year Adjustments	0	0	0	0	1,098,909	(1,098,605)	304
5.02.01	Dividends Prescription Reversal – Minutes 01/31/06	0	0	0	0	268	0	268
5.02.02	Interest on Shareholders' Equity Prescription Reversal – Minutes 04/28/06	0	0	0	0	36	0	36
5.02.03	Profit not Paid in 2008 – CVM Rule 624/10	0	0	0	0	1,098,605	(1,098,605)	0
5.03	Adjusted Balance	1,680,947	30	0	3,768,756	1,098,909	200,124	6,748,766
5.04	Income/Loss for the Period	0	0	0	0	2,568,577	0	2,568,577
5.05	Distributions	0	0	0	1,847,521	(3,667,486)	0	(1,819,965)
5.05.01	Dividends	0	0	0	0	(1,500,000)	0	(1,500,000)
5.05.02	Interest on Shareholders' Equity	0	0	0	0	(319,965)	0	(319,965)
5.05.03	Other Distributions	0	0	0	1,847,521	(1,847,521)	0	0
5.05.03.02	Formation of Reserve	0	0	0	1,847,521	(1,847,521)	0	0
5.06	Profit Reserve Realization	0	0	0	0	0	0	0
5.07	Equity Valuation Adjustments	0	0	0	0	0	(582,438)	(582,438)
5.07.01	Securities Adjustments	0	0	0	0	0	36,885	36,885
5.07.02	Accumulated Translation Adjustments	0	0	0	0	0	(619,323)	(619,323)
5.07.03	Business Combination Adjustments	0	0	0	0	0	0	0
5.08	Increase/Reduction in Capital	0	0	0	0	0	0	0
5.09	Recording/Realization of Capital Reserves	0	0	0	0	0	0	0
5.10	Treasury Shares	0	0	0	877,790	0	0	877,790
5.11	Other Capital Transactions	0	0	0	0	0	0	0
5.12	Other	0	0	0	(2,228,097)	0	0	(2,228,097)
5.12.01	Repurchase of Treasury Shares	0	0	0	(1,350,307)	0	0	(1,350,307)
5.12.02	Cancelation of Treasury Shares	0	0	0	(877,790)	0	0	(877,790)
5.13	Closing Balance	1,680,947	30	0	4,265,970	0	(382,314)	5,564,633

COMPANHIA SIDERÚRGICA NACIONAL – CSN
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 1/1/2008 TO 12/31/2008

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – CAPITAL STOCK	4 – CAPITAL RESERVES	5 – REVALUATION RESERVES	6 – PROFIT RESERVES	7 – RETAINED EARNINGS/ ACCUMULATED LOSSES	8 – EQUITY VALUATION ADJUSTMENTS	9 – TOTAL SHAREHOLDERS' EQUITY
5.01	Opening Balance	1,680,947	30	4,585,553	1,361,080	0	0	7,627,610
5.02	Prior Year Adjustments	0	0	0	0	0	0	0
5.03	Adjusted Balance	1,680,947	30	4,585,553	1,361,080	0	0	7,627,610
5.04	Income/Loss for the Period	0	0	0	0	4,675,526	0	4,675,526
5.05	Distributions	0	0	0	2,725,172	(4,653,577)	0	(1,928,405)
5.05.01	Dividends	0	0	0	0	(1,500,000)	0	(1,500,000)
5.05.02	Interest on Shareholders' Equity	0	0	0	0	(268,405)	0	(268,405)
5.05.03	Other Distributions	0	0	0	2,725,172	(2,885,172)	0	(160,000)
5.05.03.01	Prepaid Dividends	0	0	0	0	(160,000)	0	(160,000)
5.05.03.02	Investment Reserve	0	0	0	2,725,172	(2,725,172)	0	0
5.06	Profit Reserve Realization	0	0	0	0	0	0	0
5.07	Equity Valuation Adjustments	0	0	0	0	0	1,298,729	1,298,729
5.07.01	Securities Adjustments	0	0	0	0	0	0	0
5.07.02	Accumulated Translation Adjustments	0	0	0	0	0	1,298,729	1,298,729
5.07.03	Business Combination Adjustments	0	0	0	0	0	0	0
5.08	Increase/Reduction in Capital	0	0	0	0	0	0	0
5.09	Recording/Realization of Capital Reserves	0	0	0	0	0	0	0
5.10	Treasury Shares	0	0	0	(317,496)	0	0	(317,496)
5.11	Other Capital Transactions	0	0	0	0	0	0	0
5.12	Other	0	0	(4,585,553)	0	(21,949)	0	(4,607,502)
5.12.01	Revaluation Reserve Reversal	0	0	(4,585,553)	0	0	0	(4,585,553)
5.12.02	Deferred Assets Adjustment	0	0	0	0	(22,302)	0	(22,302)
5.12.03	Reversal of Dividends Prescription	0	0	0	0	297	0	297
5.12.04	Reversal of Interest on Shareholders' Equity Prescription	0	0	0	0	56	0	56
5.13	Closing Balance	1,680,947	30	0	3,768,756	0	1,298,729	6,748,462

COMPANHIA SIDERÚRGICA NACIONAL – CSN
STATEMENT OF ADDED VALUE

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 01/01/2009 to 12/31/2009	4 – 01/01/2008 to 12/31/2008
6.01	Revenues	12,142,344	18,571,059
6.01.01	Sales of Goods, Products and Services	11,472,219	14,496,904
6.01.02	Other Revenues	790,334	4,164,628
6.01.03	Revenues related to Construction of Own Assets	0	0
6.01.04	Allowance for/Reversal of Doubtful Accounts	(120,209)	(90,473)
6.02	Input Acquired from Third Parties	(7,181,188)	(7,332,506)
6.02.01	Costs of Products, Goods and Services Sold	(6,194,709)	(6,685,507)
6.02.02	Materials, Energy-Third Party Services – Other	(958,837)	(824,449)
6.02.03	Loss/Recovery of Assets	(27,642)	177,450
6.02.04	Other	0	0
6.03	Gross Added Value	4,961,156	11,238,553
6.04	Retention	(573,530)	(652,670)
6.04.01	Depreciation, Amortization and Depletion	(573,530)	(652,670)
6.04.02	Other	0	0
6.05	Net Added Value Produced	4,387,626	10,585,883
6.06	Added Value Received in Transfers	479,310	1,341,290
6.06.01	Equity pick-up	450,749	(60,737)
6.06.02	Financial Income	(605,519)	1,381,310
6.06.03	Other	634,080	20,717
6.07	Total Added Value to Distribute	4,866,936	11,927,173
6.08	Distribution of Added Value	4,866,936	11, 927,173
6.08.01	Personnel	702,061	634,447
6.08.01.01	Direct Compensation	536,268	485,647
6.08.01.02	Benefits	121,267	112,484
6.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	44,526	36,316
6.08.01.04	Other	0	0
6.08.02	Taxes, Fees and Contributions	1,519,906	2,504,489
6.08.02.01	Federal	1,122,403	1,843,886
6.08.02.02	State	379,093	654,917
6.08.02.03	Municipal	18,410	5,686
6.08.03	Third Party Capital Remuneration	76,392	3,014,106
6.08.03.01	Interest	74,123	3,014,048
6.08.03.02	Rentals	2,269	58
6.08.03.03	Other	0	0
6.08.04	Remuneration of Shareholders' Equity	2,568,577	5,774,131
6.08.04.01	Interest on Shareholders' Equity	319,965	268,405
6.08.04.02	Dividends	1,500,000	1,500,000
6.08.04.03	Retained Earnings/Accumulated Losses for the Year	748,612	4,005,726
6.08.05	Other	0	0

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED BALANCE SHEET – ASSETS

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 12/31/2009	4 – 12/31/2008
1	Total Assets	29,167,224	31,497,439
1.01	Current Assets	13,568,594	18,328,700
1.01.01	Cash and banks	142,045	232,065
1.01.02	Receivable	2,877,092	2,979,891
1.01.02.01	Accounts Receivable	1,186,315	1,086,557
1.01.02.01.01	Accounts Receivable – Related parties	13,798	73,583
1.01.02.01.02	Accounts Receivable – Third parties	1,519,168	1,399,354
1.01.02.01.03	Advance on Export Contracts (ACE)	0	(140,220)
1.01.02.01.04	Allowance for Doubtful Accounts	(346,651)	(246,160)
1.01.02.02	Sundry Receivable	1,690,777	1,893,334
1.01.02.02.01	Employees	18,538	23,764
1.01.02.02.02	Income and Social Contribution Taxes Recoverable	438,483	128,055
1.01.02.02.03	Deferred Income Tax	549,016	543,631
1.01.02.02.04	Deferred Social Contribution	200,256	195,596
1.01.02.02.06	Other Taxes	361,122	350,604
1.01.02.02.07	Proposed Dividends Receivable	0	42,890
1.01.02.02.08	Loans with Subsidiaries	0	467,400
1.01.02.02.09	Other Receivables	123,362	141,394
1.01.03	Inventory	2,588,946	3,622,775
1.01.04	Other	7,960,511	11,493,969
1.01.04.01	Marketable Securities	7,944,697	8,992,048
1.01.04.02	Prepaid Expenses	15,814	27,945
1.01.04.03	Insurance Claimed	0	0
1.01.04.04	Financial Instruments – equity swap	0	2,473,976
1.02	Noncurrent Assets	15,598,630	13,168,739
1.02.01	Long-Term Assets	3,640,162	2,514,172
1.02.01.01	Sundry Receivables	1,561,637	1,433,036
1.02.01.01.01	Borrowings – Eletrobrás	0	0
1.02.01.01.02	Securities Receivable	212,486	376,374
1.02.01.01.03	Deferred Income Tax	824,841	562,850
1.02.01.01.04	Deferred Social Contribution	287,458	190,981
1.02.01.01.05	Other Taxes	236,852	302,831
1.02.01.02	Receivable from Related Parties	479,120	0
1.02.01.02.01	From Associated and Related Companies	0	0
1.02.01.02.02	From Subsidiaries	479,120	0
1.02.01.02.03	From Other Related Parties	0	0
1.02.01.03	Other	1,599,405	1,081,136
1.02.01.03.01	Judicial Deposits	1,214,670	740,341
1.02.01.03.02	Prepaid Expenses	105,921	125,011
1.02.01.03.03	Marketable Securities	0	23,370
1.02.01.03.04	Other	278,814	192,414
1.02.02	Permanent Assets	11,958,468	10,654,567
1.02.02.01	Investments	321,889	1,512
1.02.02.01.01	Interest in Associated and Related Companies	0	0
1.02.02.01.02	Interest in Subsidiaries	0	0
1.02.02.01.03	Other Investments	321,889	1,512
1.02.02.01.06	Interest in Associated/Related Companies – Goodwill	0	0
1.02.02.02	Property, Plant and Equipment	11,145,530	10,083,777
1.02.02.02.01	In Operation, Net	8,929,558	7,584,944
1.02.02.02.02	In Construction	2,089,253	2,366,255
1.02.02.02.03	Land	126,719	132,578
1.02.02.03	Intangible Assets	457,580	526,796
1.02.02.04	Deferred Charges	33,469	42,482

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED BALANCE SHEET – LIABILITIES

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 12/31/2009	4 – 12/31/2008
2	Total Liabilities	29,167,224	31,497,439
2.01	Current Liabilities	5,128,196	9,633,228
2.01.01	Loans and Financing	1,160,407	2,916,759
2.01.02	Debentures	30,659	44,428
2.01.03	Suppliers	504,223	1,939,205
2.01.04	Taxes, Fees and Contributions	1,053,184	702,589
2.01.04.01	Salaries and Social Contributions	134,190	117,994
2.01.04.02	Taxes Payable	336,804	333,811
2.01.04.03	Deferred Income Tax	0	795
2.01.04.04	Deferred Social Contribution	0	59
2.01.04.05	Taxes Paid by Installments	582,190	249,930
2.01.05	Dividends Payable	1,562,085	1,790,642
2.01.06	Provisions	140,620	146,528
2.01.06.01	Contingencies	189,517	161,144
2.01.06.02	Judicial Deposits	(106,055)	(69,434)
2.01.06.03	Pension Fund Provision	57,158	54,818
2.01.07	Debts with Related Parties	0	0
2.01.08	Other	677,018	2,093,077
2.01.08.01	Financial Instruments – Equity Swap	0	1,596,394
2.01.08.02	Accounts payable – Subsidiaries	74,691	36,261
2.01.08.03	Other	602,327	460,422
2.02	Noncurrent Liabilities	18,445,535	15,201,622
2.02.01	Long-Term Liabilities	18,445,535	15,201,622
2.02.01.01	Loans and Financing	12,547,840	8,040,773
2.02.01.02	Debentures	624,570	632,760
2.02.01.03	Provisions	1,597,291	2,521,551
2.02.01.03.01	Labor and Social Security Contingencies	73,892	69,676
2.02.01.03.02	Civil Contingencies	17,718	17,439
2.02.01.03.03	Tax Contingencies	2,747,060	3,660,486
2.02.01.03.04	Environmental Contingencies	116,544	71,361
2.02.01.03.05	Other Contingencies	0	64
2.02.01.03.06	Judicial Deposits	(1,386,248)	(1,297,475)
2.02.01.03.07	Deferred Income Tax	20,827	0
2.02.01.03.08	Deferred Social Contribution	7,498	0
2.02.01.04	Debts with Related Parties	0	0
2.02.01.05	Advance for Future Capital Increase	0	0
2.02.01.06	Other	3,675,834	4,006,538
2.02.01.06.01	Provision for investment losses	(72)	0
2.02.01.06.02	Accounts Payable – subsidiaries	2,980,772	2,878,200
2.02.01.06.03	Pension Fund Provision	12,788	62,750
2.02.01.06.04	Taxes Paid by Installments	437,231	795,052

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED BALANCE SHEET – LIABILITIES

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 12/31/2009	4 – 12/31/2008
2.02.01.06.06	Other	245,115	270,536
2.03	Deferred Income	0	0
2.04	Minority Interests	83,060	0
2.05	Shareholders' Equity	5,510,433	6,662,589
2.05.01	Paid-In Capital Stock	1,680,947	1,680,947
2.05.02	Capital Reserves	30	30
2.05.03	Revaluation Reserves	0	0
2.05.03.01	Own Assets	0	0
2.05.03.02	Subsidiaries/Associated and Related Companies	0	0
2.05.04	Profit Reserves	4,211,770	4,781,485
2.05.04.01	Legal	336,190	336,190
2.05.04.02	Statutory	0	0
2.05.04.03	For Contingencies	0	0
2.05.04.04	Unrealized Profit	3,779,357	0
2.05.04.05	Profit Retention	0	0
2.05.04.06	Special For Undistributed Dividends	0	0
2.05.04.07	Other Profit Reserves	96,223	4,445,295
2.05.04.07.01	Investments	1,341,982	5,250,229
2.05.04.07.02	Treasury Shares	(1,191,559)	(719,042)
2.05.04.07.03	Unrealized Profit	(54,200)	(85,892)
2.05.05	Equity Valuation Adjustments	(382,314)	200,127
2.05.05.01	Securities Adjustments	36,885	0
2.05.05.02	Accumulated Translation Adjustments	(419,199)	200,127
2.05.05.03	Business Combination Adjustments	0	0
2.05.06	Retained Earnings/Accumulated Losses	0	0
2.05.07	Advance for Future Capital Increase	0	0

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED STATEMENT OF INCOME

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 01/01/2009 to 12/31/2009	4 – 01/01/2008 to 12/31/2008
3.01	Gross Revenue from Sales and/or Services	14,052,439	17,868,014
3.02	Deductions from Gross Revenue	(3,074,075)	(3,865,143)
3.03	Net Revenue from Sales and/or Services	10,978,364	14,002,871
3.04	Cost of Goods Sold and/or Services Rendered	(6,788,092)	(7,023,504)
3.04.01	Depreciation and Amortization	(751,266)	(795,910)
3.04.02	Other	(6,036,826)	(6,227,594)
3.05	Gross Profit	4,190,272	6,979,367
3.06	Operating Income/Expenses	(904,302)	(250,419)
3.06.01	Selling expenses	(888,253)	(775,624)
3.06.01.01	Depreciation and Amortization	(6,250)	(6,677)
3.06.01.02	Other	(882,003)	(768,947)
3.06.02	General and Administrative	(483,067)	(498,159)
3.06.02.01	Depreciation and Amortization	(29,733)	(37,716)
3.06.02.02	Other	(453,334)	(460,443)
3.06.03	Financial	(251,377)	(2,780,730)
3.06.03.01	Financial Income	1,792,809	1,066,719
3.06.03.02	Financial Expenses	(2,044,186)	(3,847,449)
3.06.03.02.01	Foreign Exchange and Monetary Variation, Net	1,054,174	(1,688,844)
3.06.03.02.02	Financial Expenses	(3,098,360)	(2,158,605)
3.06.04	Other Operating Income	1,705,907	4,642,074
3.06.05	Other Operating Expenses	(987,512)	(740,768)
3.06.06	Equity Pick-Up	0	(97,212)
3.07	Operating Income	3,285,970	6,728,948
3.08	Non-Operating Income	0	0
3.08.01	Income	0	0
3.08.02	Expenses	0	0
3.09	Income before Taxes/Profit Sharing	3,285,970	6,728,948
3.10	Provision for Income and Social Contribution Taxes	(581,735)	(1,355,770)
3.11	Deferred Income Tax	(109,323)	400,971
3.11.01	Deferred Income Tax	(83,497)	290,318
3.11.02	Deferred Social Contribution	(25,826)	110,653
3.12	Statutory Profit Sharing/Contributions	0	0
3.12.01	Profit Sharing	0	0
3.12.02	Contributions	0	0
3.13	Reversal of Interest on Shareholders' Equity	0	0
3.14	Minority Interest	3,753	0
3.15	Income/Loss for the Period	2,598,665	5,774,149
	OUTSTANDING SHARES, EX-TREASURY (in thousands)	728,985	758,670
	EARNINGS PER SHARE (in reais)	3.56477	7.61088
	LOSS PER SHARE (in reais)		

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED STATEMENT OF CASH FLOWS – INDIRECT METHOD

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 01/01/2009 to 12/31/2009	4 – 01/01/2008 to 12/31/2008
4.01	Net Cash from Operating Activities	3,370	3,983,934
4.01.01	Cash Generated in the Operations	2,230,551	4,749,554
4.01.01.01	Net Income for the Year	2,598,665	5,774,149
4.01.01.02	Provision for Charges on Loans and Financing	1,130,089	734,975
4.01.01.03	Depreciation, Depletion and Amortization	787,249	840,303
4.01.01.04	Income from Write-Off and Disposal of Assets	70,494	59,183
4.01.01.05	Income from Equity Pick-up	0	87,842
4.01.01.06	Percentage Change – Gain and Loss	(835,115)	(4,036,544)
4.01.01.07	Deferred Income and Social Contribution Taxes	109,324	(400,971)
4.01.01.08	Provision for Swap/Forward Operations	(88,986)	(1,213,053)
4.01.01.09	Provision for Actuarial Liability	(47,622)	(114,815)
4.01.01.11	Provision for Contingencies	99,157	80,738
4.01.01.12	Other Provisions	435,622	297,701
4.01.01.13	Minority Interest	(3,753)	0
4.01.01.14	Monetary and Exchange Variation, net	(2,024,573)	2,640,046
4.01.02	Variation in Assets and Liabilities	(2,227,181)	(765,620)
4.01.02.01	Accounts Receivable	(51,082)	(434,943)
4.01.02.02	Inventories	926,260	(1,138,139)
4.01.02.03	Receivables from Subsidiaries	0	0
4.01.02.04	Taxes to Offset	(313,697)	(392,546)
4.01.02.05	Suppliers	(1,137,203)	322,676
4.01.02.06	Salaries and Social Charges	15,257	7,681
4.01.02.07	Taxes	263,734	460,596
4.01.02.08	Taxes paid in installments – Refis	(103,775)	0
4.01.02.09	Contingent Liabilities	(422,375)	135,536
4.01.02.10	Financial Institutions – Interest	(992,280)	(805,046)
4.01.02.11	Financial Institutions – Swap	(742,700)	(317,991)
4.01.02.12	Other	330,680	1,396,556
4.01.03	Other	0	0
4.02	Net Cash from Investment Activities	(1,350,473)	(3,449,854)
4.02.01	Judicial Deposits	(737,041)	(328,389)
4.02.02	Net Effects – Equity Swap Margin of Guarantee	0	(656,476)
4.02.03	Investments	(284,232)	(40,937)
4.02.04	Property, Plant and Equipment	(1,996,759)	(2,305,347)
4.02.05	Deferred Charges	0	(118,705)
4.02.06	Intangible Assets	(1,729)	0
4.02.07	Guaranteed margin redemption – equity swap	1,420,322	0
4.02.08	Swap Realization	248,966	0
4.03	Net Cash from Financing Activities	1,510,476	5,461,331
4.03.01	Loans and Financing	7,671,696	5,831,674
4.03.02	Receipt from Share Issue	0	4,036,544
4.03.03	Debentures	0	0
4.03.04	Financial Institutions – Principal	(2,783,313)	(1,814,824)
4.03.05	Dividends and Interest on Shareholders' Equity	(2,027,600)	(2,274,565)
4.03.06	Treasury Shares	(1,350,307)	(317,498)
4.04	Foreign Exchange Variation on Cash and Cash Equivalents	(1,300,744)	861,349
4.05	Increase (Decrease) in Cash and Cash Equivalents	(1,137,371)	6,856,760
4.05.01	Opening Balance of Cash and Cash Equivalents	9,224,113	2,367,353
4.05.02	Closing Balance of Cash and Cash Equivalents	8,086,742	9,224,113

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 1/1/2009 TO 12/31/2009

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – CAPITAL STOCK	4 – CAPITAL RESERVES	5 – REVALUATION RESERVES	6 – PROFIT RESERVES	7 – RETAINED EARNINGS/ ACCUMULATED LOSSES	8 – EQUITY VALUATION ADJUSTMENTS	9 – TOTAL SHAREHOLDERS' EQUITY
5.01	Opening Balance	1,680,947	30	0	4,781,485	0	200,127	6,662,589
5.02	Prior Year Adjustments	0	0	0	0	304	0	304
5.02.01	Dividends Prescription Reversal – Minutes 01/31/06	0	0	0	0	268	0	268
5.02.02	Interest on Shareholders' Equity Prescription Reversal – Minutes 04/28/06	0	0	0	0	36	0	36
5.02.03	Profit Not Paid to Shareholders in 2008 – Resolution 624/10	0	0	0	0	0	0	0
5.03	Adjusted Balance	1,680,947	30	0	4,781,485	304	200,127	6,662,893
5.04	Income/Loss for the Period	0	0	0	0	2,568,577	0	2,568,577
5.05	Distributions	0	0	0	803,100	(2,568,881)	0	(1,765,781)
5.05.01	Dividends	0	0	0	0	(1,500,000)	0	(1,500,000)
5.05.02	Interest on Shareholders' Equity	0	0	0	0	(319,965)	0	(319,965)
5.05.03	Other Distributions	0	0	0	803,100	(748,916)	0	54,184
5.05.03.02	Creation of Reserve	0	0	0	803,100	(748,916)	0	54,184
5.06	Profit Reserve Realization	0	0	0	0	0	0	0
5.07	Equity Valuation Adjustments	0	0	0	0	0	(582,441)	(582,441)
5.07.01	Securities Adjustments	0	0	0	0	0	36,885	36,885
5.07.02	Accumulated Translation Adjustments	0	0	0	0	0	(619,326)	(619,326)
5.07.03	Business Combination Adjustments	0	0	0	0	0	0	0
5.08	Increase/Reduction in Capital Stock	0	0	0	0	0	0	0
5.09	Recording/Realization of Capital Reserves	0	0	0	0	0	0	0
5.10	Treasury Shares	0	0	0	877,790	0	0	877,790
5.11	Other Capital Transactions	0	0	0	0	0	0	0
5.12	Other	0	0	0	(2,250,605)	0	0	(2,250,605)
5.12.01	Repurchase of Treasury Shares	0	0	0	(1,350,307)	0	0	(1,350,307)
5.12.02	Cancelation of Treasury Shares	0	0	0	(877,790)	0	0	(877,790)
5.12.03	Earnings in Inventories	0	0	0	31,692	0	0	31,692
5.02.04	Market Value Adjustments	0	0	0	(54,200)	0	0	(54,200)
5.14	Closing Balance	1,680,947	30	0	4,211,770	0	(382,314)	5,510,433

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 1/1/2008 TO 12/31/2008

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – CAPITAL STOCK	4 – CAPITAL RESERVES	5 – REVALUATION RESERVES	6 – PROFIT RESERVES	7 – RETAINED EARNINGS/ ACCUMULATED LOSSES	8 – EQUITY VALUATION ADJUSTMENTS	9 – TOTAL SHAREHOLDERS' EQUITY
5.01	Opening Balance	1,680,947	30	4,585,553	1,275,731	0	0	7,542,261
5.02	Prior Year Adjustments	0	0	0	0	0	0	0
5.03	Adjusted Balance	1,680,947	30	4,585,553	1,275,731	0	0	7,542,261
5.04	Income/Loss for the Period	0	0	0	0	5,774,148	0	5,774,148
5.05	Distributions	0	0	0	3,823,793	(5,752,198)	0	(1,928,405)
5.05.01	Dividends	0	0	0	0	(1,500,000)	0	(1,500,000)
5.05.02	Interest on Shareholders' Equity	0	0	0	0	(268,405)	0	(268,405)
5.05.03	Other Distributions	0	0	0	3,823,793	(3,983,793)	0	(160,000)
5.05.03.01	Prepaid Dividends	0	0	0	0	(160,000)	0	(160,000)
5.05.03.02	Investment Reserve	0	0	0	3,823,793	(3,823,793)	0	0
5.06	Profit Reserve Realization	0	0	0	0	0	0	0
5.07	Equity Valuation Adjustments	0	0	0	0	0	200,127	200,127
5.07.01	Securities Adjustments	0	0	0	0	0	0	0
5.07.02	Accumulated Translation Adjustments	0	0	0	0	0	200,127	200,127
5.07.03	Business Combination Adjustments	0	0	0	0	0	0	0
5.08	Increase/Reduction in Capital Stock	0	0	0	0	0	0	0
5.09	Recording/Realization of Capital Reserves	0	0	0	0	0	0	0
5.10	Treasury Shares	0	0	0	(317,496)	0	0	(317,496)
5.11	Other Capital Transactions	0	0	0	0	0	0	0
5.12	Other	0	0	(4,585,553)	(543)	(21,950)	0	(4,608,046)
5.12.01	Revaluation Reserve	0	0	(4,585,553)	0	0	0	(4,585,553)
5.12.02	Deferred Assets Adjustment	0	0	0	0	(22,303)	0	(22,303)
5.12.03	Reversal of Dividend Prescription	0	0	0	0	297	0	297
5.12.04	Reversal of Interest on Shareholders' Equity Prescription	0	0	0	0	56	0	56
5.12.05	Unrealized Profit	0	0	0	(543)	0	0	(543)
5.13	Closing Balance	1,680,947	30	0	4,781,485	0	200,127	6,662,589

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED STATEMENT OF ADDED VALUE

(In thousands of *reais*)

1 – CODE	2 – DESCRIPTION	3 – 01/01/2009 to 12/31/2009	4 – 01/01/2008 to 12/31/2008
6.01	Revenues	15,369,995	22,925,236
6.01.01	Sales of Goods, Products and Services	14,708,726	18,857,359
6.01.02	Other Revenues	787,212	4,154,931
6.01.03	Revenues related to Construction of Own Assets	0	0
6.01.04	Allowance for/Reversal of Doubtful Accounts	(125,943)	(87,054)
6.02	Input Acquired from Third Parties	(9,013,804)	(9,895,956)
6.02.01	Costs of Products, Goods and Services Sold	(7,596,065)	(8,791,322)
6.02.02	Materials, Energy-Third Party Services – Other	(1,388,024)	(1,264,486)
6.02.03	Loss/Recovery of Assets	(29,715)	159,852
6.02.04	Other	0	0
6.03	Gross Added Value	6,356,191	13,029,280
6.04	Retention	(798,874)	(768,679)
6.04.01	Depreciation, Amortization and Depletion	(798,874)	(768,679)
6.04.02	Other	0	0
6.05	Net Added Value Produced	5,557,317	12,260,601
6.06	Added Value Received in Transfers	742,108	2,061,839
6.06.01	Equity pick-up	0	(97,212)
6.06.02	Financial Income	101,223	2,138,251
6.06.03	Other	640,885	20,800
6.07	Total Added Value to Distribute	6,299,425	14,322,440
6.08	Distribution of Added Value	6,299,425	14,322,440
6.08.01	Personnel	1,022,844	815,199
6.08.01.01	Direct Compensation	796,990	648,619
6.08.01.02	Benefits	167,570	123,600
6.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	58,284	42,980
6.08.01.04	Other	0	0
6.08.02	Taxes, Fees and Contributions	2,323,574	2,762,501
6.08.02.01	Federal	1,831,872	2,024,922
6.08.02.02	State	463,497	722,298
6.08.02.03	Municipal	28,205	15,281
6.08.03	Third Party Capital Remuneration	354,342	4,970,592
6.08.03.01	Interest	346,598	4,970,533
6.08.03.02	Rentals	7,744	59
6.08.03.03	Other	0	0
6.08.04	Remuneration of Shareholders' Equity	2,598,665	5,774,148
6.08.04.01	Interest on Shareholders' Equity	319,965	268,405
6.08.04.02	Dividends	1,500,000	1,500,000
6.08.04.03	Retained Earnings / Accumulated Losses for the Year	748,612	4,005,725
6.08.04.04	Minority Interest in Retained Earnings	30,088	18
6.08.05	Other	0	0

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009

(In thousands of *reais*, unless otherwise stated)

1. OPERATIONS

The main activities of Companhia Siderúrgica Nacional ("CSN" or "Company") are the production of flat steel products, whose main industrial complex is the Presidente Vargas Steelworks ("UPV"), located in the city of Volta Redonda, State of Rio de Janeiro, and the iron ore production, main operation of which is developed in the city of Congonhas, state of Minas Gerais.

CSN is engaged in the mining of iron ore, limestone and dolomite in the branches in the State of Minas Gerais and tin in the State of Rondônia, in order to meet the needs of UPV and the surplus raw materials are traded with subsidiaries and third parties. The Company also maintains strategic investments in mining companies, railroad transport, electricity, and cement for providing greater synergy to the processes. In addition, the Company is building a long steel plant in Volta Redonda.

Aiming at getting closer to clients and exploiting markets at a global level, the Company has a steel distributor, and metal packaging plants, in addition to a galvanized steel plant in the South and another in the Southeast of Brazil to meet the demand of the home appliance and automotive industry, respectively. Abroad, the Company has a steel rolling mill in Portugal and another mill in the United States.

The Company's shares are listed on the Stock Exchanges in Brazil (BOVESPA) and in the United States (NYSE).

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The individual (Company) and consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil, based on the Brazilian Corporate Law, pronouncements issued by the Committee for Accounting Pronouncements – CPC and rules issued by the Brazilian Securities and Exchange Commission ("CVM").

The main accounting practices adopted in the preparation of these financial statements correspond to the rules and guidelines in effect for the financial statements ended on December 31, 2009, which are different than those that will be used in the preparation of financial statements of December 31, 2010, as described in item 4 below.

Foreign currency translation

Foreign currency transactions are translated into reais using exchange rates in effect on the transaction dates. The result from balance sheet accounts are translated at the exchange rate on the balance sheet date, and US$1 was equivalent to R$1.7412 on December 31, 2009 (R$2.3370 on December 31, 2008). Foreign currency selling revenues, costs and expenses are translated at the average exchange rate of the month when they occur. Exchange gains and losses resulting from the settlement of said transactions and from the translation of monetary assets and liabilities are recorded in the statement of income.

3. MAIN ACCOUNTING PRACTICES

(a) Statement of income

The results of operations are recognized on an accrual basis for the fiscal years. Revenues from the sales of products are recognized when all main risks and rewards related to the goods ownership have been transferred to the buyer. Revenues from services rendered are recognized as services are provided.

The Company adopts as revenue recognition policy the date the product is delivered to the buyer, and when it can safely measure its value.

The income includes revenues, monetary and exchange charges and variations, restated according to official indices and rates levied on assets and liabilities and, when applicable, the effects of adjustments at market or realization value.

(b) Current and noncurrent assets

- **Cash and cash equivalents**

Cash and cash equivalents include cash, bank deposits and other short-term investments of immediate liquidity, redeemable in up to 90 days from the balance sheet dates and with an insignificant risk of change in their market value, and deposit certificates that may be redeemed at any time by the Company without penalties.

- **Trade accounts receivable**

Trade accounts receivable are recorded at the invoiced amount, including the respective taxes and ancillary expenses and credits from clients in foreign currency corrected at the exchange rate as of the date of the financial statements. The allowance for doubtful accounts was recorded in an amount considered adequate to support possible losses. Management's assessment takes into account the client's history, the financial situation and the assessment of our legal advisors regarding the receipt of these credits for the recording of this provision.

Inventories

These are recorded at the lowest value between the cost and the net realizable value. The cost is determined using the average weighted cost method in the acquisition of raw materials, and products in progress or finished are recorded at production or acquisition cost. Imports in progress are recorded at identified purchase cost.

- **Investments**

Investments in subsidiaries, jointly-owned subsidiaries and associated companies are recorded and measured by the equity accounting method and the gains and losses are recognized in income for the year as operating income (or expenses). In the case of exchange variation of investment abroad whose functional currency is different to the Company's currency, variations in the amount of investments deriving solely from the exchange variation are recorded in the "Equity Valuation Adjustment" account, in the Company's shareholders' equity, and are only registered in the result when the investment is sold or written-off by loss. Gains or transactions to be performed between the Company and its associated and related companies are eliminated. Other investments are recorded and held at cost.

When necessary, the accounting practices of the subsidiaries and jointly-owned subsidiaries are changed to ensure criteria consistency and uniformity with the practices adopted by the Company.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009

(In thousands of *reais*, unless otherwise stated)

- **Property, plant and equipment**

These are recorded at acquisition, formation or construction cost. Depreciation is calculated through the straight-line method, based on the remaining economic useful lives of the assets (Note 12), and depletion of the mines is calculated based on the quantity of iron ore extracted. Loans costs related to funds raised for specific construction in progress are capitalized until the constructions are concluded.
Pursuant to CPC Pronouncement 13 - "Initial Adoption of Law 11,638/07", the Company chose to reverse the revaluation reserve recorded up until December 31, 2008 and taxes levied against the cost of lands, buildings, machinery and equipment and mines.

Machinery, equipment, buildings and other items of property, plant and equipment are stated at the historical acquisition cost, monetarily restated up to December 31, 1995.

- **Asset impairment**

Property, plant and equipment and other non-current assets, including goodwill and intangible assets are reviewed annually to identify evidences of non-recoverable losses, or also, whenever events or changes in circumstances indicate that the book value cannot be recovered. For valuation purposes, the assets are grouped in the smallest group of assets for which cash flows are identified separately.

- **Intangible assets**

Intangible assets comprise of assets acquired from third parties, including by means of business combinations, and/or those internally generated by the Company.

These assets are recorded at the acquisition or formation cost, less amortization calculated through the straight-line method based on exploration or recovery terms.

Intangible assets with indefinite useful lives, as well as goodwill for expected future profitability, is no longer amortized as of January 1, 2009, and their recoverable value is tested on a yearly basis, or whenever it is deemed necessary.

- **Deferred charges**

The Company maintains in this group just the remaining balances of deferred pre-operating expenses, which will be amortized in accordance with the criteria prior to Law 11,638/07 due to the option offered by the CPC Technical Pronouncement 13 (Initial adoption of Law 11638/07) and Provisional Measure 449/08.

- **Other current and noncurrent assets**

Stated at their realization value, including, when applicable, the yields earned up to the date of the financial statements or, in the case of prepaid expenses, at cost.

(c) Current and noncurrent liabilities

These are stated at their known or calculable values, plus, when applicable, the corresponding charges and monetary and foreign exchange variations incurred up to the date of the financial statements.

- **Employee benefits**

i) Pension obligations

The liability related to defined benefit pension plans is the present value of the defined benefit liability on the balance sheet date less the market value of the plan assets adjusted by actuarial gains or losses and cost of past services. The defined benefit liability is calculated annually by independent actuaries. The present value of the defined benefit liability is determined by the estimate of future cash outflow, using the interest rates of government bonds whose maturity terms are close to those of the related liability.

The actuarial gains and losses resulting from changes in the actuarial assumptions and changes to the pension plans are allocated or credited to income by the average remaining length of service of related employees.

For the defined contribution plans, the company pays contributions to government or private pension plans on a mandatory, contractual or voluntary basis. As soon as contributions are paid, the company has no other additional payments obligations. Regular contributions comprise the net costs for the period in which they are due, being included in personnel costs.

In compliance with Resolution 371/00, issued by the CVM, the Company has been recording the respective actuarial liabilities as from January 1, 2002, in accordance with the aforementioned reported resolution and based on independent actuary studies, which are carried out annually.

ii) Profit sharing and bonuses

Profit sharing of employees is subject to achieving certain operating and financial targets, mainly allocated to the production cost when applicable and to general and administrative expenses.

- **Income and social contribution taxes**

Income tax is calculated at rates of 15% plus an additional of 10% on taxable basis and social contribution on net income at a 9% rate on the taxable basis. In the calculation of taxes, the offsetting of the tax loss carryforward and negative basis of social contribution is also considered, and it is limited to 30% of the taxable income.

The deferred tax assets deriving from tax loss carry forwards, negative basis of social contribution on net income and temporary differences between calculation basis of tax on assets and liabilities and book values of the financial statements were recorded in compliance with the CVM Resolution 371/02 and took into consideration the history of profitability and the expectations of generating future taxable income, based on a technical study.

(d) Financial instruments

i) Classification and measurement

The Company classifies its financial assets in the following categories: measured at fair value through profit and loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. The Management sets forth the classification of its financial assets at the initial recognition.

- **Financial assets measured at fair value by income**

Financial assets measured at fair value through profit and loss income are financial assets held for active and frequent trading. Derivatives are also categorized as held for trading and, therefore, are classified in this category, unless they have been recorded as hedge instruments (protection). Assets in this category are classified as current. Gains or losses from variations in fair value of financial assets measured at fair value through profit and loss are recorded in the statement of income under "Financial income" in the period they occur, unless the instrument has been taken out in connection with another operation. In this case, variations are recorded in the same line as the income impacted by said operation.

- **Loans and receivables**

This category includes loans granted and receivables that are non-derivative financial assets with fixed payment or to be established, not priced at an active market. They are included as current assets, except those with a maturity term greater than 12 months after the balance sheet date (these are classified as noncurrent assets). Company's loans and receivables comprise loans to associated companies, trade accounts receivable, other accounts receivable and cash and cash equivalents, excluding short-term investments. Loans and receivables are accounted for at the amortized cost, using the effective interest rate method.

- **Assets held to maturity**

They are basically financial assets that cannot be classified as loans and receivables and are acquired with the financial purpose and ability to be held in portfolio until maturity. They are measured at the amortized cost by the effective interest rate method.

- **Financial assets available for sale**

These are non-derivative financial assets that are not classified in any other category. They are included in noncurrent assets, unless Management intends to dispose of the investment within 12 months after the balance sheet date. Financial assets available for sale are recorded at fair value. Interest on securities available for sale, calculated through the effective interest rate method, are recorded as financial income in the statement of income. The amount corresponding to variation in fair value is recorded against shareholders' equity, in the Equity Valuation Adjustments account and is realized against result during its settlement or impairment.

- **Fair value**

Fair value of listed investments is based on current acquisition prices. For financial assets without an active market or which are not publicly traded, the Company establishes the fair value through appraisal techniques, including the use of recent outsourced operations, the use of other materially similar instruments as reference, discounted cash flow analysis and option pricing models that make the greatest possible use of information from the market and the least possible use of information generated by the Management of the company.

On the balance sheet date, the Company assesses whether there is any objective evidence that a given financial asset or group of financial assets is recorded at a value higher than its recoverable value (impairment). In case of financial assets available for sale, should there be any such evidence, the accrued loss (calculated as the difference between the acquisition cost and the current fair value less any impairment loss of such financial asset previously recorded in the result) is taken from the shareholders' equity and recorded in the statement of income.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009

(In thousands of *reais*, unless otherwise stated)

ii) Derivative instruments and hedge activities

Initially, derivatives are recorded at their fair value on the date that derivative agreements are signed, being subsequently remeasured at their fair value. The resulting variations in fair value are booked against the result, except in the case of derivatives designated as cash flow hedge instruments.

The Company maintained a financial instrument called total return equity swap, purpose of which is to increase the return on financial assets. This instrument was recorded at fair value and gains and losses were recognized in the statement of income by accrual period.

This instrument was recorded in other accounts payable, and its margin of guarantee in other accounts receivable; the instrument was settled on August 13, 2009.

Although the Company makes use of derivatives for protection purposes, it does not apply hedge accounting.

Fair value of derivative instruments is disclosed in Note 17.

(e) Treasury shares

As established by the CVM Rule 10 of February 14, 1980, shares held in treasury are recorded at cost of acquisition, and the market value of these shares is calculated based on the average stock exchange quotation on the last day of the year.

(f) Accounting estimates

Accounting estimates are required when the financial statements are prepared, for recording certain assets, liabilities and other transactions. Therefore, the Company's financial statements include estimates to measure allowance for doubtful accounts, provision for inventory losses, provisions for labor, civil, tax, environmental and social security liabilities, depreciation, amortization, depletion, provision for impairment, deferred taxes, financial instruments and employees' benefits. The Company periodically reviews the estimates and assumptions; however, the actual results can differ from these estimates.

4. NEW PRONOUNCEMENTS, INTERPRETATIONS AND GUIDELINES ISSUED AND NOT ADOPTED

a) Within the process for conversion of accounting practices adopted in Brazil to the International Financial Reporting Standards (IFRS), several pronouncements, interpretations and guidelines were issued in 2009 with mandatory application for the years ended as of December 2010 and for 2009 financial statements to be disclosed together with 2010 statements for comparison purposes.

The Company is going through an evaluation process of potential effects related to these pronouncements, interpretations and guidelines, which may materially impact the financial statements for the fiscal year ended on December 31, 2009, to be presented in comparison with the financial statements for the year ending on December 31, 2010, as well as the years to come.

The consolidated financial statements of the next fiscal year will be prepared in compliance with CPC 37 – Initial Adoption of International Accounting Rules, as per CVM Rule 457 of July 13, 2007.

b) Revision of issued pronouncements

On January 28, 2010, CVM approved the revision document no. 1 referring to CPC Pronouncements 02, 03, 16, 26 and 36 and to OCPC Technical Orientation 01, issued by the Accounting Pronouncements Committee – CPC, through CVM Resolution 624.

After analyzing the impact of these pronouncements, the Company concluded that, except for CPC 2(R1) – Effects of changes in exchange and translation rates of Financial Statements, the other revisions do not impact the individual or the consolidated financial statements.

The main impacts of CPC 2 (R1) on the Financial Statements are listed below:

i) Change in the treatment of companies Islands VII, Islands VIII, Islands IX, Islands X, Islands XI, Tangua and International Investment Fund, previously treated as branches, which are now recorded as subsidiaries of CSN.

ii) Adjustments of monetary items characterized as net investment abroad, previously recorded only in the shareholders' equity of the consolidated balance sheet, are now booked at the individual financial statements.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009

(In thousands of *reais*, unless otherwise stated)

The chart below shows the impacts on balance sheets and statement of income for the year.

- **Assets and Liabilities**

				2008
				Parent Company
	Closing balance	Adjustments of Resolution 624/10		Balance prior to adjustments
ASSETS				
Current	**6,598,670**	**(7,396,906)**		**13,995,576**
Financial investments - Acid test settlement	1,200,793	(6,096,509)	(1)	7,297,302
Other	5,397,877	(1,300,397)	(1)	6,698,274
Noncurrent				
Long-term assets	**2,084,917**	**(2,638,068)**		**4,722,985**
Intercompany loans	255,061	(2,640,073)	(1)	2,895,134
Other	1,829,856	2,005	(1)	1,827,851
Permanent assets	**26,539,255**	**7,237,848**		**19,301,407**
Investment	19,581,327	7,237,848	(1)	12,343,479
Other	6,957,928			6,957,928
TOTAL ASSETS	**35,222,842**	**(2,797,126)**		**38,019,968**
LIABILITIES				
Current	**7,072,347**	**(361,032)**	(1)	**7,433,379**
Noncurrent				
Long-term liabilities	**21,402,033**	**(2,436,094)**		**23,838,127**
Loans and financing	17,299,432	(2,448,378)	(1)	19,747,810
Other	4,102,601	12,284	(1)	4,090,317
Shareholders' equity	**6,748,462**			**6,748,462**
Capital	1,680,947			1,680,947
Reserves	3,768,786			3,768,786
Equity valuation adjustment				
Reversal of intercompany exchange variation	(730,502)	(730,502)	(2)	
Reversal of intercompany loan variation	(713,955)	(713,955)	(2)	
Reversal of loan agreement exchange variation	(220,095)	(220,095)	(2)	
Deferred income and social contribution taxes on equity valuation adjustment	565,947	565,947	(3)	
Other	1,298,729			1,298,729
Retained earnings/accumulated losses	1,098,605	1,098,605		
Income for the year	5,774,131	1,098,605		4,675,526
TOTAL LIABILITIES	**35,222,842**	**(2,797,126)**		**38,019,968**

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009

(In thousands of *reais*, unless otherwise stated)

- **Income**

	2008			
	Parent Company			
	Closing balance	Adjustments of Resolution 624/10		Balance prior to adjustments
NET REVENUE	**10,504,554**			**10,504,554**
Cost of products and services sold	(5,434,460)			(5,434,460)
GROSS OPERATING INCOME	**5,070,094**			**5,070,094**
OPERATING EXPENSES AND REVENUES				
Selling expenses	(517,935)			(517,935)
General and administrative expenses	(329,148)	12	(1)	(329,160)
Other operating expenses	(159,856)	98	(1)	(159,954)
Equity gains	4,209,285	(3,492)	(1)	4,212,777
OPERATING INCOME BEFORE FINANCIAL EFFECTS AND INTEREST	**8,272,440**	**(3,382)**		**8,275,822**
Financial expenses and revenues				
Gains and losses for equity pick-up	(60,738)	(175,205)	(1)	114,467
Monetary and exchange variation, net	(1,611,316)	1,844,877	(1) and (2)	(3,456,193)
Other financial expenses/revenues	29,084	(1,738)	(1)	30,822
INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES	**6,629,470**	**1,664,552**		**4,964,918**
Income and social contribution taxes	(855,339)	(565,947)	(3)	(289,392)
NET INCOME FOR THE YEAR	**5,774,131**	**1,098,605**		**4,675,526**

(1) Change in the treatment of the companies Islands VII, VIII, IX, X, XI; Tangua and International Investment Fund, previously treated as branches, which are now recorded as subsidiaries of CSN, pursuant to CVM Resolution 624 of January 28, 2010.
(2) Exchange rate variation of loans and financing from intercompany operations: Fixed rate notes, intercompany, prepayment and loan.
(3) Income tax (IR) and social contribution on net income (CSLL) related to exchange rate variation of loans and financing from intercompany operations: Fixed rate notes, intercompany, prepayment and loan depreciation of revaluation.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009

(In thousands of *reais*, unless otherwise stated)

- **Cash flow**

	2008		
	Parent Company		
	Closing balance	Adjustments of Resolution 624/10	Balance prior to adjustments
Cash flow from operating activities:			
Net income for the period	**5,774,131**	**1,098,605**	**4,675,526**
Adjustments to conciliate net income for the period with funds from operating activities:			
- Monetary and exchange variations, net	1,588,025	(1,792,101)	3,380,126
- Provision for charges on loans and financing	699,166	(18,758)	717,924
- Equity pick-up	60,738	175,205	(114,467)
- Deferred income and social contribution taxes	283,264	565,947	(282,683)
- Swap provision	(51,722)	75,706	(127,428)
- Other provisions	244,959	(92,897)	337,856
- Other without the effect of CVM Resolution 624 (1)	(3,416,463)		(3,416,463)
	5,182,098	**11,707**	**5,170,391**
(Increase) decrease in assets:			
- Credits with subsidiaries and associated companies	614,296	3,824,446	(3,210,150)
- Other	240,574	109,610	130,964
- Other without the effect of CVM Resolution 624 (1)	(1,520,608)		(1,520,608)
	(665,738)	**3,934,056**	**(4,599,794)**
Increase (decrease) in liabilities:			
- Accounts payable - subsidiary	145,260	(25,032)	170,292
- Other	60,811	(107,324)	168,135
- Other without the effect of CVM Resolution 624 (1)	264,121		264,121
	470,192	**(132,356)**	**602,548**
Charges on pays loans and financing			
- Interest paid	(698,278)	16,836	(715,114)
- Other without the effect of CVM Resolution 624 (1)	(396,424)		(396,424)
	(1,094,702)	**16,836**	**(1,111,538)**
Net cash from operating activities	**3,891,850**	**3,830,243**	**61,607**
Cash flow used in investing activities:			
- Investments / advances for future capital increase	(8,310,253)	(7,408,004)	(902,249)
- Other without the effect of CVM Resolution 624 (1)	(1,616,213)		(1,616,213)
Net cash used in investing activities	**(9,926,466)**	**(7,408,004)**	**(2,518,462)**
Cash flow from financing activities			
- Loans and financing	10,185,700	(2,896,050)	13,081,750
- Other without the effect of CVM Resolution 624 (1)	(3,977,522)		(3,977,522)
Net cash used in financing activities	**6,208,178**	**(2,896,050)**	**9,104,228**
Exchange variation on cash and cash equivalents (2)	350,869	350,869	
Increase (decrease) of cash and cash equivalents	**524,431**	**(6,122,942)**	**6,647,373**
Cash and cash equivalents at the beginning of the year	745,115		745,115
Cash and cash equivalents at the end of the year	**1,269,546**	**(6,122,942)**	**7,392,488**

(1) These refer to the total cash flow operations that were not amended by CVM Resolution 624 of January 28, 2010.
(2) For a better presentation, according to the CPC Technical Pronouncement 3 – Statements of cash flows, the exchange variations on cash and cash equivalents were reclassified in the parent company and consolidated.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009

(In thousands of *reais*, unless otherwise stated)

- **Statement of Value Added**

	2008		
	Parent Company		
	Closing balance	Adjustments of Resolution 624/10	Balance prior to adjustments
Revenues			
Sales of goods, products and services	14,496,904		14,496,904
Other revenues/expenses	4,164,628		4,164,628
Allow ance for/reversal of doubtful accounts	(90,473)		(90,473)
	18,571,059		**18,571,059**
Input acquired from third parties			
Costs of products, goods and services sold	(6,685,507)		(6,685,507)
Materials, energy - Third party services - other	(824,449)		(824,449)
Impairment	177,450		177,450
	(7,332,505)		**(7,332,506)**
Gross value added	**11,238,553**		**11,238,553**
Retention			
Depreciation, amortization and depletion	(652,670)		(652,670)
Net value added produced	**10,585,883**		**10,585,883**
Value added received in transfers			
Equity pick-up	(60,738)	(175,205)	114,467
Financial income/assets exchange variation	1,381,310	(249,932)	1,631,242
Other	20,717		20,717
	1,341,289	**(425,137)**	**1,766,426**
Total value added to distribute	**11,927,173**	**(425,136)**	**12,352,309**
DISTRIBUTION OF VALUE ADDED			
Personnel	**634,447**		**634,447**
Direct compensation	485,647		485,647
Benefits	112,484		112,484
Government Severance Indemnity Fund for Employees (FGTS)	36,316		36,316
Taxes, fees and contributions	**2,504,489**	**565,946**	**1,938,543**
Federal	1,843,886	565,946	1,277,940
State	654,917		654,917
Municipal	5,686		5,686
Third party capital remuneration	**3,014,106**	**(2,089,687)**	**5,103,793**
Interest	3,014,048	(2,089,687)	5,103,735
Rentals	58		58
Remuneration of shareholders' equity	**5,774,131**	**1,098,605**	**4,675,526**
Interest on shareholders' equity	268,405		268,405
Dividends	1,500,000		1,500,000
Retained earnings	4,005,726	1,098,605	2,907,121
	11,927,173	**(425,136)**	**12,352,309**

5. CONSOLIDATED FINANCIAL STATEMENTS

The accounting practices reflect the changes introduced by the new pronouncements and were treated uniformly in all the consolidated companies.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009

(In thousands of *reais*, unless otherwise stated)

The consolidated quarterly information for the years ended December 31, 2009 and 2008, include the following direct and indirect subsidiaries and jointly-owned subsidiaries:

	Ownership interest (%)		
Companies	**2009**	**2008**	**Main activities**
Direct investment: full consolidation			
CSN Islands VII (*)	100.00	100.00	Financial operations
CSN Islands VIII (*)	100.00	100.00	Financial operations
CSN Islands IX (*)	100.00	100.00	Financial operations
CSN Islands X (*)	100.00	100.00	Financial operations
CSN Islands XI (*)	100.00	100.00	Financial operations
Tangua (*)	100.00	100.00	Financial operations
International Investment Fund (*)	100.00	100.00	Equity interest
CSN Energy	100.00	100.00	Equity interest
CSN Export	100.00	100.00	Financial operations, trading of products and equity interest
CSN Overseas	100.00	100.00	Financial operations and equity interest
CSN Panama	100.00	100.00	Financial operations and equity interest
CSN Steel	100.00	100.00	Financial operations and equity interest
DIPLIC - Multimarket investment fund	100.00	100.00	Investment fund
Mugen - Multimarket investment fund	100.00	100.00	Investment fund
Arame Corporation (wounded-up on 10/7/2009)		100.00	Dorment Company
TdBB S.A	100.00	100.00	Dorment Company
International Charitable Corporation (wounded-up on 12/4/2009)		100.00	Dorment Company
GalvaSud	99.99	99.99	Steel
Sepetiba Tecon	99.99	99.99	Port services
Mineração Nacional (1)	99.99	99.99	Mining and equity interest
CSN Aços Longos	99.99	99.99	Steel and/or metal products industry and trade
Itaguaí Logística (2)	99.99	99.99	Logistics
Estanho de Rondônia - ERSA	99.99	99.99	Mining
Cia Metalic Nordeste	99.99	99.99	Packaging production
Companhia Metalúrgica Prada	99.99	99.99	Packaging production
CSN Cimentos	99.99	99.99	Cement manufacturing
Inal Nordeste	99.99	99.99	Steel products service center
CSN Gestão de Recursos Financeiros	99.99	99.99	Dorment Company
Congonhas Minérios	99.99	99.99	Mining and equity interest
CSN Energia	99.90	99.90	Electricity trading
Transnordestina Logística	84.34		Railroad transport
Indirect investment: full consolidation			
CSN Aceros	100.00	100.00	Equity interest
CSN Cayman	100.00	100.00	Financial operations, trading of products and equity interest
CSN Iron	100.00	100.00	Financial operations
CSN Cement (acquired on 12/23/2009)	100.00		Financial operations and equity interest
Companhia Siderurgica Nacional LLC	100.00	100.00	Steel
CSN Holdings Corp (wounded-up on 12/31/2009)		100.00	Equity interest
Energy I	100.00	100.00	Equity interest
CSN Madeira	100.00	100.00	Financial operations, trading of products and equity interest
CSN Cinnabar (wounded-up on 11/30/2009)		100.00	Financial operations and equity interest
CSN Ibéria (acquired on 11/17/2009)	100.00		Financial operations and equity interest
Hickory	100.00	100.00	Financial operations and trading of products
Lusosider Projectos Siderúrgicos	100.00	100.00	Equity interest
CSN Acquisitions	100.00	100.00	Financial operations and equity interest
CSN Finance (Netherlands) (wounded-up on 12/15/2009)		100.00	Financial operations and equity interest
CSN Finance UK Ltd	100.00	100.00	Financial operations and equity interest
CSN Holdings UK Ltd	100.00	100.00	Financial operations and equity interest
Itamambuca Participações	99.99	99.93	Mining and equity interest
Lusosider Aços Planos	99.94	99.94	Steel industry and equity interest
CSN Energia	0.10	0.10	Electricity trading
Companhia Siderúrgica Nacional Partners LLC (wounded-up on 12/15/2009)		100.00	Equity interest
Direct investment: proportional consolidation			
Transnordestina Logística		84.50	Railroad transport
Nacional Minérios	59.99	59.99	Mining and equity interest
Itá Energética	48.75	48.75	Electricity generation
MRS Logística	22.93	22.93	Railroad transport
Consórcio da Usina Hidrelétrica de Igarapava	17.92	17.92	Electricity consortium
Sociedade em Conta de Participação	39.47	39.47	Equity interest
Indirect investment: proportional consolidation			
Sociedade em Conta de Participação	60.53	60.53	Equity interest
Namisa International Minerios SLU (3)	60.00	60.00	Equity interest and trading of products and mining
Namisa Europe (4)	60.00	60.00	Equity interest and trading of products and mining
Pelotização Nacional	59.99	59.99	Mining and equity interest
MG Minérios	59.99	59.99	Mining and equity interest
MRS Logística	10.34	10.34	Railroad transport

(1) New corporate name of Minas Pelotização, changed on August 27, 2009.
(2) New corporate name of Nacional Siderurgia, changed on June 25, 2009.
(3) New corporate name of Inversiones CSN Espanha, changed on November 26, 2009.
(4) New corporate name of NMSA Madeira, changed on September 14, 2009.
(*) In compliance with the review report by the Accounting Pronouncements Committee, which amended CPC 02, and CVM Resolution 624, the Company understands that these subsidiaries abroad considered branches in 2008, were no longer branches on December 31, 2009 (see Note 4).

(In thousands of reais, unless otherwise stated)

The following consolidation procedures were adopted in the preparation of the consolidated financial statements:

- Elimination of the balances of asset and liability accounts between consolidated companies;
- Elimination of the balances of investments and shareholders' equity between consolidated companies;
- Elimination of balances of income and expenses and unrealized profit deriving from consolidated intercompany transactions;
- Presentation of income and social contribution taxes on the unrealized profit as deferred taxes in the consolidated financial statements; and
- Reclassification of exchange rate variations of monetary items with net foreign investment characteristics from financial income to shareholders' equity. Due to the change in the Management's intent regarding the settlement of these loans, the foreign exchange effects determined after August 31, 2009 have been recorded in income for the year, and accumulated amount calculated up to August 31, 2009 will be recorded in income as the respective monetary items are settled.

Pursuant to the CVM Rule 408 of August 18, 2004, the Company consolidates the financial statements of the exclusive investment funds Diplic and Mugen.

The base date for the subsidiaries' and jointly-owned subsidiaries' financial statements coincide with that of the Parent Company.

The reconciliation between shareholders' equity and net income for the year of the Parent Company and consolidated is as follows:

	Shareholders' equity		Net income for the year	
	2009	2008	2009	2008
Parent Company	**5,564,633**	**6,748,462**	**2,568,577**	**5,774,131**
Elimination of profits on inventories	(54,200)	(85,873)	31,674	18
Other adjustments			(1,586)	
Consolidated	**5,510,433**	**6,662,589**	**2,598,665**	**5,774,149**

6. RELATED PARTIES TRANSACTIONS

a) Transactions with Parent Company

Vicunha Siderurgia S.A. is a holding company whose purpose is to hold interest in other companies. It is the Company's main shareholder, with a 46.20% interest in the voting capital.

Vicunha Siderurgia's corporate structure is as follows (unaudited information):

Rio Purus Participações S.A. – holds 60% of National Steel and 59.99% of Vicunha Steel S.A.

CFL Participações S.A. – holds 40% of National Steel and 39.99% of Vicunha Steel S.A.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009

(In thousands of *reais*, unless otherwise stated)

National Steel – holds 33.04% of Vicunha Aços

Vicunha Steel – holds 66.96% of Vicunha Aços

Vicunha Aços – holds 99.99% of Vicunha Siderurgia

CSN recorded interest on shareholders' equity for the year, paid dividends and interest on shareholders' equity for Vicunha Siderurgia in the amount indicated in the table below, according to the percentage of the Vicunha Siderurgia's interest in CSN as of the closing date of these financial statements.

Parent Company	Proposed dividends	Proposed interest on shareholders' equity	Dividends paid in the period	Interest on shareholders' equity paid in the period
Total in 2009	717,834	153,121	689,747	243,060
Total in 2008	689,947	123,421	938,223	93,210

b) Transactions with jointly-owned subsidiaries

The Company holds interest in jointly-owned subsidiaries in the strategic areas of mining, logistics and power generation. The characteristics, goals and transactions with these companies are stated as follows:

- **Assets**

Companies	Accounts receivable	Dividends receivable	Loans/Current accounts(*)	Total
Nacional Minérios	26,161	275,139	1,231,721	1,533,021
MRS Logística	786	65,979		66,765
Itá Energetica		5,790		5,790
Total in 2009	26,947	346,908	1,231,721	1,605,576
Total in 2008	185,802	190,068		375,870

(*) Loan agreement of R$1,197,800, starting on January 28, 2009; the face value of this agreement is entitled to compensatory interest correspondent to 101% of CDI Cetip, maturing on January 31, 2012.

- **Liabilities and shareholders' equity**

	Liabilities				Shareholders' equity	
Companies	Advance from clients	Loans / Current accounts	Other (*)	Total	Equity valuation adjustments - Effects	Total
Nacional Minérios	7,638,658	9,681		7,648,339	(20,183)	(20,183)
MRS Logística		2,142	73,423	75,565		
Itá Energetica			13,212	13,212		
Total in 2009	7,638,658	11,823	86,635	7,737,116	(20,183)	(20,183)
Total in 2008	7,286,154	2,142	68,266	7,356,562	51,825	51,825

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009

(In thousands of *reais*, unless otherwise stated)

Namisa: the advance from clients received from the jointly-owned investee Nacional Minérios S.A. is related to the contractual obligation of iron ore supply and port services by CSN. The contract has a 12.5% p.a. interest rate and maturity expected for June 2042 and the short-term, amounting to R$110,520, is due in 2010.

The valuation adjustment effects refer to an investee abroad whose functional currency is different from the real.

(*) MRS: in other accounts payable with MRS Logística, we recorded the amount provisioned by CSN to cover take-or-pay and block rates contractual expenses related to the rail transportation contract.

(*) Itasa: it is related to the electric power supply billed under normal market conditions of the Brazilian energy market, ruled by Electric Power Trade Chamber.

- **Income**

	Revenues			Expenses		
Companies	Products and services	Interest and monetary and exchange variations	Total	Products and services	Interest	Total
Nacional Minérios	508,779	105,407	614,186	120,980	898,349	1,019,329
MRS Logística	104		104	363,660		363,660
Itá Energetica				134,775		134,775
Total in 2009	508,883	105,407	614,290	619,415	898,349	1,517,764
Total in 2008	290,936	14,440	305,376	693,749		693,749

- **Nacional Minérios S.A. ("Namisa")**

Its main purpose is to extract and sell own and third-party iron ore. The main operations are developed in the cities of Congonhas, Ouro Preto, Itabirito and Rio Acima in the state of Minas Gerais, and in Itaguaí, state of Rio de Janeiro. CSN maintains iron ore supply and port service provision transactions, in addition to administrative, operating and financial support.

- **MRS Logística S.A.**

Its purpose is to exploit and develop the public rail cargo transportation service in the Southeast Network, which serves the Rio de Janeiro-São Paulo-Belo Horizonte stretch. MRS provides rail cargo transportation services for the supply and outflow of the CSN raw materials and finished products.

- **Itá Energética S.A. – Itasa**

Itasa holds an interest in the Itá Hydroelectric Power Plant consortium and the operations between the parties are related to contracting electric power supply for the CSN operations.

(In thousands of reais, unless otherwise stated)

c) Transactions with subsidiaries and special purpose entities (exclusive investment funds)

- **Assets**

Companies	Accounts receivable	Marketable securities (**)	Loans/current accounts(*)	Dividends receivable	Advance for future capital increase	Total
Exclusive investment funds		2,724,714				2,724,714
CSN Export	503,748					503,748
CSN Madeira	418,805					418,805
Prada	55,124					55,124
Sepetiba Tecon				23,073		23,073
IIF			20,521			20,521
Inal Nordeste	11,094					11,094
Namisa Europe	5,734					5,734
GalvaSud	4,739					4,739
Cia. Metalic Nordeste	4,524					4,524
Transnordestina					3,362	3,362
CSN Cimentos	878					878
Total in 2009	1,004,646	2,724,714	20,521	23,073	3,362	3,776,316
Total in 2008	959,052	1,188,464	29,229	115,323	398,998	2,691,066

(*) Contracts in US$ – IIF: interest rate of 3% p.a. with indefinite maturity.
(**) Financial investments in exclusive investment funds managed by Banco BTG Pactual are backed by Brazilian government bonds and have daily liquidity.

Accounts receivable derive from sales operations of products and services among the parent company and the subsidiaries.

- **Liabilities**

Companies	Loans and financing: Pre-payment (1)	Loans and financing: Fixed Rate Notes (2)	Loans and financing: Loans and intercompany bonds (2)	Accounts payable: Loans (3) / current accounts	Accounts payable: Other	Total
CSN Cement	1,841,259		1,126,163			2,967,422
CSN Islands VIII		1,266,588		1,600		1,268,188
CSN Ibéria		678,971		269,249		948,220
CSN Export	527,424			10,450		537,874
CSN Madeira			17,752	307,015		324,767
CSN Aceros				17,504		17,504
Other(*)					1,728	1,728
Total in 2009	2,368,683	1,945,559	1,143,915	605,818	1,728	6,065,703
Total in 2008	3,387,512	2,223,821	1,531,644	131,507	7,054	7,281,538

The conditions of the transactions with these subsidiaries are shown as follows:
(1) Contracts in US$ – CSN Export: interest from 6.01% to 7.43% p.a. with maturity in May 2015.
Contracts in US$ – Cement: interest from 4.00% a 10.0% p.a. with maturity in June 2018.
(2) Contracts in US$ – Cement: Intercompany Bonds interest of 9.12% p.a. with maturity on June 1, 2047.
Contracts in YEN – CSN Ibéria: interest of 1.5% p.a. with maturity on July 13, 2010.
Contracts in US$ – Cement (part): 3.99% p.a. with maturity in April 2013.
Contracts in US$ – CSN Madeira (part): semiannual Libor + 2.25% p.a. with maturity on September 15, 2011.
Contracts in YEN – CSN Islands VIII: interest of 5.65% p.a. with maturity in December 2013.
(3) Contracts in US$ – CSN Madeira (part): semiannual Libor + 3% p.a. with indefinite maturity.
Contracts in US$ – CSN Export: semiannual Euribor + 0.5% p.a. with indefinite maturity.
Contracts in US$ – CSN Ibéria (part): semiannual Libor + 3% p.a. with indefinite maturity.
(*) Other**:** CSN Cimentos, Prada, Metalic, Galvasud, Ersa and Inal Nordeste.

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(In thousands of *reais*, unless otherwise stated)

- **Shareholders' equity – accumulated translation adjustments (Law 11638/07)**

Companies	Investment Exchange Variation	Investments Exchange Variation Effects	Loan Exchange Variation	Total
CSN Steel	(17,134)	(6,753)		(23,887)
Overseas	(30,027)	5,714		(24,313)
Panama	15,460	8,000		23,460
Energy I	(32,075)	28,884		(3,191)
CSN Iron			(59,646)	(59,646)
Cinnabar			(231,524)	(231,524)
CSN Madeira			(79,454)	(79,454)
Aceros			(1,157)	(1,157)
CSN Export	(30,389)		(72,469)	(102,858)
Total in 2009	(94,165)	35,845	(444,250)	(502,570)
Total in 2008	1,270,127	(23,223)	(1,664,552)	(417.648)

Accumulated translation adjustments (asset valuation adjustment) refer to investees overseas whose functional currencies are different from the Brazilian Real.

- **Income**

	Revenues			Costs/Expenses		
Companies	Products and services	Interest and monetary and exchange variations	Total	COGS / Products and services	Interest and monetary and exchange variations	Total
CSN Export	797,593		797,593	674,884	(94,353)	580,531
CSN Iron		9,330	9,330			
Cinnabar					(12,532)	(12,532)
CSN Madeira	618,368		618,368	189,283	(129,546)	59,737
CSN Cement					(15,200)	(15,200)
Namisa Europe	47,146		47,146	9,660	(9,705)	(45)
Prada	846,963		846,963	480,918		480,918
CSN Ibéria					(32,415)	(32,415)
CSN Cimentos	22,087		22,087	8,539		8,539
Sepetiba Tecon	2,896		2,896	1,985		1,985
GalvaSud	555,687		555,687	328,238		328,238
Cia. Metalic Nordeste	77,507		77,507	45,743		45,743
Inal Nordeste	44,338		44,338	23,228		23,228
ERSA				21,564		21,564
Aceros					(1,459)	(1,459)
IIF					(6,798)	(6,798)
Tangua					(11,278)	(11,278)
Island VIII					(347,993)	(347,993)
Exclusive investment funds					(677,400)	(677,400)
Total in 2009	3,012,585	9,330	3,021,915	1,784,042	(1,338,679)	445,363
Total in 2008	2,802,125	1,266,034	4,068,159	1,422,901	1,107,949	2,530,850

During 2009, the subsidiary CSN Export S.à.r.l. exported to the CSN subsidiaries, Lusosider in Portugal and CSN LLC in the United States, intermediated by third parties. These transactions and their effects were eliminated from the consolidated financial statements.

(In thousands of reais, unless otherwise stated)

d) Other related parties

- **CBS Previdência**

The Company is the main sponsor of CBS Previdência, not-for-profit civil association set up in July 1960, whose main purpose is to pay supplementary benefits to those paid by social security. As the CBS Previdência sponsor, CSN maintains payment transactions of contributions and actuarial liability recognition ascertained in defined benefit plans.

- **Fundação CSN**

CSN develops socially responsible policies currently focused on Fundação CSN, whose sponsor is the Company. Transactions between the parties are related to operating and financial support for Fundação CSN

- **Banco Fibra**

Banco Fibra is under the same control structure of Vicunha Siderurgia, and financial transactions with this bank are limited to transactions in checking accounts and financial investments in fixed income.

The balances of transactions between the Company and these entities are shown as follows:

Assets and Liabilities

	Assets		Liabilities		
Company	Banking checking account and financial investment	Total	Actuarial liabilities	Other Accounts Payable	Total
CBS Previdência			69,944		69,944
Fundação CSN	906	906		90	90
Banco Fibra	34	34			
Total in 2009	940	940	69,944	90	70,034
Total in 2008	2	2	117,568	83	117,651

Income

	Revenues			Expenses		
Company	Interest and monetary and exchange variations revenues	Other revenues	Total	Pension Fund Expenses	Other expenses	Total
CBS Previdência		190	190	76,420	66	76,486
Fundação CSN					1,305	1,305
Banco Fibra	225		225			
Total in 2009	225	190	415	76,420	1,371	77,791
Total in 2008				20,215	3,439	23,654

(In thousands of reais, unless otherwise stated)

e) Key-management personnel

Key management personnel are responsible for planning, directing and controlling the Company's activities and include the members of the Board of Directors, statutory officers and other officers. The Company presents, in the table below, information on compensation and balances existing as of December 31, 2009.

	2009		2008		2009	2008
	Assets	Liabilities	Assets	Liabilities	Income	Income
Short-term benefits for employees and management		4,988		6,589	39,924	42,196
Post-employment benefits					297	430
Other long-term benefits	n/a	n/a	n/a	n/a		
Benefits of labor agreement termination	n/a	n/a	n/a	n/a		
Share-based compensation	n/a	n/a	n/a	n/a		
		4,988		6,589	40,221	42,626

n/a – not applicable.

7. CASH AND CASH EQUIVALENTS

	Consolidated		Parent Company	
	2009	2008	2009	2008
Current assets				
Cash and cash equivalents				
Cash and Banks	**142,045**	**232,065**	**31,023**	**68,753**
Marketable Securities				
In Brazil:				
Exclusive investment funds			2,724,714	1,188,464
Government bonds (*)	3,339,972	1,395,692		
Fixed income and debentures (**)	1,304,713	182,683	116,545	1,598
	4,644,685	**1,578,375**	**2,841,259**	**1,190,062**
Abroad:				
Time Deposits	3,300,012	7,413,673	637	10,731
Total Marketable securities	**7,944,697**	**8,992,048**	**2,841,896**	**1,200,793**
Cash and Cash Equivalents	**8,086,742**	**9,224,113**	**2,872,919**	**1,269,546**

(*) 62.80% - National Treasury Notes
13.01% - National Treasury Bills
24.19% - Financial Treasury Bills

(**) **Debentures:** Investments in the jointly-controlled subsidiary MRS amounting to R$205,473 in Secured Debentures, with remuneration based on the variation of Interbank Deposit Certificates (CDI) in securities of Unibanco, Votorantim, Safra, Itaú BBA, Bradesco and ABN.
Fixed Income: CSN financial investments in the amount of R$116,545 and subsidiaries' investments in the amount of R$982,695.

The available financial funds in the Parent Company and subsidiaries established in Brazil are primarily invested in exclusive investment funds, whose cash is mostly invested in repurchase operations pegged to Brazilian government bonds, with immediate liquidity. Additionally, a significant portion of the financial funds of the Company and its subsidiaries abroad is invested in Time Deposits in first-tier banks.

(In thousands of reais, unless otherwise stated)

The exclusive investment funds, managed by BTG Pactual Serviços Financeiros S.A DTVM, and its assets, are accountable for possible losses in investments and operations carried out. The Company may bear the fund's operation fees (management, custody and audit fees) and it may also be called to back the shareholders' equity in the event of losses resulting from interest rate, exchange rate or other financial asset variations.

8. TRADE ACCOUNTS RECEIVABLE

	Consolidated		Parent Company	
	2009	2008	2009	2008
Domestic market	1,159,813	1,259,746	675,719	715,819
Foreign market	359,355	139,608	3,256	4,920
Advance on Export Contracts (ACE)		(140,220)		(140,220)
Allowance for doubtful accounts	(346,651)	(246,160)	(290,133)	(162,128)
	1,172,517	**1,012,974**	**388,842**	**418,391**

The Company also maintains other long-term accounts receivable, and among these assets 77% are debentures issued by Companhia Brasileira de Latas in 2002, in the amount of R$212,870. As of December 31, 2009, the Company held a provision for total loss for these debentures.

9. INVENTORIES

	Consolidated		Parent Company	
	2009	2008	2009	2008
Finished products	596,940	779,130	373,744	462,067
Work in process	501,891	720,258	433,922	695,383
Raw materials	578,936	1,189,815	421,772	830,123
Supplies	711,855	726,946	595,550	608,103
Advance to suppliers	129,836	220,666	77,337	84,568
Provision for losses	(53,145)	(23,354)	(44,796)	(18,546)
Materials in transit	122,633	9,314	98,012	3,164
	2,588,946	**3,622,775**	**1,955,541**	**2,664,862**

Certain items taken as obsolete, or with a low turnover, were adjusted at realization value.

(In thousands of reais, unless otherwise stated)

10. DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES

(a) Deferred income and social contribution taxes

Deferred income and social contribution taxes are recognized in order to reflect future tax effects attributable to temporary differences between the tax base of assets, liabilities and the respective carrying value.

	Parent Company	
	Deferred assets	
	2009	2008
Tax losses in income tax	143,688	233,643
Negative basis of social contribution	54,574	83,855
Temporary differences	**701,282**	**912,649**
- Provision for contingencies	265,092	544,120
- Provision for losses in assets	39,173	35,072
- Provision for losses in inventories	15,231	6,306
- Provision for gains/losses in Financial Instruments	139,297	90,772
- Provision for payment of private pension plans	23,782	39,973
- Provision for interest on shareholders' equity	20,706	91,276
- Provision for long-term sales	6,806	2,383
- Provision for inputs and services	34,008	25,696
- Allowance for doubtful accounts	78,520	38,318
- Other	78,668	38,733
Total	**899,544**	**1,230,147**
Current	522,391	610,027
Noncurrent	377,153	620,120

Pursuant to CVM Rule 371/02, some companies of the group, recorded tax credits on tax loss carryforwards and negative basis of social contribution that are not subject to statute of limitations based on the history of profitability and on the expectations of future taxable income determined in technical valuation approved by the Management.

The Company has credits on tax losses in the amounts of R$143,688 and R$54,574 (R$233,643 and R$83,855 in 2008) on the parent company's negative basis and R$156,934 and R$56,661, respectively, in the consolidated. For being subject to any material aspects that might change realization projections, the book value of deferred tax assets is reviewed monthly and projections are reviewed annually. These studies indicate the realization of these tax assets within the term established by said Instruction and within the 30% limit of the taxable income.

The tax benefit over goodwill of Nacional Minérios S.A., resulting in the merger of Big Jump, was R$1,391,858. In 2009, R$115,988 was realized, and in the following years (2010 to 2013) this realization will be R$278,372 per year. In 2014, the last year, the benefit will be R$162,382.

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(b) The sources of the deferred income and social contribution taxes of the Parent Company are shown as follows:

	Consolidated		Parent Company	
	2009	2008	2009	2008
Income before income and social contribution taxes	**3,285,970**	**6,728,948**	**2,744,320**	**6,629,470**
Tax	34%	34%	34%	34%
Income and social contribution taxes at the combined tax rate	**(1,117,230)**	**(2,287,842)**	**(933,069)**	**(2,254,020)**
Adjustments to reflect the effective tax rate:				
Benefit of Interest on shareholders' equity - JCP	108,788	91,258	108,788	91,258
Equity income of subsidiaries at different rates or which are not taxable	169,314	1,224,964	441,498	1,336,033
Tax incentives	11,732	12,008	9,309	11,728
Tax credit registrations - IR and CSLL	(60,256)	51,096		
Adjustments from installments of Law 11,941 and MP 470	252,838		252,153	
Other permanent (additions) deductions	(56,244)	(46,283)	(54,422)	(40,338)
Income and social contribution taxes on net income for the year	**(691,058)**	**(954,799)**	**(175,743)**	**(855,339)**
Effective rate	**21%**	**14%**	**6%**	**13%**

(c) Tax incentives

The Company benefits from tax incentives of income tax on income from the trade of manufactured products. These incentives were granted by the following Government bodies: Employee Meal Program, Rouanet Law, Tax Incentives from Audiovisual Activities, Child and Teenager Rights Funds and Incentive to Sports and Sports for the Disabled Projects, and, on December 31, 2009, they amounted to R$9,309 (R$11,728 in 2008) in the parent company and R$11,732 (R$12,008 in 2008) in the consolidated.

(d) Transitional Tax Regime

The Transitional Tax Regime (RTT) will be effective until the law that rules tax effects of new accounting methods becomes effective, aiming at tax neutrality.

The regime is optional in calendar years 2008 and 2009, provided that: (i) it is applied to the two-year period 2008-2009, not to a single calendar year; and (ii) the option is expressed in the Statement of Corporate Economic-Financial Information (DIPJ).

The Company chose to adopt the RTT in 2008. As a consequence, for purposes of calculating the income tax and social contribution on net income for the years ended in 2009 and 2008, the Company used the prerogatives set forth in the RTT.

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(In thousands of *reais*, unless otherwise stated)

11. INVESTMENTS

a) Direct interest in subsidiaries and jointly-owned subsidiaries

Companies	Number of shares (in units)		2009			2008		
	Common	Preferred	% Direct interest	Net income (loss) for the year	Shareholders' equity	% Direct interest	Net income (loss) for the year	Shareholders' equity
Steel								
Cia. Metalic Nordeste	87,868,185	4,424,971	99.99	(3,553)	90,568	99.99	10,733	94,236
INAL Nordeste	43,985,567		99.99	(10,579)	36,958	99.99	2,004	41,537
CSN Aços Longos	240,278,171		99.99	(1,451)	268,475	99.99		36,807
GalvaSud	11,610,671,043		99.99	108,585	783,421	99.99	115,238	687,927
CSN Steel	480,726,588		100.00	(43,527)	1,414,208	100.00	58,352	1,926,587
CSN Overseas	7,173,411		100.00	27,039	1,005,117	100.00	90,744	1,305,054
CSN Panama	4,240,032		100.00	136,473	692,836	100.00	(136,810)	767,227
CSN Energy	3,675,319		100.00	635,848	920,618	100.00	(529,270)	511,574
CSN Export	1,036,429		100.00	(9,606)	207,613	100.00	29,540	178,466
Cia. Metalurgica Prada	3,155,036		100.00	(80,907)	483,657	100.00	(5,706)	628,073
CSN Islands VII	20,001,000		100.00	(14,963)	32,559	100.00	13,533	47,522
CSN Islands VIII	1,000		100.00	(2,089)	10,658	100.00	4,159	8,394
CSN Islands IX	1,000,000		100.00	(4,604)	(28)	100.00	(2,968)	2,560
CSN Islands X	1,000		100.00	6,666	(32,348)	100.00	(13,456)	(39,014)
CSN Islands XI	50,000		100.00	(24,381)	(18,277)			
Tangua	15		100.00	(986,513)	248,943	100.00	(179,964)	7,184,305
International Investment Fund	50,000		100.00	31,649	107,615	100.00	(18)	3,475
Logistics								
MRS Logística	188,332,667	151,667,313	22.93	605,730	1,669,836	22.93	663,190	1,551,827
Transnordestina Logística	790,526,537	45,513,333	84.34	(23,708)	530,589	84.50	(10,702)	287,998
Sepetiba Tecon	254,015,053		99.99	31,856	176,457	99.99	30,204	167,058
Itaguaí Logística	1,000,000		99.99	(2)	998	99.99	(365)	1,000
Energy								
Itá Energética	520,219,172		48.75	50,011	636,193	48.75	35,160	598,060
CSN Energia	1,000		99.90	(1,965)	61,420	99.90	(9,799)	84,382
Mining								
ERSA	34,236,307		99.99	(8,052)	14,719	99.99	4,958	27,481
Congonhas Minérios	5,010,000		99.99	381	5,900	99.99	437	5,519
Mineração Nacional	1,000,000		99.99	(2)	998	99.99	(433)	1,000
Nacional Minérios	475,067,405		59.99	917,128	9,828,637	59.99	198,516	8,103,235
Pelotização Nacional	1,000,000					99.99	(421)	1,000
Cement								
CSN Cimentos	722,113,330		99.99	(29,179)	427,377	99.99	(6,430)	64,548
Total								

The amounts of income/loss and shareholders' equity for the year stated in this note refer to 100% of the companies' results.

(In thousands of reais, unless otherwise stated)

b) Investment breakdown

	2008						2009
		Additions (write-offs)					
Companies	Opening balance of investments and allowance for loan losses	Capital increase	Dividends	CPC 02 Adjustments	Equity pick-up and provision for losses	Other	Closing balance of investments and allowance for loan losses
Steel							
Cia. Metalic Nordeste	94,228				(3,660)		90,568
INAL Nordeste	41,537	6,000			(10,579)		36,958
CSN Aços Longos	36,807	174,633			(1,451)	58,486 (4)	268,475
GalvaSud	687,927				108,585	(13,091) (2)	783,421
CSN Steel	1,926,587			(485,322)	(43,527)	16,470 (1)	1,414,208
CSN Overseas	1,305,054			(332,689)	27,039	5,713 (1)	1,005,117
CSN Panama	767,227			(218,864)	136,473	8,000 (1)+(5)	692,836
CSN Energy	511,574			(255,688)	635,848	28,884 (5)	920,618
CSN Export	178,466	110,482		(71,729)	(9,606)		207,613
Cia Metalurgica Prada	628,073				(80,907)	(63,509) (2)	483,657
CSN Islands VII	47,522				(14,963)		32,559
CSN Islands VIII	8,394				(2,089)	4,353 (4)	10,658
CSN Islands IX (*)	2,560	2,016			(4,604)		(28)
CSN Islands X (*)	(39,014)				6,666		(32,348)
CSN Islands XI (*)		6,104			(24,381)		(18,277)
Tangua	7,184,305				(986,513)	(5,948,849) (9)	248,943
International Investment Fund	3,475				31,649	72,491 (8)	107,615
	13,384,722	**299,235**		**(1,364,292)**	**(236,020)**	**(5,831,052)**	**6,252,593**
Logistics							
MRS Logistica	414,768		(111,843)		138,904	(58,907) (8)	382,922
Transnordestina Logística	243,359	239,805			(20,447)	(15,189) (7)	447,528
Sepetiba Tecon	167,058		(23,073)		32,472		176,457
Itaguaí Logística	1,000				(2)		998
	826,185	**239,805**	**(134,916)**		**150,927**	**(74,096)**	**1,007,905**
Energy							
Itá Energética	291,554		(5,790)		24,380		310,144
CSN Energia	84,290		(20,968)		(1,963)		61,359
	375,844		**(26,758)**		**22,417**		**371,503**
Mining							
ERSA	22,523				(8,052)	248 (6)	14,719
Congonhas Minérios	5,519				381		5,900
Mineração Nacional	1,000				(2)		998
Nacional Minérios	4,861,941	157	(278,301)		550,277	763,109 (1)+(3)	5,897,183
	4,890,983	**157**	**(278,301)**		**542,604**	**763,357**	**5,918,800**
Cement							
CSN Cimentos	64,548	275,672			(29,179)	116,336 (4)	427,377
Total MEP	**19,542,282**	**814,869**	**(439,975)**	**(1,364,292)**	**450,749**	**(5,025,455)**	**13,978,178**
Other investments	31						31
Total investments	**19,542,313**	**814,869**	**(439,975)**	**(1,364,292)**	**450,749**	**(5,025,455)**	**13,978,209**

(*) Companies with allowance for losses in investments.
(1) Other adjustments from subsidiaries in accordance with the rules of CPC 02 – classified into shareholders' equity under translation accumulated adjustments.
(2) Adjustment referred to Goodwill on downstream merger according to CVM Rule 319/99.
(3) Equity pick up gain referring to the special goodwill reserve on reverse merger of Big Jump.
(4) Advance for Future Capital Increase.
(5) Adjustment at fair value as a reflection of the investment recorded as available for sale (Riversdale Mining Ltd.).
(6) Reclassification of proposed dividends for December 2008.
(7) Percentage variation loss in April/09, June/09 and December/09.
(8) Branch transfer - CPC 02.
(9) Capital Decrease that took place from January to October 2009.

c) Other investments

- The Company, through its subsidiary CSN Madeira, has indirect interest in Riversdale Mining Limited, a publicly-held company listed on the Australian Stock Exchange, with a 14.99% interest on December 31, 2009, corresponding to 28,750,598 capital stock shares. This investment was currently recorded as available for sale (see Note 31).

d) Additional Information on the main operating subsidiaries

- GALVASUD

Located in Porto Real, in the State of Rio de Janeiro, the Company has as its main corporate purpose all industrial, commercial and sales promotion activities related to: i) installation and operation of a steel products service center; ii) installation and operation of a hot-immersion galvanization line, iii) installation and operation of laser welding lines for the production of welded blanks destined for the automobile production; iv) just-in-time supply to the automotive industry; and v) promotion and sales of the products of the Company and of third parties, shareholders inclusively, to the automotive industry. Company merged into CSN in January 2010. See Note 31, Subsequent Events.

- INAL NORDESTE

Based in Camaçari, State of Bahia, the Company has as its main purpose to reprocess and distribute the CSN steel products, operating as a service and distribution center in the Northeast region of the country.

- COMPANHIA METALÚRGICA PRADA

Based in the city of São Paulo, Prada has branches in several states of the country and has as its main activities the rolled steel reprocessing and distribution, the manufacturing and trading of metallic products, manufacturing and trading of metallic packaging, as well as the import and export of these products.

On December 30, 2008, in order to achieve greater synergy, optimization of operations, cost reduction and, also, become more efficient, Prada incorporated the net assets of Indústria Nacional de Aços Laminados – INAL.

- CIA. METALIC NORDESTE

The Company, with its head office located in Maracanaú, State of Ceará, has as its main corporate purpose the manufacturing of metallic packaging destined to the beverage industry.

Its operation unit can be characterized as one of the world's most modern ones and counts on two different production lines: the can production line, whose raw material is tin-coated steel, supplied by the parent company CSN, and the lid production line, whose raw material is aluminum.

Its production is mainly geared towards the Brazilian northern and northeastern markets, with the surplus production of lids sold abroad.

The subsidiary received an incentive from PROVIN – Incentive Program for the Companies' Operations, established by the Government of the State of Ceará, main purpose of which is the promotion of the industrial development and job generation in that State.

- SEPETIBA TECON

Company whose objective is to exploit the No.1 Containers Terminal of the Itaguaí Port, located in Itaguaí, State of Rio de Janeiro. This terminal is linked to Presidente Vargas Steelworks by the Southeast railroad network, which is granted to MRS Logística.

Sepetiba Tecon was the winner of the auction that occurred on September 3, 1998 for the takeover of the terminal concession and this concession allows the exploitation of the aforementioned terminal for the term of 25 years, extendable for another term of 25 years.

- CSN ENERGIA

Its main purpose is distributing and trading the surplus electric power generated by CSN and by companies, consortiums or other entities in which Company holds an interest.

CSN Energia holds a balance receivable related to the electric power sales under the scope of the Electric Power Trade Chamber (“Câmara de Comercialização de Energia Elétrica”) – CCEE, in the amount of R$54,224 (R$54,224 in 2008), which are due by concessionaires that present injunctions suspending the corresponding payments. Management understands that recording an allowance for doubtful accounts is not necessary in view of the judicial measures taken by the official entities of the sector.

- CSN CIMENTOS

Based in Volta Redonda, State of Rio de Janeiro, CSN Cimentos has the production and trading of cement as its purpose. CSN Cimentos use as one of its raw material the blast furnace slag from the pig iron production of the Presidente Vargas Steelworks. The company started to operate on May 14, 2009 and its results are also related to remaining expenditures deriving from activities discontinued in 2002, when the Company name was FEM – Projetos, Construções e Montagens.

- ESTANHO DE RONDÔNIA - ERSA

Ersa is a subsidiary based in the State of Rondônia, where it operates two units, one in the city of Itapuã do Oeste and the other one in the city of Ariquemes. The subsidiary’s mining operation for cassiterite (tin ore) is located in Itapuã do Oeste and the casting operation from which metallic tin is obtained, which is the raw material used in UPV for the production of tin plates, is located in Ariquemes.

- TRANSNORDESTINA LOGÍSTICA

Transnordestina has as its main purpose the exploitation and development of the public rail cargo transport service for the Northeast network of Brazil.

Transnordestina entered into a concession agreement with the Federal Government on December 31, 1997 for a period of 30 years, extendable for another equal period. The agreement allows the development of the public service of exploitation of the northeast network which comprises seven States of the Federation in an extension of 4,534 km. The concession also comprises the lease of assets of Rede Ferroviária Federal S.A. (RFFSA) which serve this network and include, among others, constructions, permanent tracks, locomotives, railcars, vehicles, tracks and accessories.

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On December 10, 2009, there was an increase in Transnordestina's capital stock, with the issue of 124,831,721 common shares, which were subscribed and paid-up by the Company upon the capitalization of advance for future capital increase. As a consequence, CSN's interest in Transnordestina increased to 84.34%, whereby the company was fully merged into the parent company.

e) Additional information on the main jointly-owned subsidiaries

The amounts of the balance sheet and of the statement of income of the companies whose control is shared are shown as follows. These amounts were consolidated in the Company's financial statements, in accordance with the interest described in item (a) of this note.

			2009				2008
	NAMISA	MRS	ITASA	NAMISA	TRANSNORDESTINA	MRS	ITASA
Current assets	2,498,453	1,281,774	79,207	653,027	37,465	1,086,480	60,077
Noncurrent assets	9,761,700	3,589,593	882,126	8,530,730	590,303	3,505,537	935,540
Long-term assets	8,477,713	700,242	4,184	7,267,099	46,725	651,421	5,657
Investments, property, plant and equipment and deferred charges	1,283,987	2,889,351	877,942	1,263,631	543,578	2,854,116	929,883
Total Assets	**12,260,153**	**4,871,367**	**961,333**	**9,183,757**	**627,768**	**4,592,017**	**995,617**
Current liabilities	675,519	1,516,128	117,447	490,141	44,441	1,362,579	117,628
Noncurrent liabilities	1,755,997	1,685,403	207,693	590,381	295,329	1,677,611	279,929
Shareholders' equity	9,828,637	1,669,836	636,193	8,103,235	287,998	1,551,827	598,060
Total liabilities and shareholders' equity	**12,260,153**	**4,871,367**	**961,333**	**9,183,757**	**627,768**	**4,592,017**	**995,617**

			2009				2008
	NAMISA	MRS	ITASA	NAMISA	TRANSNORDESTINA	MRS	ITASA
Net Revenue	1,338,932	2,275,978	226,453	655,847	75,219	2,955,007	209,492
Cost of goods sold and services rendered	(843,688)	(1,217,998)	(73,583)	(499,705)	(63,404)	(1,676,572)	(58,666)
Gross income (loss)	495,244	1,057,980	152,870	156,142	11,815	1,278,435	150,826
Operating income (expenses)	(187,445)	(118,866)	(51,676)	98,540	(4,967)	60,746	(52,726)
Net financial income	1,015,063	(51,995)	(25,509)	(145,841)	(17,550)	(320,752)	(45,031)
Income (loss) before income and social contribution taxes	1,322,862	887,119	75,685	108,841	(10,702)	1,018,429	53,069
Current and deferred income and social contribution taxes	(405,734)	(281,389)	(25,674)	89,675		(355,239)	(17,909)
Net income (loss) for the year	**917,128**	**605,730**	**50,011**	**198,516**	**(10,702)**	**663,190**	**35,160**

- NACIONAL MINÉRIOS – NAMISA

Headquartered in Congonhas, state of Minas Gerais, the NAMISA main purpose is the production, purchase and sale of iron ore. NAMISA sells its products mainly in the foreign market. NAMISA's main operations are developed in the municipalities of Congonhas, Ouro Preto, Itabirito and Rio Acima, state of Minas Gerais, and in Itaguaí, state of Rio de Janeiro.

In December 2008, CSN sold 2,271,825 shares of the voting capital of Nacional Minérios S.A. ("NAMISA") to Big Jump Energy Participações S.A. ("Big Jump"), whose shareholders are the companies Posco e Brazil Japan Iron Ore Corp (Itochu Corporation, JFE Steel Corporation, Sumitomo Metal Industries, Ltd., Kobe Steel Ltd., Nisshin Steel Co. Ltd., Nippon Steel). Subsequently to this sale, Big Jump subscribed new shares, paying in cash the total of US$3.041.473 thousand, corresponding to R$7,286,154 thousand, R$6,707,886 thousand of which were recorded as goodwill at the subscription of the shares.

Due to the new corporate structure of the jointly-owned investee, in which Big Jump holds 40% and CSN 60% and, due to the shareholders' agreement entered into between the parties, CSN consolidated NAMISA in a proportional basis.

Continuing the restructuring process of Namisa, on July 30, 2009, the jointly-controlled subsidiary merged its parent company Big Jump Energy Participações S.A. Said merger did not change the company's shareholding structure.

- MRS LOGÍSTICA

The Company's main purpose is to exploit, by onerous concession, the public rail cargo transport service in the right of way of the Southeast network, located in the stretch connecting Rio de Janeiro, São Paulo and Belo Horizonte, of Rede Ferroviária Federal S.A. - RFFSA, privatized on September 20, 1996. CSN paid in Namisa 10% of its interest in MRS, and decreased this direct interest from 32.93% to 22.93%.

In addition to this direct interest, the Company also holds an indirect interest of 6% through Nacional Minérios S.A. – Namisa, a proportionally consolidated company, and 4.3377% through International Investment Fund.

MRS may also exploit modal transportation services regarding the rail transport and take part in developments aiming at the extension of rail transport services granted.

To provide the services which are the purpose of the concession obtained for a 30-year period, as from December 1, 1996, and extendable for another equal period at the exclusive discretion of the grantor, MRS leased from RFFSA, for the same period of the concession, the assets necessary to operate and maintain rail cargo transportation activities.

- ITÁ ENERGÉTICA S.A. - ITASA

Itasa holds a 60.5% interest in the Itá Consortium, which was created for the exploitation of the Itá Hydroelectric Power Plant pursuant to the concession agreement of December 28, 1995, and its Addendum 1 dated July 31, 2000, entered into between the consortium holders (Itasa and Centrais Geradoras do Sul do Brasil - Gerasul, formerly called Tractebel Energia S.A.) and the Brazilian Agency for Electric Energy (ANEEL).

CSN holds 48.75% of the subscribed capital and the total amount of common shares issued by Itasa, a special purpose entity (SPE) originally established to make feasible the construction of the Itá Hydroelectric Power Plant, the contracting of the supply of goods and services necessary to carry out the venture and the obtainment of financing through the offering of the corresponding guarantees.

f) Additional information on indirect interests abroad

- COMPANHIA SIDERURGICA NACIONAL - LLC

Incorporated in 2001 with the assets and liabilities of the extinct Heartland Steel Inc., headquartered in Wilmington, State of Delaware – USA, it has an industrial plant in Terre Haute, State of Indiana – USA, where there is a complex comprising a cold rolling line, a hot pickling line for spools and a galvanization line. CSN LLC is a wholly-owned indirect subsidiary of CSN Panama.

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- LUSOSIDER

Incorporated in 1996 in succession to Siderurgia Nacional – a company privatized by the Portuguese government that year. Lusosider is the only Portuguese company of the steel sector to produce cold-re-rolled flat steel, with a corrosion-resistant coating. The company presents in Paio Pires an installed capacity of around 550 thousand tonnes/year to produce four large groups of steel products: galvanized plate, cold-rolled plate, pickled and oiled plate.

Products manufactured by Lusosider may be used in the packaging industry, civil construction (piping and metallic structures), and in home appliance components.

- RIVERSDALE MINING LIMITED

Incorporated in 1986, Riversdale Mining Limited is a mining company listed on the Australian Stock Exchange. Riversdale Mining intends to develop a diversified mining company, focusing on growth by investing in mining opportunities. The company has a coal mine in South Africa, and a reserve in Mozambique, among other mines.

12. PROPERTY, PLANT AND EQUIPMENT

					Consolidated
	Depreciation, depletion and amortization rate (% p.a.)	Cost	Accumulated depreciation, depletion and amortization	Residual value 2009	Residual value 2008
Machinery and equipment	2.98 to 8.14	7,961,895	(1,736,098)	6,225,797	5,294,887
Mines and mineral deposits	0.06 to 1.44	5,332	(981)	4,351	5,207
Buildings	2.11 to 4.00	1,534,307	(196,284)	1,338,023	1,010,856
Furniture and fixtures	8.06 to 14.87	126,165	(103,750)	22,415	24,794
Land		126,719		126,719	132,578
Property, plant and equipment in progress		2,089,253		2,089,253	2,366,255
Other assets	4.00 to 20.00	1,948,523	(609,551)	1,338,972	1,249,200
		13,792,194	**(2,646,664)**	**11,145,530**	**10,083,777**

					Parent Company
Machinery and equipment	8,82	6.611.051	-1.289.871	5.321.180	4.484.433
Mines and mineral deposits	0,06	2.323	-4	2.319	2.321
Buildings	3,68	788.004	-59.904	728.100	526.950
Furniture and fixtures	10,00	102.059	-86.412	15.647	17.590
Land		83.875		83.875	85.368
Property, plant and equipment in progress		1.107.449		1.107.449	1.598.458
Other assets	20,00	248.555	-88.940	159.615	172.228
		8.943.316	**-1.525.131**	**7.418.185**	**6.887.348**

(In thousands of reais, unless otherwise stated)

The changes made to property, plant and equipment between December 31, 2009 and 2008 are as follows:

	Consolidated							
	Net 2008	Addition	Transfers	Write-offs	Other	Accumulated depreciation	Translation adjustment into reais	Net 2009
Equipment and facilities	5,294,887	774,999	828,860	(22,978)		(602,726)	(47,245)	6,225,797
Mines and mineral deposits	5,207					(856)		4,351
Buildings	1,010,856	14,265	376,836	(181)		(51,619)	(12,134)	1,338,023
Furniture and fixtures	24,794	1,872	306	(24)		(3,912)	(621)	22,415
Land	132,578	4,479	(5,972)				(4,366)	126,719
Property, plant and equipment in progress	2,366,254	1,060,237	(1,305,710)	(26,658)	(3,920)		(950)	2,089,253
Other	1,249,201	140,907	105,680	(20,653)	(6)	(132,232)	(3,925)	1,338,972
Total property, plant and equipment	**10,083,777**	**1,996,759**		**(70,494)**	**(3,926)**	**(791,345)**	**(69,241)**	**11,145,530**

	Parent Company						
	Net 2008	Addition	Transfers	Write-offs	Other	Accumulated depreciation	Net 2009
Equipment and facilities	4,484,433	753,754	638,673	(21,384)		(534,296)	5,321,180
Mines and mineral deposits	2,321					(2)	2,319
Buildings	526,950	10,199	217,515			(26,564)	728,100
Furniture and fixtures	17,591	827	57			(2,828)	15,647
Land	85,368	4,479	(5,972)				83,875
Property, plant and equipment in progress	1,598,456	384,019	(850,812)	(21,372)	(2,842)		1,107,449
Other	172,229	11,152	539	(16,977)		(7,328)	159,615
Total property, plant and equipment	**6,887,348**	**1,164,430**		**(59,733)**	**(2,842)**	**(571,018)**	**7,418,185**

a) The loan costs that were capitalized in the Parent Company amounted to R$82,713 (R$144,130 in 2008) and R$85,260 (R$148,021 in 2008) in the consolidated. These costs are determined on the financing contracts for the mining, cement and long steel projects.

b) The assets provided as collateral for financial operations totaled R$47,985 on December 31, 2009 and 2008.

c) The depreciation for the period is materially allocated to production cost in the amount of R$558,471 in 2009 (R$486,611 in 2008).

13. INTANGIBLE ASSETS

	Consolidated					
					Notional value	
	Useful life terms	Amortization annual rates %	Cost	Accumulated amortization	**2009**	**2008**
Software	05 years	20	48,717	(24,838)	23,879	25,527
Goodwill from expected future profitability			753,917	(320,216)	433,701	501,269
			802,634	(345,054)	457,580	526,796

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(In thousands of *reais*, unless otherwise stated)

					Parent Company	
					Notional value	
	Useful life terms	Amortization annual rates %	Cost	Accumulated amortization	2009	2008
Software	05 years	20	20,172	(8,178)	11,994	12,912
Goodwill from expected future profitability			283,528	(206,928)	76,600	23,137
			303,700	(215,106)	88,594	36,049

Software: This is valued at the cost of acquisition, less accumulated amortization and, when applicable, less impairment losses.

Goodwill: The goodwill economic basis is the expected future profitability and, in accordance with the new pronouncements, these amounts are not amortized in the accounting as from January 1, 2009, when they started to be subject only to impairment tests.

		Tax benefit as per CVM Rule 319/99					
Goodwill on investments	Balance in 2008	Provision	Equity pick-up	Transfer related to deferred IR/CSLL	Additions /Write-offs	Balance in 2009	Investor
Parent Company							
Ersa (**)	23,137				(23,137)		CSN
Galvasud			13,091			13,091	CSN
Prada (***)			63,509			63,509	CSN
Subtotal parent company	**23,137**		**76,600**		**(23,137)**	**76,600**	
Galvasud							
CSN I (*)	19,837	(13,091)		(6,746)			GalvaSud
Prada							
Inal (*)	86,412	(63,509)		(22,903)			Prada
Onomatopéia	9,814			(9,814)			Prada
NAMISA							
CFM (***)	339,616				21	339,637	Namisa
Cayman do Brasil	7,481					7,481	Namisa
ITASA	14,972				(4,989)	9,983	
Total consolidated	**501,269**	**(76,600)**	**76,600**	**(39,463)**	**(28,105)**	**433,701**	

(*) Recording of provision in the merging company to reflect the adjustments set forth in CVM Rule 319/99.
(**) Recording of provision for impairment amounting to R$23,137 in June 2009.
(***) As described in Note 3, the Company conducted a study of the recoverability of the tax benefit on goodwill on the acquisition of subsidiaries, and did not find it necessary to record impairment on said assets.

For investee Namisa the discounted cash flow method was used, based on projections of the company's official budget with the following assumptions:

a) exchange rate – R$1.78 in 2010; R$1.91 in 2011; R$1.99 in 2012 and between R$2.05 and R$2.30 as of 2013.

b) sales volumes = considering the expansion plans already in progress.

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(In thousands of *reais*, unless otherwise stated)

c) prices = the Company took benchmarking prices in consideration (Vale Sinter Feed, Tubarão, External Market, Asia) restated by the inflation projected in the period.

For subsidiary Prada the market value method was used, supported by a technical study conducted by the Company.

14. DEFERRED CHARGES

In compliance with Law 11,638/07 and the CPC Technical Pronouncement 13, the Company maintains a record of the remaining balance of deferred assets referring to pre-operating expenses recognized up to December 31, 2007.

These assets will be kept in the Company's accounting up to their total amortization and/or write-off due to impairment. As of December 31, 2009, the balance of these assets was R$28,514 (R$34,531 in 2008) in the Parent Company and R$33,469 (R$42,482 in 2008) in the consolidated.

15. LOANS, FINANCING AND DEBENTURES

	Consolidated				Parent Company			
	Current liabilities		Noncurrent liabilities		Current liabilities		Noncurrent liabilities	
	2009	2008	2009	2008	2009	2008	2009	2008
FOREIGN CURRENCY								
Long-term loans								
ACC	233,837	2,190,556		241,553	233,837	2,190,556		241,554
Pre-payment	309,437	275,084	2,872,698	1,963,539	590,442	307,561	4,470,437	4,402,184
Perpetual Bonds	26,191	35,152	1,305,900	1,752,750				
Fixed Rate Notes	62,857	51,261	2,960,040	2,220,150	690,896	18,962	2,155,612	3,855,522
Import Financing	80,148	121,733	122,161	212,474	58,284	80,640	58,292	98,467
BNDES/Finame	19,796	8,639	75,241	106,641	17,479	8,290	67,615	100,286
Other noncurrent liabilities	27,826	247,203	126,870	133,421	28,204	11,692	74,887	13,671
	760,092	**2,929,628**	**7,462,910**	**6,630,528**	**1,619,142**	**2,617,701**	**6,826,843**	**8,711,684**
LOCAL CURRENCY								
Long-term loans								
BNDES/Finame	280,802	248,361	1,634,920	1,223,306	181,348	187,492	953,492	695,900
Debentures	30,659	44,429	624,570	632,760	21,592	33,947	600,000	600,000
Pre-payment	31,217	2,224	1,400,000	100,000	31,217	2,224	1,400,000	100,000
CCB	19,782		2,000,000		19,782	104,693	2,000,000	
Other noncurrent liabilities	18,488	41,152	93,442	94,504	1,568	6,961	7,833	4,200
	380,948	**336,166**	**5,752,932**	**2,050,570**	**255,507**	**335,317**	**4,961,325**	**1,400,100**
Total loans and financing	**1,141,040**	**3,265,794**	**13,215,842**	**8,681,098**	**1,874,649**	**2,953,018**	**11,788,168**	**10,111,784**
Derivatives	77,147	(304,607)	18,730	(7,565)	(150,025)	(235,230)		
Transacion costs	(27,121)		(62,162)		(23,568)		(56,060)	
Total loans, financing, derivatives and transaction costs	**1,191,066**	**2,961,187**	**13,172,410**	**8,673,533**	**1,701,056**	**2,717,788**	**11,732,108**	**10,111,784**

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(In thousands of *reais*, unless otherwise stated)

As of December 31, 2009, funding transaction costs are as follows:

				Consolidated
	Short-term	Long-term	TJ (1)	TE (2)
Fixed rate notes	3,700	4,661	6.88% up to 10%	10.01% up to 10.7%
BNDES	2,236	11,022	1.3% up to 3.2% + TJLP	1.44% up to 9.75%
Pre-payment	6,015	22,469	6.25% up to 8.62%	6.75% up to 10.08%
CCB	13,843	23,072	117.5% CDI	11.33%
Other	1,327	938	103.6% CDI	12.59%
Total	**27,121**	**62,162**		

				Parent Company
	Short-term	Long-term	TJ (1)	TE (2)
Fixed rate notes	701	2,104	1.5% up to 10%	10.01% up to 10.7%
BNDES	1,856	8,246	1.3% up to 3.2% + TJLP	1.44% up to 9.75%
Pre-payment	5,840	21,700	6.25% up to 8.62%	6.75% up to 10.08%
CCB	13,843	23,072	117.5% CDI	11.33%
Other	1,328	938	103.6% CDI	12.59%
Total	**23,568**	**56,060**		

(1) TJ – contracted annual interest rate.
(2) TE – effective interes rate.

As of December 31, 2009, funding transaction costs to be recorded in the result for subsequent periods are presented as follows.

						Consolidated
	2011	2012	2013	2014	2015	After 2015
Fixed rate notes	1,088	1,088	1,088	387	224	786
BNDES	1,980	4,341	1,980	618	300	1,802
Pre-payment	6,015	6,015	6,015	4,353	73	
CCB	13,843	9,229				
Other	753	185				
Total	**23,679**	**20,858**	**9,083**	**5,358**	**597**	**2,588**

						Parent Company
	2011	2012	2013	2014	2015	After 2015
Fixed rate notes	701	701	701			
BNDES	1,856	1,856	1,856	577	300	1,802
Pre-payment	5,840	5,840	5,840	4,178		
CCB	13,843	9,229				
Other	753	185				
Total	**22,993**	**17,811**	**8,397**	**4,755**	**300**	**1,802**

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As of December 31, 2009, the principal of long-term loans, financing and debentures presents the following composition, by year of maturity:

	Consolidated		Parent Company	
2011	2,123,107	16.0%	2,099,057	17.8%
2012	3,760,038	28.4%	3,736,737	31.7%
2013	2,234,338	16.9%	2,457,450	20.8%
2014	1,080,312	8.2%	1,256,349	10.7%
2015	835,367	6.3%	399,467	3.4%
After 2015	1,895,510	14.3%	1,839,108	15.6%
Perpetual Bonds	1,305,900	9.9%		
	13,234,572	**100.0%**	**11,788,168**	**100.0%**

Loans, financing and debentures are subject to interest, the annual rates of which, as of December 31, 2009, are presented as follows:

	Consolidated		Parent Company	
	Local Currency	Foreign Currency	Local Currency	Foreign Currency
Up to 7%	167,064	4,914,931		5,944,501
From 7.1 to 9%	957,227	182,960	579,491	1,084,691
From 9.1 to 11%	1,290,233	3,076,387	1,186,341	1,416,794
Above 11%	249,812	47,408		
Derivatives		95,876		(150,025)
Variable	3,469,544	1,317	3,450,999	
	6,133,880	**8,318,879**	**5,216,831**	**8,295,961**
		14,452,759		**13,512,792**

Percentage composition of total loans, financing and debentures, by currency/index of origin:

	Consolidated		Parent Company	
	2009	2008	2009	2008
Local Currency				
CDI	28.75	5.68	30.14	4.71
IGPM	0.23	0.37		0.67
TJLP	13.26	10.14	8.40	5.65
IGP-DI	0.07	0.08	0.07	0.07
Other indexes	0.13	20.06		
	42.44	**36.33**	**38.61**	**11.10**
Foreign Currency				
US dollar	57.53	65.60	57.49	74.67
Yen			3.90	14.22
Euro	0.03	0.09		
Other currencies		(2.02)		0.01
	57.56	**63.67**	**61.39**	**88.90**
	100.00	**100.00**	**100.00**	**100.00**

(In thousands of reais, unless otherwise stated)

In July 2005, the Company issued perpetual bonds amounting to US$750 million through its subsidiary CSN Islands X Corp. These indefinite maturity bonds pay 9.5% p.a. and the Company has the right to settle the transaction at its face value after 5 years, on the maturity dates for the interest. Up to the closure of these financial statements, the Company's Management did not intend to settle this operation in the foreseeable future.

The guarantees provided for loans comprise fixed asset items, sureties, bank guarantees and securitization operations (exports), as shown in the following table and do not include the guarantees provided to subsidiaries and jointly-owned subsidiaries mentioned in Note 18.

	2009	2008
Property, plant and equipment	47,985	47,985
Personal guarantee	74,612	95,254
Imports	41,964	83,853
Securitizations (exports)	206,125	117,369
	370,686	**344,461**

The following table shows the amortization and funding in the current year:

	2009
Opening balance	14,549,180
Funding	7,671,696
Amortization	(3,700,866)
Other (*)	(4,067,251)
Closing balance	**14,452,759**

(*) Including exchange and monetary variations.

Loans and financing with certain agents contain restrictive clauses, with which the Company is in compliance as of December 31, 2009. Some of the main covenants are informed as follows:

Export and import financing operations

"The Company shall maintain all authorizations necessary to comply with the obligations established in the contract."

"The Company shall export products in an amount sufficient to cover the principal and interest accrued which are due on the respective payment dates."

Export credit notes issued in favor of Banco do Brasil S.A. and Banco Nossa Caixa S.A.

"The Company shall export steel products in general and/or iron ore in an amount sufficient to cover the principal of the operation."

BNDES financing

"The Company shall prove the investment of own funds established in the project."

"The Company shall promote acts or measures which may jeopardize or change the economic-financial equilibrium of the loan Beneficiary."

Debentures

"The Company shall immediately notify the Fiduciary Agent on the announcement of any general debenture holders' meeting by the issuer."

The Company and its subsidiaries also assume specific covenants to certain contracts, but usual in operations of the same nature, which had also been complied with as of December 31, 2009, as follows:

Covenants of the Company and subsidiaries for Eurobonds issued by subsidiaries:

"In foreign currency and debt operations represented by securities traded on stock exchanges outside Brazil, the Company must not constitute guarantees on its assets, except for those allowed in the operation agreements, without simultaneously guaranteeing the notes."

CSN Islands IX Corp., CSN Islands X Corp. CSN Islands XI Corp. (Eurobonds):

"The issuer must not assume debts, except for those represented by the notes, or debts representing commissions, costs or indemnifications due in accordance with the established in the operation documentation."

Company's covenant in Bank Letter of Credit ("CCB") with Caixa Econômica Federal:

"The Company shall maintain in the collection account, at Caixa Econômica Federal, receivables in the amount of 25% of the operation's outstanding balance."

Restrictive covenants applicable to the Company's subsidiaries:

CSN Export S.à.r.l (Securitization)

"CSN Export must not assume debts except for those established in the operation documentation and debts resulting from law and which do not have a materially adverse effect."

On July 2, 2009, CSN (1) notified the creditors of 2003-1 tranche notes on its irrevocable intention of performing the early redemption of such notes, settlement of which occurred on August 5 and (2) started a consent solicitation process with creditors related to the 2004-1 and 2005-1 tranche notes of the Securitization program, in order to obtain from the latter consent or waiver in relation to the following matters: (i) inclusion of iron ore receivables in the Securitization program; (ii) adoption of flexible dates for the performance of early redemption of notes; (iii) change in a few export coverage ratios provided for in the program; and (iv) disregard of Accumulation Events occurred in the 21st and 23rd quarters of the program, for possible characterization purposes of early amortization event. On August 5, 2009, the Bank of New York Mellon confirmed to have received the creditors' consents for both tranches in sufficient amount to approve all the aforementioned matters. Notwithstanding having obtained said approvals, the Company's temporary fund allocation this quarter (up to the amount corresponding to twice the debt service) to an account managed by the custodian bank (Accumulation Event in the amount of R$70,829) due to the insufficient level of exposure to comply with certain export coverage ratios in the 23rd quarter of the program (ended on April 30, 2009) shall be maintained until the Company resumes compliance with the coverage ratios originally provided for in the securitization program agreements.

Transnordestina (BNDES financing): "Transnordestina commits not to change, without prior and express authorization of BNDES, its share control."

16. DEBENTURES

Fourth issue

As approved at the Board of Directors Meeting held on December 20, 2005 and ratified on April 24, 2006, the Company issued, on February 1, 2006, 60,000 non-convertible and unsecured debentures, in one single tranche, with a unit face value of R$10. These debentures were issued in the total issuance value of R$600,000. The credits from the negotiations with the financial institutions were received on May 3, 2006.

Compensation interest is applied on the face value of these debentures corresponding to 103.6% of the Clearing House for the Custody and Financial Settlement of Securities (Cetip) Interbank Deposit Certificate (CDI), and the maturity of the face value is scheduled for February 1, 2012, without early redemption option.

The indentures of this debenture issue contain covenants – usual in this kind of operation – which have been duly complied with by the Company and are described below:

a) Provision of information: the Company must provide to the trustee any information that the latter may reasonably require the former in up to ten business days counting from the date of the respective requirement;

b) Audit: the Company must submit, pursuant to the law, its accounts and balance sheets to examination by an independent audit firm registered with CVM; and

c) General Debenture holders' Meeting: it must immediately notify the trustee on the call for any General Meeting by the Issuer.

17. FINANCIAL INSTRUMENTS

I – Identification and appreciation of financial instruments

The Company operates with several financial instruments, from which the most relevant are funds available, including financial investments, trade accounts receivable, accounts payable to suppliers and loans and financing. In addition, the Company also operates with derivative financial instruments, especially exchange swap and interest rate swap operations.

Considering the nature of instruments, excluding derivative financial instruments, the fair value is basically determined by applying the discounted cash flow method. The amounts recorded in current assets and liabilities either have acid test ratio or are mostly due in three-month periods or less. Given the term and characteristics of these instruments, which are systematically renegotiated, book values are close to fair values.

II – Cash and cash equivalents, financial investments, accounts receivable, other current assets and accounts payable

Amounts recorded are close to realization amounts.

III – Investments

These mainly consist of investments in publicly-held companies, recorded at fair value and classified as available for sale, in which the Company has strategic interest.

IV – Financial risk management policy

The Company has and follows a risk management that provides guidance on transactions and requires the diversification of transactions and counterparts. According to this policy, the nature and general position of financial risks is regularly monitored and managed with the purpose of evaluating results and the financial impact on cash flow. Credit limits and the quality of the counterparts' hedge are also periodically revised.

The Company's risk management policy was established by the Board of Directors. According to this policy, market risks are hedged when it is considered necessary to support the corporate strategy or when it is necessary to maintain the financial flexibility level.

Under the risk management policy, the Company manages some of the risks by using derivative instruments. The Company's risk policy forbids speculative trades and short sales.

V – Liquidity risk

This is the risk that the Company might not have sufficient cash to honor its financial commitments, due to term or volume mismatch between receipts and expected payments.

In order to manage cash liquidity in domestic and foreign currency, disbursement and future receipts assumptions were established and are daily monitored by the Treasury department.

VI – Exchange rate risk

Although most of the Company's revenues are denominated in Brazilian Reais, as of December 31, 2009, R$8,223,002 or 57% of the Company's consolidated loans and financing were denominated in foreign currency (R$9,560,155 or 66% in 2008). As a result, the Company is subject to variations in exchange and interest rates and it manages the risk of the fluctuations in the amounts in Brazilian Reais that will be necessary to pay the obligations in foreign currency using a number of financial instruments, including cash invested in dollar and derivatives (derivative contracts without financial leverage, such as foreign currency swaps and futures contracts.

VII – Derivatives

a) Policies for the use of hedging derivatives

The Company's financial policy reflects the liquidity parameters, credit and market risk approved by the Audit Committee and Board of Directors. The use of derivative instruments, with the purpose of preventing interest rate and foreign exchange rate fluctuations from having a negative impact on the Company's balance sheet and statement of income, should comply with these same parameters. Pursuant to the Company's internal rules, this financial investment policy was approved and is managed by the Board of Executive Officers.

As a routine, the Board of Executive Officers presents and discusses, at the meetings of the Board of Executive Officers and Board of Directors, the Company's financial positions. Pursuant to the Bylaws, significant amount operations require previous approval by the Company's Management. The use of other derivative instruments is subject to prior approval by the Board of Directors. In this context, considering that equity instruments historically present higher yield than fixed income instruments, and with the purpose of reducing third party capital cost, the Company contracted a total return equity swap operation on ADRs of its own issuance, which was settled on August 13, 2009.

(In thousands of reais, unless otherwise stated)

In order to finance its activities, the Company often resorts to capital markets, either domestic or international ones, and due to the debt profile it seeks, part of the Company's debt is pegged to foreign currency, mainly to the U.S. dollar, which motivates the Company to seek hedge for its indebtedness through derivative financial instruments.

In order to contract financial instruments and derivatives with the purpose of hedge in compliance with the structure of internal controls, the Company adopts the following policies:

- continuous ascertainment of the exchange exposure, which occurs by means of the assessment of assets and liabilities exposed to foreign currency, within the following terms: (i) accounts receivable and payable in foreign currency; (ii) cash and cash equivalents and debt in foreign currency;
- presentation of the Company's financial position and foreign exchange exposure, as a routine, at meetings of the Board of Executive Officers and of the Board of Directors which approve this hedging strategy; and
- contracting of hedge derivative operations only with first-tier banks;

The Company's consolidated net exposure to the foreign exchange rate as of December 31, 2009 is shown as follows:

	2009
	Consolidated (amounts in US$ thousand)
Cash and cash equivalents abroad	1,925,602
Accounts receivable - foreign market clients	184,970
Advances to suppliers	31,944
Securitization reserve fund	72,416
Other assets	240,192
Total assets	**2,455,124**
Loans and financing	(4,597,472)
Suppliers	(33,642)
Other liabilities	(36,073)
Total liabilities	**(4,667,187)**
Gross exposure	**(2,212,063)**
Notional value of contracted derivatives	2,169,000
Net exposure	**(43,063)**

The results obtained with these operations are in accordance with the policies and strategies defined by the Company's Management.

(In thousands of reais, unless otherwise stated)

b) Main risks resulting from the Company's operations

- **Interest rate risk**

The Company has short and long-term liabilities, indexed to floating interest rates and inflation indexes. Due to this exposure, the Company may maintain derivatives to manage these risks better.

- **Credit risk**

The exposure to credit risk of financial institutions complies with the parameters established in the Company's financial policy. The exposure to credit risk of our clients and suppliers complies with the parameters established by the Company's credit policy.

Since part of the Companies' funds is invested in Brazilian government bonds, there is also exposure to the Company's credit risk.

In order to mitigate market risks, as foreign exchange and interest rate, the Company's Management contracts operations with derivatives, as shown below:

- **Libor x CDI swap transactions**

The purpose of these transactions is to hedge liabilities indexed to US Dollar Libor from Brazilian interest rate fluctuations. The Company has basically executed swaps of its liabilities indexed to Libor, in which it receives interest of 1.25% p.a. on the notional value in dollar (long position) and pays 96% of the Interbank Deposit Certificate – CDI on the notional value in Reais on the date of the contracting (short position). The notional value of these swaps as of December 31, 2009 was US$150,000 thousand, hedging an export pre-payment operation in the same amount. The gains and losses from these contracts are directly related to exchange (dollar), Libor and CDI fluctuations. They are related to operations in the Brazilian over-the-counter market, in general, having first-tier financial institutions as counterparts.

As of December 31, 2009, the position of these contracts is as follows:

a) Outstanding operations

		Notional value US$ thousand	Valuation - 2009 (R$ thousand)		Fair value (market) (R$ thousand)	Amount payable or receivable in the period (R$ thousand)
Date of maturity	**Counterparties**	**2009**	**Long-term**	**Short-term**	**2009**	**Amount payable**
2/12/2010	CSFB	150,000	254,787	(256,971)	(2,184)	(2,184)

(In thousands of reais, unless otherwise stated)

b) Settled operations

		Notional value US$ thousand		Valuation - 2009 (R$ thousand)		Valuation - 2008 (R$ thousand)		Fair value (market) (R$ thousand)		
Date of matrity	**Counterparties**	**2009**	**2008**	**Long-term**	**Short-term**	**Long-term**	**Short-term**	**2009**	**2008**	**Amount paid**
2/12/2009	CSFB	150,000	150,000	257,290	(262,062)	256,524	(258,398)	(4,772)	(1,874)	(2,898)
5/12/2009	CSFB	150,000		256,121	(260,398)			(4,277)		(4,277)
8/12/2009	CSFB	150,000		255,783	(259,894)			(4,111)		(4,111)
11/12/2009	CSFB	150,000		255,356	(259,331)			(3,975)		(3,975)
				1,024,550	(1,041,685)	256,524	(258,398)	(17,135)	(1,874)	(15,261)

The net position of the aforementioned contracts is recorded in a specific derivative account in the loans and financing group as loss in the amount of R$2,184 as of December 31, 2009 and its effects are recognized in the Company's financial result as loss in the amount of R$17,445.

- **Real-U.S. Dollar Commercial Exchange Rate Futures Contract**

It seeks to hedge foreign-denominated liabilities against the Real variation. The Company may buy or sell commercial U.S. dollar futures contracts on the Commodities and Futures Exchange (BM&F) to mitigate the foreign currency exposure of its US dollar-denominated liabilities. The specifications of the Real-U.S. dollar exchange rate futures contract, including detailed explanation on the contracts' characteristics and calculation of daily adjustments, are published by BM&F and disclosed on its website (www.bmf.com.br). As of December 31, 2009, the Company had a long position in its exclusive investment fund of US$649,500 thousand. During the year, the Company paid R$1,396,772 and received R$1,165,209 in adjustments, thus having a loss of R$231,563. Gains and losses from these contracts are directly related to the currency fluctuations.

As of December 31, 2009, the position of these operations is as follows:

	Notional value US$ thousand	Fair value	Amount payable or receivable in the period	
Description	2009	2009	Amount received in R$	Amount paid in R$
Purchase commitment				
Foreign currency (US Dollar futures)	649,500	187	1,165,209	(1,396,772)

IX – Exchange swap transactions

Exchange swap transactions aim to protect its liabilities denominated in foreign currency against the fluctuation of the Real. The Company carried out swaps of its U.S. dollar-denominated liabilities, in which the Company will receive the difference between the exchange variation observed in the period plus interest rate which ranges between 4.35% and 9.00% p.a., multiplied by the notional value (long position) and pays interest based on the Interbank Deposit Certificate – CDI, on the amount in Reais of the notional value on the date of the contracting (short position). The notional value of these swaps as of December 31, 2009, was US$1,519,500 thousand (US$1,530,000 thousand in 2008). The gains and losses from these contracts are directly related to exchange (dollar) and CDI fluctuations. These transactions are related to operations in the Brazilian over-the-counter market, primarily having first-tier financial institutions as counterparts, contracted within exclusive investment funds.

(In thousands of reais, unless otherwise stated)

As of December 31, 2009, the position of these contracts is as follows:

a) Outstanding operations

	Notional value (US$ thousand)		Valuation - 2009 (R$ thousand)		Fair value (market) (R$ thousand)	Amount payable or receivable in the year (R$ thousand)
Counterparties	**2009**	**Operation maturity**	**Long-term position**	**Short-term position**	**2009**	**Amount payable/paid**
Santander	1,024,500	1/4/2010 and 3/5/2010	1,788,212	(1,824,172)	(35,960)	(35,960)
Goldman Sachs	300,000	1/4/2010	523,270	(527,928)	(4,658)	(4,658)
Itau BBA	130,000	1/4/2010	226,753	(228,968)	(2,215)	(2,215)
Westlb	65,000	1/4/2010	113,379	(114,569)	(1,190)	(1,190)
	1,519,500		2,651,614	(2,695,637)	(44,023)	(44,023)

b) Settled operations

		Notional value US$ thousand		Valuation - 2009 (R$ thousand)		Valuation - 2008 (R$ thousand)		Fair value (market) (R$ thousand)		Amount payable or receivable in the year (R$ thousand)	
Date of settlement	**Counterparties**	**2009**	**2008**	**Long-term position**	**Short-term position**	**Long-term position**	**Short-term position**	**2009**	**2008**	**Amount receivable/ received**	**Amount payable/paid**
1/2/2009 to 12/11/2009	Itau BBA	2,901,000	1,121,000	5,774,873	(5,770,016)	2,638,918	(2,471,637)	4,857	167,281	19,288	(181,712)
1/2/2009 to 12/1/2009	Santander	4,532,500	182,000	8,322,594	(8,539,139)	430,244	(429,500)	(216,546)	744	5,360	(222,649)
1/13/09 to 8/24/2009	ABN Amro	195,000	195,000	398,264	(353,741)	465,853	(335,894)	44,524	129,959		(85,435)
1/2/09 to 12/11/2009	Goldmam Sachs	670,000	30,000	1,199,378	(1,239,072)	71,369	(71,509)	(39,694)	(140)	1,912	(41,466)
7/1/2009 to 12/1/2009	Westlb	575,000		1,040,812	(1,073,609)			(32,797)			(32,797)
		8,873,500	1,528,000	16,735,921	(16,975,577)	3,606,384	(3,308,540)	(239,656)	297,844	26,560	(564,059)

The net position of the aforementioned contracts is recorded in a specific derivative account in the loans and financing group as loss in the amount of R$44,023 in 2009 (gain of R$295,972 in 2008) and its effects are recognized in the Company's financial result as loss in the amount of R$581,523. The jointly-owned subsidiary MRS Logística has derivative (swap) operations which caused proportional losses to the Company's interest, in the amount of R$65,249 recognized in CSN's consolidated balance for 2008.

X – Methods and assumptions used to calculate and measure financial instruments - derivatives

- **Foreign exchange swap transactions, Libor x CDI swap transactions**

The Company uses an exclusive fund for its foreign exchange swap operations. The fund's manager, Banco BTG Pactual, calculates and discloses the market value of the fund assets (NAV – Net Asset Value) on a daily basis, using the following pricing methodology to ascertain the market value of the foreign exchange swap.

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Dollar

Pricing Methodology

The first step in order to calculate the swap is to correct its notional financial value at the foreign exchange rate variation.

$$FinNocSwap_{corr} = \left(1 + \frac{PtaxV_{calc}}{PtaxV_{ini}}\right) \cdot FinNocSwap$$

The second step consists of calculating which value the corrected notional value would have on the maturity date.

$$FinSwap_{vcto} = FinNocSwap_{corr} \cdot \left(1 + i \cdot \frac{DC_{vcto,ini}}{360}\right)$$

The third and last stage of the calculation is to carry the swap value on the maturity date to the calculation date.

$$FinSwap_{calc} = \frac{FinSwap_{vcto}}{\left(1 + tx \cdot \frac{DC_{vcto,calc}}{360}\right)}$$

Combining all steps in one single equation we would have the following:

$$FinSwap_{calc} = \left(1 + \frac{PtaxV_{calc}}{PtaxV_{ini}}\right) \cdot \left(\frac{FinNocSwap \cdot \left(1 + i \cdot \frac{DC_{vcto,ini}}{360}\right)}{\left(1 + tx \cdot \frac{DC_{vcto,calc}}{360}\right)}\right)$$

Where:

$FinSwap_{calc}$	Swap’s financial value on calculation date
$FinNocSwap$	Swap’s notional financial value (initial financial value)
$FinNocSwap_{corr}$	Swap’s notional financial value restated to calculation date
$FinSwap_{vcto}$	Swap’s estimated financial value on maturity
$PtaxV_{calc}$	Sale PTAX800 on calculation date. Source: Brazilian Central Bank
$PtaxV_{ini}$	Sale PTAX800 on initial swap date. Source: Brazilian Central Bank
$DC_{vcto.ini}$	Days elapsed between initial swap and maturity
$DC_{vcto.hoje}$	Days elapsed between initial swap and calculation date
i	Swap’s remuneration rate
tx	Current market foreign exchange coupon rate. Primary Source: BM&F

The rates used for all swaps are the ones disclosed by BM&F. In their absence, or in situations of liquidity squeeze or systemic crisis situations, coupons of the government bonds of each of the respective indexes are used as a notion for calculation. In the absence of the rate for the specific vertex to be calculated, the BM&F interpolated rates are used.

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The Libor x CDI swap was directly contracted by the Company and, therefore, its market value was calculated as follows:

- Long position (purchased): carried to future value at current Libor and discounted at present value by the prefixed US Dollar curve.
- Short position (sold): carried to future value at current CDI and discounted at present value by the prefixed Brazilian Real curve.

The data sources for the mark-to-market of these instruments are the following: BBA (British Bankers Association), BM&F, BOVESPA and CETIP, and all data were taken from Bloomberg.

XI – Sensitivity analysis

For the consolidated exchange operations with dollar fluctuation risk, based on the foreign exchange rate as of December 31, 2009 of R$1.7412 per US$1.00, were estimated for five scenarios:

- Scenario 1: rate of R$1.7536 per R$1.00;
- Scenario 2: (25% of Real appreciation) rate of R$1.3059 per US$1.00;
- Scenario 3: (50% of Real appreciation) rate of R$0.8706 per US$1.00;
- Scenario 4: (25% of Real devaluation) rate of R$2.1765 per US$1.00;
- Scenario 5: (50% of Real devaluation) rate of R$2.6118 per US$1.00.

							2009
	Risk	US$ Notional value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
			1.7536	1.3059	0.8706	2.1765	2.6118
Exchange Swap	U.S. Dollar fluctuation	1,519,500	18,810	(661,438)	(1,322,877)	661,438	1,322,877
Swap CDI vs. Libor	U.S. Dollar fluctuation	(1,254)	(16)	546	1,092	(546)	(1,092)
U.S. dollar futures	U.S. Dollar fluctuation	649,500	8,040	(282,727)	(565,455)	282,727	565,455
Exchange position - functional currency BRL (including the foreign exchange derivatives above)	U.S. Dollar fluctuation	(1,021,269)	(12,642)	444,558	889,117	(444,558)	(889,117)
Consolidated exchange position (including the foreign exchange derivatives above)	U.S. Dollar fluctuation	(43,063)	(533)	18,745	37,491	(18,745)	(37,491)

(*) Source: U.S. Dollar futures closing rate of February 2010 on December 31, 2009.

(In thousands of reais, unless otherwise stated)

XII – Classification of financial instruments

Consolidated - R$ thousand	2009 Balances	2009 Fair value through profit and loss	2009 Loans and receivables - effective interest rate	2009 Other liabilities - Amortized cost method	2008 Balances	2008 Fair value through profit and loss	2008 Loans and receivables - effective interest rate	2008 Other liabilities - Amortized cost method
Assets								
Current								
Cash and cash equivalents	8,086,742	8,086,742			9,224,113	9,224,113		
Net accounts receivable	1,186,315		1,186,315		1,086,557		1,086,557	
Guarantee (margin) of financial instruments					2,473,976	2,473,976		
Noncurrent								
Marketable securities					23,370	23,370		
Other securities receivable	64,524		64,524		137,287		137,287	
Liabilities								
Current								
Loans and financing	1,083,260			1,083,260	3,257,627			3,257,627
Debentures	30,659			30,659	44,428			44,428
Derivatives	77,147	77,147			(304,607)	(304,607)		
Suppliers	504,223			504,223	1,939,205			1,939,205
Salaries and social contribution	134,190			134,190	117,994			117,994
Equity swap financial instrument					1,596,394	1,596,394		
Dividends, Interest on shareholders' equity and profit sharing	1,633,891			1,633,891	1,851,933			1,851,933
Noncurrent								
Loans and financing	12,529,110			12,529,110	7,948,338			7,948,338
Debentures	624,570			624,570	632,760			632,760
Derivatives	18,730	18,730			(7,565)	(7,565)		

18. FINANCIAL INSTRUMENTS ASSOCIATED TO OTHER FINANCIAL ASSET PRICE FLUCTUATION RISKS

Total return equity swap contracts

On August 13, 2009, the Company presettled the total return equity swap operation contracted as of September 5, 2008, as approved by the Board of Directors on July 8, 2009.

Issuance date	Agreement maturity date	Reference value (US$	Assets 2009	Liabilities 2009	Assets 2008	Liabilities 2008	Market value 2009	Market value 2008
9/5/2008	8/13/2009	1,050,763	1,364,812	(1,934,741)	888,661	(2,485,053)	(569,929)	(1,596,392)

Despite this operation's accumulated losses from September 5, 2008 up to the date of its settlement, in the amount of R$569,929, during 2009 the operation generated a profit totaling R$1,026,465.

Swap contract without cash, had as counterpart Banco Goldman Sachs International, was pegged to 29,684,400 American Depositary Receipts ("ADR") of Companhia Siderúrgica Nacional (long position) and Libor of 3 months + spread of 0.75% p.a. (short position).

The gains and losses from this contract were directly related to foreign exchange fluctuations, the Company's ADRs and Libor quotation. This instrument was recorded in other accounts payable in the balance sheet, and gains and loss, by accrual period, in the Company's financial results.

This operation had deposit related to the guarantee margin with the counterparty in the amount of US$593,410 remunerated daily at the FedFund rate, and this deposit was released on the operation settlement date. The guarantee margin was recorded in the other accounts receivable in the Company's current assets.

(In thousands of reais, unless otherwise stated)

19. SURETIES AND GUARANTEES

The Company has the following liabilities with its subsidiaries and jointly-owned subsidiaries, in the amount of R$4,863 million (R$4,597 million in 2008), for guarantees provided:

		In million			
Currency	Currency	2009	2008	Maturity	Conditions
Transnordestina		253.0	241.4	11/11/2009 to 11/15/2020	BNDES loan guarantee
Transnordestina	R$	45.0		5/21/2010	BNDES FNE loan guarantee
Transnordestina	R$	2.8		12/9/2010	To guarantee the responsibility of the Use Permit Agreement betw een Transnordestina and Temmar
CSN Cimentos S.A.	R$	27.0	27.0	Indefinite	To guarantee the Warrantee's liability in the w rit of summons, pledge, appraisal and registration
CSN Cimentos S.A.	R$	26.1	7.9	Indefinite	To guarantee the Warrantee's liability regarding Tax Foreclosure
Prada	R$	9.9	9.9	Indefinite	To guarantee the Warrantee's liability regarding Tax Foreclosure
Prada	R$	0.2	0.2	Indefinite	To guarantee the Warrantee's liability regarding ICMS
Prada	R$	0.1		Indefinite	To guarantee the payment of tax assessment notice 03.009135-9 (ICMS)
Prada	R$	0.4	0.4	1/3/2012	To guarantee the Warrantee's liability regarding the purchase and sale of electric pow er
Prada	R$	1.2		3/10/2010	To guarantee the Private Instrument of Termination and acknow ledgment of indebtedness as of 9/9/2005
Metalic	R$		0.9	Indefinite	To guarantee the Warrantee's liability regarding the tax deficiency notices 2006.19291 and 2006.24557-7 to the Revenue Service of the Ceará State
CSN Energia	R$	1.0	1.0	Indefinite	To guarantee the Warrantee's liability regarding Tax Foreclosure
CSN Energia	R$	3.3		3/22/2010	To guarantee interest in aeolian energy auction
Itá Energética S.A.	R$	93.7		9/15/2013	BNDES loan guarantee
Sepetiba Tecon	R$	5.0	5.0	6/1/2010	To guarantee the Warrantee's liability in the rendering of guarantee agreement no. 181020518
Sepetiba Tecon	R$	1.9		1/15/2012	BNDES loan guarantee
Sepetiba Tecon	R$	61.5		9/26/2011	Surety in Commercial Note 40/00048-6
Sepetiba Tecon	R$	15.0	15.0	5/5/2011	Guarantee by CSN in the issue of export credit note
Total in R$		**547.1**	**308.7**		
CSN Islands VIII	US$	550.0	550.0	12/16/2013	Guarantee in Bond issue
CSN Islands IX	US$	400.0	400.0	1/15/2015	Guarantee in Bond issue
CSN Islands X	US$	750.0	750.0	Perpetual	Guarantee in Bond issue
Cinnabar	US$		20.0	10/29/2009	Guarantee in Import Loan
CSN Madeira	US$		76.8	8/21/2009	Guarantee in Import Loan
Namisa	US$	20.0	20.0	12/31/2009	Guarantee in agreement for the rendering of external guarantee
Aços Longos	US$	8.7	17.3	12/31/2011	Letter of Credit for equipment acquisition
CSN Cimentos	US$	0.2	0.9	3/30/2010	Letter of Credit for equipment acquisition
CSN Islands XI	US$	750.0		9/21/2019	Guarantee in Bond issue
Total in US$		**2,478.9**	**1,835.0**		

20. TAXES PAID IN INSTALLMENTS

a) Tax recovery program (Refis)

On November 26, 2009, CSN and its subsidiaries adhered to the Federal Tax Repayment Program (REFIS) introduced by Law 11,941/09 and Provisional Measure 470/09, in order to settle their tax and social security liabilities through a special settlement and installment payment system. Management's decision took into consideration the economic benefits provided by the REFIS, such as discounts and fines exemptions, as well as the high costs of maintaining its pending lawsuits.

In 2009, companies recorded the adjustments necessary to be made in the provisions, as well as reductions in debits set forth in special programs, considering:

(i) The range of debits included in special programs, whose accounting effects took place in 2009.

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				Consolidated
Nature	Principal	Interest	Charges	Total
Debits offset with IPI credit-premium	1,253,273	886,696	1,625,443	3,765,412
Migration of ordinary installment	345,742	294,172	69,656	709,570
Sundry debits	48,532	66,031	494,363	608,926
Total	**1,647,547**	**1,246,899**	**2,189,462**	**5,083,908**

				Parent Company
Nature	Principal	Interest	Charges	Total
Debits offset with IPI credit-premium	1,253,273	886,696	1,625,443	3,765,412
Migration of ordinary installment	343,293	291,993	68,659	703,945
Sundry debits	47,749	65,226	494,311	607,285
Total	**1,644,315**	**1,243,915**	**2,188,413**	**5,076,642**

(ii) The adhesion to special tax programs reduced the amount payable from fines, interest and legal charges owed previously, resulting in a positive effect on income before corporate income tax and social contribution on net income in the amount of R$505,853 thousand in the parent company and R$507,633 thousand in the consolidated, which were recorded in the financial income and other operating revenues and expenses (see Notes 25 and 26).

(iii) The new debit value after the application of reductions related to the tax program of Law 11,941/09 was offset with court deposits related to these lawsuits. These debits are still subject to validation by the proper authorities, which will take place in 2010. The remaining balance will be paid in 180 monthly installments as of the consolidation of debits by the authorities.

As for debits recorded pursuant to Provisional Measure 470/09, these are being paid in 12 installments as of November 2009.

On December 31, 2009, the position of debits payable from Refis, recorded in taxes paid in installments was R$824,342 in the parent company and R$826,842 in the consolidated.

b) Taxes paid in installments

In 2008, jointly-owned subsidiary MRS Logística renegotiated the payment schedule of the ICMS debit with the State of Minas Gerais to be paid in 120 installments, and it is regularly complying with the payment.

On December 31, 2009, this installment was at R$192,579 (183,698 in 2008).

21. PROVISIONS AND JUDICIAL DEPOSITS

The Company is currently party, at the competent situations, to several proceedings involving actions and complaints of a number of issues. The breakdown of the amounts recorded as provisions and the respective judicial deposits related to those actions are shown as follows:

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	2009			2008		
	Judicial Deposits	Liabilities provisioned	Net Provisions	Judicial Deposits	Liabilities provisioned	Net Provisions
Current liabilities						
Provisions:						
Labor	(66,278)	131,032	64,754	(43,331)	105,095	61,764
Civil	(30,956)	41,625	10,669	(21,818)	44,704	22,886
Parent Company	**(97,234)**	**172,657**	**75,423**	**(65,149)**	**149,799**	**84,650**
Consolidated	**(106,055)**	**189,517**	**83,462**	**(69,434)**	**161,144**	**91,710**
Noncurrent						
Provisions:						
Labor					15,308	15,308
Environmental	(282)	116,309	116,027	(207)	71,361	71,154
Tax		15,753	15,753		1,266	1,266
	(282)	**132,062**	**131,780**	**(207)**	**87,935**	**87,728**
Legal liabilities questioned in court:						
Tax						
IPI premium credit	(1,227,892)	1,227,892		(1,196,822)	2,227,203	1,030,381
CSLL credit on exports		1,240,158	1,240,158		1,156,830	1,156,830
SAT		50,880	50,880		66,650	66,650
Education Allowance	(33,121)	33,121		(33,121)	33,121	
CIDE	(27,674)	27,674		(27,390)	27,390	
Income tax / “Plano Verão”	(20,892)	20,892		(20,892)	20,892	
Other provisions	(35,930)	108,203	72,273	(6,894)	107,436	100,542
	(1,345,509)	**2,708,820**	**1,363,311**	**(1,285,119)**	**3,639,522**	**2,354,403**
Parent Company	**(1,345,791)**	**2,840,882**	**1,495,091**	**(1,285,326)**	**3,727,457**	**2,442,131**
Consolidated	**(1,386,248)**	**2,955,214**	**1,568,966**	**(1,297,475)**	**3,819,026**	**2,521,551**
Total Parent Company	**(1,443,025)**	**3,013,539**	**1,570,514**	**(1,350,475)**	**3,877,256**	**2,526,781**
Total Consolidated	**(1,492,303)**	**3,144,731**	**1,652,428**	**(1,366,909)**	**3,980,170**	**2,613,261**

The change in provisions for contingencies for the years ended December 31, 2009 and 2008, are as follows:

					Consolidated
Nature	2008	Additions	Correction	Utilization	2009
Civil	62,114	26,305	8,651	(37,070)	60,000
Labor	151,732	64,642	43,000	(102,314)	157,060
Tax	3,594,856	1,313,088	157,600	(2,393,868)	2,671,676
Environmental	73,961	50,001	7,907	(12,726)	119,143
Pension Plan	97,508	52,005	19,169	(31,830)	136,852
Total	**3,980,170**	**1,506,041**	**236,327**	**(2,577,808)**	**3,144,731**

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					Parent Company
Nature	2008	Additions	Correction	Utilization	2009
Civil	44,704	25,568	7,903	(36,550)	41,625
Labor	120,403	31,192	27,746	(48,309)	131,032
Tax	3,574,137	1,313,070	151,139	(2,364,653)	2,673,693
Environmental	71,361	49,766	7,907	(12,725)	116,309
Pension Plan	66,651		16,046	(31,817)	50,880
Total	**3,877,256**	**1,419,596**	**210,741**	**(2,494,054)**	**3,013,539**

The provisions for civil, labor, tax, environmental and social security liabilities were estimated by the Company's Management substantially based on the opinion of its legal counsel, and only the cases classified as risk of probable loss were recorded. Additionally, the provisions include tax liabilities arising from actions taken on the Company's initiative, plus SELIC (Special Settlement and Custody System) interest.

The Company and its subsidiaries are defendants in other judicial and administrative proceedings (labor, civil and tax) in the approximate amount of R$4.6 billion, R$3.2 billion of which corresponds to tax proceedings, R$0.4 billion to civil actions and R$1.0 billion to labor and social security lawsuits. According to the Company's legal counsel, these administrative and legal proceedings are assessed as possible risk of loss. These proceedings were not provided for in accordance with the Management's judgment and with accounting practices adopted in Brazil.

a) Labor proceedings

As of December 31, 2009, the Company was defendant in 9,417 labor claims, with a provision in the amount of R$131,032 (R$120,403 in 2008). Most of the pleadings of the actions are related to joint and/or subsidiary liability, wage parity, additional allowances for unhealthy and hazardous activities, overtime and differences related to the 40% fine on FGTS (severance pay) resulting from the federal government's economic plans and profit sharing differences from 1997 to 1999 and from 2001 to 2003.

b) Civil proceedings

Among the civil judicial proceedings to which the Company is party, there are mainly actions with indemnification request. Such proceedings, in general, arise from occupational accidents and diseases related to the Company's industrial activities. A provision in the amount of R$41,625 as of December 31, 2009 (R$44,704 in 2008) was recorded for proceedings involving civil matters.

c) Environmental liabilities

As of December 31, 2009, the Company has a provision in the amount of R$116,309 (R$71,361 in 2008) for use in expenses related to services for environmental investigation and recovery of areas potentially polluted within the Company's plants in the States of Rio de Janeiro, Minas Gerais and Santa Catarina.

d) Tax proceedings

- Income and Social Contribution Taxes

(i) Plano Verão - The parent company claims the recognition of the financial-tax effects on the calculation of the income and social contribution taxes on net income, related to the 51.87% inflation write-down of the Consumer Price Index (IPC), which occurred in January and February 1989 ("Plano Verão").

In 2004, the proceeding was concluded and a final and unappealable decision was reached, granting to CSN the right to apply the index of 42.72% (January 1989), from which the 12.15% already applied should be deducted. The use of the index of 10.14% (February 1989) was also granted. The proceeding is currently under expert inspection.

CSN maintains a judicial deposit in the amount of R$339,215 as of December 31, 2009 (R$336,826 in 2008) and a provision of R$20,892 (R$20,892 in 2008), which represents the portion not recognized by the courts.

(ii) Social Contribution on Net Income - Exports – In February 2004, the Company filed a lawsuit in order to be exempted from the social contribution payment on its export revenues/earnings, as well as obtaining a court authorization to be able to repeat/offset all social contribution values that had been improperly paid on export revenues/earnings since the publication of the Amendment 33/2001, which provided a new wording to Article 149, paragraph 2 of CF/88, when establishing that "social contributions will not levy on revenues resulting from exports".

In March 2004, a preliminary injunction was issued, later confirmed in a court decision, which authorized the exclusion (of the CSLL calculation basis) only from the profit from exports.

Said decision was renewed by the 4th Panel of the 2nd Regional Federal Court (TRF), which overruled the writ claimed by the Parent Company. An Extraordinary Appeal was filed against this decision, whose progress was suspended until the Brazilian Federal Court (STF) files an appeal in files of the Extraordinary Appeal 564,413 (leading case), in which the existence of a general rebound of this very constitutional issue was acknowledged.

In December 2008, the Company received a Collection Letter of the amounts referred to the exclusion of "revenues" on the CSLL calculation basis. Consequently, the Company's Management approved the adhesion of the Collection Letter to the tax recovery program set forth by Law 11,941/2009 (REFIS), and also the litigation continuity about the main principle, related to the non-levy of CSLL on export profit, currently awaiting decision by the STF in files of RE 564,413 (leading case).

Up to December 31, 2009, the amount of suspended liability and the credits offset based on the aforementioned proceeding was R$1,240,158 (R$1,156,830 in 2008), plus Selic interest rate.

- Contribution for intervention in the Economic Domain - CIDE

The parent company questions the legality of Law 10168/00, which established the payment of CIDE on the amounts paid, credited or remitted to beneficiaries not resident in Brazil, for royalties or remuneration purposes on supply contracts, technical assistance, trademark license agreement and exploitation of patents.

The lower court decision was unfavorable, which was ratified by the 2nd Regional Federal Court (TRF). Appeals for Clarification of Judgment were filed, which were rejected, and an Extraordinary Appeal was filed at STF, which is awaiting decision as to its admissibility.

Due to adverse decisions and benefits from reduction of fines and interest rates, the Company's Board of Directors approved the adhesion of said litigation to the tax recovery program of Law 11,941/2009. After having applied the benefits of this program, the Company also maintains judicial deposits in the amount of R$5,614, out of which R$2,895 refer to excess deposits after the application of REFIS reductions that may be offset with other debits discussed in court by the taxpayer or converted into income. On December 31, 2009, there is a provision in the amount of R$27,674 (R$27,390 in 2008), which includes legal charges.

- Education allowance

The parent company challenged the unconstitutionality of the education allowance and the possible recovery of the amounts paid in the period from January 5, 1989 to October 16, 1996. The proceeding was judged unfounded, and the Federal Regional Court maintained its unfavorable decision, which is final and unappealable.

In view of this fact, CSN attempted to pay the amount due, but FNDE and INSS did not reach an agreement about who should receive it. A fine was also demanded, but CSN did not agree on it.

CSN filed new proceedings questioning the above-mentioned facts and deposited in court the amounts due. In the first proceeding, the 1st level sentence judged partially favorable the CSN pleading, in which the Judge removed the amount of the fine, maintaining, however, the SELIC rate. The Company presented brief of respondent to the defendant's appeal, and appealed concerning the SELIC rate.

The amount provided for and deposited in court as of December 31, 2009 and 2008 totals R$33,121.

- Workers' Compensation Insurance - SAT

The parent company is challenging in court the increase in the SAT rate from 1% to 3% and is also contests the raise in SAT for purposes of Contribution to Special Retirement, whose rate was set at 6%, in accordance with the legislation, for employees who are exposed to harmful agents.

As for the first proceeding mentioned above, the lower court decision was unfavorable and the proceeding is under judgment in the 2nd Region of the Federal Regional Court. As for the second proceeding it ended up unfavorably for the Company, and the total amount due in this proceeding of R$33,077, which was deposited in court, was converted into revenue for the benefit of INSS.

The amount provided for as of December 31, 2009, totals R$50,880 (R$66,650 in 2008), which includes legal additions and is exclusively related to the process of rate difference from 1% to 3% for all establishments of the Company. Due to the probability of losing of this discussion, the Company's Board of Directors approved the adhesion of said discussions to the installment payment set forth by Law 11941/09.

- IPI premium credit on exports

The Brazilian tax laws allowed companies to recognize IPI premium credit until 1983, when the Brazilian government, through Executive act, cancelled these benefits, prohibiting companies to use these credits.

The parent company challenged the constitutionality of this act and filed a claim to obtain the right to use the IPI premium credit on exports from 1992 to 2002, once only laws enacted by the legislative branch may cancel or revoke benefits prepared by prior legislation.

In August 2003 the Company obtained a favorable lower court decision, authorizing the use of the credits aforementioned. The national treasury appealed against this decision and obtained a favorable decision, and the Company then filed a special and extraordinary appeal against this decision at the Superior Court of Justice and at the Federal Supreme Court, respectively.

Between September 2006 and May 2007, the Brazilian Treasury filed 5 tax foreclosures and 3 administrative proceedings against the Company requesting the payment in the amount of approximately R$3.8 billion on December 31, 2009, related to the payment of taxes which were offset with IPI premium credits.

On August 29, 2007, CSN offered property to be levied upon treasury shares in the amount of R$536 million. 25% of this amount will be replaced by judicial deposits in monthly installments performed up to December 31, 2007 and as these substitutions take place, it was requested that the equivalent amount in shares be released from the levy of execution for the share price determined at the closing price of the day prior to the deposit. The requirement was pending decision.

In March 2009, Letters of Guarantee were also offered in the amount of R$830 million, which aimed to replace the levy of execution upon securities carried out as of the disclosure of dividend payment. The prevalence of guarantee in treasury shares, bank surety or cash to be deposited judicially has not yet been decided by the 2nd Region Regional Federal Court.

On August 13, 2009, the Federal Supreme Court issued a decision with effects of general repercussion establishing that the IPI Premium Credit was only effective up to October 1990. Thus, the credits determined after 1990 were not recognized, and, in view of this court decision, the Company's Board of Directors approved the adhesion of said issues to the tax recovery programs of tax debits pursuant to the Provisional Decree 470/09 and Law 11941/09, in which there is the advantage of reduced fines, interest and legal charges.

The Company held accrued the amount of credits already offset, increased by default charges up to September 30, 2009 (R$2,227,203 in 2008). The new debit value after the application of reductions set forth in the program of Law 11941/09, was offset with court deposits related to said operations, resulting in an excess deposits amounting to R$516,215 after the application of REFIS reductions, which may be offset by other debits discussed in court by the taxpayer or converted into income. Such debits are not yet subject to validation by the proper authorities, which will take place in mid-2010.

Debits registered pursuant to MP 470/09 are being paid in 12 installments as of November 2009.

- Other

The parent company also recorded provisions for proceedings related to Severance Pay (FGTS) - Supplementary Law 110, COFINS Law 10833/03, PIS - Law 10637/02 and PIS/COFINS - Manaus Free-Trade Zone, amount of which totaled R$72,124 as of December 31, 2009 (R$100,540 in 2008), which includes legal accruals.

Regarding the Cofins debit Law 10833/03, the Company's Board of Executive Officers approved the adhesion of said discussions to the tax recovery program Law 11941/09. The Parent Company maintained a provision in the amount of credits already offset, increased by default charges up to September 30, 2009 (R$38,612 in 2008). The new debit value after the application of reductions set forth in the program of Law 11941/09, was offset by court deposits related to said operations, resulting in an excess deposits amounting to R$9,141 after the application of REFIS reductions, which may be offset by other debits discussed in court by the taxpayer or converted into income. Such debits are not yet subject to validation by the proper authorities yet, which will take place in mid-2010.

22. SHAREHOLDERS' EQUITY

i. Paid-in capital stock

The Company's fully subscribed and paid-in capital stock as of December 31, 2009 amounted to R$1,680,947 (R$1,680,947 as of December 31, 2009), split into 755,179,610 common book-entry shares, with no par value. Each share is entitled to one vote in the resolutions of the General Meeting.

(In thousands of reais, unless otherwise stated)

ii. Authorized capital stock

The Company's bylaws in force as of December 31, 2009, determine that the capital stock can be increased up to 1,200,000,000 shares, by decision of the Board of Directors.

iii. Legal reserve

Recorded at the proportion of 5% on the net income determined in each period, pursuant to Article 193 of Law 6404/76. The Company reached the limit for recording the legal reserve, as determined by the current legislation.

iv. Treasury shares

The Board of Directors authorized several share repurchase programs, with the purpose of holding those shares in treasury for subsequent disposal and/or cancellation, which are shown as follows:

Board authorization	Number of shares authorized	Program term	Number of shares acquired	Shares cancellation	Average weighted acquisition cost	Maximum and minimum acquisition cost	Balance in treasury
12/21/2007	4,000,000	From 1/23/2008 to 2/27/2008 (1)			Not applicable	Not applicable	34,734,384
3/20/2008	10,800,000(2)	Up to 4/28/2008			Not applicable	Not applicable	34,734,384
5/6/2008	10,800,000	Up to 5/28/2008			Not applicable	Not applicable	34,734,384
6/2/2008	10,800,000	Up to 6/26/2008			Not applicable	Not applicable	34,734,384
6/27/2008	10,800,000	From 6/30/2008 to 7/29/2008			Not applicable	Not applicable	34,734,384
8/1/2008	10,800,000	From 8/4/2008 to 8/27/2008			Not applicable	Not applicable	34,734,384
9/26/2008	10,800,000	From 9/29/2008 to 10/29/2008	10,800,000(3)		29.40	24.99 and 41.85	45,534,384
12/3/2008				10,800,000(4)	Not applicable	Not applicable	34,734,384
12/3/2008	9,720,000	From 12/4/2008 to 1/4/2009			Not applicable	Not applicable	34,734,384
1/7/2009	9,720,000	From 1/8/2009 to1/28/2009			Not applicable	Not applicable	34,734,384
2/2/2009	9,720,000	From 2/3/2009 to 2/25/2009			Not applicable	Not applicable	34,734,384
7/20/2009	29,684,400	up to settlement of Equity Swap(5)	29,684,400(5)		45.49	45.49	64,418,784
8/21/2009				8,539,828(6)	Not applicable	Not applicable	55,878,956
9/14/2009				29,684,400(7)	Not applicable	Not applicable	26,194,556
12/18/2009	14,437,405	From 12/18/2009 to 1/15/2010 (8)			Not applicable	Not applicable	26,194,556

(1) The start of this program only occurred after the cancellation of shares approved at the Extraordinary General Meeting (AGE) held on January 22, 2008.
(2) As from this share repurchase program the number of shares informed already reflects the split and cancellation of shares approved at the AGE held on January 22, 2008.
(3) All shares acquired in this program were repurchased as from October 2008.
(4) The Extraordinary General Meeting held on December 3, 2008 approved the cancelation of 10,800,000 treasury shares, without reducing the Company's capital stock.
(5) The Board of Directors approved the acquisition by the Company, through a private operation, of 29,684,400 ADRs previously held by Goldman Sachs due to an operation called "Total Return Equity Swap Transaction", for the settlement price that was defined based on the weighted average of the price of the Company's shares in the 30 floors sessions prior to the settlement date, translated into U.S. dollars by using the spot dollar translation rate of the business day immediately prior to the settlement date, as per the CVM Board's decision – Proceeding RJ2009/5962. On August 13, the operation was settled and the ADRs were repurchased, converted into common shares and subsequently cancelled.
(6) The Extraordinary General Meeting held on August 21, 2009 approved the cancelation of 8,539,828 treasury shares, without reducing the capital stock.
(7) The Extraordinary General Meeting held on September 14, 2009 approved the cancelation of 29,684,400 treasury shares for the historical cost of acquisitions at the unit price of R$25.28, without reducing the capital stock.
(8) On December 18, 2009, the Board of Directors authorized the opening of a new share buyback program issued by the Company itself, to be held in treasury for subsequent sale or cancellation; up to the closure of the these statements the Company had not yet repurchased the shares.

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As of December 31, 2009, the position of treasury shares was as follows.

Number of shares acquired (in units)	Total amount paid for the shares	Share unit cost			Share market value at 12/31/2009 (*)
		Minimum	Maximum	Average	
26,194,556	R$ 1,191,559	R$ 45.49	R$ 45.49	R$ 45.49	R$ 1,466,895

(*) Average quotation of shares on BOVESPA as of December 31, 2009 at the value of R$56 per share.

v. Shareholding structure

As of December 31, 2009, the Company's shareholding structure was as follows:

	2009		
	Number of Common Shares	Total % of shares	% excluding treasury shares
Vicunha Siderurgia S.A.	348,859,995	46.20%	47.86%
Caixa Beneficente dos Empregados da CSN - CBS	35,490,867	4.70%	4.87%
BNDESPAR	20,093,158	2.66%	2.76%
Sundry (ADR - NYSE)	171,689,292	22.73%	23.55%
Other shareholders (approximately 10 thousand)	152,851,742	20.24%	20.96%
	728,985,054	**96.53%**	**100.00%**
Treasury shares	26,194,556	3.47%	
Total shares	**755,179,610**	**100.00%**	

vi. Investment policy and payment of interest on shareholders' equity and dividends distribution

As of December 11, 2000, the CSN Board of Directors decided to adopt a profit distribution policy which will results in the full distribution of net income to its shareholders, in compliance with Law 6,404/76 amended by Law 9,457/97, provided that the following priorities are preserved, irrespective of their order: (i) business strategy; (ii) compliance with liabilities; (iii) execution of the necessary investments; and (iv) maintenance of the Company's good financial standing.

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23. COMPENSATION TO SHAREHOLDERS

	2009
Net income for the year	**2,568,577**
Outstanding 2008 income (CPC 02R)	1,098,605
Forfeiture of dividends and interest on equity	304
Net income for allocation	**3,667,486**
Proposal allocation:	
Investments reserve	(561,657)
Realizable profits reserve	(1,285,864)
Total reserve allocation	**(1,847,521)**
Interest on equity disclosed in 2009	(319,965)
Proposed dividends	(1,500,000)
Additional information	
Minimum mandatory dividends	642,144

- **Interest on shareholders' equity**

On December 17, 2009, the Company's Board of Directors approved the payment of interest on shareholders' equity in the amount of R$319,965, which is subject to withholding income tax assessment, corresponding to R$0.438918 per outstanding share of the capital stock on the date of the approval.

As provided for in the Bylaws, as of December 31, 2009, the Company reversed to the retained earnings account the amount of R$268 related to dividends and R$36 related to interest on shareholders' equity approved at the Board of Directors' Meeting held on January 31, 2006 and Annual General Meeting of April 28, 2006, respectively, not claimed by the shareholders for the period of 3 years.

The calculation of interest on shareholders' equity is based on the variation of the Long-Term Interest Rate (TJLP) on shareholders' equity, limited to 50% of the income for the year before income tax or 50% of retained earnings and profit reserves, in which case the higher of the two limits may be used, pursuant to the legislation in force.

In compliance with the CVM Resolution 207, of December 31, 1996, and with tax rules, the Company opted to record the proposed interest on shareholders' equity as corresponding entry against the financial expenses account, and reverse it in the same account, and not presenting it in the statement of income and not generating effects on net income, except with respect to tax effects recognized in income and social contribution taxes. Management will propose that the amount of interest on shareholders' equity be attributed to the mandatory minimum dividend.

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24. NET REVENUES AND COST OF GOODS SOLD

										Consolidated
					2009					2008
	Tonnes (thousand) (unaudited)	Net revenue	Cost of Goods Sold	Gross income	%	Tonnes (thousand) (unaudited)	Net revenue	Cost of Goods Sold	Gross income	%
Steel										
Domestic market	3,243	6,769,608	(4,262,481)	2,507,128	37%	4,158	9,166,237	(4,169,044)	4,997,193	55%
Foreign market	867	1,124,218	(1,090,460)	33,758	3%	733	1,399,779	(1,180,903)	218,876	16%
	4,110	**7,893,826**	**(5,352,941)**	**2,540,886**	**32%**	**4,891**	**10,566,016**	**(5,349,947)**	**5,216,069**	**49%**
Mining										
Domestic market	3,942	97,819	(42,865)	54,954	56%	4,891	371,280	(148,469)	222,811	60%
Foreign market	16,766	1,716,050	(959,885)	756,165	44%	14,304	1,713,980	(416,765)	1,297,215	76%
	20,707	**1,813,869**	**(1,002,750)**	**811,119**	**45%**	**19,195**	**2,085,260**	**(565,234)**	**1,520,026**	**73%**
Infrastructure/Cement										
Domestic market		1,047,732	(363,359)	684,373	65%		1,193,648	(886,621)	307,027	26%
Corporate Center/Other										
Domestic market		191,375	(10,059)	181,316	95%		80,117	46,770	126,887	158%
Foreign market		31,562	(58,983)	(27,421)	-87%		77,830	(268,472)	(190,642)	-245%
		222,937	**(69,042)**	**153,895**	**69%**		**157,947**	**(221,702)**	**(63,755)**	**-40%**
		10,978,364	**(6,788,092)**	**4,190,272**	**38%**		**14,002,871**	**(7,023,504)**	**6,979,367**	**50%**

(In thousands of reais, unless otherwise stated)

25. FINANCIAL INCOME AND MONETARY AND FOREIGN EXCHANGE VARIATIONS, NET

	Consolidated		Parent Company	
	2009	2008	2009	2008
Financial expenses:				
Loans and financing - foreign currency	(513,588)	(527,891)	(56,181)	(89,790)
Loans and financing - domestic currency	(277,699)	(206,723)	(257,776)	(179,967)
Related parties	(362,871)		(1,955,035)	(429,334)
PIS/COFINS on other revenues	(1,072)	(23,894)	(1,072)	(23,893)
Interest, fines and tax delays	(281,190)	(426,382)	(242,593)	(336,541)
Losses from derivative instruments (*)	(895,781)	(872,149)	(17,445)	(74,746)
REFIS effect Law 11941/09 and MP 470/09	(462,089)		(462,089)	
Other financial expenses	(304,070)	(101,566)	(275,422)	(83,665)
	(3,098,360)	**(2,158,605)**	**(3,267,613)**	**(1,217,936)**
Financial income:				
Related parties	54,430	5,397	106,013	912,680
Income on financial investments	276,177	71,782	7,072	5,229
Derivatives gains (*)	743,679	804,758		
REFIS effect Law 11941/09 and MP 470/09	464,425		463,180	
Other income	254,098	184,782	213,666	81,992
	1,792,809	**1,066,719**	**789,931**	**999,901**
Net financial result	**(1,305,551)**	**(1,091,886)**	**(2,477,682)**	**(218,035)**
Monetary variations:				
- Gains	8,465	3,670	7,947	3,339
- Losses	69,266	(110,737)	2,331	(60,018)
	77,731	**(107,067)**	**10,278**	**(56,679)**
Exchange variations:				
- Gains	(295,526)	239,885	(199,809)	208,613
- Losses	989,183	(1,354,194)	1,985,323	(1,516,131)
- Exchange variations with derivatives (*)	282,786	(467,468)		
	976,443	**(1,581,777)**	**1,785,514**	**(1,307,518)**
Net monetary and exchange variations	**1,054,174**	**(1,688,844)**	**1,795,792**	**(1,364,197)**
(*) Statement of income from derivative operations				
Swap CDI x USD	(581,523)	786,726		(74,808)
Swap Libor x CDI	(17,445)	(11,432)	(17,445)	
U.S. Dollar Futures	(231,563)	(5,486)		
Total return equity swap	1,026,463	(1,328,185)		
Other	(65,248)	23,518		62
	130,684	**(534,859)**	**(17,445)**	**(74,746)**

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009

(In thousands of *reais*, unless otherwise stated)

26. OTHER OPERATING (EXPENSES) AND INCOME

	Consolidated		Parent Company	
	2009	2008	2009	2008
Other operating expenses	**(987.512)**	**(740.768)**	**(862.123)**	**(430.980)**
Taxes and fees	(107.617)	(11.658)	(88.462)	(9.394)
REFIS effect Law 11941/09 and MP 470/09	(122.344)		(122.344)	
Provision for contingencies	(177.137)	(93.947)	(156.552)	(73.311)
Allowance for losses	(175.148)	(38.092)	(173.935)	(28.433)
Provision for actuarial liabilities	(10.275)	60.946	(8.605)	60.946
Contractual fines	(11.719)	(137.142)	(27.912)	(107.095)
Equipment Stoppage	(34.198)	(45.274)	(29.571)	(45.356)
Impairment ERSA	(23.137)		(23.137)	
Equity loss	(82.767)	(158.043)	(79.632)	(121.966)
Undeductible fines	(35.163)		(35.163)	
Goodwill amortization		(108.684)		
Inventory loss	(29.717)	(22.333)	(27.644)	(4.735)
Expenses with engineering projects	(6.385)		(6.385)	
Other expenses	(171.905)	(186.542)	(82.781)	(101.635)
Other operating income	**1.705.907**	**4.642.074**	**1.590.383**	**4.480.409**
REFIS effect Law 11941/09 and MP 470/09	627.641		627.106	
Investment gains (*)	835.115	4.043.559	835.115	4.043.559
Indemnifications	6.848	5.664	6.301	5.269
Reversal of provision for contingencies	71.648		71.648	
Claimed insurances		182.185		182.185
Other income	164.655	410.666	50.213	249.396
Other operating income and (expenses)	**718.395**	**3.901.306**	**728.260**	**4.049.429**

(*) In December 2008, the Company sold a portion of its interest in Namisa to the company Big Jump Energy which, after this acquisition, paid in capital in Namisa in the amount of R$7,286,154. As a result of this capital increase carried out by Big Jump, CSN verified gains and losses in percentage variation in the amount of R$4,043,559, substantially related to the goodwill paid by the new shareholder. Subsequently, on July 30, 2009, Namisa merged the parent company Big Jump Energy Participações S.A. and, as a consequence of this merger that took place without changing the percentage interest, the Company recorded an R$835,115 equity pick-up gain.

(In thousands of reais, unless otherwise stated)

27. INFORMATION BY BUSINESS UNIT

(i) Consolidated balance sheet by business unit

	2009				
	Steel	Mining	Logistics, Energy and Cement	Corporate Center and Others	Total
Current assets	**2,332,838**	**1,053,035**	**547,101**	**9,635,620**	**13,568,594**
Cash and cash equivalents				8,086,742	8,086,742
Accounts receivable	325,232	617,695	243,388		1,186,315
Advance to suppliers	59,884	10,208	59,744		129,836
Taxes recoverable				1,548,878	1,548,878
Inventories	1,871,454	412,994	174,661		2,459,109
Other	76,268	12,138	69,308		157,714
Noncurrent assets	**8,247,842**	**3,583,961**	**3,766,827**		**15,598,630**
Long-term assets	2,429,529	797,307	413,326		3,640,162
Investments, property, plant and equipment and intangible assets	5,818,313	2,786,654	3,353,501		11,958,468
Total Assets	**10,580,680**	**4,636,996**	**4,313,928**	**9,635,620**	**29,167,224**
Current liabilities	**3,543,614**	**(13,015)**	**258,074**	**1,339,523**	**5,128,196**
Loans, financing and debentures				1,191,066	1,191,066
Suppliers	460,933	(29,367)	72,657		504,223
Corporate income and social contribution taxes				148,457	148,457
Tax payable	713,470	14,407	42,660		770,537
Accounts payable	1,706,746	3,706	25,765		1,736,217
Provisions and contingencies	428,608	5,800	47,792		482,200
Other	233,857	(7,561)	69,200		295,496
Noncurrent liabilities	**23,699**	**441**	**25,604**	**18,395,791**	**18,445,535**
Loans, financing and debentures				13,172,410	13,172,410
Net contingencies – judicial deposits				1,568,966	1,568,966
Obligations and taxes paid by installments				635,697	635,697
Accounts payable long-term	23,699	441	25,604		49,744
Other				3,018,718	3,018,718
Minority interest			83,060		83,060
Net differences	7,013,367	4,649,570	3,947,191	(10,099,694)	
Shareholders' equity					**5,510,433**
Total liabilities and shareholders' equity	**10,580,680**	**4,636,996**	**4,313,928**	**9,635,620**	**29,167,224**

(ii) Consolidated statement of gross income by business unit

	2009				
	Steel	Mining	Infrastructure/ Cement	Corporate Center and others	Consolidated
Net revenues from sales	7,893,826	1,813,869	1,047,732	222,937	10,978,364
Cost of goods sold and services rendered	(5,352,941)	(1,002,750)	(363,359)	(69,042)	(6,788,092)
Gross profit	**2,540,885**	**811,119**	**684,373**	**153,895**	**4,190,272**

In view of the CPC Technical Pronouncement 22 approved by CVM Resolution 582 as of July 31, 2009 and, consequently, of the changes that will be introduced by this regulatory instrument, the Company chose to maintain the disclosure, and only gross profit by business unit will be presented.

28. EMPLOYEES' PENSION FUND

(i) Management of the Private Pension Plan

The Company is the main sponsor of CBS Previdência, a private not-for-profit pension fund established in July 1960, main purpose of which is to pay supplementary benefits to participants in the official Pension Plan. CBS Previdência is composed of employees of CSN, CSN-related companies and the entity itself, provided they sign the adherence agreement.

(ii) Description of characteristics of the plans

CBS Previdência has three benefit plans:

35%-of-average-salary plan

It is a defined benefit plan (BD), which began on February 1, 1966, for the purpose of paying retirements (due to time in service, special cases, disability or age) on a life-long basis, equivalent to 35% of the participant's last average 12 salaries. The plan also guarantees the payment of a sickness allowance to a participant on sick leave through the Official Pension Plan and it also guarantees the payment of death grant and a cash grant. The active and retired participants and the sponsors make thirteen contributions per year, which is the same as the number of benefits paid. This plan became inactive on October 31, 1977, when the supplementation of the average salary plan, which is in process of extinction, came into force.

Supplementation plan for the average salary

The defined benefit plan (BD) began on November 1, 1977. The purpose of this plan is to supplement the difference between the 12 last average salaries and the benefit paid by the Social Security Pension Plan (Previdência Oficial) benefit, to the retired employees, on a life-long basis. Like in the 35% Average Salary Plan, there is sickness allowance, death grant and pension coverage. Thirteen contributions are paid per year, the same number of benefits paid. This plan became inactive on December 26, 1995, after the combined supplementary benefits plan has been implemented.

Combined supplementary benefit plan

Begun on December 27, 1995, this is a combined variable contribution plan (CV). Besides the programmed pension benefit, there is the payment of risk benefits (pension in activity, disability and sickness benefit). In this plan, the retirement benefit is calculated based on the total accumulated sponsor's and participant's contributions (thirteen per year). Upon the participant's retirement grant, the plan starts having a defined benefit plan and thirteen benefits are paid per year.

(In thousands of reais, unless otherwise stated)

As of December 31, 2009 and 2008, the plans are composed as follows:

	35%-of-Average-Salary Plan		Supplementation Plan for the Average Salary		Combined Supplementary Benefit Plan		Total members	
	2009	2008	2009	2008	2009	2008	2009	2008
Members								
In service	8	13	18	30	12,858	12,363	12,884	12,406
Retired	4,663	4,888	4,679	4,762	775	665	10,117	10,315
	4,671	**4,901**	**4,697**	**4,792**	**13,633**	**13,028**	**23,001**	**22,721**
Related beneficiaries:								
Beneficiaries	3,892	4,004	1,435	1,394	91	82	5,418	5,480
Total participants (members/ beneficiaries)	**8,563**	**8,905**	**6,132**	**6,186**	**13,724**	**13,110**	**28,419**	**28,201**

(iii) Solution approaches for the payment of the actuarial deficit

According to Official Letter 1555/SPC/GAB/COA of August 22, 2002, confirmed by Official Letter 1598/SPC/GAB/COA of August 28, 2002, a proposal for refinancing the reserves to amortize the sponsors' liability in 240 consecutive monthly installments, monetarily indexed by INPC + 6% p.a., starting as from June 28, 2002 was approved.

The agreement establishes the prepayment of installments should there be a need for cash in the defined benefit plan and the incorporation to the updated debit balance of the eventual deficits/surpluses under the sponsors' responsibility, so as to preserve the equilibrium of the plans without exceeding the maximum period of amortization stipulated in the agreement.

(iv) Actuarial liabilities

Due to the CVM Resolution 371/00, which approved the NPC 26 of IBRACON – "Accounting of the Employee's benefits" and which established new accounting practices for the calculation and disclosure, the Management, through a study performed by external actuaries, determined the effects arising from this practice, and the Company has kept records in conformity with the actuarial report issued on January 21, 2010.

	Plans			
	35%-of-Average-Salary	Supplementation Plan for the Average Salary	Combined Supplementary Benefit Plan	Total
Present value of the actuarial liabilities with guarantee	307,302	1,187,161	1,351,213	2,845,676
Plan's assets fair value	(348,787)	(1,514,694)	(1,481,034)	(3,344,515)
Present value of the actuarial obligations exceeding the assets fair value	**(41,485)**	**(327,533)**	**(129,821)**	**(498,839)**
Adjustments by allowed deferral:	**67,392**	**400,975**	**78,294**	**546,661**
- Unrecognized actuarial gains	67,392	400,975	60,394	528,761
- Unrecognized cost of service rendered			17,900	17,900
Present value of the amortizing contributions of members	(6,443)	(22,960)		(29,403)
Actuarial liabilities/ (assets)	**19,464**	**50,482**	**(51,527)**	**18,419**
Provisioned actuarial liabilities/ (assets) (long-term/Other)	**19,464**	**50,482**		**69,946**

(In thousands of reais, unless otherwise stated)

Actuarial liability recognition

Management decided to recognize the adjustments of the actuarial liabilities in income, as established in Paragraphs 83 and 84 of NPC 26. As of December 31, 2009, the balance of the provision for the coverage of the actuarial liability amounts to R$69,946 (R$117,568 in 2008).

With regards to the recognition of the actuarial liability, the amortizing contribution related to the portion of the participants in the settlement of the reserve insufficiency was deducted from the present value of total actuarial liabilities of the respective plans. Some participants are questioning this amortizing contribution in court, however, the Company, grounded on the opinion of its legal and actuarial advisers, understands that this amortizing contribution was duly approved by the Brazilian Department of Supplementary Private Pensions – SPC and, therefore, is legally due by the participants.

In accordance with the actuarial calculations prepared using the projected credit unit method, the amounts to be appropriated in 2010 are as follows:

	ESTIMATES PER PLAN - 2010			
	35%-of-Average-Salary	Supplementation Plan for the Average Salary	Combined Supplementary Benefit Plan	Total
Cost of current service	(12)	(203)	(3,673)	(3,888)
Interest on actuarial liabilities	(31,980)	(124,918)	(22,109)	(179,007)
Expected income from assets	34,873	152,055	35,295	222,223
Cost of amortizations	**16,257**	**46,205**	**2,659**	**65,121**
- Unrecognized actuarial gains	16,257	46,205	1,568	64,030
- Unrecognized cost of service rendered			1,091	1,091
Expected impact on the 2009 result	**19,138**	**73,139**	**12,172**	**104,449**

(In thousands of reais, unless otherwise stated)

Main actuarial assumptions adopted in the calculation of the actuarial liability as of December 31, 2009

Actuarial financing method	Projected Credit Unit
Functional Currency	Real (R$)
Accounting for the plan assets	Market Value
Amount used as estimate for the closing shareholders' equity for the year	Best estimate for shareholders' equity on the closing date of the fiscal year obtained based on the projection of the amounts recorded in October
Nominal annual rate of return on investments	35% of the average: 10.27%; Supplementation: 10.21%; Millennium: 10.78%
Nominal annual rate for discount of the actuarial liability	11.18%
Nominal annual rate of salary growth	5.24%
Nominal annual index for social security benefits correction	4.2%
Long-term annual inflation rate	4.2%
Administrative expenses	The amounts used are net of administrative expenses
General mortality table	AT2000 segregated by gender
Disability table	Mercer Disability with probabilities multiplied by 2
Disabled mortality table	Winklevoss - 1%
Turnover table	Millennium Plan 2% per annum, null for BD plans
Retirement age	100% on the first date on which the employee becomes eligible to a retirement benefit scheduled by the plan
Family composition of the participants in activity	95% will be married at the time of retirement, and the wife is 4 years younger than the husband

CSN does not have other post-employment benefit plans.

29. INSURANCE

Aiming to properly mitigation risk and in view of the nature of its operations, the Company and its subsidiaries took out several different types of insurance policies. The policies are taken out in line with the Risk Management policy and are similar to insurances taken out by other companies operating in the same line as CSN and its subsidiaries. The coverage of these policies include: National Transportation, International Transportation, Carrier Civil Responsibility, Import, Export, Life and Personal Accidents Insurance, Health, Vehicle Fleet, D&O (Administrator Civil Responsibility Insurace), General Civil Responsibility, Engineering Risks, Sundry Risks, Export Credit, Guarantee Insurance and Port Operator Civil Responsibility.

The Company also renewed the Property Damage and Loss of Profits insurances to its entities and subsidiaries with the following exceptions: Usina Presidente Vargas, Casa de Pedra, Mineração Arcos, CSN

Paraná, Terminal de Carvão TECAR (it has Property Damage), which are under negotiation with insurance and reinsurance companies in Brazil and abroad in order to obtain, place and pay these other policies.

The risk assumptions adopted, given their nature, are not part of the scope of a financial statements audit, and, consequently, they were not audited by our independent auditors.

30. MANAGEMENT COMPENSATION

Management fees were established at the Annual General Meeting, on April 30, 2009, in the annual overall amount of R$55,000 (R$50,000 in 2008), and the amount of R$21,538 (R$25,146 in 2008) was appropriated in general and administrative expenses during the year ended December 31, 2009.

31. SUBSEQUENT EVENTS

- **Additional acquisition of minority interest in Panatlântica S.A.**

On January 6, 2010, the Company acquired the minority interest in the capital stock of Panatlântica S.A., a listed corporation whose main activity is the manufacturing, sale, import, export and processing of steel and metals.

This acquisition comprised the purchase of eight hundred two thousand, sixty-nine (802,069) common shares representing 9.3963% of Panatlântica's total capital stock.

- **Merger of subsidiary GalvaSud S.A**

On January 29, 2010, CSN merged subsidiary GalvaSud S.A., given the resemblance between the activities performed by both companies. The equity merger resulted in the optimization of processes and maximization of results, by concentrating both companies' selling, operating and administrative activities in one single organizational structure.

- **Public offering for the Acquisition of Cimpor – Cimentos de Portugal, SGPS, S.A.**

On December 18, 2009, the Company disclosed a preliminary announcement of the launching of a direct or indirect acquisition public offering by CSN of shares issued by Cimpor – Cimentos de Portugal, SGPS, S.A. ("CIMPOR"), whose shares are traded on Euronext Lisboa ("Offering"). The Offering was registered and its corresponding launching announcement was disclosed on January 27, 2010 and, on February 12, 2010, the amendment of certain conditions of the Offering was announced.

On February 23, 2010, at a special Euronext Lisboa session, it was stated that, having established at the offering prospect an effectiveness condition based on the acquisition of, at least, 1/3 of Cimpor's shares plus one, and, having not verified such condition, no securities were traded in the scope of the Offering.

- **Acquisition of minority interest in Riversdale Mining Limited**

On January 8, 2010, the Australian authorities allowed the Company to conclude the second stage of acquisition of 2,482,729 capital stock shares of Riversdale Mining Limited ("Riversdale"), for the price of six Australian dollars and ten cents (A$6.10) per share. The second acquisition stage was concluded on January 13, 2010, and CSN reached, indirectly, the total interest of 16.29%, corresponding to 31,233,327 shares of Riversdale's capital stock.

- **Approval of financial statements**

The aforementioned financial statements were approved by the Company's Board of Directors on February 25, 2010.

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INDEPENDENT AUDITOR'S REPORT

To
The Board of Directors and the Shareholders
Companhia Siderúrgica Nacional
Rio de Janeiro – RJ

1. We have examined the accompanying balance sheet of Companhia Siderúrgica Nacional and the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2008 and the related statement of income, changes in shareholders' equity, statement of cash flows and statement of added value for the year then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

2. Our examination was conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Company's management and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Companhia Siderúrgica Nacional and the consolidated financial position of the Company and its subsidiaries as of December 31, 2008, and the result of its operations, changes in its shareholders' equity, statement of cash flows and statement of added value for the year then ended, in conformity with accounting practices adopted in Brazil.

4. We have examined the accompanying financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2007, including the balance sheet, statement of income, changes in shareholders' equity, statement of changes in financial position and the supplementary information of cash flows and added value and issued an unqualified opinion, dated March 6, 2008. As mentioned in the explanatory note 3.1, the accounting practices adopted in Brazil changed as from January 1st, 2008. The accompanying December 31, 2007 financial statements was prepared in accordance with accounting practices adopted in Brazil until December 31, 2007 and, as permitted by the Technical Pronouncement CPC 13 - Law 11.638/07 first adoption and Provisional Measure 449/08, are not being restated for comparative purposes.

5. As mentioned in explanatory note 29 to the financial statements, the Company is negotiating insurance coverage for its operational risks with insurance and reinsurance companies in Brazil and abroad.

March 27, 2009

KPMG Auditores Independentes
CRC 2SP014428/O-6-F-RJ

Anselmo Neves Macedo
Accountant CRC SP-160482/O-6 S-RJ

Carla Bellangero
Accountant CRC SP-196751/O-4 S-RJ

COMPANHIA SIDERÚRGICA NACIONAL – CSN
Balance Sheets – ASSETS
DECEMBER 31, 2008
(In thousands of Reais)

	12/31/2008	12/31/2007	12/31/2006
Total Assets	**38,019,968**	**26,608,601**	**24,305,340**
Current Assets	13,995,576	4,783,329	5,008,626
Cash and Cash Equivalents	94,377	26,223	71,389
Receivable	3,920,942	1,737,559	2,149,603
Accounts Receivable	1,563,245	997,443	1,399,750
Domestic Market	1,028,914	562,428	487,512
Foreign Market	836,679	798,935	981,873
Advance on Export Contracts – ACE	(140,220)	(292,265)	0
Allowance for doubtful accounts	(162,128)	(71,655)	(69,635)
Sundry Receivable	2,357,697	740,116	749,853
Employees	22,722	3,987	13,016
Recoverable Income and Social Contribution Taxes	26,999	804	31,340
Deferred Income Tax	448,738	300,628	235,030
Deferred Social Contribution	161,289	106,577	82,962
Other Taxes	129,559	79,310	147,570
Proposed Dividends Receivable	305,391	238,203	198,304
Loans with subsidiaries	1,170,999	0	0
Other Receivable	92,000	10,607	41,631
Inventories	2,664,862	2,064,055	1,781,103
Other	7,315,395	955,492	1,006,531
Marketable Securities	7,297,302	718,892	517,474
Prepaid Expenses	18,093	50,353	41,950
Insurance Claimed	0	186,247	447,107
Noncurrent Assets	24,024,392	21,825,272	19,296,714
Long-Term Assets	4,722,985	2,472,203	1,778,604
Sundry Receivable	900,232	841,374	826,803
Loans – Eletrobrás	0	25,929	31,551
Securities Receivable	90,711	132,816	144,204
Deferred Income Tax	464,710	405,706	417,046
Deferred Social Contribution	155,410	134,553	111,884
Other Taxes	189,401	142,370	122,118
Receivable from Related Parties	3,039,071	819,988	282,653
In Associated and Related Companies	0	0	0
In Subsidiaries	398,998	819,988	282,653
Other Related Parties	2,640,073	0	0
Other	783,682	810,841	669,148
Judicial Deposits	722,165	684,338	509,851
Marketable Securities	0	90,834	125,673
Prepaid Expenses	33,121	34,371	32,300
Other	28,396	1,298	1,324
Permanent Assets	19,301,407	19,353,069	17,518,110
Investments	12,343,479	6,573,043	5,309,240
Interest in Associated/ Related Companies	0	0	0
Interest in Associated/ Related Companies – Goodwill	0	0	0
Interest in subsidiaries	12,343,448	6,535,133	5,221,911
Interest in subsidiaries – Goodwill	0	37,879	87,298
Other Investments	31	31	31
Property, Plant and Equipment	6,887,348	12,618,843	12,031,793
In Operation, net	5,203,522	11,011,930	11,250,457
In Construction	1,598,458	1,194,921	636,411
Land	85,368	411,992	144,925
Intangible Assets	36,049	0	0
Deferred Charges	34,531	161,183	177,077

COMPANHIA SIDERÚRGICA NACIONAL – CSN
BALANCE SHEETS – LIABILITIES
DECEMBER 31, 2008
(In thousands of Reais)

	12/31/2008	12/31/2007	12/31/2006
Total Liabilities and shareholders' equity	**38,019,968**	**26,608,601**	**24,305,340**
Current Liabilities	7,433,379	6,523,450	5,521 ,473
Loans and Financing	3,136,473	1,386,359	2,126,852
Debentures	33,947	350,147	36,240
Accounts payable to Suppliers	1,669,447	1,046,600	1,404,537
Taxes and Contributions	359,836	764,223	385,694
Salaries and Social Contributions	75,649	72,897	54,634
Taxes Payable	54,716	358,740	204,580
Deferred Income Tax	0	93,000	93,000
Deferred Social Contribution	0	33,480	33,480
Taxes Paid in Installments	229,471	206,106	0
Dividends Payable	1,769,348	2,115,881	686,984
Provisions	139,468	117,702	20,645
Contingencies	149,799	123,897	53,584
Judicial Deposits	(65,149)	(57,315)	(32,939)
Provision for Pension Fund	54,818	51,120	0
Debts with Related Parties	0	0	0
Other	324,860	742,538	860,521
Accounts Payable – Subsidiaries	18,311	560,474	683,099
Other	306,549	182,064	177,422
Noncurrent Liabilities	23,838,127	12,457,541	12,557,291
Long-Term Liabilities	23,838,127	12,457,541	12,557,291
Loans and Financing	19,155,663	6,344,740	5,419,156
Debentures	600,000	600,000	897,141
Provisions	2,442,131	4,324,095	5,667,992
Labor and Social Security Contingencies	15,308	0	0
Civil Contingencies	0	0	0
Tax Contingencies	3,640,788	3,333,962	3,720,443
Environmental Contingencies	71,361	55,202	52,670
Other Contingencies	0	0	0
Judicial Deposits	(1,285,326)	(1,011,875)	(108,627)
Deferred Income Tax	0	1,431,475	1,473,166
Deferred Social Contribution	0	515,331	530,340
Debts with Related Parties	0	0	0
Advance for Future Capital Increase	0	0	0
Other	1,640,333	1,188,706	573,002
Provision for losses in investments	0	85,016	106,673
Accounts payable – subsidiaries	804,504	83,941	52,434
Provision for Pension Fund	62,750	180,760	286,940
Taxes paid in installments	631,813	773,585	0
Other	141,266	65,404	126,955
Deferred Income	0	0	0
Shareholders' Equity	6,748,462	7,627,610	6,226,576
Paid-in Capital	1,680,947	1,680,947	1,680,947
Capital Reserves	30	30	0
Revaluation Reserves	0	4,585,553	4,208,550
Own Assets	0	4,360,515	4,208,197
Subsidiaries Associated and Related Companies	0	225,038	353
Profit Reserves	3,768,756	1,361,080	337,079
Legal	336,190	336,189	336,189
Statutory	0	0	0
For Contingencies	0	0	0
Unrealized Profits	0	0	0
Retention of Profits	0	0	0
Special For undistributed Dividends	0	0	0
Other Profit Reserves	3,432,566	1,024,891	890
From Investments	4,151,608	1,768,321	677,611
Treasury Shares	(719,042)	(743,430)	(676,721)
Equity Valuation Adjustments	1,298,729	0	0
Securities Adjustments	0	0	0
Translation Accumulated Adjustments	1 ,298,729	0	0
Business Combination Adjustments	0	0	0
Retained Earnings/Accumulated Losses	0	0	0
Advance for Future Capital Increase	0	0	0

COMPANHIA SIDERÚRGICA NACIONAL – CSN
STATEMENT OF INCOME
DECEMBER 31, 2008
(In thousands of Reais)

	1/1/2008 to 12/31/2008	1/1/2007 to 12/31/2007	1/1/2006 to 12/31/2006
Gross Revenue from Sales and/or Services	13,861,536	11,150,493	8,743,881
Gross Revenue Deductions	(3,356,982)	(2,470,547)	(1,754,622)
Net Revenue from Sales and/or Services	10,504,554	8,679,946	6,989,259
Cost of Goods Sold and/or Services Rendered	(5,387,338)	(4,911,166)	(4,780,880)
Depreciation and Amortization	(632,513)	(914,288)	(774,637)
Other	(4,754,825)	(3,996,878)	(4,006,243)
Gross Income	5,117,216	3,768,780	2,208,379
Operating Income/Expenses	(152,298)	(38,954)	(698,071)
Selling Expenses	(517,935)	(307,348)	(254,036)
Depreciation and Amortization	(5,496)	(6,378)	(9,544)
Other	(512,439)	(300,970)	(244,492)
General and Administrative	(329,160)	(285,850)	(249,772)
Depreciation and Amortization	(14,661)	(18,250)	(14,292)
Other	(314,499)	(267,600)	(235,480)
Financial	(3,425,371)	(353,192)	(826,473)
Financial Income	1,204,470	(97,466)	(527,706)
Financial Expenses	(4,629,841)	(255,726)	(298,767)
Foreign Exchange and Monetary Variation, net	(3,167,024)	1,198,638	707,922
Financial Expenses	(1,462,817)	(1,454,364)	(1,006,689)
Other Operating Income	4,483,917	33,434	965,562
Other Operating Expenses	(478,216)	(234,673)	(497,735)
Equity Pick-up	114,467	1,108,675	164,383
Operating Income	4,964,918	3,729,826	1,510,308
Nonoperating Income	0	0	0
Income	0	0	0
Expenses	0	0	0
Income before Taxes / Profit Sharing	4,964,918	3,729,826	1,510,308
Provision for Income and Social Contribution Taxes	(572,075)	(1,072,532)	(400,231)
Deferred Income Tax	282,683	247,951	59,289
Deferred Income Tax	207,115	162,647	(11,013)
Deferred Social Contribution	75,568	85,304	70,302
Statutory Profit Sharing/Contributions	0	0	0
Profit Sharing	0	0	0
Contributions	0	0	0
Reversal of Interest on Shareholders' Equity	0	0	0
Income/Loss for the Period	4,675,526	2,905,245	1,169,366
OUTSTANDING SHARES, EX-TREASURY (in thousands)	758,670	256,490	257,413
EARNINGS PER SHARE (in Reais)	6.16279	11.32693	4.54276
LOSS PER SHARE (in Reais)	–	–	–

COMPANHIA SIDERÚRGICA NACIONAL – CSN
STATEMENT OF CASH FLOW– INDIRECT METHOD
DECEMBER 31, 2008
(In thousands of Reais)

	1/1/2008 to 12/31/2008	1/1/2007 to 12/31/2007	1/1/2006 to 12/31/2006
Net Cash from Operating Activities	(3,319,328)	3,123,890	2,492,088
Cash generated in Operations	1,790,265	3,048,268	2,074,688
Net income for the Year	4,675,526	2,905,245	1,169,366
Provision for charges on loans and financing	717,924	587,015	677,050
Depreciation, depletion and amortization	652,670	938,916	798,473
Income from assets write-off and disposals	23,822	27,932	(9,240)
Income from corporate interest	(114,467)	(1,108,675)	(164,383)
Deferred Income and Social Contribution Taxes	(282,683)	(247,951)	(59,289)
Provision for Swap/Forward Operations	(127,428)	144,686	2,979
Provision for actuarial liabilities	(114,815)	(55,060)	63,540
Provision for Claim Blast Furnace III	0	0	(254,094)
Provision for contingencies	58,404	80,283	(149,233)
Gain and loss in percentage variation	(4,036,544)	0	0
Other provisions	337,856	(224,123)	(481)
Variation in Assets and Liabilities	(5,109,593)	75,622	417,400
Accounts Receivable	(653,856)	401,352	344,409
Inventories	(744,089)	(142,583)	(260,264)
Receivable from subsidiaries	(3,210,150)	(309,776)	58,584
Recoverable Taxes	(123,472)	78,760	(66,283)
Suppliers	452,858	(357,937)	282,343
Salaries and social charges	2,752	(32,857)	(5,268)
Taxes	(376,338)	1,136,537	86,487
Accounts payable – subsidiaries	170,292	(125,694)	(54,353)
Contingent liabilities	184,849	(91,751)	778,584
Financial Institutions – interest rates	(715,114)	0	0
Financial Institutions – swap operations	(396,424)	(641,338)	(660,134)
Other	299,099	160,909	(86,705)
Other	0	0	0
Net Cash from Investment Activities	(2,518,462)	(2,268,022)	(1,231,957)
Judicial Deposits	(319,113)	(1,099,664)	(6,765)
Investments	(902,249)	(187,119)	(212,766)
Property, Plant and Equipment	(1,217,660)	(933,678)	(970,245)
Deferred charges	(79,440)	(47,561)	(42,181)
Net Cash from Investment Activities	9,104,228	434,612	(1,464,965)
Loans and Financing	13,081,750	3,442,677	2,211,735
Debentures	0	0	600,000
Financial Institutions – principal	(1,385,459)	(2,255,353)	(2,167,854)
Dividends and interest on shareholders' equity	(2,274,565)	(686,003)	(2,069,736)
Treasury shares	(317,498)	(66,709)	(39,110)
Foreign Exchange Variation on Cash and Cash Equivalents	3,380,126	(1,134,228)	(702,098)
Increase (decrease) in Cash and Cash Equivalents	6,646,564	156,252	(906,932)
Cash and Cash Equivalents Opening Balance	745,115	588,863	1,495,795
Cash and Cash Equivalents Closing Balance	7,391,679	745,115	588,863

COMPANHIA SIDERÚRGICA NACIONAL – CSN
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 01/01/2008 TO 12/31/2008
DECEMBER 31, 2008
(In thousands of Reais)

	CAPITAL STOCK	CAPITAL RESERVES	REVALUATION RESERVES	PROFIT RESERVES	RETAINED EARNINGS/ ACCUMULATED LOSSES	EQUITY VALUATION ADJUSTMENTS	TOTAL SHAREHOLDERS' EQUITY
Opening Balance	1,680,947	30	4,585,553	1,361,080	0	0	7,627,610
Prior Year Adjustments	0	0	0	0	0	0	0
Adjusted Balance	1,680,947	30	4,585,553	1,361,080	0	0	7,627,610
Net Income/Loss for the Period	0	0	0	0	4,675,526	0	4,675,526
Distributions	0	0	0	2,725,172	(4,653,577)	0	(1,928,405)
Dividends	0	0	0	0	(1,500,000)	0	(1,500,000)
Interest on Shareholders' equity	0	0	0	0	(268,405)	0	(268,405)
Other Distributions	0	0	0	2,725,172	(2,885,172)	0	(160,000)
Interim Dividends	0	0	0	0	(160,000)	0	(160,000)
Investment Reserve	0	0	0	2,725,172	(2,725,172)	0	0
Realization of Profit Reserves	0	0	0	0	0	0	0
Equity Valuation Adjustments	0	0	0	0	0	1,298,729	1,298,729
Securities Adjustments	0	0	0	0	0	0	0
Translation Accumulated Adjustments	0	0	0	0	0	1,298,729	1,298,729
Business Combination Adjustments	0	0	0	0	0	0	0
Increase/Decrease in Capital Stock	0	0	0	0	0	0	0
Recording/Realization of Capital Reserves	0	0	0	0	0	0	0
Treasury Shares	0	0	0	(317,496)	0	0	(317,496)
Other Capital Transactions	0	0	0	0	0	0	0
Other	0	0	(4,585,553)	0	(21,949)	0	(4,607,502)
Revaluation Reserve Reversal	0	0	(4,585,553)	0	0	0	(4,585,553)
Deferred Asset Adjustments	0	0	0	0	(22,302)	0	(22,302)
Expiration Reversal – Dividends	0	0	0	0	297	0	297
Expiration Reversal – Interest on Shareholders' equity	0	0	0	0	56	0	56
Closing Balance	1,680,947	30	0	3,768,756	0	1,298,729	6,748,462

COMPANHIA SIDERÚRGICA NACIONAL – CSN
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 1/1/2007 TO 12/31/2007
DECEMBER 31, 2008
(In thousands of Reais)

	CAPITAL STOCK	CAPITAL RESERVES	REVALUATION RESERVES	PROFIT RESERVES	RETAINED EARNINGS/ ACCUMULATED LOSSES	EQUITY VALUATION ADJUSTMENTS	TOTAL SHAREHOLDERS' EQUITY
Opening Balance	1,680,947	0	4,208,550	337,079	0	0	6,226,576
Prior Year Adjustments	0	0	0	0	0	0	0
Adjusted Balance	1,680,947	0	4,208,550	337,079	0	0	6,226,576
Net Income/Loss for the period	0	0	0	0	2,905,245	0	2,905,245
Distributions	0	0	0	1,090,710	(3,205,710)	0	(2,115,000)
Dividends	0	0	0	0	(1,909,410)	0	(1,909,410)
Interest on Shareholders' equity	0	0	0	0	(205,590)	0	(205,590)
Other Distributions	0	0	0	1,090,710	(1,090,710)	0	0
Realization of Profit Reserves	0	0	0	0	0	0	0
Equity Valuation Adjustments	0	0	0	0	0	0	0
Securities Adjustments	0	0	0	0	0	0	0
Translation Accumulated Adjustments	0	0	0	0	0	0	0
Business Combination Adjustments	0	0	0	0	0	0	0
Increase/Decrease in Capital Stock	0	0	0	0	0	0	0
Recording/Realization of Capital Reserves	0	0	0	0	0	0	0
Treasury Shares	0	0	0	(66,774)	0	0	(66,774)
Other Capital Transactions	0	0	0	0	0	0	0
Other	0	30	377,003	65	300,465	0	677,563
Realization of own assets reserve, net	0	0	(286,148)	0	286,148	0	0
Realization of Reserve of subsidiaries' assets, net	0	0	(14,317)	0	14,317	0	0
Realization of own assets revaluation reserve	0	0	438,463	0	0	0	438,463
Realization of Revaluation Reserve of subsidiaries' assets	0	0	239,005	0	0	0	239,005
Profit in share disposal	0	30	0	65	0	0	95
Closing Balance	1,680,947	30	4,585,553	1,361,080	0	0	7,627,610

COMPANHIA SIDERÚRGICA NACIONAL – CSN
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FROM 1/1/2006 TO 12/31/2006
DECEMBER 31, 2008
(In thousands of Reais)

	CAPITAL STOCK	CAPITAL RESERVES	REVALUATION RESERVES	PROFIT RESERVES	RETAINED EARNINGS/ ACCUMULATED LOSSES	EQUITY VALUATION ADJUSTMENTS	TOTAL SHAREHOLDERS' EQUITY
Opening Balance	1,680,947	0	4,518,054	336,189	0	0	6,535,190
Prior Year Adjustments	0	0	0	0	0	0	0
Adjusted Balance	1,680,947	0	4,518,054	336,189	0	0	6,535,190
Net Income/Loss for the period	0	0	0	0	1,338,775	0	1,338,775
Distributions	0	0	0	40,000	(1,642,671)	0	(1,602,671)
Dividends	0	0	0	0	(1,428,243)	0	(1,428,243)
Interest on Shareholders' equity	0	0	0	0	(174,428)	0	(174,428)
Other Distributions	0	0	0	40,000	(40,000)	0	0
Realization of Profit Reserves	0	0	0	0	0	0	0
Equity Valuation Adjustments	0	0	0	0	0	0	0
Securities Adjustments	0	0	0	0	0	0	0
Translation Accumulated Adjustments	0	0	0	0	0	0	0
Business Combination Adjustments	0	0	0	0	0	0	0
Increase/Decrease in Capital Stock	0	0	0	0	0	0	0
Recording/Realization of Capital Reserves	0	0	0	0	0	0	0
Treasury Shares	0	0	0	(39,110)	0	0	(39,110)
Other Capital Transactions	0	0	0	0	0	0	0
Other	0	0	(309,504)	0	303,896	0	(5,608)
Realization of own assets reserve, net of income and social contribution taxes	0	0	(280,508)	0	280,508	0	0
Realization of reserve of subsidiaries' assets, net of income and social contribution taxes	0	0	0	0	0	0	0
Realization of own assets revaluation reserve	0	0	0	0	0	0	0
Realization of revaluation reserve of subsidiaries' assets	0	0	0	0	0	0	0
Profit in share disposal	0	0	0	0	0	0	0
Debentures in the market	0	23,248	0	0	0	0	23,248
Debentures reserve distribution to treasury shares	0	(23,248)	0	0	23,248	0	0
Write-offs of Interest on Shareholders' equity and Expired Dividends	0	0	0	0	140	0	140
Reversal of CTE II Revaluation, net of Income and Social Contribution Taxes	0	0	(28,996)	0	0	0	(28,996)
Closing Balance	1,680,947	0	4,208,550	337,079	0	0	6,226,576

COMPANHIA SIDERÚRGICA NACIONAL – CSN
STATEMENT OF VALUE ADDED
DECEMBER 31, 2008
(In thousands of Reais)

	12/31/2008	12/31/2007	12/31/2006
Revenues	18,571,059	10,879,567	8,672,558
Sales of Goods, Products and Services	14,496,904	10,898,691	8,653,355
Other Revenues	4,164,628	(17,104)	17,887
Revenues related to Construction of Own Assets	0	0	0
Allowance for/Reversal of Doubtful Accounts	(90,473)	(2,020)	1,316
Input Acquired from Third Parties	(7,332,505)	(4,178,978)	(3,524,549)
Costs of Products, Goods and Services Sold	(6,685,507)	(3,577,067)	(3,612,960)
Materials, Energy – Third Party Services – Other	(824,448)	(601,911)	(641,505)
Loss/Recovery of Assets	177,450	0	729,916
Other	0	0	0
Gross Value Added	11,238,554	6,700,589	5,148,009
Retention	(652,670)	(938,917)	(798,473)
Depreciation, Amortization and Depletion	(652,670)	(938,917)	(798,473)
Other	0	0	0
Net Added Value Produced	10,585,884	5,761,672	4,349,536
Added Value Received in Transfers	1,766,426	588,486	(453,342)
Equity pick-up	114,467	1,108,676	164,383
Financial Income	1,631,242	(520,190)	(617,725)
Other	20,717	0	0
Total Value Added to Distribute	12,352,310	6,350,158	3,896,194
Distribution of Value Added	12,352,310	6,350,158	3,896,194
Personnel	634,447	505,120	457,920
Direct Compensation	485,647	0	0
Benefits	112,484	0	0
Government Severance Indemnity Fund for Employees (FGTS)	36,316	0	0
Other	0	0	0
Taxes, Fees and Contributions	1,938,543	2,854,734	2,190,565
Federal	1,277,940	0	0
State	654,917	0	0
Municipal	5,686	0	0
Third Party Capital Remuneration	5,103,794	85,059	78,343
Interest	5,103,736	0	0
Rentals	58	0	0
Other	0	0	0
Remuneration of Shareholders’ Equity	4,675,526	2,905,245	1,169,366
Interest on Shareholders’ Equity	268,405	0	0
Dividends	1,500,000	870,671	1,129,366
Retained Earnings/Accumulated Losses for the Year	2,907,121	2,034,574	40,000
Other	0	0	0

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED BALANCE SHEET – ASSETS
DECEMBER 31, 2008
(In thousands of Reais)

	12/31/2008	12/31/2007	12/31/2006
Total Assets	31,497,439	27,045,454	25,027,925
Current Assets	18,328,700	8,389,353	7,927,386
Cash and Cash Equivalents	232,065	225,344	167,288
Receivable	2,979,891	1,556,864	2,212,631
Trade Accounts Receivable	1,086,557	744,401	1,289,629
Domestic Market	1,333,329	764,943	762,950
Foreign Market	139,608	387,808	635,920
Advance on Export Contracts – ACE	(140,220)	(292,265)	0
Allowance for doubtful accounts	(246,160)	(116,085)	(109,241)
Sundry Receivable	1,893,334	812,463	923,002
Employees	23,764	5,048	14,029
Income and Social Contribution Taxes to Offset	128,055	14,342	41,739
Deferred Income Tax	543,631	377,669	317,042
Deferred Social Contribution	195,596	134,407	112,588
Other taxes	350,604	220,552	325,024
Proposed dividends receivable	42,890	0	0
Loans with subsidiaries	467,400	0	0
Other Receivable	141,394	60,445	112,580
Inventories	3,622,775	2,740,526	2,586,565
Other	11,493,969	3,866,619	2,960,902
Marketable Securities	8,992,048	2,142,009	1,965,434
Prepaid expenses	27,945	66,229	58,358
Insurance claimed	0	186,247	447,107
Financial instruments – equity swap	0	1,472,134	490,003
Guarantee Margin – financial instruments	2,473,976	0	0
Noncurrent assets	13,168,739	18,656,101	17,100,539
Long-term assets	2,514,172	2,177,707	1,927,316
Sundry Receivable	1,433,036	1,095,417	1,025,275
Loans – Eletrobrás	0	26,538	32,227
Securities receivable	376,374	234,445	260,855
Deferred income tax	562,850	466,006	437,005
Deferred Social contribution taxes	190,981	156,428	119,155
Other taxes	302,831	212,000	176,033
Receivable from Related Parties	0	0	0
From Associated and Related Companies	0	0	0
From Subsidiaries	0	0	0
From Other Related Parties	0	0	0
Other	1,081,136	1,082,290	902,041
Judicial Deposits	740,341	694,733	519,964
Prepaid Expenses	125,011	128,968	80,669
Securities	23,370	108,547	143,123
Other	192,414	150,042	158,285
Permanent Assets	10,654,567	16,478,394	15,173,223
Investments	1,512	956,281	957,674
Interest in Associated and Related Companies	0	0	0
Interest in Subsidiaries	0	0	0
Other Investments	1,512	1,829	680,209
In Subsidiaries – Goodwill	0	954,452	277,465
Property, Plant and Equipment	10,083,777	15,295,642	13,948,261
In Operation, Net	7,584,944	13,197,042	12,971,477
In Construction	2,366,255	1,610,250	792,907
Land	132,578	488,350	183,877
Intangible Assets	526,796	0	0
Deferred Charges	42,482	226,471	267,288

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED BALANCE SHEET – LIABILITIES
DECEMBER 31, 2008
(In thousands of Reais)

	12/31/2008	12/31/2007	12/31/2006
Total Liabilities and shareholders' equity	31,497,439	27,045,454	25,027,925
Current Liabilities	9,633,228	6,837,363	4,317,404
Loans and Financing	2,953,020	1,407,981	994,528
Debentures	44,428	413,220	85,583
Accounts Payable to Suppliers	1,939,205	1,346,789	1,568,331
Taxes, Fees and Contributions	702,589	1,054,376	624,486
Salaries and Social Contributions	117,994	110,313	91,095
Taxes Payable	333,811	596,361	406,911
Deferred Income Tax	795	104,115	93,000
Deferred Social Contribution	59	37,481	33,480
Taxes Paid in Installments	249,930	206,106	0
Dividends Payable	1,790,642	2,115,881	686,984
Provisions	146,528	126,184	21,871
Contingencies	161,144	136,020	54,810
Judicial Deposits	(69,434)	(60,956)	(32,939)
Provision for Pension Fund	54,818	51,120	0
Debts with Related Parties	0	0	0
Other	2,056,816	372,932	335,621
Financial instruments – equity swap	1,596,394	0	0
Other	460,422	372,932	335,621
Noncurrent Liabilities	15,192,878	12,660,694	14,581,085
Long-term Liabilities	15,192,878	12,660,694	14,581,085
Loans and Financing	10,918,973	6,289,941	7,349,138
Debentures	632,760	640,950	995,679
Provisions	2,521,551	4,530,086	5,766,286
Labor and Social Security Contingencies	69,676	42,478	52,163
Civil Contingencies	17,439	14,136	12,123
Tax Contingencies	3,660,486	3,372,829	3,760,130
Environmental Contingencies	71,361	55,202	52,670
Other Contingencies	64	0	0
Judicial Deposits	(1,297,475)	(1,023,173)	(134,372)
Deferred Income Tax	0	1,521,040	1,487,932
Deferred Social Contribution	0	547,574	535,640
Debts with Related Parties	0	0	0
Advance for Future Capital Increase	0	0	0
Other	1,119,594	1,199,717	469,982
Provision for losses in investments	0	0	0
Accounts payable – subsidiaries	0	0	0
Provision for pension fund	62,750	180,760	286,940
Taxes paid in installments	795,052	773,585	0
Other	261,792	245,372	183,042
Deferred Income	8,744	5,136	5,292
Minority Interests	0	0	0
Shareholders' Equity	6,662,589	7,542,261	6,124,144
Paid-in Capital	1,680,947	1,680,947	1,680,947
Capital Reserves	30	30	0
Revaluation Reserves	0	4,585,553	4,208,550
Own Assets	0	4,360,513	4,208,197
Subsidiaries/Associated and Related Companies	0	225,040	353
Profit Reserves	3,682,864	1,275,731	234,647
Legal	336,189	336,189	336,189
Statutory	0	0	0
For Contingencies	0	0	0
Unrealized Profits	0	0	0
Profit Retention	0	0	0
Special for Undistributed Dividends	0	0	0
Other Profit Reserves	3,346,675	939,542	(101,542)
Investments	4,151,608	1,768,321	677,611
Treasury Shares	(719,042)	(743,430)	(676,721)
Unrealized Income	(85,891)	(85,349)	(102,432)
Equity Valuation Adjustments	1,298,748	0	0
Securities Adjustments	0	0	0
Translation Accumulated Adjustments	1,298,748	0	0
Business Combination Adjustments	0	0	0
Retained Earnings/Accumulated Losses	0	0	0
Advance for Future Capital Increase	0	0	0

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED STATEMENT OF INCOME
DECEMBER 31, 2008
(In thousands of Reais)

	1/1/2008 to 12/31/2008	1/1/2007 to 12/31/2007	1/1/2006 to 12/31/2006
Gross Revenue from Sales and/or Services	17,868,014	14,423,165	11,265,137
Deductions from Gross Revenue	(3,865,143)	(2,982,183)	(2,224,768)
Net Revenue from Sales and/or Services	14,002,871	11,440,982	9,040,369
Cost of Goods Sold and/or Services Rendered	(6,976,382)	(6,674,224)	(5,988,785)
Depreciation and Amortization	(795,910)	(1,078,631)	(909,314)
Other	(6,180,472)	(5,595,593)	(5,079,471)
Gross Profit	7,026,489	4,766,758	3,051,584
Operating Income/Expenses	(297,541)	(829,872)	(1,364,579)
Selling Expenses	(775,624)	(598,689)	(476,343)
Depreciation and Amortization	(6,677)	(7,752)	(10,809)
Other	(768,947)	(590,937)	(465,534)
General and Administrative	(498,159)	(430,061)	(376,476)
Depreciation and Amortization	(37,716)	(45,893)	(41,270)
Other	(460,443)	(384,168)	(335,206)
Financial	(2,780,731)	316,237	(899,525)
Financial Income	261,960	884,666	(14,402)
Financial Expenses	(3,042,691)	(568,429)	(885,123)
Foreign Exchange and Monetary Variation, net	(1,688,844)	824,268	471,707
Financial Expenses	(1,353,847)	(1,392,697)	(1,356,830)
Other Operating Income	4,642,075	1,147,916	1,028,192
Other Operating Expenses	(787,890)	(1,155,591)	(552,918)
Equity Pick-up	(97,212)	(109,684)	(87,509)
Operating Income	6,728,948	3,936,886	1,687,005
Non-Operating Income	0	0	0
Income	0	0	0
Expenses	0	0	0
Income Before Taxes/ Profit Sharing	6,728,948	3,936,886	1,687,005
Provision for Income and Social Contribution Taxes	(1,355,770)	(1,309,220)	(604,919)
Deferred Income Tax	400,971	294,684	85,439
Deferred Income Tax	290,318	197,361	8,151
Deferred Social Contribution	110,653	97,323	77,288
Statutory Profit Sharing/Contributions	0	0	0
Profit Sharing	0	0	0
Contributions	0	0	0
Reversal of Interest on Shareholders' Equity	0	0	0
Minority Interest	0	0	0
Income/Loss for the Period	5,774,149	2,922,350	1,167,525
OUTSTANDING SHARES, EX-TREASURY (in thousands)	758,670	256,490	257,413
EARNINGS PER SHARE (in reais)	7.61088	11.39362	4.53561
LOSS PER SHARE (in reais)	–	–	–

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED STATEMENT OF CASH FLOW – INDIRECT METHOD
DECEMBER 31, 2008
(In thousands of Reais)

	1/1/2008 to 12/31/2008	1/1/2007 to 12/31/2007	1/1/2006 to 12/31/2006
Net Cash from Operating Activities	1,343,888	5,132,383	2,409,639
Cash Generated in the Operations	2,109,508	4,385,282	2,667,276
Net Income (Loss) for the Year	5,774,149	2,922,350	1,167,525
Provision for financial loan charges	734,975	732,558	864,419
Depreciation, Depletion and Amortization	840,303	1,132,276	961,393
Income from assets write-off and disposal	59,183	696,509	16,379
Income from corporate interest	87,842	109,684	87,509
Gain and loss in percentage variation	(4,036,544)	0	0
Deferred Income and Social Contribution Taxes	(400,971)	(294,685)	(85,439)
Provision Swap/Forward operations	(1,213,053)	(738,959)	(8,206)
Provision for actuarial liabilities	(114,815)	(55,060)	63,540
Provision for Claim Blast Furnace III	0	0	(254,094)
Provision for contingencies	80,738	92,493	(161,843)
Other Provisions	297,701	(211,884)	16,093
Variation in Assets and Liabilities	(765,620)	747,101	(257,637)
Accounts receivable	(434,943)	584,096	125,823
Inventories	(1,138,139)	(3,446)	(535,991)
Receivables from subsidiaries	0	0	0
Recoverable taxes to Offset	(392,546)	17,351	(51,143)
Suppliers	322,676	(221,541)	336,248
Salaries and social charges	7,681	(31,902)	5,709
Taxes	460,596	1,178,191	187,447
Accounts payable – subsidiaries	0	0	0
Contingent Liabilities	135,536	(87,908)	815,172
Financial Institutions – interest	(805,046)	0	0
Financial Institutions – swap operations	(317,991)	(782,992)	(850,770)
Other	1,396,556	95,252	(290,132)
Other	0	0	0
Net Cash from Investment Activities	(3,449,854)	(3,504,580)	(2,282,072)
Judicial Deposits	(328,389)	(1,091,587)	(14,279)
Net effects – equity swap	(656,476)	0	0
Investments	(40,937)	(793,167)	(772,520)
Property, Plant and Equipment	(2,305,347)	(1,571,012)	(1,450,156)
Deferred charges	(118,705)	(48,814)	(45,117)
Net Cash from Financing Activities	5,461,331	(283,581)	(852,932)
Loans and Financing	5,831,674	3,237,706	3,851,976
Receipt from share issue	4,036,544	0	0
Debentures	0	0	600,000
Financial Institutions – principal	(1,814,824)	(2,768,575)	(3,196,062)
Dividends and interest rates on own capital	(2,274,565)	(686,003)	(2,069,736)
Treasury Shares	(317,498)	(66,709)	(39,110)
Foreign Exchange Variation on Cash and Cash Equivalents	3,501,395	(1,109,591)	(622,682)
Increase (Decrease) in Cash and Cash Equivalents	6,856,760	234,631	(1,348,047)
Opening Balance of Cash and Cash Equivalents	2,367,353	2,132,722	3,480,769
Closing Balance of Cash and Cash Equivalents	9,224,113	2,367,353	2,132,722

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 1/1/2008 TO 12/31/2008
DECEMBER 31, 2008
(In thousands of Reais)

	CAPITAL STOCK	CAPITAL RESERVES	REVALUATION RESERVES	PROFIT RESERVES	RETAINED EARNINGS/ ACCUMULATED LOSSES	EQUITY VALUATION ADJUSTMENTS	TOTAL SHAREHOLDERS' EQUITY
Opening Balance	1,680,947	30	4,585,553	1,275,731	0	0	7,542,261
Prior Year Adjustments	0	0	0	0	0	0	0
Adjusted Balance	1,680,947	30	4,585,553	1,275,731	0	0	7,542,261
Net Income/Loss for the Period	0	0	0	0	5,774,148	0	5,774,148
Distributions	0	0	0	2,725,172	(4,653,577)	0	(1,928,405)
Dividends	0	0	0	0	(1,500,000)	0	(1,500,000)
Interest on Shareholders' equity	0	0	0	0	(268,405)	0	(268,405)
Other Distributions	0	0	0	2,725,172	(2,885,172)	0	(160,000)
Interim dividends	0	0	0	0	(160,000)	0	(160,000)
Investment reserve	0	0	0	2,725,172	(2,725,172)	0	0
Realization of Profit Reserves	0	0	0	0	0	0	0
Equity Valuation Adjustments	0	0	0	0	(1,098,621)	1,298,748	200,127
Securities Adjustments	0	0	0	0	0	0	0
Translation Accumulated Adjustments	0	0	0	0	(1,098,621)	1,298,748	200,127
Business Combination Adjustments	0	0	0	0	0	0	0
Increase/Decrease in Capital Stock	0	0	0	0	0	0	0
Recording/Realization of Capital Reserves	0	0	0	0	0	0	0
Treasury Shares	0	0	0	(317,496)	0	0	(317,496)
Other Capital Transactions	0	0	0	0	0	0	0
Other	0	0	(4,585,553)	(543)	(21,950)	0	(4,608,046)
Revaluation reserve	0	0	(4,585,553)	0	0	0	(4,585,553)
Deferred Charges Adjustment	0	0	0	0	(22,303)	0	(22,303)
Dividends Expiration Reversal	0	0	0	0	297	0	297
Expiration Reversal – Interest on Shareholders' equity	0	0	0	0	56	0	56
Unrealized Profit	0	0	0	(543)	0	0	(543)
Closing Balance	1,680,947	30	0	3,682,864	0	1,298,748	6,662,589

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 1/1/2007 TO 12/31/2007
DECEMBER 31, 2008
(In thousands of Reais)

	CAPITAL STOCK	CAPITAL RESERVES	REVALUATION RESERVES	PROFIT RESERVES	RETAINED EARNINGS/ ACCUMULATED LOSSES	EQUITY VALUATION ADJUSTMENTS	TOTAL SHAREHOLDERS' EQUITY
Opening Balance	1,680,947	0	4,208,550	234,647	0	0	6,124,144
Prior Year Adjustments	0	0	0	0	0	0	0
Adjusted Balance	1,680,947	0	4,208,550	234,647	0	0	6,124,144
Income/Loss for the Period	0	0	0	0	2,905,245	0	2,905,245
Distributions	0	30	0	1,090,710	(2,905,245)	0	(1,814,505)
Dividends	0	0	0	0	(1,909,410)	0	(1,909,410)
Interest on Shareholders' equity	0	0	0	0	(205,590)	0	(205,590)
Other Distributions	0	30	0	1,090,710	(790,245)	0	300,495
Realization of Profit Reserves	0	0	0	0	0	0	0
Equity Valuation Adjustments	0	0	0	0	0	0	0
Securities Adjustments	0	0	0	0	0	0	0
Translation Accumulated Adjustments	0	0	0	0	0	0	0
Business Combination Adjustments	0	0	0	0	0	0	0
Increase/Decrease in Capital Stock	0	0	0	0	0	0	0
Recording/Realization of Capital Reserves	0	0	0	0	0	0	0
Treasury Shares	0	0	0	(66,774)	0	0	(66,774)
Other Capital Transactions	0	0	0	65	0	0	65
Other	0	0	377,003	17,083	0	0	394,086
Reserve Realization	0	0	377,003	0	0	0	377,003
Unrealized profit	0	0	0	17,083	0	0	17,083
Closing Balance	1,680,947	30	4,585,553	1,275,731	0	0	7,542,261

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FROM 1/1/2006 TO 12/31/2006
DECEMBER 31, 2008
(In thousands of Reais)

	CAPITAL STOCK	CAPITAL RESERVES	REVALUATION RESERVES	PROFIT RESERVES	RETAINED EARNINGS/ ACCUMULATED LOSSES	EQUITY VALUATION ADJUSTMENTS	TOTAL SHAREHOLDERS' EQUITY
Opening Balance	1,680,947	0	4,518,054	336,189	0	0	6,535,190
Prior Year Adjustments	0	0	0	0	0	0	0
Adjusted Balance	1,680,947	0	4,518,054	336,189	0	0	6,535,190
Income/Loss for the Period	0	0	0	0	1,338,775	0	1,338,775
Distributions	0	0	0	40,000	(1,642,531)	0	(1,602,531)
Dividends	0	0	0	0	(748,000)	0	(748,000)
Interest on Shareholders' equity	0	0	0	0	0	0	0
Other Distributions	0	0	0	40,000	(894,531)	0	(854,531)
Dividends and interest rates on shareholders' equity	0	0	0	0	(854,671)	0	(854,671)
Investment reserve	0	0	0	40,000	(40,000)	0	0
Dividends write-offs and time-barred Interest on Shareholders' equity	0	0	0	0	140	0	140
Realization of Profit Reserves	0	0	0	0	0	0	0
Equity Valuation Adjustments	0	0	0	0	0	0	0
Securities Adjustments	0	0	0	0	0	0	0
Translation Accumulated Adjustments	0	0	0	0	0	0	0
Business Combination Adjustments	0	0	0	0	0	0	0
Increase/Decrease in Capital Stock	0	0	0	0	0	0	0
Recording/Realization of Capital Reserves	0	0	0	0	0	0	0
Treasury Shares	0	0	0	0	0	0	0
Other Capital Transactions	0	0	0	(39,110)	0	0	(39,110)
Other	0	0	(309,504)	(102,432)	303,756	0	(108,180)
Reserve Realization	0	0	(280,508)	0	280,508	0	0
Reserve Reversal – CTE	0	0	(28,996)	0	0	0	(28,996)
Debentures on the market	0	23,248	0	0	0	0	23,248
Distribution of debentures	0	(23,248)	0	0	23,248	0	0
Unrealized profits	0	0	0	(102,432)	0	0	(102,432)
Closing Balance	1,680,947	0	4,208,550	234,647	0	0	6,124,144

COMPANHIA SIDERÚRGICA NACIONAL – CSN
CONSOLIDATED STATEMENT OF ADDED VALUE
DECEMBER 31, 2008
(In thousands of Reais)

	1/1/2008 to 12/31/2008	1/1/2007 to 12/31/2007	1/1/2006 to 12/31/2006
Revenues	22,925,236	14,200,945	11,137,990
Sale of Goods, Products and Services	18,857,359	14,058,020	11,117,842
Other Revenues	4,154,931	144,696	19,068
Revenues related to Construction of Own Assets	0	0	0
Allowance for/Reversal of Doubtful Accounts	(87,054)	(1,771)	1,080
Input Acquired from Third Parties	(9,895,956)	(5,937,656)	(4,666,912)
Costs of Products, Goods and Services Sold	(8,791,322)	(5,034,689)	(4,508,291)
Materials, Energy – Third Party Services Sold	(1,264,486)	(902,967)	(888,537)
Loss/Recovery of Assets	159,852	0	729,916
Other	0	0	0
Gross Value Added	13,029,280	8,263,289	6,471,078
Retention	(768,679)	(1,132,275)	(961,393)
Depreciation, Amortization and Depletion	(768,679)	(1,132,275)	(961,393)
Other	0	0	0
Net Added Value Produced	12,260,601	7,131,014	5,509,685
Added Value Received in Transfers	2,061,839	493,354	(395,425)
Equity pick-up	(97,212)	(109,683)	(87,509)
Financial Income	2,138,251	603,037	(307,916)
Other	20,800	0	0
Total Added Value to Distribute	14,322,440	7,624,368	5,114,260
Distribution of Added Value	14,322,440	7,624,368	5,114,260
Personnel	815,199	696,573	674,353
Direct Compensation	648,619	0	0
Benefits	123,600	0	0
Government Severance Indemnity Fund for Employees (FGTS)	42,980	0	0
Other	0	0	0
Taxes, Fees and Contributions	2,762,501	3,483,876	2,807,183
Federal	2,024,922	0	0
State	722,298	0	0
Municipal	15,281	0	0
Third Party Capital Remuneration	4,970,592	521,569	465,199
Interest	4,970,533	0	0
Rentals	59	0	0
Other	0	0	0
Remuneration of Shareholders' equity	5,774,148	2,922,350	1,167,525
Interests on Shareholders' equity	268,405	0	0
Dividends	1,500,000	870,672	1,129,366
Retained Earnings/Accumulated Losses for the Year	2,907,121	2,034,573	40,000
Minority Interest in Retained Earnings	1,098,622	17,105	(1,841)
Other	0	0	0

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2008

(In thousands of *reais*, unless otherwise stated)

1. OPERATIONS

The main activity of Companhia Siderúrgica Nacional ("CSN" or "Company") is the production of flat steel products and its main industrial complex is the Presidente Vargas Steelworks ("UPV") located in the city of Volta Redonda, State of Rio de Janeiro.

Also, CSN is engaged in the mining of iron ore, limestone and dolomite in the branches in the State of Minas Gerais and tin in the State of Rondônia, by means of the subsidiary Estanho de Rondônia S.A. ("ERSA"), in order to meet the needs of UPV. In addition to provide greater synergy to the processes and segments, the Company also maintains strategic investments in mining companies, railroad, electricity and ports. In addition, the Company is establishing a cement plant and a long steel plant in Volta Redonda.

The company, aiming to get closer to clients and exploit markets on a global level, has a steel distributor, metal packaging plants in addition to a galvanized steel plant in the South and another in the Southeast of Brazil supplying mainly the home appliance and automotive industry, respectively. Abroad, the Company has a steel rolling mill in Portugal and another mill in the United States.

The Company's shares are listed on the Stock Exchanges in Brazil (BOVESPA) and in the United States (NYSE).

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The individual (Company) and consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil, based on the Brazilian Corporate Law, pronouncements issued by the Committee for Accounting Pronouncements– CPC and rules issued by the Brazilian Securities and Exchange Commission.

In compliance with CPC 02, approved by the CVM Resolution 534, the Company integrated the investments abroad which are not characterized as independent entities to the Parent Company's financial statements.

The Company, in order to enhance the disclosures to the market, presents the following supplementary information of business segments, comprising the Parent Company and the consolidated financial information:

"A distinguishable component of the Company is the segment, the goal of which is manufacturing products, rendering services, or rendering of products and services within a particular economic environment, which is subject to risks and rewards that are different from other segments".

Some balances related to 2007 were reclassified to enable a better comparability with 2008. The main reclassified items are listed as follows:

Derivatives: The amount of R$6,787, related to swap gains in the exclusive fund, was reclassified from securities to loans and financing. And the amount of R$1,472,134 related to the accumulated gain of the total return equity swap operation was reclassified from securities to other accounts receivable under current assets;

Advances to suppliers: The Company transferred the amount of R$320,781 from advance to suppliers to the inventories group because these advances are connected to a specific purchase of raw materials incorporated to inventories upon their effective receipt;

Nonoperating income and expenses: In compliance with Provisional Measure 449/08, the Company reclassified nonoperating income in the amount of R$862,541 to other operating income, and nonoperating expenses in the amount of R$717,813 to other operating expenses.

3. DESCRIPTION OF NEW PRONOUNCEMENTS APPLICABLE TO THE COMPANY AND SIGNIFICANT ACCOUNTING PRACTICES

3.1. Initial adoption of Law 11638/07

The Company's Management adopted for the first time Law 11638/07 and Provisional Measure 449/08 in preparing the 2008 financial statements, as allowed by the CVM Resolution 565/08, reflecting the initial adjustments as of January 1, 2008, the transition date, on the retained earnings account without retrospective effects on the 2007 financial statements. The amendments introduced are defined as changes in accounting practices, as allowed by the CPC Technical Pronouncement 13 – Initial Adoption of Law 11638/07.

The main purpose of these modifications is to update the Brazilian corporate law so as to harmonize the accounting practices adopted in Brazil with the International Financial Reporting Standards – "IFRS", and enable that new accounting standards and procedures are issued by regulatory authorities in compliance with such standards.

Additionally, as a result of the enactment of the aforementioned Law, several pronouncements issued by CPC were edited and approved by the Brazilian Securities and Exchange Commission (CVM) throughout 2008, with mandatory application for financial statements for the year ended December 31, 2008.

- **Impairment of assets – CPC 01**

The objective of this standard is to ensure that assets are not recorded at an amount higher than that possibly recoverable over time through their use in the entity's operations, or through their sale.

The amounts recorded under property, plant and equipment, intangible assets and deferred charges were analyzed (impairment test) by the Company and its subsidiaries. The recoverable value of these assets exceeds their book value, and thus no impairment loss was recognized.

- **Effects of changes in foreign exchange rates and translation of financial statements – CPC 02**

According to the concepts described in the CPC Technical Pronouncement 02, Management defined that the functional currency of the subsidiaries in the country as the Brazilian Real. For Lusosider the Euro has been adopted, and for the other foreign subsidiaries the functional currency is the U.S. Dollar.

The adoption of CPC 02 changed the following procedures:

a) The exchange rate variations on investments in independent subsidiaries and associated companies, with functional currencies different from that of the parent company, is initially recorded in the shareholders' equity, as accumulated translation adjustments, which will be transferred to income upon the realization of investments. Up to 2007, this exchange rate variation affected the income for the year as equity pick-up.

b) The statement of income of the investees in stable economic environments, with functional currencies different from those used by the parent company, is translated using the average monthly foreign exchange rate, and the other shareholders' equity items are being translated by the historical rate. Previously, the year-end foreign exchange rate was used for the translation of these items.

- **Statement of cash flows – CPC 03**

Statement whose purpose is to provide a basis for the evaluation of the entity's capacity to generate cash and cash equivalents, as well as its liquidity needs in a certain period of time. The Company disclosed the statement of cash flows as supplementary information to the financial statements in previous years, pursuant to the CVM guidance.

- **Intangible assets – CPC 04**

Intangible assets are evaluated at the cost of acquisition, net of accumulated amortization and, when applicable, net of impairment. The Company's intangible assets consist of software, which is amortized according to the useful life estimated by the Company, and of goodwill based on expected future profitability, which is tested on a yearly basis and whenever the Management considers necessary.

The balances of intangible assets classified in this account were recorded in property, plant and equipment, deferred charges and investments in previous years.

- **Related parties – CPC 05**

The purpose of this Technical Pronouncement is to ensure that the financial statements of an entity provide the necessary information to evidence the possibility that its financial position and income may have been affected by the existence of related parties, and by transactions and existing balances with these parties.

The Company's related parties include the parent company, key Management personnel, subsidiaries, jointly-owned subsidiaries, in addition to other entities.

- **Government subsidies and assistance – CPC 07**

This pronouncement aims at prescribing the accounting record and the disclosure of subsidies to investment, funding and other forms of government assistance.

The subsidiaries Inal Nordeste and Metalic have certain tax incentives, which will be recognized when there is reasonable certainty that the entity will comply with the conditions attaching to them, and that the subsidies are receivable. The Company will record this transaction by means of equity pick-up.

- **Statement of added value – CPC 09**

Its main purpose is to inform the amount of the wealth created by the Company and the form of its distribution. The Company standardized the statement of added value, pursuant to the CVM Resolution 557/08, which approves this technical pronouncement. In previous years the Company used to present this statement as supplementary information to the financial statements.

- **Adjustment to present value – CPC 12**

This pronouncement specifies procedures to calculate adjustments at present value at the initial moment in which assets and liabilities are recognized.

After analyzing the balances of the accounts of monetary assets and liabilities, as well as discount rates based on the market assumptions, the Company and its subsidiaries deemed it not necessary to record adjustment at present value, since these adjustments do not have material effects on the individual and consolidated statements.

- **Initial adoption of Law 11638/07 – Provisional Measure 449/08 and CPC 13**

Law 11638/07 and Provisional Measure 449/08 introduced the possibility of harmonization with IFRS in Brazil, producing some technical changes that enabled this transition and which established the path that should be followed. The Provisional Measure, by introducing the distinction between accounting for corporate purposes and for tax purposes, enables for the adoption of these international standards also for individual balance sheets. Thus, it is necessary to regulate the accounting changes introduced by these two legal instruments and by the Accounting Pronouncements deriving from this convergence.

The purpose of the CPC Pronouncement 13 is to specify procedures for the records in the first year of adoption of the Law, Provisional Measure and Pronouncements.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2008

(In thousands of *reais*, unless otherwise stated)

- **Financial instruments: recognition, measurement and presentation – CPC 14**

The Company and its subsidiaries contracted financial instruments whose balances as of the transition date were reclassified in compliance with the CVM Resolution 566/08, which approved CPC 14. The adoption of this classification had no effects on the measurement and recognition of the financial instruments in the opening balance sheet and in the individual and consolidated financial statements as of December 31, 2008.

Financial instruments are initially recognized at fair value plus, whereas those financial instruments not classified at fair value through the income, plus the transaction costs that are directly attributable to them. Subsequently to the initial recognition the financial instruments are measured as follows:

Financial asset or liability measured at fair value through the income

An instrument is classified as measured at fair value through the income if it is held for trading or designated by the Company in the initial recognition. On the occasion of the initial recognition, transaction costs are recognized in the income. These instruments are measured at fair value and the subsequent variations are recognized in the income for the year.

Other financial instruments

These are measured at the amortized cost, using the effective interest rate method, less impairment loss.

The table below presents the financial instruments by category:

	2008			Initial recognition 01/01/2008		
Consolidated - R$ thousand	**Balance in 2008**	**Fair value through income**	**Loans and receivables - Real interest rate**	**Initial balances**	**Fair value throug h income**	**Loans and receivables - Real interest rate**
Assets						
Current						
Cash and cash equivalents[1]	9,224,113	9,224,113		2,367,352	2,367,352	
Net accounts receivable[2]	1,086,557		1,086,557	744,401		744,401
Advances to suppliers[3]	220,666		220,666	320,781		320,781
Financial instrument guarantee margin[10]	2,473,976	2,473,976				
Noncurrent						
Marketable securities[1]	23,370	23,370		17,713	17,713	
Other securities receivable[4]	137,287		137,287	155,462		155,462
Liabilities						
Current						
Loans and financing[5]	3,257,627		3,257,627	1,156,128		1,156,128
Debêntures[5]	44,428		44,428	413,220		413,220
Derivative financial instruments[6]	(304,607)	(304,607)		251,852	251,852	
Accounts Payable to Suppliers[7]	1,939,205		1,939,205	1,346,789		1,346,789
Advances from Clients[8]	54,386		54,386	42,285		42,285
Salaries, charges and social contributions[9]	117,994		117,994	110,313		110,313
Equity swap derivative financial instrument[10]	1,596,394	1,596,394		(1,472,134)	(1,472,134)	
Dividends, interest on shareholders' equity and profit sharing[11]	1,851,933		1,851,933	2,166,039		2,166,039
Noncurrent						
Loans and financing[5]	10,926,538		10,926,538	6,289,940		6,289,940
Debentures[5]	632,760		632,760	640,950		640,950
Derivatives[6]	(7,565)	(7,565)				

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(1) **Cash and cash equivalents, and long-term securities:** The balances of cash, banks and cash in transit are presented at realization (market) value, which is equivalent to their book value. The Company and its subsidiaries settled in Brazil invest their funds in exclusive investment funds, fixed income, and time deposit. These funds' portfolio was valued by its market value and, like fixed income and time deposit operations, it has daily liquidity. The introduction of the new classification did not change the measurement and recognition of such investments in the financial statements.
(2) **Accounts receivable:** Trade accounts receivable are recorded at the billed amount, including the respective taxes. The turnover of the parent company's and its subsidiaries' accounts receivable is of short term, with an average of 30 days, with no need of adjustments at present value, according to the Company's judgment. The allowance for doubtful accounts is recorded using the Management's assessment on the quality of receivables.
(3) **Advances to suppliers:** These are advances with future supply guarantees for operations already contracted and with realization in the short term, which justifies the maintenance of historical records. Long-term operations are corrected according to contractual clauses.
(4) **Other receivables:** These basically consist of receivables from energy made available in the Electric Power Commercialization Chamber and debt renegotiations, and they are recognized at historical value and will be corrected by the Interbank Deposit Certificate (CDI) rate with the recognition of interest income upon the effective realization.
(5) **Loans, financing and debentures:** These are recognized at amortized cost, corresponding to the initially recognized value, less amortizations of principal plus accumulated interest by the effective interest rate method.
(6) **Derivative financial instruments:** These are recognized at fair value as shown in Note 16.
(7) **Suppliers:** National suppliers are presented at historical value and there is no need of adjustments, since they will be settled at the original value with no additions and in the very short term. For accounts payable of foreign suppliers of raw materials financed in 360 days, the Company understands the adjustment at present value is not material.
(8) **Advances from clients:** These are contractual credits received as guarantee of future supply of operations already contracted, also with realization in the very short term.
(9) **Salaries, charges and social contributions:** These liabilities are recorded plus their charges and contributions, and the settlements are estimated at their historical values.
(10) **Financial instruments and safety margin of financial instruments (equity swap):** These are recognized at fair value as stated in note 17.
(11) **Dividends, interest on shareholders' equity and profit sharing:** This is compensation to shareholders and employees calculated based on the income for the year, with settlement estimated for the subsequent year.

- **Deferred charges**

The Company reclassified certain items previously recognized as deferred charges (future profitability goodwill), and it will maintain the remaining balance of deferred charges referring to preoperating expenses incurred before December 31, 2007 until their full amortization or write-off due to impairment.

- **Nonoperating income – Provisional Measure 449/08**

Pursuant to the aforementioned Provisional Measure, the Company reclassified the other nonoperating income and expenses to the operating account group, thus adopting the end of the segregation between operating and nonoperating income.

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(In thousands of *reais*, unless otherwise stated)

- **Summary of the effects of Law 11638/07 and Provisional Measure 449/08**

	2008					
	Consolidated			Parent Company		
	Final balance	Impacts from Law 11,638/07 and MP 449/08	Balance before adjustments	Final balance	Impacts from Law 11,638/07 and MP 449/08	Balance before adjustments
ASSETS						
Current	**18,328,700**	**(60,706)**	**18,389,406**	**13,995,576**	**(60,706)**	**14,056,282**
Inventories	3,622,775	(60,706)	3,683,481(2)	2,664,862	(60,706)	2,725,568(2)
Other	14,705,925		14,705,925	11,330,714		11,330,714
Noncurrent						
Long-term assets	**2,514,172**		**2,514,172**	**4,722,985**		**4,722,985**
Permanent assets	**10,654,567**	**(6,455,122)**	**17,109,689**	**19,301,407**	**(6,426,520)**	**25,727,927**
Investment	1,512		1,512	12,343,479	28,602	12,314,877(9)
Revaluation	10,083,777	(6,432,820)	16,516,597(1)	6,887,348	(6,432,820)	13,320,168(1)
Intangible assets	526,796		526,796	36,049		36,049
Write-off of deferred charges related to 2007 balance	42,482	(22,302)	64,784(5)	34,531	(22,302)	56,833(5)
TOTAL ASSETS	**31,497,439**	**(6,515,829)**	**38,013,268**	**38,019,968**	**(6,487,227)**	**44,507,195**
LIABILITIES						
Current	**9,633,228**		**9,633,228**	**7,433,379**		**7,433,379**
Noncurrent						
Long-term liabilities	**15,192,878**	**(2,072,306)**	**17,265,184**	**23,838,127**	**(2,072,306)**	**25,910,433**
Deferred income taxes/social contribution		(2,072,306)	2,072,306(3)		(2,072,306)	2,072,306(3)
Other	15,192,878		15,192,878	23,838,127		23,838,127
Deferred income	**8,744**		**8,744**			
Shareholders' equity	**6,662,589**	**(4,443,522)**	**11,106,111**	**6,748,462**	**(4,414,920)**	**11,163,382**
Capital	1,680,947		1,680,947	1,680,947		1,680,947
Adjustments to assets valuation	**1,298,729**	**1,270,127**	**28,602**	**1,298,729**	**1,298,729**	
Reversal of foreign investees' exchange variation		1,270,127	(1,270,127)(6)		1,270,127	(1,270,127)(6)
Adjustments to assets valuation, equity effects					28,602	(28,602)
Adjustments to assets valuation	3,705,215	(5,459,117)	4,641,659	3,768,786	(4,360,513)	8,129,299
Reversal of revaluation reserve		(6,432,820)	6,432,820(1)		(6,432,820)	6,432,820(1)
Reversal of income taxes/social contribution on revaluation reserve		2,072,306	(2,072,306)(3)		2,072,306	(2,072,306)(3)
Reversal of prepayment intercompanies exchange variation	(730,502)	(730,502)				
Reversal of intercompany loans variation	(713,955)	(713,955)				
Reversal of loan agreement exchange variation	(220,095)	(220,095)				
Provision of deferred income taxes on adjustments to assets valuation	565,948	565,948				
Retained earnings (or accumulated losses)	(22,302)	(254,532)	281,146		(1,353,136)	1,353,136
Reversal of recording of revaluation reserve		(425,979)	425,979(2)		(425,979)	425,979(2)
Reversal of income taxes/social contribution on revaluation reserve		144,833	(144,833)(4)		144,833	(144,833)(4)
Write-off of deferred charges related to 2007 balance	(22,302)	(22,302)	(5)		(22,302)	22,302(5)
In the income for the year	5,774,149	57,211	5,716,938	4,675,526	(1,049,687)	5,725,213
TOTAL LIABILITIES	**31,497,439**	**(6,515,829)**	**38,013,268**	**38,019,968**	**(6,487,227)**	**44,507,195**
NET REVENUE	**14,002,871**		**14,002,871**	**10,504,554**		**10,504,554**
Cost of goods sold and services rendered	(6,976,382)	351,151	(7,327,533)(2)	(5,387,338)	344,003	(5,731,341)(2)
GROSS OPERATING INCOME	**7,026,489**	**351,151**	**6,675,338**	**5,117,216**	**344,003**	**4,773,213**
OPERATING REVENUES AND EXPENSES						
Selling expenses	(775,624)	2,777	(778,401)(2)	(517,935)	2,546	(520,481)(2)
General and administrative expenses	(498,159)	2,493	(500,652)(2)	(329,160)	1,578	(330,738)(2)
Other operating revenues	3,761,117	17,146	3,743,971(2)	4,005,701	17,146	3,988,555(2)
OPERATING INCOME BEFORE FINANCIAL EFFECTS AND INTERESTS	**9,513,823**	**373,567**	**9,140,256**	**8,275,822**	**365,273**	**7,910,549**
Financial income and expenses	**(3,179,300)**		**(3,179,300)**	**(2,040,777)**		**(2,040,777)**
Foreign exchange variation from loans and intercompany operations	**1,664,552**	**1,664,552**	(7)			
Foreign exchange variation from foreign investees	(1,270,127)	(1,270,127)	(6)	(1,270,127)	(1,270,127)	(6)
INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES	**6,728,948**	**767,992**	**5,960,956**	**4,964,918**	**(904,854)**	**5,869,772**
Current income taxes/social contribution	(1,355,770)	(144,833)	(1,210,937)(4)	(572,075)	(144,833)	(427,242)(4)
Deferred income taxes/social contribution	400,971	(565,948)	966,919(8)	282,683		282,683
NET INCOME FOR THE YEAR	**5,774,149**	**57,211**	**5,716,938**	**4,675,526**	**(1,049,687)**	**5,725,213**

(1) Revaluation reversal.
(2) Portion related to the reversal of the depreciation of the revaluation.
(3) Reversal of income and social contribution taxes related to the revaluation.
(4) Reversal of income and social contribution taxes related to the depreciation of the revaluation.
(5) Write-off of revaluated assets.
(6) Write-off and reclassification of certain deferred assets items pursuant to law 11638/07.
(7) Exchange rate variation of loans and financing from intercompany operations: Fixed rate notes, intercompany and loan.
(8) Income tax (IR) and social contribution on net income (CSLL) related to exchange rate variation of loans and financing from intercompany operations.
(9) Adjustment of equity valuation effects.

3.2. Main practices

(a) Statement of income

The results of operations are recognized on the accrual basis and the revenue from the sales of products is recognized when the Company no longer controls or holds any responsibility for the property and all risks and rewards have been transferred to the buyer. Revenue from services rendered is recognized in proportion to the stage of completion of the service.

Revenue is not recognized if Management cannot measure its value precisely and if there are significant uncertainties as to the realization of the sale's economic benefit.

(b) Current assets and noncurrent assets

- **Cash and cash equivalents**

These are represented by immediate liquidity amounts, redeemable in up to 90 days from the balance sheets dates and with an insignificant risk of change in their market value. Financial assets included in this group are measured at fair value through the income.

- **Marketable securities**

The investment funds have daily liquidity and the assets are valued at market value, according to instructions of the Central Bank of Brazil and the Brazilian Securities and Exchange Commission (CVM), since the Company considers these investments as securities held for trading.

- **Trade accounts receivable**

Trade accounts receivable are recorded at the invoiced amount, including the respective taxes and ancillary expenses and credits from clients in foreign currency are corrected by the exchange rate as of the date of the financial statements. The allowance for doubtful accounts was recorded in an amount considered adequate to support any losses and Management's assessment takes into account the client's history, the financial situation and the assessment of our legal advisors regarding the receipt of these credits for the recording of this provision.

- **Inventories**

Inventories are stated at their average cost of acquisition or production and imports in transit are recorded at their cost of acquisition, not exceeding their market or realization values. Provisions for losses or obsolescence are recorded whenever Management considers it appropriate.

- **Investments**

Investments in subsidiaries and jointly-owned subsidiaries are recorded by the equity accounting method and recognized in the income for the year as operating income (or expenses). Other investments, represented by minority interest, are recorded at cost.

For purposes of equity accounting calculation, gains or transactions to be carried out between the Company and its subsidiaries and direct and indirect associates are eliminated based on the ratio of the Company's interest.

When necessary, the accounting practices of the subsidiaries and associated companies are changed to ensure criteria consistency and uniformity with the practices adopted by the Company.

Accounting records of the dependent subsidiaries were consolidated to the parent Company's financial statements, as provided for in the CPC Pronouncement 02.

- **Property, plant and equipment**

These are recorded at acquisition, formation or construction cost. Depreciation is calculated through the straight-line method, based on the remaining economic useful lives of the assets, and depletion of the Casa de Pedra mine is calculated based on the quantity of iron ore extracted. All interest charges related to loans and financing specific for construction in progress are capitalized until the constructions are concluded.

Law 11638/07, MP 449/08 and CPC 01 require that the recoverability evaluation of all items in this subgroup be carried out whenever there is evidence of loss, as no item should remain recorded under property, plant and equipment at an amount lower than its recoverable value. The Company evaluated property, plant and equipment items and did not identify any loss to be recorded.

- **Intangible assets**

Intangible assets comprise the assets acquired from third parties, including by means of business combination, and/or those internally generated by the Company.

These assets are recorded at the acquisition or formation cost, less amortization calculated through the straight-line method based on exploration or recovery terms.

Intangible assets with an indefinite useful life, as well as goodwill for expected future profitability, will no longer be amortized as of January 1, 2009, and their recoverable value is tested on a yearly basis. The Company applied a goodwill recoverability test for the year ended December 31, 2008 and previous years.

- **Deferred charges**

The Company reclassified certain items previously recognized in deferred assets (future profitability goodwill), and it will maintain in this group only remaining balances of deferred preoperating expenses, which will be amortized in accordance with the criteria prior to Law 11638/07 due to the option offered by CPC 13 (Initial adoption of Law 11638/07 and MP 449/08).

- **Impairment**

The recoverable value of the accounts of property, plant and equipment, intangible assets and deferred charges are tested on a yearly basis or whenever significant events or changes in circumstances indicate the book value may not be recovered.

In order to test the recoverability of an individual asset or group of assets, the Company analyzes supporting evidence that their book values will not be recoverable and, should these evidences be confirmed and the Company identifies an impairment possibility, Management compares the residual book value of this group of assets with their recoverable value.

The recoverability of the goodwill balances is tested on a yearly basis regardless of the indication of non-recovery of their book value.

When the residual book value of the asset exceeds its recoverable value, the Company will recognize a reduction in the book balance for this asset.

- **Other current and noncurrent assets**

Stated at their realization value, including, when applicable, the yields earned up to the date of the financial statements or, in the case of prepaid expenses, at cost.

(c) Current and noncurrent liabilities

These are stated at their known or estimated values, plus, when applicable, the corresponding charges and monetary and foreign exchange variations incurred up to the date of the financial statements.

- **Employees' benefits**

In accordance with Resolution 371/00, issued by the Brazilian Securities and Exchange Commission, the Company has been recording the respective actuarial liabilities as from January 1, 2002, in accordance with the aforementioned reported resolution and based on studies, which are carried out annually, prepared by external actuaries.

- **Income and social contribution taxes**

Income and social contribution taxes are calculated at rates of 15% plus an additional of 10% on taxable basis for income tax and at a 9% rate on taxable basis for social contribution on net income. In the calculation of taxes, the tax loss carryforward and negative basis of social contribution is also considered, limited to 30% of taxable income.

The deferred tax assets deriving from tax loss carry forwards and negative basis of social contribution on net income were recorded pursuant to the CVM Rule 371/02 and took into consideration the history of profitability and the expectations of generating future taxable income, based on a technical study.

(d) Derivative financial instruments

The financial instrument balances, recorded pursuant to CPC 14, which was approved by the CVM Resolution 565/08, are classified and recorded at fair value and gains and losses are recognized in the income by accrual period.

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In order to contract derivative financial instruments with hedging purposes within the Company's internal controls structure, the foreign exchange exposure is ascertained by means of analyzing assets and liabilities exposed to foreign currency, and among these assets and liabilities exposed we have: accounts receivable and payable in foreign currency, investments in other companies overseas, funds available and foreign currency debt.

This exposure is continuously ascertained and presented to the Board of Directors for approval of the Company's hedging strategy.

(e) Other derivative financial instruments

The Company maintains a financial instrument called total return equity swap, whose purpose is to increase the return on financial assets. This instrument is recorded at fair value and gains and losses are recognized in income by accrual period.

The Company recorded this instrument in other accounts payable, and the margin of safety of this instrument, in other accounts receivable.

(f) Treasury Shares

As established by the CVM Rule 10 of February 14, 1980, treasury shares are recorded at cost of acquisition, and the market value of these shares is calculated based on the average stock exchange quotation on the last day of the period.

(g) Accounting Estimates

The preparation of the Financial Statements in accordance with the accounting practices adopted in Brazil requires that Management uses its judgment in determining and recording the accounting estimates, such as: allowance for doubtful accounts, provision for inventory losses, provisions for labor, civil, tax and social security liabilities, depreciation, amortization, depletion, provision for impairment, deferred taxes, financial instruments and employees' benefits. The settlement of the transactions involving these estimates may result in different amounts from those estimated, due to lack of precision inherent to the process of their determination. The Company periodically reviews the estimates and assumptions.

4. CONSOLIDATED FINANCIAL STATEMENTS

The accounting practices reflect the changes introduced by the new pronouncements and were treated uniformly in all the consolidated companies.

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(In thousands of *reais*, unless otherwise stated)

The consolidated financial statements for the years ended December 31, 2008 and 2007 include the following direct and indirect subsidiaries and jointly-owned subsidiaries:

	Ownership interest (%)		
Companies	**2008**	**2009**	**Main activities**
Direct investment: full consolidation			
CSN Energy	100.00	100.00	Equity interest
CSN Export	100.00	100.00	Financial operations, trading of products and equity interest
CSN Overseas	100.00	100.00	Financial operations and equity interest
CSN Panamá	100.00	100.00	Financial operations and equity interest
CSN Steel	100.00	100.00	Financial operations and equity interest
Arame Corporation	100.00	100.00	Dorment Company
TdBB S.A.	100.00	100.00	Dorment Company
International Charitable Corporation	100.00	100.00	Dorment Company
GalvaSud	99.99	15.29	Steel industry
Sepetiba Tecon	99.99	99.99	Maritime port services
Pelotização Nacional		99.99	Mining and equity interest
Minas Pelotização	99.99	99.99	Mining and equity interest
CSN Aços Longos	99.99	99.99	Steel and/or metal products industry and trade
Nacional Siderurgia	99.99	99.99	Steel industry
Estanho de Rondônia – ERSA	99.99	99.99	Mining
Cia Metalic Nordeste	99.99	99.99	Packaging production
Companhia Metalúrgica Prada	99.99		Packaging production
CSN Cimentos	99.99	99.99	Cement production
Inal Nordeste	99.99	99.99	Steel products service center
CSN Gestão de Recursos Financeiros	99.99	99.99	Dorment Company
Congonhas Minérios	99.99	99.99	Mining and equity interest
CSN Energia	99.90	99.90	Electricity trading
CSN I		99.99	Equity interest
Indústria Nacional de Aços Laminados – INAL		99.99	Steel products service center
Nacional Minérios		99.99	Mining and equity interest
Direct investment: proportional consolidation			
Transnordestina Logística	84.50	46.88	Railroad transport
Nacional Minérios	59.99		Mining and equity interest
Itá Energética	48.75	48.75	Electricity generation
MRS Logística	27.27	32.93	Railroad transport
Indirect investment: full consolidation			
CSN Aceros	100.00	100.00	Equity interest
CSN Cayman	100.00	100.00	Financial operations, trading of products and equity interest
CSN Iron	100.00	100.00	Financial operations
Companhia Siderurgica Nacional LLC	100.00	100.00	Steel industry
CSN Holdings Corp	100.00	100.00	Equity interest
Companhia Siderurgica Nacional Partner LLC	100.00	100.00	Equity interest
Energy I	100.00	100.00	Equity interest
CSN Madeira	100.00	100.00	Financial operations, trading of products and equity interest
Cinnabar	100.00	100.00	Financial operations and equity interest
Hickory	100.00	100.00	Financial operations and trading of products
Lusosider Projectos Siderúrgicos	100.00	100.00	Equity interest
CSN Acquisitions	100.00	100.00	Financial operations and equity interest
CSN Finance (Netherlands	100.00	100.00	Financial operations and equity interest
CSN Finance	100.00	100.00	Financial operations and equity interest
CSN Holdings	100.00	100.00	Financial operations and equity interest
Inversiones CSN Espanha		100.00	Financial operations and equity interest
MG Minérios		99.99	Mining and equity interest
Lusosider Aços Planos	99.94	99.94	Steel industry and equity interest
Itamambuca Participações	99.93	99.93	Mining and equity interest
CSN Energia	0.10	0.10	Electricity trading
Companhia Metalúrgica Prada		99.99	Packaging production
GalvaSud		84.71	Steel industry
Indirect investment: proportional consolidation			
MRS Logística	6.00		Railroad transport
NMSA Madeira	60.00		Equity interest and trading of products and minérios
Inversiones CSN Espanha	60.00		Financial operations and equity interest
Pelotização Nacional	59.99		Mining and equity interest
MG Minérios	59.99		Mining and equity interest

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Note: Main movement involving the subsidiaries throughout 2008:

a) CSN I was merged by GalvaSud;

b) INAL was merged by Cia. Metalúrgica Prada;

c) CSN sold 10% of the MRS shares to Namisa;

d) CSN sold 2,271,825 shares of Namisa to the nonrelated company Big Jump Energy Participações S.A. (“Big Jump”). Subsequently Namisa issued 187,749,249 new shares, which were paid in by Big Jump, reducing the CSN interest from 100% to 59.99%; e) Pelotização Nacional, MG Minérios and Inversiones CSN Espanha – these companies were sold by CSN to Namisa.

- The following consolidation procedures were adopted in the preparation of the consolidated financial statements:
- Elimination of the balances of asset and liability accounts between consolidated companies;
- Elimination of the balances of investments and shareholders’ equity between consolidated companies;
- Elimination of balances of income and expenses and unrealized income deriving from consolidated intercompany transactions;
- Presentation of income and social contribution taxes on the unearned income as deferred taxes in the consolidated financial statements;
- Reclassification of exchange rate variations of monetary items with net foreign investment characteristics from financial income to shareholders’ equity.

Pursuant to the CVM Instruction 408 of August 18, 2004 the Company consolidates the financial statements of the exclusive investment funds Diplic and Mugen.

The base date for the subsidiaries’ and jointly-owned subsidiaries’ financial statements coincide with that of the parent company.

The reconciliation between shareholders’ equity and net income for the year of the parent company and consolidated is as follows:

	Shareholders’ Equity		Net income for the year	
	2008	2007	2008	2007
Parent company	**6,748,462**	**7,627,610**	**4,675,526**	**2,905,245**
Elimination of income in inventories and other adjustments	(85,873)	(85,349)	17	17,105
Exchange variation on long-term loans in US$ with foreign investee (CPC02)			1,098,606	
Consolidated	**6,662,589**	**7,542,261**	**5,774,149**	**2,922,350**

Additionally, subsidiaries abroad which are not characterized as independent entities were consolidated to the parent company’s financial statements, pursuant to CPC 02, approved by the CVM Resolution 534/08:

	Ownership interest (%)		
Companies	**2008**	**2007**	**Main activities**
Branches			
CSN Islands VII	100.00	100.00	Financial operations
CSN Islands VIII	100.00	100.00	Financial operations
CSN Islands IX	100.00	100.00	Financial operations
CSN Islands X	100.00	100.00	Financial operations
CSN Islands XI	100.00	100.00	Financial operations
Tangua	100.00	100.00	Financial operations
International Investment Fund	100.00	100.00	Nonoperating Company

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5. RELATED PARTY TRANSACTIONS a) Transactions with the Parent Company

Vicunha Siderurgia S.A. is a holding company whose purpose is to hold interest in other companies. It is the Company's main shareholder, with a 45.98% interest in the voting capital.

Vicunha Siderurgia's corporate structure is as follows:

Rio Purus Participações S.A. (unaudited) – holds 60% of National Steel and 59.99% of Vicunha Steel S.A.;
CFL Participações S.A. (unaudited) – holds 40% of National Steel and 39.99% of Vicunha Steel S.A.;
National Steel (unaudited) – holds 33.19% of Vicunha Aços;
Vicunha Steel (unaudited) – holds 66.81% of Vicunha Aços;
Vicunha Aços (unaudited) – holds 99.99% of Vicunha Siderurgia; and
Vicunha Siderurgia – holds 45.98% of CSN.

During the year 2008, CSN paid dividends and interest on shareholders' equity to Vicunha Siderurgia in the amounts indicated in the table below, in which the proposed dividends are also shown, considering the Vicunha Siderurgia interest as of the closing date of these financial statements.

Parent company	Proposed dividends	Proposed interest on sharholders' equity	Dividends paid in the period	Interest on sharholders' equity paid in the period
Total in 2008	**689,947**	**123,421**	**938,223**	**93,210**
Total in 2007	**865,683**	**93,210**	**231,600**	**90,944**

b) Transactions with jointly-controlled subsidiaries

The Company holds an interest in jointly-controlled subsidiaries in the strategic areas of mining, logistics and power generation. The characteristics, goals and transactions with these companies are stated as follows:

- **Nacional Minérios S.A. ("Namisa")**

Its main purpose is to extract and sell own and third-party iron ore. The main operations are developed in the municipality of Congonhas, state of Minas Gerais, and in Itaguaí, state of Rio de Janeiro. CSN maintains iron ore supply and port services provision transactions, in addition to maintaining operations related to operational and financial support (see Note 10).

- **Transnordestina Logística S.A.**

Its main purpose is to exploit the public rail cargo transportation service concession and the development in the Northeast Network, and it does not provide services to CSN. The Company does not maintain operating transactions with the subsidiary, and the operations between the parties are related to financial support to projects and operations of Transnordestina.

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(In thousands of *reais*, unless otherwise stated)

- **MRS Logística S.A.**

Its purpose is to exploit and develop the public rail cargo transportation service in the Southeast Network, which serves the Rio de Janeiro-São Paulo-Belo Horizonte stretch. MRS provides rail cargo transportation services for the supply and outflow of the CSN raw materials and finished products.

- **Itá Energética S.A. – Itasa**

Itasa holds an interest in the Itá Hydroelectric Power Plant consortium and the operations between the parties are related to the contracting of the electric power supply for the CSN operations.

- **Assets**

Companies	Accounts receivable	Dividends receivable	Advance for future capital increase	Total
Nacional Minérios	185,292	56,577		241,869
MRS Logística	510	129,420		129,930
Transnordestina			38,617	38,617
Itá Energética		4,071		4,071
Total in 2008	**185,802**	**190,068**	**38,617**	**414,487**
Total in 2007	**26,367**	**98,885**	**651,290**	**776,542**

- **Liabilities and shareholders' equity**

	Liabilities				Shareholders' equity	
Companies	Loans Prepayment	Loans/Current accounts	Other	Total	Adjustments to Assets Valuation - Effects	Total
Nacional Minérios ("Namisa")	7,286,154		3,272	7,289,426	51,825	51,825
MRS Logística		2,142	54,239	56,381		
Itá Energética			10,755	10,755		
Total in 2008	**7,286,154**	**2,142**	**68,266**	**7,356,562**	**51,825**	**51,825**
Total in 2007		**4,363**	**11,034**	**15,397**		

Namisa: the prepayment with the jointly-controlled subsidiary Nacional Minérios is related to the contractual obligation of iron ore supply and port services by CSN. The contract has a 12.5% p.a. interest rate and maturity estimated for December 2042. The valuation adjustment effects are related to the investee abroad using the dollar as functional currency.

MRS: in other accounts payable with MRS Logística we recorded the amount provisioned by CSN to cover take-or-pay contractual expenses related to the rail transportation contract under normal price conditions practiced in this market.

(In thousands of reais, unless otherwise stated)

Itasa: it is related to the electric power supply billed under normal market conditions of the Brazilian energy market.

- **Income**

	Income			**Expenses**	
	Products and services	**Interest and monetary and exchange variations**	**Total**	**Products and services**	**Total**
Itá Energética				122,680	122,680
MRS Logística	179		179	475,657	475,657
Transnordestina		14,440	14,440		
Nacional Minérios ("Namisa")	290,757		290,757	95,412	95,412
Total in 2008	**290,936**	**14,440**	**305,376**	**693,749**	**693,749**
Total in 2007	**28,666**	**14,711**	**43,377**	**412,974**	**412,974**

For further information on the subsidiaries, see Note 10.

c) Transactions with subsidiaries and special purpose entities (exclusive funds)

- **Assets**

Companies	**Accounts receivable**	**Marketable securities**	**Loans/Current accounts(*)**	**Dividends receivable**	**Advance for future capital increase**	**Total**
Cinnabar			2,234,493			2,234,493
Exclusive Funds(**)		1,188,464				1,188,464
NMSA Madeira			1,168,516			1,168,516
CSN Madeira	483,446		506,282			989,728
CSN Export	348,314					348,314
CSN Cimentos					248,626	248,626
Prada	106,403		2,499		(1,314)	107,588
CSN Aços Longos					107,069	107,069
GalvaSud	2,609			100,567		103,176
Inal Nordeste	9,408				6,000	15,408
CSN Energia				9,798		9,798
Cia. Metalic Nordeste	8,787					8,787
Estanho Rondônia				4,958		4,958
Sepetiba Tecon	85					85
Aceros			58			58
Total in 2008	**959,052**	**1,188,464**	**3,911,848**	**115,323**	**360,381**	**6,535,068**
Total in 2007	**863,424**	**683,690**	**71,235**	**139,318**	**100,369**	**1,858,036**

(*) Cinnabar – Contract in US$; interest ranging from 5.58% p.a. to 10.42% p.a.; final maturity in January 2015. NMSA Madeira – Contract in US$; interest of 0.25% p.a.; final maturity in January 2009. CSN Madeira – Contract in US$; interest ranging from 9.50% to 10.88 % p.a.; final maturity in January 2015.

(**) Financial investments in exclusive funds managed by Banco Pactual are basically backed by Brazilian government securities and have daily liquidity.

Accounts receivable derive from sales operations of products and services between the parent company and the subsidiaries.

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(In thousands of *reais*, unless otherwise stated)

- **Liabilities**

Companies	Prepayment(1)	Fixed Rate Notes(2)	Loans and Intercompany Bonds(2)	Loans(3) / current accounts	Other	Total
Cinnabar	1,901,895	931,857	129,252	357,935		3,320,939
CSN Iron	114,061		1,421,995			1,536,056
CSN Export	916,369			13,813		930,182
CSN Madeira	455,187		24,457	410,461		890,105
Aceros				23,493		23,493
CSN Energia				14,969		14,969
Ersa					4,244	4,244
GalvaSud					1,919	1,919
Other(*)					891	891
Total in 2008	**3,387,512**	**931,857**	**1,575,704**	**820,671**	**7,054**	**6,722,798**
Total in 2007	**2,162,209**	**2,023,535**	**1,172,430**	**616,915**	**5,745**	**5,980,834**

The conditions of the transactions with these subsidiaries are shown as follows:

(1) Contracts in US$ - CSN Export: interest from 4.00% to 7.43% p.a. with maturity in May 2015.
Contracts in US$ - Cinnabar: interest from 7.00% to 10.0% p.a. with maturity in June 2018.
Contracts in US$ - CSN Madeira: interest of 7.25% p.a. with maturity in September 2016.
Contracts in US$ - CSN Iron: interest of 7.00% p.a. with maturity in January 2012.
(2) Contracts in US$ - CSN Iron: Intercompany Bonds: interest of 9.125% p.a. with maturity on June 1, 2047.
Contracts in YEN - Cinnabar: interest of 1.5% p.a. with maturity on July 13, 2010.
Contracts in R$ - Cinnabar (part): IGPM + 6% p.a. with indefinite maturity.
Contracts in US$ - CSN Madeira (part): semiannual Libor + 2.5% p.a. with maturity on September 15, 2011.
(3) Contracts in US$ - CSN Madeira (part): semiannual Libor + 3% p.a. with indefinite maturity.
Contracts in US$ - CSN Export: semiannual Euribor + 0.5% p.a. with indefinite maturity.
Contracts in US$ - Cinnabar (part): semiannual Libor + 3% p.a. with indefinite maturity.
(*) Other**:** Metalic and Inal Nordeste

- **Shareholders' equity – accumulated translation adjustments (Law 11638/07)**

Companies	Investment Exchange variation	Investments exchange variantion effects	Total
CSN Steel	468,188	(23,223)	444,965
Overseas	302,663		302,663
Panamá	234,324		234,324
Energy Corp	223,613		223,613
CSN Export	41,339		41,339
Total in 2008	**1,270,127**	**(23,223)**	**1,246,904**

Accumulated translation adjustments refer to investees overseas whose functional currencies are different from the Brazilian Real.

(In thousands of reais, unless otherwise stated)

- **Income**

Companies	Revenues: Products and services	Revenues: Interest and monetary and exchange variations	Revenues: Total	Expenses: CPV/ Products and services	Expenses: Interest and monetary and exchange variations	Expenses: Total
CSN Export	560,625	52,225	612,850	428,136	348,587	776,723
CSN Iron					466,809	466,809
Cinnabar		166,710	166,710		980,444	980,444
CSN Madeira	350,235	197,457	547,692	147,647	246,554	394,201
Aceros					4,249	4,249
NMSA Madeira		16	16			
Prada	1,199,470	2,042	1,201,512	465,729		465,729
Ersa				25,849		25,849
CSN Cimentos	203		203			
Sepetiba Tecon				8,419		8,419
GalvaSud	576,175		576,175	287,030		287,030
Cia. Metalic Nordeste	62,319		62,319	39,721		39,721
Inal Nordeste	53,098		53,098	20,370		20,370
Exclusive funds		804,620	804,620			
Total in 2008	**2,802,125**	**1,223,070**	**4,025,195**	**1,422,901**	**2,046,643**	**3,469,544**
Total in 2007	**2,965,894**	**(315,188)**	**2,650,706**	**2,212,657**	**(662,617)**	**1,550,040**

During the year 2008, subsidiary CSN Export S.à.r.l.'s exports to its subsidiary Lusosider in Portugal, intermediated by third parties, amounted to R$66,152. These transactions and their effects were eliminated from the consolidated financial statements.

d) Other related parties

- **CBS Previdência**

The Company is the main sponsor of CBS Previdência, not-for-profit civil association set up in July 1960, whose main purpose is to pay supplementary benefits to those paid by social security. As the CBS Previdência sponsor, CSN maintains payment transactions of contributions and actuarial liability recognition ascertained in defined benefit plans.

- **Fundação CSN**

CSN develops socially responsible policies currently focused on Fundação CSN, whose sponsor is the Company. Transactions between the parties are related to operating and financial support for Fundação CSN to develop social projects, mainly in the localities where CSN operates.

- **Banco Fibra**

Banco Fibra is under the same control structure of Vicunha Siderurgia, and financial transactions with this bank are limited to transactions in checking accounts.

(In thousands of reais, unless otherwise stated)

The balances of transactions between the Company and these entities are shown as follows:

	Assets		Liabilities			Expenses		
	Bank checking accounts	Total	Actuarial liabilities	Other accounts payable	Total	Pension fund expenses	Other expenses	Total
CBS Previdência			117,568		117,568	20,215		20,215
Fundação CSN				83	83		3,439	3,439
Banco Fibra	2	2						
Total in 2008	**2**	**2**	**117,568**	**83**	**117,651**	**20,215**	**3,439**	**23,654**
Total in 2007			**231,880**		**231,880**	**19,025**	**14,483**	**33,508**

e) Key management personnel

Key management personnel are responsible for planning, directing and controlling the Company's activities and include the members of the Board of Directors, statutory officers and other officers. The Company presents, in the table below, information on compensations and balances existing on December 31, 2008.

	2008			2007
	Assets	Liabilities	Income	Income
Short-term benefits for employees and manangement		6,589	42,196	32,705
Post-employment benefits			430	269
Other long-term benefits	n/a	n/a	n/a	n/a
Benefits of labor agreement terminantion	n/a	n/a	n/a	n/a
Share-based compensation	n/a	n/a	n/a	n/a
		6,589	42,626	32,974

Note: n/a – Not applicable

6. CASH AND CASH EQUIVALENTS

	Consolidated		Parent company	
	2008	2007	2008	2007
Current				
Cash and cash equivalents				
Cash and Banks	**232,065**	**225,344**	**94,377**	**26,223**
Marketable securities				
In Brazil:				
Exclusive investment funds			1,188,464	683,690
Brazilian government bonds	1,395,692	1,026,849		
Fixed income and debêntures	182,683	244,478	1,598	94
	1,578,375	**1,271,327**	**1,190,062**	**683,784**
Abroad:				
Time Deposits	7,413,673	870,682	6,107,240	35,108
	7,413,673	**870,682**	**6,107,240**	**35,108**
Total Marketable securities	**8,992,048**	**2,142,009**	**7,297,302**	**718,892**
Cash and Cash Equivalents	**9,224,113**	**2,367,353**	**7,391,679**	**745,115**
Noncurrent				
Investments abroad	23,370	17,713		
Debentures and other securities (net of provision)		90,834		90,834
	23,370	**108,547**		**90,834**

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The available financial funds in the parent company and subsidiaries established in Brazil are primarily invested in exclusive investment funds, whose cash is mostly invested in repurchase operations pegged to Brazilian government bonds, with immediate liquidity. Additionally, a significant portion of the financial funds of the Company and its subsidiaries abroad is invested in Time Deposits in first-tier banks.

The exclusive funds managed UBS Pactual Serviços Financeiros S.A DTVM, and its assets account for possible losses in investments and operations carried out. The Company may bear the fund's operation fees (management, custody and audit fees) and it may also be called to back the shareholders' equity in the event of losses resulting from interest rate, exchange rate or other financial asset variations.

The Company holds 77% of the debentures issued by Companhia Brasileira de Latas (CBL) in 2002, in the amount of R$212,870. As of December 31, 2008, the Company supplemented the provision for losses to 100% of the securities recorded in the noncurrent assets. CSN is CBL's main raw material supplier.

7. ACCOUNTS RECEIVABLE

	2008	2007	2008	2007
	Consolidated		Parent Company	
Domestic market				
Subsidiaries			313,094	95,650
Other clients	1,333,329	764,943	715,820	466,778
	1,333,329	**764,943**	**1,028,914**	**562,428**
Foreign market				
Subsidiaries			831,760	794,141
Other clients	139,608	387,808	4,919	4,794
	139,608	**387,808**	**836,679**	**798,935**
Advance on Export Contracts (ACE)	(140,220)	(292,265)	(140,220)	(292,265)
Allowance for doubtful accounts	(246,160)	(116,085)	(162,128)	(71,655)
	1,086,557	**744,401**	**1,563,245**	**997,443**

8. INVENTORIES

	Consolidated		Parent Company	
	2008	2007	2008	2007
Finished products	779,130	673,821	462,067	398,358
Work in process	780,964	376,200	756,089	307,552
Raw materials	1,189,815	743,143	830,123	577,173
Supplies	726,946	573,441	608,103	486,171
Advance to suppliers	220,666	320,781	84,568	283,582
Provision for losses	(84,060)	(17,154)	(79,252)	(14,883)
Materials in transit	9,314	70,294	3,164	26,102
	3,622,775	**2,740,526**	**2,664,862**	**2,064,055**

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(In thousands of *reais*, unless otherwise stated)

9. DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES

(a) Deferred income and social contribution taxes

Deferred Income and Social Contribution taxes are recognized in order to reflect future tax effects attributable to temporary differences between the tax base of assets, liabilities and the respective carrying value.

	Consolidated		Parent Company	
	2008	**2007**	**2008**	**2007**
Current assets				
Income tax	543,631	377,669	448,738	300,628
Social contribution	195,596	134,407	161,289	106,577
	739,227	**512,076**	**610,027**	**407,205**
Non current assets				
Income tax	562,850	466,006	464,710	405,706
Social contribution	190,981	156,428	155,410	134,553
	753,831	**622,434**	**620,120**	**540,259**
Current liabilities				
Income tax	795	104,115		93,000
Social contribution	59	37,481		33,480
	854	**141,596**		**126,480**
Non current liabilities				
Income tax		1,521,040		1,431,475
Social contribution		547,574		515,331
		2,068,614		**1,946,806**
Income				
Income tax	290,318	197,361	207,115	162,647
Social contribution	110,653	97,323	75,568	85,304
	400,971	**294,684**	**282,683**	**247,951**

Pursuant to the CVM Rule 371 of June 27, 2002, some companies of the group, based on the expectations of future taxable income determined in technical valuation approved by the Management, recorded tax credits on tax loss carryforwards and negative basis of social contribution are not subject to statute of limitations.

The book value of deferred tax assets is reviewed monthly and projections are reviewed annually, and are subject to any material aspects that might change realization projections. These studies indicate the realization of these companies' tax assets within the term established by the CVM Instruction 371 of 2002 and within the 30% limit of the taxable income, as stated below:

	Consolidated		Parent Company	
Year	**Corporate income tax Tax loss**	**Social contribution Negative basis**	**Corporate income tax Tax loss**	**Social contribution Negative basis**
2009	269,581	98,587	224,425	82,185
2010	5,781	2,081		
2011	5,400	1,944		
2012	4,971	1,790		
2013	4,577	1,648		
2014 to 2016	9,716	3,739		
Total	**300,026**	**109,789**	**224,425**	**82,185**

(In thousands of reais, unless otherwise stated)

(b) The sources of the deferred income and social contribution taxes of the parent company are shown as follows:

	2008				2007			
	Income tax		Social contribution		Income tax		Social contribution	
	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Assets								
Provisions for contingencies	37,450	318,847	13,482	114,785	30,974	253,117	11,151	91,122
Provision for interest on shareholders' equity	67,115		24,161		17,681		6,365	
Provision for payment of private pension plans	13,704	15,688	4,934	5,648		45,190		16,268
Taxes under litigation		23,370				31,947		
Tax credits – Income tax and social contribution	233,598		83,839		4,580			
Other provisions	96,871	106,805	34,873	34,977	247,393	75,452	89,061	27,163
	448,738	**464,710**	**161,289**	**155,410**	**300,628**	**405,706**	**106,577**	**134,553**
Liabilities								
Income and social contribution taxes on revaluation reserve					93,000	1,431,475	33,480	515,331
					93,000	**1,431,475**	**33,480**	**515,331**

(c) The reconciliation between the income and social contribution taxes expenses and income of the parent company and consolidated and the result of the rate in force on net income before Income tax (IR) and Social Contribution (CSLL) are shown as follows:

	Consolidated		Parent Company	
	2008	2007	2008	2007
Income before income and social contribution taxes	**6,728,948**	**3,936,886**	**4,964,918**	**3,729,826**
Rate	34%	34%	34%	34%
Income Tax / Social Contribution at the combined tax rate	**(2,287,842)**	**(1,338,541)**	**(1,688,072)**	**(1,268,141)**
Adjustments to reflect the effective tax rate:				
Benefit of Interest on shareholders' equity – JCP	91,258	69,901	91,258	69,901
Equity income of subsidiaries at different rates or which are not taxable	1,224,964	282,293	1,336,033	384,410
Goodwill amortization	(3,685)	(23,612)	(3,685)	(12,355)
Tax incentives	12,008	18,339	11,728	17,344
Tax credit registrations – Income and social contribution taxes	51,096			
Other permanent (additions) deductions	(42,598)	(22,916)	(36,653)	(15,740)
Income and social contribution taxes on net income for the period	**(954,799)**	**(1,014,536)**	**(289,392)**	**(824,581)**
Effective rate	**14%**	**26%**	**6%**	**22%**

(In thousands of reais, unless otherwise stated)

10. INVESTMENTS

a) Direct interest in subsidiaries and jointly-owned subsidiaries

	2008					2007		
	Number of shares (in units)							
Companies	Common	Preferred	% direct interest	Net income (loss) for the year	Shareholders' equity (unsecured liability)	% direct interest	Net income (loss) for the year	Shareholders' equity (unsecured liability)
Steel								
CSN I	3,332,250,934	6,664,501,866				99.99	27,709	628,280
INAL	421,408,393					99.99	60,775	627,165
Cia. Metalic Nordeste	87,868,185	4,424,971	99.99	10,733	94,236	99.99	(8,312)	154,007
INAL Nordeste	37,800,000		99.99	2,004	41,538	99.99	(594)	54,030
CSN Aços Longos	41,830,119		99.99		36,807	99.99		1
Nacional Siderurgia	1,000,000		99.99	(365)	1,000	99.99		1,000
Cia. Metalurgica Prada	3,155,036		100.00	(5,706)	628,074			
GalvaSud	11,610,671,043		99.99	115,238	687,927	15.29	63,694	690,620
CSN Steel	480,726,588		100.00	58,352	1,926,588	100.00	426,448	1,423,270
CSN Overseas	7,173,411		100.00	90,744	1,305,053	100.00	50,610	911,648
CSN Panamá	4,240,032		100.00	(136,810)	767,227	100.00	348,175	669,714
CSN Energy	3,675,319		100.00	(529,270)	511,574	100.00	506,319	817,231
CSN Export	31,954		100.00	29,540	178,466	100.00	27,696	107,587
Tangua	401							
CSN Islands VII	20,001,000					100.00	34	578
CSN Islands VIII	1,000					100.00	488	4,235
CSN Islands IX	1,000					100.00	(3,366)	5,528
CSN Islands X	1,000					100.00	(4,020)	(25,558)
CSN Islands XI	1,000					100.00		
International Investment Funds	50,000					100.00		
Logistics								
MRS Logística	188,332,667	151,667,313	27.27	663,190	1,551,827	32.93	548,383	1,201,111
Transnordestina Logística	253,873,418		84.50	(10,702)	287,998	46.88	(34,450)	(86,693)
Sepetiba Tecon	254,015,053		99.99	30,204	167,059	99.99	8,301	163,250
Energy								
Itá Energética	520,219,172		48.75	35,160	598,060	48.75	29,617	583,423
CSN Energia	1,000		99.90	(9,799)	84,382	99.90	9,208	85,249
Mining								
ERSA	34,236,307		99.99	4,958	27,481	99.99	18,741	28,756
Nacional Minérios	475,052,685		59.99	198,516	8,103,235	99.99	40,737	61,061
Congonhas Minérios	5,010,000		99.99	437	5,518	99.99	72	5,082
Pelotização Nacional	1,000,000		99.99	(421)	1,000	99.99		1,000
Minas Pelotização	1,000,000		99.99	(433)	1,000	99.99		1,000
Cement								
CSN Cimentos	122,826,303		99.99	(6,430)	64,549	99.99	(12,120)	(18,818)

(In thousands of reais, unless otherwise stated)

b) Investment breakdown

	2007		Additions (write-offs)							
Companies	Opening balance of investments	Balance of provision for losses	Capital increase	Additions	Write-offs	Dividends	Reversal Revaluation[1]	Adjustments to Law 11,638[2]	Gain and loss in percentage variation	Other[3]
Steel										
CSN I	628,280				(739,943)					
INAL	627,165		1,314				(40,659)			(628,123)
Cia Metalurgica Prada										628,123
Cia. Metalic Nordeste	153,992		732				(45,795)			
INAL Nordeste	54,030						(14,497)			
CSN Aços Longos	1		36,806							
Nacional Siderurgia	1,000									
GalvaSud	105,597			739,943		(100,567)	(89,019)			
CSN Steel	1,423,270							444,965		
CSN Overseas	911,648							302,663		
CSN Panamá	669,714							234,323		
CSN Energy	817,231							223,613		
CSN Export	107,587							41,339		
CSN Islands VII[5]	578									(578)
CSN Islands VIII[5]	4,235									(4,235)
CSN Islands IX[5]	5,528									(5,528)
CSN Islands X[5]		(25,558)								25,558
	5,509,856	**(25,558)**	**38,852**	**739,943**	**(739,943)**	**(100,567)**	**(189,970)**	**1,246,903**		**15,217**
Logistics										
MRS Logistica[6]	395,547					(86,530)			86,373	(171,760)
Transnordestina Logística		(40,640)	390,027				(353)		(93,388)	
Sepetiba Tecon	163,250						(28,197)			
	558,797	**(40,640)**	**390,027**			**(86,530)**	**(28,550)**		**(7,015)**	**(171,760)**
Energy										
Itá Energética	284,419					(7,500)				
CSN Energia	85,164					(9,798)				
	369,583					**(17,298)**				
Mining										
ERSA	66,633					(4,958)	(6,233)			(23,136)
Nacional Minérios	61,061		393,664		(6,991)	(56,577)		51,825	4,043,559	171,760
Congonhas Minérios	5,082									
Pelotização Nacional	1,000				(1,000)					
Minas Pelotização	1,000									
	134,776		**393,664**		**(7,991)**	**(61,535)**	**(6,233)**	**51,825**	**4,043,559**	**148,624**
Cement										
CSN Cimentos		(18,818)	90,046				(286)			
Total MEP	**6,573,012**	**(85,016)**	**912,589**	**739,943**	**(747,934)**	**(265,930)**	**(225,039)**	**1,298,728**	**4,036,544**	**(7,919)**
Other Investments	31									
Total Investments	**6,573,043**	**(85,016)**	**912,589**	**739,943**	**(747,934)**	**(265,930)**	**(225,039)**	**1,298,728**	**4,036,544**	**(7,919)**

(1) Reversal of the Revaluation reserve related to the initial adoption of Law 11638/07 and MP 449/08.
(2) Adjustment in accordance with the CPC Rule 02 – effect of variations in foreign exchange rates and translation of accounting statements, classified in Shareholders' Equity under Accumulated Translation Adjustments.
(3) The write-off of R$664,537 related to the reverse merger of CSNI, former parent company of Galvasud.
The write-off of R$628,123 related to the reverse merger of Inal, former parent company of Prada.
The write-off of R$171,760 related to the 10% interest of MRS in Nacional Minérios.
The write-off of R$23,136 related to the reclassification of goodwill to intangible assets group (Note 12), pursuant to CPC 04.
The increase of R$171,760 related to the capital payment of Big Jump in Namisa.
(4) The write-off is related to the goodwill amortization, the balance of the goodwill group was transferred to intangible assets pursuant to CPC 04 (see Note 12).
(5) Companies that are not characterized as independent.
(6) Equity in the earnings of subsidiary and associated companies consists of prior years' results of the Company *International Investment Fund*, which are not material in the CSN financial statements.

c) Additional Information on the main operating subsidiaries

- GALVASUD

Located in Porto Real, in the State of Rio de Janeiro, the Company has as main purpose all industrial, commercial and sales promotion activities related to: i) installation and operation of a steel products service center, ii) installation and operation of a hot-immersion galvanization line, iii) installation and operation of laser welding lines for the production of welded blanks destined for the automobile production; iv) just-in-time supply to the automotive industry and, v) promotion and sales of the products of the Company and of third parties, shareholders inclusively, to the automobile industry. In 2008, GalvaSud merged CSN-I and took over its net assets at book value.

- INAL NORDESTE

Based in Camaçari, State of Bahia, the Company has as its main purpose to reprocess and distribute the CSN steel products, operating as a service and distribution center in the Northeast region of the country.

- COMPANHIA METALÚRGICA PRADA

Based in the city of São Paulo, Prada has branches in several states of the country and has as main activities the rolled steel reprocessing and distribution, he manufacturing and trading of metallic products, manufacturing and trading of metallic packaging, as well as the import and export of these products.

On December 30, 2008, in order to achieve greater synergy, optimization of operations, cost reduction and, also, become more efficient, Prada incorporated the net assets of Indústria Nacional de Aços Laminados – INAL, at book value.

For the manufacturing of its products, Prada uses as raw material rolled steel products supplied by its parent company CSN.

- CIA. METALIC NORDESTE

The Company with its head office located in Maracanaú, State of Ceará, has as main purpose the manufacturing of metallic packaging destined basically to the beverage industry.

Its operation unit is characterized as one of the world's most modern ones and counts on two different production lines: the can production line, whose raw material is tin-coated steel, supplied by the parent company CSN, and the lid production line, whose raw material is aluminum.

Its production is mainly geared towards the Brazilian northern and northeastern markets, with the surplus production of lids sold abroad.

The subsidiary received an incentive from PROVIN – Incentive Program for the Companies' Operations, established by the Government of the State of Ceará, main purpose of which is the promotion of the industrial development and job generation in the State.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
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(In thousands of *reais*, unless otherwise stated)

- SEPETIBA TECON

Company whose objective is to exploit the No.1 Containers Terminal of the Itaguaí Port, located in Itaguaí, State of Rio de Janeiro. This terminal is linked to Presidente Vargas Steelworks by the Southeast railroad network, which is granted to MRS Logística.

Sepetiba Tecon was the winner of the auction that occurred on September 3, 1998 for the takeover of the terminal concession and this concession allows the exploitation of the aforementioned terminal for the term of 25 years, extendable for another term of 25 years.

- CSN ENERGIA

Its main purpose is distributing and trading the surplus electric power generated by CSN and by companies, consortiums or other entities in which Company holds an interest.

CSN Energia holds a balance receivable related to the electric power sales under the scope of the Electric Power Trade Chamber ("Câmara de Comercialização de Energia Elétrica") – CCEE, in the amount of R$54,224 (R$70,481 in 2007), which are due by concessionaires that present injunctions suspending the corresponding payments. Management understands that recording an allowance for doubtful accounts is not necessary in view of the judicial measures taken by the official entities of the sector.

- CSN CIMENTOS

Based in Volta Redonda, State of Rio de Janeiro, CSN Cimentos is a business under construction, which will have the production and trading of cement as its main purpose. CSN Cimentos will use as one of its raw material the blast furnace slag from the pig iron production of the Presidente Vargas Steelworks. The results verified in this Company refer to expenses related to residual expenditures resulting from activities which were discontinued in 2002, when the Company was called FEM – Projetos, Construções e Montagens.

- ESTANHO DE RONDÔNIA - ERSA

Ersa is a subsidiary based in the State of Rondônia, where it operates two units, one in the city of Itapuã do Oeste and the other in the city of Ariquemes.

The subsidiary's mining operation for cassiterite (tin ore) is located in Itapuã do Oeste and the casting operation from which metallic tin is obtained, which is raw materials used in UPV for the production of tin plates, is located in Ariquemes.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
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(In thousands of *reais*, unless otherwise stated)

d) Additional information on the main jointly-owned subsidiaries

The balances of the balance sheet and of the statement of income of the companies whose control is shared are shown as follows. These amounts were consolidated in the Company's financial statements, in accordance with the interest described in item (a) of this Note.

	2008				2007		
	NAMISA	TRANSNORDESTINA	MRS	ITASA	TRANSNORDESTINA	MRS	ITASA
Current Assets	653,027	37,465	1,086,480	60,077	108,037	904,143	69,220
Non-Current Assets	8,530,730	590,303	3,505,537	935,540	371,479	2,191,698	980,891
Long-term assets	7,267,099	46,725	651,421	5,657	32,712	274,005	4,177
Investments, Property, Plant and Equipment and Deferred Charges	1,263,631	543,578	2,854,116	929,883	338,767	1,917,693	976,714
Total Assets	**9,183,757**	**627,768**	**4,592,017**	**995,617**	**479,516**	**3,095,841**	**1,050,111**
Current Liabilities	490,141	44,441	1,362,579	117,628	46,596	1,143,200	115,278
Non-Current Liabilities	590,381	295,329	1,677,611	279,929	519,613	751,530	351,410
Shareholders' Equity	8,103,235	287,998	1,551,827	598,060	(86,693)	1,201,111	583,423
Total Liabilities and Shareholders' Equity	**9,183,757**	**627,768**	**4,592,017**	**995,617**	**479,516**	**3,095,841**	**1,050,111**

	2008				2007		
	NAMISA	TRANSNORDESTINA	MRS	ITASA	TRANSNORDESTINA	MRS	ITASA
Net revenue	655,847	75,219	2,955,007	209,492	67,481	2,166,588	198,128
Cost of Goods Sold and Services Rendered	(499,705)	(63,404)	(1,676,572)	(58,666)	(56,697)	(1,147,071)	(58,498)
Gross Income (Loss)	156,142	11,815	1,278,435	150,826	10,784	1,019,517	139,630
Operating Revenues (Expenses)	98,540	(4,967)	60,746	(52,726)	(25,532)	(153,965)	(44,874)
Net Financial Income	(145,841)	(17,550)	(320,752)	(45,031)	(19,702)	(43,513)	(50,006)
Operating Income (Loss)	108,841	(10,702)	1,018,429	53,069	(34,450)	822,039	44,750
Current and deferred income and social contribution taxes	89,675		(355,239)	(17,909)		(273,656)	
Net Income (Loss) for the period	**198,516**	**(10,702)**	**663,190**	**35,160**	**(34,450)**	**548,383**	**29,617**

- NACIONAL MINÉRIOS – NAMISA

Headquartered in Congonhas, state of Minas Gerais, the NAMISA main purpose is the production, purchase and sale of iron ore. NAMISA sells its products mainly in the foreign market.

The NAMISA main operations are developed in the municipalities of Congonhas, Ouro Preto, Itabirito and Rio Acima, state of Minas Gerais, and in Itaguaí, state of Rio de Janeiro. In July 2007 NAMISA acquired all shares of the mining company Companhia de Fomento Mineral e Participações – CFM, which at the time had a production capacity of nearly 6 million tonnes of iron ore per year and, in February 2008, it incorporated the CFM net assets in the amount of R$30,838 at book value.

In December 2008, CSN sold 2,271,825 shares of the voting capital of Nacional Minérios S.A. ("NAMISA") to Big Jump Energy Participações S.A. ("BIG JUMP"), whose shareholders are the companies Itochu Corporation, JFE Steel Corporation, Nippon Steel Corporation, Sumitomo Metal Industries, Ltd., Kobe Steel, Ltd., Nisshin Steel Co., Ltd. and Posco. Subsequently to this sale, BIG JUMP subscribed new shares, paying in cash the total of US$3.041.473 thousand, corresponding to R$7,286,154 thousand, R$6,707,886 thousand of which were recorded as goodwill at the share subscription.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
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(In thousands of *reais*, unless otherwise stated)

Due to the new corporate structure of the jointly-controlled subsidiary, in which BIG JUMP holds 40% and CSN 60% of NAMISA and, due to the shareholders' agreement entered into between the parties, CSN started to consolidate NAMISA in a proportional manner as from the year ended December 31, 2008.

CSN and NAMISA entered into long-term agreements for the supply of coarse iron ore (run of mine*)* extracted at the Casa de Pedra mine by CSN, and port service providing by CSN, with prepayment forecast of part of the payment of the prices agreed. The prepayment of these agreements added up the sum of R$7,286,154 thousand.

The NAMISA operation is fully integrated, including access to rail transportation in the form of a long-term agreement with MRS and, as part of the business, CSN capitalized NAMISA with a 10% interest in MRS Logística's capital.

- TRANSNORDESTINA LOG¥STICA

Transnordestina has as its main purpose the exploitation and development of the public rail cargo transport service for the Northeast network of Brazil.

Transnordestina entered into a concession agreement with the Federal Government on December 31, 1997 for a period of 30 years, extendable for another period of 30 years. The agreement allows the development of the public service of exploitation of the northeast network which comprises seven States of the Federation in an extension of 4,534 km. The concession also comprises the leasing of assets of Rede Ferroviária Federal S.A. (RFFSA) which serve this network and include, among others, constructions, permanent tracks, locomotives, railcars, vehicles, tracks and accessories.

In accordance with the Annual General Meeting held on May 12, 2008, the corporate name of former CFN was changed to Transnordestina Logística S.A, and on this same date, CSN capitalized AFACs in the amount of R$136,153 and the interest changed from 46.88% to 71.24%. Subsequently, on November 17, 2008, the Company carried out a new capital increase in the amount of R$253,874, becoming the holder of an 84.50% interest in Transnordestina.

- MRS LOG¥STICA

The Company's main purpose is to exploit, by onerous concession, the public rail cargo transport service in the right of way of the Southeast network, located in the stretch connecting Rio de Janeiro, São Paulo and Belo Horizonte, of Rede Ferroviária Federal S.A. - RFFSA, privatized on September 20, 1996. CSN paid in Namisa 10% of its interest in MRS, and decreased this direct interest from 32.93% to 22.93%.

In addition to this direct interest, the Company also holds an indirect interest of 6% through Nacional Minérios S.A. – Namisa, a proportionally consolidated company and, 4.3377% g through International Investment Fund (pending the National Agency for Land Transport (ANTT) authorization), which integrates the Company's financial statements as per the CPC Technical Pronouncement 02.

MRS may also exploit modal transportation services regarding the rail transport and take part in developments aiming at the extension of rail transport services granted.

To provide the services which are the purpose of the concession obtained for a 30-year period, as from December 1, 1996, and extendable for another equal period at the exclusive discretion of the grantor, the Company leased from RFFSA, for the same period of the concession, the assets necessary to operate and maintain rail cargo transportation activities.

- ITÁ ENERGÉTICA S.A. - ITASA

Itasa holds a 60.5% interest in the Itá Consortium, which was created for the exploitation of the Itá Hydroelectric Power Plant pursuant to the concession agreement of December 28, 1995, and its Addendum 1 dated July 31, 2000, entered into between the consortium holders (Itasa and Centrais Geradoras do Sul do Brasil - Gerasul, formerly called Tractebel Energia S.A.) and the Brazilian Agency for Electric Energy (ANEEL).

CSN holds 48.75% of the subscribed capital and the total amount of common shares issued by Itasa, a special purpose Company originally established to make feasible the construction of the Itá Hydroelectric Power Plant, the contracting of the supply of goods and services necessary to carry out the venture and the obtainment of financing through the offering of the corresponding guarantees.

e) Additional information on indirect interests abroad

- COMPANHIA SIDERURGICA NACIONAL - LLC

Incorporated in 2001 with the assets and liabilities of the extinct Heartland Steel Inc., headquartered in Wilmington, State of Delaware – USA, it has an industrial plant in Terre Haute, State of Indiana – USA, where there is a complex comprising a cold rolling line, a hot pickling line for spools and a galvanization line. CSN LLC is a wholly-owned indirect subsidiary of CSN Panama.

- LUSOSIDER

Incorporated in 1996 in succession to Siderurgia Nacional – a Company privatized by the Portuguese government that year. Lusosider is the only Portuguese Company of the steel sector to produce cold-rerolled flat steel, with a corrosion-resistant coating. The Company presents in Paio Pires an installed capacity of around 550 thousand tonnes/year to produce four large groups of steel products: galvanized plate, cold-rolled plate, pickled and oiled plate.

Its products may be used in the packaging industry, in civil construction (piping and metallic structures), and in home appliance components.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2008

(In thousands of *reais*, unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT

		Consolidated			
		2008			2007
	Depreciation, depletion and amortization rate (p.a%)	Cost	Accumulated depreciation, depletion and amortization	Residual value	Residual value
Machinery and equipment		6,505,474	(1,210,587)	5,294,887	8,463,455
Mines and mineral deposits		5,332	(125)	5,207	2,496,542
Buildings		1,162,352	(151,496)	1,010,856	1,499,028
Furniture and fixtures		137,995	(113,201)	24,794	20,293
Land		132,578		132,578	488,350
Property, plant and equipment in progress		2,366,255		2,366,255	1,610,250
Other assets		1,714,220	(465,020)	1,249,200	717,724
		12,024,206	**(1,940,429)**	**10,083,777**	**15,295,642**

		Parent Company			
		2008			2007
Machinery and equipment	9.31	5,239,281	(754,848)	4,484,433	7,443,415
Mines and mineral deposits	3.34	2,323	(2)	2,321	2,489,582
Buildings	3.87	559,134	(32,184)	526,950	930,764
Furniture and fixtures	10.00	111,521	(93,931)	17,590	13,873
Land		85,368		85,368	411,992
Property, plant and equipment in progress		1,598,458		1,598,458	1,194,921
Other assets	20.00	247,364	(75,136)	172,228	134,296
		7,843,449	**(956,101)**	**6,887,348**	**12,618,843**

As of January 1, 2008, the Company reversed the asset revaluation reserve balance, net of accumulated depreciation. As of December 31, 2007 this revaluation added up to R$6,432,820 of own assets and R$225,038 of subsidiaries' assets.

The financial charges capitalized in 2008 amounted to R$144,130 (R$45,901 in 2007) in the parent company and R$148,021 (R$48,995 in 2007) in the consolidated. These charges are basically determined on the financing contracts for the mining, cement and long steel projects.

The Company analyzed evidences to verify if there was a possibility of impairment, and did not identify any evidence that the residual book value of the assets or groups of assets was recorded at a value higher than the recovery value, in accordance with the cash generating units.

As of December 31, 2008, the assets provided as collateral for financial operations totaled R$47,985 (R$47,985 in 2007).

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2008

(In thousands of *reais*, unless otherwise stated)

12. INTANGIBLE ASSETS

	Consolidated 2008				
	Useful life terms	Amortization annual rates %	Cost	Accumulated Amortization	Residual Amount
Software	05 years	20	43,090	(17,563)	25,526
Goodwill from expected future profitability			793,378	(292,109)	501,269
			836,468	**(309,672)**	**526,796**

	Parent Company 2008				
	Useful life terms	Amortization annual rates %	Cost	Accumulated Amortization	Residual Amount
Software	05 years	20	17,327	(4,415)	12,912
Goodwill from expected future profitability			206,927	(183,790)	23,137
			224,254	**(188,205)**	**36,049**

Software: This is evaluated at the cost of acquisition, net of accumulated amortization and, when applicable, net of impairment losses.

Goodwill: This refers to the goodwill originally paid for the interest in the subsidiaries Prada and ERSA and the reflex goodwill of the subsidiary ITASA related to mergers performed by the Company. The goodwill economic basis is the expected future profitability and, according to the new pronouncements, this goodwill will not be amortized in an accounting as from January 1, 2009, when it will only be subject to impairment tests.

The Company maintains a research and development (R&D) center for new products and, during the year 2008, it recognized in the income R&D expenses in the amount of R$6,602 (R$6,641 in 2007).

13. DEFERRED CHARGES

In compliance with Law 11638 and the CPC Pronouncement 13, the Company maintains a record of the remaining balance of deferred assets referring to preoperating expenses recognized up to December 31, 2007.

These assets will be kept in the accounting up to their total amortization and/or write-off due to impairment, and, as of December 31, 2008, the balance of these assets was R$34,531 (R$161,183 in 2007) in the parent company and R$42,482 (R$226,471 in 2007) in the consolidated.

The amortization of this remaining balance in accordance with the implementation of the aforementioned Law, during the year of 2008, amounted to R$56,336 (R$43,948 in 2007), allocated to production costs and R$8,321 (R$11,990 in 2007) allocated to selling, general and administrative expenses.

COMPANHIA SIDERÚRGICA NACIONAL – CSN
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2008

(In thousands of *reais*, unless otherwise stated)

14. LOANS, FINANCING AND DEBENTURES

	Consolidated				Parent Company			
	Current liabilities		Noncurrent Liabilities		Current liabilities		Noncurrent Liabilities	
	2008	2007	2008	2007	2008	2007	2008	2007
FOREIGN CURRENCY								
Short-Term Loans								
Working capital		89,934						
Long-Term Loans								
Advance on Export Contracts	2,190,555	65,874	241,553	202,701	2,190,557	65,874	241,554	202,701
Prepayment	275,084	172,664	1,963,539	1,416,569	307,561	245,210	4,402,184	2,682,151
Perpetual Bonds	35,152	26,643	1,752,750	1,328,475	35,152		1,752,750	
Fixed Rate Note	51,261	543,174	2,220,150	1,682,735	64,625	528,375	4,551,150	2,568,055
Import Financing	121,733	75,629	212,474	138,951	80,640	64,318	98,467	91,366
BNDES/Finame	8,639	1,526	106,641	81,865	8,290	1,448	100,286	77,881
Other	247,203	17,391	133,421	291,033	55,753	9,935	13,671	10,362
	2,929,627	**902,901**	**6,630,528**	**5,142,329**	**2,742,577**	**915,160**	**11,160,062**	**5,632,516**
LOCAL CURRENCY								
Long-Term Loans								
BNDES/Finame	248,361	138,675	1,223,306	1,070,783	187,492	85,360	695,900	707,323
Debentures (Note 14)	44,429	413,220	632,760	640,950	33,947	350,147	600,000	600,000
Prepayment(*)	38,485		2,978,200		92,877		7,295,501	
Loan					104,693			
Other	41,155	24,663	94,504	76,829	6,960	97,216	4,200	4,901
	372,430	**576,558**	**4,928,770**	**1,788,562**	**425,969**	**532,723**	**8,595,601**	**1,312,224**
Total Loans and Financing...............	**3,302,057**	**1,479,459**	**11,559,298**	**6,930,891**	**3,168,546**	**1,447,883**	**19,755,663**	**6,944,740**
Derivatives	(304,609)	251,808	(7,565)		1,874	288,623		
Total Loans, Financing and Derivatives	**2,997,448**	**1,821,201**	**11,551,733**	**6,930,891**	**3,170,420**	**1,736,506**	**19,755,663**	**6,944,740**

(*) The amount of R$7,286,154 is related to the prepayment operation carried out with Namisa.

As of December 31, 2008, the principal of long-term loans, financing and debentures presents the following composition, by year of maturity:

	Consolidated		Parent Company	
2010	973,766	8.4%	2,192,446	11.1%
2011	1,038,605	9.0%	1,282,052	6.4%
2012	1,654,441	14.3%	1,847,579	9.4%
2013	2,093,685	18.1%	2,306,085	11.7%
2014	365,871	3.2%	781,893	4.0%
After 2014	3,672,616	31.8%	9,592,858	48.6%
Perpetual Bonds	1,752,750	15.2%	1,752,750	8.8%
	11,551,733	**100.0%**	**19,755,663**	**100.0%**

(In thousands of reais, unless otherwise stated)

There is the incidence of interest on loans, financing and debentures which have the following annual rates as of December 31, 2008:

	Consolidated		Parent Company	
	Local Currency	Foreign Currency	Local Currency	Foreign Currency
Up to 7%	3,021,553	4,806,662	104,693	6,168,594
From 7.1 to 9%	602,865	558,617	408,580	1,773,579
From 9.1 to 11%	661,024	4,118,347	485,972	5,960,466
Above 11%	883,246	74,572	7,920,101	
Variable	132,512	(310,217)	102,224	1,874
	5,301,200	**9,247,981**	**9,021,571**	**13,904,513**
		14,549,181		**22,926,083**

Percentage composition of total loans, financing and debentures, by currency/index of origin:

	Consolidated		Parent Company	
	2008	2007	200	2007
Local Currency				
CDI	5.68	8.54	2.77	7.23
IGP-M	0.37	4.38	0.46	4.76
TJLP	10.14	13.88	3.85	9.13
IGP-DI	0.08	0.13	0.05	0.13
Other currencies	20.06	0.07	32.23	
	36.33	**27.00**	**39.36**	**21.25**
Foreign Currency				
US dollar	65.60	69.89	50.93	52.07
Yen			9.70	23.34
Euro	0.09	0.16		0.02
Other currencies	(2.02)	2.95	0.01	3.32
	63.67	**73.00**	**60.64**	**78.75**
	100.00	**100.00**	**100.00**	**100.00**

In July 2005, the Company issued perpetual bonds amounting to US$750 million through its subsidiary CSN Islands X Corp. These indefinite maturity bonds pay 9.5% p.a. and the Company has the right to settle the transaction at its face value after 5 years, on the maturity dates for the interest.

The guarantees provided for loans comprise fixed assets items, sureties, bank guarantees and securitization operations (exports), as shown in the following table and do not include the guarantees provided to subsidiaries and jointly-owned subsidiaries mentioned in Note 16.

	2008	2007
Property, Plant and Equipment	47,985	47,985
Personal Guarantee	95,254	68,159
Imports	83,853	87,525
Securitizations (Exports)	117,369	252,307
	344,461	**455,976**

COMPANHIA SIDERÚRGICA NACIONAL – CSN
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The following tables show the amortization and funding in the current period:

	Amortization			
Company	**Description**	**Principal**	**Payment date**	**Interest rate (p.a.)**
		(million)		
CSN	BNDES	R$ 14	Feb / 2008	8.45% up to 9.45%
CSN	BNDES	R$ 14	May / 2008	8.45% up to 9.45%
CSN	BNDES	R$ 14	Aug / 2008	8.45% up to 9.45%
CSN	BNDES	R$ 17	Nov / 2008	8.45% up to 9.45%
CSN	Prepayment of third parties	R$ 7	Nov / 2008	CDI
CSN	Debentures	R$ 285	Dec / 2008	10% IGPM (3rd issue)
Amortization in R$		**R$ 351**		
CSN	BNDES	US$1	Jan / 2008	6.15 and 7.15%
CSN	ACC/ACE	US$62	Jan / 2008	5.8 and 6.0%
Island IX	Fixed Rate Note	US$21	Jan / 2008	10.5%
Island X	Fixed Rate Note	US$18	Jan / 2008	9.5%
CSN	Loans from third parties	US$1	Feb / 2008	5.0 up to 8.4%
CSN	Prepayment of third parties	US$13	Feb / 2008	5.22 and 6.37%
CSN Export	Prepayment of third parties	US$22	Feb / 2008	7.28 up to 7.43%
CSN Madeira	Loans from third parties	US$51	Mar / 2008	5.51%
CSN	Prepayment of third parties	US$4	Mar / 2008	3.54 and 6.04%
CSN	Equipment import	US$1	Mar / 2008	5.0 up to 8.5%
Island VII	Fixed Rate Note	US$15	Mar / 2008	10.75%
CSN	BNDES	US$1	Apr / 2008	6.15 and 7.15%
CSN	Loans from third parties	US$2	Apr / 2008	6.3%
CSN	Equipment import	US$1.0	Apr / 2008	6.3%
Island X	Fixed Rate Note	US$18	Apr / 2008	9.5%
CSN	Equipment import	US$1	May / 2008	5.57 up to 8.4%
CSN	Prepayment of third parties	US$1	May / 2008	5.81%
CSN Export	Prepayment of third parties	US$21	May / 2008	7.28 up to 7.43%
CSN	Prepayment of third parties	US$1	Jun / 2008	4.78 and 5.90%
CSN	Loans from third parties	US$1	Jun / 2008	6.24 up to 8.5%
Island VIII	Fixed Rate Note	US$27	Jun / 2008	9.75%
CSN	BNDES	US$1	Jul / 2008	6.15 and 7.15%
Island IX	Fixed Rate Note	US$21	Jul / 2008	10.5%
Island X	Fixed Rate Note	US$18	Jul / 2008	9.5%
CSN	Loans from third parties	US$1	Aug / 2008	5.57 up to 8.4%
CSN	Prepayment of third parties	US$8	Aug / 2008	5.22 and 5.81%
CSN Export	Prepayment of third parties	US$29	Aug / 2008	7.28 and 7.43%
CSN Madeira	Loans from third parties	US$82	Aug / 2008	4.21%
CSN	Prepayment of third parties	US$2	Sept / 2008	4.78 up to 6.04%
CSN	ACC/ACE	US$7	Sept / 2008	5.5 and 5.85%
Island VII	Fixed Rate Note	US$290	Sept / 2008	10.75%
CSN	Loans from third parties	US$2	Oct / 2008	6.3%
CSN	Equipment import	US$1	Oct / 2008	6.3%
CSN	BNDES	US$1	Oct / 2008	6.15 and 7.15%
Island X	Fixed Rate Note	US$18	Oct / 2008	9.5%
CSN	ACC/ACE	US$6	Nov / 2008	5.85% and 6.1%
CSN	Prepayment of third parties	US$2.6	Nov / 2008	5.19 and 5.81%
CSN Export	Prepayment of third parties	US$29	Nov / 2008	7.28 and 7.43%
CSN	ACC/ACE	US$30	Dec / 2008	5.85%
CSN	Loans from third parties	US$1	Dec / 2008	6.24 up to 8.5%
CSN	Prepayment of third parties	US$1.4	Dec / 2008	4.78% and 5.9%
Cinnabar	Loans from third parties	US$105	Dec / 2008	5.12%
Island VIII	Fixed Rate Note	US$27	Dec / 2008	9.75%
Amortization in US$		**US$965**		

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	Funding					
Company	**Description**	**Principal (millions)**	**Issue**	**Term**	**Maturity**	**Interest rate (p.a.)**
CSN Cimentos	BNDES	R$ 9	2/26/2008	7 years	2/15/2014	TJLP + 2.7% to 3.2%
CSN.................	BNDES	R$ 23	4/25/2008	7 months	12/15/2008	TJLP + 0.8%
CSN.................	BNDES	R$ 56	8/26/2008	5 years	2/17/2014	TJLP + 2.2% to 3.2%
CSN.................	Prepayment with third parties	R$ 100	5/5/2008	4,11 year	4/2/2013	CDI
CSN.................	Prepayment with Namisa(*)	R$ 7,286	12/30/2008	41,6 years	6/1/2042	12.50%
Funding in R$............		**$7,474**				
CSN Madeira ...	CSFB	US$ 80	1/16/2008	7 months	8/1/2008	4.21%
CSN Madeira ...	Santander	US$ 77	8/21/2008	1 year	8/21/2009	3.74%
CSN.................	ACC	US$ 20	3/19/2008	1 year	3/16/2009	3.25%
CSN.................	ACC	US$ 100	5/2/2008	11 months	4/27/2009	4.81%
CSN.................	ACC	US$ 100	5/2/2008	1,11 year	4/22/2010	4.98%
CSN.................	ACC	US$ 30	5/2/2008	1,05 year	10/23/2009	4.78%
CSN.................	ACC	US$ 60	7/29/2008	1 year	7/24/2009	4.58%
CSN.................	ACC	US$ 30	7/30/2008	1 year	7/27/2009	4.59%
CSN.................	ACC	US$ 20	8/5/2008	1 year	7/31/2009	4.68%
CSN.................	ACC	US$ 10	8/8/2008	1 year	8/3/2009	4.45%
CSN.................	ACC	US$ 100	8/18/2008	1 year	8/13/2009	5.06%
CSN.................	ACC	US$ 50	8/19/2008	1 year	8/14/2009	4.99%
CSN.................	ACC	US$ 45	8/19/2008	1 year	8/14/2009	4.74%
CSN.................	ACC	US$ 50	9/29/2008	1 year	8/24/2009	4.86%
CSN.................	BNDES	US$ 1	8/26/2008	5 years	4/15/2014	UM006 + 2.7%
CSN.................	BNDES	US$ 1	8/27/2008	5 years	4/15/2014	UM006 + 2.7%
CSN.................	Prepayment with third parties	US$ 150	5/19/2008	7 years	5/12/2014	4.78%
CSN.................	ACC	US$ 20	10/28/2008	6 months	4/20/2009	9.00%
CSN.................	ACC	US$ 30	11/21/2008	1 year	11/12/2009	8.00%
CSN.................	ACC	US$ 60	11/24/2008	1 year	11/16/2009	6.77%
CSN.................	ACC	US$ 18	11/28/2008	1 year	11/19/2009	5.26%
CSN.................	ACC	US$ 25	12/5/2008	1 year	12/11/2009	7.00%
CSN.................	ACC	US$ 10	12/16/2008	1 year	12/16/2009	6.90%
CSN.................	ACC	US$ 30	12/8/2008	1 year	11/30/2009	5.35%
CSN.................	ACC	US$ 10	12/18/2008	1 year	12/11/2009	6.50%
CSN.................	ACC	US$ 30	12/18/2008	1 year	12/11/2009	6.50%
CSN.................	ACC	US$ 30	12/18/2008	1 year	12/11/2009	6.50%
CSN.................	ACC	US$ 30	12/19/2008	1 year	12/11/2009	5.50%
CSN.................	ACC	US$ 20	12/19/2008	1 year	12/11/2009	5.50%
CSN.................	ACC	US$ 25	12/19/2008	1 year	12/11/2009	5.50%
CSN.................	ACC	US$ 10	12/19/2008	1 year	12/11/2009	5.50%
Funding in US$..............		**US$ 1,272**				

(*) Prepayment operation for coarse iron ore supply and port service provided by CSN, which holds a 60% interest in the creditor company (Namisa).

a) Loans and financing with certain financial institutions have certain common covenants in financial contracts in general, which the Company had properly complied with as of December 31, 2008. Some of the main covenants are informed as follows:

In export and import financing operations:

"The Company must maintain all authorizations necessary to comply with the obligations established in the contract."

"The Company commits to export in an amount sufficient to cover the principal and interest aggregated amount due on the respective payment dates – coverage ratio."

In financing obtained with the Brazilian Development Bank – BNDES

"The Company commits to prove the investment of own funds established in the project."

"The Company commits not to promote acts or measures which may jeopardize or change the economic-financial equilibrium of the loan Beneficiary."

Debenture issuances:

"The Company must immediately notify the Fiduciary Agent on the call for any general debenture holders' meeting by the issuer."

b) The Company and its subsidiaries also assume covenants which are specific to certain contracts, but usual in operations of the same nature, which had also been complied with as of December 31, 2008. For instance:

Covenants of the Company for Eurobonds issued by its subsidiaries:

"In foreign currency and debt operations represented by securities traded on stock exchanges outside Brazil, the Company must not constitute guarantees on its assets, except for those allowed in the operation agreements, without simultaneously guaranteeing the notes."

Covenants applicable to the Company's subsidiaries:

CSN Export S.à.r.l (Securitization): "CSN Export must not assume debts except for those established in the operation documentation and debts resulting from law and which do not have a materially adverse effect."

CSN Islands X Corp. and CSN Islands IX Corp. (Eurobonds): "The issuer must not assume debts, except for those represented by the Notes, or debts representing commissions, costs or indemnifications due according to the operation documentation."

Transnordestina (BNDES financing): "Transnordestina commits not to change, without prior and express authorization of BNDES, its share control."

15. DEBENTURES

(a) Third issue

As approved at the Board of Directors Meeting held on December 11 and ratified on December 18, 2003, the Company issued, on December 1, 2003, 50,000 registered and nonconvertible debentures, in two tranches, unsecured without preference, for the unit face value of R$10 and a total issue value of R$500,000.

The debentures were redeemed on December 1, 2006 (1st tranche) and on December 1, 2008 (2nd tranche) as per term established in the deed.

(b) Fourth issue

As approved at the Board of Directors Meeting held on December 20, 2005 and ratified on April 24, 2006, the Company issued, on February 1, 2006, 60,000 nonconvertible and unsecured debentures, in one single tranche, with a unit face value of R$10. These debentures were issued in the total issuance value of R$600,000. The credits from the negotiations with the financial institutions were received on May 3, 2006.

Compensation interest is applied on the face value of these debentures corresponding to 103.6% of the Cetip's CDI, and the maturity of the face value is scheduled for February 1, 2012, without early redemption option.

The deeds of this debenture issue contain restrictive contractual covenants, usual to this kind of operation, described as follows, which have been duly complied with by the Company:

a) Provision of information: the Company must provide to the trustee any information that the latter may reasonably require the former in up to ten business days counting from the date of the respective requirement;

b) Audit: the Company must submit, pursuant to the law, its accounts and balance sheets to examination by an independent audit firm registered with CVM;

c) General Debenture holders' Meeting: it must immediately notify the trustee on the call of any General Meeting by the Issuer.

16. FINANCIAL INSTRUMENT I – Derivatives

a) Policies for the use of hedging derivatives

The Company's financial policy reflects the liquidity parameters, credit risk, and market risk approved by the audit committee and board of directors. The use of derivative instruments, with the purpose of preventing interest rate and foreign exchange rate fluctuations from having a negative impact on the Company's balance sheet and statement of income, should comply with these same parameters. Pursuant to the Company's internal rules, this financial investment policy was approved and is managed by the financial department. As a routine, the financial department presents and discusses, at the meetings of the board of executive officers and board of directors, the company's financial positions. Pursuant to the Bylaws, significant amount operations require previous approval by the Company management.

The use of other derivative instruments is subject to prior approval by the Board of Directors.

Additionally, considering that equity instruments historically present higher yield than fixed income instruments, and with the purpose of reducing third party capital cost, the Company contracted a total return swap operation on ADRs of its own issuance (see Note 17).

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In order to finance its activities, the Company often resorts to capital markets, either domestic or international ones, and due to the debt profile it seeks, part of the Company's debt is pegged to the U.S. dollar, which motivates the Company to seek hedge for its indebtedness.

In order to contract financial instruments and derivatives with the purpose of hedge in compliance with the structure of internal controls, the Company adopts the following policies:

- Continuous ascertainment of the exchange exposure of the Company, which is established by means of the assessment of assets and liabilities exposed to foreign currency, within the following terms: (i) accounts receivable and payable in foreign currency; (ii) investments in other companies abroad; (iii) cash and cash equivalents and debt in foreign currency;

- presentation of the Company's financial position and foreign exchange exposure, as a routine, at meetings of the board of executive officers and the board of directors which approve this hedging strategy

- contracting of hedge derivative operations only with first-tier banks;

The Company's consolidated net exposure to the foreign exchange rate as of December 31, 2008 is shown as follows:

	Amounts (in US$ thousand)
Assets in foreign currency	**3,307,508**
Accounts receivable – external market clients	59,737
Advances to suppliers	30,453
Investments abroad	**3,217,318**
Liabilities in foreign currency	**(3,304,259)**
Loans and financing	(4,090,781)
Accounts payable to suppliers	(743,478)
Notional value of contracted derivatives	1,530,000
Net exposure	**3,249**

The results obtained with these operations are in accordance with the policies and strategies defined by the Company's management.

b) Main risks resulting from the Company's operations

- **Exchange rate risk**

Although most of the Company's revenues are denominated in Brazilian Reais, as of December 31, 2008, R$9,560,157 or 66% of the Company's consolidated loans and financing were denominated in foreign currency (R$6,045,230 or 70% in 2007). As a result, the Company is subject to variations in exchange and interest rates and it manages the risk of the fluctuations in the amounts in Brazilian Reais that will be necessary to pay the obligations in foreign currency using a number of financial instruments, including cash invested in dollar and derivatives (derivative contracts without financial leverage, such as foreign currency put and call option), mainly swaps and futures contracts.

- **Interest rate risk**

The Company has short and long-term liabilities, indexed to floating interest rates and inflation indexes. Due to this exposure, the Company may carry out transactions with derivatives to manage these risks better.

- **Credit risk**

The exposure to credit risk of financial institutions comply with the parameters established in the company's financial policy. The exposure to credit risk of our clients and suppliers complies with the parameters established by the company's credit policy.

Since part of the Companies' funds is invested in Brazilian government bonds, there is also exposure to the credit risk with the government.

In order to mitigate market risks, as foreign exchange and interest rate, the Company's Management contracts operations with derivatives, as shown below:

- **Exchange swap transactions**

Exchange swap transactions aim to protect its liabilities denominated in foreign currency against the depreciation of the Real. Basically, the Company carried out swaps of its U.S. dollar-denominated liabilities, in which the Company will receive the difference between the exchange variation observed in the period plus interest rate which ranges between 3.46% and 5.06% p.a., multiplied by the notional value (purchased) and pays interest based on the Interbank Deposit Certificate – CDI, with rates ranging between 100% and 105% on the amount in Reais of the notional value on the date of the contracting(sold). The notional value of these swaps as of December 31, 2008, was US$1,530,000 thousand (US$1,359,675 thousand in 2007). The gains and losses from these contracts are directly related to exchange (dollar) and CDI fluctuations. They are related to operations in the Brazilian over-the-counter market, in general, having as counterparts first-tier financial institutions.

- **Libor x CDI Swap transactions**

Their purpose is to protect liabilities indexed to US Dollar Libor from Brazilian interest rate fluctuations. The Company has basically executed swaps of its liabilities indexed to Libor, in which the Company receives interest of 1.25% p.a. on the notional value in dollar (purchased) and pays 96% of the Interbank Deposit Certificate – CDI on the notional value in Reais on the date of the contracting (sold). The reference value of these swaps as of December 31, 2008 was US$150,000 thousand, protecting an export pre-payment operation in the same amount. The gains and losses from these contracts are directly related to exchange (dollar), Libor and CDI fluctuations. They are related to operations in the Brazilian over-the-counter market, in general, having as counterparts first-tier financial institutions.

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- **Metals swap agreement**

During the year 2007, the Company contracted Zinc swaps in order to set the price of part of its Zinc needs. Up to December 31, 2007 the Company maintained 5,000 tonnes of Zinc with settlement based on average Zinc prices from September to December 2007. The price used for the settlement of each contract is the average price of the calendar month prior to the date of its settlement. They are related generally to operations in the Brazilian over-the-counter market with first-tier financial institutions as counterparts.

All operations were settled in January 2008.

As of December 31, 2008 and 2007, the consolidated outstanding position of the aforementioned operations was as follows:

			Notional value US$ thousand		Valuation – 2008 (R$ thousand)		Valuation - 2007 (R$ thousand)		Fair value (market) (R$ thousand)		Amont payable or receivable in the period (R$ thousand)	
Description	**Date of settlement**	**Counterparts**	**2008**	**2007**	**Short-term position**	**Long-term position**	**Short-term position**	**Long-term position**	**2008**	**2007**	**Amount receivable/ received**	**Amount payable/paid**
Exchange swaps registered with CETIP (USD x CDI)	2-Jan-08	*Santander*		860,174	1,582,166	(1,801,419)	1,581,645	(1,800,666)	(219,253)	(219,021)		(232)
	2-Jan-08	*GoldmanSachs*		244,500	440,466	(474,307)	440,325	(474,109)	(33,841)	(33,784		(57)
	1-Feb-08	*Santander*	627,804		1,116,712	(1,105,233)			11,479		11,479	
	3-Mar-08	*Santander*	150,000		253,377	(266,144)			(12,767)			(12,767)
	1-Apr-08	*Itau BBA*	300,000		526,655	(509,225)			17,430		17,430	
	1-Apr-08	*ABN Armo*	100,000		175,549	(169,742)			5,807		5,807	
	1-Apr-08	*Santander*	319,500		560,304	(538,556)			21,748		21,748	
	2-May-08	*Itau BBA*	300,000		507,593	(529,441)			(21,848)			(21,848)
	12-May-08	*Itau BBA*	200,000		333,379	(330,950)			2,429		2,429	
	2-May-08	*Santander*	250,000		426,203	(451,310)			(25,107)			(25,107)
	15-May-08	*Itau BBA*	25,000		41,459	(41,408)			51		51	
	28-May-08	*Itau BBA*	100,000		167,035	(166,360)			675		675	
	2-Jun-08	*Santander*	200,000		375,595	(391,437)			(15,842)			(15,842)
	2-Jun-08	*Unibanco*	200,000		325,880	(332,851)			(6,971)			(6,971)
	2-Jun-08	*Itau BBA*	360,000		588,665	(622,650)			(33,985)			(33,985)
	1-Jul-08	*Santander*	25,000		39,883	(41,121)			(1,238)			(1,238)
	1-Jul-08	*Itau BBA*	50,000		159,536	(164,484)			(4,948)			(4,948)
Interest swaps CSFB Libor x	12-Aug-08	*CSFB*	150,000		256,690	(261,527)			(4,837)			(4,837)
CDI	11/12/2008	*CSFB*	150,000		257,655	(262,376)			(4,721)			(4,721)
Zinc swap registered with LME (London Metal Exchange)		*Standard Bank*		Ton 5.000	20,619	(26,348)	20,840	(26,631)	(5,729)	(5,791)	62	

The net position of the contracts above is recorded under loans and financing as gain in the amount of R$295,972 in 2008 (loss of R$251,808 in 2007), and its effects are recognized in the company's financial result. The jointly-controlled subsidiary MRS Logística has swap operations which generated gains of R$8,636 in the short term and of R$7,565 in the long term, recognized in the CSN 2008 consolidated balance sheet.

For the year ended December 31, 2008, the effect on the financial income related to foreign exchange derivative contracts and interest rate derivative contracts was a gain of R$804,696 and a loss of R$11,432, respectively.

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In addition to the outstanding operations, the Company contracted operations which were completed in the same year, and their effects are recognized in the Company's financial income, as shown below:

		Notional value			Valuation - 2008 (R$ thousand)		Valuation - 2007 (R$ thousand)		Fair value (market) (R$ thousand)		Amont payable or receivable in the period (R$ thousand)	
Description	Date of settlement	Counterparties	2008	2007	Short-term position	Long-term position	Short-term position	Long-term position	2008	2007	Amount receivable/ received	Amount payable/paid
			(US$ thousand)									
Exchange swaps registered with CETIP (USD x CDI)	2-Jan-08	*Santander*		860	1,582,166	(1,801,419)	1,581,645	(1,800,666)	(219,253)	(219,021)		(232)
	2-Jan-08	*GoldmanSachs*		245	440,466	(474,307)	440,325	(474,109)	(33,841)	(33,784)		(57)
	1-Feb-08	*Santander*	628		1,116,712	(1,105,233)			11,479		11,479	
	3-Mar-08	*Santander*	150		253,377	(266,144)			(12,767)			(12,767)
	1-Apr-08	*Itau BBA*	300		526,655	(509,225)			17,430		17,430	
	1-Apr-08	*ABN Armo*	100		175,549	(169,742)			5,807		5,807	
	1-Apr-08	*Santander*	320		560,304	(538,556)			21,748		21,748	
	2-May-08	*Itau BBA*	300		507,593	(529,441)			(21,848)			(21,848)
	12-May-08	*Itau BBA*	200		333,379	(330,950)			2,429		2,429	
	2-May-08	*Santander*	250		426,203	(451,310)			(25,107)			(25,107)
	15-May-08	*Itau BBA*	25		41,459	(41,408)			51		51	
	28-May-08	*Itau BBA*	100		167,035	(166,360)			675		675	
	2-Jun-08	*Santander*	200		375,595	(391,437)			(15,842)			(15,842)
	2-Jun-08	*Unibanco*	200		325,880	(332,851)			(6,971)			(6,971)
	2-Jun-08	*Itau BBA*	360		588,665	(622,650)			(33,985)			(33,985)
	1-Jul-08	*Santander*	25		39,883	(41,121)			(1,238)			(1,238)
	1-Jul-08	*Itau BBA*	50		159,536	(164,484)			(4,948)			(4,948)
Interest swaps CSFB Libor x CDI	12-Aug-08	*CSFB*	150		256,690	(261,527)			(4,837)			(4,837)
	12-Nov-08	*CSFB*	150		257,655	(262,376)			(4,721)			(4,721)
Zinco swap registered with LME (London Metal Exchange)		*Standard Bank*		Ton 5.000	20,619	(26,348)	20,840	(26,631)	(5,729)	(5,791)	62	

(In thousands of reais, unless otherwise stated)

Description	Date of settlement	Counterparties	2008	2007	Short-term position	Long-term position	Short-term position	Long-term position	2008	2007	Amount receivable/ received	Amount payable/paid
Exchang.........	11-Jan-08	*Santander*	200		349,681	(355,296)			(5,615)			(5,615)
swaps	14-Jan-08	*Santander*	100		174,541	(177,722)			(3,181)			(3,181)
(USDXCDI)	15-Jan-08	*Santander*	330	130	574,669	(587,003)	233,913	(230,446)	(12,334)	3,467		(15,801)
registered	1-Feb-08	*Merril Lynch*	125	25	221,573	(223,507)	44,987	(44,317)	(1,934)	670		(2,604)
with CETIP	1-Feb-08	*ABN Amro*	100	100	178,371	(178,976)	179,917	(177,266)	(605)	2,651		(3,256)
(contracted	1-Feb-08	*Unibanco*	200		353,891	(357,526)			(3,635)			(3,635)
by exclusive	1-Feb-08	*Safra*	100		176,959	(178,763)			(1,804)			(1,804)
funds)	1-Feb-08	*Santander*	100	75,000	177,022	(178,763)			(1,741)			(1,741)
	3-Mar-08	*ABN Amro*	150		254,282	(267,395)			(13,113)			(13,113)
	3-Mar-08	*Santander*	780		1,326,598	(1,393,448)			(66,850)			(66,850)
	3-Mar-08	*Unibanco*	205		351,990	(370,175)			(18,185)			(18,185)
	5-Mar-08	*Santander*	320		534,992	(538,264)			(3,272)			(3,272)
	1-Apr-08	*ABN Amro*	100		175,533	(169,742)			5,791		5,791	
	1-Apr-08	*Safra*	100		175,541	(169,742)			5,799		5,799	
	1-Apr-08	*Santanser*	360		631,902	(611,070)			20,832		20,832	
	2-May-08	*Santander*	50		85,243	(90,262)			(5,019)			(5,019)
	2-May-08	*ABN Amro*	780		1,320,285	(1,376,547)			(56,262)			(56,262)
	2-May-08	*Safra*	150		254,051	(264,721)			(10,670)			(10,670)
	2-May-08	*Unibanco*	50		85,243	(90,262)			(5,019)			(5,019)
	5-May-08	*Itau BBA*	1.200.000		1,985,365	(2,025,521)			(40,156)			(40,156)
	5-May-08	*Unibanco*	200		330,853	(337,587)			(6,734)			(6,734)
	1-Jul-08	*Itau BBA*	825		1,315,745	(1,357,419)			(41,674)			(41,674)
	1-Jul-08	*Santander*	475		757,575	(781,304)			(23,729)			(23,729)
	1-Aug-08	*ABN Amro*	475		746,068	(765,651)			(19,583)			(19,583)
	1-Aug-08	*Itau BBA*	930		1,460,459	(1,499,571)			(39,112)			(39,112)
	1-Sep-08	*ABN Amro*	575		942,029	(909,908)			32,121		32,121	
	1-Sep-08	*Itau BBA*	675		1,105,541	(1,068,165)			37,376		37,376	
	1-Sep-08	*Santande*	100		163,740	(158,247)			5,493		5,493	
	1-Oct-08	*ABN Amr*	450		863,985	(743,559)			120,426		120,426	
	1-Oct-08	*Itau BBA*	650		1,247,950	(1,074,030)			173,920		173,920	
	1-Oct-08	*GoldmanSachs*	200		383,977	(330,471)			53,506		53,506	
	1-Oct-08	*Santander*	125		240,000	(206,544)			33,456		33,456	
	22-Oct-08	*ABN Amro*	100		230,423	(230,380)			43		43	
	3-Nov-08	*ABN Amro*	350		753,780	(687,554)			66,226		66,226	
	3-Nov-08	*Itau BBA*	855		1,848,910	(1,684,991)			163,919		163,919	
	3-Nov-08	*Santander*	50		106,279	(96,839)			9,440		9,440	
	21-Nov-08	*Santander*	30		72,328	(71,979)			349		349	
	1-Dec-08	*ABN Amro*	145		341,516	(330,763)			10,753		10,753	
	1-Dec-08	*Itau BBA*	900		2,111,978	(1,922,728)			189,250		189,250	
	1-Dec-08	*GoldmanSachs*	50		117,326	(106,818)			10,508		10,508	

III – Methods and assumptions used to calculate and measure financial instruments - derivatives

- **Foreign exchange swap transactions and Libor x CDI swap transactions**

The Company uses an exclusive fund for its foreign exchange swap operations. The fund's manager, Banco UBS Pactual, calculates and discloses the market value of the fund assets (NAV – Net Asset Value) on a daily basis, using the following pricing methodology to ascertain the market value of the foreign exchange swap.

Dollar

Pricing Methodology

The first step in order to calculate the swap is to correct its notional financial value at the foreign exchange rate variation.

$$FinNocSwap_{corr} = \left(1 + \frac{PtaxV_{calc}}{PtaxV_{ini}}\right) \cdot FinNocSwap$$

The second step consists of calculating which value the corrected notional value would have on the maturity date.

$$FinSwap_{vcto} = FinNocSwap_{corr} \cdot \left(1 + i \cdot \frac{DC_{vcto,ini}}{360}\right)$$

The third and last stage of the calculation is to calculate what value the swap on the maturity date would have on the date of the calculation.

$$FinSwap_{calc} = \frac{FinSwap_{vcto}}{\left(1 + tx \cdot \frac{DC_{vcto,calc}}{360}\right)}$$

Combining all steps in one single equation we would have the following:

$$FinSwap_{calc} = \left(1 + \frac{PtaxV_{calc}}{PtaxV_{ini}}\right) \cdot \left(\frac{FinNocSwap \cdot \left(1 + i \cdot \frac{DC_{vcto,ini}}{360}\right)}{\left(1 + tx \cdot \frac{DC_{vcto,calc}}{360}\right)}\right)$$

Where:

$FinSwap_{calc}$	Swap's financial value on calculation date
$FinNocSwap$	Swap's notional financial value (initial financial value)
$FinNocSwap_{corr}$	Swap's notional financial value restated to calculation date
$FinSwap_{vcto}$	Swap's estimated financial value on maturity
$PtaxV_{calc}$	Sale PTAX800 on calculation date. Source: BC
$PtaxV_{ini}$	Sale PTAX800 on initial swap date. Source: BC
$DC_{vcto.ini}$	Days elapsed between initial swap and maturity
$DC_{vcto.hoje}$	Days elapsed between initial swap and calculation date
I	Swap's remuneration rate
Tx	Current market foreign exchange coupon rate. Primary Source: BM&F

(In thousands of reais, unless otherwise stated)

The rates used for all swaps are the ones disclosed by BM&F. In their absence, or in situations of liquidity squeeze or systemic crisis situations, coupons of the government bonds of each of the respective indexes are used as a notion for calculation. In the absence of the rate for the specific vertex to be calculated, the BM&F interpolated rates are used.

The Libor x CDI swap was directly contracted by the Company out of its exclusive fund and, therefore, its market value was calculated as follows:

- Long position (purchased): carried to future value by current Libor and discounted to present value by the prefixed US Dollar curve.
- Short position (sold): carried to future value of current CDI and discounted to present value by the prefixed Brazilian Real curve.

The data sources for the mark-to-market of these instruments are the following: BBA (British Bankers Association), BM&FBOVESPA and CETIP, and all data were taken from Bloomberg.

IV – Sensitivity analysis

Based on the foreign exchange rate as of December 31, 2008 of R$2.3370 per US$1.00, adjustments to the swap contract amounts were estimated for three scenarios: scenario 1: rate of R$2.3580 per R$1.00;

scenario 2: (25% depreciation) rate of R$1.7528 per US$1.00; scenario 3: (50% depreciation) rate of R$1.1685 per US$1.00.

	2008				
Reference date 12/31/2008	**Risk**	**Scenario**	**US$ Notional value**	**Exchange rate**	**Additional result R$**
			1,530,000	2.3370	
Exchange Swap	Dollar devaluation	1		2.3580	32,130
		2		1.7528	(893,903)
		3		1.1685	(1,787,805)
			1,663	2.3370	
Swap CDI vs. Libor	Dollar devaluation	1		2.3580	35
		2		1.7528	(972)
		3		1.1685	(1,943)
Consolidated exchange position	Dollar devaluation		3,249	2.3370	
		1		2.3580	68
		2		1.7528	(1,898)
		3		1.1685	(3,797)

(*) Source: Futures Dollar closing rate as of February 28, 2009 and December 30, 2008.

he scenarios of devaluation of the Real versus the Dollar would increase losses in the operations and gains in the hedged exposure according to the expected equilibrium.

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17. INSTRUMENTS ASSOCIATED TO OTHER FINANCIAL ASSET PRICE FLUCTUATION RISKS

Total return equity swap contracts

Operation settled on September 5, 2008, after some renewals:

Issue date	Maturity date of agreements	Notional value (US$ thousand)	Assets 9/5/2008	Assets 2007	Liabilities 9/5/2008	Liabilities 2007	Previous fair value 2007	Amount receivable (received) 9/5/2008
4/7/2003	9/5/2008	35,835	1,361,048	1,164,232	94,837	93,179	1,071,053	1,266,211
4/9/2003	9/5/2008	5,623	212,021	181,361	14,873	14,613	166,748	197,148
4/10/2003	9/5/2008	1,956	76,143	65,132	5,173	5,083	60,050	70,970
4/11/2003	9/5/2008	1,032	39,319	33,633	2,727	2,679	30,954	36,592
4/28/2003	9/5/2008	1,081	37,580	32,146	2,844	2,794	29,352	34,736
4/30/2003	9/5/2008	76	2,646	2,264	201	197	2,066	2,446
5/14/2003	9/5/2008	192	6,956	5,951	504	495	5,455	6,452
5/15/2003	9/5/2008	432	15,803	13,518	1,132	1,112	12,406	14,671
5/19/2003	9/5/2008	1,048	40,151	34,345	2,742	2,694	31,651	37,409
5/20/2003	9/5/2008	264	10,435	8,926	689	677	8,248	9,746
5/21/2003	9/5/2008	415	17,089	14,618	1,084	1,065	13,552	16,005
5/22/2003	9/5/2008	326	13,459	11,513	852	837	10,676	12,607
5/28/2003	9/5/2008	439	17,467	14,941	1,146	1,126	13,815	16,321
5/29/2003	9/5/2008	408	16,559	14,169	1,063	1,045	13,120	15,496
6/5/2003	9/5/2008	96	3,781	3,234	251	247	2,988	3,531
		49,223	**1,870,457**	**1,599,983**	**130,118**	**127,843**	**1,472,134**	**1,740,341**

The maturity of this operation was on September 5, 2008 and the financial settlement on September 8, 2008 which resulted in a gain corresponding to US$1,005,453 thousand equivalent to R$1,740,341.

On the maturity date, the Company contracted a new total return equity swap operation as presented below:

Issue date	Maturity date	Notional value	Assets 2008	Liabilities 2008	Market value 2008
9/5/2008	9/10/2009	1,050,763	888,661	(2,485,053)	(1,596,392)

Additionally to the loss of this operation between September 5 and December 31, 2008, in the amount of R$1,596,392, the Company recorded a gain in the previous agreement, during this year, in the amount of R$268,207, totaling a loss of R$1,328,185.

Swap contract without cash, having as counterpart Banco Goldman Sachs International, is pegged to 29,684,400 American Depositary Receipts (“ADR”) of Companhia Siderúrgica Nacional (purchased) and Libor of 3 months + spread of 0.75% p.a. (sold).

The gains and losses from this contract are directly related to foreign exchange fluctuations, the Company’s ADRs and Libor quotation. This instrument is recorded in other accounts payable in the balance sheet and, by the accrual period, in the financial income the Company.

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This operation has deposit related to the guarantee margin with the counterpart and, as of December 31, 2008, this margin totaled U$1,058,474 remunerated daily at the FedFund rate.

I – Methods and assumptions used to calculate and measure financial instruments – derivatives

The market value pricing of the total return equity swap consists of the correction of the swap's notional financial value, by having the 29,684,400 notional number of ADRs multiplied by the CSN ADR closing price (ticker: "SID") on the New York Stock Exchange. We subtracted from this amount the opening notional value, corrected at the contractual interest rate and carried to the calculation date.

II – Sensitivity analysis

Based on the foreign exchange rate as of December 31, 2008 (R$2.3370 per US$1.00) and on the ADR price of US$12.81, and in compliance with the historical return correlation between these assets, adjustments to the derivative contract amounts were estimated for three dollar and ADR scenarios: scenario 1 - exchange rate of R$2.3580 per US$1.00 and the ADR quotation at US$20.00; scenario 2 – 25% additional depreciation in relation to the rate of December 31, 2008, with exchange rate of R$2.9213 per US$1.00 and the ADR quotation at US$9.68; and (iii) scenario 3 –50% additional depreciation in relation to the rate of December 31, 2008, with exchange rate of R$3.5055 per US$1.00 and the ADR quotation at US$6.46.

For the total return equity swap, in addition to the foreign exchange rate variation scenarios above, we also used the variation scenarios of ADRs listed on NYSE.

The evaluated scenario follows the perspective of a worldwide economic recovery and the expected growing appreciation of the quotations of the Company's securities.

	2008					
Reference date 12/31/2008	**Risk**	**Scenario**	**ADR Price**	**ADR Notional value**	**Exchange rate**	**Additional result R$**
			12.81	29,684,400	2.3370	
Swap ADRs................	ADR price decrease and dollar devaluation	1	20.00		2.3580	496,270
		2	9.68		2.9213	(279,874)
		3	6.46		3.5055	(671,699)

18. SURETIES AND GUARANTEES

The Company has the following liabilities with its subsidiaries and jointly-owned subsidiaries, in the amount of R$4,582 million (R$4,331.7 million in 2007), for guarantees provided:

Companies	Currency	2008	2007	Maturity	Conditions
		(in million)			
Transnordestina............................	R$	24.0	24.0	11/13/2009	BNDES loan guarantee
Transnordestina............................	R$	20.0	20.0	11/15/2020	BNDES loan guarantee
Transnordestina............................	R$	13.0	13.0	11/15/2015	BNDES loan guarantee
Transnordestina............................	R$	23.0	23.0	4/6/2009	BNDES loan guarantee
Transnordestina............................	R$	19.2	19.2	4/28/2009	BNDES loan guarantee
Transnordestina............................	R$	18.0	18.0	9/18/2009	BNDES loan guarantee
Transnordestina............................	R$	20.0	20.0	2/16/2009	BNDES loan guarantee
Transnordestina............................	R$	5.0	5.0	5/26/2009	BNDES loan guarantee
Transnordestina............................	R$	90.0	90.0	11/2/2009	BNDES loan guarantee
Transnordestina............................	R$	6.5		11/1/2010	BNDES loan guarantee
Transnordestina............................	R$	2.7		9/14/2009	BNDES loan guarantee
Transnordestina............................	R$		18.0	9/5/2008	BNDES loan guarantee

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Companies	Currency	2008	2007	Maturity	Conditions
		(in million)			
CSN Cimentos S.A.	R$		0.3	12/31/2020	To guarantee the Warrantee's fixed cash debt corresponding to tax credit related to court deposit no. E04/517.577/98 - Infraction notice no. 01.047755-2 of 6/09/1998
CSN Cimentos S.A.	R$	27.0		Indefinite	To guarantee the Warrantee's liability in the writ of summons, pledge, appraisal and registration
CSN Cimentos S.A.	R$	7.9	7.9	Indefinite	To guarantee the Warrantee's liability regarding Tax Foreclosure
Prada..	R$	0.8		Indefinite	To guarantee the Warrantee's liability regarding Tax Foreclosure
Prada..	R$	2.8		Indefinite	To guarantee the Warrantee's liability regarding Tax Foreclosure
Prada..	R$		0.4	Indefinite	To guarantee the Warrantee's liability regarding ICMS
Prada..	R$	0.2		Indefinite	To guarantee the Warrantee's liability regarding ICMS
Prada..	R$	6.1		Indefinite	To guarantee the Warrantee's liability regarding Tax Foreclosure filed by Paraná State
Prada..	R$	0.1		Indefinite	To guarantee the payment of the value discussed in the Tax Foreclosure Proceeding 2004.51.01.54.1327-8
Prada..	R$	0.1		Indefinite	To guarantee the payment of the value discussed in the Tax Foreclosure Proceeding 2004.61.09.007744-7
Prada..	R$		0.3	3/2/2008	To guarantee the Warrantee's liability in the compliance with the requirement of judicial guarantee, considering the filing of the voluntary Appeal to the administrative proceeding no. E-34/067.165/2004 - Infraction notice no. 03.165518-6 debit of which is higher than 50,000 UFIR - RJ.
Prada..	R$		5.8	8/28/2008	To guarantee the Warrantee's liability regarding the rental agreement of real state for business purposes located at Rua Engenheiro Francisco Pita Brito, 138 - Santo Amaro - São Paulo
Prada..	R$	0.4		1/3/2012	To guarantee the Warrantee's liability regarding the purchase and sale of electric power
Metalic	R$	0.9		Indefinite	To guarantee the Warrantee's liability regarding the Infraction notes 2006.19291 and 2006.24557-7 to the Revenue Service of the Ceará State
CSN Energia	R$	1.0	1.0	Indefinite	To guarantee the Warrantee's liability regarding Tax Foreclosure
Sepetiba Tecon............................	R$	5.0		6/1/2009	To guarantee the Warrantee's liability in the rendering of guarantee agreement no. 181020518
Sepetiba Tecon............................	R$	15.0	15.0	5/5/2011	Guarantee by CSN in the issue of export credit note
Total in R$		**308.7**	**280.9**		3
CSN Islands VII..........................	US$		275.0	12/09/2008	Guarantee in Bond issue
CSN Islands VIII.........................	US$	550.0	550.0	12/16/2013	Guarantee in Bond issue
CSN Islands IX	US$	400.0	400.0	1/15/2015	Guarantee in Bond issue
CSN Islands X.............................	US$	750.0	750.0	Perpetual	Guarantee in Bond issue
Cinnabar......................................	US$	20.0	20.0	10/29/2009	Guarantee in the Promissory Notes issue
Cinnabar......................................	US$		100.0	12/22/2008	Guarantee in Import Loan
CSN Madeira	US$	76.8		8/21/2009	Guarantee in Import Loan
CFM	US$	20.0		12/31/2009	Guarantee in agreement for the rendering of external guarantee
INAL	US$		1.4	3/26/2008	Personal guarantee in equipment financing
Sepetiba Tecon............................	US$		16.7	12/31/2008	Personal guarantee in equipment financing and terminal implementation
Aços Longos	US$	17.3	16.5	Indefinite	Letter of Credit for equipment acquisition
Aços Longos	US$		38.5	Indefinite	Letter of Credit for equipment acquisition
CSN Cimentos	US$		13.3	8/30/2009	Letter of Credit for equipment acquisition
CSN Cimentos	US$	0.9		8/30/2009	Letter of Credit for equipment acquisition
CSN Cimentos	US$		15.5	4/19/2008	Standby
Nacional Minérios.......................	US$		20.0	7/27/2008	Collateral by CSN to issue bank guarantee necessary to purchase Cia. de Fomento Mineral e Participações - CFM
Nacional Minérios.......................	US$		20.0	7/19/2010	Collateral by CSN to issue bank guarantee necessary to purchase Cia. de Fomento Mineral e Participações - CFM
Nacional Minérios.......................	US$		20.0	8/3/2009	Collateral by CSN to issue bank guarantee necessary to purchase Cia. de Fomento Mineral e Participações - CFM
Nacional Minérios.......................	US$		30.0	1/19/2009	Collateral by CSN to issue bank guarantee necessary to purchase Cia. de Fomento Mineral e Participações - CFM
Total in US$................................		**1,835.0**	**2,286.9**		

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19. TAXES PAID IN INSTALLMENTS

The parent company filed an action pleading the right to the presumed credit of IPI on the acquisition of exempt, immune inputs, not taxed or taxed at zero rate and, in May 2003, an injunction was obtained authorizing the use of the aforementioned credits, which the Company offset with other federal taxes. The Regional Federal Court of the 2nd Region, through the appeal filed by the Federal Government, revoked the aforementioned authorization and on August 27, 2007, the proceeding had an unfavorable decision to the Company. In view of this decision, the Company will pay the debit related to the offset taxes in 60 months.

In 2008, jointly-owned subsidiary MRS Logística will pay the ICMS debit with the State of Minas Gerais in 120 months.

The companies are regularly complying with the payment in installments and as of December 31, 2008, the position of these installments was the following:

	Consolidated		Parent Company	
	2008	**2007**	**2008**	**2007**
Corporate Income Tax (IRPJ)	292,640	332,950	292,640	332,950
Social Contribution on Net Income (CSLL)	48,887	55,621	48,887	55,621
Excise Tax (IPI)	230,045	261,502	230,045	261,502
Social Integration Program (PIS)	45,255	51,489	45,255	51,489
Contribution for Social Security Financing (COFINS)	244,457	278,129	244,456	278,129
Value-added tax on sales and services (State of Minas Gerais) (ICMS)	183,697			
	1,044,982	**979,691**	**861,284**	**979,691**
Current Liabilities	**249,930**	**206,106**	**229,471**	**206,106**
Non current Liabilities	**795,052**	**773,585**	**631,813**	**773,585**

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20. PROVISIONS AND JUDICIAL DEPOSITS

The Company is currently party to several proceedings involving actions and complaints of a number of issues. The breakdown of the amounts recorded as provisions and the respective judicial deposits related to those actions are shown below:

			2008			2007
	Judicial Deposits	**Liabilities Provisioned**	**Net Provisions**	**Judicial Deposits**	**Liabilities Provisioned**	**Net Provisions**
Current Provisions:						
Labor	(43,331)	105,095	61,764	(40,422)	90,310	49,888
Civil	(21,818)	44,704	22,886	(16,893)	33,587	16,694
Parent Company	**(65,149)**	**149,799**	**84,650**	**(57,315)**	**123,897**	**66,582**
Consolidated	**(69,434)**	**161,144**	**91,710**	**(60,956)**	**136,020**	**75,064**
Non current Provisions:						
Labor		15,308	15,308			
Environmental	(207)	71,361	71,154	(204)	55,202	54,998
Tax		1,266	1,266		961	961
	(207)	**87,935**	**87,728**	**(204)**	**56,163**	**55,959**
Legal liabilities questioned in court:						
Tax						
IPI premium credit	(1,196,822)	2,227,203	1,030,381	(892,961)	2,088,721	1,195,760
CSL credit on exports		1,156,830	1,156,830		987,072	987,072
SAT		66,650	66,650	(31,984)	109,546	77,562
Education Allowance	(33,121)	33,121		(33,121)	33,121	
CIDE	(27,390)	27,390		(25,819)	25,819	
Income tax / "Plano Verão"	(20,892)	20,892		(20,892)	20,892	
Other provisions	(6,894)	107,436	100,542	(6,894)	67,830	60,936
	(1,285,119)	**3,639,522**	**2,354,403**	**(1,011,671)**	**3,333,001**	**2,321,330**
Parent Company	**(1,285,326)**	**3,727,457**	**2,442,131**	**(1,011,875)**	**3,389,164**	**2,377,289**
Consolidated	**(1,297,475)**	**3,819,026**	**2,521,551**	**(1,023,173)**	**3,484,645**	**2,461,472**
Total Parent Company	**(1,350,475)**	**3,877,256**	**2,526,781**	**(1,069,190)**	**3,513,061**	**2,443,871**
Total Consolidated	**(1,366,909)**	**3,980,170**	**2,613,261**	**(1,084,129)**	**3,620,665**	**2,536,536**

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The change in provisions for contingencies for the years ended December 31, 2008 and 2007 can be shown as follows:

	Consolidated				
Nature	**2007**	**Additions**	**Restatement**	**Utilization**	**2008**
Civil	48,587	35,980	3,734	(26,187)	62,114
Labor	114,133	89,070	16,907	(68,378)	151,732
Tax	3,264,184	16,065	349,826	(35,219)	3,594,856
Pension Plan	138,559		13,582	(54,633)	97,508
Environmental	55,202	10,445	23,014	(14,700)	73,961
Total	**3,620,665**	**151,560**	**407,063**	**(199,117)**	**3,980,170**

	Parent Company				
Nature	**2007**	**Additions**	**Restatement**	**Utilization**	**2008**
Civil	33,587	35,299	1,560	(25,742)	44,704
Labor	90,310	86,507	6,565	(62,979)	120,403
Tax	3,224,416	1,244	349,438	(961)	3,574,137
Environmental	55,202	7,845	23,014	(14,700)	71,361
Pension Plan	109,546		11,738	(54,633)	66,651
Total	**3,513,061**	**130,895**	**392,315**	**(159,015)**	**3,877,256**

The provisions for labor, civil, environmental and tax liabilities were estimated by the Company's Management substantially based on the opinion of its legal counsel, and only the cases classified as risk of probable loss were recorded. Additionally, the provisions include tax liabilities arising from actions taken on the Company's initiative, plus SELIC (Special Settlement and Custody System) interest.

The Company and its subsidiaries are defendants in other judicial and administrative proceedings (labor, civil and tax) in the approximate amount of R$5.9 billion, R$4.5 billion of which corresponds to tax actions, R$0.4 billion to civil actions and R$1.0 billion to labor and social security actions. According to the Company's legal counsel, these administrative and legal proceedings are assessed as possible risk of loss. These proceedings were not provisioned in accordance with the Management's judgment and with accounting practices adopted in Brazil.

a) Labor actions

As of December 31, 2008, the Company was defendant in 9,609 labor claims (9,162 in 2007), with a provision in the amount of R$120,403 (R$90,310 in 2007). Most of the pleadings of the actions are related to joint and/or subsidiary liability, wage parity, additional allowances for unhealthy and hazardous activities, overtime and differences related to the 40% fine on FGTS (severance pay) resulting from the federal government's economic plans.

b) Civil actions

Among the civil judicial proceedings in which the Company is party, there are mainly actions with indemnification request. Such proceedings, in general, arise from occupational accidents and diseases related to the Company's industrial activities. A provision in the amount of R$44,704 as of December 31, 2008 (R$33,587 in 2007) was recorded for proceedings involving civil matters.

c) Environmental actions

As of December 31, 2008, the Company had a provision in the amount of R$71,361 (R$55,202 in 2007) for use in expenses related to services for environmental investigation and recovery of areas potentially polluted within the Company's plants in the States of Rio de Janeiro, Minas Gerais and Santa Catarina.

d) Tax proceedings

- Income and Social Contribution Taxes

(i) The Company claims the recognition of the financial-tax effects on the calculation of the income and social contribution taxes on net income, related to the 51.87% inflation write down of the Consumer Price Index (IPC), which occurred in January and February 1989 ("Plano Verão").

In 2004, the proceeding was concluded and a final and unappealable decision was reached, granting to CSN the right to apply the index of 42.72% (January 1989), from which the 12.15% already applied should be deducted. The application of the index of 10.14% (February 1989) was also granted. The proceeding is currently under expert accounting inspection.

The Company maintains a judicial deposit in the amount of R$336,826 on December 31, 2008 (R$331,408 in 2007) and a provision of R$20,892 (R$20,892 in 2007), which represents the portion not recognized by the courts.

(ii) The Company filed an action questioning the levying of Social Contribution on Net Income (CSLL) on export revenues, based on Constitutional Amendment 33/01 and in March 2004 the Company obtained an injunction authorizing the exclusion of these revenues from the aforementioned calculation basis, as well as the offsetting of the amounts paid as from 2001. The lower court decision was favorable and the decision made by a court of second instance, pronounced before the appeal filed by the Federal Government at the Regional Federal Court (TRF), judged this proceeding unfavorably for CSN. In view of these facts an Extraordinary Appeal was filed at the STF, which has not been judged yet. An injunction suspending the effects of the decision by the Regional Federal Court was obtained at the Federal Supreme Court (STF) until the judgment of the aforementioned Extraordinary Appeal. Up to December 31, 2008, the amount of suspended liability and the credits offset based on the aforementioned proceeding was R$1,156,830 (R$987,072 as of December 31, 2007), plus SELIC interest rate.

- Contribution for intervention in the Economic Domain - CIDE

CSN questions the legality of Law 10168/00, which established the payment of CIDE on the amounts paid, credited or remitted to beneficiaries not resident in Brazil, for royalties or remuneration purposes on supply contracts, technical assistance, trademark license agreement and exploitation of patents.

The Company maintains judicial deposits and a provision in the amount of R$27,390 as of December 31, 2008 (R$25.819 in 2007), which includes legal charges.

The lower court decision was unfavorable, which was ratified by the 2nd Regional Federal Court (TRF). Embargos of Declaration were filed, which were rejected, and an Extraordinary Appeal was filed at STF, which is awaiting decision as to its admissibility.

- Education Allowance

The Company discussed the unconstitutionality of the education allowance and the possible recovery of the amounts paid in the period from January 5, 1989 to October 16, 1996. The proceeding was judged unfounded, and the Federal Regional Court maintained its unfavorable decision, which is final and unappealable.

In view of this fact, CSN attempted to pay the amount due, but FNDE and INSS did not reach an agreement about who should receive it. A fine was also demanded, but CSN did not agree.

CSN filed new proceedings questioning the above-mentioned facts and deposited in court the amounts due. In the first proceeding, the 1st level sentence judged partially favorable the request of CSN, in which the Judge removed the amount of the fine, maintaining, however, the SELIC rate. The Company presented brief of respondent to the appeal of the defendant, and appealed concerning the SELIC rate.

The amount provisioned as of December 31, 2008 and 2007 totals R$33,121.

- Workers' Compensation Insurance (SAT)

The Company understands that it should pay the SAT at the rate of 1% in all of its establishments, and not 3%, as determined by the current legislation.

In addition to the aforementioned thesis, the Company also discussed the raise in SAT for purposes of Contribution to Special Retirement, whose rate was set at 6%, in accordance with the legislation, for employees who are exposed to harmful agents.

As for the first proceeding mentioned above, the lower court decision was unfavorable and the proceeding is under judgment in the 2nd Region of the Federal Regional Court. As for the second proceeding it ended up unfavorably for the Company, and the total amount due in this proceeding of R$33,077, which was judicially deposited, was converted into revenue for the benefit of INSS.

The amount provisioned as of December 31, 2008 totals R$66,650 (R$109,546 in 2007), which includes legal additions and is exclusively related to the process of rate difference from 1% to 3% for all establishments of the Company.

- IPI premium credit on exports

The Brazilian tax laws allowed companies to recognize IPI premium credit until 1983, when the Brazilian government, through Executive act, cancelled these benefits, prohibiting companies to use these credits.

The Company challenged the constitutionality of this act and filed a claim to obtain the right to use the IPI premium credit on exports from 1992 to 2002, once only laws enacted by the legislative branch may cancel or revoke benefits prepared by prior legislation.

In August 2003 the Company obtained a favorable lower court decision, authorizing the use of the credits aforementioned. The national treasury appealed against this decision and obtained a favorable decision, and the Company then filed a special and extraordinary appeal against this decision at the Superior Court of Justice and at the Federal Supreme Court, respectively, and is currently awaiting for decisions of these courts.

Between September 2006 and May 2007, the Treasury filed 5 tax foreclosures and 3 administrative proceedings against the Company requesting the payment in the amount of approximately R$5.6 billion related to the payment of taxes which were offset with IPI premium credits.

On August 29, 2007, the Company offered assets in lien represented by treasury shares in the amount of R$536 million. 25% of this amount will be replaced by judicial deposits in monthly installments performed up to December 31, 2007 and as these substitutions take place, it was requested that the equivalent amount in shares was released from the lien, at the share price determined at the closing price of the day prior to the deposit. The requirement is still pending deferral.

The Company maintains provisioned the amount of credits already offset, plus default charges up to December 31, 2008, which total R$2,227,203(R$2,088,721 in 2007). The difference between the total amount in litigation and the amount recorded as provision is part of the R$4.5 billion reported above as tax proceedings considered as possible loss.

As of December 31, 2008, the Company maintains judicial deposits for the aforementioned liabilities in the amount of R$1,196,822 (R$892,961 in 2007).

In the middle of 2007, the Superior Court of Justice issued a contrary decision to another taxpayer denying the use of these credits. This decision is subject to revision by the Federal Supreme Court, which, in that event, is the highest court. The Company observed that a number of other Brazilian companies are challenging in court the same prohibition and it has been monitoring their progress.

- Other

The Company also recorded provisions for proceedings related to Severance Pay (FGTS) - Supplementary Law. 110, COFINS Law 10833/03, PIS - Law 10637/02 and PIS/COFINS - Manaus Free-Trade Zone, amount of which totaled R$108,702 as of December 31, 2008 (R$68,791 in 2007), which including legal accruals.

21. SHAREHOLDERS' EQUITY

Paid-in capital stock

The Company's fully subscribed and paid-in capital stock as of December 31, 2008 amounted to R$1,680,947 (R$1,680,947 in 2007), split into 793,403,838 common book-entry shares, with no par value. Each share is entitled to one vote in the resolutions of the General Meeting.

i. Authorized capital stock

The Company's bylaws in force as of December 31, 2008 determine that the capital stock can be increased up to 1,200,000,000 shares, by decision of the Board of Directors.

ii. Legal reserve

Recorded at the proportion of 5% on the net income determined in each fiscal year, pursuant to Article 193 of Law 6404/76. The Company reached the limit for recording the legal reserve, as determined by the current legislation.

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iii. Treasury shares

During the year of 2008, the Board of Directors authorized several share repurchase programs, with the purpose of holding those shares in treasury for subsequent disposal and/or cancellation, as shown below:

Board authorization	Number of shares authorized	Program term	Number of shares acquired	Shares cancellation	Average weighted acquisition cost	Maximum and minimum acquisition cost	Balance in treasury
12/21/2007	4,000,000	From 1/23/2008 to 2/27/2008[1]			Not applicable	Not applicable	34,734,384
3/20/2008	10,800,000[2]	Up to 4/28/2008			Not applicable	Not applicable	34,734,384
5/6/2008	10,800,000	Up to 5/28/2008			Not applicable	Not applicable	34,734,384
6/2/2008	10,800,000	Up to 6/26/2008			Not applicable	Not applicable	34,734,384
6/27/2008	10,800,000	From 6/30/2008 to 7/29/2008			Not applicable	Not applicable	34,734,384
8/1/2008	10,800,000	From 8/04/2008 to 8/27/2008			Not applicable	Not applicable	34,734,384
9/26/2008	10,800,000	From 9/29/2008 to 10/29/2008	10.800.000[3]		29.4	24.99 and 41.85	45,534,384
12/3/2008				(10,800,000)	Not applicable	Not applicable	34,734,384
12/3/2008	9,720,000	From 12/04/2008 to 1/04/2009			Not applicable	Not applicable	34,734,384

(1) The start of this program only occurred after the cancellation of shares approved at the Extraordinary General Meeting (AGE) of 1/22/2008.
(2) As from this share repurchase program the number of shares informed already reflects the split and cancellation of shares approved at the AGE of 1/22/2008.
(3) All shares acquired in this program were repurchased as from October, with no occurrence of acquisition until 9/30/2008 (see Note 30 subsequent events – share repurchase).

On December 3, 2008, the Extraordinary General Meeting approved the cancellation of 10,800,000 treasury shares, with no capital reduction.

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The Company did not sell treasury shares in the period. As of December 31, 2008, the position of treasury shares was as follows:

Number Acquired (in units)	Total amount paid for shares	Share unit cost Minimum	Share unit cost Maximum	Share unit cost Average	Share market value at 12/31/2008(*)
34,734,384	$719,042	$13.27	$41.85	$20.70	$995,835

(*) Average quotation of shares on BOVESPA as of December 31, 2008 at the value of R$28.67 per share.

iv. Shareholding structure

As of December 31, 2008, the Company's shareholding structure was as follows:

	Number of Common Shares	Total % of shares	% excluding treasury shares
Vicunha Siderurgia S.A.	348,859,995	43.97%	45.98%
BNDESPAR	28,886,758	3.64%	3.81%
Caixa Beneficente dos Empregados da CSN – CBS	35,490,867	4.47%	4.68%
Sundry (ADR - NYSE)	192,600,745	24.28%	25.39%
Other shareholders (approximately 10 thousand)	152,831,089	19.26%	20.14%
	758,669,454	**95.62%**	**100.00%**
Treasury shares	34,734,384	4.38%	
Total shares	**793,403,838**	**100.00%**	

v. Investment policy and payment of interest on shareholders' equity and dividends

As of December 11, 2000, the CSN Board of Directors decided to adopt a profit distribution policy which will result in the full distribution of net income to its shareholders, in compliance with Law 6404/76 amended by Law 9457/97, provided that the following priorities are preserved, irrespective of their order: (i) business strategy; (ii) compliance with liabilities; (iii) realization of the necessary investments; and (iv) maintenance of the Company's good financial standing.

22. SHAREHOLDERS' REMUNERATION

	2008
Net income for the year	**4,675,526**
Appropriation for investment reserve	(2,747,121)
Net income used as base for dividend determination	**1,928,405**
Proposed distribution:	
Advanced dividends in August 2008	160,000
Interest on shareholders' equity stated in 2008	268,405
Supplementary proposal for dividends distribution	1,500,000
Total proposed dividends and interest on shareholders' equity	**1,928,405**
Proposed dividends and interest on shareholders' equity as of December 31, 2008	1,768,405
Advanced dividends on August 12, 2008	160,000
Proposal of dividends and interest on shareholders' equity payable	**1,928,405**
Additional information:	
Mandatory minimum dividends	1,168,882

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i) Dividends

On August 12, 2008, the Company's Board of Directors approved the prepayment of dividends in the amount of R$160,000, corresponding to R$0.207935 per outstanding share of the capital stock on the date of the approval.

As provided for in the Bylaws, as of December 31, 2008, the Company reversed to the retained earnings account the amount of R$297 related to dividends approved at the Annual General Meeting of April 29, 2005 and not claimed by the shareholders for the period of 3 years.

ii) Interest on Shareholders' Equity

The calculation of interest on shareholders' equity is based on the variation of the Long-Term Interest Rate (TJLP) on shareholders' equity, limited to 50% of the income for the year before income tax or 50% of retained earnings and profit reserves, in which case the higher of the two limits may be used, pursuant to the legislation in force.

In compliance with the CVM Resolution 207, of December 31, 1996, and with tax rules, the Company opted to record the proposed interest on shareholders' equity in the amount of R$268,405 in the year 2008, corresponding to the remuneration of R$0.3537843 per share, as corresponding entry against the financial expenses account, and reverse it in the same account, and not presenting it in the statement of income and not generating effects on net income after IRPJ/CSL, except with respect to tax effects recognized under income and social contribution taxes. The Management will propose that the amount of interest on shareholders' equity be attributed to the mandatory minimum dividend.

As of December 31, 2008,in accordance with the established in the Bylaws, , the Company reversed to the retained earnings account the amount of R$56 related to interest on shareholders' equity approved at the Annual General Meeting of April 29, 2005 and not claimed by the shareholders for the period of 3 years.

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23. NET REVENUES AND COST OF GOODS SOLD

	Consolidated					
	2008			2007		
	Tonnes (thousand) (not audited)	Net revenue	Cost of Goods Sold	Tonnes (thousand) (not audited)	Net revenue	Cost of Goods Sold
Steel products						
Domestic market	4,158	9,166,237	(4,169,044)	3,614	6,842,128	(3,229,576)
Foreign market	733	1,399,779	(1,180,903)	1,764	2,703,196	(2,225,216)
	4,891	**10,566,016**	**(5,349,947)**	**5,378**	**9,545,324**	**(5,454,792)**
Mining products						
Domestic market	4,891	371,280	(148,469)	6,491	319,147	(95,576)
Foreign market	14,303	1,713,980	(416,765)	5,115	405,356	(292,642)
	19,193	**2,085,260**	**(565,234)**	**11,606**	**724,503**	**(388,218)**
Other sales						
Domestic market		1,272,755	(956,870)		1,067,236	(818,728)
Foreign market		78,840	(104,331)		103,919	(12,486)
		1,351,595	**(1,061,201)**		**1,171,155**	**(831,214)**
		14,002,871	**(6,976,382)**		**11,440,982**	**(6,674,224)**

	Parent Company					
	2008			2007		
	Tonnes (thousand) (not audited)	Net revenue	Cost of Goods Sold	Tonnes (thousand) (not audited)	Net revenue	Cost of Goods Sold
Steel products						
Domestic market	4,200	8,717,941	(4,356,140)	3,653	6,494,203	(3,358,025)
Foreign market	366	610,562	(466,712)	1,199	1,547,764	(1,246,476)
	4,566	**9,328,503**	**(4,822,852)**	**4,852**	**8,041,967**	**(4,604,501)**
Mining products						
Domestic market	8,887	504,357	(130,516)	5,902	290,732	(100,748)
Foreign market	5,408	334,293	(200,320)	1,063	73,733	(36,486)
	14,295	**838,650**	**(330,836)**	**6,965**	**364,465**	**(137,234)**
Other sales						
Domestic market		322,046	(217,964)		255,402	(156,945)
Foreign market		15,355	(15,686)		18,112	(12,486)
		337,401	**(233,650)**		**273,514**	**(169,431)**
		10,504,554	**(5,387,338)**		**8,679,946**	**(4,911,166)**

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24. FINANCIAL INCOME AND MONETARY AND FOREIGN EXCHANGE VARIATIONS, NET

	Consolidated		Parent Company	
	2008	2007	2008	2007
Financial expenses:				
Loans and financing - foreign currency	(527,891)	(527,955)	(89,790)	(34,697)
Loans and financing - domestic currency	(206,723)	(204,603)	(179,967)	(174,453)
Related parties			(669,873)	(377,867)
PIS/COFINS on other revenues	(23,894)	315,879	(23,893)	315,879
Interest, fines and tax delays	(426,382)	(849,257)	(336,541)	(836,591)
Derivative losses(*)	(67,391)		(74,746)	(259,462)
Other financial expenses	(101,566)	(126,761)	(88,007)	(87,173)
	(1,353,847)	**(1,392,697)**	**(1,462,817)**	**(1,454,364)**
Financial income:				
Related parties			894,240	(224,007)
Income on financial investments, net of provision for losses	71,782	198,134	(83,959)	10,232
Income on derivatives(*)		551,745		
Other income	190,178	134,787	394,189	116,309
	261,960	**884,666**	**1,204,470**	**(97,466)**
Net financial result	**(1,091,887)**	**(508,031)**	**(258,347)**	**(1,551,830)**
Monetary variations:				
- Assets	3,670	2,611	3,339	2,835
- Liabilities	(110,737)	(42,314)	(60,018)	(34,463)
	(107,067)	**(39,703)**	**(56,679)**	**(31,628)**
Exchange variations:				
- Assets	239,885	(284,239)	209,013	(166,096)
- Liabilities	(1,354,194)	1,305,359	(3,319,358)	1,396,362
- Exchange variations with derivatives(*)	(467,468)	(157,149)		
	(1,581,777)	**863,971**	**(3,110,345)**	**1,230,266**
Net monetary and exchange variations	**(1,688,844)**	**824,268**	**(3,167,024)**	**1,198,638**
(*) Income with derivative operations is described as follows:				
Swap CDI x USD	804,696	(587,881)	(74,808)	(253,671)
Swap Libor x CDI	(11,432)			
Metals	62	342	62	(5,791)
Total return equity swap	(1,328,185)	982,132		
	(534,859)	**394,593**	**(74,746)**	**(259,462)**

25. OTHER OPERATING (EXPENSES) AND INCOME

	Consolidated		Parent Company	
	2008	2007	2008	2007
Other Operating Expenses	**(787,890)**	**(1,155,591)**	**(478,216)**	**(234,673)**
Reversal of Provision for Actuarial Liabilities	60,946	4,914	60,946	4,914
Provision for Contingencies	(93,947)	(99,757)	(73,310)	(88,060)
Contractual Fines	(137,142)	(378)	(107,095)	(564)
Equipment Stoppage	(45,274)	(13,648)	(45,356)	(13,481)
Other	(572,473)	(1,046,722)	(313,401)	(137,482)
Other Operating Income	**4,642,075**	**1,147,916**	**4,483,917**	**33,434**
Indemnifications	5,665	5,446	5,269	4,618
Other	4,636,410	1,142,470	4,478,648	28,816
Other Operating Income and (Expenses)	**3,854,185**	**(7,675)**	**4,005,701**	**(201,239)**

(In thousands of reais, unless otherwise stated)

On January 30, 2007, the Company took part in an auction for the acquisition of the Anglo-Dutch steel Company Corus Group PLC and its 603-cents-a-pound offer was beaten by the offer of the Indian Tata Steel which was of 608 cents a pound. Thus, in view of the outcome of this auction, the Company verified expenses in the amount of R$113 million and revenues in the amount of R$235 million. These amounts are recorded in “other expenses” and “other income”, respectively.

In December 2008, the Company sold a portion of its interest in Namisa to the company Big Jump Energy which, after this acquisition, paid in capital in Namisa in the amount of R$7,286,154. As a result of this capital increase carried out by Big Jump, CSN verified gains and losses in percentage variation in the amount of R$4,043,559, substantially related to the goodwill paid by the new shareholder.

26. CLAIM BLAST FURNACE III

On January 22, 2006 an accident involving equipment adjacent to Blast Furnace No. 3 took place, mainly affecting the powder collecting system, and interrupted the equipment production until the end of the first half of that year.

The amount of the Company’s insurance policy for loss of profits and equipment, effective on the date of the claim, was at most US$750 million, which the Management deemed as sufficient to recover any losses derived from the accident. The cause of the accident is covered by the policy expressly recognized by the insurance companies.

On December 12, 2008, the Company and reinsurance companies concluded the discussions on the claim, which took place in 2006. The final indemnification amount was established at US$520 million. In view of this decision, reinsurance companies paid to the Company the remaining balance of US$160 million, which represented R$368 million, R$186 million of which were already recognized in other accounts receivable and the difference positively affected the Company’s income for the year by R$182 million.

27. INFORMATION BY BUSINESS SEGMENT

(i) Consolidated balance sheet by business segment

	2008				
	Steel	Mining	Logistics, Energy and Cement	Eliminations	Total
Current assets	**21,169,234**	**1,624,317**	**611,915**	**(5,076,766)**	**18,328,700**
Marketable securities	9,611,650	799,169	253,122	(1,671,893)	8,992,048
Trade Accounts Receivable	2,032,721	167,175	139,665	(1,253,004)	1,086,557
Other	9,524,863	657,973	219,128	(2,151,869)	8,250,095
Non current assets	**39,954,265**	**5,603,143**	**2,893,740**	**(35,282,409)**	**13,168,739**
Long-Term Assets	12,552,220	4,541,682	461,337	(15,041,067)	2,514,172
Investments, Property, Plant and Equipment and Intangible assets	27,402,045	1,061,461	2,432,403	(20,241,342)	10,654,567
Total assets	**61,123,499**	**7,227,460**	**3,505,655**	**(40,359,175)**	**31,497,439**
Current liabilities	**11,227,525**	**1,089,741**	**602,885**	**(3,286,924)**	**9,633,228**
Loans, Financing and Debentures	3,610,345	742,642	131,880	(1,487,419)	2,997,448
Accounts Payable to Suppliers	2,859,300	217,950	104,060	(1,242,106)	1,939,205
Other	4,757,880	129,149	366,945	(557,399)	4,696,575
Non current liabilities	**28,585,369**	**367,405**	**1,434,604**	**(15,194,501)**	**15,192,878**
Loans, Financing and Debentures	23,842,166	349,148	810,062	(13,449,643)	11,551,733
Net contingencies – judicial deposits	2,463,642	3,065	54,844		2,521,551
Othe	2,279,562	15,192	569,698	(1,744,858)	1,119,594
Deferred income			8,744		8,744
Shareholders’ Equity	**21,637,544**	**5,443,377**	**1,459,418**	**(21,877,750)**	**6,662,589**
Total Liabilities and Shareholders’ Equity	**61,450,439**	**6,900,523**	**3,505,651**	**(40,359,175)**	**31,497,439**

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(ii) Consolidated statement of income by business segment

	2008				
	Steel	Mining	Logistics, Energy and Cement	Eliminations	Total
Net revenues from sales	14,973,016	1,428,846	1,286,562	(3,685,553)	14,002,871
Cost of goods sold and services rendered	(9,025,278)	(879,639)	(709,219)	3,637,754	(6,976,383)
Gross profit	**5,947,738**	**549,207**	**577,343**	**(47,799)**	**7,026,488**
Operating Income and Expenses					
Selling expenses	(683,010)	(114,499)	(18,241)	40,126	(775,624)
Administrative expenses	(399,482)	(11,159)	(87,527)	8	(498,159)
Other operating income (expenses)	3,987,667	(164,322)	74,861	(44,021)	3,854,185
	2,905,175	**(289,980)**	**(30,907)**	**(3,887)**	**2,580,401**
Net financial income	187,580	(18,751)	(49,178)	(922,370)	(802,719)
Foreign exchange and monetary variations, net	(3,457,039)	(127,505)	(90,436)	1,696,968	(1,978,012)
Equity in the earnings of subsidiaries (goodwill)	(785,283)	554,867	(1,281)	134,485	(97,212)
Operating income	**4,798,169**	**667,839**	**405,541**	**857,398**	**6,728,947**
Income before income and social contribution taxes	**4,798,169**	**667,839**	**405,541**	**857,398**	**6,728,947**
Income and social contribution taxes	(336,234)	90,006	(142,706)	(565,864)	(954,798)
Net income for the period	**4,461,935**	**757,845**	**262,835**	**291,534**	**5,774,149**

(iii) Other consolidated information by business segment

	2008			
	Steel	Mining	Logistics, Energy and Cement	Total
Depreciation, Amortization and Depletion	646,852	52,031	141,421	840,304
Provisions net of Judicial Deposits	**2,555,351**	**3,065**	**54,844**	**2,613,261**
Tax	2,366,819	1,919	5,302	2,374,040
Labor and Social Security	143,909		33,832	177,741
Civil			15,056	15,056
Other	44,623	1,147	654	46,423

28. EMPLOYEES' PENSION FUND

(i) Management of the Private Pension Plan

The Company is the main sponsor of CBS Previdência, a private not-for-profit pension fund established in July 1960, main purpose of which is to pay supplementary benefits to participants in the official Pension Plan. CBS Previdência is composed of employees of CSN, CSN-related companies and the entity itself, provided they sign the adherence agreement.

(In thousands of reais, unless otherwise stated)

(ii) Description of characteristics of the plans

CBS Previdência has three benefit plans:

35%-of-average-salary plan

It is a defined benefit plan (BD), which began on February 1, 1966, for the purpose of paying retirements (due to time in service, special cases, disability or age) on a life-long basis, equivalent to 35% of the participant's last average 12 salaries. The plan also guarantees the payment of a sickness allowance to a participant on sick leave through the Official Pension Plan and it also guarantees the payment of death grant and a cash grant. The active and retired participants and the sponsors make thirteen contributions per year, which is the same as the number of benefits paid. This plan became inactive on October 31, 1977, when the supplementation of the average salary plan came into force, which is in process of extinction.

Supplementation plan for the average salary

The defined benefit plan (BD) began on November 1, 1977. The purpose of this plan is to supplement the difference between the 12 last average salaries and the benefit paid by the Social Security Pension Plan (Previdência Oficial) benefit, to the retired employees, on a life-long basis. Like the 35% Average Salary Plan, there is sickness allowance, death grant and pension coverage. Thirteen contributions are paid per year, the same number of benefits paid. This plan became inactive on December 26, 1995, as a result of the combined supplementary benefits plan was implementation.

Combined supplementary benefit plan

Begun on December 27, 1995, this is a combined variable contribution plan (CV). Besides the programmed pension benefit, there is the payment of risk benefits (pension in activity, disability and sickness benefit). In this plan, the retirement benefit is calculated based on the total accumulated sponsor's and participant's contributions (thirteen per year). Upon the participant's retirement grant, the plan starts having a defined benefit plan and thirteen benefits are paid per year.

As of December 31, 2008 and 2007, the plans are composed as follows:

	35%-of-Average-Salary Plan		Supplementation Plan for the Average Salary		Combined Supplementary Benefit Plan		Total members	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Members								
In service	13	14	30	37	12,363	10,397	12,406	10,448
Retired	4,888	5,106	4,762	4,841	665	567	10,315	10,514
	4,901	**5,120**	**4,792**	**4,878**	**13,028**	**10,964**	**22,721**	**20,962**
Related beneficiaries:								
Beneficiaries	4,004	4,023	1,394	1,359	82	78	5,480	5,460
Total participants (members/ beneficiaries)	**8,905**	**9,143**	**6,186**	**6,237**	**13,110**	**11,042**	**28,201**	**26,422**

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(iii) Solution approaches for the payment of the actuarial deficit

According to Official Letter 1555/SPC/GAB/COA, of August 22, 2002, confirmed by Official Letter 1598/SPC/GAB/COA of August 28, 2002, a proposal for refinancing the reserves to amortize the sponsors' liability in 240 consecutive monthly installments, monetarily indexed by INPC + 6% p.a., starting as from June 28, 2002 was approved.

The agreement provides for the prepayment of installments should there be a need for cash in the defined benefit plan and the incorporation to the updated debit balance of the eventual deficits/surpluses under the sponsors' responsibility, so as to preserve the equilibrium of the plans without exceeding the maximum period of amortization stipulated in the agreement.

(iv) Actuarial Liabilities

As provided by the CVM Resolution 371/00, which approved the NPC 26 of IBRACON – "Accounting of the Employee's benefits" and which established new accounting practices for the calculation and disclosure, the Management, through a study performed by external actuaries, determined the effects arising from this practice, and the Company has kept records in conformity with the report issued on January 9, 2009.

	Plans			
	35%-of-Average-Salary	**Supplementation Plan for the Average Salary**	**Combined Supplementary Benefit Plan**	**Total**
Present value of the actuarial liabilities with guarantee	248,736	988,578	866,700	2,104,014
Plan's assets fair value	(191,517)	(866,909)	(851,450)	(1,909,876)
Present value of the actuarial obligations exceeding the assets fair value	**57,219**	**121,669**	**15,250**	**194,138**
Adjustments by allowed deferral:	**(25,603)**	**(11,309)**	**(75,350)**	**(112,262)**
- Unrecognized actuarial gains	(25,603)	(11,309)	(94,341)	(131,253)
- Unrecognized cost of service rendered			18,991	18,991
Present value of the amortizing contributions of members	(5,420)	(18,988)		(24,408)
Actuarial liabilities/(assets)	**26,196**	**91,372**	**(60,100)**	**57,468**
Provisioned Actuarial liabilities/(assets) (Long-term liabilities/Other)	**26,196**	**91,372**		**117,568**

<u>Actuarial liability recognition</u>

The Company's Management decided to recognize the adjustments of the actuarial liabilities in income for the period of five years as from January 1, 2002, as established in Paragraphs 83 and 84 of NPC 26. As of December 31, 2008, the balance of provision for the coverage of the actuarial liability amounts to R$117,568 (R$231,880 in 2007).

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As far as the recognition of the actuarial liability is concerned, the amortizing contribution related to the portion of the participants in the settlement of the reserve insufficiency was deducted from the present value of total actuarial liabilities of the respective plans. Some participants are questioning this amortizing contribution in court, but the Company, grounded on the opinion of its legal and actuarial advisers, understands that this amortizing contribution was duly approved by the Brazilian Department of Supplementary Private Pensions – SPC and, therefore, is legally due by the participants.

According to the actuarial calculations prepared using the projected credit unit method, the amounts to be appropriated in 2009 are as follows:

	ESTIMATES PER PLAN – 2009			
	35%-of- Average-Salary	**Supplementation Plan for the Average Salary**	**Combined Supplementary Benefit Plan**	**Total**
Cost of current service	(42)	(207)	(3,682)	(3,931)
Expected contributuion of members	28	100		128
Interest on actuarial liabilities	(30,057)	(119,630)	(18,535)	(168,222)
Expected income from assets	23,860	109,176	17,182	150,218
Cost of amortizations	**(530)**		**(3,538)**	**(4,068)**
- Unrecognized actuarial gains	(530)		(4,629)	(5,159)
- Unrecognized cost of service rendered			1,091	1,091
Impact on the result	**(6,741)**	**(10,561)**	**(8,573)**	**(25,875)**

Main actuarial assumptions adopted in the calculation of the actuarial liability

Actuarial financing method	**Projected Credit Unit**
Functional Currency	Real (R$)
Accounting for the plan assets	Market Value
Amount used as estimate for the closing shareholders' equity for the year	Best estimate for shareholders' equity on the closing date of the fiscal year obtained based on the projection of the amounts recorded in November
Nominal annual rate of return on investments	35% of the average: 12.93%; Supplementation: 12.93%; Millennium: 13.21%
Nominal annual rate for discount of the actuarial liability	35% of the average: 13.07%; Supplementation: 12.96%; Millennium: 12.76%
Nominal annual rate of salary growth	5.55%
Nominal annual index for social security benefits correction	4.50%
Long-term annual inflation rate	4.50%
Administrative expenses	The amounts used are net of administrative expenses
General mortality table	AT83 segregated by gender
Disability table	Mercer Disability with probabilities multiplied by 2
Disabled mortality table	Winklevoss
Turnover table	Millennium Plan 2% per annum, null for BD plans
Retirement age	100% on the first date on which the employee becomes eligible to a retirement benefit scheduled by the plan
Family composition of the participants in activity	95% will be married at the time of retirement, and the wife is 4 years younger than the husband

CSN does not have other post-employment benefit plans.

29. INSURANCE

In view of the nature of its operations, the Company renewed, for the period from February 21, 2008 to February 21, 2009, with international reinsurance companies, the All Risks coverage for operational risks for the Presidente Vargas Steelworks, Casa de Pedra Mine, Arcos Mine, Paraná Branch, Coal Terminal -Tecar, GalvaSud (property damages and loss of profits), Container Terminal -Tecon and ERSA Estanho de Rondônia (loss of profits), in the total risk amount of US$9.57 billion (property damages and loss of profit) and maximum indemnification amount, in the event of accident, of US$750 million (property damages and loss of profits), equivalent to R$1.3 billion. For the period comprised from February 22, 2009 to February 19, 2010, the Company is negotiating coverage for operational risks with insurance and reinsurance companies in Brazil and abroad. The Company has cash coverage sufficient to support any accident which may possibly occur.

The risk assumptions adopted, given their nature, are not part of the scope of a financial statements audit, and, consequently, they were not examined by our independent auditors.

30. MANAGEMENT COMPENSATION

Management fees were established at the Annual General Meeting, on April 30, 2008, in the annual overall amount of R$50,000 (R$37,000 in 2007), and the amount of R$25,146 (R$18,499 in 2007) was appropriated in general and administrative expenses during the year ended December 31, 2008.

31. SUBSEQUENT EVENTS

- **Share repurchase**

The Board of Directors at a board of Directors' meeting held on January 7, 2009 approved the reopening of the repurchase program of shares issued by the Company up to the limit of 9,720,000 shares, to be held in treasury and their subsequent sale or cancellation. The operations authorized by the new repurchase program could have been carried out between January 8 and 28, 2009, but there was no repurchase up to the maturity of the program.

On February 2, 2009, the Board of Directors approved the reopening of the repurchase program of shares issued by the Company up to the limit of 9,720,000 shares, to be held in treasury and subsequently sold or cancelled. The operations authorized by the new repurchase program could have been carried out between February 3 and 25, 2009, but there was no repurchase up to the expiration of the program.

- **Nova Transnordestina Project**

On February 13, 2009, the Company entered into a Financing Agreement with BNDES, for the transfer of funds, in the form of capital, in Transnordestina Logística S.A., with the purpose of enabling investments in the "Nova Transnordestina" Project, concerning the construction and improvement, within the scope of influence of the Northeast Network, of lines, and line sections and sub-sections in the Eliseu Martins (PI)/Trindande (PE), Salgueiro (PE)/Missão Velha (CE), Salgueiro (PE)/Trindade (PE) and Salgueiro (PE)/Suape (PE) stretches, as well as the preparation of studies and projects. The loan amount is R$675,000.

Additionally, the Company acted as the intervening party in the contracting, through its jointly-controlled subsidiary Transnordestina, of a financing with BNDES, aimed at investments in the construction, within the scope of influence of the Northeast Network, of lines, and line sections and sub-sections in the Missão Velha (CE) / Salgueiro (PE), Salgueiro (PE) / Trindade (PE) and Eliseu Martins (PI) / Trindade (PE) stretches, as well as with the purpose of enabling investments in the "Nova Transnordestina" Project.

- **Prepayment of dividends**

At a Board of Directors' Meeting held on March 24, 2009, the Board of Directors approved the payment of dividends in the amount of one billion, five hundred million Reais (R$1,500,000), on an advance basis.

- **Approval of financial statements**

The aforementioned financial statements were approved by the Company's Board of Directors on March 27, 2009.

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Annex A

SUMMARY OF CERTAIN DIFFERENCES BETWEEN BRAZILIAN GAAP AND U.S. GAAP

The Company's accounting policies comply with Brazilian Corporate Law (Law No. 6,404/76) and Law No.11,638/07 which alters and revokes certain aspects of Law No. 6,404/76. Those accounting policies, in the case of listed companies under the jurisdiction of the *Comissão de Valores Mobiliários* ("Brazilian Securities Commission" or "CVM"), are established by the *Comitê de Pronunciamentos Contábeis* ("Accounting Pronouncements Committee" or "CPC") and may be complemented by certain additional instructions issued periodically by the CVM. Such standards differ in certain material aspects from the accounting principles and standards generally accepted in the United States of America ("U.S. GAAP").

In addition, the CVM and other regulatory entities such as the *Superintêndencia de Seguros Privados* (Insurance Sector Supervisory Board, or "SUSEP") and the Central Bank of Brazil (the "Central Bank") provide additional, more specific and at times, separate guidelines.

The *Instituto dos Auditores Independentes do Brasil* (Brazilian Institute of Independent Auditors, or IBRACON) establishes the accounting principles and standards generally applicable in Brazil. However, the CVM periodically issues certain additional instructions that complement those accounting principles and standards and that are applicable to publicly held companies.

The level of disclosure in the notes to the financial statements prepared under Brazilian Corporate Law and CPC pronouncements may also differ significantly from those prepared under U.S. GAAP. The following summary of certain of the differences between Brazilian Corporate Law and Brazilian accounting practices and U.S. GAAP relating to non financial institutions does not purport to be complete and is subject and qualified in its entirety by reference to the respective pronouncements of the Brazilian and United States accounting professions. The U.S. accounting principles do not include any additional accounting adjustments or disclosures that might be required by the U.S. Securities and Exchange Commission (SEC).

Restatement of Financial Statements for General Price-level Changes

Under Brazilian Corporate Law, because of the highly inflationary conditions that have historically prevailed in Brazil in the past, a form of inflation accounting, referred to as monetary correction, has been in use for many years to minimize the impact of the distortions in financial statements caused by inflation. Two methods of inflation accounting were developed: one required under Law No. 6,404/76 (the "Corporate Law Method") and the other the integral restatement method (the "Constant Currency Method") required by the CVM. Financial statements prepared in accordance with the Corporate Law Method have been, and continue to be required of all Brazilian corporate entities and are used by the Brazilian tax authorities in determining taxable income. Since January 1, 1996, financial statements prepared in accordance with the Constant Currency Method are no longer required. However, until January 1, 2001 IBRACON still required comprehensive inflation restatement.

The Corporate Law Method through December 31, 1995

This method, required from 1977 through 1995 under the Corporate Law, helped to provide a fairer presentation of a company's financial position and results of operations for both comparative and taxation purposes by recognizing the effects of changes in the purchasing power of the Brazilian currency. This law required that monetary correction of certain balance sheet accounts be recorded, utilizing a government sanctioned index. The monetary correction of property, plant and equipment, investments in affiliated and subsidiary companies and deferred charges (known collectively as "permanent assets") and intercompany current accounts were charged to the net carrying value of each asset and credited to the income statement. Likewise, opening shareholders' equity was adjusted and the amount of the adjustment was charged to the income statement. A company's income statement will therefore reflect a net monetary correction gain (if acquisition of permanent assets and inter-company current accounts are funded by third party financing) or charge (if shareholders' equity exceeds the carrying value of permanent assets). The net monetary correction gain or charge is taken into account in the determination of taxable income. Brazilian law also required monetary correction of certain assets even if not classified as permanent assets or inter-company current accounts such as investments in gold and inventories of real estate (for property development). This system did not provide for any restatement of inventories (where applicable) or advances received from customers, any restatement of individual line items in the income statement, or any recognition of the effects of inflation expectations included in receivables and payables subject to settlement at future dates.

Moreover, this system did not require restatement of previous years' financial statements. Therefore, when more than one year's financial statements are presented, comparison difficulties are significant due to the effects of inflation.

The Corporate Law Method as from January 1, 1996

As a consequence of the reduced levels of inflation in the Brazilian economy, with effect from January 1, 1996, monetary correction was abolished in the Corporate Law Method by Law 9,249/95, which amended Law No. 6,404/76. In addition, pursuant to CVM Instruction No. 248, of March 29, 1996, the Constant Currency Method is no longer required to be used by listed companies registered with CVM, which companies, as of March 1996, are to present their financial statements prepared in accordance with Law No. 6,404/76, as amended by Law 9,249/95. The Constant Currency Method, however, also may be used at the option of the Company.

Inflation Accounting Principles in the U.S.

Under U.S. GAAP, in most cases the price level restatement of financial statements is not permitted. However, inflation accounting following the methodology prescribed by Accounting Principles Board Statement (APB) No. 3 "Financial Statements Restated for General Price-Level Changes" is required for companies which report in local currency and operate in highly-inflationary economies in which cumulative inflation has exceeded 100% over the last three years. As a result, for U.S. GAAP purposes, financial statements should be adjusted for the effects of inflation until the date on which the Brazilian economy was no longer deemed to be highly-inflationary, which is when general price index has been measured at less than 100% over the preceding three years. Brazil was no longer considered highly inflationary from July 1, 1997.

Consolidation

Pursuant to CVM Instruction No. 247 of March 27, 1996, for fiscal years ending after December 1, 1996, inclusive, the definition of subsidiary was extended to include overseas branches, companies under common control or controlled by shareholders' agreements. All subsidiaries must be consolidated and joint-ventures, including investees in which the company exerts significant influence through its participation in a Shareholders' agreement in which such group controls the investee, are to be accounted for under the proportional consolidation method.

Under U.S. GAAP, the basic rule is that when a company has a controlling interest (either through a majority voting interest or through the existence of other control factors) in an entity, such entity's financial statements should be consolidated with those of the parent. Consolidation is not required where control is temporary or does not rest with the majority owner. The minority shareholders' share of the subsidiaries' earnings is deducted from (or losses added to) the consolidated results of operations. Losses applicable to the minority interest which exceed its interest in consolidated Shareholders' equity should be applied to the majority interest. Proportional consolidation generally is not allowed under U.S. GAAP. (See discussion below concerning consolidation of variable interest entities).

In December 2007 the FASB issued the Statement of Financial Accounting Standards No. 160 – "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No.51" or "SFAS 160", which establishes accounting and reporting standards for the noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. Under SFAS 160, among other requirements, (i) the noncontrolling interests shall be reclassified to equity and (ii) consolidated net income shall be adjusted to include the net income attributed to the noncontrolling interest. SFAS 160 is effective for fiscal years beginning on or afterDecember 15, 2008.

Annex A

Consolidation of Variable Interest Entities

Special purpose companies, or SPCs, are defined as legal entities structured for a particular purpose. Under U.S. GAAP, an SPC was required to be consolidated when it did not meet the criteria for a Qualifying Special Purpose Entity, as defined in SFAS 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" and in accordance with Emerging Issues Task Force Topic D-14 "Transactions Involving Special Purpose Entities." General factors to be considered in making this determination included whether the majority owner (or owners) of the SPC was (were) independent, had made a substantive capital investment in the SPC, had control of the SPC, or possessed the substantive risks and rewards of ownership of the SPC.

In response to demands to strengthen existing accounting guidance regarding the consolidation of SPCs and other off-balance sheet entities, in January 2003 the Financial Accounting Standards Board ("FASB") issued Interpretation 46 "Consolidation of Variable Interest Entities, an Interpretation of ARB 51" which provided a new framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, non-controlling interests and results of activities of a VIE in consolidated financial statement. FIN 46 was effective immediately for VIEs created after January 31, 2003 and to VIEs in which an enterprise obtained a variable interest after that date. For variable interests in VIEs created before February 1, 2003, FIN 46 applied to public enterprises no later than the beginning of the first interim or annual period beginning after June 15, 2003.

On October 9, 2003 the FASB decided to defer the implementation date of FIN 46 to the fourth quarter instead of the third quarter. Pursuant to this deferral, public companies in the United States of America had to complete their evaluations of variable interest entities that existed prior to February 1, 2003, and consolidate those for which they were the primary beneficiary in the financial statements issued for the first period ending after December 15, 2003. For calendar year companies, consolidation of previously existing variable interest entities was required in their December 31, 2003 financial statements. This deferral did not affect the implementation date for many foreign private issuers, which continued to be the beginning of the first annual period ending after December 15, 2003.

In December 2003 FIN 46 was substantially revised and a new interpretation FIN 46 (revised) was issued. The key differences between FIN 46 (revised) and its predecessor FIN 46 include:

- FIN 46R now scopes out many—but not all—businesses, as that term is defined in the interpretation. A business—assuming it is scoped out of FIN 46R—should be consolidated with its accounting parent (if it has one) only when required by longstanding, conventional consolidation guidance, most notably Accounting Research Bulletin No. 51, Consolidated Financial Statements (ARB 51). Under FIN 46, any business potentially could have been a VIE (and, if so, subject to the Interpretation's unique consolidation requirements) depending on the design of the business' capital structure and other factors. Note that an entity whose primary activity is asset-backed financing or who acts as a single-lessee leasing entity cannot qualify for the scope exemption in FIN 46R, even if it would otherwise be a business. If such an entity is a VIE, it is covered by FIN 46R's consolidation requirements;

- FASB partially delayed FIN 46's effective date (for most public companies until no later than the end of the first reporting period ending after March 15. 2004. The delay notwithstanding, public companies must apply either FIN 46 or FIN 46R to special-purpose entities (SPEs) no later than the end of the first reporting period ending after December 15, 2003. For many foreign private issuers the effective date continues to be the beginning of the first annual period ending after December 15, 2003. For SPEs created by foreign private issuers after February 1, 2003, however, the effective date is no later than the end of the first reporting period ending after December 15, 2003;
- FIN 46R improves the definition of a variable interest and provides more understandable illustrations than those originally provided in FIN 46; and

- Under FIN 46, decision maker fees and certain guarantee fees were treated as unique types of variable interests in a VIE. The special treatment increased the odds that decision makers and providers of certain guarantees would end up as a VIE's primary beneficiary. FIN 46R eliminates the bias, putting these fees on an equal footing with other variable interests.

Under Brazilian GAAP, CVM recently issued a rule that determines that an SPC must be consolidated when the essence of its relationship with the company indicates that activities of the SPC are directly or indirectly controlled by the company.

An SPC is considered to be controlled by a company when its activities are conducted in the name of the company or substantially for the company's specific operational support when, directly or indirectly:

1. The company has the ability for decision making or has the rights to obtain the majority of rewards of the SPC's operations.

2. The company is subject to substantive risks of ownership of SPC.

When applicable, the following information must be disclosed in the notes to the financial statements:

(a) The nature, purpose, size, and activities of the SPC;

(b) The nature of its involvement with the SPC and potential exposure to losses;

(c) The type of exposure to losses sue to the relationship with the SPC; and

(d) Any guarantees given in favor of the SPC.

Additionally, when a company has relevant rights or is exposed relevant risks related to its relationship with the SPC, but does not fall within the scope of consolidation, the following information must be disclosed:

(a) The nature, purpose, size, and activities of the SPC;

(b) The nature of its involvement with the SPC;

(c) The type of exposure to losses sue to the relationship with the SPC; and

(d) Indemnification of the primary beneficiary to the activities of the SPC.

Equity Method of Accounting

Under Brazilian Corporate Law, a company is required to record an original investment in the equity of another entity at cost which is thereafter periodically adjusted to recognize the investor's share of changes in the investee's shareholders' equity after the date of original investment.

A Brazilian parent company is required to use the equity method of accounting to record investments in its subsidiaries (companies that are controlled by the parent company) and its affiliates (companies in which the parent company owns at least 10 per cent of the issued share capital without controlling it) over whose management it exerts influence or in which it owns 20 per cent or more of the capital, if the aggregate book value of all such investments is equal to or greater than 15 per cent of the shareholders' equity of the parent company or, if the book value of an investment in any single subsidiary or affiliate is equal to or greater than 10 per cent, of the shareholders' equity of the parent company.

Under U.S. GAAP, the equity method of accounting is used for investments, based on U.S. GAAP underlying financial statements, in which the Company has a 20% to 50% ownership interest and exerts significant influence over the operations of the investee and in joint ventures in which neither party has control. Investments under 20% are generally carried at cost adjusted for other than temporary impairments in value, except for securities accounted for under Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Business Combinations, Purchase Accounting and Goodwill

Under Brazilian Corporate Law, accounting standards do not specifically address business combinations and purchase accounting, which will be addressed in the near future in CPC No. 15 that has been in public audience and suggestions are currently under analysis by the CPC. Thus, pursuant to the current Brazilian accounting practices, the purchase method is applied based on book values. Goodwill or negative goodwill on the acquisition of a company is computed as the difference between the cost of acquisition and its underlying book value. The excess of cost over the net book value of an acquired company is recorded as goodwill under one of the following reasons: step up basis of the assets due to differences in the carrying values and fair values of the assets, future profitability and other reasons. Such goodwill should be amortized as follows depending on its nature:

- Step up basis of the assets: Goodwill or negative goodwill should be amortized proportionally over the remaining estimated useful lives of the corresponding assets of the acquiree;

- Future profitability: Goodwill or negative goodwill should be amortized during the time expected results are achieved. In this case, the amortization period should not exceed ten years; and

- Other reasons: Goodwill should be expensed immediately. Negative goodwill should not be amortized to income until the related investment is sold or written off.

For tax purposes, the amortization of goodwill or negative goodwill is generally not included in the determination of taxable income for the period. However, under certain tax strategies related to corporate restructurings, the amortization of goodwill and negative goodwill are included in the determination of taxable income. The minimum amortization period accepted is 5 years, depending on how the goodwill is classified, e.g., stepped up basis of assets or future profitability.

Upon adoption of CPC No. 15 (Business Combinations) cited above, identification of intangible assets to be accounted for apart from goodwill as required by CPC No.4 will be applied under the same principles as those used under U.S. GAAP. CPC No. 15 has no effective date established by CPC.

Until July 2001, under U.S. GAAP and in accordance with APB Opinion No. 16 (APB No. 16), "Business Combinations," business combinations were accounted for as either purchases or pooling of interests. However, these two methods were not alternatives for the same transaction and distinctive conditions must be met to require pooling of interests. During June 2001 the Financial Accounting Standards Board issued SFAS No. 141 which amends APB No. 16 and which requires, among other things, that all business combinations, except those involving entities under common control be accounted for by a single method—the purchase method. The combination of entities under common control is accounted for in a manner similar to a pooling of interest. Under this method, the recorded assets and liabilities of the separate enterprises generally become the recorded assets and liabilities of the combined enterprise. Additionally, the combined enterprise records as capital, the capital stock and capital in excess of par or stated value of outstanding stock of the separate enterprises. Similarly, retained earnings or deficits of the separate enterprises are combined and recognized as retained earnings or deficits of the combined enterprise. Any assets or liabilities exchanged to effect the transfer are accounted for as a capital dividend to or capital contribution by, the transferor.

Under SFAS No. 141, the acquiring company records as its cost the assets acquired less liabilities assumed. The acquired company's assets and liabilities are adjusted to give effect to their fair market values. Under the previous APB No. 16, after the assets and liabilities of the acquired companies were adjusted to their fair values at the acquisition date, if the purchase price exceeded the amount of such fair values, the excess was recorded as goodwill in the books of the acquiring company and amortized over the period of benefit, not to exceed forty years. Under SFAS No. 141, more detailed guidelines have been provided as to the recognition of intangible assets (as defined in the SFAS). Also, under SFAS No 141 and the new SFAS No. 142 "Goodwill and Other Intangible Assets," goodwill and other intangible assets with indefinite lives are no longer amortized. Under SFAS No. 142, the amount of goodwill is evaluated for impairment annually, and in the case of impairment its recorded value will be adjusted accordingly. Under the previous APB No. 16, excess of fair value of net assets acquired over the purchase price, referred to as negative goodwill, reduced noncurrent assets to zero, and any remaining balance was considered a deferred credit and amortized over the estimated period of benefit, not to exceed forty years. Under SFAS No. 141 the remaining balance of negative goodwill will be immediately recognized as an extraordinary gain in the statement of operations. Under the purchase method, the financial statements of the acquiring company for periods prior to the acquisition are not restated. SFAS No. 141 requires the presentation of pro forma results of operations for the current and comparative periods of business combinations.

In December 2007, the FASB issued the Statement of Financial Accounting Standards No. 141 (revised) – "Business Combinations" or "SFAS 141R" which replaces SFAS 141 for fiscal years beginning on or after December 15, 2008.

Transfer Between Entities Under Common Control

Under Brazilian Corporate Law, transfers of ownership interests in affiliated companies between entities under common control are reflected in the financial statements of the acquiror at acquisition costs from the date of transfer.

Under U.S. GAAP, corporate reorganizations involving transfers between entities under common control are reflected retroactively at book value by the acquiring company in a manner similar to a pooling. Under U.S. GAAP no goodwill would be generated from these transfers.

Foreign Currency Translation

Under Brazilian Corporate Law, the financial statements of subsidiaries are translated using the current exchange rate. Financial statements presented in weak currencies are adjusted for the effects of inflation prior to translation. Translation gains and losses are taken to the income statement. Upon first adoption of CPC No. 2 as from the fiscal year ending December 31, 2008, the conceptual framework and procedures became similar to those applied under U.S. GAAP, as described below.

Under U.S. GAAP, SFAS 52 "Foreign Currency Translation" requires that the translation of foreign currency financial statements be made using the current exchange rate, except for enterprises operating in highly inflationary environments (accumulative inflation rate of approximately 100% or more over a three-year period) or deemed to be an extension of its parent company; in these cases the functional currency is considered to be the reporting currency. Translation gains and losses are reported as a separate component of Shareholders' equity, except those relating to financial statements of enterprises operating in highly inflationary environments, which are taken to the income statement.

Brazilian and U.S. GAAP requires the recognition in the statements of income of the effects of exchange rate changes during the period in which they occurred.

Discounting

Brazilian Corporate Law does not generally require long-term receivables and non-debt related long-term liabilities to be discounted to their net present value as at the balance sheet date. As from 1995, the CVM requires discounting of certain long-term items for listed companies only. However, Law No. 11,638, through the issuance of CPC No.12, requires discounting of certain assets and liabilities to better recognize their values upon passage of time.

Under U.S. GAAP, in accordance with APB No. 21 "Interest on Receivables and Payables," such discounting in certain cases is normally required to eliminate the effects of implicit interest income or expense.

Cash and Cash Equivalents

Cash equivalents were not defined under Brazilian Corporate Law. However, Law No. 11,638, through the issuance of CPC No. 3, introduced the same conceptual framework and procedures as those under U.S. GAAP to define cash equivalents and prepare statements of cash flows. The conceptual framework is further described below.

Under U.S. GAAP, SFAS No. 95 "Statement of Cash Flows" defines cash equivalents as short-term highly liquid investments that are both (i) readily convertible to known amounts of cash and (ii) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under that definition. Under U.S. GAAP certain short-term investments may be considered cash equivalents and accounted for under SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities."

Investments in Debt and Equity Securities

Under Brazilian Corporate Law, marketable debt and equity securities were generally stated at the lower monetarily adjusted (up to December 31, 1995) cost or market value. Gains and losses were reflected in earnings.

As of January 1, 2008, upon issuance of Law 11,638, through CPC No. 14, all financial assets and liabilities are recognized initially at fair value. Usually, fair value is the value that was paid (in the case of assets) or received (in the case of liabilities) in consideration. The fair value of a financial instrument must include transaction costs, unless assets are subsequently measured at fair value through profit and loss. Financial assets are classified in one of the following five categories:

- Financial assets and liabilities at fair value through profit and loss: these may be divided into two subcategories: assets and liabilities for trading and assets and liabilities assigned to this category at the moment of their initial recognition. The instruments for trading are those that were acquired or generated in order to be traded in the short term. Instruments assigned at fair value through profit and loss are those that the company voluntarily decided to classify in this category, at the moment of their initial recognition, regardless of their nature or characteristic.

- Assets held to maturity: these are financial assets with payments that are fixed or may be defined, with a maturity date, which the entity is capable of maintaining and intends to keep up to maturity;

- Available-for-sale financial assets: all assets that have not been classified in the above-mentioned categories.

- Other: these are the residual categories similar to the category of available-for-sale assets. All financial assets, except for derivatives, financial liabilities for trading or assigned at fair through profit and loss are automatically classified in this category. Ordinary examples are trade accounts receivable, interest-bearing loans and borrowings and advances to customers.

The valuation of financial assets depends on their classification, as follows:

- Assets at fair value through profit and loss: recorded at fair value through profit and loss;

- Assets held to maturity: recorded at cost plus charges through profit and loss;

- Available-for-sale financial assets: recorded at fair value with a corresponding entry in equity.

Under U.S. GAAP, in accordance with SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities," for enterprises in industries not having specialized accounting practices, the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities is as follows:

i) debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are reported at amortized cost;

ii) debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings; and

iii) debt and equity securities not classified as either held to maturity or trading securities are classified as available for sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of Shareholders' equity, until sold.

Inventories

Under Brazilian Corporate Law and Law No. 11,638, through CPC No.16, inventories are valued at the lower of unindexed average cost of purchase or production and replacement or realizable values. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Normal capacity is the production expected to be achieved over a number of periods under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. Accordingly, some variation in production levels from period to period is expected and establishes the range of normal capacity. Judgment is required to determine when a production level is abnormally low. When production levels are considered abnormally low, unallocated overheads and certain other items are recognized directly as expenses in the period in which they are incurred.

Under U.S. GAAP, inventories are valued at the lower of cost or market. Additionally, written-down inventories must be charged against cost of sales. Abnormally low production levels are treated as Brazilian accounting practices described above.

Property, Plant and Equipment Held for Sale

Under Brazilian Corporate Law, property, plant and equipment retired from the production process and held for sale are classified as current assets on the balance sheet and are valued at the lower of their monetarily adjusted cost or net realizable value. Under Brazilian Corporate Law, the carrying amount of the fixed assets must be periodically reviewed in order to verify its recoverable amount. When recoverable amount is lower than carrying amount, an operational expense must be immediately charged to the income statements. Usually the use of discounted cash flow of the operations is used for estimating the recoverable amounts.

Under U.S. GAAP, SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" requires that long-lived assets that will be disposed of by sale must be measured at the lower of its carrying amount or fair value less cost to sell and, additionally, depreciation or amortization is discontinued. Discontinued operations are no longer measured on a net realizable value basis, and future operating losses are no longer recognized before they occur. This Statement retains the basic provisions of Opinion 30 for the presentation of discontinued operations in the income statement but broadens that presentation to include a component of an entity (rather than a segment of a business). A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component of an entity that is classified as held for sale or that has been disposed of is presented as a discontinued operation if the operations and cash flows of the component will be (or have been) eliminated from the ongoing operations of the entity and the entity will not have any significant continuing involvement in the operations of the component. SFAS No. 144 also requires that long-lived assets, including identifiable intangibles to be held by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recovered. Under SFAS 144, if the sum of the expected cash flows (undiscounted and without interest charges) is less than the carrying amount of the company's long-lived assets, an impairment loss is recognized. Otherwise, an impairment loss is not recognized. The loss is measured based on the fair value of the assets.

Revaluation of Property, Plant and Equipment

Revaluations may be recorded under Brazilian Corporate Law, providing certain formalities are complied with. The revaluation increment, net of deferred tax effects, was credited to a reserve account in Shareholders' equity and systematically transferred to retained earnings as the related assets were depreciated or upon disposal. As from July 1, 1995 companies could opt to carry property, plant and equipment at cost, monetarily adjusted up to December 31, 1995, or at appraised values, in which case the revaluations had to be performed at least every four years and should not result in an amount higher than the value expected to be recovered through future operations. Deferred taxes had to be recognized on revaluation increments as from July 1, 1995.

Law No. 11,638, through CPC No. 16, has extinguished the possibility of revaluation of Property, Plant and Equipment. Therefore the remaining balances of revaluations reserves registered before the Law to become effected should be:

- Preserved until its effective realization;
- Written-off until December 31, 2008.

Under U.S. GAAP, property, plant and equipment are reported as their historical cost less accumulated depreciation. Revaluations are not permitted, except in the case of business combinations or start-up accounting after a corporate reorganization.

Organization and Pre-operating Costs

Under Brazilian Corporate Law, pre-operating expenses incurred in the construction or expansion of a new facility may be deferred until the facility begins commercial operations. Subsequently, all costs related to the organization and start-up of a new business may be capitalized. The amount, as adjusted for monetary correction, when appropriate, is amortized over a period of five to ten years.

Under U.S. GAAP, the rules are generally more restrictive as to the costs that can be capitalized and the periods over which such costs are amortized. Accordingly, under U.S. GAAP these expenses are normally charged to operations.

Contingent Assets

Brazilian Corporate Law requires that contingent gains are generally not reflected in the financial statements, but adequate disclosure must be made.

Under U.S. GAAP, in accordance with SFAS No. 5 "Accounting for Contingencies," contingent gains are generally not reflected in the financial statements though adequate disclosure must be made of contingencies which might result in gains, taking due care to avoid misleading implications as to the likelihood of realization.

Capitalization of Finance Costs During Construction or Production

Under Brazilian Corporate Law, up to December 31, 1995, finance costs incurred as part of the production costs of fixed assets were not capitalized. Instead, financial costs, net of inflation, relating to property additions were often capitalized as deferred charges and amortized over a period varying from five to ten years. Exchange gains and losses would be capitalized only if they exceeded monetary correction.

Since 1996, for listed companies, the CVM has permitted the capitalization of interest and other costs, such as monetary and exchange variations. Capitalized costs are capitalized and amortized over the life of the facilities.

Under U.S. GAAP, interest cost incurred during the period that assets are under construction must be included in the cost of such assets, though the basis of calculation differs. Capitalization of financial costs in inventories is only permitted in specific instances. SFAS No. 34 "Capitalization of Interest Cost" states that interest cost should be included as a component of the historical cost of (1) facilities for a company's own use and (2) assets intended for sale or lease that are constructed as separate projects and discrete projects. Foreign currency exchange variations are not subject to capitalization. Capitalized interest should be amortized over the life of the facilities or included in cost of sales when the asset is sold.

Leasing Transactions

Under Brazilian Corporate Law, leases normally were treated for accounting purposes as operating leases and the expense is recognized at the time that each lease installment falls due. However, as from the fiscal year ending December 31, 2008, Law No. 11,638, through the issuance of CPC No.6, under Brazilian accounting practices leases started being treated similarly to the requirements of U.S. GAAP as described below.

Under U.S. GAAP, leases which transfer substantially all the benefits and risks of ownership related to the leased property from lessor to the lessee are treated as capital leases and the corresponding assets or liabilities recognized as appropriate. All other leases are classified as operating leases.

Under U.S. GAAP, in the case of capital leases, gross lease receivables are reported at the principal amount outstanding plus lease income receivable and guaranteed residual value. Unearned lease income is shown separately as a deduction from the gross lease receivables.

Non-interest Bearing Debt Instruments

Under Brazilian Corporate Law, non-interest bearing debt instruments are not generally presented with an imputed rate of interest in order to recognize the economic substance of the underlying transaction.

Under U.S. GAAP, APB No. 21 "Interest on Receivables and Payables" requires the imputation or a reasonable, market-based, rate of interest for non-interest bearing financial instruments over the maturity period of the Note. Additionally, the carrying value of the debt instrument is reported net of any resulting discount or premium (receivable or payable).

Provision for Dividends

Under Brazilian Corporate Law, at each balance sheet date the directors are required to propose a dividend distribution from earnings and accrue for this in the financial statements. Brazilian Corporate Law establishes that this distribution must be at least of 25% of net income adjusted by certain destinations required in the Law.

Under U.S. GAAP, since dividends proposal greater than 25% minimum obligatory may be ratified or modified at the annual stockholders' meeting, such dividends over 25% minimum obligatory should not be considered as declared at the balance sheet date and should therefore not be accrued until they are declared or paid, whichever comes first.

Debt Restructuring

Under Brazilian Corporate Law, restructured loans are not distinguished from normal financing activities.

Under U.S. GAAP, certain effects of the restructuring of debt are accounted for prospectively and the carrying amount of the loan is changed and a gain or loss recognized if the future cash flows are not substantially similar to those under the old loan agreement.

Employee Pension Costs and Other Post-Employment Benefits

Under Brazilian Corporate Law, employee pension costs and other benefits are expensed as they become due. In 2000, IBRACON issued Deliberation No.371, which was effective as from January 1, 2002 (some disclosures were required for the December 31, 2001 financial statements), which provides for accounting practices very similar to SFAS No. 87.

Under U.S. GAAP, employee pension costs are recognized in accordance with SFAS No. 87 "Employers' Accounting for Pensions." In addition to the differences in cost recognition, the disclosures required with respect to employee pensions are considerably more detailed under U.S. GAAP than under Brazilian Corporate Law.

SFAS 87 does not apply to government established social security systems under which the government pays pensions to retirees and obtains funds through payroll taxes or levies on employees. Under such systems, employers normally have no responsibility to make the pension payments and there is no relationship between the taxes paid and recorded by the employer and pensions paid by the government.

SFAS 87 requires the use of an actuarial method for determining defined benefit pension costs and provides for the deferral of actuarial gains and losses (in excess of a specific corridor) that result from changes in assumptions or actual experience differing from that assumed. SFAS 87 also provides for the prospective amortization of costs related to changes in the benefit plan, as well as the obligation resulting from transition and requires disclosure of the components of periodic pension costs and the funded status of pension plans.

Additionally, under U.S. GAAP, SFAS No. 88 "Curtailment of Defined Benefit Plans and for Termination of Benefits" requires the immediate recognition of deferred pension costs when some or all of the following conditions are met: (a) pension obligations are settled; (b) benefits are no longer earned under the plan and the plan is not replaced by other defined benefit plan; (c) there are no remaining plan assets; and (d) employees are terminated or the plan ceases to exist.

Under U.S. GAAP, SFAS No. 112 "Employers' Accounting for Post-employment Benefits" establishes accounting standards for employers, who provide benefit to former or inactive employees after employment but before retirement. Post-employment benefits include, but are not limited to, salary continuation, severance benefits, disability, counseling and continuation of benefits such as health care benefits and life insurance coverage. SFAS 112 requires employers to recognize the obligation to provide post-employment benefits in accordance with SFAS No. 43. "Accounting for Compensated Absences," if the obligation is attributable to employees' services rendered, employees' rights to those benefits accumulated or vest payment of the benefits is probable, and the amount of the benefit can be reasonably estimated. If those four conditions are not met, the employer should account for post-employment benefits when it is probable that a liability has been incurred and the amount can be reasonably estimated in accordance with SFAS No. 5 "Accounting for Contingencies."

The FASB issued in December 2003 a final Statement on *Employers' Disclosures about Pensions and Other Postretirement Benefits, an amendment of FASB Statements No. 87, 88, and 106, and a revision of FASB Statement No. 132* (SFAS 132R). As SFAS 132 replaced, SFAS 132R standardizes the disclosure requirements for pensions and other postretirement benefits and requirements and provides additional information on changes in the benefit obligations and fair value of plan assets.. Also, new disclosures regarding pension plans and postretirement benefits are required, as follows:

- Plan Assets
  - Information about major asset categories, at minimum, equity securities, debt securities, real estate, all other assets;
  - Narrative description of investment policies, including target allocation, if used;

- Narrative description of basis used to determine expected long-term rate of return on assets assumption; and
- If considered useful, disclosure of additional asset categories and additional information about specific assets within a category to permit understanding of market risks and rates of return.

- Obligations
  - Accumulated benefit obligation (for defined benefit pension plans);
  - Expected future benefits to be paid for each of the next five years and in the aggregate for the succeeding five years thereafter;
  - These amounts should be estimated using the same assumptions used to measure the company's year-end benefit obligation and include an estimate of future employee service; and
  - Best estimate of contributions expected to be paid to fund the plan for the next year. Amounts should be presented in the aggregate combining (1) contributions required by funding regulations or laws (2) discretionary contributions, and (3) noncash contributions, information about major asset categories, at minimum, equity securities, debt securities, real estate, all other assets.
- Other
  - Assumptions assumed discount rates, rates of compensation increase (for pay-related plans) expected long-term rates of return on plan assets; shown in a tabular format, used to determine the benefit obligation and the net benefit cost; and
  - Measurement dates used to determine pension and other postretirement benefit measurements that make up at least the majority of the plan assets and benefit obligations.

    The effective dates for the new disclosure requirements will vary depending on whether the plan is Domestic, Foreign or of non-public entities, as follows:

    - Domestic Plan of a Public Entity: Fiscal year ending after December 15, 2003;
    - Foreign Plan of Public Entity: Fiscal year ending after June 15, 2004; and
    - Non-Public Entity: Fiscal year ending after June 15, 2004.

Amendments to Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans

The FASB issued in September 2006 a new Statement on Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and No. 132R which has the purpose of recognizing the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the employers' statement of financial position and to recognize changes in that funded status in comprehensive income in the year in which the changes occur, as well as to measure the funded status of a plan as of the date of the employers' year-end statement of financial position. Before the issuance of SFAS 158, the overfunded or underfunded status of a defined benefit postretirement plan was not recognized in the employers' statement of financial position.

Income Taxes

Under Brazilian Corporate Law, the methods adopted for the recording of income taxes are similar to U.S. GAAP but their practical application may lead to different results in certain circumstances. Deferred tax assets and liabilities are calculated based on the rates applicable in the next years, which are usually based on Provisional Measures.

Under U.S. GAAP, the liability method is used to calculate the income tax provision, as specified in SFAS No. 109 "Accounting for Income Taxes." Under the liability method, deferred tax assets or liabilities are recognized with a corresponding charge or credit to income for differences between the financial and tax basis of assets and liabilities at each year/period-end. In accordance with paragraph 9(f) of SFAS 109, deferred taxes are not recorded for differences relating to certain assets and liabilities that are remeasured into U.S. dollars at historical exchange rates and that result from changes in exchange rates or indexing to inflation in local currency for tax purposes. Net operating loss carry forwards arising form tax losses are recognized as assets and valuation allowances are established to the extent it is not more likely than not such assets will be recovered. Under SFAS 109, the Provisional Measures discussed in the preceding paragraph are not considered to be enacted law. Therefore, there may be differences in timing with respect to the recognition of the effects of changes in enacted tax rates.

Additionally, under U.S. GAAP, uncertainty in tax positions as determined by FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes - an interpretation of SFAS 109" or "FIN 48", shall be evaluated and recognition of tax benefit is required providing that it is more likely than not it will be sustained upon examination by tax authorities.

Extinguishment of Debt

Under Brazilian Corporate Law, the gain or loss on extinguishment is only recognized on settlement of the debt and a surrender of complete control over the assets transferred to settle such debt.

Under U.S. GAAP, the gain or loss on the extinguishment of debt is the difference between the reacquisition price and the net carrying amount of the debt on the date of the extinguishment. The gain or loss is recognized immediately and recognized in income. Under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," is more restrictive, as debt may only be extinguished if (i) the debt is paid and (ii) the company is no longer liable, and provides for specific guidance on this matter. In April 2002, the FASB issued SFAS 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statements No. 13 and Technical Corrections" that rescinds FASB Statement No. 4 "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that statement, FASB Statement No. 64 "Extinguishment of Debt Made to Satisfy Sinking Fund Requirements." Under Statement 4, all gains and losses from extinguishment of debt were required to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. This Statement eliminates Statement 4 and, thus, the exception to applying Opinion 30 to all gains and losses related to extinguishments of debt (other than extinguishments of debt to satisfy sinking-fund requirements—the exception to application of Statement 4 noted in Statement 64). As a result, gains and losses from extinguishment of debt should be classified as extraordinary items only if they meet the criteria in Opinion 30. Applying the provisions of Opinion 30 will distinguish transactions that are part of an entity's recurring operations from those that are unusual or infrequent or that meet the criteria for classification as an extraordinary item.

Employees Termination Costs in Restructuring Plan

Under Brazilian Corporate Law, a provision is made for estimated employee termination costs arising from the decision to restructure industrial and administrative operations.

Under U.S. GAAP, until December 31, 2002, companies recorded this liability only when various conditions were met, including:

- Prior to the date of the financial statements, management having the appropriate level of authority to involuntarily terminate employees approved and committed the enterprise to the plan of termination and established the benefits that current employees would receive upon termination;

- Prior to the date of the financial statements, the benefit arrangement was communicated to employees. The communication of the benefit arrangement included sufficient detail to enable employees to determine the type and amount of benefits they would receive if they were terminated;

- The plan of termination specifically identified the number of employees to be terminated, their job classifications or functions, and their locations; and

- The period of time to complete the plan of termination indicated that significant changes to the plan of termination were not likely.

For employee termination benefits associated with exit or disposal activities initiated after December 31, 2002, SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" applies. Under this new pronouncement, a liability for a cost associated with an exit or disposal activity shall be recognized and measured initially at its fair value in the period in which the liability is incurred, except for a liability for one-time termination benefits that is incurred over time. A liability for a cost associated with an exit or disposal activity is incurred when the definition of a liability is met in accordance with Paragraph 35 of FASB Concepts Statement No. 6 "Elements of Financial Statements." In the unusual circumstance in which fair value cannot be reasonably estimated, the liability shall be recognized initially in the period in which fair value can be reasonably estimated. In the case of a liability for one-time benefits that is incurred over time a liability for the termination benefits shall be measured initially at the communication date of the termination plan based on the fair value of the liability as of the termination date. The liability shall be recognized ratably over the future service period. A change resulting from a revision to either the timing or the amount of estimated cash flows over the future service period shall be measured using the credit-adjusted risk-free rate that was used to measure the liability initially. The cumulative effect of the change shall be recognized as an adjustment to the liability in the period of the change.

Treasury Stock

Under Brazilian Corporate Law, the acquisition of treasury stock is accounted for by reducing capital by its nominal amount and both the excess or the shortfall compared to par is taken against reserves, as designated by the executive Board of Directors.

Under U.S. GAAP, both the cost method and par value method of accounting for treasury stock are acceptable. Under the cost method, each acquisition is accounted for at cost. Under the par value method the treasury stock account is increased by only the par value of each share, with any excess being set off first against any additional paid capital that arose on the issue of the shares, with any remaining excess being set off against reserves. Any excess of par value over purchase price paid is credited to paid in capital from treasury stock. When treasury stock is acquired with the intent of retiring the stock, the excess of the price paid for the stock over its par value may be allocated between paid in capital and retained earnings.

Tax Incentive Investments

Under Brazilian Corporate Law, these investments, which are approved by the government in underdeveloped regions of Brazil or in specific projects and are available without additional cost in lieu of the partial payment of certain taxes, were recorded until the fiscal year ending December 31, 2007, at the lower of cost or fair value, as an asset, with a corresponding credit to a reserve in Shareholder's equity. Under Law No. 11,638, through the issuance of CPC No.7, as from fiscal year ending December 31, 2008 tax incentives are credited directly to income during the period in which the corresponding expenses are incurred.

Under U.S. GAAP, the credit would be made to income, and, if the underlying value of the investment is uncertain a provision would be made accordingly.

Statement of Cash Flows

Under Brazilian Corporate Law, a statement of changes in financial position was required to be presented until fiscal years ending December 31, 2007, which depicts the source and allocation of funds in terms of movement in working capital. As from fiscal years ending December 31, 2008, upon first adoption of Law No. 11,638 and the specific pronouncement for statement of cash flows, CPC No. 3, statement of changes in financial position was taken over by statement of cash flows, which must be prepared using the same conceptual framework and procedures as those applied under U.S. GAAP, as described below.

Under U.S. GAAP, presentation of a statement of cash flows describing the cash flows provided by or used in operating, investing and financing activities is required. SFAS No. 95 "Statement of Cash Flows" establishes specific presentation requirements and requires additional disclosures, such as the amount of interest and income taxes paid and non-cash transactions such as acquisition of property, plant and equipment through capital leases, utilization of escrow deposits in settlement of liabilities and debt for equity conversions, among others.

Segment Information

Under Brazilian Corporate Law, there is no requirement for financial reporting for segments. In the near future, Brazilian accounting practices will implement segment information in a similar format as required under U.S. GAAP. The specific pronouncement CPC No. 22 has been in public audience and suggestions are currently under analysis by the Accounting Pronouncements Committee or CPC.

Under U.S. GAAP, publicly held companies should report both financial and descriptive information about their reportable operating segments. Reportable operating segments are defined as those about which separate financial information is available and is regularly evaluated by the chief decision maker.

Generally, companies will report financial information on the basis used internally for evaluating segment performance. Financial information to be disclosed includes segment profit or loss, certain specific revenue and expense items and segment assets as well as reconciliation of total segment revenues, profit or loss and assets to the corresponding amounts in the financial statements.

Prior Period Adjustments

Under Brazilian Corporate Law, prior period adjustments encompass corrections of errors in previously-issued financial statements and the effects of changes in accounting principles. Brazilian Corporate Law does not permit restatement of previous financial statements to provide consistency in reporting, which is required under U.S. GAAP in certain circumstances. However, Law No. 11,638, through its specific pronouncement related to correction of prior periods errors and changes in accounting principles and estimates, CPC No. 23, which has been in public audience and suggestions are currently under analysis of CPC, may bring a new approach to recognize effects of prior periods errors and restatement of financial statements previously issued.

Under U.S. GAAP, prior period adjustments are effectively limited to correction of material errors effected by adjusting prior period financial statements and making appropriate footnote disclosure regarding the effects of the error on prior periods. Material errors must be assessed quantitatively and qualitatively and the need for restatement shall be analysed using the criteria set forth in Staff Accounting Bulletin No. 108, or SAB 108. These criteria are "the rollover approach" and "the iron curtain approach". The rollover approach quantifies a misstatement based on the amount of the error originating in the current year income statement. The iron curtain approach quantifies a misstatement based on the effects of correcting the misstatement existing in the balance sheet at the end of the current year, irrespective of the misstatement's year of origination. Thus, financial statements require adjustment when either approach results in quantifying a misstatement that is material, after considering all relevant quantitative and qualitative factors.

Extraordinary Items

Under Brazilian Corporate Law, extraordinary items may be disclosed separately in the income statement, but normally gross of the income tax effect.

Under U.S. GAAP, extraordinary items (i.e. items of unusual nature and infrequent occurrence) are disclosed separately in the income statement, net of the income tax effect, if applicable.

Statement of Operations and Changes in Shareholders' Equity

Under Brazilian Corporate Law, financial income and expenses are normally included in operating profit and equity in earnings of investees is excluded from operating profit. Extraordinary ties are classified in accordance with their operating or non-operating nature.

Under Brazilian Corporate Law, companies are permitted to distribute or capitalize an amount of interest, calculated based on a government interest rate, on Shareholders' equity. Such amounts are deductible for tax purposes but are only presented as a deduction from Shareholders' equity and not from income. No similar concept exists under U.S. GAAP.

Earnings Per Share

Under Brazilian Corporate Law, net income per share is calculated on the number of shares outstanding at the balance sheet date. Under U.S. GAAP, average shares outstanding during the year must be used.

Under U.S. GAAP, SFAS No. 128, "Earnings Per Share" requires publicly held companies to present earnings per share, including earnings per share from continuing operations and net income per share on the face of the income statement, and the per-share effect of changes in accounting principles, discontinued operations and extraordinary items either on the face of the income statement or in a note.

SFAS No. 128 also requires a dual presentation of earnings per share, basic and diluted. Companies should base computations of basic earnings per share on the weighted average number of common shares outstanding during each period presented. Diluted earnings per share is calculated on the same basis except that effect is given to all outstanding dilutive potential common shares in determining weighted average number of common shares outstanding during each period presented. Potential common shares represent a security or other contract that may entitle its holder to obtain common shares during the reporting period or after the end of the reporting period.

Discontinued Operations

Under Brazilian Corporate Law, companies are not required to separately disclose information with respect to discontinued operations.

Under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the results of operations of a component of an entity that either has been disposed of or is classified as held for sale shall be reported as discontinued operations if both of the following conditions are met: (a) the operations and cash flows of the component have been (or will be) eliminated from the on-going operations of the entity as a result of the disposal transaction and (b) the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction. In a period in which a component of an entity either has been disposed of or is classified as held for sale, the income statement of a business enterprise for current and prior periods shall report results of operations of the component, including any gain or loss in discontinued operations.

For employee termination benefits associated with exit or disposal activities initiated after December 31, 2002, SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" applies. Under this new pronouncement, a liability for a cost associated with an exit or disposal activity shall be recognized and measured initially at its fair value in the period in which the liability is incurred, except for a liability for one-time termination benefits that is incurred over time. A liability for a cost associated with an exit or disposal activity is incurred when the definition of a liability is met in accordance with Paragraph 35 of FASB Concepts Statement No. 6, Elements of Financial Statements. In the unusual circumstance in which fair value cannot be reasonably estimated, the liability shall be recognized initially in the period in which fair value can be reasonably estimated. In the case of a liability for one-time benefits that is incurred over time, a liability for the termination benefits shall be measured initially at the communication date of the termination plan based on the fair value of the liability as of the termination date. The liability shall be recognized ratably over the future service period. A change resulting from a revision to either the timing or the amount of estimated cash flows over the future service period shall be measured using the credit-adjusted risk-free rate that was used to measure the liability initially. The cumulative effect of the change shall be recognized as an adjustment to the liability in the period of the change.

Use of Estimates

Under Brazilian Corporate Law, there are no requirements to disclose the use of estimates in the preparation of financial statements.

Under U.S. GAAP, Statement of Position (SOP) No. 94-6 requires financial statement disclosure about the nature of a company's operations and the use of estimates in the preparation of financial statements. In addition, if certain criteria are met, it requires the disclosure of significant estimates affecting the financial statements and sensitivity to certain concentrations of business transactions, revenue and supply resources and area of operation.

Financial Statement Note Disclosure

Brazilian Corporate Law in general requires less information to be disclosed in financial statement footnotes than U.S. GAAP. Disclosures required under U.S. GAAP not typically found in Brazilian Corporate Law financial statements include, but are not limited to, the following:

- off-balance sheet risks and commitments, concentration of credit risk and major customers
- details of guarantees provided to third parties
- irrevocable commitments such as take-or-pay or minimum sales contracts
- advertising expense and assets
- research and development costs
- environmental related costs, liabilities and proceedings
- analysis of sales by geographical area
- financing facilities and terms
- fair value hierarchy; and
- footnote disclosure of summarized financial statements of affiliated companies which meet certain tests of significance.

Accounting for Guarantees by a Guarantor

Under Brazilian Corporate Law, guarantees granted to third parties are considered as off-balance sheet items. When fees are charged for issuing guarantees the fee is recognized in income over the guaranty period. When the guaranteed party has not honored its commitments the guarantor should assume a liability and a credit is recognized against the guaranteed party representing the right to seek reimbursement with recognition of related allowance for losses when considered appropriate.

Under U.S. GAAP, through FASB Interpretation 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees," (FIN 45) issued in November 2002, a liability should be recognized at the inception of certain guarantees for the fair value of the obligation, including the ongoing obligation to stand ready to perform over the term of the guarantee for certain guarantees issued or modified after December 31, 2002. Specific disclosures of guarantees granted are also required under FIN No. 45. Such disclosures are required to be made on an interim and annual basis for periods ending on or after December 15, 2002.

Derivative Financial Instruments

Under Brazilian Corporate Law, for periods before June 30, 2002, the requirements regarding the disclosure of information on financial instruments not reflected on the balance sheet or on concentration on financial instruments with credit risk were less detailed. For periods as from June 30, 2002, the accounting principles prescribed by Brazilian Corporate Law specifically applicable to accounting and reporting for marketable and equity securities and derivative financial instruments have been amended by accounting practices established by the Brazilian Central Bank for all financial institutions. Also, as from fiscal years ending December 31, 2008, Law No. 11,638, through the issuance of CPC No. 14, established guidance as to measurement and recognition of derivative financial instruments.

According to the accounting principles established by the Brazilian Central Bank and Law No. 11,638, derivative financial instruments are classified based on CSN's intention to use them for hedging or non-hedging purposes.

- Transactions involving derivative financial instruments to meet customer needs or for own purpose that did not meet hedging accounting criteria established by the Brazilian Central Bank and primary derivatives used to manage the global exposure are accounted for at fair value with unrealized gains and losses recognized currently in earnings.

- Derivative financial instruments designed for hedging or to modify characteristics of assets or liabilities and (i) highly correlated with respect to changes in fair value in relation to the fair value of the item being hedged, both at the inception date and over the life of the contract; and (ii) effective at reducing the risk associated with the exposure being hedged, are classified as hedges as follows:

  – *Fair value hedge*. The financial assets and liabilities and the related derivative financial instruments are accounted for at fair value and offsetting gains or losses recognized currently in earnings;

  – *Cash flow hedge*. The effective hedge portion of financial assets and liabilities is accounted for at fair value and unrealized gains and losses are recorded as a separate component of stockholders' equity, net of applicable taxes, in "Unrealized gains and losses – marketable securities and derivative financial instruments." The non-effective hedge portion is recognized currently in earnings; and

  – *Foreign currency hedge.* Consists of a financial liability used to hedge an investment in a foreign investee since the investor is enabled to clearly determine the relationship between the liability and the hedged asset, as well as the nature of the hedged risk and transaction and of the financial instrument used to place the hedge. The effective hedge portion is accounted for at fair value and unrealized gains and losses are recorded as a separate component of stockholders' equity, net of applicable taxes, in "Unrealized gains and losses – derivative financial instruments." The non-effective hedge portion is recognized in earnings.

SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities.

SFAS No. 133 requires that a company recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as:

- A hedge of the exposure to changes in the fair value of a recognized asset or liability or a firm commitment;

- A hedge of the exposure to variable cash flows of a forecasted transaction;

- A hedge of the foreign currency exposure of a net investment in a foreign operation;
- A hedge of the foreign currency exposure of an unrecognized firm commitment or an available-for-sale security; or
- A hedge of the foreign currency exposure of a foreign-currency-denominated forecasted transaction.

The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Derivatives that are not designated as part of a hedging relationship must be adjusted to fair value through income. Certain robust conditions must be met in order to designate a derivative as a hedge. If the derivative is a hedge, depending on the nature of the hedge, the effective portion of the hedge's change in fair value is either (1) offset against the change in fair value of the hedged asset, liability or firm commitment through income or (2) held in equity until the hedged item is recognized in income. If the hedge criteria are no longer met, the derivative instrument would then be accounted for as a trading instrument. If a derivative instrument designated as a hedge was terminated, the gain or loss is deferred and amortized over the shorter of the remaining contractual life of the terminated risk management instrument or the maturity of the designated asset or liability.

Comprehensive Income

Brazilian Corporate Law does not embody the concept of comprehensive income.

Under U.S. GAAP, SFAS No. 130 "Reporting Comprehensive Income", effective for years beginning after December 15, 1997, requires the disclosure of comprehensive income. Comprehensive income is comprised of net income and "other comprehensive income" that include charges or credits directly to equity that are not the result of transactions with owners. Examples of other comprehensive income items are cumulative translation adjustments under SFAS No. 52, unrealized gains and losses under SFAS No. 115, as well as the effects of cash flow hedge accounting under SFAS No. 133 and minimum pension liabilities under SFAS No. 158.

CSN

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As filed with the Securities and Exchange Commission on May 28, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-14732

COMPANHIA SIDERÚRGICA NACIONAL
(Exact Name of Registrant as Specified in its Charter)

NATIONAL STEEL COMPANY
(Translation of Registrant's name into English)

THE FEDERATIVE REPUBLIC OF BRAZIL
(Jurisdiction of incorporation or organization)

Paulo Penido Pinto Marques, Chief Financial Officer
Phone: +55 11 3049-7100 Fax: +55 11 3049-7212
invrel@csn.com.br
Av. Brigadeiro Faria Lima, 3,400 – 20th floor
04538-132, São Paulo-SP, Brazil
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares without par value	New York Stock Exchange*
American Depositary Shares, (as evidenced by American Depositary Receipts), each representing one share of Common Stock	New York Stock Exchange

* Not for trading purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the period covered by the annual report:

Common Shares, without par value.	1,510,359,220, including 52,389,112 common shares held in treasury. This amount takes into account the two-for-one stock split that took place in March 2010. For further information, see "Item 7A. Major Shareholders," "Item 9A. Offer and Listing Details" and "Item 10B. Memorandum and Articles of Association."

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☑ **Yes** ☐ **No**

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ **Yes** ☑ **No**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☑ **Yes** ☐ **No**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☐ **Yes** ☑ **No**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☑ **Accelerated Filer** ☐ **Non-accelerated Filer** ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☑ **International Financial Reporting Standards as issued by the International Accounting Standards Board** ☐ **Other** ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ☐ **Item 18** ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☑ No

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INTRODUCTION

Unless otherwise specified, all references in this annual report to:

- "we," "us," "our" or "CSN" are to Companhia Siderúrgica Nacional and its consolidated subsidiaries;
- "parent company" is to Companhia Siderúrgica Nacional.
- "Brazilian government" are to the federal government of the Federative Republic of Brazil;
- "*real*," "*reais*" or "R$" are to Brazilian *reais*, the official currency of Brazil;
- "U.S. dollars," "$," "US$" or "USD" are to United States dollars;
- "billions" are to thousands of millions, "km" are to kilometers, "m" are to meters, "mt" or "tons" are to metric tons, "mtpy" are to metric tons per year and "MW" are to megawatts;
- "TEUs" to twenty-foot equivalent units;
- "consolidated financial statements" are to the consolidated financial statements of Companhia Siderúrgica Nacional and its consolidated subsidiaries as of December 31, 2008 and 2009 and, for the years ended December 31, 2007, 2008 and 2009, together with the corresponding Report of Independent Registered Public Accounting Firms;
- "ADSs" are to CSN's American Depositary Shares and "ADRs" are to CSN's American Depositary Receipts; and
- "Brazil" is to the Federative Republic of Brazil.

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FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements, within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, principally under the captions "Item 3. Key Information," "Item 4. Information on the Company," "Item 5. Operating and Financial Review and Prospects" and "Item 11. Quantitative and Qualitative Disclosures About Market Risk." We have based these forward-looking statements largely on our current expectations and projections about future events, industry and financial trends affecting our business. Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

- general economic, political and business conditions in Brazil and abroad, especially in China;
- the ongoing effects of the recent global financial markets and economic crisis;
- changes in competitive conditions and in the general level of demand and supply for our products;
- management's expectations and estimates concerning our future financial performance and financing plans;
- our level of debt;
- availability and price of raw materials;
- changes in international trade or international trade regulations;
- protectionist measures imposed by Brazil and other countries;
- our capital expenditure plans;
- inflation, interest rate levels and fluctuations in foreign exchange rates;
- our ability to develop and deliver our products on a timely basis;
- lack of infrastructure in Brazil;
- electricity and natural gas shortages and government responses to them;
- existing and future governmental regulation; and
- other risk factors as set forth under "Item 3D. Risk Factors."

The words "believe," "may," "will," "aim," "estimate," "forecast," "plan," "continue," "anticipate," "intend," "expect" and similar words are intended to identify forward-looking statements. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to publicly update or to revise any forward-looking statements after we distribute this annual report because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and are not an indication of future performance. As a result of various factors, such as those risks described in "Item 3D. Risk Factors," undue reliance should not be placed on these forward-looking statements.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Our consolidated financial statements as of December 31, 2008 and 2009 and for each of the years ended December 31, 2007, 2008 and 2009 contained in "Item 18. Financial Statements" have been presented in U.S. dollars and prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. See Note 2(a) to our consolidated financial statements.

For certain purposes, such as providing reports to our Brazilian shareholders, filing financial statements with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or CVM, and determining dividend payments and other distributions and tax liabilities in Brazil, we have prepared and will continue to be required to prepare financial statements in accordance with the accounting principles required by Brazilian laws No. 6,404, dated December 15, 1976, as amended, and No. 11,638 dated December 28, 2007, as amended, or the Brazilian Corporate Law, and the rules and regulations of the CVM, or Brazilian GAAP, which differ in certain significant respects from U.S. GAAP.

Changes on Regulatory Requirements for Presentation of Financial Statements – Convergence to International Financial Reporting Standards ("IFRS")

Presentation of financial statements in accordance with IFRS

On July 13, 2007, the CVM issued Rule No. 457 to require listed companies to publish their consolidated financial statements in accordance with IFRS starting with the year ending December 31, 2010. Those consolidated financial statements must be prepared based on IFRS as issued by the International Accounting Standards Board.

Convergence of Brazilian GAAP to IFRS

On December 28, 2007, Law No. 11,638 was enacted and amended numerous provisions of the Brazilian Corporate Law relating to accounting principles and authority to issue accounting standards. Law No. 11,638 sought to enable greater convergence between Brazilian GAAP and IFRS. To promote convergence, Law No. 11,638 modified certain accounting principles of the Brazilian Corporate Law and required the different applicable regulators (including CVM) to issue accounting rules conforming to the accounting standards adopted in international markets. Additionally, the statute acknowledged a role in the setting of accounting standards for the CPC, which is a committee of officials from the Brazilian Federal Accounting Board (*Conselho Federal de Contabilidade*), Brazilian Independent Auditors Institute (*Instituto dos Auditores Independentes do Brasil*), São Paulo Stock Exchange (*BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros*) or BM&FBOVESPA, industry representatives and academic bodies that has issued accounting guidance and pursued the improvement of accounting standards in Brazil. Law No. 11,638 permits the CVM to rely on the accounting standards issued by the CPC in establishing accounting principles for regulated entities.

Subsequently on May 27, 2009, Law No. 11,941 was enacted and, among other issues, amended numerous provisions of the Brazilian Corporate Law and tax regulation, to enable greater convergence between Brazilian GAAP and IFRS.

As result of the issuance of Law No. 11,638, and Law No. 11,941, CPC has issued approximately 40 standards with the objective of making Brazilian GAAP similar to IFRS. CPC has issued several standards for application beginning with the year ended December 31, 2008 and during 2009 issued several additional standards. Our management is currently in the process of analyzing the potential impact of these new regulations and standards.

Reporting Currency

Because we operate in an industry that uses the U.S. dollar as its currency of reference, our management believes that it is appropriate to present our U.S. GAAP financial statements in U.S. dollars in our filings with the U.S. Securities and Exchange Commission, or SEC. Accordingly, as permitted by the rules of the SEC, we have adopted the U.S. dollar as our reporting currency for our U.S. GAAP financial statements contained in our annual reports that we file with the SEC.

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As described more fully in Note 2(a) to our consolidated financial statements, the U.S. dollar amounts as of the dates and for the periods presented in our consolidated financial statements have been translated from the *real* amounts in accordance with the criteria set forth in the U.S. Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation," at the year-end exchange rate (for balance sheet items) or the average exchange rate prevailing during the period (for income statement items). In this annual report, we refer to a Statement of Financial Accounting Standards issued by the U.S. Financial Accounting Standards Board as an "SFAS."

Unless the context otherwise indicates:

- historical data contained in this annual report that were not derived from our consolidated financial statements have been translated from *reais* on a basis similar to that used in our consolidated financial statements for the same periods or as of the same dates, except investment amounts that have been translated at the exchange rate in effect on the date the investment was made.

- forward-looking statements have been translated from *reais* at the exchange rate in effect at the time of the most recently budgeted amounts. We may not have adjusted all of the budgeted amounts to reflect all factors that could affect them. In addition, exceptionally we may have translated budgeted amount based on the exchange rate in effect on the date of the action, operation or document.

Some figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

3A. Selected Financial Data

The following table presents our selected financial data as of the dates and for each of the years indicated, prepared in accordance with U.S. GAAP. Our U.S. GAAP consolidated financial statements as of December 31, 2008 and 2009 and for each of the years in the three-year period ended December 31, 2009 appear elsewhere herein, together with the reports of our Independent Registered Public Accounting Firm, KPMG Auditores Independentes, for the periods noted in their reports. The selected financial information as of December 31, 2005, 2006 and 2007 and for each of the years in the two-year period ended December 31, 2006 have been derived from our U.S. GAAP consolidated financial statements in U.S. dollars, not included in this annual report. The selected financial data below should be read in conjunction with "Item 5. Operating and Financial Review and Prospects."

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Income Statement Data:	2005	2006	2007	2008	2009
			Year Ended December 31,		
		(in millions of US$, except per share data)			
Operating revenues					
Domestic sales	3,449	3,550	5,283	7,377	5,204
Export sales	1,224	1,263	1,695	1,830	1,137
Total	**4,673**	**4,813**	**6,978**	**9,207**	**6,341**
Deductions from operating revenues					
Sales taxes	829	899	1,305	1,835	1,257
Discounts, returns and allowances	39	68	156	185	70
Net operating revenues	**3,805**	**3,846**	**5,517**	**7,187**	**5,014**
Cost of products sold	1,837	2,102	3,076	3,602	3,250
Gross profit	**1,968**	**1,744**	**2,441**	**3,585**	**1,764**
Operating expenses					
Selling	186	167	310	412	345
General and administrative	108	148	185	219	208
Other income (expense)	28	149	85	110	47
Total	**322**	**464**	**580**	**741**	**600**
Operating income	**1,646**	**1,280**	**1,861**	**2,844**	**1,164**
Non-operating income (expenses), net					
Financial income (expenses), net	(550)	(533)	(219)	(380)	(871)
Foreign exchange and monetary gain (loss), net	183	218	438	(1,265)	422
Other	3	22	81	1,742	(26)
Total	**(364)**	**(293)**	**300**	**97**	**(475)**

	2005	2006	2007	2008	2009
			Year Ended December 31,		
		(in millions of US$, except per share data)			
Income before income taxes and equity in results of affiliated companies	**1,282**	**987**	**2,161**	**2,941**	**689**
Income taxes					
Current	(458)	(198)	(619)	(615)	(167)
Deferred	31	(98)	85	201	(52)
Total	**(427)**	**(296)**	**(534)**	**(414)**	**(219)**
Equity in results of affiliated companies	47	58	76	127	809
Net income	**902**	**749**	**1,703**	**2,654**	**1,279**
Net loss attributable to noncontrolling interest	-	-	-	-	**2**
Net income attributable to Companhia Siderúrgica Nacional	**902**	**749**	**1,703**	**2,654**	**1,281**

Basic earnings per common share	0,56	0.48	1.11	1.73	0.86
Weighted average number of common shares outstanding (in thousands)[1]	1,621,650	1,544,604	1,539,489	1,534,067	1,492,453

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Balance Sheet Data:	2005	2006	2007	2008	2009
	As of December 31, (In millions of US$)				
Current assets	3,330	3,962	4,665	7,307	6,841
Property, plant and equipment, net	2,547	3,211	4,824	3,543	5,616
Investments in affiliated companies and other investments (including goodwill)	312	375	565	2,715	4,384
Other assets	968	1,000	2,011	2,144	2,347
Total assets	**7,157**	**8,548**	**12,065**	**15,709**	**19,188**
Current liabilities	1,398	1,678	2,865	3,813	2,091
Long-term liabilities(2)	4,750	5,823	6,512	8,580	12,833
Stockholders' equity	1,009	1,047	2,688	3,316	4,264
Total liabilities and stockholders' equity	**7,157**	**8,548**	**12,065**	**15,709**	**19,188**

Other Data:	2005	2006	2007	2008	2009
	As of and for the year ended December 31, (In millions of US$, except per share data and where otherwise stated)				
Cash flows from operating activities	1,757	919	1,264	2,067	40
Cash flows used in investing activities	(593)	(839)	(1,091)	(1,292)	(829)
Cash flows from (used in) financing activities	(996)	(263)	(122)	1,867	872
Common shares outstanding (in thousands)	1,549,092	1,544,480	1,538,940	1,517,339	1,457,970
Common stock	2,447	2,447	2,447	2,447	2,447
Dividends declared and interest on stockholders' equity(1)	969	914	550	1,414	1,334
Dividends declared and interest on stockholders' equity per common share(1)(3)	0.63	0.59	0.36	0.93	0.81
Dividends declared and interest on stockholders' equity (in millions of *reais*)(3)	2,268	1,954	1,039	2,755	2,571
Dividends declared and interest on stockholders' equity per common share (in *reais*)(1)(3)	1.47	1.27	0.68	1.82	1.76

(1) Takes into account the one-for-three stock split occurred in January 2008 whereby each common share of our capital stock on December 31, 2007 became represented by three common shares and the one-for-two stock split occurred in March 2010 whereby each common share of our capital stock on December 31, 2009 became represented by two common shares. See "Item 10B. Memorandum and Articles of Association."
(2) Excluding the current portion of long-term debt.
(3) Amounts consist of dividends declared and accrued interest on stockholders' equity during the year. For a discussion of our dividend policy and dividend and interest payments made in 2009, see "Item 8A. Consolidated Statements and Other Financial Information-Dividend Policy."

Exchange Rates

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of reais by any person or legal entity, regardless of the amount, subject to certain regulatory procedures. The Brazilian currency has during the last decades experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies.

Between 2000 and 2002, the *real* depreciated significantly against the U.S. dollar, reaching an exchange rate of R$3.53 per US$1.00 at the end of 2002. Between 2003 and mid-2008, the *real* appreciated significantly against the U.S. dollar due to the stabilization of the macroeconomic environment and a strong increase in foreign investment in Brazil, with the exchange rate reaching R$1.56 per US$1.00 in August 2008. In the context of the crisis in the global financial markets after mid-2008, the *real* depreciated 31.9% against the U.S. dollar over the year 2008, reaching R$2.34 per US$1.00 on December 31, 2008. During 2009, the *real* appreciated by approximately 25%, reaching R$1.74 per US$1.00 on December 31, 2009, mainly due to the strong economic recovery of Brazil. On May 26, 2010, the exchange rate was R$1.846 per US$1.00. The Central Bank has intervened occasionally to control instability in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to allow the *real* to float freely or will intervene in the exchange rate market through a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially.

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The following tables present the selling rate, expressed in *reais* per U.S. dollar (R$/US$), for the periods indicated.

	Low	High	Average (1)	Period-end
Year ended				
December 31, 2005	2.163	2.762	2.413	2.341
December 31, 2006	2.059	2.371	2.177	2.138
December 31, 2007	1.733	2.156	1.948	1.771
December 31, 2008	1.559	2.500	1.837	2.337
December 31, 2009	1.702	2.422	1.994	1.741

	Low	High	Average	Period-end
Month ended				
November 30, 2009	1.702	1.759	1.726	1.751
December 31, 2009	1.701	1.788	1.750	1.741
January 31, 2010	1.723	1.875	1.780	1.875
February 28, 2010	1.805	1.877	1.842	1.811
March 31, 2010	1.764	1.823	1.786	1.781
April 30, 2010	1.731	1.781	1.757	1.731
May 26, 2010	1.732	1.881	1.811	1.846

Source: Central Bank.

(1) Represents the daily average of the close exchange rates during the period.

We will pay any cash dividends and make any other cash distributions with respect to our common shares in Brazilian currency. Accordingly, exchange rate fluctuations may affect the U.S. dollar amounts received by the holders of ADSs on conversion by the depositary of such distributions into U.S. dollars for payment to holders of ADSs. Fluctuations in the exchange rate between the *real* and the U.S. dollar may also affect the U.S. dollar equivalent of the *real* price of our common shares on the BM&FBOVESPA.

3B. Capitalization and Indebtedness

Not applicable.

3C. Reasons for the Offer and Use of Proceeds

Not applicable.

3D. Risk Factors

An investment in our ADSs or common shares involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our ADSs could decline due to any of these risks or other factors, and you may lose all or part of your investment. The risks described below are those that we currently believe may materially affect us.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement, as well as, Brazilian political and economic conditions, could adversely affect our business and the trading prices of our ADSs and common shares.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policy and regulations. The Brazilian government's actions to control inflation and other policies and regulations have often involved, among other measures, increases in interest rates, changes in tax policies, price controls (such as those imposed on the steel sector prior to privatization), currency devaluations, capital controls and limits on imports. Our business, financial condition and results of operations may be adversely affected by changes in policy or regulations involving or affecting factors, such as:

- interest rates;
- exchange controls and restrictions on remittances abroad, such as those that were briefly imposed in 1989 and early 1990;
- currency fluctuations;
- inflation;
- lack of infrastructure in Brazil;
- energy shortages and rationing programs;
- liquidity of the domestic capital and lending markets;
- environmental policies and regulations;
- tax policies and regulations; and
- other political, social and economic developments in or affecting Brazil.

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Exchange rate instability may adversely affect our financial condition and results of operations and the market price of our common shares and ADSs.

The Brazilian currency has during the last decades experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Between 2000 and 2002, the *real* depreciated significantly against the U.S. dollar, reaching an exchange rate of R$3.53 per US$1.00 at the end of 2002. Between 2003 and mid-2008, the *real* appreciated significantly against the U.S. dollar due to the stabilization of the macroeconomic environment and a strong increase in foreign investment in Brazil, with the exchange rate reaching R$1.56 per US$1.00 in August 2008. In the context of the crisis in the global financial markets after mid-2008, the *real* depreciated 31.9% against the U.S. dollar over the year 2008 and reached R$2.34 per US$1.00 at year end. During 2009, the *real* appreciated by approximately 25%, reaching R$1.74 per US$1.00 on December 31, 2009, mainly due to the strong economic recovery of Brazil. On May 26, 2010, the exchange rate was R$1.846 per US$1.00.

Depreciation of the *real* against the U.S. dollar could create inflationary pressures in Brazil and cause increases in interest rates, which could negatively affect the growth of the Brazilian economy as a whole and harm our financial condition and results of operations, may curtail access to foreign financial markets and may prompt government intervention, including recessionary governmental policies. Depreciation of the *real* against the U.S. dollar can also, as in the context of the global economic and financial crisis in 2008 and 2009, lead to decreased consumer spending, deflationary pressures and reduced growth of the economy as a whole. On the other hand, appreciation of the *real* relative to the U.S. dollar and other foreign currencies could lead to a deterioration of the Brazilian foreign exchange current accounts, as well as dampen export-driven growth. Depending on the circumstances, either depreciation or appreciation of the *real* could materially and adversely affect the growth of the Brazilian economy and our business, financial condition and results of operations.

In the event the *real* depreciates in relation to the U.S. dollar, the cost in *reais* of our foreign currency-denominated borrowings and imports of raw materials, particularly coal and coke, will increase. To the extent that we do not succeed in promptly reinvesting the funds received from such borrowings in dollar-denominated assets, we are exposed to a mismatch between our foreign currency-denominated expenses and revenues. On the other hand, if the *real* appreciates in relation to the U.S. dollar, it will cause *real*-denominated production costs to increase as a percentage of total production costs and cause our exports to be less competitive. We had total U.S. dollar-denominated or –linked indebtedness of US$4,590 million, or 59% of our total indebtedness, at December 31, 2009.

Depreciation of the *real* may also reduce the U.S. dollar value of distributions and dividends on the ADSs and the U.S. dollar equivalent of the market price of our common shares and, as a result, the ADSs.

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Government efforts to combat inflation may hinder the growth of the Brazilian economy and could harm our business.

Brazil has in the past experienced extremely high rates of inflation and has therefore followed monetary policies that have resulted in one of the highest real interest rates in the world. Between 2004 and 2008, the base interest rate, or SELIC rate, in Brazil varied between 19.25% and 11.25% per year. Inflation and the Brazilian government's measures to fight it, principally through the Central Bank, have had and may have significant effects on the Brazilian economy and our business. Tight monetary policies with high interest rates may restrict Brazil's growth and the availability of credit. Conversely, more lenient government and Central Bank policies and interest rate decreases may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect our business. In addition, we may not be able to adjust the price of our products in the export markets to offset the effects of inflation in Brazil on our cost structure, given that most of our costs are incurred in *reais*.

Developments and perception of risk in other countries, especially in the United States, China and other emerging market countries, may adversely affect the trading price of Brazilian securities, including our common shares and ADSs.

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including the United States, China, other Latin American and emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crisis in other emerging market countries or economic policies of other countries may diminish investor interest in securities of Brazilian issuers, including ours. This could adversely affect the trading price of our common shares and/or ADSs, and could also make it more difficult or impossible for us to access the capital markets and finance our operations in the future, on acceptable terms.

The global financial crisis has had significant consequences in 2008 and 2009, including in Brazil, such as stock and credit market volatility, unavailability of credit, higher interest rates, a general slowdown of the world economy, volatile exchange rates, and inflationary pressure, among others, which have and may continue to, directly or indirectly, materially and adversely affect our operating results, financial position and the price of our common shares and/or ADSs. Although the scenario has improved significantly since the second half of 2009, it is still not clear that the global economy has substantially recovered.

Risks Relating to Us and the Industries in Which We Operate

We are exposed to substantial changes in the demand for steel and iron ore, which has a substantial impact in the prices for our products.

The steel and mining industries are highly cyclical, both in Brazil and abroad. To the extent the Brazilian economy cannot absorb our entire steel production capacity, we are dependent on exporting our steel products, as in 2005 and 2006, for example. The demand for our steel and mining products (international commodities) and, thus, the financial condition and results of operations of companies in the steel and mining industries, including us, are generally affected by macroeconomic fluctuations in the world economy and the economies of steel-producing countries, including trends in the automotive, construction, home appliances, packaging and distribution industries. In recent years, the price of steel and iron ore in world markets has been at historically high levels, but in 2009 these prices decreased as a result of lower domestic demand and the effects of the 2008 worldwide financial crisis. In addition, reduced demand can lead to overcapacity and excessive downtime, lower utilization of our significant fixed assets and therefore reduced operating profitability. Any material decrease in the demand for steel in domestic or export markets served by us could have a material adverse effect on us.

The availability and the price of raw materials that we need to produce steel, particularly coal and coke, may adversely affect our results of operations.

In 2008 and 2009, raw material costs accounted for 56.9% and 53.6%, respectively, of total production costs. Our principal raw materials include iron ore, coal, coke (a portion of which we produce from coal), limestone, dolomite, manganese, zinc, tin and aluminum. We depend on third parties for some of our raw material requirements. In addition, we import all of the coal required to produce coke and approximately 16.5% of our coke requirements.

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Global developments, for example the dramatic increase in 2008 in Chinese and Indian demand for raw materials used in steel manufacturing, may cause severe shortages and/or substantial price increases in key raw materials and ocean transportation capacity. Our inability to pass those cost increases on to our customers or to meet our customers' demands because of non-availability of key raw materials may cause a material adverse effect on us.

In addition, any prolonged interruption in the supply of raw materials or energy, or substantial increases in their costs, could also materially and adversely affect us. These interruptions in the supply of raw materials or energy may be a result of changes in laws or trade regulations, the availability and cost of transportation, suppliers' allocations to other purchasers, interruptions in production by suppliers or accidents or similar events on suppliers' premises or along the supply chain.

We face significant competition, including price competition and competition from other domestic or foreign producers, which may adversely affect our profitability and market share.

The global steel industry is highly competitive with respect to price. Brazil exports steel products and is influenced by several factors: the protectionist policies of other countries, questioning of WTO (World Trade Organization), the Brazilian government's exchange rate policy and the growth rate of world economy. Further, continuous advances in materials sciences and resulting technologies have given rise to improvements in products such as plastics, aluminum, ceramics and glass that permit them to substitute steel. Due to high start-up costs, the economics of operating a steelworks facility on a continuous basis may encourage mill operators to maintain high levels of output, even in times of low demand, which increases the pressure on industry profit margins. In addition, downward pressure on steel prices by our competitors may affect our profitability.

The steel industry is also highly competitive with respect to product quality and customer service, as well as technological advances that enable the steel manufacturer to reduce its production costs. Steel makers in Brazil already face strong competition from imports and this may increase due to increase in foreign steel installed capacity, the appreciation of the *real* against the U.S. dollar and the reduction of domestic steel demand in other markets.

Over the past three years, China has become a major exporter of steel. If we are not able to remain competitive in relation to China or other steel-producing countries that are competitive, in the future we may be materially and adversely affected.

In response to the increase of steel imports to Brazil at very competitive or subsidized prices, in 2007 the Brazilian government reinstated the official agreed tariffs (External Common Tariff – TEC) of the Mercosul agreement for certain steel products in order to defend the domestic steel industry. These tariffs had previously been reduced in 2005 to zero as part of a "list of exceptions" of the TEC allowed by the agreement. Until December 2011 the Brazilian government may reduce these tariffs again and if tariffs are reduced we will face more competition from imported steel products and our results of operation may be negatively affected.

In addition, other factors influence our competitiveness, including our efficiency and operating rates, and the availability, quality and cost of raw materials and labor.

Government measures could adversely affect us.

Our activities depend on authorizations from and concessions by governmental regulatory agencies of the countries in which we operate. If related laws and regulations change, modifications to our technologies and operations could be required, and we could be required to make unexpected capital expenditures. The loss of any such authorization or changes in the regulatory framework we operate in may materially and adversely affect us.

Mining is subject to government regulation in the form of taxes and royalties, which can have an important financial impact on our operations. In the countries where we operate, governments may impose new taxes, raise existing taxes and royalties, or change the basis on which they are calculated in a manner unfavorable to us.

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Furthermore, in response to the increased production and export of steel by many countries, anti-dumping, countervailing duties and safeguard measures were imposed in the late 1990s and early 2000s by governments of the principal foreign markets for our steel exports in that period. Some of these restrictions are still in force, such as the restrictions on exports of hot-rolled products from Brazil to the United States, Canada and Argentina and the restrictions imposed by the European Union on exports of certain chemical substances contained either in products used to protect the steel products or in products used to pack them, effective as of January 2009. These and other restrictions could materially and adversely affect us, especially to the extent we rely on exporting our iron ore and steel production.

Malfunctioning equipment or accidents on our premises, railways or ports may decrease or interrupt production, internal logistics or distribution of our products. We do not have insurance policies to cover losses and liabilities in connection with operational risks, and may not have sufficient insurance coverage for certain other events.

The steel and iron ore production processes depend on certain critical equipment, such as blast furnaces, steel converters, continuous casting machines, drillers, crushing and screening equipments and shiploaders, internal logistics and distribution channels, such as railways and seaports. This equipment and infrastructure may be affected in the case of malfunction or damage. In 2006, there was an accident involving the gas cleaning system adjacent to Blast Furnace No. 3 at the Presidente Vargas steelworks, which prevented us from operating this blast furnace for approximately six months and resulted in losses of approximately US$520 million, all of which was reimbursed by our insurers. Similar or any other significant interruptions in our production process, internal logistics or distribution channels (including our ports and railways) could materially and adversely affect us.

Our insurance policies for losses in connection with operational risks, covering damage to our major facilities in connection with the Presidente Vargas steelworks (including damage to equipment and blockage of port facilities) and profit losses, expired on February 22, 2009 and we are currently renegotiating new insurance policies. Lack of insurance coverage for operational risks exposes us to potential significant liability in the event of an accident or business interruption, which may materially and adversely affect us.

Our projects are subject to risks that may result in increased costs or delay or prevent their successful implementation.

We are investing to further increase our steel, mining and cement production capacity, as well as our logistics capabilities. Our expansion and projects are subject to a number of risks that may adversely affect our growth prospects and profitability, including the following:

- we may encounter delays or higher than expected costs in obtaining the necessary equipment or services to build and operate a project;
- our efforts to develop projects according to schedule may be hampered by a lack of infrastructure, including a reliable power supply;
- we may fail to obtain, or experience delays or higher than expected costs in obtaining the required permits and/or regulatory approvals to build a project; and
- changes in market conditions or regulations may make a project less profitable than expected at the time we initiated work on it.

Any one or a combination of factors described above may materially and adversely affect us.

New or more stringent environmental and health regulations imposed on us may result in increased liabilities and increased capital expenditures.

Our steel making, mining, cement and logistics facilities are subject to a broad range of laws, regulations and permit requirements in Brazil relating mainly to the protection of health and the environment. Brazilian pollution standards are expected to continue to change, including new effluent and air emission standards and solid waste-handling regulations. New or more stringent environmental (including measures seeking to address global warming) and health standards imposed on us can require us to make increased capital expenditures. We could be exposed to civil penalties, criminal sanctions and closure orders for non-compliance with these regulations. Waste disposal and emission practices may result in the need for us to clean up or retrofit our facilities at substantial costs and/or could result in substantial liabilities. Environmental legislation restrictions imposed by foreign markets to which we export our products, may also materially and adversely affect our export sales and us.

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Our governance and compliance processes may fail to prevent regulatory penalties and reputational harm.

We operate in a global environment, and our activities straddle multiple jurisdictions and complex regulatory frameworks with increased enforcement activities worldwide. Our governance and compliance processes may not prevent future breaches of law, accounting or governance standards. We may be subject to breaches of our Code of Ethics, business conduct protocols and instances of fraudulent behavior and dishonesty by our employees, contractors or other agents. Our failure to comply with applicable laws and other standards could subject us to fines, loss of operating licenses and reputational harm, which may materially and adversely affect us.

Some of our operations depend on joint ventures, consortia and other forms of cooperation, and our business could be adversely affected if our partners fail to observe their commitments.

We currently operate parts of our business through joint-ventures with other companies. We have established a joint-venture with an Asian consortium at our 60% non-consolidated investee Nacional Minérios S.A., or Namisa, to mine iron ore; a joint-venture with other Brazilian steel and mining companies at MRS Logística S.A., or MRS, to explore railway transportation in the Southeastern region of Brazil; and a joint-venture with Tractebel at Itá Energética S.A., or ITASA, to produce electricity.

Our forecasts and plans for these joint-ventures and consortia assume that our partners will observe their obligations to make capital contributions, purchase products and, in some cases, provide managerial personnel or financing. In addition, many of the projects contemplated by our joint-ventures or consortia rely on financing commitments, which contain certain preconditions for each disbursement. If any of our partners fails to observe their commitments or we fail to comply with all preconditions required under our financing commitments, the affected joint-venture, consortium or other project may not be able to operate in accordance with its business plans, or we may have to increase the level of our investment to implement these plans. Any of these events may have a material adverse effect on us.

Particularly with respect to our joint-venture at Namisa, we may be required to reacquire all ownership interest of our Asian partners in Namisa in the event of an unresolved dead-lock with respect to a material issue under our shareholders' agreement.

Interruptions in the supply of natural gas and power transmission grid may adversely affect our business, financial condition and results of operations.

We require significant amounts of energy, both in the form of natural gas and electricity, to power our plant and equipment. We purchase our natural gas needs through distributors which purchase natural gas from Petróleo Brasileiro S.A. – Petrobras, or Petrobras, (the sole producer and supplier of natural gas in Brazil). Petrobras, in turn, is significantly dependent upon the supply of natural gas from Bolivia. On May 1, 2006, the president of Bolivia announced the nationalization of the country's gas reserves. The long-term effects of this measure on the supply of natural gas in Brazil are still uncertain. The events in Bolivia could result in the disruption of the natural gas supply to Petrobras or an additional increase in the prices of natural gas. Any resulting interruption or reduction in the levels of supply of natural gas by Petrobras or a significant price increase, may negatively affect our production and production costs and consequently have a material adverse effect on us.

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Our mineral reserve estimates may materially differ from mineral quantities that we may be able to actually recover; our estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine.

Our reported ore reserves are estimated quantities of ore and minerals that we have determined can be economically mined and processed under present and anticipated conditions to extract their mineral content. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of mineral production, including many factors beyond our control. Reserve engineering involves estimating deposits of minerals that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. As a result, no assurance can be given that the indicated amount of ore will be recovered or that it will be recovered at the rates we anticipate. Estimates of different engineers may vary, and results of our mining and production subsequent to the date of an estimate may lead to revision of estimates. Reserve estimates and estimates of mine life may require revision based on actual production experience and other factors. For example, fluctuations in the market prices of minerals and metals, reduced recovery rates or increased operating and capital costs due to inflation, exchange rates or other factors may render proven and probable reserves uneconomic to exploit and may ultimately result in a restatement of reserves.

We may not be able to adjust our mining production volume in a timely or cost-efficient manner in response to changes in demand.

Revenues from our mining business represented in 2009 10.9% of our consolidated revenues. Our ability to rapidly increase production capacity is limited, which could render us unable to fully satisfy demand for our products when demand is higher. When demand exceeds our production capacity, we may meet excess customer demand by purchasing iron ore from unrelated parties and reselling it, which would increase our costs and narrow our operating margins. If we are unable to satisfy excess customer demand in this way, we may lose customers. In addition, operating close to full capacity may expose us to higher costs, including demurrage fees due to capacity restraints in our logistics systems.

Conversely, operating at significant idle capacity during periods of weak demand may expose us to higher unit production costs since a significant portion of our cost structure is fixed in the short-term due to the high capital intensity of mining operations. In addition, efforts to reduce costs during periods of weak demand could be limited by labor regulations or existing labor or government agreements.

Adverse economic developments in China could have a negative impact on our revenues, cash flow and profitability.

China has been the main driver of global demand for minerals and metals over the last few years. In 2009, Chinese demand represented 68% of global demand for seaborne iron ore. The percentage of our mining operating revenues attributable to sales to consumers in China was 46% in 2009. A contraction of China’s economic growth could result in lower demand for our products, leading to lower revenues, cash flow and profitability. Poor performance in the Chinese real estate sector, one of the largest consumers of carbon steel in China, could also negatively impact our results.

Drilling and production risks could adversely affect the mining process.

Once mineral deposits are discovered, it can take a number of years from the initial phases of drilling until production is possible, during which the economic feasibility of production may change. Substantial time and expenditures are required to:

- establish mineral reserves through drilling;
- determine appropriate mining and metallurgical processes for optimizing the recovery of metal contained in ore;
- obtain environmental and other licenses;
- construct mining, processing facilities and infrastructure required for greenfield properties; and
- obtain the ore or extract the minerals from the ore.

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If a project proves not to be economically feasible by the time we are able to exploit it, we may incur substantial write-offs. In addition, potential changes or complications involving metallurgical and other technological processes arising during the life of a project may result in cost overruns that may render the project not economically feasible.

We may not be able to consummate proposed acquisitions successfully or integrate acquired businesses successfully.

From time to time, we may evaluate acquisition opportunities that would strategically fit our business objectives. If we are unable to complete acquisitions, or integrate successfully and develop these businesses to realize revenue growth and cost savings, our financial results could be adversely affected. In addition, we may incur asset impairment charges related to acquisitions, which may reduce our profitability. Finally, our acquisition activities may present financial, managerial and operational risks, including diversion of management attention from existing core businesses, difficulties integrating or separating personnel and financial and other systems, adverse effects on existing business relationships with suppliers and customers, inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired intangible assets which would reduce future reported earnings, potential loss of customers or key employees of acquired businesses, and indemnities and potential disputes with the buyers or sellers. Any of these activities could affect our product sales, financial condition and results of operations.

We have experienced labor disputes in the past that have disrupted our operations, and such disputes may recur.

A substantial number of our employees and some of the employees of our subcontractors are represented by labor unions and are covered by collective bargaining or other labor agreements, which are subject to periodic renegotiation. Strikes and other labor disruptions at any of our facilities or labor disruptions involving third parties who may provide us with goods or services, have in the past and may in the future materially and adversely affect the operation of facilities, or the timing of completion and the cost of our projects.

A significant devaluation of our common shares may cause our pension funds to have a deficit of plan assets over pension benefit obligations.

We are the principal sponsor of Caixa Beneficente dos Empregados da CSN, or CBS, our employee pension plan. As of December 31, 2009, CBS had invested a significant portion of its portfolio in our common shares and held 4.70% of our capital stock. As a result, the ability of CBS to honor its pension obligations is subject to fluctuations in the fair value of CBS's assets, including fluctuations in the trading price of our common shares.

As of December 31, 2009, CBS had an excess of plan assets over pension benefit obligations of US$245 million. The funding status of CBS is affected by, among other things, fluctuations in the fair value of CBS's assets, which totaled US$1,245 million as of December 31, 2009, while CBS's accumulated obligations and projected benefit obligations were US$1,000 million in the same period.

In the event of a depreciation of our common shares, CBS may become unfunded and have an adverse impact on its ability to fulfill its obligations. In this event, we may have to make substantial contributions to the fund to meet its pension benefit obligations, which may have a material adverse effect on us. See "Item 6D—Employees" and Note 15 to our consolidated financial statements contained in "Item 18. Financial Statements."

Risks Relating to our Common Shares and ADSs

Our controlling shareholder has the ability to direct our business and affairs and its interests could conflict with yours.

Our controlling shareholder has the power to, among other things, elect a majority of our directors and determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations, dispositions, and the timing and payment of any future dividends, subject to minimum dividend payment requirements imposed under the Brazilian corporation law. Our controlling shareholder may have an interest in pursuing acquisitions, dispositions, financings or similar transactions that could conflict with your interests as a holder of our common shares and ADSs.

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If you surrender your ADSs and withdraw common shares, you risk losing the ability to remit foreign currency abroad and certain Brazilian tax advantages.

As an ADS holder, you benefit from the electronic certificate of foreign capital registration obtained by the custodian for our common shares underlying the ADSs in Brazil, which permits the custodian to convert dividends and other distributions with respect to the common shares into non-Brazilian currency and remit the proceeds abroad. If you surrender your ADSs and withdraw common shares, you will be entitled to continue to rely on the custodian's electronic certificate of foreign capital registration for only five business days from the date of withdrawal. Thereafter, upon the disposition of or distributions relating to the common shares, you will not be able to remit abroad non-Brazilian currency unless you obtain your own electronic certificate of foreign capital registration or you qualify under Brazilian foreign investment regulations that entitle some foreign investors to buy and sell shares on Brazilian stock exchanges without obtaining separate electronic certificates of foreign capital registration. If you do not qualify under the foreign investment regulations you will generally be subject to less favorable tax treatment of dividends and distributions on, and the proceeds from any sale of, our common shares.

If you seek to obtain your own electronic certificate of foreign capital registration, you may incur expenses or suffer delays in the application process, which could delay your ability to receive dividends or distributions relating to our common shares or the return of your capital in a timely manner. The depositary's electronic certificate of foreign capital registration may also be adversely affected by future legislative changes.

Holders of ADSs may not be able to exercise their voting rights.

Holder of ADSs may only exercise their voting rights with respect to the underlying common shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, ADS holders must vote by giving voting instructions to the depositary. Upon receipt of the voting instructions of the ADS holder, the depositary will vote the underlying common shares in accordance with these instructions. Otherwise, ADS holders will not be able to exercise their right to vote unless they surrender the ADS for cancellation in exchange for our common shares. Pursuant to our bylaws, the first call for a shareholders' meeting must be published at least 15 days in advance of the meeting, the second call must be published at least eight days in advance of the meeting. When a shareholders' meeting is convened, holders of ADSs may not receive sufficient advance notice to surrender the ADS in exchange for the underlying common shares to allow them to vote with respect to any specific matter. If we ask for voting instructions, the depositary will notify ADS holders of the upcoming vote and will arrange to deliver the proxy card. We cannot assure that ADS holders will receive the proxy card in time to ensure that they can instruct the depositary to vote the shares. In addition, the depositary and its agents are not liable for failing to carry out voting instructions or for the manner of carrying out voting instructions. As a result, holders of ADSs may not be able to exercise their voting rights.

The relative volatility and illiquidity of the Brazilian securities markets may substantially limit your ability to sell the common shares underlying the ADSs at the price and time you desire.

Investing in securities that trade in emerging markets, such as Brazil, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Brazilian securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United States. Accordingly, although you are entitled to withdraw the common shares underlying the ADSs from the depositary at any time, your ability to sell the common shares underlying the ADSs at a price and time at which you wish to do so may be substantially limited. There is also significantly greater concentration in the Brazilian securities market than in major securities markets in the United States. The ten largest companies in terms of market capitalization represented 52.5% of the aggregate market capitalization of the BM&FBOVESPA as of December 31, 2009. The top ten stocks in terms of trading volume accounted for 41.5%, 53.2% and 49.7% of all shares traded on the BM&FBOVESPA in 2007, 2008 and 2009, respectively.

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Holders of ADSs may be unable to exercise preemptive rights with respect to our common shares.

We may not be able to offer our common shares to U.S. holders of ADSs pursuant to preemptive rights granted to holders of our common shares in connection with any future issuance of our common shares unless a registration statement under the Securities Act is effective with respect to such common shares and preemptive rights, or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement relating to preemptive rights with respect to our common shares, and we cannot assure you that we will file any such registration statement. If such a registration statement is not filed and an exemption from registration does not exist, JPMorgan Chase Bank, as depositary, will attempt to sell the preemptive rights, and you will be entitled to receive the proceeds of such sale. However, these preemptive rights will expire if the depositary does not sell them, and U.S. holders of ADSs will not realize any value from the granting of such preemptive rights.

Substantial sales of our ADSs could cause the price of our ADSs to decrease significantly.

The sale of a substantial number of common shares, or the belief that this may occur, could decrease the trading price of our common shares and our ADSs. Holders of our common shares and/or ADSs may not be able to sell their securities at or above the price they paid for them.

Our pension fund CBS invests heavily in our common shares, holding as of December 31, 2009 4.70% of our capital stock. Brazilian governmental authorities are discussing with CBS and other pension funds regulatory limits on investments by pension funds in the shares of related parties. As a result, CBS may be required to diversify its portfolio, which, if not done in an organized manner, may cause a substantial amount of our common shares to be sold in the market, negatively affecting the trading price of our common shares.

Item 4. Information on the Company

4A. History and Development of the Company

History

Companhia Siderúrgica Nacional is a Brazilian corporation (*sociedade por ações*) incorporated in 1941 pursuant to a decree of Brazilian President at the time, Getúlio Vargas. The Presidente Vargas steelworks, located in the city of Volta Redonda, in the State of Rio de Janeiro, started production of coke, pig iron castings and long products in 1946.

Three major expansions were undertaken at the Presidente Vargas steelworks during the 1970s and 1980s. The first, completed in 1974, increased installed annual production capacity to 1.6 million tons of crude steel. The second, completed in 1977, increased annual production capacity to 2.4 million tons of crude steel. The third, completed in 1989, increased annual production capacity to 4.5 million tons of crude steel.

We were privatized through a series of auctions held in 1993 and early 1994, through which the Brazilian government sold its 91% ownership interest in us.

From 1993 through 2002, we implemented a capital improvement program aimed at increasing our annual production of crude steel, improving the quality of our products and enhancing our environmental protection and cleanup programs. As part of the investments, since February 1996, all our production has been based on the continuous casting process, rather than ingot casting, an alternative method that results in higher energy use and metal loss. From 1996 through 2002, we spent the equivalent of US$2.4 billion under the capital improvement program and on maintaining our operational capacity, culminating with the renovation in 2001 of Blast Furnace No. 3 and Hot Strip Mill No. 2 at the Presidente Vargas steelworks. These measures resulted in the increase of our annual production capacity to 5.6 million tons of crude steel and 5.1 million tons of rolled products.

General

We are one of the largest fully integrated steel producers in Brazil and in Latin America in terms of crude steel production. Our current annual crude steel capacity and rolled product capacity is 5.6 million and 5.1 million tons, respectively. Production of crude steel and rolled steel products decreased in 2009 by 12% to 4.4 million tons and finished steel production decreased in 2009 by 9% to 4.1 million tons, as compared to 2008, as an effect of the global economic and financial crisis in 2008 and 2009. In addition to our steel business, we operate in the mining and cement businesses, which have become increasingly important to our operations and growth.

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Steel

Our fully integrated manufacturing facilities produce a broad line of steel products, including slabs, hot- and cold-rolled, galvanized and tin mill products for the distribution, packaging, automotive, home appliance and construction industries. In 2009, we accounted for approximately 47% of the galvanized steel products market share in Brazil. We are also one of the world's leading producers of tin mill products for packaging containers. In 2009, we accounted for approximately 98% of the tin mill products market share in Brazil.

Our production process is based on the integrated steelworks concept. Below is a brief summary of the steel making process at our Presidente Vargas steelworks, located in the city of Volta Redonda, in the State of Rio de Janeiro:

- iron ore produced from our own mines is processed in continuous sintering machines to produce sinter;
- sinter and lump ore direct charges are smelted with lump coke and injected powdered coal in blast furnaces to produce pig iron;
- pig iron is then refined into steel by means of basic oxygen converters;
- steel is continuously cast in slabs;
- slabs are then hot rolled, producing hot bands that are coiled and sent to finishing facilities.

We currently produce all of our requirements of iron ore, limestone and dolomite, and a portion of our tin requirements from our own mines. Using imported coal, we produce approximately 75% of our coke requirements, at current production levels, in our own coke batteries at Volta Redonda. Imported coal is also pulverized and used directly in the pig iron production process. Zinc, manganese ore, aluminum and a portion of our tin requirements are purchased in local markets. Our steel production and distribution also require water, industrial gases, electricity, rail and road transportation, and port facilities.

Mining

The first step to our entry into the international iron ore market was taken in February 2007, with the completion of the first phase of the expansion of our solid bulks seaport terminal in the city of Itaguaí, in the State of Rio de Janeiro, which enabled the terminal to also handle and export iron ore and to load from its facilities the first shipment of our iron ore products.

Our mining activities are one of the largest in Brazil and are mainly driven by exploration of one of the richest Brazilian iron ore reserves, Casa de Pedra, in the State of Minas Gerais.

Cement

Our cement business aims to increase utilization of by-products by constructing a greenfield grinding mill and a clinker facility. This project represented our entry into the cement market, taking advantage of the slag generated by our blast furnaces and of our limestone reserves, located in the city of Arcos, in the State of Minas Gerais. The limestone, which is transformed into clinker, and the slag, account for approximately 95% of the production cost to produce cement.

Acquisitions and Dispositions

Namisa

On July 20, 2007, Namisa, our then wholly-owned mining subsidiary, acquired 100.0% of the shares issued by *Companhia de Fomento Mineral e Participações*, or CFM. The final acquisition price amounted to US$400 million, which was fully paid by us. CFM explores various iron ore mines and owns ore processing facilities in the State of Minas Gerais. CFM is located in the State of Minas Gerais and has facilities close to Casa de Pedra, our most important mining asset.

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On December 30, 2008, our ownership interest in Namisa was reduced to 60% of the voting and total capital stock upon Namisa's issuance of new shares for the aggregate amount of approximately US$3.08 billion to Big Jump Energy Participações S.A., or Big Jump, an Asian consortium whose shareholders are Itochu Corporation, JFE Steel Corporation, Nippon Steel Corporation, Sumitomo Metal Industries, Ltd., Kobe Steel, Ltd, Nisshin Steel Co, Ltd., and Posco. In connection with this sale, Namisa paid us approximately US$3 billion on December 30, 2008 as pre-payment for a portion of the purchase price agreed between the parties for future sales of crude iron ore (run-of-mine, or ROM) and the rendering of port services by us to Namisa. The ROM will be extracted by us from the Casa de Pedra mine and will be sold to Namisa, which will be required to beneficiate the product at its own industrial facilities. All pre-payment agreements were negotiated at arms-length basis. For further information on the effect of these pre-payments in our long-term obligations, see "Item 5E. Off-Balance Sheet Arrangements."

We and Big Jump have entered into a shareholders' agreement in order to govern our joint-control of Namisa. Under certain extreme situations provided for in the shareholders' agreement, a dead-lock resolution process may be established. This procedure requires us to initiate mediation with our partners and, if no solution is reached, the matter is then submitted to be addressed directly by the senior executives of the companies in dispute. In the event the dead-lock remains, the shareholders' agreement provides for call and put options, which entitles Big Jump to elect to sell all its ownership interest in Namisa to CSN and CSN to elect to buy all ownership interest of Big Jump in Namisa, in each case for the fair market value of the respective shares.

Riversdale

On November 24, 2009, we approved the acquisition of a 16.3% minority interest on Riversdale Mining Limited ("Riversdale"), a mining company listed on the Australian Stock Exchange. In November we acquired 28,750,598 shares issued by Riversdale, representing 14.99% of its capital stock. On January 13, 2010 we obtained authorization from Australian authorities to acquire additional 2,482,729 shares issued by Riversdale, representing 1.3% of its capital stock. As of the date of this annual report we indirectly hold an interest of 16.1% in Riversdale. Riversdale has an Anthracite operation and an Anthracite project in South Africa and coal projects in Moçambique.

Segregation of Mining Assets

On December 15, 2009, our board of directors authorized the adoption of internal measures in connection with the segregation of our iron ore business and correlated logistics activities into one of our subsidiaries. The segregation is expected to occur upon the transfer, by means of a capital increase, of assets, liabilities, rights and obligations comprising our mining and correlated logistic businesses as well as of investments in related operating companies. The implementation of the segregation depends on certain regulatory approvals and we expect to complete it by the second quarter of 2010.

Panatlântica

On January 8, 2010, we approved the acquisition of a minority interest in the capital stock of Panatlântica S.A., or Panatlântica, a small publicly-held company whose object is the industrialization, commercialization, import, export and processing of steel and metals. This interest is currently held by LP Aços Comércio e Participações Ltda. The acquisition comprises the acquisition of 802,069 common shares, representing 9.4% of Panatlântica's capital stock.

Cimpor

On December 18, 2009, we launched a tender offer for the acquisition of all outstanding shares of Portugal's largest cement company, Cimpor – Cimentos de Portugal, SGPS, S.A., or Cimpor. Cimpor's shares are traded on Euronext Lisboa. The tender offer was registered with the Portuguese securities authority and its corresponding launching announcement was disclosed on January 27, 2010, as amended on February 12, 2010.

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On February 23, 2010, at a special Euronext Lisboa session, the public offering expired without the fulfillment of a condition precedent requiring the acquisition of at least 1/3 of Cimpor's shares. Consequently, no shares were acquired.

Capital Expenditures

We invested US$980 million, US$886 million and US$930 million in 2007, 2008 and 2009, respectively in capital expenditures. Expenditures in 2009 were used mainly for the acquisitions of equipment, of which US$214 million was used in the Casa de Pedra mine expansion, US$23 million in projects relating to the Itaguaí port expansion and US$245 million in major overall projects that extend our fixed assets useful life. For further information, see "Item 5B. Liquidity and Capital Resources-Short-Term Debt and Short-Term Investments."

In 2009, we continued to implement our strategy of developing downstream opportunities, new products and market niches by creating or expanding capacity of galvanized products for the automotive sector and by investing in a galvanizing and pre-painting plant in order to supply the construction and home appliance industries, as described in "Item 4B. Business Overview—Facilities."

We also intend to control production costs and secure reliable sources of raw materials, energy and transportation in support of our steelmaking operations through a program of strategic investments. The principal strategic investments already made are set forth in "Item 4B. Business Overview—Facilities."

Planned Investments

In light of an improvement in the worldwide economic scenario since the second half of 2009 and higher growth projection for Brazil, where we plan to sell the majority of our steel production, and also considering our comfortable debt level and cash position, our board of directors approved, on April, 13, 2010, an investment plan for the period between 2010 and 2016. Total planned investments amount to US$18.8 billion, of which: US$6.2 billion are planned for our mining business (Casa de Pedra capacity expansion to 50 mtpy; Namisa capacity expansion to 39 mtpy; TECAR capacity expansion to 84 mtpy); US$4.8 billion are planned for our steel business (increase in long steel capacity of 1.5 mtpy with 3 plants; expansion of flat steel of 1.5 mt; and other projects focused on improving our operational return, such as coke battery revamp); US$1 billion are planned for our cement business (3 plants of 1 mt each, Arcos Integrated Plant of 0.6 mt and Volta Redonda Expansion to 2.4 mt); US$3.4 billion are planned for logistics (Transnordestina Extension and Berth 301 in TECON); and US$3.4 billion for our maintenance and programs to improve our performance.

Certain projects that were previously announced, such as the greenfield slab mills in the city of Itaguaí, in the State of Rio de Janeiro, and the greenfield slab mill in the city of Congonhas, in the State of Minas Gerais and the Logistics Platform Project, in the city of Itaguaí, in the State of Rio de Janeiro (except for the ongoing improvements on its Container Terminal and for the expansion of its Solid Bulks Terminal) are being re-evaluated.

Our planned investments in iron ore, steelmaking, cement and logistic are described below.

Iron Ore

Our iron ore business comprises the expansion of our mining activities and our seaport facilities, the construction of pellet plants and, to a lesser extent, the trading of iron ore produced by other companies through our own logistics network. We expect to reach an annual sales level of 89 mtpy of iron ore products by 2014, of which 50 mtpy from Casa de Pedra and 39 mtpy through our 60% non-consolidated investee Namisa. We expect to finance these investments with the National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico Social*-BNDES), export credit agencies, the proceeds from offerings of securities and use part of our free cash flow from our current operations.

We are also investing in the expansion of the seaport Solid Bulks Terminal in Itaguaí, or TECAR, to enable annual exports of 84 million tons of iron ore. Our current annual export capacity is equivalent to 30 million tons.

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In addition to these projects, which are already being implemented, we are analyzing further expansions, such as Casa de Pedra reaching 70 mtpy and TECAR to reach 130 mtpy, other brownfield and greenfield opportunities and acquisitions options.

Steel

We initiated our long steel products brownfield project in the city of Volta Redonda, in the State of Rio de Janeiro, which will be developed inside its main steelmaking facility. In this plant we intend to produce 500,000 tons per year of long steel products, such as rod bar (400,000 tons per year) and wire rod. We expect to benefit from the existing infrastructure and utilities used to support a blast furnace and a former foundry. The total investment in long steel products production will be of approximately US$340 million in installations, including expanding and upgrading a 30-ton electric furnace. The facility will use surplus pig iron and low value added slabs as raw materials. In addition to this plant, we are developing in Brazil two greenfield long steel projects with 500,000 tons per year each. Our forecast is that these two plants will start production by the end of 2013. We are developing a flat steel project with an expected capacity of 1.5 mtpy in a location to be confirmed.

Cement

We are investing approximately US$410 million to build a greenfield grinding mill and clinker furnace, with capacity of 2.4 million tons of products and 830,000 tons, respectively. This project represented our entry into the cement market, taking advantage of the slag generated by our blast furnaces and of our limestone reserves, located in the city of Arcos, in the State of Minas Gerais. The limestone, which is transformed into clinker, and the slag, account for approximately 95% of the production cost to produce cement. In 2009 our cement sales reached 338,000 tons, all from the grinding mill, and we expect to reach full production capacity by 2011. These investments will be financed by BNDES, which has already approved a seven-year credit line of up to US$81 million indexed partially on the long-term interest rate (*Taxa de Juros de Longo*-Prazo), or TJLP, and partially on US dollars, as well as the use of free cash flow from our current operations. In addition to this plant, we are developing other projects, such as the installation of an integrated cement plant in the city of Arcos, in the State of Minas Gerais, taking advantage of our calcareous mine, with capacity of 600,000 tons per year. We intend to build three new integrated plants (cement and clinker) in Brazil until 2013, each with a projected capacity of 1 million tons per year. Taken together these projects are expected to have a production capacity of 6.4 million tons of cement.

Transnordestina

In August 2006, in order to enable the implementation of a major infrastructure project led by the Brazilian federal government, our Board of Directors approved a transaction to merge Transnordestina S.A., a company that at the time was state-owned, into and with Companhia Ferroviária do Nordeste – CFN, an affiliate of CSN that holds a 30-year concession granted in 1998 to operate the Northeastern Railroad of the RFFSA with 4,238 km of railway track. The surviving entity was later renamed Transnordestina Logística S.A., or Nova Transnordestina. The Nova Transnordestina Project includes an additional 1,728 km of large gauge, state-of-the-art railway track. We expect the investments will allow the company to increase the transportation of various products, such as iron ore, limestone, soy beans, cotton, sugar cane, fertilizers, oil and fuels. The investments will be financed through several agencies, such as FINOR – Northeastern Investment Fund, SUDENE - the Northeastern Development Federal Agency and BNDES. We have obtained certain of the required environmental permits, purchased parts of the equipments and services and implementation is advanced in certain regions.

Until 2008 Transnordestina was jointly controlled by us and Taquari Participações S.A., or Taquari, pursuant to a shareholders´ agreement dated November 27, 1997, as amended on May 6, 1999 and on November 7, 2003. During 2009, we increased the capital of Transnordestina upon disbursing certain advances for future capital increases. Taquari decided not to participate in such capital increases, being diluted and relinquishing control over Transnordestina. Transnordestina is currently a subsidiary fully controlled by us and has been consolidated in our financial statements since December 2009.

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Additional Investments

In addition to the currently planned investments and maintenance capital expenditures, we continue to consider possible acquisitions, joint ventures and brownfield or greenfield projects to increase or complement our steel, cement, mining producing and logistics capabilities, in addition to logistic infrastructure and energy generation.

Other Information

CSN's legal and commercial name is Companhia Siderúrgica Nacional. CSN is organized for an unlimited period of time under the laws of the Federative Republic of Brazil. Our head offices are located at Rua São José, 20, 16th floor, 20010-020, Rio de Janeiro, RJ, Brazil and our telephone number is +55-21-2141-1800. CSN's agent for service of process in the United States is CT Corporation, with offices at 111 Eighth Avenue, New York, New York 10011.

4B. Business Overview

Competitive Strengths

We believe that we have the following competitive strengths:

Fully integrated business model. We believe we are one of the mostly fully integrated steelmakers in the world. We have captive iron ore reserves, which differentiate us from our main competitors in Brazil that purchase their iron ore from mining companies such as Vale S.A., or Vale. In 2006, we hired Golder Associates S.A., or Golder, to evaluate the Casa de Pedra iron ore reserves. The results confirmed proven and probable mineral resources of 1.6 billion tons with a grade of approximately 48.0%. In addition to our iron ore reserves, we have captive dolomite and limestone mines that supply our Presidente Vargas steelworks. Our steelworks are close to the main steel consumer centers in Brazil, with easy access to port facilities and railroads. Our operations are strongly integrated as a result of our captive sources of raw materials, such as iron ore, and our access to owned infrastructure, such as railroads and deep-sea water port facilities.

Thoroughly developed transport infrastructure. We have a thoroughly developed transport infrastructure, from our iron ore mine to our steel mill to our ports. The location of our steelworks facility is next to railroad systems and port facilities, facilitating the supply of raw material, the shipment of our production and easy access to our principal clients. The concession for the main railroad used and operated by us is owned by MRS, a company in which we hold, directly and indirectly, a 33.27% ownership interest. The railway connects the Presidente Vargas steelworks to the container terminal at Itaguaí Port, which handles most of our steel exports. Since we obtained the concession to operate MRS' railway in 1996, we have significantly improved its tracks and developed its business, with strong cash generation. We also own concessions to operate two deep-sea water terminals from which we export our products and also import coal and small amounts of coke, which are the only important raw materials that we need to purchase from third-parties.

Self-sufficiency in energy generation. We are self-sufficient in energy, through our interests in the hydroelectric plants of Itá and Igarapava, and our own thermoelectric plant inside the Presidente Vargas steelworks. We also sell excess energy we generate into the energy market. Our 238 MW thermoelectric co-generation plant provides the Presidente Vargas steelworks with approximately 60% of its energy needs for its steel mills, using as its primary fuel the waste gases generated by our coke ovens, blast furnaces and steel processing facilities. We indirectly hold 29.5% of the Itá hydroelectric plant that has installed capacity of 1,450 MW, with a guaranteed output of 668 MW to us and to the other shareholders of Itá Energética S.A., or ITASA, proportionally to our interests in the project, pursuant to 30-year power purchase agreements at a fixed price per megawatt hour, adjusted annually for inflation. In addition, we hold 17.9% of the Igarapava hydroelectric, with 210 MW fully installed capacity. We have been using part of our 22 MW take from Igarapava to supply energy to the Casa de Pedra and Arcos mines.

Low cost structure. As a result of our fully integrated business model, our thoroughly developed transportation infrastructure and our self-sufficiency in energy generation, we have been consistently generating high margins. Other factors that lead to these margins are the strategic location of our steelworks facility, the use of state of the art technology and our qualified work force.

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Diverse product portfolio and product mix. We have a diversified product mix that includes: hot-rolled, cold-rolled, galvanized and steel tin mill products. We offer many kinds of steel packaging produced in Brazil, accounting for 98.0% of the steel tin mill products and 47.0% of the galvanized flat steel produced in Brazil. We also produce a diversified portfolio of products to meet a wide range of customer needs across all steel consuming industries. We focus on selling high margin products, such as tin plate, pre-painted, galvalume and galvanized products, in our product mix. Our GalvaSud product provides material for exposed auto parts, using hot-dip galvanized steel and laser-welded blanks. This, together with our hot-dip galvanizing process know-how, allows us to increase our sales to the automotive segment. In 2009, our market share in the automotive industry accounted for 24.0% of total domestic sales 3 p.p. higher than 2008, and we expect to further increase our sales to the automotive industry in 2010. Our branch CSN Paraná provides us additional capacity to produce high-quality galvanized, galvalume and pre-painted steel products for the construction and home appliance industries. In addition, our subsidiary, Prada, the largest flat steel distributor in Brazil, is a strong sales channel in the domestic market, enabling us to meet demands from smaller customer, and therefore to have a strong presence in this market.

Strong presence in domestic market and strategic international exposure. We have a strong presence in the domestic market for steel products, with a 98.0% market share of the steel tin mill product industry in Brazil and a large market share for galvanized flat steel. In addition, our subsidiaries CSN LLC and Lusosider constitute sales channels for our products, selling in the United States and in Europe kept stable in 5.0% and 5.0%, respectively, of our total sales in 2009 in comparison to 2008.

Strategies

Our goal is to increase value for our shareholders by further benefiting from our competitive cost advantages, maintaining our position as one of the world's lowest-cost steel producers, becoming an important iron ore global player, growing our cement business and optimizing our infrastructure assets (including ports, railways and power generating plants). To achieve this goal we have developed specific strategies for each of our business segments as described below.

Steel

Our strategy for our steel business involves:

- focus on domestic markets, in which we have historically recorded higher profit margins and better competitiveness, by expanding our market-share in flat steel and by entering in the long steel market as a relevant player;
- constant pursuit of operational excellence, by implementing cost reduction projects (eg. pellet plant, coque battery revamp, energy efficiency) and programs (eg, internal logistic optimization, inventories reduction, project development and implementation disciplines);
- emphasis on high value-added steel products, such as galvanized, pre-painted and tin-coated, in addition to enhancing service centers and finished goods offering (eg. expansion of Galvasud service center for automotive segment and expansion of pre-painted production);
- explore synergic markets and profitability, by employing flat steel distribution units and portfolio complementarily to accelerate entrance in longs market, capturing synergies with cement and others products; and
- gain market-share in services and distribution network, via new deposits and service centers regions, by importing products.

For information on our planned investments relating to our steel activities, see "Item 4A. History and Development of the Company —Planned Investments—Steel."

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Mining

In order to strengthen our position as a player in the iron ore market, we plan to expand our mining assets, Casa de Pedra and Namisa, and search for investment opportunities, primarily in mining operations and advanced projects.

We plan to reach an annual sales level of 89 mtpy of iron ore products by 2014, which represents more than 3 times the volume of observed in 2009, by increasing capacity to 50 mtpy in Casa de Pedra and 39 mtpy in our 60% non-consolidated investee Namisa.

In order to maximize the profitability of our product portfolio and resources, we will also focus on pellet and pellet-feed, by using Itabiritos resources, investing with strategic partners and clients in pellet capacity and seeking strategic partnerships towards captive consumption of pellet feed.

Regarding our infrastructure to sustain this growth, we will increase capacity in TECAR (our private port in the State of Rio de Janeiro) from 30 mtpy to 84 mtpy until 2014, and we are analyzing other capacity additions. In addition to the port expansion, we are also studying seaborne shipping opportunities, focused on gaining competitiveness in the Asian market.

For information on our planned investments relating to our mining activities, see "Item 4. Information on the Company — A. History and Development of the Company —Planned Investments—Iron Ore."

On December 15, 2009, our board of directors authorized the adoption of internal measures in connection with the segregation of our iron ore business and correlated logistics activities into one of our subsidiaries. For information on the segregation of our mining assets, see "Item 4. Information on the Company —A. History and Development of the Company — Acquisitions and Dispositions—Segregation of Mining Assets."

Logistics

We expect to take advantage of and expand our logistics capabilities, including our integrated infrastructure operations of railways and ports.

We have substantially improved the infrastructure that supports the Presidente Vargas steelworks by investing in projects such as railways and port facilities in order to increase our ability to control production costs and delivery services.

In addition to investments in TECAR mentioned above (iron ore and coal), we will strengthen STSA (container terminal) in order to operate larger ships, increasing its capacity and competitiveness by aggregating services to facilitate client loyalty.

In railways, we plan to accelerate implementation of our Transnordestina project and explore its logistic potential through terminals and regional cargo, focusing on iron ore, agricultural, gypsum and fuel volumes. We also plan to invest in increasing our efficiency and capacity in the southern region of Brazil, through our interest in MRS.

Cement

Our strategy for cement business includes greater utilization of by-products by continuing construction of our cement grinding and a clinker facility that we expect will produce 2.8 million tons of cement by 2011. We have an advanced project to build a new integrated cement plant in the State of Minas Gerais (grinding and clinker), taking advantage of our calcareous reserves, with capacity to produce 0.6 million tons of cement. We are also developing 3 other new projects with projected capacity 1 mtpy each, in locations in Brazil yet to be defined. For information on our planned investments relating to our cement activities, see "Item 4. Information on the Company —A. History and Development of the Company —Planned Investments—Cement."

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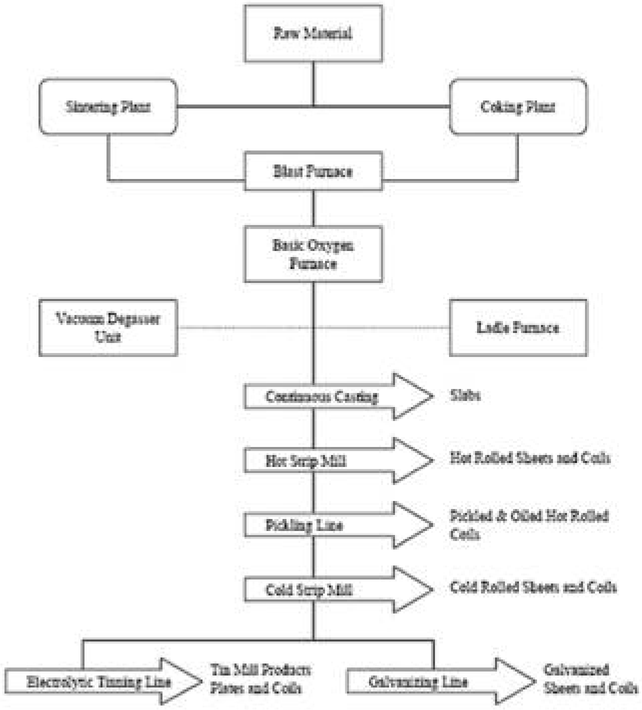
Additional Investments

In addition to the currently planned investments and maintenance capital expenditures, we continue to consider possible acquisitions, joint ventures and brownfield or greenfield projects to increase or complement our steel, cement, mining producing and logistics capabilities, in addition to logistic infrastructure and energy generation.

Our Steel Segment

We produce carbon steel, which is the world's most widely produced type of steel, representing the vast bulk of global steel consumption. From carbon steel, we sell a variety of steel products, both domestically and abroad, to manufacturers in several industries.

The following chart reflects our production cycle in general terms.



Our Presidente Vargas steelworks produces flat steel products — slabs, hot-rolled, cold-rolled, galvanized and tin mill products. For further information on our production process, see "—Product Process."

Slabs

Slabs are semi-finished products used for processing hot-rolled, cold-rolled or coated coils and sheet products. We are able to produce continuously cast slabs with a standard thickness of 250 millimeters, widths ranging from 830 to 1,600 millimeters and lengths ranging from 5,250 to 10,500 millimeters. We produce high, medium and low carbon slabs, as well as micro-alloyed, ultra-low-carbon and interstitial free slabs.

Hot-Rolled Products

Hot-rolled products comprise heavy-gauge hot-rolled coils and sheets, and light-gauge hot-rolled coils and sheets. A heavy gauge hot-rolled product, as defined by Brazilian standards, is a flat-rolled steel coil or sheet with a minimum thickness of 5.01 millimeters. We are able to provide coils of heavy gauge hot-rolled sheet having a maximum thickness of 12.70 millimeters. Heavy gauge sheet steel is used to manufacture automobile parts, pipes, mechanical construction and other products. Light gauge hot-rolled coils and sheets produced by us have a minimum thickness of 1.20 millimeters and are used for welded pipe and tubing, automobile parts, gas containers, compressor bodies and light cold-formed shapes, channels and profiles for the construction industry.

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Cold-Rolled Products

Cold-rolled products comprise cold-rolled coils and sheets. A cold-rolled product, as defined by Brazilian standards, is a flat cold-rolled steel coil or sheet with thickness ranging from 0.30 millimeters to 3.00 millimeters. Compared to hot-rolled products, cold-rolled products have more uniform thickness and better surface quality and are used in applications such as automotive bodies, home appliances and construction. In addition, cold-rolled products serve as the base steel for our galvanized and tin mill products. We supply cold-rolled coils in thicknesses of 0.30 millimeters to 2.99 millimeters.

Galvanized Products

Galvanized products comprise flat-rolled steel coated on one or both sides with zinc or a zinc-based alloy applied by either a hot-dip or an electrolytic process. We use the hot-dip process, which is approximately 20% less expensive than the electrolytic process. Galvanizing is one of the most effective and low-cost processes used to protect steel against corrosion caused by exposure to water and the atmosphere. Galvanized products are highly versatile and can be used to manufacture a broad range of products, such as:

- bodies for automobiles, trucks and buses;
- manufactured products for the construction industry, such as panels for roofing and siding, dry wall and roofing support frames, doors, windows, fences and light structural components;
- air ducts and parts for hot air, ventilation and cooling systems;
- culverts, garbage containers and other receptacles;
- storage tanks, grain bins and agricultural equipment;
- panels and sign panels; and
- pre-painted parts.

Galvanized sheets, both painted and bare, are also frequently used for gutters and downspouts, outdoor and indoor cabinets, all kinds of home appliances and similar applications. We produce galvanized sheets and coils in continuous hot-dip processing lines, with thickness ranging from 0.30 millimeters to 3.00 millimeters. The continuous process results in products with highly adherent and uniform zinc coatings capable of being processed in nearly all kinds of bending and heavy machinery.

In addition to standard galvanized products, we produce *Galvanew*®, galvanized steel that is subject to a special annealing process following the hot-dip coating process. This annealing process causes iron to diffuse from the base steel into the zinc coating. The resulting iron-zinc alloy coating allows better welding and paint performance. The combination of these qualities makes our *Galvanew*® product particularly well suited for manufacturing automobile and home appliance parts including high gloss exposed parts.

At CSN Paraná, one of our branches, we produce galvalume, a cold-rolled material coated with a zinc-aluminum alloy. The production process is similar to hot-dip galvanized coating, and galvalume has at least twice the corrosion resistance of standard galvanized steel. Galvalume is primarily used in outdoor construction applications that may be exposed to severe acid corrosion environments like marine uses.

The added value from the galvanizing process permits us to price our galvanized products with a higher profit margin. Our management believes that our value-added galvanized products present one of our best opportunities for profitable growth because of the anticipated increase in Brazilian demand for such high margin products.

Through our branch CSN Paraná, we also produce pre-painted flat steel, which is manufactured in a continuous coating line. In this production line, a layer of resin-based paint in a choice of colors is deposited over either cold-rolled or galvanized base materials. Pre-painted material is a higher value-added product used primarily in the construction and home appliance markets.

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Tin Mill Products

Tin mill products comprise flat-rolled low-carbon steel coils or sheets with, as defined by Brazilian standards, a maximum thickness of 0.45 millimeters, coated or uncoated. Coatings of tin or chromium are applied by electrolytic process. Coating costs place tin mill products among the highest priced products that we sell. The added value from the coating process permits us to price our tin mill products with a higher profit margin. There are four types of tin mill products, all produced by us in coil and sheet forms:

- tin plate - coated on one or both faces with a thin metallic tin layer plus a chromium oxide layer, covered with a protective oil film;
- tin free steel - coated on both faces with a very thin metallic chromium layer plus a chromium oxide layer, covered with a protective oil film;
- low tin coated steel - coated on both faces with a thin metallic tin layer plus a thicker chromium oxide layer, covered with a protective oil film; and
- black plate - uncoated product used as the starting material for the coated tin mill products.

Tin mill products are primarily used to make cans and other containers. With six electrolytic coating lines, we are one of the biggest producers of tin mill products in the world and the sole producer of coated tin mill products in Brazil.

Production

Production Process

The principal raw materials for steel production in an integrated steelworks are iron ore, coal, coke, and fluxes like limestone and dolomite. The iron ore consumed at the Presidente Vargas steelworks is extracted, crushed, screened and transported by railway from our Casa de Pedra mine located in the city of Congonhas, in the State of Minas Gerais, 328 km from the Presidente Vargas steelworks. The high quality ores mined and sized at Casa de Pedra, with iron content of approximately 60%, and their low extraction costs are major contributors to our low steel production costs.

Because Brazil lacks quality coking coals, we import all the coal required for coke production. The coal is then charged in coke batteries to produce coke through a distillation process. See "—Raw Materials and Suppliers—Raw Materials and Energy Requirements." This coal distillation process also produces coke oven gas as a byproduct, which we use as a main source of fuel for our thermoelectric co-generation power plant. After being screened, coke is transported to blast furnaces, where it is used as a combustion source and as a component for transforming iron ore into pig iron. In 2009, we produced approximately 75% of our coke needs and imported the balance. At sintering plants, fine-sized iron ore and coke or other fine-sized solid fuels are mixed with fluxes (limestone and dolomite) to produce sinter. The sinter, lump iron ore, fluxing materials and coke are then loaded into our two operational blast furnaces for smelting. We operate a pulverized coal injection, or PCI, facility, which injects low-cost pulverized coal directly into the blast furnaces as a substitute for approximately one-third of the coke otherwise required.

The iron ore is reduced to pig iron through successive chemical reactions with carbon monoxide (from the coke and PCI) in two blast furnaces that operate 24 hours a day. The ore is gradually reduced, then melts and flows downward. Impurities are separated from the iron to form a liquid slag with the loaded fluxes (limestone and dolomite). From time to time, white-hot liquid iron and slag are drawn off from the bottom of the furnace. Slag (containing melted impurities) is granulated and now is being used to produce cement.

The molten pig iron is transported to the steelmaking shop by 350-ton capacity torpedo cars and charged in basic oxygen furnaces together with scrap and fluxes. In the basic oxygen furnaces, oxygen is blown onto the liquid burden to oxidize its remaining impurities and to lower its carbon content, thus producing liquid steel. The molten steel is conveyed from the basic oxygen furnaces to the secondary refining equipment (degasser, ladle furnace and Argon Stirring Station). After adjusting the chemical composition, the molten steel is transferred to the continuous casting machines from which crude steel (i.e., rectangular shaped slabs) is produced. A portion of the slab products is sold directly in the export market.

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The hot-rolling, reheated slabs from the continuous casting machines are fed into hot strip mills to reduce the thickness of the slabs from 250 millimeters to a range between 1.2 and 12.7 millimeters. At the end of the hot strip mill, the long, thin steel strip from each slab is coiled and conveyed to a cooling yard. Some hot-rolled coils are dispatched directly to customers in the as-rolled condition. Others are further processed in the pickling line, in a hydrochloric bath, to remove surface oxides and improve surface quality. After pickling, the hot-rolled coils selected to produce thinner materials are sent to be rolled in cold strip mills. The better surface characteristics of cold-rolled products enhance their value to customers as compared to hot-rolled products. Additional processing related to cold-rolling may further improve surface quality. Following cold-rolling, coils may be annealed, coated (by a hot dip or electrolytic tinning process) and painted, to enhance medium-and long-term anti-corrosion performance and to add characteristics that will broaden the range of steel utilization. Coated steel products have higher profit margins than bare steel products. Of our coated steel products, tin mill and galvanized products are our highest margin products.

Steel plant equipment regularly undergoes scheduled maintenance shutdowns. Typically the rolling mills and coating lines are maintained on a weekly or monthly basis whereas the blast furnaces and other special equipment are scheduled for routine maintenance on a semi-annual or annual basis.

Our business encompasses operations and commercial activities. Our operations activities are undertaken by our production sector, which is composed of the following two units:

- the operations unit is responsible for steel production operations, repair shops, in-plant railroad, and process development at Volta Redonda;
- the support unit is responsible for production planning, management of product stockyards, energy and utility facilities and work force safety assistance at the Presidente Vargas steelworks.

The production sector is also responsible for environment and quality consultancy, new products development, capital investment implementation for steel production and processing, as well as the supervision of GalvaSud's and CSN Paraná's operations.

Quality Management Program

We practice Total Quality Management, a set of techniques that have been adopted by many leading companies in our industry. We also maintain a Quality Management System that has been certified to be in compliance with the ISO 9001 standards set forth by the International Standardization Organization, or ISO. In October 2003, we were awarded the ISO 9000: 2000 certificate for the design and manufacture of hot-rolled, pickled and oiled products, cold-rolled, galvanized and tin mill products, which replaced the ISO 9001 Certificate that we were awarded in December 1994. In October 2003, we were also awarded the automotive industry's Technical Specification - 16949: 2002, for the design and manufacture of hot-rolled, pickled and oiled, cold-rolled and galvanized products, which replaced the QS 9000 standards that we were awarded in 1997. Some important automotive companies, like Volkswagen, General Motors and Ford, require their suppliers to satisfy the QS 9000 standards.

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Production Output

The following table sets forth, for the periods indicated, the annual production of crude steel within Brazil and by us and the percentage of Brazilian production attributable to us.

Crude Steel Production	**Brazil**	**CSN**	**CSN% of Brazil**
	(In millions of tons)		
2009	26.5	4.4	16.6%
2008	33.7	5.0	14.8%
2007	33.8	5.3	15.7%
2006	30.9	3.5 *	11.3%
2005	31.6	5.2	16.5%

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Source: Brazilian Steel Institute (*Instituto Brasileiro de Siderurgia*), or IBS.
* Lower production due to accident at Blast Furnace No. 3 on January 22, 2006.

The following table contains some of our operating statistics for the periods indicated.

Certain Operating Statistics	**2007**	**2008**	**2009**
		(In millions of tons)	
Production of:			
Iron Ore	15.0	17.0	17.1
Molten Steel	5.4	5.1	4.5
Crude Steel	5.3	5.0	4.4
Hot-Rolled Coils and Sheets	5.1	4.7	4.1
Cold-Rolled Coils and Sheets	3.1	2.6	2.4
Galvanized Products	2.2	1.1	0.7
Tin Mill Products	0.9	0.7	0.6
Consumption of Coal for Coke Batteries	2.3	2.3	2.1
Consumption of Coal for PCI	0.9	0.8	0.6

Raw Materials and Suppliers

The principal raw materials we use in our integrated steel mill include iron ore, coke, coal (from which we make coke), limestone, dolomite, aluminum, tin and zinc. In addition, our production operations consume water, gases, electricity and ancillary materials.

Raw Materials and Energy Requirements

In light of the global economic and financial crisis, which resulted in lower economic activity in 2009 as compared to 2008 and decrease demand for various commodity type industrial segments, coal and iron ore miners, and coke producers charged customers lower prices. At the end of 2009 we noticed a recovery in the economy of certain countries, including Brazil. Consequently, there was a pressure for increase in prices of certain raw materials.

These commodity type industrial segments are highly concentrated in the hands of a few global players and there can be no assurance that price increases will not be imposed on steel producers in the future.

Iron Ore

We are able to obtain all of our iron ore requirements from our Casa de Pedra mine located in the State of Minas Gerais. For a description of our iron ore segment see "– Our Mining Segment."

Coal

In 2009, our coal consumption totaled 2.76 million tons and accounted for 22.1% of our production cost. Because of the cyclical nature of the coal industry, price and quantity terms contained in our coal supply contracts, which are denominated in

U.S. dollars, are usually renegotiated annually. Thus, our coal costs can vary from year to year.

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Coke

In 2009, in addition to the approximately 1.52 million tons of coke we produced, we also consumed 299,141 tons of coke bought from third parties in China, India, Colombia and in the domestic market. This figure represents a decrease of 11% as compared to our consumption in 2008 and expresses CSN's historical level of consumption. The market for coke has been very competitive since 2002, because China, a major player in the sea-borne trade, has increased its internal consumption and adopted restrictive export quotas. In addition, India has become a major consumer of coke, considerably increasing its consumption in the past years. Due to logistical reasons, China supplies most of India's coke and this increase in consumption tightened even more the worldwide supply-demand balance of metallurgical coke. During 2009, the financial crisis hit the steel industry and coke consumption worldwide was drastically reduced, resulting in lower prices of this raw material. In the fourth quarter of 2009, in light of a recovery in the steel industry worldwide, prices started increasing.

We use a PCI system that allows us to use less coke in our blast furnaces, substituting a portion of the coke with lower grade coal. The PCI system has reduced our need for imported coal and imported coke, thereby reducing our production costs. In 2009, we used approximately 642,259 tons of imported PCI coal.

Limestone and Dolomite

We obtain limestone and dolomite from our Bocaína mine in the city of Arcos, in the State of Minas Gerais, which produces 1.7 million tons of limestone and 0.8 million tons of dolomite on an annual basis. See the map under "Item 4D. Property, Plants and Equipment" for the location of the Bocaína mine in relation to the Presidente Vargas steelworks.

Aluminum, Zinc and Tin

Aluminum is mostly used for steelmaking. Zinc and tin are important raw materials used in the production of certain higher-value steel products, such as galvanized and tin plate, respectively. We purchase aluminum, zinc and tin typically from third-party domestic suppliers under one or two-year contracts. We maintain approximately a 50-day reserve of such materials at the Presidente Vargas steelworks.

Other Raw Materials

In our production of steel, we also consume, on an annual basis, significant amounts of spare parts, refractory bricks and lubricants, which are generally purchased from domestic suppliers.

We also consume significant amounts of oxygen, nitrogen, hydrogen, argon and other gases at the Presidente Vargas steelworks. These gases are supplied by a third-party under long-term contracts from its gas production facilities located on the Presidente Vargas steelworks site. In 2009 we used 689,256 tons of oxygen to produce 4.5 million tons of crude steel.

Water

Large amounts of water are also required in the production of steel. Water serves as a solvent, a catalyst and a cleaning agent. It is also used to cool, to carry away waste, to help produce and distribute heat and power, and to dilute liquids. Our source of water is the Paraíba do Sul River, which runs through the city of Volta Redonda. Over 80% of the water used in the steelmaking process is recirculated and the balance, after processing, is returned to the Paraíba do Sul River. Since March 2003, the Brazilian government has imposed a monthly tax for our use of water from the Paraíba do Sul River, based on an annual fee of approximately US$1.6 million.

Electricity

Steelmaking also requires significant amounts of electricity to power rolling mills, production lines, hot metal processing, coking plants and auxiliary units. In 2009, the Presidente Vargas steelworks consumed approximately 2.7 million MWh of electric energy or 604 kilowatt hours per ton of crude steel. This consumption made us one of the largest consumers of electricity in Brazil, accounting for approximately 11% of the overall consumption of electricity in the State of Rio de Janeiro.

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Our main current source of electricity is our 238 MW thermoelectric co-generation power plant at the Presidente Vargas steelworks, besides the Itá and Igarapava hydroelectric facilities held by us, from which we have a take capacity available of 167 MW and 22 MW, respectively. In addition, we have approved the construction of a new turbine generator at the Presidente Vargas steelworks, which will increase 20 MW to our existing installed capacity. This turbine will be allocated near to our Blast Furnace No. 3, using the outlet gases from the iron making process to generate energy.

Natural Gas

In addition to electricity, we consume natural gas, mainly in our hot strip mill. Companhia Estadual de Gás do Rio de Janeiro S.A., or CEG Rio, which was privatized in 1997, is currently our major source of natural gas. Variations in the supply of gas can affect the level of steel production. We have not experienced any significant stoppages of production due to a shortage of natural gas. We also purchase fuel oil from Petrobras. See "Item 3D. Risk Factors—Risks Relating to the Steel Industry and CSN—Interruptions in the supply of natural gas and power transmission over the government power grid may adversely affect our business, financial condition and results of operations."

Diesel Oil

In mid-October 2006 and July of 2008, we entered into an agreement to receive diesel oil from the Companhia Brasileira de Petróleo Ipiranga, or Ipiranga, in order to supply our equipment in Casa de Pedra, Arcos and Namisa in the State of Minas Gerais, which are the plants responsible for our mining activity. In 2008 and 2009, we had a consumption of 49,565 kiloliters and 57,177 kiloliters of diesel oil, respectively. This increase was mainly due to the growth of our mining activity to support our growing iron ore production, which required us to enlarge our mining equipment fleet. In 2008 and 2009, we paid US$45.0 million and US$60.4 million, respectively, for the diesel oil we consumed.

Clinker

In August 2009, we entered into an agreement to receive clinker from Votorantim Cimentos Brasil S.A., in order to supply our cement mill in the Presidente Vargas steelworks in Rio de Janeiro State, which is the plant responsible for our cement production.

Suppliers

We acquire the inputs necessary for the production of our products in Brazil and abroad, with aluminum, zinc, tin, spare parts, refractory bricks, lubricants, oxygen, nitrogen, hydrogen and argon being the main inputs acquired in Brazil. Coal and coke are the only inputs acquired abroad.

Our main raw materials suppliers are set forth below:

Main Suppliers	Raw Material
BHP Billiton, Jim Walter Resources, Alpha Natural Resources, Rio Tinto, Marubeni and Jellinbah	Coal
Noble, Glencore and CI Milpa	Coke
Reciclagem Brasileira de Metais Ltda.	Aluminum
Votorantim Metais(1)	Zinc
White Solder and Melt	Tin
Sotreq, P & H Minepro and MTU do Brasil .	Spare parts
Magnesita, RHI and Saint Gobain	Refractory bricks
Petrobras,Ipiranga and Quaker	Lubricants

(1) We depend on Votorantim Metais as they are the only suppliers of zinc in Brazil

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Our Mining Segment

Our mining activities are one of the largest in Brazil and are mainly driven by exploration of one of the richest Brazilian iron ore reserves, Casa de Pedra, in the State of Minas Gerais. We sell our iron ore products mainly in Brazil, Europe and Asia with sales and marketing taking place through our principal hubs of Minas Gerais, in Brazil, Madeira Islands, in Portugal, and Hong Kong.

Our Mines

Location, Access and Operation

Casa de Pedra

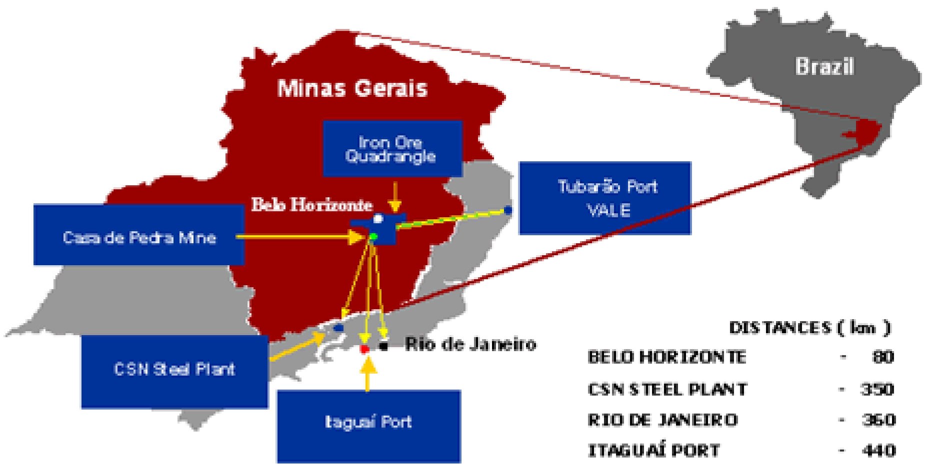
Casa de Pedra mine is an open pit mine located next to the city of Congonhas in the State of Minas Gerais, Brazil, approximately 80 km South of the city of Belo Horizonte and 360 km North of the city of Rio de Janeiro. The site is approximately 1,000 meters above sea level and accessible from the cities of Belo Horizonte or Congonhas through mostly paved roads.

Casa de Pedra mine is a hematite-rich iron deposit of an early proterozoic banded iron formation in Brazil's Iron Ore Quadrangle region (*Quadrilátero Ferrífero*), which is located in the central part of the State of Minas Gerais in the Southeastern region of Brazil and has been one of the most important iron producing regions for the last 50 years.

Ore is currently excavated by a fleet composed of Marion 191M electric shovels, P&H 1900AL electric shovels, PC 5500 Demag hydraulic shovels, wheel loaders (different brands) and then hauled by a fleet of Terex MT3300AC (150 tons), Komatsu Dresser 510E (150 tons), Caterpillar CAT793 (240 tons) and Terex Unit Rig MT4400 (240 tons).

Casa de Pedra mine is wholly-owned by us and accounts for all our iron ore supply, producing lump ore, sinter feed and pellet feed fines with high iron content.

The maps below illustrate the location of our Casa de Pedra mine:



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Namisa

We own additional iron ore assets through Namisa, our 60% non-consolidated investee, which acquired CFM in July, 2007. CFM was incorporated in 1996 with the purpose of utilizing and enhancing the ore treatment facilities of the Itacolomy mines, for the beneficiation of crude ore extracted from its deposit, the Engenho mine.

The Engenho mine is located at the Southwestern region of the Iron Ore Quadrangle, 60 km South of the city of Belo Horizonte.

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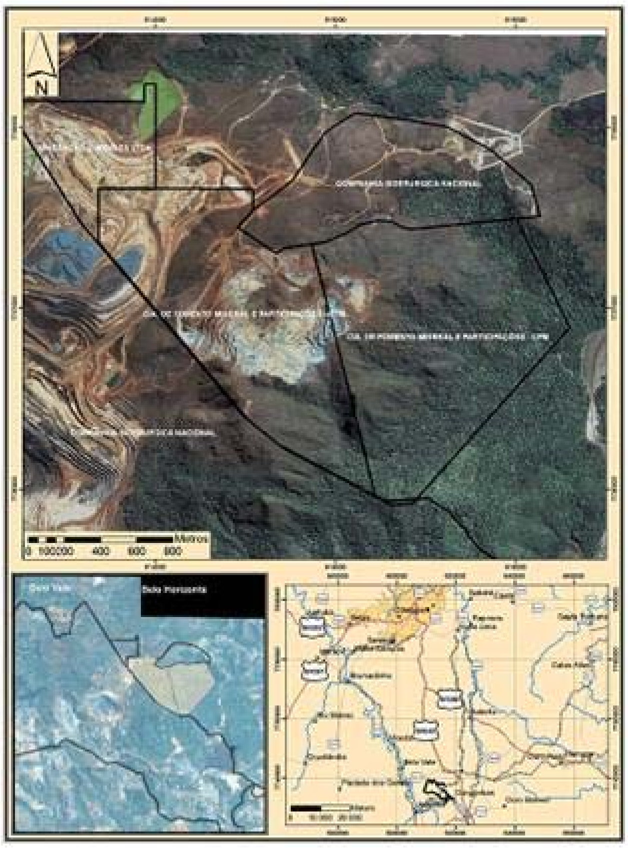
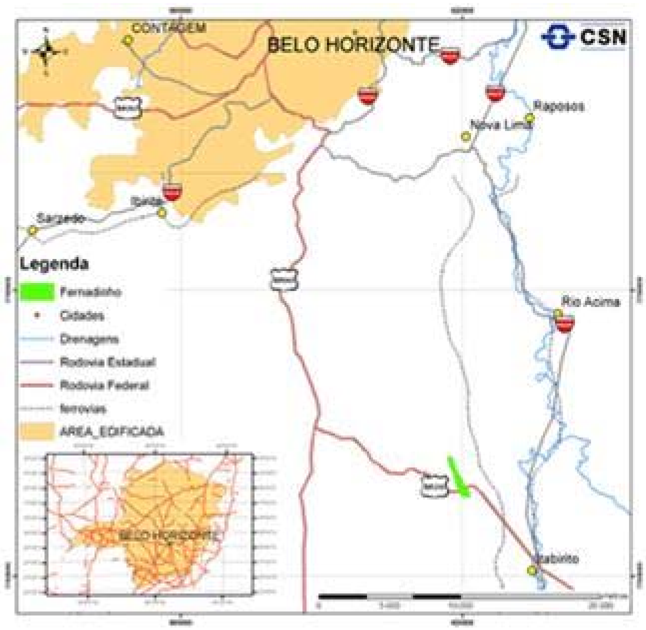
The maps below illustrate the location of our Engenho mine:



The Fernandinho mine is located in the city of Itabirito, in the State of Minas Gerais. This town is located in the Middle-East region of the State of Minas Gerais and approximately 43 km from the city of Belo Horizonte.

The maps below illustrate the location of our Fernandinho mine:



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Limestone and Dolomite Mine

Our extraction and preparation of limestone and dolomite is done at our Bocaína mining facility located in the city of Arcos, in the State of Minas Gerais. This mining facility has an installed annual production capacity of approximately 4.0 million tons. We believe this mining facility has sufficient limestone and dolomite reserves to adequately supply our steel production, at current levels, for more than 45 years. The mining facility is located 455 km from the Presidente Vargas steelworks.

Tin

We own a tin mine and a smelter located in the State of Rondônia. The inventory of the geological reserves has been prepared from a review of the major reports from the Santa Barbara Mine Document Center. The majority of the deposits and/or target areas are within Mining Leases that have been consolidated into Mining Group (Grupamento Mineiro No. 131/92). The reserves provided were recognized by the DNPM. The reserves and resources presented are "in situ."

Mining Rights and Ownership

The Mining Code and the Brazilian Federal Constitution impose requirements on mining companies relating to, among other things, the manner in which mineral deposits are exploited, the health and safety of workers, the protection and restoration of the environment, the prevention of pollution and the promotion of the health and safety of local communities where the mines are located. The Mining Code also imposes certain notification and reporting requirements.

We hold concessions to mine iron ore, limestone and dolomite. We purchase manganese on the local market. Except for Namisa's mines, in which we have a 60% ownership interest, we own 100% of each of our mines. In addition, each mine is an "open pit" mine. Iron ore extraction, crushing, screening and concentration are done in three different sites: Casa de Pedra (CSN's property), Pires Beneficiation Plant and Fernandinho Mine (both Namisa's property).

Casa de Pedra

Our mining rights for Casa de Pedra mine include the mine, beneficiation plant, roads, loading yard and railway branch and are duly registered with the Brazilian Department of Mineral Production (*Departamento Nacional de Produção Mineral*), or DNPM. We have also been granted by DNPM easements in 15 mine areas located in the surrounding region, which are not currently part of Casa de Pedra mine, and hold title to all our proved and probable reserves.

We believe we have obtained and are in compliance with all licenses and authorizations for our operations and projects at Casa de Pedra mine.

The exploitation in Casa de Pedra mine is subject to mining lease restrictions, which were duly addressed in our iron ore reserve calculations. Quality requirements (chemical and physical) are the key "modifying factors" in the definition of ore reserves at Casa de Pedra and were properly accounted for by the CSN mine planning department.

Mineral Reserves

The following table sets forth the type of each of our mines, period of operation, projected exhaustion dates and percentage of our interest:

Mine	Type	Operating Since	Projected exhaustion date	CSN % interest
Iron:				
Casa de Pedra (Congonhas, Minas Gerais)	Open pit	1913	2041	100
Engenho (Congonhas, Minas Gerais)	Open pit	2007 (Start of operation by Namisa)	2041	60
Fernandinho (Itabirito, Minas Gerais)	Open pit	2007 (Start of operation by Namisa)	2030	60
Limestone and Dolomite:				
Bocaina (Arcos, Minas Gerais)	Open pit	1946	2052	100
Tin:				
(Itapoã do Oeste, Rondônia)	Open pit	1950	-	100

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The following table sets forth our estimates of proven and probable reserves and other mineral deposits at our mines reflecting the results of reserve study. They have been calculated in accordance with the technical definitions contained in the SEC's Industry Guide 7, and estimates of mine life described herein are derived from such reserve estimates.

MINERAL RESOURCES – As of December 31, 2009

	Proven and Probable Reserves(1)					Mineral Deposits Resources(2)
Mine Name and Location	**Ore Tonnage(3) (millions of tons)**		**Grade(4)**	**Rock Type**	**Recoverable Product(5) (millions of tons)**	**Tonnage (millions of tons)**
	Proven(6)	**Probable(7)**				
Iron:						
Casa de Pedra(Congonhas, Minas Gerais)	1,048	514	47.79% Fe	Hematite (21%) Itabirite (79%)	943	8,317
Engenho (Congonhas, Minas Gerais)			46.07%	Itabirite (100%)		857
Fernandinho (Itabirito, Minas Gerais)			40.21%	Itabirite (100%)		582
Total Iron:	**1,048**	**514**			**943**	**9,788**
Limestone and Dolomite:	**Proven(6)**	**Probable(7)**				
Bocaina (Arcos, Minas Gerais)	120.2	41.9	41.3%CaO 5.99%MgO	Limestone (86%) Dolomite (14%)	158.5	1,190
	Proven+Probable Reserves(Mm3)				Recoverable Product[5] **(in tons)**	Resources (Mm^3) **(in million cubic meters)**
Tin						
(Itapoã do Oeste, Rondônia)	41.33			Paleo valley and shallow	24,066	95.87

(1) Reserves means that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.
(2) Includes inferred tonnages.
(3) Represents ROM material.
(4) Grade is the proportion of metal or mineral present in ore or any other host material.
(5) Represents total product tonnage after mining and processing losses.
(6) Means reserves for which: (i) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and (ii) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well- established.
(7) Means reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measure) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measure) reserves, is high enough to assume continuity between points of observation.

Casa de Pedra

We have concluded an extensive, multi-year study of our iron ore reserves at Casa de Pedra. The study consisted of three phases. Phase one, which was completed in 1999, covered the ore bodies that are currently being mined or are close to the current operating open pits. Phase two, which was completed in early 2003, covered the other iron ore deposits at Casa de Pedra site. Phase three started in 2005 and involved a complete revaluation of our mineral reserves at Casa de Pedra.

We conducted extensive work throughout 2006 to document and classify all information related to both the current and future operations of the Casa de Pedra mine.

In 2006, we hired Golder Associates S.A., or Golder, to undertake an independent analysis of the Casa de Pedra iron ore reserves. Golder carried out a full analysis of all available information and has independently validated our reported reserves.

Golder accepts as appropriate the estimates regarding proven and probable reserves made by us, totaling 1,631 million tons of iron ore (as of December 31, 2006) at a grade of 47.79% Fe and 26.63% SiO_2. This new estimate of our iron ore reserves at Casa de Pedra is significantly larger than our estimate of 444 million tons, reported on an appraisal report prepared in 2003.

We are extending our drilling campaign with additional 24,000 meters to increase and improve our knowledge about the iron ore deposits at Casa de Pedra. When this drilling campaign is concluded, we intend to run a new program of ore reserve audit.

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Namisa

An initial study was conducted at Fernandinho and Engenho mines to define the geological resources and final pits. We are extending our drilling campaign with additional 10,000 meters at both mines this year to increase and improve our knowledge about the iron ore deposits at these mines. We expect that, as soon this drilling campaign is concluded and a new model and final pit is finished, this reserve could be audited and incorporated in our mineral deposits.

Production

Casa de Pedra

In 2009, the ROM was 27.0 million tons (with a total crusher feed of 21.5 million tons and a total classification and concentration feed of 21.1 million tons). The resulting product tonnage was 17.1 million tons of processed iron ore (mass recovery on wet basis of 80.5%). Of this total amount, 6.4 million tons were delivered to the Presidente Vargas steelworks and 7.5 million tons were sold to third parties, consisting of 3.8 million tons of sinter-feed material, 3.3 million tons of pellet feed materials, 0.3 million tons of lump ore and 0.2 million tons of small lump ore.

The Casa de Pedra facilities are located in the city of Congonhas, in the State of Minas Gerais. The Casa de Pedra mine is located 350 km from the Presidente Vargas steelworks and supplies iron ore products to our steel mill, as well as for export through the Itaguai Port. Casa de Pedra's equipment fleet and treatment facilities have an installed annual ROM capacity of approximately 60.0 million tons and 21.5 million tons, respectively.

Namisa

In 2009, Namisa sold 14.6 million tons through production from its two complexes and acquisition of iron ore from third parties and CSN, of which 14.4 million tons were exported. Trading iron ore is obtained from small mining companies in the region. In 2009, 2.8 million tons of ROM were extracted from the Engenho mine with a waste/ore ratio of 0.35.

The beneficiation plant at Pires also processed crude ore acquired from CSN (Casa de Pedra), which along with its own ROM, generated 5.0 million tons composed of lump ore, small lump ore, or hematitinha, sinter feed and concentrates. In 2009, 0.8 million tons were extracted from the Fernandinho mine with a waste/ore ratio of 0.17. The beneficiation plant at the Fernandinho unit generated 0.5 million tons of small lump ore and sinter feed products, in which the sinter feed practically corresponded to the total production.

Most of the ROM of the Pires Beneficiation Plant comes from Engenho mine (Namisa's property), which is located at the northern border of the Casa de Pedra mine. Pires Beneficiation Plant has the capacity to process 10.3 million tons per year. From this total, 6 million tons are currently provided by the Engenho mine and the balance is purchased from third parties.

The Fernandinho mine produced 1.2 million tons of feed in 2009.

Namisa complements our strategy to be a world leading producer of high quality iron ore. Namisa remains fully integrated with our railway and port logistics corridor, through long-term contracts, which provide sufficient railway and port logistics capacity for Namisa's current and future production. Namisa is a leading company in iron ore mining and trading, with mining and processing operations in the State of Minas Gerais. Trading iron ore is obtained from small mining companies in the neighborhood and other trading companies. For information on the sale of 40% of our ownership interest in Namisa, see "Item 4. Information on the Company —A. History and Development of the Company—Acquisitions and Dispositions."

Our steelmaking operations consumed 6.2 million tons of iron ore during 2009, consisting of 4.7 million tons of sinter-feed material and 1.5 million tons of lump ore. As we do not have pelletizing plants, the total amount of pellets has been acquired in the Brazilian market. In 2009, we entered into an agreement to receive pellets from Vale, in order to supply our equipment in the Presidente Vargas steelworks in the State of Rio de Janeiro.

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Logistics

Transportation costs are a significant component of our steel and iron ore production costs and are a factor in our price-competitiveness in the export market. Railway transportation is the principal means by which we transport raw materials from our mines to the Presidente Vargas steelworks and steel and iron ore products to ports for shipment overseas. Iron ore, limestone and dolomite from our two mines located in the State of Minas Gerais are transported by railroad to the Presidente Vargas steelworks for processing into steel. The distances from our mines to the Presidente Vargas steelworks are 328 km and 455 km. The distances from our mines to the ports are 440 km and 160 km. Imported coal and coke bought from foreign suppliers are unloaded at the port of Itaguaí, 90 km west of the city of Rio de Janeiro, and shipped 109 km by train to the Presidente Vargas steelworks. Our finished steel products are transported by train, truck and ships to our customers throughout Brazil and abroad. Our principal Brazilian markets are the cities of São Paulo (335 km from the Presidente Vargas steelworks), Rio de Janeiro (120 km) and Belo Horizonte (429 km).

Until recently, Brazil's railway system (including railcars and tracks) was principally government-owned and in need of repair, but has now been largely privatized. In an attempt to increase the reliability of our rail transportation, we indirectly hold concessions for the main railway systems we use. For further information on our railway concessions, see "—Facilities—Railways."

We export mainly through the ports of Itaguaí and Rio de Janeiro, and import coal and coke through the Itaguaí Port, all in the State of Rio de Janeiro. The coal and container terminals have been operated by us since August 1997 and 1998, respectively.

Marketing Organization and Strategy

Steel

Our steel products are sold both domestically and abroad as a main raw material for several different manufacturing industries, including the automotive, home appliance, packaging, construction and steel processing industries.

Our sales approach is to establish brand loyalty and achieve a reputation for quality products by developing relationships with our clients and focusing on their specific needs.

Our commercial area is responsible for sales of all of our products. This area is divided into two major teams, one focused on international sales and the other on domestic sales. The domestic market oriented sales team is divided into five market segments: packaging, distribution, automotive, home appliances and original equipment manufacturer, or OEM, and construction. Each one of these segments has a specific strategic goal to provide tailor-made steel solutions that meet the specific needs of each client they serve.

The distribution unit is responsible for supplying large steel processors and distributors, as well as some industries that produce small diameter pipe and light profiles. The packaging unit acts in an integrated way with suppliers, representatives of the canning industry and distributors to respond to customer needs for finished-products. The automotive unit is supplied by a specialized mill, CSN Porto Real , and also by a portion of the galvanized material produced at Presidente Vargas steelworks, benefiting from a combined sales strategy.

In 2009, approximately two thirds of our domestic sales were made through our own sales force directly to customers. The remaining sales were to independent distributors for subsequent resale to smaller clients.

Historically, our export sales were made primarily through international brokers. However, as part of our strategy to establish direct, longer-term relationships with end-users, we have decreased our reliance on such brokers. We have focused our international sales to more profitable markets in order to maximize revenues and shareholder returns.

All of our sales are on an order-by-order basis and have an average delivery time of 45 days. As a result, our production levels closely reflect our order log book status. We forecast sales trends in both the domestic and export markets based on the historical data available from the last two years and the general economic outlook for the near future. We have our own data systems to remain informed of worldwide and Brazilian market developments. Further, our management believes that one of the keys to our success is maintaining a presence in the export market. Such presence give to us the flexibility to shift between domestic and export markets, thereby allowing us to maximize our profitability.

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Unlike classic commodity products, there is no exchange trading of steel, or uniform pricing, as wide differences exist in terms of size, quality and specifications. In general, exports are priced based on international spot prices of steel at the time of sale in U.S. dollars or Euros, depending on the destination. To establish the domestic price, the corresponding international quotations are converted into *reais* and an additional amount is added to reflect, among other things, local demand, transportation and tariff costs to import similar products. Sales are normally paid at sight, or within 14 or 28 days, and, in the case of exports, usually backed by a letter of credit and an insurance policy. Sales are made primarily on cost and freight terms.

Sales by Geographic Region

In 2009, we sold steel products to customers in Brazil and 41 other countries. The fluctuations in the portion of total sales assigned to domestic and international markets, which can be seen in the table below, reflect our ability to adjust sales in light of variations in the domestic and international economies, as well as steel demand and prices, domestically and abroad.

The four main export markets for our products are Europe, Asia, North America and Latin America, representing 33%, 30%, 28% and 6%, respectively, of our export sales volume in 2009.

In North America, we take advantage of our subsidiary CSN LLC, which acts as a commercial channel for our products. In order to gain a cost advantage among our U.S. competitors, CSN is able to export slabs to CSN LLC which are processed at third parties into hot-rolled coil and then transformed into more added value products at CSN LLC's plant, such as cold-rolled coil and galvanized. Moreover, we are able to export cold-rolled coils which can be directly sold or processed by CSN LLC in order to manufacture galvanized products.

In Europe, we sell hot-rolled coil as raw material to Lusosider, our subsidiary located in Portugal.

The following table contains information relating to our sales of steel products by destination:

CSN – Sales of Steel Products by Destination

(In thousands of metric tons and millions of US$)

	2007				2008				2009			
	Tons	% of Total	Gross Operating Revenues(2)	% of Total	Tons	% of Total	Gross Operating Revenues(2)	% of Total	Tons	% of Total	Gross Operating Revenues(2)	% of Total
Brazil	3,614	67.2	4,853	77.0	4,158	85.0	6,845	89.6	3,243	78.9	4,585	89.1
Export	1,764	32.8	1,446	23.0	733	15.0	791	10.4	867	21.1	562	10.9
Total	**5,378**	**100.0**	**6,299**	**100.0**	**4,891**	**100.0**	**7,636**	**100.0**	**4,110**	**100.0**	**5,147**	**100.0**
Exports by Region												
Asia	57	1.1	47	0.7	17	0.3	19	0.3	259	6.3	125	2.4
North America(1)	970	18.0	651	10.4	268	5.5	291	3.8	243	5.9	142	2.8
Latin America	122	2.3	94	1.5	96	2.0	105	1.4	55	1.3	61	1.2
Europe	548	10.2	601	9.5	331	6.8	352	4.6	290	7.1	213	4.1
All Others	67	1.2	53	0.9	21	0.4	24	0.3	20	0.5	21	0.4
Total Exports	**1,764**	**32.8**	**1,446**	**23.0**	**733**	**15.0**	**791**	**10.4**	**867**	**21.1**	**562**	**10.9**

(1) Sales to Mexico are included in North America.

(2) Total gross operating revenues presented above differ from amounts in our U.S. GAAP financial statements because they do not include revenues from non-steel products (non-steel products include mainly by-products, iron ore, logistics services and cement), which in 2007 represented US$679 million, in 2008 represented US$1,571 million and in 2009 represented US$1,194 million.

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Sales by Product

The following table sets forth our market shares for steel sales in Brazil of hot-rolled, cold-rolled, galvanized and tin mill products for the past three years according to the Brazil Steel Institute (*Instituto Aço Brasil*), or IABr.

CSN Domestic Market Share

	2007	2008	2009
	(As a percentage of the market for each product)		
Hot-Rolled Products	31.0%	34.0%	33.0%
Cold-Rolled Products	21.0%	26.0%	29.0%
Galvanized Products	44.0%	49.0%	47.0%
Tin Mill Products	98.0%	99.0%	98.0%

Sales by Industry

We sell our steel products to manufacturers in several industries. Following is a breakdown of our domestic shipments by volume for the last three years among our market segments:

Sales by Industrial Segment in Brazil

	2007	2008	2009
	(In percentages of total domestic volume shipped)		
Distribution	43.3%	44.7%	38.9%
Packaging	16.3%	15.1%	15.4%
Automotive	14.6%	19.6%	20.6%
Home Appliances/OEM	13.3%	12.1%	14.6%
Construction	12.5%	8.5%	10.5%

We believe we have a particularly strong domestic and export position in the sale of tin mill products used for packaging. Our customers for these products include some of the world's most important food processing companies, as well as many small and medium-sized entities. We also maintain a strong position in the sale of galvanized products for use in the automobile manufacturing, construction and home appliance industries in Brazil and abroad, supplied by CSN Porto Real and CSN Paraná. No single customer accounts for more than 10% of our net operating revenues.

For further information on steel sales, see "Item 5A. Operating Results - Results of Operations - Year 2009 Compared to Year 2008 - Operating Revenues".

Seasonality

The seasonality item was not identified in the Company activity, once its production is continuous during the year.

Iron Ore

Iron ore products are commercialized by our commercial team located in Brazil and overseas. In Europe (Portugal) and Asia (Hong Kong), our offices also include our technical assistance management. These three marketing units allow us to stay in close contact with our customers worldwide, understand the environment where they operate, monitor their requirements and provide all necessary assistance in a short period of time. Domestic sales, market intelligence analysis, planning and administration of sales are handled from Brazil by the staff in our Nova Lima office, which is located approximately 70 km from the Casa de Pedra mine, in the State of Minas Gerais.

We supply our iron ore to the steel industry and our main targets are the Brazilian, European and Asian markets. Prevailing and expected levels of demand for steel products directly affect demand for iron ore. Demand for steel products is influenced by many factors, such as GDP, global manufacturing production, civil construction and infrastructure spending.

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We believe our competitiveness has been improved by our customer service and market intelligence. It is paramount for us to have a clear understanding of our customers' businesses in order to address their needs, surpass their expectations and build long-term relationships. We have a customer-oriented marketing policy and place specialized personnel in direct contact with our clients to help determine the mix that best suits each particular customer.

Sales

The first step to our entry into the international iron ore market was taken in February 2007, with the completion of the first phase of the expansion of our coal seaport terminal in Itaguaí, in the State of Rio de Janeiro, which enabled us to also handle and export iron ore and to load from our own facilities the first shipment of our iron ore products.

In 2009, after the first three years trading in the international iron ore market, excluding the sales of our 60% non-consolidated investee Namisa, we exported 9.2 million tons of iron ore, which represents a 37.4% decrease, as compared to 2008. If we consider the sales of our 60% non-consolidated investee Namisa, our exports of iron ore reached 21.8 million tons, a 48.3% increase as compared to 2008. In our consolidated financial statements, export sales decreased 43.1% from US$980 million in 2008 to US$558 million in 2009.

Although the world economy, since the last quarter of 2008, was affected by the side-effects from the economy meltdown, we were able to maintain and increase our iron ore sales if we consider the 2009 sales of our 60% non-consolidated investee Namisa.

In 2009, China accounted for mostly of our iron ore sales, followed by Europe. In 2009, the Asian market (primarily China and Japan) and Europe were the primary markets for our sinter feed while Middle East was the primary market for our pellet feed.

As global iron ore markets are highly competitive, we focus on our flexibility, reliability and efficient manner of supplying iron ore to the world market. The iron ore market worldwide is mainly affected by price, quality, range of products offered, reliability, operating costs and shipping costs. Facing this environment we constantly seek better offer options not just for us but also for our customers.

Through our marketing offices, we have long term relationship with most players of the steel industry in China, Japan, Taiwan, South Korea, Europe and Brazil.

For further information on iron ore sales, see "Item 5A. Operating Results - Results of Operations - Year 2009 Compared to Year 2008 - Operating Revenues."

Facilities

Steel Mill

The Presidente Vargas steelworks, located in the city of Volta Redonda, in the State of Rio de Janeiro, began operating in 1946. It is an integrated facility covering approximately 4.0 square km and containing five coke batteries (three of which are currently in operation), three sinter plants, two blast furnaces, a basic oxygen furnace steel shop, or BOF shop, with three converters, three continuous casting units, one hot strip mill, three cold strip mills, two continuous pickling lines, one continuous annealing line, three continuous galvanizing lines, four continuous annealing lines exclusively for tin mill products and six electrolytic tinning lines.

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Our major operational units and corresponding effective capacities as of December 31, 2009, including CSN LLC and Lusosider, are set forth in the following chart:

Effective Capacity

	Tons per year	Equipment in operation
Process:		
Coking plant	1,680,000	3 batteries
Sintering plant	6,930,000	3 machines
Blast furnace	5,380,000	2 furnaces
BOF shop	5,750,000	3 converters
Continuous casting	5,600,000	3 casters
Finished Products:		
Hot strip mill	5,100,000	1 mill
Cold strip mill	4,550,000	6 mills
Galvanizing line	2,095,000	7 lines
Electrolytic tinning line	1,190,000	7 lines

Downstream Facilities

GalvaSud

On January 29, 2010, we merged GalvaSud S.A., a producer and seller of galvanized steel, Galvanew®, laser-welded and pre-stamped parts for the automotive industry, into us. We held a 99.99% ownership interest in GalvaSud. GalvaSud had an annual capacity of 350,000 tons.

CSN Paraná

Our branch CSN Paraná produces and supplies plain regular galvanized, *Galvalume*® and pre-painted steel products for the construction and home appliance industries. The plant has an annual capacity of 330,000 tons of galvanized products and *Galvalume*® products, 100,000 tons of pre-painted products, which can use cold-rolled or galvanized steel as substrate, and 220,000 tons of pickled hot-rolled coils in excess of the coils required for the coating process.

Metalic

We have a 99.99% ownership interest in Cia. Metalic Nordeste, or Metalic. Metalic is one of the few two-piece steel can producer in all the Americas. It has approximately 48% of the packaging market for carbonated drinks in the Northeastern regions of Brazil. Currently, we are the only supplier to Metalic of the steel used to make two-piece cans. The development of drawn-and-wall-ironed steel for the production of two-piece cans is an important achievement in the production process at the Presidente Vargas steelworks. In addition to the production of the 350ml steel cans, in 2009 Metalic started the 250ml steel cans production, increasing its portfolio of products and servicing the market demand for cans of different sizes.

Prada

We have a 99.99% ownership interest in Cia. Matelúrgica Prada, or Prada. Established in 1936, Prada is the largest Brazilian steel can manufacturer and has an annual production capacity of over one billion cans in its three industrial facilities located in the states of São Paulo, Rio Grande do Sul and Minas Gerais. Currently, we are the only Brazilian producer of tin plate, Prada's main raw material, which makes Prada one of our major customers of tin plate products. Prada has important clients in the food and chemical industries, including packages of vegetables, fishes, dairy products, meat, aerosols, paints and varnishes, and other business activities. On December 30, 2008, we merged one of our subsidiaries, Indústria Nacional de Aços Laminados S.A., or INAL, into Prada. INAL was a distributor of laminated steel founded in 1957 and, after the merger, became a branch of Prada responsible for distribution of Prada's products, or Prada Distribuição.

Prada Distribuição is also the leader in the Brazilian distribution market, with 460,000 tons per year of installed processing capacity. Prada Distribuição has two steel service centers and five distribution centers strategically located in Brazil. Its main service center is located in the city of Mogi das Cruzes between the cities of São Paulo and Rio de Janeiro. Its product mix also includes sheets, slit coils, sections, tubes, and roofing in standard or customized format, according to client's specifications. Prada Distribuição processes all range of products produced by us and services 4,000 customers annually from the civil construction, automotive and home appliances sectors, among others.

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Inal Nordeste

Inal Nordeste, or INOR, is our subsidiary and a distributor of laminated located in Northeastern Region. INOR has a service center located in the city of Camaçari, in the State of Bahia, to support sales in the Northeastern and North regions of Brazil, with 155,000 tons per year of installed processing capacity.

Companhia Siderurgica Nacional, LLC

CSN LLC holds the assets of former Heartland Steel, a flat-rolled steel processing facility in Terre Haute, Indiana. This facility has an annual production capacity of 180,000 tons of cold-rolled products and 315,000 tons of galvanized products. Currently, CSN LLC is obtaining hot coils by buying slabs from us and then having them converted into hot coils by local steel companies or buying hot rolled coils directly from mills in the United States. See "Item 4B. Government Regulation and Other Legal Matters—Anti-Dumping Proceedings—United States" for a discussion about anti-dumping issues on Brazilian hot coils exports to the United States.

Lusosider, Aços Planos, S.A.

We own 99.94% of Lusosider, a producer of hot-dip galvanized products and cold-rolled located in Seixal, near Lisbon, Portugal. Lusosider produces approximately 240,000 tons of galvanized products and 50,000 tons of cold-rolled annually. Its main customers include service centers and tube making industries.

Electricity Distribution and Generation

Thermoelectric Co-Generation Power Plant

We completed the construction of a 238 MW thermoelectric co-generation power plant at the Presidente Vargas steelworks in December 1999. Since October 2000, the plant has provided the Presidente Vargas steelworks with approximately 60% of the electric energy needs for its steel mills. Aside from operational improvements, the power plant supplies our strip mills with electric energy, processed steam and forced air from the blast furnaces, benefiting the surrounding environment through the elimination of flares that burn steel-processing gases into the atmosphere.

Itá Hydroelectric Facility

Each of Tractebel and we own 48.75%, and Companhia de Cimento Itambé, or Itambé, owns the remaining 2.5% of ITASA, a special-purpose company formed for the purpose of owning and operating, under a 30-year concession, 60.5% of the Itá hydroelectric facility on the Uruguay river in Southern Brazil. Tractebel directly owns the remaining 39.5% of the Itá hydroelectric facility.

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The power facility was built under a project finance structure with an investment of approximately US$860 million. The long-term financing for the project was closed in March 2001 and consisted of US$78 million of debentures issued by ITASA, a US$144 million loan from private banks and US$116 million of direct financing from BNDES, all of which are due by 2013. The sponsors of the project have invested approximately US$306 million in this project.

Itá has an installed capacity of 1,450 MW, with a firm guaranteed output of 668 MW, and became fully operational in March 2001.

We and the other shareholders of ITASA have the right to take our pro rata share (proportionally to our ownership interest in the project) of Itá's output pursuant to 30-year power purchase agreements at a fixed price per megawatt hour, adjusted annually for inflation. Since October 2002, we have been using our entire Itá take internally.

Igarapava Hydroelectric Facility

We own 17.9% of a consortium that built and is to operate for 30 years the Igarapava hydroelectric facility. Other consortium members are Vale, Companhia Mineira de Metais, Votorantim Metais Zinco, AngloGold Ashanti Mineração Ltda., and Companhia Energética de Minas Gerais, or CEMIG. The plant became full operational on December 30, 1999 with an installed capacity of 210 MW, corresponding to 136 MW of firm guaranteed output as of December 31, 2008. We have been using part of our 22.8 MW take from Igarapava to supply energy to the Casa de Pedra and Arcos mines and to the Presidente Vargas steelworks. From time to time, we also sell the excess energy in the spot energy market.

Railways

Southeastern Railway System

MRS has a concession to operate, through the year 2026, Brazil's Southeastern railway system. As of December 31, 2009, we held directly and indirectly 33.27% of MRS' total capital. The Brazilian Southeastern railway system, with 1,674 km of track, serves the São Paulo – Rio de Janeiro – Belo Horizonte industrial triangle in Southeast Brazil, and links our mines located in the State of Minas Gerais to the ports located in the states of São Paulo and Rio de Janeiro and to the steel mills of CSN, Companhia Siderúrgica Paulista, or Cosipa, and Gerdau Açominas. In addition to serving other customers, the line transports iron ore from our mines at Casa de Pedra in the State of Minas Gerais and coke and coal from the Itaguaí Port in the State of Rio de Janeiro to the Presidente Vargas steelworks and transports our exports to the ports of Itaguaí and Rio de Janeiro. The railway system connects the Presidente Vargas steelworks to the container terminal at Itaguaí Port, which handles most of our steel exports. Our transport volumes represent approximately 28% of the Brazilian Southeastern railway system's total volume. As of December 31, 2009, US$1,964 million (R$3,420 million) were outstanding and payable by MRS to the Brazilian government federal agencies within the next 17 years, of which US$1,899 million (R$3,306 million) are treated as an off-balance sheet item (See "Item 5E. Off-Balance Sheet Arrangements"). While we are jointly and severally liable with the other principal MRS shareholders for the full payment of the outstanding amount, we expect that MRS will make the lease payments through internally generated funds and proceeds from financing.

Northeastern Railway System

As of December 31, 2009, we hold 84.3% of the capital stock of Transnordestina Logística S.A. Transnordestina Logística S.A. has a 30-year concession granted in 1998 to operate Brazil's Northeastern railway system. The Northeastern railway system includes 4,238 km of track and operates in the states of Maranhão, Piauí, Ceará, Paraíba, Pernambuco, Alagoas and Rio Grande do Norte. It also connects with the region's leading ports, thereby offering an important competitive advantage through opportunities for intermodal transportation solutions and made-to-measure logistics projects. As of December 31, 2009, a payment in the amount of US$21.7 million (R$37.8 million) was outstanding in connection with the remaining 17-year term of the concession, of which US$21.5 million (R$37.5 million) are treated as an off-balance sheet item (See "Item 5E. Off-Balance Sheet Arrangements"). For more information on the merger and financings for Transnordestina, see "Item 4. Information on the Company —A. History and Development of the Company —Planned Investments—Transnordestina."

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Port Facilities

Solid Bulks Terminal

We hold the concession to operate TECAR, a solid bulks terminal, one of four terminals that form the Itaguaí Port, located in the State of Rio de Janeiro, for a term expiring in 2022 and renewable for another 25 years. Itaguaí Port, in turn, is connected to the Presidente Vargas steelworks, Casa de Pedra and Namisa by the southeastern railway system. Our imports of coal and coke are made through this terminal. Under the terms of the concession, we undertook to load and unload at least 3.0 million tons of bulk cargo annually. Among the approved investments that we announced is the development and expansion of the solid bulks terminal at Itaguaí to also handle up to 84 million tons of iron ore per year. For further information, see "Item 4. Information on the Company —A. History and Development of the Company —Planned Investments—Iron Ore Project."

Container Terminal

We own 99.99% of Sepetiba Tecon S.A., or TECON, which has a concession to operate, for a 25-year term that is renewable for another 25 years, the container terminal at Itaguaí Port. As of December 31, 2009, US$174 million of the cost of the concession remained payable over the next 16 years of the lease. For more information, see "Item 5E. Off-Balance Sheet Arrangements." The Itaguaí Port is located in the heart of Brazil's Southeast Region, with all major exporting and importing areas of the states of São Paulo, Minas Gerais and Rio de Janeiro within 500 km from the port. This area represents more than 60% of the Brazilian gross domestic product, or GDP, according to the Brazilian Geography and Statistics Institute (*Instituto Brasileiro de Geografia e Estatística*). The Brazilian Federal Port Agency spent US$70 million in port infrastructure projects such as expanding the maritime access channel and increasing the depth from 18.5 meters to 20 meters. In addition, significant investments are also being made by the Brazilian federal government in adding two extra lanes to the Rio Santos road, in constructing the Rio de Janeiro Metropolitan Bypass, a beltway that will cross the Rio de Janeiro metropolitan area. Also, MRS railway is investing in an extra rail track along the way to the Itaguaí Port. These factors, combined with favorable natural conditions, like natural deep waters and low urbanization rate around port area, allow the operation of large vessels as well as highly competitive prices for all the services rendered, result in the terminal being a major hub port in Brazil. For further information on our planned investments relating to our Itaguaí CSN Logistics Platform Project, see "Item 4. Information on the Company —A. History and Development of the Company —Planned Investments—Itaguaí CSN Logistics Platform Project."

The figures show the effect of investments made since 2007 in two Super Post Panamax Portainers and two Rubber Tired Gantry, or RTG, cranes. These investments, along with a focused marketing and sales strategy, enabled the terminal to rank first in market share among the three terminals of the state of Rio de Janeiro, with 39% of the total moves in those terminals.

We plan to carry out new infrastructure and equipment investments in Sepetiba TECON, as the Berth 301 Equalization and the acquisition of two new Super Post Panamax Portainers and four new RTG cranes to yard operations. These investments will increase TECON's capacity from 320,000 containers (or 480,000 TEUs) to 410,000 containers (or 610,000 TEUs) a year and from 2.0 million tons to 6.0 million tons a year of steel products. We intend to use this port to ship all our exports of steel products. In 2009, 91.6% of the exported steel products (or 666,410 tons), was shipped from this port, as compared to 82% in 2008.

In 2009, the terminal had its throughput affected by the global downturn. It achieved 154,289 units handled (or 224,898 TEUs), which represents a 28% decrease as compared to 2008.

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Insurance

In view of the nature of our operations, we renewed with international reinsurance companies, for the period from February 21, 2008 to February 21, 2009, the All Risks coverage for operational risks for the Presidente Vargas Steelworks, Casa de Pedra Mine, Arcos Mine, Paraná Branch, Coal Terminal - TECAR, GalvaSud (property damage and loss of profits), Container Terminal - TECON and ERSA (loss of profits), for a total risk amount of US$9.57 billion (property damage and loss of profit) and a maximum indemnification amount, in the event of an accident, of US$750 million for property damage and loss of profits.

As of February 22, 2009, we have not been able to contract with insurance and reinsurance companies insurance coverage for operational risks relating to our Presidente Vargas Steelworks.

We currently have valid insurance policies to cover material damage and business interruption for: Namisa, CSN Porto Real (former Galvasud), Prada, CSN Cimentos, Inal Nordeste, Metalic, ERSA, CSN LLC, CSN Paraná, Lusosider, Itá and Igarapava hydroelectric plants and Transnordestina.

In addition to the negotiations in connection with our operational risks policy for our Presidente Vargas Steelworks, the renewal of insurance policies for the following entities are currently being negotiated: CSN (Casa de Pedra and Arcos), TECON and TECAR.

For information on how our lack of insurance coverage may affect us, see "Item 3D—Risk Factors—Malfunctioning equipment or accidents on our premises, railways or ports may decrease or interrupt production, internal logistics or distribution of our products. We do not have insurance policies to cover losses and liabilities in connection with operational risks, and may not have sufficient insurance coverage for certain other events."

The risk assumptions adopted, given their nature, are not part of the scope of a financial statements audit, and, consequently, they were not examined by our independent auditors.

Intellectual Property

We have several technical cooperation agreements with universities and research institutes in order to provide us with special technical reports and advice related to specific products and processes. In addition to several patents previously approved by the Brazilian National Institute of Industrial Property (*Instituto Nacional da Propriedade Industrial*), in 2009 we requested the deposit of 21 new patents on the field of product applications.

Competition in the Steel Industry

Both the worldwide and the Brazilian steel markets are intensely competitive. The primary competitive factors in these markets include quality, price, payment terms and customer service. Further, continuous advances in materials sciences and resulting technologies have given rise to improvements in products such as plastics, aluminum, ceramics, glass and concrete that permit them to substitute steel for certain purposes.

Competition in the Brazilian Steel Industry

The primary competitive factors in the domestic market include quality, price, payment terms and customer service. Several foreign steel companies, however, are significant investors in Brazilian steel mills.

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The following table sets forth the production of crude steel by Brazilian companies for the years indicated:

	2007		2008		2009	
	Ranking	Production (In million tons)	Ranking	Production (In million tons)	Ranking	Production (In million tons)
Gerdau[1]	2	8.1	1	8.7	1	6.1
Usiminas	1	8.7	2	8.0	2	5.6
ArcelorMittal Tubarão	3	5.7	3	6.2	3	5.3
CSN	4	5.3	4	5.0	4	4.4
ArcelorMittal Aços Longos	5	3.7	5	3.5	5	3.2
Others		2.2		2.3		1.9
Total		**33.7**		**33.7**		**26.5**

Source: IBS

(1) Data from Aços Villares have been merged into data from Gerdau.

Competitive Position — Global

During 2009, Brazil retained its place as the largest producer of crude steel in the Latin America, with a production output of 26.5 million tons and a 2.2% share of total world production, according to data from IBS. In 2009, Brazil was the ninth world's steel producer, accounting for approximately two-thirds of total production in Latin America, approximately twice the size of Mexico's and approximately one-third of U.S. steel production, according to data from the World Steel Association, or WSA. According to IABr Brazilian exports in 2009 reached 8.6 million tons of finished and semi-finished steel products.

We compete on a global basis with the world's leading steel manufacturers. We have positioned ourselves in the world market with a product mix characterized by high margin and strong demand, such as, tin mill and galvanized. We have relatively low-cost and sufficient availability of labor and energy, and own high-grade iron ore reserves that we believe more than meet our production needs. These global market advantages are partially offset by costs of transporting steel throughout the world, usually by ship. Shipping costs, while helping to protect our domestic market, put pressure on our export price. To maintain our position in the world steel market in light of the highly competitive international environment with respect to price, our product quality and customer service must be maintained at a high level. We have continually monitored the quality of our products by measuring customer satisfaction with our steel in Europe, Asia and the Americas. See "Item 4B. Business Overview—Government Regulation and Other Legal Matters—Proceedings Related to Protectionist Measures" for a description of protectionist measures being taken by steel-importing countries that could negatively impact our competitive position.

Competitive Advantages of the Brazilian Steel Industry

Brazil's principal competitive advantages are its abundant supply of low-cost, high-grade iron ore and energy resources. Brazil also benefits from a vast internal market with a large growth potential, a privatized industry making investments in plant and equipment, and deep water ports that allow the operation of large ships, which facilitates access to export markets. Nevertheless, Brazil's products have lost partially their competitiveness, mainly due to the appreciation of the *real* against the U.S. dollar since the beginning of 2006, which resulted in the increase of the price of our products. In 2009, the *real* continued to significantly appreciate against the U.S. dollar and reflected the effects of the financial crisis and weak demand. Despite all these factors, we believe Brazil's average cost of steel production is one of the lowest in the world.

As in most domestic markets, the domestic price of steel in Brazil has historically been higher than its export price. The low production costs in Brazil are a barrier to foreign steel imports. Consequently, most of the steel sold in the Brazilian steel market is manufactured by Brazilian producers, and we do not believe that sales in Brazil by foreign producers will increase significantly or that steel prices in Brazil will decrease significantly because of competition from foreign steel producers.

Competition from greenfield projects of new market entrants would be discouraged by existing participant's ties to sources of raw materials and well-established distribution networks. In the last years, several foreign competitors announced their intention to undertake greenfield projects in Brazil. To date, some of these competitors have cancelled or postponed their projects, while others continue to evaluate their feasibility, in particular due to global economic and financial crisis in 2008 and 2009 and the high level of investment required. The strategic goal of these projects, as announced by their participants, is to replace non-competitive slab production plants in Europe or to expand upon slab capacity production of Asian companies in order to service their home markets.

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Government Regulation and Other Legal Matters

Environmental Regulation

Promoting responsible environmental and social management is part of our business. We prioritize processes and equipments that offer the most modern and reliable technologies on environmental risks monitoring and control. We operate a corporate environmental department managed under an Environmental Management System, or EMS, compliant with ISO 14001:2004 requirements. In addition, we have a factory committee for environmental management composed of professionals from all departments of CSN's main steelworks. This factory committee usually meets every week to discuss any problem and to identify risks and aspects of the operations in which the group can act pro-actively, in order to prevent possible environmental harm.

We are subject to Brazilian federal, state and municipal environmental laws and regulations governing air emissions, waste water discharges, and solid and hazardous waste handling and disposal. We are committed to controlling the substantial environmental impact caused by our steelmaking, mining, cement and logistics operations, in accordance with international standards and in compliance with environmental laws and regulations in Brazil. We believe we are currently in substantial compliance with applicable environmental requirements.

The Brazilian Federal Constitution gives both the federal and state governments power to enact environmental protection laws and issue regulations under such laws. In addition, we are subject to municipal environmental laws and regulations. While the Brazilian government has power to promulgate environmental regulations setting forth minimum standards of environmental protection, state and local governments have the power to enact more stringent environmental regulations. Most of the environmental regulations in Brazil are thus at the state and local level complemented by a current process of regulations reviews and new propositions at the federal level. The environmental regulations of the State of Rio de Janeiro, in which the Presidente Vargas steelworks is located, are plant-specific. Thus, specific goals and standards are established in operating permits or environmental accords issued to each company or plant. These specific operation conditions complement the standards and regulations of general applicability and are required to be observed throughout the life of the permit or accord. The terms of such operating permits are subject to change and are likely to become stricter. All of our facilities currently have operating permits.

In 2009, we requested and obtained several emissions permits and renewals of environmental permits, both for current operations and for the development of new projects regarding steel and cement manufacturing, iron ore and limestone mining and logistics, including: (i) the expansion of the Casa de Pedra mine; (ii) the construction of the Transnordestina Railroad, to explore railway transportation in the Northeastern region of Brazil; and (iii) the operation of a cement mill at Volta Redonda.

Environmental Expenditures and Claims

Since our privatization, we have invested heavily in environmental protection and remediation programs. We had environmental expenditures (capitalized and expensed) of US$144.9 million in 2007, US$180.0 million in 2008 and US$145.4 million in 2009.

Our investments in environmental projects during 2009 were related mainly to: (i) operations and maintenance of environmental control equipments; (ii) development of environmental studies for permit applications and (iii) studies monitoring and remediation of environmental liabilities due to prior operations, mainly before our privatization. From a total of US$145.4 million spent in 2009, US$40.7 million constituted capital expenditures and US$104.7 million constituted operational expenditures.

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Our main environmental claims on December 31, 2009 were associated with cleaning-up obligations at former coal mines decommissioned in 1989 at the state of Santa Catarina; legal environmental compensation projected for new projects at the States of Minas Gerais and Rio de Janeiro; and cleaning-up obligations due to former operations of Presidente Vargas steelworks. We did not include in the accruals any environmental liabilities related to ERSA, as they were born by its former owner.

We reserve an accrual for remediation costs and environmental lawsuits when a loss is probable and the amount can be reasonably estimated. As of December 31, 2009, we had provisions for environmental liabilities in the total amount of US$66.8 million (R$116.3 million), as compared to US$30.5 million as of December 31, 2008, which our management and legal advisors consider sufficient to cover all probable losses. For further information, see Note 17(b) to our consolidated financial statements included in "Item 18. Financial Statements."

Brazil – mining regulation

Under the Brazilian Constitution, all mineral resources in Brazil belong to the federal government. The Brazilian Constitution and Mining Code impose various regulatory restrictions on mining companies relating to, among other things:

- the manner in which mineral deposits must be exploited;
- the health and safety of workers and the safety of residential areas located near mining operations;
- the protection and restoration of the environment;
- the prevention of pollution; and
- the support of local communities where mines are located.

Mining companies in Brazil can only prospect and mine pursuant to prospecting authorizations or mining concessions granted by the National Department of Mineral Production (*Departamento Nacional de Produção Mineral*), or DNPM, an agency of the Ministry of Mines and Energy of the Brazilian Government. DNPM grants prospecting authorizations to a requesting party for an initial period of three years. These authorizations are renewable at DNPM's discretion for another period of one to three years, provided that the requesting party is able to show that the renewal is necessary for proper conclusion of prospecting activities. On-site prospecting activities must start within 60 days of official publication of the issuance of a prospecting authorization. Upon completion of prospecting activities and geological exploration at the site, the grantee must submit a final report to DNPM. If the geological exploration reveals the existence of a mineral deposit that is economically exploitable, the grantee has one year (which DNPM may extend) from approval of the report by DNPM to apply for a mining concession or to transfer its right to apply for a mining concession to an unrelated party. When a mining concession is granted, the holder of the concession must begin on-site mining activities within six months. DNPM grants mining concessions for an indeterminate period of time lasting until the exhaustion of the mineral deposit. Extracted minerals that are specified in the concession belong to the holder of the concession. With the prior approval of DNPM, the holder of a mining concession can transfer it to an unrelated party that is qualified to own concessions. Under certain circumstances, mining concessions may challenged by unrelated parties.

Mining Concessions

Our mining activities at Casa de Pedra mine are performed based on a *Manifesto de Mina*, which gives us full ownership over the mineral deposits existing within our property limits. Our mining activities at Engenho and Fernandinho mines are based on a concession by the Ministry of Mines and Energy, which grants us the right to exploit mineral resources from the mine for an indeterminate period of time lasting until the exhaustion of the mineral deposit. Our mining activities at the Bocaína mine are based on a concession under the same conditions. See "Item 4D. Property, Plant and Equipment" for further information on our reserves at Casa de Pedra mine and resources at Fernandinho and Engenho mines.

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Mining Rights and Ownership

Our mining rights for Casa de Pedra mine include the mine, beneficiation plant, roads, loading yard and railway branch and are duly registered with the National Department of Mineral Production (*Departamento Nacional de Produção Mineral - DNPM*). We have also been granted by DNPM easements in 15 mine areas located in the surrounding region, which are not currently part of Casa de Pedra mine, and hold title to all our proved and probable reserves.

In addition, we have obtained and are in compliance with all licenses and authorizations for our operations and projects at Casa de Pedra mine.

The exploitation in Casa de Pedra mine are subject to mining lease restrictions, which were duly addressed in our iron ore reserve calculations. Quality requirements (chemical and physical) are the key "modifying factors" in the definition of ore reserves at Casa de Pedra and were properly accounted for by the CSN mine planning department.

The Brazilian government charges us a royalty known as the Financial Compensation for Exploiting Mineral Resources (*Compensação Financeira pela Exploração de Recursos Minerais*), or CFEM, on the revenues from the sale of minerals we extract, net of taxes, insurance costs and costs of transportation. The current annual rates on our products are:

- 2% for iron ore, kaolin, copper, nickel, fertilizers and other minerals;
- 3% on bauxite, potash and manganese ore; and
- 1% on gold.

The Mining Code and ancillary mining laws and regulations also impose other financial obligations. For example, mining companies must compensate landowners for the damages and loss of income caused by the use and occupation of the land (either for exploitation or exploration) and must also share with the landowners the results of the exploration (in a rate of 50% of the CFEM). Mining companies must also compensate the government for damages caused to public lands. A substantial majority of our mines and mining concessions are on lands owned by us or on public lands for which we hold mining concessions.

Antitrust Regulation

We are subject to various laws in Brazil which seek to maintain a competitive commercial environment in the Brazilian steel industry. For instance, under Law No. 8,884/94, the *Lei de Defesa da Concorrência*, or Competition Defense Law, the *Secretaria de Direito Econômico* of Brazil's Ministry of Justice has broad authority to promote economic competition among companies in Brazil, including the ability to suspend price increases and investigate collusive behavior between companies. In addition, if the Brazilian anti-trust agency (*Conselho Administrativo de Defesa Econômica*), or CADE, determines companies have acted collusively to raise prices, it has the authority to impose fines on the offending companies, prohibit them from receiving loans from Brazilian government sources and bar them from bidding on public projects. In addition, CADE has the authority to dissolve mergers and to require a company to divest assets should it determine that the industry in which it operates is insufficiently competitive.

Proceedings Related to Protectionist Measures

Over the past several years, exports of steel products from various countries and companies, including Brazil and us, have been the subject of anti-dumping, countervailing duty and other trade related investigations from importing countries. These investigations resulted in duties that limit our access to certain markets. Despite the imposed limitations, our exports have not been significantly affected, as we were able to re-direct our sales from restricted markets to other markets, and also because the volume of exports or products available for exports has been decreasing as a result of the increased demand from our domestic market and thus present participation of exports in our total sales was significantly reduced.

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Below are summaries of the protectionist measures to which our exports are subject.

United States

Anti-dumping and Countervailing Duties. In September 1998, U.S. authorities initiated anti-dumping and countervailing duties investigations on hot-rolled steel sheet and coil imported from Brazil and other countries. In February 1999, the U.S. Department of Commerce, or DOC, reached a preliminary determination on the anti-dumping and countervailing duties margins. We were found to have preliminary margins of 50.66% for anti-dumping, and of 6.62% for countervailing duties. In July 1999, Brazil and the United States signed a five-year suspension agreement, suspending the anti-dumping investigation and establishing a minimum price of US$327 per ton (delivery duty paid), subject to quarterly review by the DOC. In February 2002, the U.S. government terminated the anti-dumping suspension agreement and reinstated the anti-dumping margin of 41.27%. Also in July 1999, the Brazilian and U.S. governments signed a suspension agreement related to the countervailing duties investigation, which limited exports of hot-rolled sheets and coils from Brazil to 295,000 tons per year. At the request of the Brazilian government, the agreement was terminated in September 2004. Upon the termination of this agreement, countervailing duties of 6.35% became effective in September 2004, to be applied to imports of hot-rolled products from Brazil. In April 2004, we requested the DOC to conduct an administrative review of the anti-dumping investigation. Through this review, in April 2005, we obtained a favorable preliminary determination of "zero" margin of dumping from the DOC. Final determination was issued in October 2005 and the "zero" margin of dumping preliminary found by the DOC was confirmed.

Simultaneously to the administrative review, we participated in an anti-dumping and countervailing duties expiry review which involved the exports of hot-rolled sheet and coils to the U.S. The expiry review was jointly developed by the International Trade Commission and the DOC, through the Import Administration- I.A., that was initiated in May 2004. Final determination was rendered in April 2005, retaining the anti-dumping and countervailing duties orders until May 12, 2010.

In October 2005, the DOC initiated an administrative review of the investigation of subsidies and countervailing duties involving hot-rolled products. As the petitioners gave up on their participation in the review, it was terminated by the DOC in February 2006. Since the countervailing duties refer to subsidies related to the privatization period, and the depreciation period was fixed in fifteen years by the investigation, by the time the next expiry review is held by the International Trade Commission, in 2010, the effects of the subsidies involved will have been terminated, and therefore, the imposition of the countervailing duties might be discontinued.

Canada

Anti-dumping. In January 2001, the Canadian government initiated an anti-dumping investigation process involving hot-rolled sheets and coils exported from Brazil. The investigation was concluded in August 2001, with the imposition by Canada of an anti-dumping tax of 26.3% on imports of those products from Brazil, with minimum prices to be observed. In August 2002, the Canada Border and Services Agency, or the CBSA, initiated a revision of the values previously established and, in March 2003, the revised values were issued. These values are adjusted whenever there is an adjustment of the Canadian domestic prices. In February 2005, the CBSA initiated a reinvestigation of hot-rolled sheets and coils. We did not participate in this investigation.

In December 2005, the Canadian International Trade Tribunal, or CITT, initiated an expiry review of hot-rolled products, in which we participated. A final determination was issued in August 2006, determining the continuation of the anti-dumping order for hot-rolled products. As a result, exports of our hot–rolled products to Canada are subject to anti-dumping duties of 77%.

Argentina

Anti-dumping – hot-rolled products. Argentina commenced an anti-dumping investigation of hot-rolled products from Brazil, Russia and Ukraine in October 1998. In April 1999, the Argentinean government applied a provisional anti-dumping order on Brazilian imports, fixing a minimum price of US$410 per ton FOB (free on board), for four months ending in August 1999.

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In December 1999, the Argentine government accepted a suspension agreement of the anti-dumping measures, providing for quotas of 36,000 tons for the first year, 38,000 tons for the second and 39,000 tons for the third, fourth and fifth years, and minimum prices from US$325 to US$365 per ton CFR FO (cost, insurance and freight, free out), subject to quarterly adjustments based on the publication of the Argentine National Institute of Statistics and Census, or INDEC.

In December 2004, exporters were notified of the revision of resolution No. 1,420/1999 from the Economic, Work and Public Services Ministry of Argentina relating to the export of Brazilian hot-rolled products. In January 2005, an expiry review of the anti-dumping process was initiated to analyze the maintenance, modification and/or derogation of the action of the administrative authority of the Argentinean government. We participated in this review.

In June 2006, Argentina published resolution No. 412/2006 terminating the anti-dumping investigation for hot-rolled products from Brazil, Russia and Ukraine, determining to Brazil the margin of 147.95% . The application of anti-dumping duties was replaced by a suspension agreement set forth in that same resolution, valid for five years from its publication, on June 6, 2006.

Overview of Steel Industry

World Steel Industry

The worldwide steel industry comprises hundreds of steelmaking facilities divided into two major categories, integrated steelworks and non-integrated steelworks, characterized by the method used for producing steel. Integrated plants, which accounted for approximately 66% of worldwide crude steel production in 2008, typically produce steel by smelting in blast furnaces the iron oxide found in ore and refining the iron into steel, mainly through the use of basic oxygen furnaces or, more rarely, in electric arc furnaces. Non-integrated plants (sometimes referred to as mini-mills), which accounted for approximately 34% of worldwide crude steel production in 2008, produce steel by melting scrap metal, occasionally complemented with other metallic materials, such as direct reduction iron or hot-briquette iron, in electric arc furnaces. Industry experts expect that a lack of a reliable and continuous supply of quality scrap metal, as well as the high cost of electricity, may restrict the growth of mini- mills.

Steel continues to be the material of choice in the automotive, construction, machinery and other industries. Notwithstanding potential threats from substitute materials such as plastics, aluminum, glass and ceramics, especially for the automotive industry, steel continues to demonstrate its economic advantage. From 1990 through 2005, total global crude steel production ranged between approximately 770 million and 1.1 billion tons per year. In 2008, it reached 1.33 billion tons, representing a 1.2% decrease as compared to 2007. In 2009, global crude steel production decreased 7.9% as compared to 2008, and reached 1.22 billion tons.

China's crude steel production in 2009 reached 568 million tons, an increase of 13.5% as compared to 2008. Production volume in China has more than doubled in five years, from 222 million tons in 2002. China's share of world steel production continued to grow in 2009, reaching 46.4% of world total crude steel.

Asia produced 766 million tons of crude steel in 2009, representing 63.7% of world total steel production and an increase of 1% as compared to 2008. Overall, steel production declined in Europe, North America, South America and Commonwealth of Independent States in 2009.

Brazilian Steel Industry

Since the 1940s, steel has been of vital importance to the Brazilian economy. During the 1970s, huge government investments were made to provide Brazil with a steel industry able to support the country's industrialization boom. After a decade of little to no investment in the sector in the 1980s, the government selected the steel sector as the first for privatization commencing in 1991, resulting in a more efficient group of companies operating today.

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A Privatized Industry

During almost 50 years of state control, the Brazilian flat steel sector was coordinated on a national basis under the auspices of *Siderbrás*, the national steel monopoly. The state had far less involvement in the non-flat steel sector, which has traditionally been made up of smaller private sector companies. The larger integrated flat steel producers operated as semi autonomous companies under the control of Siderbrás and were each individually privatized between 1991 and 1993. We believe that the privatization of the steel sector in Brazil has resulted in improved financial performance, as a result of increased efficiencies, higher levels of productivity, lower operating costs, a decline in the labor force and an increase in investment.

Domestic Demand

Historically, the Brazilian steel industry has been affected by substantial fluctuations in domestic demand for steel. Although national per capita consumption varies with GDP, fluctuations in steel consumption tend to be more pronounced than changes in economic activity. Per capita crude steel consumption in Brazil has increased from 95 kilograms per capita in 1999 to 108 kilograms in 2009, which is considered low when compared to levels in developed countries such as the United States, where the per capita crude steel consumption in 2007 was of 373 kilograms, and Germany, where the consumption was of 558 kilograms.

From 2005 to 2007, despite a good global conjuncture, the Brazilian economy exhibited an average growth GDP of 4.4%. Since September 2008, overall global economic activity has slowed significantly, which impacted our fourth quarter results. Domestic steel sales in 2008 and 2009 were 24 million tons and 18 million tons, respectively.

The Brazilian flat steel sector is shifting production to the higher value-added consumer durable sector. This sector is highly dependent on domestic consumer confidence, which, in turn, is affected by economic policies and certain expectations of the current government administration. Over the past years, automobile manufacturers made significant investments in Brazil. Vehicles production increased regularly in the past years, until September 2008, when the effects the 2008 of financial crisis grew in size and scope. In spite of the slowdown in automobile production, market data indicated a recovery in car sales since the beginning of 2009.

Market Participants

According to IBS, the Brazilian steel industry is composed of 26 mills managed by 8 corporate groups, with an installed annual capacity of approximately 41 million tons, producing a full range of flat, long, carbon, stainless and specialty steel. For information on the production by the largest Brazilian steel companies for the years ended December 2006, 2007, 2008 and 2009, see "Item 4B. Business Overview—Competition—Competition in the Brazilian Steel Industry."

Capacity Utilization

Total Brazilian nominal capacity in 2009 was estimated at 42.1 million tons, as compared to 41.5 million tons in 2008. The Brazilian steel industry operated at approximately 63.4% of nominal crude steel capacity during 2009, as compared to 81% in 2008.

Exports/Imports

Brazil has been playing an important role in the export market, primarily as an exporter of semi-finished products. The Brazilian steel industry has taken several steps towards expanding its capacity to produce value-added products. Brazil's exports of semi-finished steel products reached 5.7 million tons in 2008 and 4.6 million tons in 2009, which represented 62% and 54% of total steel exports for each period, respectively.

In 2009, Brazilian steel exports totaled 8.6 million tons, representing 32% of total Brazilian steel sales (domestic plus exports) and accounting for US$4.7 billion in export earnings for Brazil in 2009. Over the last 20 years, the Brazilian steel industry has been characterized by a structural need to export, which is demonstrated by the industry's supply demand curve. The Brazilian steel industry has experienced periods of overcapacity, cyclicality and intense competition during the past several years. Demand for finished steel products, as measured by domestic apparent consumption, has consistently fallen short of total supply (defined as total production plus imports). In 2009, supply totaled 26.7 million tons, as compared to apparent consumption of 18 million tons.

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Brazil also enjoys a diversified steel export market. In 2009, export sales were made to over 120 countries. North America and South America were Brazil’s main export markets, accounting for 12% and 21%, respectively, of all Brazilian steel exports in such year. United States was the main destination, representing 8% of total exports. The European Union was responsible for 9% of the Brazilian steel exports in 2009, while Asia, Africa and the Middle East were responsible for 58%. The ten largest markets, taken together, accounted for 66% of Brazil’s steel exports in 2009. See also “Item 4B. Business Overview—Competition.”

As a result, Brazil is a negligible importer of foreign steel products. Steel imports were 2.3 million tons, or 8.6% of apparent domestic consumption in 2009, as compared to 2.7 million tons, or 11% in 2008, according to IBS.

4C. Organizational Structure

We do business directly and through subsidiaries. For more information on our organizational structure, see Note 1(a) to our consolidated financial statements included in “Item 18. Financial Statements.”

4D. Property, Plant and Equipment

Our principal executive offices are located in the city of São Paulo, the State of São Paulo at Avenida Brigadeiro Faria Lima, 3,400, 20th floor (telephone number 55-11-3049-7100), and our main production operations are located in the city of Volta Redonda, in the State of Rio de Janeiro, located approximately 120 km from the city of Rio de Janeiro. Presidente Vargas steelworks, our steel mill, is an integrated facility covering approximately 4.0 square km and located in the city of Volta Redonda in the State of Rio de Janeiro. Our iron ore, limestone and dolomite mines are located in the State of Minas Gerais, which borders the State of Rio de Janeiro to the north. Each of these mines is within 500 km of, and is connected by rail and paved road to, the city of Volta Redonda.

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The table below sets forth certain material information regarding our property as of December 31, 2009.

Facility	Location	Size	Use	Productive Capacity	Title	Encumbrances
Presidente Vargas steelworks	Volta Redonda, State of Rio de Janeiro	4.0 square km	steel mill	5.6 million tons per year	owned	None
CSN Porto Real (former GalvaSud)	Porto Real, State of Rio de Janeiro	0.27 square km	galvanized steel producer	350,000 tons per year	owned	mortgage(1)(2)
CSN Paraná	Araucária, State of Paraná	0.98 square km	galvanized and pre-painted products	100,000 tons of pre- painted product and 220,000 tons of pickled hot-rolled coils	owned	None
Metalic	Maracanaú, State of Ceará	0.10 square km	steel can manufacturer	900 million cans per year	owned	mortgage(3)
Prada	São Paulo, State of São Paulo and Uberlândia, State of Minas Gerais	SP – 0.14 square km; MG – 0.02 square km;	steel can manufacturer	1 billion cans per year	owned	None
CSN, LLC	Terre Haute, Indiana, USA	0.78 square km	cold-rolled and galvanized products	800,000 tons of cold-rolled products and 315,000 tons per year of galvanized products	owned	None
Lusosider	Seixal, Portugal	0.39 square km	hot-dip galvanized, cold-rolled and tin products	240,000 tons of galvanized products and 50,000 tons of cold-rolled products per year	owned	None
Prada	Mogi das Cruzes, State of São Paulo	0.20 square km	distributor	730,000 tons per year	owned	None
Casa de Pedra mine	Congonhas, State of Minas Gerais	44.57 square km	iron ore mine	60.0 mtpy(4)	owned(5)	None
Engenho mine(6)	Congonhas, State of Minas Gerais	2.87 square km	iron ore mine	5.0 mtpy	concession	None
Fernandinho mine(6)	Itabirito, State of Minas Gerais	1.84 square km	iron ore mine	2.0 mtpy	concession	None
Bocaina mine	Arcos, State of Minas Gerais	4.11 square km	limestone and dolomite mines	4.0 mtpy	concession	None
ERSA mine	Ariquemes, State of Rondônia	0.015 square km	tin mine	1,800 tons	concession	None
Thermoelectric co-generation power plant	Volta Redonda, State of Rio de Janeiro	0.04 square km	power plant	238 MW	owned	None
Itá(7)	Uruguay River - Southern Brazil	9.87 square km	power plant	1,450 MW	concession	None
Igarapava(8)	State of Minas Gerais	5.19 square km	power plant	210 MW	concession	None
Southeastern Railway System (9)	Southern and Southeastern regions of Brazil	1,674 km of tracks	railway	--	concession	None
Transnordestina	Northern and northeastern regions of Brazil	4,238 km of tracks	railway	--	concession	None
TECAR at Itaguaí Port	Itaguaí, State of Rio de Janeiro	0.69 square km	raw materials	4 mtpy	concession	None
Container terminal - TECON at Itaguaí port	Itaguaí, State of Rio de Janeiro	0.44 square km	containers	2 mtpy	concession	None
Land	State of Rio de Janeiro	31.02 square km	undeveloped	--	owned	pledge(10)/Collateral / mortgage(2)

Land	State of Santa Catarina	6.22 square km	undeveloped	--	owned	pledge(10)/Collateral
Land	State of Minas Gerais	29.09 square km	undeveloped	--	owned	None

(1) Pursuant to a loan agreement entered into by the State of Rio de Janeiro and Galvasud as of May 4, 2000.
(2) Pursuant to a loan agreement entered into by Kreditanstatt Für Wiederafbau, Galvasud and Unibanco as of August 23, 1999.
(3) Pursuant to an industrial letter of credit issued by Banco do Nordeste do Brasil to Metalic, as of June 5, 2001, with maturity on February 5, 2011.
(4) Information on equipment fleet installed annual ROM capacity. For information on installed annual production of products capacity, and information on mineral resources at our Casa de Pedra mine, see "—Reserves at Casa de Pedra Mine" and table under "—Casa de Pedra Mine" below.
(5) Based on the *Manifesto de Mina*. See, "Item 4. Information on the Company —A. History and Development of the Company—Government Regulation and Other Legal Matters—Mining Concessions."
(6) Property owned by our 60% non-consolidated investee Namisa.
(7) Property 29.5% owned by us.
(8) Property 17.9% owned by us.
(9) We indirectly hold the concession through MRS.
(10) Pledged pursuant to various legal proceedings, mainly related to tax claims.

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For information on environmental issues with respect to some of the facilities described above, see "Item 4B. Business Overview—Government Regulation and Other Legal Matters—Environmental Expenditures and Claims." In addition, for information on our plans to construct, expand and improve our facilities, see "Item 4. Information on the Company —A. History and Development of the Company —Planned Investments."

The map above shows the locations of the Presidente Vargas steelworks, the CSN Paraná, Prada, CSN Porto Real (former GalvaSud), Metalic, Lusosider, ERSA and CSN LLC facilities, our iron ore, limestone and dolomite mines, the power generating facilities in which we have an ownership interest, and the main port used by us to export steel products and import coal and coke, as well as the main railway connections.

Item 4A. Unresolved Staff Comments

In 2005, we filed a registration statement on SEC Form F-4 for an Exxon Capital exchange offer. We incorporated by reference in the F-4 our annual report on Form 20-F/A for the fiscal year ended December 31, 2004, or the 2004 Form 20-F. The SEC then advised us that it had reviewed our 2004 Form 20-F and our consolidated financial statements as of and for the years ended December 31, 2002, 2003 and 2004 included therein and provided us with comments and questions with regard to the 2004 Form 20-F. The unresolved staff comments are related to (i) the accounting treatment of our accruals for disputed taxes payable relating to certain tax liabilities for which we were disputing payment and (ii) the use of certain tax credits to offset such tax liabilities. The Form F-4 has not yet been declared effective.

During 2009, the SEC reviewed our 2008 annual report on Form 20-F, or the 2008 Form 20-F, and requested clarification about a number of disclosure items, including the accounting treatments mentioned above. We amended the 2008 Form 20F and received an SEC letter concluding the SEC review process on the 2008 Form 20-F with no further comments and questions.

We are currently working with the SEC to have the Form F-4 declared effective based on the fact that the comments underlying the 2004 Form 20F were resolved in the 2008 Form 20F.

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Item 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with our consolidated financial statements as of December 31, 2008 and 2009 and for each of the years ended December 31, 2007, 2008 and 2009 included in "Item 18. Financial Statements." Our consolidated financial statements were prepared in accordance with U.S. GAAP and are presented in U.S. dollars, as explained in Note 2(a) to our consolidated financial statements included in "Item 18. Financial Statements."

5A. Operating Results

Overview

The outlook for the global economy has improved since the second half of 2009. Lead indicators point to a recovery in general market conditions. According to International Monetary Fund, or IMF, emerging economies will be responsible for a higher contribution to world GDP growth than industrialized economies. The Brazilian Steel Institute (*Instituto Aço Brasil*), or IABr, expects strong demand on steel/iron ore, based on strong GDP growth and infrastructure investments in Brazil.

The recovery of Brazilian domestic activity consolidated during the later part of 2009. According to Fundação Getúlio Vargas, or FGV, confidence indicators show that industrial output has returned to pre-crisis levels. This recovery in industrial production was led by production of consumer durables, which in turn increased demand for steel products.

Control over inflation, reduced interest rates, improved earnings, lower unemployment, the increasing availability of credit and government measures to encourage consumption in Brazil contributed to re-establish economic growth in 2009.

Despite the optimism over job creation, the latest data from the Brazilian Labor Ministry's employment registry, or CAGED, shows that 995,000 jobs were created in 2009, the lowest figure since 2003. In 2010, however, the Ministry expects to create 2 million new registered jobs.

Individual and corporate loans in Brazil continued to increase and at year end 2009 amounted to 45% of GDP. In 2009, the total volume of credit in the financial system reached R$1.4 trillion, 14.9% more than in 2008. Reduced interest on loan transactions encouraged the acquisition of property and durable goods.

Inflation in Brazil continues within the target range. The IPCA consumer price index closed 2009 at 4.3%, 0.2 p.p. below the target established by the Central Bank. Given market expectations of inflationary pressure in 2010, the Central Bank is expected to increase the SELIC base rate to prevent inflation.

Sectors

Steel

Brazil's steel industry finished 2009 with consistent signs of a recovery, with figures indicating a very different scenario from the end of 2008, which was strongly impacted by the economic crisis.

Until the beginning of 2009, six of the 14 blast furnaces in Brazil were shut down due to reduced demand. However, as both consumption and international prices recovered throughout the year, by the end of 2009 only one blast furnace remained non-operational in the country.

According to IABr, production of steel in Brazil in 2009 totaled 26.5 million tons of crude steel and 11.8 million tons of rolled flat steel, a decrease of 21.4% and 17.3%, respectively, as compared to 2008. Annual domestic sales of rolled flat steel totaled 9.0 million tons in 2009, a 25.9% decrease as compared to 2008. Flat steel exports totaled 2.5 million tons, a 53.6% increase as compared to 2008.

The prices of the main steel inputs are expected to increase in 2010, especially coal and iron ore, in turn increasing production costs in the main steel mills and benefiting the more integrated producers who have access to raw materials.

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The Brazilian automobile market closed 2009 with its third consecutive annual sales record. The total number of vehicles licensed during the year was 3.1 million, an 11.4% increase as compared to 2008. According to ANFAVEA (the Brazilian vehicle manufacturers' association), annual vehicle production totaled 3.2 million units, just 1% less than in 2008.

In the Brazilian construction sector, according to the São Paulo construction industry association, or SindusCon-SP, despite the difficulties faced the construction industry closed 2009 with a positive outlook. Current estimates indicate that the sector GDP increased by 1% over 2008. The Minha Casa Minha Vida housing program, the Growth Acceleration Program (PAC) and the infrastructure investments related to the World Cup and the Olympics will all have a positive impact on the sector in the future.

The steel distribution sector in Brazil had annual sales volume of 3,397 million tons, an 8.6% decrease as compared to 2008 due to the significant decrease in demand in the first half of 2009.

According to the Brazilian steel distributors' association, or INDA, sales should increase by 15% in 2010, reaching 3.9 million tons, higher than 2008's record figure, mainly driven by higher output of consumer durables and the recovery of the capital goods industry.

In light of the tax breaks in Brazil which began in April 2009 and ended in January 2010, the home appliance industry overcame the originally negative outlook for 2009. At the beginning of 2009, annual sales were expected to fall by 20% but according to the Brazilian home appliance manufacturers' association, or Eletros, sales of stoves, refrigerators and washing machines increased by 6%, 20% and 25%, respectively, during the period when the IPI (federal VAT) cuts were in effect. In 2010 the outlook for the home appliance industry is positive in light of expected greater availability of credit.

Mining

Currently global iron ore production has not been able to meet the world steel demand. Consequently, there is pressure on price fundamentals that affect spot prices.

China, the biggest consumer of Brazilian ore, imported 628 million tons in 2009, 41% more than in 2008 and a new record. As a result, the share of imported ore in China increased from approximately 60% to approximately 70% in 2009.

Low freight costs improved the competitiveness of Brazilian ore over Chinese ore. The Brazil-Asia benchmark price averaged approximately US$51/t in 2009, whereas the February 2010 spot price was more than US$130/t.

Brazil and Australia were still China's leading suppliers, accounting for more than 68% of the country's iron ore imports, supported by a reduction in India's relative share.

According to the Brazilian Mining Institute, or IBRAM, Brazilian iron ore production totaled approximately 300 million tons in 2009, a 19% decrease as compared to 2008. For 2010, IBRAM expects an annual output of 380 million tons.

In 2009, Brazil exported 267 million tons of iron ore, 5% less than the previous year.

The confidence in long term global fundamentals underlines the continuity of our growth perspective to become a major iron ore supplier. CSN has already become an important player in seaborne trade by improving its ranking position every year as market recognizes its importance as a major iron ore supplier.

The Macquarie Group estimates that demand on the key seaborne trade routes will rise again in 2010. Based on an estimated Chinese steel production of approximately 640 million mt, iron ore imports into the country are projected to increase by approximately 55 million mt in 2010. Allied to a recovery in steel production in Europe and Japan, demand fundamentals continue to look strong.

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Our steelmaking operations consumed 6.2 million tons of iron ore during 2009, consisting of 4.7 million tons of sinter-feed material and 1.5 million tons of lump ore. As we do not have pelletizing plants, the total amount of pellets has been acquired in the Brazilian market.

International Macro-Economic Scenario

USA

U.S. GDP decreased by 2.5% in 2009, declining 0.5% in the final quarter, mainly due to the tax and monetary incentives implemented along the year.

The Organisation for Economic Co-operation and Development – OECD expects GDP to recover slowly in 2010, possibly achieving growth of 2.3%, held back by reduced availability of jobs, credit restrictions and the high level of family debt. The steel market is expected to have a gradual recovery over the next two years.

Crude steel production in 2009 totaled 58 million tons, a 36% decrease on the previous year.

Distributors' sales remained stable in the second half of 2009, but were below pre-crisis levels. In light of decrease in production and increased sales efforts, inventories in November 2009 fell for the 13th consecutive month. These conditions favor a slow recovery, which is already being reflected in an increase in steel production capacity use, currently at approximately 65%.

Europe

The European economy underwent a severe recession in 2009 and is expected to still be suffering from the effects of the crisis in 2010. According to the National Associations of Steel, Tube and Metal Distribution, or Eurometal, of the 27 countries members of the European Union, only Poland recorded GDP growth in 2009. The bloc average GDP decreased by 4.1% and is only expected to increase by 0.7% in 2010.

In addition, some countries are facing serious difficulties with their public debt, notably Spain, Portugal, Ireland and, especially, Greece.

According to Worldsteel Association, annual EU steel production totaled 139 million tons, 30% less than in 2008, ratifying Eurometal's estimate of a 33% reduction in apparent consumption of steel. In 2010 and 2011, apparent consumption is expected to increase by 12.5% and 7.6%, respectively, but still below 2007 levels.

Also according to Eurometal, the destocking process began in March 2010. In December 2009, inventories were equivalent to 68 days of sales, close to the historical average of 71 days recorded in 2008. In the short term, demand should recover mainly through the build-up of stocks.

Asia

China remained in 2009 one of the main drivers of the global economy. In the fourth quarter of 2009 alone the Chinese GDP increased 10.7%, and the annual growth for 2009 was 8.7%. The performance of the Chinese economy has a strong influence on commodity prices, especially oil and iron ore.

Chinese industrial output is expected to record significant growth over the next two years, although not as much as before the crisis.

Demand slowed down in the beginning of 2010, due to the normal winter seasonal effects, but is experienced to gradually recover in the rest of the year, with Chinese distributors slowly building up their inventories.

Asian exports are still being affected by reduced global demand and non-competitive production costs, especially in a scenario of main raw material cost pressure.

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All Asian countries recorded a reduction in steel production in 2009, except for China, whose output increased 14% as compared to 2008 to 568 million tons, increasing its share of the global total to 47%.

Steel Markets and Product Mix

Supply and Demand for Steel

Prices of steel are sensitive to changes in worldwide and local demand, which in turn are affected by worldwide and country-specific economic cycles, and to available production capacity. While the export price of steel (which is denominated in U.S. dollars or Euros, depending on the export destination) is the spot price, there is no exchange trading of steel or uniform pricing. Unlike other commodity products, steel is not completely fungible due to wide differences in terms of size, chemical composition, quality and specifications, all of which impact prices. Many companies (including us) discount their list prices for regular customers, making their actual transaction prices difficult for us to determine.

Historically, export prices and margins have been lower than domestic prices and margins, because of the logistics costs, taxes and tariffs. The portion of production that is exported is affected by domestic demand, exchange rate fluctuations and the prices that can be charged in the international markets.

The following table shows Brazilian steel production and apparent consumption (domestic sales plus imports) and global production and demand for the periods indicated:

	Year ended December 31,		
	2007	**2008**	**2009**
Brazilian Market (in thousands of tons)			
Total Flat and Long Steel			
Production(1)	25,850	24,726	20,223
Apparent Consumption	22,060	24,048	18,576
Hot-Rolled Coils and Sheets			
Production	4,326	3,926	3,474
Apparent Consumption	3,354	3,481	2,615
Cold-Rolled Coils and Sheets			
Production	3,412	3,038	2,692
Apparent Consumption(1)	2,900	2,849	2,497
Galvanized Sheets			
Production(1)	2,459	2,343	2,004
Apparent Consumption(1)	2,154	2,478	1,913
Tin Mill			
Production(1)	932	724	665
Apparent Consumption(1)	640	623	570
Global Market (in millions of tons)			
Crude Steel Production	1,346	1,330	1,224
Demand	1,202	1,309	1,202

Source: IBS and International Iron and Steel Institute, or IISI.

Product Mix and Prices

Sales trends in both the domestic and export markets are forecasted monthly based on historical data of the preceding months. CSN uses its own information system to remain current on market developments so that it can respond swiftly to fluctuations in demand.

CSN considers its flexibility in shifting between markets, and its ability to monitor and optimize inventory levels in light of changing demand, as key to its success.

We also have a strategy of increasing the portion of our sales attributable to higher value-added coated products, particularly galvanized and tin plate products. Galvanized products are directed at the automotive, construction and home appliance industries. Tin plate products are used by the steel packaging market.

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The international steel price discounts that occurred in 2009 due to the global economic and financial crisis were not sufficient to increase steel demand and prices remained at low levels until the end of 2009.

Sales Volume and Net Operating Revenues by Steel Products and Markets

The following table sets forth our steel product sales volume and net operating revenues by product and market.

	Sales Volume								
	Tons			% of Sales Volume					
				In Market			Total		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	(In thousands of tons)			*(In percentages)*					
Domestic Sales									
Slabs	84	78	25	2	2	1	2	2	1
Hot-rolled	1,535	1,746	1,204	43	42	37	28	36	29
Cold-rolled	557	685	639	15	16	20	10	14	16
Galvanized	873	1,088	875	24	26	27	16	22	21
Tin Mill	565	561	500	16	14	15	11	11	12
Sub-total	3,614	4,158	3,243	100	100	100	67	85	79
Export sales									
Slabs	310	32	162	18	4	19	6	1	4
Hot-rolled	93	34	191	5	5	22	2	1	5
Cold-rolled	182	32	4	10	4	-	3	1	-
Galvanized	809	464	397	46	63	46	15	9	10
Tin Mill	370	172	114	21	24	13	7	3	2
Sub-total	1,764	733	868	100	100	100	33	15	21
Total	5,378	4,891	4,111				100	100	100
Total Sales									
Slabs	394	110	187				8	2	4
Hot-rolled	1,627	1,780	1,395				30	36	34
Cold-rolled	740	717	643				13	15	16
Galvanized	1,682	1,552	1,272				31	32	31
Tin Mill	935	733	614				18	15	15
Total	5,378	4,891	4,111				100	100	100

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The following table sets forth our steel product net revenues by product and market.

	Net Operating Revenues								
	U.S. dollars			% of Net Operating Revenues					
				In Market			Total		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	(In millions of US$)			(In percentages)					
Domestic Sales									
Slabs	33	47	10	1	1	-	1	1	-
Hot-rolled	1,170	1,740	992	33	35	29	24	30	25
Cold-rolled	499	757	587	14	15	18	10	13	15
Galvanized	1,097	1,583	1,051	31	32	31	22	28	27
Tin Mill	754	862	757	21	17	22	15	15	19
Sub-total	3,553	4,989	3,397	100	100	100	72	87	86
Export sales									
Slabs	154	20	62	11	2	11	3	-	2
Hot-rolled	62	23	91	4	3	16	1	-	2
Cold-rolled	124	24	4	9	3	1	3	-	-
Galvanized	716	491	277	51	65	49	14	9	7
Tin Mill	351	203	130	25	27	23	7	4	3
Sub-total	1,407	761	564	100	100	100	28	13	14
Total	4,960	5,750	3,961				100	100	100
Total Sales									
Slabs	187	67	72	4	1	2	3	1	2
Hot-rolled	1,232	1,763	1,083	25	30	27	23	30	27
Cold-rolled	623	781	591	13	14	15	12	13	15
Galvanized	1,813	2,074	1,328	36	36	34	34	36	32
Tin Mill	1,105	1,065	887	22	19	22	21	18	22
Sub-total	4,960	5,750	3,961	100	100	100	93	98	98
By-products	398	115	138	-	-	-	7	2	2
Total	**5,358**	**5,865**	**4,099**	**100**	**100**	**100**	**100**	**100**	**100**

Brazilian Macro-Economic Scenario

As a company with the vast majority of its operations currently in Brazil, we are affected by the general economic conditions of Brazil. We believe the rate of growth in Brazil is important in determining our future growth capacity and our results of operations.

The Brazilian economy was affected by the global financial crisis especially in the first half of 2009, the Brazilian federal government took several measures in order to resume economic growth. Control over inflation, reduced interest rates, improved earnings, lower unemployment, the increasing availability of credit and measures to encourage consumption all helped fuel demand and re-establish economic growth in 2009. Hence, industrial production recorded a strong growth in the second half of 2009, lead by the production of consumer durables, in turn increasing demand for steel products.

The following table shows certain Brazilian economic indicators for the periods indicated:

	Year ended December 31,		
	2007	2008	2009
GDP growth	6.1%	5.1%	-0.2%
Inflation (IPCA)(1)	4.5%	5.9%	4.3%
Inflation (IGP-M)(2)	7.7%	9.8%	-1.7%
CDI(3)	11.7%	12.4%	9.8%
Appreciation (depreciation) of the *real* against the U.S. dollar	17.2%	-32.0%	25.5%
Exchange rate at end of period (US$1.00)	R$1.771	R$2.337	R$1.741
Average exchange rate (US$1.00)	R$1.948	R$1.837	R$1.994

Sources: IBGE, Fundação Getúlio Vargas, Central Bank and Bloomberg.
(1)The IPCA is a consumer price index measured by the IBGE.
(2)The IGP-M is the general market price index measured by the Fundação Getúlio Vargas.
(3)The Interbank Deposit Rate, or CDI, represents the average interbank deposit rate performed during a given day in Brazil (accrued as of the last month of the period, annualized).

Effects of Exchange Rate Fluctuations

Our financial statements included in this annual report are expressed in U.S. dollars. Our export revenues are substantially denominated in U.S. dollars. Our domestic revenues are denominated in Brazilian *reais* (although domestic sales prices reflect international prices with a time lag of some months).

A significant portion of our cost of products sold are commoditized raw materials, the prices of which are denominated in U.S. dollars. The balance of our cost of products sold and our cash operating expenses (i.e., operating expenses other than depreciation and amortization) are denominated in *reais*.

The appreciation of the U.S. dollar against the *real* has the following effects on our results of operations expressed in U.S. dollars:

- domestic revenues tend to be lower (in comparison with prior years) and to the extent we sell more products than usual in the domestic as opposed to the export markets, this effect is magnified;
- the impact of *real* denominated costs of products sold and operating costs tend to be lower; and
- financial expenses are increased to the extent the exposure to dollar-denominated debt is not protected.

The appreciation of the *real* against the U.S. dollar has the following effects on our results of operations expressed in US dollars:

- domestic revenues tend to be higher (in comparison with prior years) and this effect is magnified to the extent that we sell more products than usual in the domestic markets;
- the impact of *real*-denominated costs of products sold and operating costs tends to be higher; and
- financial income is higher to the extent the exposure to dollar-denominated debt has not been protected.

The impact during the three years ending December 31, 2009 of fluctuations in the *real* exchange rate against other currencies on our results of operations can be seen in the “foreign exchange and monetary gain (loss), net” line in our income statement, although that amount is partially offset by the net financial income (or expense) attributable to the profit (or loss) on our derivative transaction of our foreign currency-denominated debt. In order to minimize the effects of the exchange rate fluctuations, we often engage in derivative transactions, including currency swap and foreign currency option agreements. For a discussion of the possible impact of fluctuations in the foreign currency exchange and interest rates on our principal financial instruments and positions, see “Item 11. Quantitative and Qualitative Disclosures About Market Risk.”

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Effects of Inflation and Interest Rates

Inflation rates in Brazil have been significantly volatile in the past, although they have stabilized in recent years. Inflation rates remained relatively stable from 2003 to 2004, decreased in 2005 and 2006 and increased in 2007 and 2008. In 2009, for the first time since its creation in 1989, the IGP-M inflation index recorded a deflation in a calendar year, equivalent to 1.71%. Furthermore, in 2009 the *real* appreciated against the U.S. dollar, reflecting especially the faster recovery of the Brazilian economy.

Inflation affects our financial performance by increasing some of our costs and expenses denominated in *reais* that are not linked to the U.S. dollar. Our cash costs and operating expenses are substantially denominated in *reais* and have tended to follow the Brazilian inflation ratio because our suppliers and service providers generally increase or decrease prices to reflect Brazilian inflation. In addition, some of our *real-denominated* debt is indexed to take into account the effects of inflation. Under this debt, the principal amount is generally adjusted with reference to inflation indexes. In addition, a significant portion of our *real-denominated* debt bears interest based on the Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI, rate which is partially adjusted for inflation.

The table below shows the Brazilian general price inflation and the CDI for the periods shown.

	Year ended December 31,		
	2007	**2008**	**2009**
Inflation (IGP-M) (1)	7.7%	9.8%	-1.7%
CDI (2)	11.7%	12.4%	9.8%

Source: Fundação Getúlio Vargas, or FGV, and Bloomberg.
(1) The IGP-M inflation is the general market price index measured by the FGV.
(2) The Interbank Deposit Rate, or CDI, represents the average interbank deposit rate performed during a given day in Brazil (accrued as of the last month of the period, annualized).

Accounting for mining production utilized by our steel production

We are currently self-sufficient in iron ore used in the steel production. The iron ore is extracted from our Casa de Pedra mine, which in 2009 supplied approximately 6.2 million tons of its total iron ore production (approximately 21 million tons) to us. The remainder or the iron ore production is sold to third party clients in Brazil and throughout the world.

The cost of iron ore supplied to us is recorded on our income statement in cost of goods sold line item at its extraction cost plus transport from the mine. In 2007, 2008 and 2009, these costs were US$130.7 million, US$150.7 million and US$110.7 million, respectively. In December 2009, we announced a planned segregation of our iron ore business and correlated logistics activities into one of our subsidiaries. This segregation is pending certain regulatory approvals. Upon the transfer of the iron ore business to our subsidiary, iron ore will be provided to our steel works at market prices, which are higher than the currently recorded costs. This transfer of the iron ore business will decrease our steel segment margins and increase our mining segment margins, but should not affect our margins on a consolidated basis. We expect to have certain tax impacts which are currently under analysis.

Critical Accounting Estimates

In preparing our financial statements, we make estimates concerning a variety of matters. Some of these matters are highly uncertain, and our estimates involve judgments we make based on the information available to us. In the discussion below, we have identified several of these matters for which our financial presentation would be materially affected if either (1) we used different estimates that we could reasonably have used or (2) in the future we change our estimates in response to changes that are reasonably likely to occur.

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This discussion addresses only those estimates that we consider most important based on the degree of uncertainty and the likelihood of a material impact if we used a different estimate. There are many other areas in which we use estimates about uncertain matters, but the reasonably likely effect of changed or different estimates is not material to our financial presentation.

Valuation of long-lived assets, intangible assets and goodwill

Under U.S. GAAP, in accordance with Statements of Financial Accounting Standards, or SFAS, No. 144 FASB ASC Subtopic 360-10, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

A determination of the fair value of an asset requires management to make certain assumptions and estimates with respect to projected cash inflows and outflows related to future revenues and expenditures. These assumptions and estimates can be influenced by different external and internal factors, such as economic and industry trends, interest rates and changes in the marketplace. A change in the assumptions and estimates that we use could change our estimate of the expected future net cash flows and lead to the recognition of an impairment charge in results of operations relating to our property, plant and equipment.

We test goodwill for impairment in accordance with SFAS No. 142, “Goodwill and Other Intangible Assets” FASB ASC Topic 350, Intangibles - Goodwill and Other. SFAS No. 142 requires that goodwill be tested for impairment at the “reporting-unit” level (Reporting Unit) at least annually and more frequently upon the occurrence of certain events, as defined by SFAS 142. Goodwill is tested for impairment annually in December in a two-step process. First, we determine if the carrying amount of our Reporting Unit exceeds the “fair value” of the Reporting Unit, which would indicate that goodwill may be impaired. If we determine that goodwill may be impaired, we then compare the “implied fair value” of the goodwill, as defined by SFAS 142, to our carrying amount to determine if there is an impairment loss. We do not have any goodwill that we consider to be impaired.

Depreciation and amortization

Adopted depreciation rates are based on estimated useful lives of the underlying assets, derived from historical information available to us, as well as known industry trends. Depreciation is computed on the straight-line basis at rates which take into consideration the useful lives of the related assets, as follows (average): buildings - 25 years; equipment - 15 years; furniture and fixtures - 10 years; hardware and vehicles - 5 years. The sensitivity of an impact in changes in the useful lives of property, plant and equipment was assessed by applying a hypothetical 10% increase in the depreciation rate existing at December 31, 2009. This hypothetical change would result in an incremental increase in the annual depreciation expense of US$34 million in the year of the change.

Fair value of business combinations

We estimate the fair value of assets acquired and liabilities assumed of our business combinations as required by SFAS No. 141, “Accounting for Business Combinations” - FASB ASC Subtopic 805-10. Accordingly, when determining the purchase price allocations of our business acquisitions, we usually adjust to fair value certain items such as inventories, property, plant and equipment, mines, present value of long-term assets and liabilities, among others, which are determined by independent appraisals that perform the valuations for us. Also, for business combinations purposes, we identify intangible assets apart from goodwill based on the guidance provided in Appendix A of SFAS No. 141 and consider the establishments of SFAS No. 142, “Goodwill and Other Intangible Assets” as to impairment tests or definition of the useful lives of our intangibles identified apart from goodwill, Statement No. 141(R), Business Combinations for the initial recognition and measurement, subsequent measurement and accounting, and disclosures for assets and liabilities arising from contingencies in business combinations, and of FAS 141(R)-1 Accounting for Assets Acquired and Liabilities assumed in a Business Combination that Arise from Contingencies.

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Derivatives

SFAS No. 133, "Accounting for Derivative Financial Instruments and Hedging Activities" - FASB ASC Topic 815, as amended, requires that we recognize all derivative financial instruments as either assets or liabilities on our balance sheet and measure such instruments at fair value. Changes in the fair value of derivatives are recorded in each period in the statements of income or in other comprehensive income, in the latter case depending on whether a transaction is designated as an effective hedge. We have not designated any derivative financial instruments as hedges and the fair value adjustments to our derivatives were thus recorded in the statements of income. With respect to the fair value measurement, we must make assumptions such as to future foreign currency exchange and interest rates. For a discussion of the possible impact of fluctuations in the foreign currency exchange and interest rates on our principal financial instruments and positions, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk."

Pension plans

We sponsor defined benefit pension plans covering some of our retirees. We account for these benefits in accordance with SFAS No. 87, "Employers' Accounting for Pensions," - FASB ASC Subtopic 715-20 – Defined Benefit Plans – General as amended, and SFAS Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R)" ("SFAS 158"), included in ASC Subtopic 715-20, Compensation - Retirement Benefits - Defined Benefit Plans - General.

The determination of the amount of our obligations for pension benefits depends on certain actuarial assumptions. These assumptions are described in Note 15 to our consolidated financial statements and include, among others, the expected long-term rate of return on plan assets and increases in salaries. In accordance with U.S. GAAP, actual results that differ from our assumptions are accumulated and amortized over future periods and generally affect our recognized expenses and recorded obligations in such future periods.

Deferred taxes

We compute and pay income taxes based on results of operations determined under Brazilian GAAP. We recognize deferred income tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. We regularly review the deferred income tax assets for recoverability and establish a valuation allowance if, under U.S. GAAP, it is more likely than not that the deferred income tax assets will not be realized, based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. A change in the assumptions and estimates with respect to our expected future taxable income could result in the recognition of a valuation allowance being charged to income. If we operate at a loss or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or discount rates, the time period over which the underlying temporary differences become taxable or deductible, or any change in its future projections, we could be required to establish a valuation allowance against all or a significant portion of our deferred tax assets, resulting in a substantial increase of our effective tax rate and a material adverse impact on operating results.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109," or FIN 48 - ASC Subtopic 740-10. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return that results in a tax benefit. Additionally, FIN 48 provides guidance on de-recognition, statement of operations classification of interest and penalties, accounting in interim periods, disclosure, and transition. We adopted FIN 48 on January 1, 2007, and the provisions of FIN 48 have been applied to all income tax positions commencing from that date. We recognize potential accrued interest and penalties related to unrecognized tax benefits within operations as income tax expense.

We record liabilities for uncertain tax positions that could be challenged by taxing authorities that, in our judgment, do not meet the more likely than not threshold of being sustained upon examination, based on the facts, circumstances, and information available at the reporting date. We estimate and record the liability for uncertain tax positions considering the probabilities of the outcomes that could be realized upon settlement using the facts, circumstances and information available at the reporting date. It is often difficult to predict the final outcome or timing of resolution of any particular tax matter. Various events, some of which cannot be predicted, may occur that would affect our recognition of liabilities for uncertain tax positions.

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Contingencies and disputed taxes

We record provisions for contingencies relating to legal proceedings with respect to which we deem the likelihood of an unfavorable outcome to be probable and the loss can be reasonably estimated. This determination is made based on the legal opinion of our internal and external legal counsel. We believe these contingencies are properly recognized in our financial statements in accordance with SFAS No. 5 - ASC Topic 450, Contingencies. Those contingencies related to income taxes and social contributions are accounted for based on the "more-likely-than-not" concept in accordance with FIN 48. We are also involved in judicial and administrative proceedings that are aimed at obtaining or defending our legal rights with respect to taxes that we believe to be unconstitutional or otherwise not required to be paid by us. We believe that these proceedings will ultimately result in the realization of contingent tax credits or benefits that can be used to settle direct and indirect tax obligations owed to the Brazilian Federal or State Governments. We do not recognize these contingent tax credits or benefits in our financial statements until realization of such gain contingencies has been resolved. This occurs when a final irrevocable decision is rendered by the courts in Brazil. When we use contingent tax credits or benefits based on favorable temporary court decisions that are still subject to appeal to offset current direct or indirect tax obligations, we maintain the legal obligation accrued in our financial statements until a final irrevocable judicial decision on those contingent tax credits or benefits is rendered. The accrual for the legal obligation related to the current direct or indirect tax obligations offset is not reversed until such time as the utilization of the contingent tax credits or benefits is ultimately realized. The accounting for the contingent tax credits is in accordance with accounting for contingent assets under SFAS No. 5. Our accruals include interest on the tax obligations that we may offset with contingent tax credits or benefits at the interest rate defined in the relevant tax law. The recorded accruals for these disputed taxes and other contingencies may change in the future due to new developments in each matter, such as changes in legislation, irrevocable, final judicial decisions specific to us, or changes in approach, such as a change in settlement strategy in dealing with these matters. See "Item 5A. Operating Results-Results of Operations-2009 Compared to 2008-Disputed Taxes Payable" and "Item 8A. Consolidated Statements and Other Financial Information—Legal Proceedings" for further information on the judicial and administrative proceedings in which we are involved.

Allowance for doubtful accounts

We consider a provision for bad debts in our trade accounts receivable in order to reflect our expectation as to the net realizable value thereof. This provision is estimated based on an analysis of our receivables and is periodically reviewed to maintain real expectation of collectability of our accounts receivable.

Recently Issued Accounting Pronouncements Adopted and Not Adopted by Us

For a description on the recently issued accounting pronouncements, see Note 3 to our consolidated financial statements contained in "Item 18. Financial Statements".

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Results of Operations

For purposes of comparison, the following table presents certain financial information with respect to our operating results for each of the years ended December 31, 2007, 2008 and 2009 and the percentage change in each of these items from 2008 to 2007 and from 2009 to 2008:

	Year Ended December 31,			Increase (Decrease)	
	2007	**2008**	**2009**	**2008/2007**	**2009/2008**
				%	%
Operating revenues					
Domestic sales	5,283	7,377	5,204	39.6	(29.5)
Export sales	1,695	1,830	1,137	8.0	(37.9)
Total	**6,978**	**9,207**	**6,341**	31.9	(31,1)
Sales Taxes	(1,305)	(1,835)	(1,257)	40.6	(31.5)
Discounts, returns and allowances	(156)	(185)	(70)	18.6	(62.2)
Net operating revenues	**5,517**	**7,187**	**5,014**	30.3	(30.2)
Cost of products sold	(3,076)	(3,602)	(3,250)	17.1	(9.8)
Gross profit	**2,441**	**3,585**	**1,764**	46.9	(50.8)
Operating expenses					
Selling	(310)	(412)	(345)	32.9	(16.3)
General and administrative	(185)	(219)	(208)	18.4	(5.0)
Other income (expense)	(85)	(110)	(47)	29.4	(57.3)
Operating income	**1,861**	**2,844**	**1,164**	52.8	(59.0)
Non-operating income (expenses), net					
Financial income (expenses), net	(219)	(380)	(871)	73.5	129.2
Foreign exchange and monetary gain (loss), net	438	(1,265)	422	(388.8)	(133.3)
Other, net	81	1,742	(26)	(2,051)	(101.5)
Income before income taxes and equity in results of affiliated companies	**2,161**	**2,941**	**689**	36.1	(76.6)
Income tax	**(534)**	**(414)**	**(219)**	22.5	(47.1)
Current	(619)	(615)	(167)	(0.6)	(72.8)
Deferred	85	201	(52)	136.5	(125.9)
Equity in results of affiliated companies	76	127	809	67.1	537.0
Net income	**1,703**	**2,654**	**1,279**	55.8	(51.8)
Net loss attributable to noncontrolling interest	-	-	**2**	-	100.0
Net income attributable to Companhia Siderúrgica Nacional	**1,703**	**2,654**	**1,281**	55.8	(51.8)

Year 2009 Compared to Year 2008

Operating Revenues

Despite the beginning of a global recovery in the economy, 2009 was marked by lower global demand for steel products, metals and other commodities. Consequently, our operating revenues decreased by 31.1%, from US$9,207 million in 2008 to US$6,341million in 2009, as a result of the shrinking demand and lower average prices. Total domestic revenues decreased 29.5%, from US$7,377 million in 2008 to US$5,204 million in 2009, while total export revenues decreased 37.9%, from US$1,830 million in 2008 to US$1,137 million in 2009.

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Steel

In 2009, our total steel revenues amounted to US$5,345 million, a decrease of US$2,439 million, or 31.3%, when compared to the US$7,784 million recorded in 2008. This decrease in steel revenues occurred in both the domestic and export markets.

Our annual steel domestic revenues decreased US$2,168 million, or 31.3%, from US$6,934 million in 2008 to US$4,766 million in 2009, due to: (i) reduction of 22.0% in sales volume from 4,158 million tons in 2008 to 3,243 million tons in 2009, due to the decrease in demand, especially in the first half of 2009 and (ii) reduced prices granted during the first half of 2009.

Our annual steel export revenues decreased US$271 million, or 31.9%, from US$850 million in 2008 to US$579 million in 2009, due to lower prices in the international market despite the increase in the total export sales from 733 thousand tons in 2008 to 868 thousand tons in 2009, we sold a lower volume of higher value-added products such as galvanized and tin plate. (see table "*Sales Volume and Net Operating Revenues by Steel Products and Markets*" above).

Mining

The global economic and financial crisis that commenced in 2008 impacted our iron ore business during 2009, negatively affecting our operating revenues. Prices decreased significantly in 2009 despite the increase in iron ore volumes imported by China during the year.

Our mining operating revenues decreased US$692 million, or 50.1%, to US$690 million in 2009 from US$1,382 million in 2008, mainly due to the following factors:

- The significant decrease in iron ore prices in 2009, which affected our net operating revenues in US$210 million;
- The decrease in sales volumes of the Casa de Pedra mine of approximately 30%, due to the concentration of iron ore sales through Namisa, in which we own a non-consolidated 60% ownership interest. This decrease in volume sold by us through Casa de Pedra mine reduced our revenues in US$144 million;
- The deconsolidation of Namisa, our 60% subsidiary in 2009, which negatively impacted our revenues in US$379 million in comparison to 2008; and
- During 2009, we sold higher volumes of run-of-mine to our 60% non-consolidated investee Namisa, which increased our operating revenues in US$50 million as compared to 2008.

Our domestic sales decreased US$270 million, or 67.2%, to US$132 million in 2009 from US$402 million in 2008 due to the lower domestic demand and a significant decrease in domestic prices. Domestic sales represented 3% of our total sales in 2009 as compared to 21% in 2008.

Our export sales decreased US$422 million, or 43.1%, to US$558 million in 2009 from US$980 million in 2008 due to the deconsolidation of our 60% non-consolidated investee Namisa as of 2009, which impacted our export sales in US$337 million, as well as the decrease in iron ore prices worldwide. The sharpest sales decrease occurred in Asia, which reduced from US$826 million in 2008 to US$460 million in 2009, and to Europe, from US$148 million in 2008 to US$82 million in 2009.

Sales Taxes

Our deductions from operating revenues consist of sales taxes, which decreased by 31.5%, from US$1,835 million in 2008 to US$1,257 million in 2009.

Steel

Steel sales taxes, which include the Social Integration Tax Program (*Programa de Integração Social*), or PIS, the Social Security Financing Tax (*Contribuição para o Financiamento da Seguridade Social*), or COFINS, the Tax on Industrial Products (*Imposto sobre Produtos Industrializados*), or IPI, and Tax on Services (*Imposto sobre Serviços*), or ISS, and the Value-Added Tax (*Imposto sobre Circulação de Mercadorias e Serviços*), or ICMS, tax decreased US$556 million, or 32.1%, from US$1,734 million in 2008 to US$1,178 million in 2009, due to the reduction on sales of steel products to the domestic market, as described above.

Mining

In terms of mining, sales taxes consist of PIS, COFINS and ICMS. Mining sales taxes decreased by 60.4%, from US$53 million in 2008 to US$21 million in 2009 due to the decrease in sales to the domestic market and the decrease in iron ore prices.

Discounts, returns and allowances

Discounts, returns and allowances are also deducted from our operating revenues and decreased by 62.2%, from US$185 million in 2008 to US$70 million in 2009, representing 1% of our gross operating revenues in 2009 as compared to 2% in 2008. These discounts, returns and allowances are made in the ordinary course of our business.

Net Operating Revenues

Net operating revenues decreased by 30.2%, from US$7,187 million in 2008 to US$5,014 million in 2009, mainly due to the 31.1% decrease in operating revenues as discussed above.

Steel

Steel net operating revenues decreased US$1,766 million, or 30.1%, from US$5,865 million in 2008 to US$4,099 million in 2009, mainly due to the reduction in steel sales volume given the slowdown in demand, especially in the first half of 2009, lower prices in the international market and discounts in prices granted during the first half of 2009.

Mining

Net operating revenues decreased by 49.8%, from US$1,329 in 2008 to US$667 in 2009 primarily due to the decreases in sales volume and lower iron ore prices as described above.

Cost of Products Sold

Steel

The following table sets forth our steel production costs, the production costs per ton of steel and the portion of production costs attributable to the primary components of our costs of production. With the exception of coal and coke which we import and some metals (such as aluminum, zinc and tin), whose domestic prices are linked to international prices, our costs of production are mostly denominated in *reais*. The devaluation of the Brazilian *real* causes U.S. dollar-denominated or U.S. dollar-linked production costs to increase as a percentage of total production costs. Conversely, appreciation of the *real* causes real-denominated production costs to increase as a percentage of total production costs.

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	Year Ended December, 31								
	2007			2008			2009		
	US$ 000	US$/ton	%	US$ 000	US$/ton	%	US$ 000	US$/ton	%
Raw Materials									
Iron Ore	130,712	24.65	5.7	150,716	29.55	5.1	110,743	25.48	4.7
Coal	421,996	79.59	18.4	613,774	120.35	20.8	521,599	119.99	22.1
Coke	63,994	12.07	2.8	232,151	45.52	7.9	189,042	43.49	8.0
Metals	242,987	45.83	10.6	147,934	29.01	5.0	86,881	19.99	3.7
Outsourced Hot Coils	955	0.18	0.0	84,726	16.61	2.9	30,308	6.97	1.3
Outsourced Slabs	11,052	2.08	0.5	174,073	34.13	5.9	893	0.21	-
Other(1)	216,415	40.82	9.4	276,177	54.15	9.4	180,207	41.45	7.6
	1,088,111	**205.23**	**47.5**	**1,679,551**	**329.33**	**56.9**	**1,119,673**	**257.57**	**47.4**
Energy/Fuel	228,767	43.15	10.0	274,339	53.79	9.3	268.410	61.74	11.4
Labor	217,816	41.08	9.5	199,352	39.09	6.7	243.105	55.92	10.3
Services and Maintenance	396,300	74.75	17.3	370,547	72.66	12.6	335,107	77.09	14.2
Tools and Supplies	131,304	24.77	5.7	150,453	29.50	5.1	110,636	25.45	4.7
Depreciation	217,824	41.08	9.5	264,880	51.94	9.0	280,720	64.58	11.9
Others	12,414	2.34	0.5	11,023	2.16	0.4	3,685	0.85	0.2
	2,292,537	**432.4**	**100.0**	**2,950,145**	**578.47**	**100.00**	**2,361,336**	**543.2**	**100.00**

(1) Include pellets, scrap, limestone and dolomite.

Other than the sale of excess inventories from time to time and the purchase by our subsidiaries of semi-finished products from third parties for further processing, our cost of products sold is equivalent to our steel production cost.

We are self-sufficient in almost all the raw materials used in the steel production. The principal raw materials we use in our integrated steel mill include iron ore, coke, coal (from which we produce most of our coke necessities), limestone, dolomite, aluminum, tin and zinc. In addition, our production operations consume water, gases, electricity and ancillary materials.

We obtain all of our iron ore requirements from our Casa de Pedra mine located in the State of Minas Gerais, and the limestone and dolomite from our Bocaina mine in the city of Arcos, in the State of Minas Gerais.

The coal and coke we consume are acquired from different international producers "See Item Raw Materials and Suppliers". During 2009, given the lower global demand for steel products, there was a decrease in the consumption and in the prices of some commodities used for steelmaking.

Our coal costs decreased 15.0%, from US$613.8 million in 2008 to US$521.6 million in 2009, corresponding to 22.1% of our steel production cost, given the reduction in consumption and the lower average prices.

There was also a decrease of 18.6% in the costs of coke, from US$232.1 million in 2008 to US$189.0 million in 2009, which accounted for 8.0% of our production cost, mainly due to the lower consumption.

Production cost decreased also due to the lower consumption of slabs and hot-rolled coils acquired from third parties in 2008. Those costs decreased 87.9%, from US$258.8 million in 2008 to US$31.2 million in 2009.

The costs of metals such as aluminum, zinc and tin also decreased from US$147.9 million in 2008 to US$86.9 million in 2009, or 41.2%, given the reduction in consumption and lower prices.

Other raw materials include pellets and scrap purchased in the market and also limestone and dolomite that we extract from our own mines in the city of Arcos, in the state of Minas Gerais.

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Mining

Our cost of goods sold increased by 5.5% from US$401 million in 2008 to US$423 million in 2009 due to an increase in certain costs, such as labor, services and maintenance and energy and fuel. Our costs of products sold per ton increased from US$ 21.79 in 2008 to US$23.24 in 2009.

Gross Profit

Gross profit decreased by 50.8%, from US$3,585 million in 2008 to US$1,764 million in 2009, mainly due to the decrease of 30.2% in net operating revenues from US$7,187 million in 2008 to US$5,014 million in 2009 and given the decrease of 9.8% in the cost of products sold, from US$3,602 million to US$3,250 million.

Steel

Gross profit in the steel segment decreased US$1,277 million, or 48.0%, from US$2,661 million in 2008 to US$1,384 million in 2009 due to the reduction of US$1,766 million in steel net revenues and the reduction of US$489 million in the cost of steel products sold, from US$3,204 million in 2008 to US$2,715 million in 2009, mainly due to lower steel sales volumes and decrease in production, with a lower dilution of fixed costs.

Mining

Our gross profit decreased by 73.7% from US$928 million in 2008 to US$244 million in 2009 mainly due to the deconsolidation of our 60% non-consolidated investee Namisa, a decrease in iron ore prices and demand constraint in 2009 as compared to 2008.

Selling, General and Administrative Expenses

In 2009, we recorded selling, general and administrative expenses of US$553 million, representing a 12.4% decrease from the US$631 million recorded in 2008.

Selling expenses decreased by 16.3%, from US$412 million in 2008 to US$345 million in 2009, mainly due to a decrease in the steel sales volume on the domestic market.

General and administrative expenses decreased by 5.0%, from US$219 million in 2008 to US$208 million in 2009, as a result of our efforts to adapt our structure to the global economic and financial crisis.

Other Income (Expenses)

Other expenses decreased by US$63 million, from US$110 million in 2008 to US$47 million in 2009, mainly due to commercial contingencies and fines in 2008, in particular with respect to transportation of products, which did not occur in 2009.

Operating Income

Operating income decreased by 59.0%, or US$1,680 million, from US$2,844 million in 2008 to US$1,164 million in 2009. This decrease was mainly due to the US$1,821 million decrease in gross profit, reflecting mainly the effects of the global economic and financial crisis.

Non-operating Expenses (Income), Net

Our non-operating income (expenses), net are comprised of the financial results, foreign exchange and monetary results, and, in 2008, also included the gain on 40% dilution of interest in our 60% non-consolidated investee Namisa to an Asian consortium as explained below. Non-operating income, net decreased by US$570 million, from an income of US$97 million in 2008 to an expense of US$475 million in 2009.

On December 30, 2008, we sold 2,271,825 shares of Namisa's voting capital, one of our mining subsidiaries and, subsequently, Namisa issued 187,749,249 new shares at a price of US$16.20 per share, subscribed and paid in by Big Jump, increasing its ownership interest to 40%, diluting our voting and total interest in Namisa to 60%. Big Jump paid in cash for Namisa's shares the amount of US$3,041 million.

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As a result of the acquisition, Big Jump holds 40% and CSN holds 60% of Namisa's shares. Based on the shareholders' agreement of Namisa, our management concluded that Namisa's financial statements should not be consolidated with our financial statements as of December 30, 2008, as the purchaser consortium has effective and significant participation rights rather than protective rights through the right to participate in significant decisions related to Namisa's ordinary course of business. Accordingly, Namisa's results have been consolidated only until the date of sale and dilution, December 30, 2008.

Upon the sale of Namisa's shares and dilution, we adopted income statement recognition as our accounting policy for gains in dilution and, accordingly, recorded a net non-operating gain on 40%-dilution of our interest in the amount of US$1,667 million, as detailed below:

	Amount	Percentage	Gain (loss)
Namisa's net equity before capital increase by Big Jump, represented by 287,303,436 shares	395	40%	(158)
Capital increase by Big Jump through issuance of 187,749,249 new shares (US$1.48 per share plus additional paid in capital of US$14.72 per share)	3,041	60%	1,825
Net non-taxable gain on dilution of interest in Namisa			1,667

The gain of US$1,667 million referred to above is non-taxable since a dilution of interest is not considered as a capital gain in accordance with Brazilian tax law.

Financial expenses (income), Net

In 2009 our net financial expenses increased by 129.2%, or US$491 million, from US$380 million in 2008 to US$871 million in 2009, mainly due to the following items:

- US$156 million increase in interest income;
- US$384 million increase in interest expense;
- US$169 million decrease in our income from derivative instruments, and;
- US$94 million increase in our other financial expenses, net.

Interest income

Interest income increased by 156%, or US$156 million, from US$100 million in 2008 to US$256 million in 2009 mainly due to higher accrual of interest receivable from financial investments in the amount of US$67 million, interest receivable from loans to our 60% non-consolidated investee Namisa in the amount of US$87 million, and a waiver of interests on certain federal taxes in the amount of US$138 million. These increases in interest income were partially offset by a decrease of US$161 million related to the reversal of interest accrued on restricted deposits for legal proceedings on presumed credit of IPI.

Interest expense

Interest expense increased by 69.8%, or US$384 million, from US$550 million in 2008 to US$934 million in 2009 mainly due to interest on the prepayment agreements for port services and iron ore supplies entered into at the end of 2008. See "Item 5E. Off-Balance Sheet Arrangements – Contractual Obligations – Namisa." These prepayment interest, that impacted the statements of income from January, 2009, amounted to US$450 million in 2009 partially offset by lower fines and interest on taxes in the amount of US$86 million.

Derivative instruments

The results on derivative instruments decreased by 135.2%, or US$169 million, shifting from a gain of US$125 million in 2008 to a loss of US$44 million in 2009 primarily due to the net results of our hedging swaps (USD vs. CDI) which generated a net loss of US$417 million in 2009.

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Other financial income (expenses), net

Other financial income (expenses), net increased by 170.9%, or US$94 million, from an expense of US$55 million in 2008 to an expense of US$149 million in 2009 mainly due to an increase in discounts given to customers and certain bank commissions.

Foreign Exchange and Monetary Gain, Net

Foreign exchange and monetary gain, net increased by 133.4%, or US$1,687 million, from a loss of US$1,265 million in 2008 to a gain of US$422 million in 2009 mainly affected by appreciation of the *real* against the *U.S. dollar*. This appreciation affects:

- Our U.S. dollar-denominated gross debt;
- Our U.S. dollar-denominated cash and cash equivalents; and
- Our trade accounts receivable and payable.

Income Taxes

We recorded an expense for income tax and social contribution of US$219 million in 2009, as compared to US$414 million 2008. Expressed as a percentage of pre-tax income, income tax expense increased from 14.0% in 2008 to 31.7% in 2009. Income tax expense in Brazil refers to the collection of federal income tax and social contribution tax. The statutory rates for these taxes applicable to the periods presented herein were 25% for federal income tax and 9% for the social contribution. Therefore, the balances owed for these periods totaled US$234 million in 2009 and US$1,001 million in 2008 (34% of income before taxes and equity in affiliated companies). Adjustments are made to these rates in order to reach the actual tax expense for the years.

For the year ended December 31, 2009, adjustments totaled US$15 million and were comprised of:

- a US$55 million benefit from interest on stockholders' equity;
- a US$65 million adjustment related to non deductable foreign exchange expense from subsidiaries or taxed at different rates;
- a US$126 million benefit related to non taxable income from the Federal Tax Repayment Program, or REFIS, adjustments;
- tax incentives and other permanent differences that represented a net tax adjustment of US$29 million; and
- a US$72 million addition to valuation allowance since certain subsidiaries had tax losses carryforward in 2009 which are not expected to be recovered.

For the year ended December 31, 2008, adjustments totaled US$587 million and were comprised of:

- a US$39 million benefit from interest on stockholders' equity;
- a US$472 million benefit related to non taxable income of subsidiaries or income taxable at different rates, net of US$567 million benefit related to the 40% dilution of our interest in Namisa;
- a US$21 million addition to valuation allowance since certain subsidiaries had tax losses carryforward in 2008 which are not expected to be recovered; and
- tax incentives and other permanent differences that represented a net tax benefit of US$97 million.

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Our taxable income, generated from our operations in Brazil and abroad, is comprised of the following:

	Year Ended December 31,		
	2008	**2009**	**Changes**
	(In million of U.S. dollars)		
Brazil	3,225	1,039	(2,186)
Foreign	(284)	(350)	(66)
Total	**2,941**	**689**	**(2,252)**

Our taxable income in Brazil was impacted by the decrease in sales. The total decrease in taxable income generated in Brazil in 2009, as compared to 2008, totaled US$2,186 million. Expressed in *reais*, our taxable income decreased by 74.6% in 2009, as compared to 2008. Our foreign taxable income increased by US$66 million in 2009, as compared to 2008.

It is not possible to predict the future adjustments to the federal income tax and social contribution at statutory rates, as they depend on interest on stockholder's equity, non-taxable factors including income from offshore operations, and tax losses from offshore operations, especially when expressed as a percentage of income.

Accruals for Disputed Taxes Payable

The provisions for contingencies relate to legal proceedings with respect to which we deem the likelihood of an unfavorable outcome to be probable and the loss reasonably estimable. This determination is made based on the legal opinion of our internal and external legal counsel. We believe these contingencies are properly recognized in our financial statements in accordance with Statements of Financial Accounting Standards No. 5 (SFAS No. 5), included in ASC Topic 450, Contingencies. Those contingencies related to income taxes and social contributions are accounted for based on the "more-likely-than-not" concept in accordance with FIN 48, included in ASC Subtopic 740-10. We are also involved in judicial and administrative proceedings that are aimed at obtaining or defending our legal rights with respect to taxes that we believe to be unconstitutional or otherwise not required to be paid by us. We believe that these proceedings will ultimately result in the realization of contingent tax credits or benefits that can be used to settle direct and indirect tax obligations owed to the Brazilian Federal or State Governments. We do not recognize these contingent tax credits or benefits in our financial statements until realization of such gain after contingencies have been resolved. This occurs when a final irrevocable decision is rendered by a court in Brazil. When we use contingent tax credits or benefits based on favorable temporary court decisions that are still subject to appeal to offset current direct or indirect tax obligations, we maintain the legal obligation accrued in our financial statements until a final irrevocable judicial decision on those contingent tax credits or benefits is rendered. The accrual for the legal obligation related to the current direct or indirect tax obligations offset is not reversed until such time as the utilization of the contingent tax credits or benefits is ultimately realized. The accounting for the contingent tax credits is in accordance with accounting for contingent assets under SFAS No. 5. Our accruals include interest on the tax obligations that we may offset with contingent tax credits or benefits at the interest rate defined in the relevant tax law.

We classify an accrual as short-term when we expect the liability to be settled in 365 days or less. As of December 31, 2009, US$109 million had been classified as short-term accrual for contingencies, as compared to US$69 million as of December 31, 2008. This usually occurs when a final, unappealable and irrevocable judgment has been rendered and the legal processes are in the execution phase. Given the complexity of the Brazilian legal system and the intricacies of some claims, it is impracticable for Brazilian companies to predict the time period in which final decisions will be reached for such claims. Consequently, these claims are classified as long-term liabilities.

The deposits for contingencies and disputed taxes payable are generally based on (i) accruals recorded in connection with lawsuits, (ii) judicial orders issued in connection with lawsuits and (iii) guarantees in connection with judicial foreclosure proceedings. Such deposits are classified as long-term assets, and the release of such deposits is conditioned upon judicial order. When such a judicial order is granted in our favor, the deposit is forfeited and returned to us in cash and the deposit account is appropriately offset. When such a judicial order is granted in a manner unfavorable to us, the deposit is used to offset the related liability and the deposit account is appropriately offset.

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On November 26, 2009, CSN and its subsidiaries adhered to the REFIS introduced by Law 11,941/09 and Provisional Measure 470/09, in order to settle our tax and social security liabilities through a special settlement and installment payment system. Management's decision took into consideration the economic benefits provided by the REFIS, such as discounts and fines exemptions, as well as the high costs of maintaining pending lawsuits.

As a result, in 2009, we recorded the adjustments necessary to be made in the provisions, as well as reductions in debts, including debts offset against IPI premium credit over export, ordinary payment migration and sundry debts, which amounted to US$2.9 billion, including interests and related charges. Adherence to the special tax programs reduced the amount previously due in fines, interest and legal charges, generating a positive impact on our pre-tax income of US$255 million.

The new amount of the debts following the reductions stipulated by the tax program of Law 11,941/09 was offset with court deposits and the residual amount will be settled in 180 installments as of the ratification of the debts by the authorities, which we expect will take place in mid-2010. The debts due under Provisional Measure 470/09 are being settled in 12 installments beginning in November 2009. On December 31, 2009, taxes payable in installments from REFIS amounted to US$475 million. For a description of our policies for the provisioning of contingencies see "Item 8. Financial Information - A. Consolidated Statements and Other Financial Information - Legal Proceedings" below.

Disputed taxes payable

• *Imposto sobre produto industrializado - IPI (Excise Tax) presumed credit on inputs*

We have accrued a liability for certain tax liabilities that were offset against credits related to IPI excise tax. The accrual is necessary to offset the contingent gain resulting from the use of IPI excise tax credits. The IPI excise tax credits are similar to value added tax credits related to the purchase of goods used in the production process. Brazilian law prevents companies from recognizing IPI excise tax credits on the acquisition of certain goods. We believe that this prohibition is unconstitutional since it is not consistent with general value added tax principles, the reason why we challenged this prohibition in Brazilian courts. In May 2003, we sought and obtained a favorable preliminary order from a Brazilian court authorizing us to compensate federal tax liabilities with IPI excise tax credits under dispute. We were awaiting the decision of a Brazilian trial court. After such a decision is rendered, we expect the decision will be subject to several stages of appellate review before a final unappealable judgment is obtained. The IPI excise tax credit accrual recorded by us as of December 31, 2008 represented our statutory obligation to pay taxes that were offset with IPI excise tax credits.

We have noted that several other Brazilian companies have challenged the same prohibition and these companies have received both favorable and unfavorable judgments at different stages of the judicial process. Recently, for example, the Brazilian Federal Supreme Court issued a final, unappealable and irrevocable decision on June 25, 2007 against a given taxpayer, denying the use of these credits. On August 27, 2007 the proceeding had an unfavorable decision for us, which were paying the amount of US$519 million with the Federal Revenue of Brazil in installments and transferred the liability to the accounts of taxes payable in installments. From the unfavorable aforementioned decision, an appeal was filed by us.

In light of the above, on November 26, 2009, CSN adhered, the abovementioned cases to the REFIS introduced by Law 11,941/09 and Executive Order 470/09, and as a result the amount payable in installments was reduced to US$284 million as of December 31, 2009 (US$369 million as of December 31, 2008).

• *IPI premium credit over exports*

We have accrued a liability for certain tax liabilities that were offset against IPI premium tax credits. The accrual is necessary to offset the contingent gain resulting from the use of IPI premium tax credits and represents the statutory obligation to pay taxes that were offset against these credits. The IPI premium tax credits relate to export sales made during 1992 to 2002. Tax laws allowed Brazilian companies to recognize IPI premium tax credits until 1983, when an act of the executive branch of the Brazilian government cancelled such benefits and prohibited companies from recognizing these credits. We challenged the constitutionality of the executive branch's action since only a law enacted by the Brazilian legislature could cancel or repeal benefits duly enacted by prior legislation. In August 2003, we sought and obtained a favorable decision from a Brazilian trial court that authorized the use of IPI premium tax credits.

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The Brazilian National Treasury filed an appeal against such decision and was awarded a favorable decision from a Brazilian court of appeals. We filed appeals against such decision before both the Brazilian Superior Court of Justice and the Brazilian Federal Supreme Court and were still awaiting for decisions from such courts. In September 2006, the Brazilian National Treasury filed five tax foreclosures against us to require payments in the total amount of approximately R$1 billion, referring to the collection of taxes which were offset against the use of IPI premium tax credits.

During 2007, in view of these foreclosure proceedings, the distribution of dividends and the payment of interest on shareholders' equity expected to take place on April 30, 2007 were suspended and the amount allocated for such purpose was blocked by court decision. On August 29, 2007, we offered assets in lien represented by treasury shares in the amount of US$270 million (R$536 million translated using the exchange rate as of the date of the transaction). 25% of this amount was substituted by judicial deposits in monthly installments performed up to December 31, 2007 and as these substitutions took place, the equivalent in shares was released from the lien at the share price determined at the closing price of the day prior to the deposit. In view of these events, our bank accounts were unblocked, the court decision to suspend the dividends distribution was revoked, and dividends were paid to shareholders as from September 4, 2007.

In March 2009, we offered Letters of Guarantee in the amount of US$477 million (R$830 million), which aimed to replace the levy of execution upon securities carried out as of the disclosure of dividend payment. The prevalence of guarantee in treasury shares, bank surety or cash to be deposited judicially had not yet been decided by the Regional Federal Court.

On August 13, 2009, the Brazilian Federal Supreme Court issued a decision with effects of general repercussion establishing that the IPI Premium Credit was only effective up to October 1990. Thus, the credits determined after 1990 were not recognized, and, in view of this court decision, our board of directors approved the adhesion of such debts to REFIS.

We had provisioned the amount of credits already offset, increased by default charges up to September 30, 2009 (as of December 31, 2008, the IPI premium credit accrual represented the accumulated IPI tax credits used of US$953 million). The new balance after the application of reductions set forth in the program of Law 11,941/09 was offset with court deposits related to referred operations, resulting in excess deposits amounting to US$297 million after application of REFIS reductions, which may be offset by other debts discussed in court by the taxpayer or converted into cash. Such debts are yet subject to ratification by the proper authorities, which we expect will take place in mid-2010. Debts registered pursuant to Provisional Measure 470/09 are being paid in 12 installments as of November 2009.

• *Income tax and social contribution*

As disclosed in Note 6 to our consolidated financial statements for the year ended December 31, 2009 included elsewhere herein, we account for the uncertainties in income tax and social contribution in accordance with FIN 48 beginning on January 1, 2007.

"Plano Verão"

We claim recognition of the financial and tax effects on the calculation of income tax and social contribution on net income, related to Consumer Price Index – IPC understated inflation, which occurred in January and February 1989, by a percentage of 51.87% ("Plano Verão"). In 2004, the proceeding was concluded and judgment was made final and unappealable, granting to us the right to apply the index of 42.72% (Jan/89), of which the 12.15% already applied should be deducted. The application of 10.14% (Feb/89) was granted. The proceeding is currently under accounting investigation.

At December 31, 2009, we had US$195 million, as compared to US$144 million in 2008 as judicial deposit and a provision of US$12 million, as compared to US$9 million in 2008, which represents the portion not recognized by the courts.

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Social Contribution on Income from Export Revenues

We filed a lawsuit challenging the assessment of Social Contribution on Income on export revenues, based on Constitutional Amendment No. 33/01 and in March 2004, we obtained an initial decision authorizing the exclusion of these revenues from referred calculation basis, as well as the offsetting of amounts paid as from 2001. The lower court decision was favorable and the proceeding is waiting for trial of the appeal filed by the Federal Government in the Regional Federal Court. At December 31, 2009, the amount of suspended liability and the offset credits based on the referred proceedings was US$712 million, as compared to US$495 million at December 31, 2008, already adjusted by the SELIC.

The debts related to the offsetting of amounts paid as from 2001, as well as the debts related to the exclusion of export revenues from taxable basis were included in the REFIS. Such debts will be subject to ratification by the proper authorities, which we expect will take place in mid-2010. We still claim the exclusion of profits derived from exports from the calculation basis of the Social Contribution, according to the initial decision obtained by us.

• *PIS/COFINS–Law No. 9,718/98*

PIS and COFINS are taxes assessed on revenues. In 1998, new tax legislation was enacted which required Brazilian companies to pay PIS and COFINS on revenues resulted from financial investments. Prior to 1998, the Brazilian Federal constitution dictated that Brazilian companies were only required to pay PIS and COFINS taxes on revenues from operational activities. We challenged the constitutionality of the assessment of PIS and COFINS from financial investments since, in order to expand the PIS and COFINS tax calculation basis, the Brazilian legislature was required to observe a constitutionally mandated waiting period prior to enacting the legislation. In addition, at the time the new tax legislation was enacted, the Brazilian Federal constitution did not allow such taxes to be assessed on revenues from financial investments. In February 1999, a lower court confirmed this position. We sought and obtained a favorable preliminary order in March 2000. In April 2000, the Brazilian tax authorities appealed to a Brazilian court of appeals. On March 6, 2006, the relevant Brazilian court of appeals issued a decision unfavorable to us. On March 10, 2006, we appealed against such decision before both the Brazilian Superior Court of Justice and the Brazilian Supreme Court. Until the resolution of these appeals, our rights under the initial favorable decision were still in effect. The PIS/COFINS accrual represents our statutory obligation to pay PIS/COFINS taxes due. We have noted that some Brazilian companies obtained favorable final and unappealable judgments in 2005 regarding similar PIS/COFINS legal challenges. Those companies have accordingly reversed some or most of their related disputed tax payment provisions. However, one given company did not obtain a favorable decision and was required to pay the related tax obligation.

On May 31, 2007, a decision in our favor was made final and unappealable. Such decision was published in the Official Gazette of Justice, on June 16, 2007, when in view we reversed the provision existing on that date. The reversal of the provision increased our operating results of 2007 by US$179 million.

Other non-income tax contingencies

We are party to other judicial and administrative proceedings not described in the notes to our consolidated financial statements, involving a total of approximately US$2.6 billion as of December 31, 2009 (US$2.5 billion as of December 31, 2008), of which U$$1.8 billion is related to tax proceedings (US$1.9 billion as of December 31, 2008), US$0.2 billion to civil judicial processes (US$0.2 billion as of December 31, 2008) and US$0.6 billion to labor lawsuits (US$0.4 billion as of December 31, 2008). Most of these other proceedings are comprised of tax assessments received related to fines and penalties on credits used to offset legal and tax-related obligations that were previously considered as remote. Our external legal counsel deemed that the risk of loss arising from these lawsuits was only possible as opposed to probable. Therefore, we did not record accruals for contingencies with respect to these lawsuits.

Other tax contingencies relate to a variety of disputes for which we have recorded provisions for probable losses. No single group of similar claims constitutes more than 5% of total contingencies.

Year 2008 Compared to Year 2007

Operating Revenues

Our operating revenues increased by 31.9%, from US$6,978 million in 2007 to US$9,207 million in 2008, as a result of the following combined effects: (i) successive steel price hikes along the year in the Brazilian market, (ii) a better sales mix concentration, and (iii) a larger share of the mining segment as a percentage of our total revenues, which benefits from higher iron prices in the international market.

We recorded annual steel sales volume of 4,891 million tons in 2008, representing a decrease from 5,378 million tons in 2007, and annual iron-ore sales of 18.5 million tons in 2008, excluding own consumption, a Company record. In 2007, we recorded annual iron-ore sales of 10.5 million tons.

The strong performance of the Brazilian steel sector in the first ten months of 2008 evidenced a 9% increase on our domestic sales as compared to 2007, as a result mainly of a strong demand for steel products and successive price increases. In November 2008, however, the global financial crisis affected our customers and demand for our products decreased abruptly. According to IBS, crude steel production remained flat over 2007 at 33 million tons.

Domestic Sales

Our annual domestic sales volume increased 15% from 3,614 million tons in 2007 to 4,158 million tons in 2008, in line with our strategy of prioritizing the Brazilian market, where we have historically generated higher profit margins.

According to IBS, we recorded an average steel market share of 39% in 2008 in terms of volume, as compared to the 34% market share recorded during the previous year. As for the product mix, once again high value-added products such as galvanized, galvalume and tin plate accounted for approximately 40% of total domestic volume in 2008

Domestic prices were adjusted three times in March, May and July of 2008, amounting to the following increases: 50% for hot-rolled, 38% for cold-rolled, 27% for galvanized and 12% for tin plate.

In the domestic market, our operating revenues increased by 39.6%, from US$5,283 million in 2007 to US$7,377 million in 2008, as a result of the combined effect described above.

Annual iron-ore sales, excluding own consumption, reached 18.5 million tons in 2008, an all-time record for the Company, with domestic sales accounting for 3.9 million ton, or 21% of the total.

Export Sales

The year 2008 was marked by a slowing global demand for steel products, and exceptionally volatile prices for metals and other commodities.

In 2008 we exported 733,000 tons of steel products, representing a 58.4% decrease as compared to the exported volume recorded in 2007. Our iron-ore sales exports volume increased 186.9% from 5.1 million tons in 2007 to 14.7 million tons in 2008.

Operating revenues from our exports increased 8.0% from US$1,695 million in 2007 to US$1,830 million in 2008, as previously explained.

The main effects the slowing global demand for steel products are explained below, by each international market.

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USA

Given the U.S. economy, which had been showing signs of weakening since the end of 2007, the steel demand fell by 25% in 2008. Lack of credit and consumer confidence had a direct impact on the destocking of steel products and distributors inventories began to fall slightly as of September 2008.

Despite this reduction in inventory, however, prices continued to fall and hot-rolled coils closed the year at around US$540 per ton, 12% below the average prices recorded in the last 5 years.

Industry capacity use also felt the effects of the downturn, falling from 90% in mid-year to 50% at the end of 2008, as the industry sought to balance domestic market supply by cutting back on production. Only 9 out of the 30 blast furnaces in the United States were operating by the end of 2007.

According to the International Iron and Steel Institute, or IISI, U.S. steel production totaled 91 million tons in 2008, representing a decrease of 7.31% as compared to 2007.

Europe

The 2008 financial crisis spread through Europe in September and rapidly struck the steel sector. Auto production fell steadily throughout the year, reducing steel demand in the second half of 2008.

In order to prevent a price collapse, European producers cut output by 35%. Nevertheless, inventories remained high and there was additional pressure from imports, and prices reached their lowest levels at the beginning of 2009.

With the recent reduction in freight charges, imported steel became more competitive than the local product at the end of the year. Transport costs, which had peaked at US$130 per ton by mid 2008, closed at just US$10 per ton on December 2008, favoring imports, especially from China.

Asia

According to CRU Analysis, steel plate demand levels in China, which had been recording double-digit growth for some time, was in decline in the last two months of 2008 and it is estimated that the annual steel consumption must have fallen by 17% due to dwindling demand in both the domestic and international markets.

Nevertheless, IISI figures show that Chinese steel production edged up by 1.7% in 2008 to more than 500 million tons. In Japan, however, it contracted by 1.2% to 118 million tons.

Sales Taxes

Our deductions from operating revenues consist of sales taxes the Social Integration Tax Program (*Programa de Integração Social*), or PIS, the Social Security Financing Tax (*Contribuição para o Financiamento da Seguridade Social*), or COFINS, the Tax on Industrial Products (*Imposto sobre Produtos Industrializados*), or IPI, and Tax on Services (Imposto sobre Serviços), or ISS, and the ICMS tax. Sales taxes increased by 41%, from US$1,305 million in 2007 to US$1,835 million in 2008. This increase is explained by the substantial increase on sales in the domestic market, in line with our strategy of prioritizing the Brazilian market.

Discounts, returns and allowances

Discounts, returns and allowances are also deducted from our operating revenues. Although discounts, deductions and allowances increased by 18.6%, from US$156 million in 2007 to US$185 million in 2008, they remained stable when compared to our gross operating revenues. These discounts, returns and allowances were made in the ordinary course of our business.

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Net Operating Revenues

Net operating revenues increased by 30.3%, from US$5,517 million in 2007 to US$7,187 million in 2008, mainly due to the 31.9% increase in operating revenues, whereas sales deductions experienced an increase of 38.3%. Sales deductions, as a percentage of operating revenues, were 20.9% in 2007 and 21.9% in 2008.

Cost of Products Sold

The following table sets forth our production costs, the production costs per ton of crude steel and the portion of production costs attributable to the primary components of our costs of production. With the exception of coal and coke which we import and some metals (such as zinc, aluminum and tin), whose domestic prices are linked to international prices, our costs of production are mostly denominated in *reais*. The devaluation of the Brazilian real causes U.S. dollar-denominated or U.S. dollar-linked production costs to increase as a percentage of total production costs. Conversely, appreciation of the *real* causes real-denominated production costs to increase as a percentage of total production costs.

	Year Ended December, 31								
	2006			2007			2008		
	US$ 000	US$/ton	%	US$ 000	US$/ton	%	US$ 000	US$/ton	%
Raw Materials									
Iron Ore	66,174	14.92	3.2	130,712	24.65	5.7	150,716	29.55	5.1
Coal	348,264	78.52	16.9	421,996	79.59	18.4	613,774	120.35	20.8
Coke	36,048	8.13	1.7	63,994	12.07	2.8	232,151	45.52	7.9
Metals	165,020	37.20	8.0	242,987	45.83	10.6	147,934	29.01	5.0
Outsourced Hot Coils	30,712	6.92	1.5	955	0.18	0.0	84,726	16.61	2.9
Outsourced Slabs	389,095	87.72	18.9	11,052	2.08	0.5	174,073	34.13	5.9
Other(1)	136,206	30.71	6.6	216,415	40.82	9.4	276,177	54.15	9.4
	1,171,519	**264.12**	**56.8**	**1,088,111**	**205.23**	**47.5**	**1,679,551**	**329.33**	**56.9**
Energy/Fuel	**169,349**	**38.18**	**8.2**	**228,767**	**43.15**	**10.0**	274,339	53.79	9.3
Labor	**175,651**	**39.60**	**8.5**	**217,816**	**41.08**	**9.5**	199,352	39.09	6.7
Services and Maintenance	**274,440**	**61.87**	**13.4**	**396,300**	**74.75**	**17.3**	370,547	72.66	12.6
Tools and Supplies	**100,752**	**22.71**	**4.9**	**131,304**	**24.77**	**5.7**	150,453	29.50	5.1
Depreciation	**165,813**	**37.38**	**8.0**	**217,824**	**41.08**	**9.5**	264,880	51.94	9.0
Others	**5,055**	**1.14**	**0.2**	**12,414**	**2.34**	**0.5**	11,023	2.16	0.4
	2,062,579	**465.0**	**100.0**	**2,292,537**	**432.4**	**100.0**	**2,950,145**	**578.47**	**100.00**

(1) Include pellets, scrap, limestone and dolomite.

Other than the sale of excess inventories from time to time and the purchase by our subsidiaries of semi- finished products from third parties for further processing, our cost of products sold is equivalent to our production cost.

We are self-sufficient in almost all the raw materials used in the steel production. The principal raw materials we use in our integrated steel mill include iron ore, coke, coal (from which we make coke), limestone, dolomite, aluminum, tin and zinc. In addition, our production operations consume water, gases, electricity and ancillary materials.

We obtain all of our iron ore requirements from our Casa de Pedra mine located in the State of Minas Gerais, and the limestone and dolomite from our Bocaina mine in the city of Arcos, in the State of Minas Gerais.

The coal and coke we consume are acquired from different international producers "See Item Raw Materials and Suppliers". Given the worldwide economic growth over the last few years and increasing demand for various commodities, coal and coke producers significantly raised their prices up until mid 2008, which strongly impacted the steel industry.

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Our coal costs increased from US$422.0 million in 2007 to US$613.8 million in 2008, reaching 20.8% of our production cost, due to the increased prices.

With respect to coke, we faced not only significant price increases, but also larger consumption, which impacted significantly our costs. Our coke costs raised from US$64.0 million in 2007 to US$232 million in 2008, accounting for 7.9% of our total production cost.

Another factor that impacted our production costs was the acquisition until October 2008 of slabs and hot-rolled coils from third parties in order to face the increase in domestic demand for flat steel. The costs with outsourced slabs and hot coils reached US$258.8 million in 2008, representing almost 9% of our total production costs, different from 2007, when we did not acquire slabs and hot-rolled coils from third parties.

Other raw materials include pellets and scrap purchase in the market and also limestone and dolomite that we extract from our own mines in the city of Arcos, in the State of Minas Gerais.

Energy and fuel costs increased from US$228.8 million in 2007 to US$274.3 million in 2008 owing to the increase in gas price, corresponding to 9% of our total production costs.

Gross Profit

Gross profit increased by 47.9%, from US$2,441 million in 2007 to US$3,611 million in 2008, mainly due to the increase of 30.3% in net operating revenues from US$5,517 million in 2007 to US$7,187 million in 2008, which was partially offset by the increase of 16.2% in the cost of products sold.

The 30.3% increase in our consolidated net operating revenues from 2007 to 2008 can be attributed to the following:

In connection with our steel segment: (i) larger volume of sales in the domestic market (increase from 3,614 million tons in 2007 to 4,158 million tons in 2008) where we historically have recorded higher profit margins; (ii) increase of the domestic sales in terms of total sales volume, from 67% in 2007 to 85% in 2008; and (iii) successive steel price hikes in the domestic market during 2008.

In connection with the mining segment: (i) an all-time record of 18.5 million tons of iron ore sales volume in 2008 due to the increase of our iron ore export capacity in the Itaguaí Port and general improvements in iron ore extraction processes and logistics; and (ii) the increase in average iron ore prices in the international market realized in 2008.

On the other hand, our cost of products sold increased at a lower rate (16.2%) due to the following reasons:

In connection with the steel segment (i) cost of products sold is mainly driven by raw material prices (which represent 50% of our total steel production cost); (ii) we are self sufficient in the production of iron ore, which is one of the main raw material for steelmaking - thus, our exposure to the increases in raw material prices realized in 2008 was mainly limited to coke and coal (which represented 29% of our production cost in 2008); and (iii) there was no significant oscillation in the other steel production costs for the year.

In connection with the mining segment: (i) the production cost is basically driven by extraction, beneficiation and logistic costs, which remained stable in 2008; and (ii) we realized a dilution in our per ton iron ore fixed production costs, due to the aforementioned increase in sales volumes.

Selling, General and Administrative Expenses

In 2008, we recorded selling, general and administrative expenses of US$631 million, representing a 27.5% increase from the US$495 million recorded in 2007.

Selling expenses increased by 32.9%, from US$310 million in 2007 to US$412 million in 2008, mainly due to an increase in our efforts to sell steel products on the domestic market, an increase in freight prices and distribution costs, and higher provisions for doubtful accounts. If expressed in *reais*, these expenses increased by 30.0%, but remained stable at 5.6% as a percentage of net operating revenues.

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General and administrative expenses increased by 18.4%, from US$185 million in 2007 to US$219 million in 2008, mainly due to higher labor costs, given the increase in the number of employees in 2008 and the annual wage increases in May 2008. If expressed in *reais*, these expenses increased by 11.7% and decreased from 3.3% to 3.0%, as a percentage of net operating revenues.

Other Income (Expenses)

Other expenses increased by US$51 million, from an expense of US$85 million in 2007 to an expense of US$136 million in 2008, mainly due to increases in commercial contingencies and fines, in particular with respect to transport of products.

Operating Income

Operating income increased by 52.8%, or US$983 million, from US$1,861 million in 2007 to US$2,844 million in 2008. This growth was mainly due to the US$1,170 million increase in gross profit, reflecting mainly the successive steel product price hikes along the year in the Brazilian market and the contribution of our mining segment.

Non-operating Expenses (Income), Net

Non-operating income, net decreased by US$203 million, from an income of US$300 million in 2007 to an income of US$97 million in 2008. Our non-operating expenses (income), net are comprised of financial expenses, net, foreign exchange and monetary loss (gain), net and, in 2008, also the gain on 40% dilution of interest in our subsidiary Namisa to an Asian consortium.

On December 30, 2008, we sold 2,271,825 shares of Namisa's voting capital, one of our mining subsidiaries and, subsequently, Namisa issued 187,749,249 new shares at a price of US$16.20 per share, subscribed and paid up by Big Jump Energy Participações S.A., or Big Jump, a company whose shareholders are Brazil Japan Iron Ore Corporation, or BJIOC, and Posco, increasing its ownership interest to 40%, diluting our voting and total interest in Namisa to 60%. BJIOC is a company incorporated by a consortium formed by the Japanese companies Itochu Corporation, JFE Steel Corporation, Nippon Steel Corporation, Sumitomo Metal Industries Ltd, Kobe Steel Ltd and Nisshin Steel Co Ltd, and the Korean company, Posco. Big Jump paid in cash for Namisa's shares the amount of US$3,041 million.

As a result of the acquisition, Big Jump holds 40% and CSN holds 60% of Namisa's shares and also based on the shareholders' agreement of Namisa, our management concluded that Namisa's balance sheet should not be consolidated with CSN's balance sheet as of December 30, 2008; accordingly, Namisa's results have been consolidated until the date of sale and dilution. After analyzing the transaction, we concluded that the purchaser consortium has effective and significant participation rights rather than protective rights through the right to participate in significant decisions related to Namisa's ordinary course of business.

Upon the sale of Namisa's shares and dilution, CSN adopted income statement recognition as its accounting policy and, accordingly, recorded a net non-operating gain on 40%-dilution of its interest in the amount of US$1,667 million, as detailed below:

	Amount	Percentage	Gain (loss)
Namisa's net equity before capital increase by Big Jump, represented by 287,303,436 shares	395	40%	(158)
Capital increase by Big Jump through issuance of 187,749,249 new shares (US$1.48 per share plus additional paid in capital of US$14.72 per share)	3,041	60%	1,825
Net non-taxable gain on dilution of interest in Namisa			1,667

The gain of US$1,667 million referred to above is non-taxable since a dilution of interest is not considered as a capital gain in accordance with Brazilian tax legislation.

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Financial Expenses (Income), Net

In 2008, our net financial expenses, increased by 73.5%, or US$161 million, from US$219 million in 2007 to US$380 million, mainly due to the following items:

- US$21 million increase in interest income;
- US$130 million decrease in interest expense;
- US$291 million decrease in our income from derivative instruments; and
- US$21 million decrease in other financial income (expenses).

Interest Income

Interest income increased by 26.6%, or US$21 million, from US$79 million in 2007 to US$100 million in 2008, mainly due to greater average amount of cash and cash equivalents.

Interest Expense

Interest expense decreased by 19.1%, or US$130 million, from US$680 million in 2007 to US$550 million in 2008. This decrease was mainly due to a sharp decrease in interest on tax contingencies of US$245 million, as well as lower interest rates on our *real*-denominated debt. This decrease was partially offset by an increase in taxes on financial income, in the amount of US$175 million.

Derivative Instruments

The results on derivative instruments decreased by US$291 million, from an income of US$416 million in 2007 to an income of US$125 million in 2008. Despite the depreciation of the exchange rate as of December 31, 2008, as compared to the exchange rate as of December 31, 2007, our foreign exchange derivative instruments generated an income of US$419 million in 2008 as compared to an expense of US$219 million in 2007, which was offset by an expense of US$530 million in 2008 in our equity linked derivatives, as compared to a gain of US$640 million in 2007. In September 2008, we realized our equity swap agreement with a gain of US$1,005.7 million. After realization, we renewed our equity swap agreement and, as of December 31, 2008, the accrued amount in our current liabilities, based on the market value of our ADRs was an unrealized loss of US$685.1 million. For more information on the equity swap agreements, see "Item 4B—Risk Factors", "Item 10C—Material Contracts", "Item 11—Quantitative and Qualitative Disclosures About Market Risk—Equity Risk" and Note 21 to our consolidated financial statements contained in "Item 18. Financial Statements". For a copy of the equity swap agreements as amended and novated, see Exhibit 10.1 to this annual report.

Other Financial Income (Expense)

Other financial income (expense) decreased by US$21 million, from an expense of US$34 million in 2007 to an expense of US$55 million in 2008, mainly due to expenses incurred in the normal course of business such as discounts, taxes on financial income, bank charges and other minor items.

Foreign Exchange and Monetary Gain, Net

Foreign exchange and monetary gain, net is mainly affected by fluctuations in the *real*/U.S. dollar foreign exchange rate and the impact of such fluctuations on the following:

- our U.S. dollar-denominated gross debt;
- our U.S. dollar-denominated cash, cash equivalents and short-term investments;
- our equity investments in offshore subsidiaries; and
- our trade accounts receivable and payable.

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The 388.8%, or US$1,703 million, decrease in foreign exchange and monetary gain, from a US$438 million gain in 2007 to a US$1,265 million loss in 2008, was primarily caused by the depreciation of the *real* against the U.S. dollar, which increased our expenses in connection with U.S. dollar-denominated debt and accounts payable.

Income Taxes

We recorded an expense for income tax and social contribution of US$414 million in 2008, as compared to US$534 million 2007. Expressed as a percentage of pre-tax income, income tax expense decreased from 24.7% in 2007 to 14.0% in 2008. Income tax expense in Brazil refers to the collection of federal income tax and social contribution tax. The statutory rates for these taxes applicable to the periods presented herein were 25% for federal income tax and 9% for the social contribution. Therefore, the balances owed for these periods totaled US$1,001 million in 2008 and US$735 million in 2007 (34% of income before taxes and equity in affiliated companies). Adjustments are made to these rates in order to arrive at the actual tax expense for the years.

For the year ended December 31, 2008, adjustments totaled US$587 million and were comprised of:

- a US$39 million benefit from interest on stockholders' equity;
- a US$472 million benefit related to non taxable income of subsidiaries or income taxable at different rates, net of US$567 million benefit related to the 40% dilution of our interest in Namisa;
- a US$21 million addition to valuation allowance since certain subsidiaries had tax losses carryforward in 2008 which are not expected to be recovered; and
- tax incentives and other permanent differences that represented a net tax benefit of US$97 million.

For the year ended December 31, 2007, adjustments totaled US$201 million and were comprised of:

- a US$40 million benefit from interest on stockholder's equity;
- a US$159 million benefit related to non-taxable income of subsidiaries or taxable at different rates;
- a US$12 million additions to valuation allowances; and
- other permanent differences that represented a net tax benefit of US$14 million.

Our taxable income, generated from our operations in Brazil and abroad, is comprised of the following:

	Year Ended December 31,		
	2007	**2008**	**Changes**
	(In million of U.S. dollars)		
Brazil	1,562	3,225	1,663
Foreign	599	(284)	(883)
Total	**2,161**	**2,941**	**780**

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Our taxable income in Brazil was impacted by the increase in sales. The total increase in taxable income generated in Brazil in 2008, as compared to 2007, totaled US$1,663 million. Expressed in *reais*, our taxable income increased by 28.4% in 2008, as compared to 2007. Our foreign taxable income decreased by US$883 million in 2008, as compared to 2007.

It is not possible to predict the future adjustments to the federal income tax and social contribution at statutory rates, as they depend on interest on stockholder's equity, non-taxable factors including income from offshore operations, and tax losses from offshore operations, especially when expressed as a percentage of income.

Mining Segment

We began exporting iron ore only in 2007, when we first presented our results by segment. As a result we only had a full year of iron ore export operation in 2008 and any comparative analysis for our mining segment between 2008 and 2007 is not representative in light of the low volumes sold in 2007.

Operating revenues for our mining segment, excluding intersegment sales[1], amounted to US$1,211 million in 2008, as compared to US$267 million in 2007, an increase of US$944 million (or 353.6%). If we include intersegment sales, operating revenues for our mining segment would have amounted to US$1,382 million in 2008, as compared to US$267 million in 2007, an increase of US$1,115 million (or 417.6%).

The increase in operating revenues for our mining segment was mainly due to:

(i) Increase in total iron-ore sales volume from 10.5 million tons in 2007 to 18.5 million tons in 2008, a 76% increase, mainly due to the increase in capacity in our Solid Bulks seaport terminal in the Itaguaí Port. The completion of the second phase of this terminal project in the Itaguaí Port resulted in an increase of the handling capacity from 7 million tons of iron ore per year in 2007 to 30 million tons in 2008.

In terms of operating revenues, this increase in capacity enabled us to increase our export sales and, consequently, the total iron ore sales volumes, which resulted in an increase of US$523 million to our mining segment operating revenues from 2007 to 2008; and

(ii) Increase in iron ore international prices in light of substantial demand from China. In 2008 iron ore export prices averaged US$67 per ton, 56% more than the US$43 per ton average in 2007. The impact of the increase in prices on our operating revenues resulted in an increase of US$421 million to our mining segment from 2007 to 2008.

Cost and Operating Expenses for the mining segment increased from US$347 million in 2007 to US$562 million in 2008 due to the higher volume sold in 2008.

In 2008 our gross profit for the mining segment amounted to US$928 million, with gross margin of 70%, and operating income amounted to US$767 million, with operating margin of 58%. As compared to 2007 our margins increased in light of increase in iron ore prices, greater volume sold and dilution of iron ore fixed production costs.

In 2008 operating revenues, gross profit, and operating income for Namisa were US$434 million, US$263 million and US$168 million, respectively. Therefore, excluding Namisa our operating revenues, gross profit, and operating income arising from our mining activities in 2008 would have been US$948 million, US$665 million and US$599 million, respectively, which would still represent significant increases if compared to 2007 (which included Namisa).

Namisa's results for 2009 will be presented as equity in results of affiliates in our statement of income under our mining segment.

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[1] In 2008, intersegment sales from mining to steel segment amounted to US$171 million. Including intersegment sales, mining operating revenues totaled US$1,382 million as presented in our consolidated statements of income in Note 19.

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5B. Liquidity and Capital Resources

Overview

Our main uses of funds are for capital expenditures, repayment of debt and dividend payments. We have historically met these requirements by using cash generated from operating activities and through the issuance of short- and long-term debt instruments. We expect to meet our cash needs for 2010 primarily through a combination of operating cash flow, cash and cash equivalents on hand and newly issued long-term debt instruments.

In addition, from time to time, we review acquisition and investment opportunities and will, if a suitable opportunity arises, make selected acquisitions and investments to implement our business strategy. We generally make investments directly or through subsidiaries, joint ventures or affiliated companies, and fund these investments through internally generated funds, the issuance of debt, or a combination of such methods.

Sources of Funds and Working Capital

Cash Flows

Cash and cash equivalents as of December 31, 2007, 2008 and 2009 totaled US$1,213 million, US$3,542 million and US$3,981 million, respectively.

Cash Generated by Operating Activities

We generated cash from our operations in the total amount of US$1,264 million, US$2,067 million and US$40 million in 2007, 2008 and 2009 respectively. The US$2.027 million decrease in cash flow from operating activities in 2009 as compared to 2008 was mainly due to:

(i) a decrease of US$1,373 million in the net income reported by us in 2009;

(ii) a decrease of US$639 million in adjustments to reconcile net income mainly driven by a US$1,687 million decrease in net foreign exchange gain, a US$339 million decrease in accrual for derivatives, and a gain in equity results in the amount of US$694 million due to Namisa's results of operations, partially offset by the gain on dilution of our interest in Namisa of US$1,667 million recognized in 2008;

(iii) a decrease of 1,213 in our operating liabilities primarily due to a decrease of US$1,064 million in trade accounts payable, US$416 million in interest paid, partially offset by an increase of US$330 million in taxes payable; and

(iv) these decreases were partially offset by a decrease of US$1,198 million in our operating assets such as trade accounts receivable and inventories.

Cash Used in Investing Activities

We used cash in our investing activities in the total amount of US$1,091 million, US$1,292 million and US$829 million in 2007, 2008 and 2009, respectively. The net decrease of US$463 million in 2009 as compared to 2008 was mainly due to net effects of equity swap margin of guarantee of US$404 million, offset by a increase of US$191 million in restricted deposits from legal proceedings, US$143 million related to acquisition of investment in Riversdale Mining Limited and US$256 million due to intercompany loans.

Cash Used in Financing Activities

Cash used in financing activities was US$122 million in 2007 and provided by was US$1,867 million and US$872 million in 2008, and 2009, respectively. The US$995 million decrease in cash provided by financing activities in 2009, as compared to 2008, was mainly due to a increase in long-term debt repayments of US$509 million, distribution of dividends and interest on shareholders' equity of US$1,017 million in 2009, decrease of US$221 million when compared to US$1,238 million in 2008, and increase in US$590 million due to acquisition of our own shares to be held in treasury. Additionally, in 2008, financing activities were impacted by approximately US$3.0 billion received on December 30, 2008 as pre-payment for future sales of ROM and rendering of port services to Namisa.

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Trade Accounts Receivable Turnover Ratio

Our receivable turnover ratio (the ratio between trade accounts receivable and net operating revenues), expressed in days of sales increased to 36 on December 31, 2009 from 27 on December 31, 2008, reflecting the effects of the global economic and financial crisis.

Inventory Turnover Ratio

Our inventory turnover ratio (obtained by dividing inventories by annualized cost of goods sold), expressed in days of cost of goods sold increased to 140 days in 2009, as compared to 117 days in 2008, primarily as a result of the lower demand for steel products worldwide in 2009.

Trade Accounts Payable Turnover Ratio

The accounts payable turnover ratio (obtained by dividing trade accounts payable by annualized cost of goods sold), expressed in days of cost of goods sold, decreased to 61 on December 31, 2009 from 79 on December 31, 2008, reflecting the effects of world financial crisis in 2009.

Liquidity Management

Given the capital intensive and cyclical nature of our industry, and the generally volatile economic environment in certain relevant emerging markets, we have retained a substantial amount of cash on hand to run our operations, to satisfy our financial obligations, and to be prepared for potential investment opportunities. As of December 31, 2009, cash and cash equivalent instruments totaled US$3,981 million.

We were also taking advantage of the current liquidity conditions to extend the maturity profile of gross debt. These activities are unrelated to the management of any interest rate, inflation and/or foreign exchange risk exposure. Given the lack of a liquid secondary market for our short term debt instruments, we have accumulated cash instead of prepaying our debt prior to final maturity. As of December 31, 2009, short-term and long-term indebtedness accounted for 5.8% and 94.2%, respectively, of our total debt, and the average life of our existing debt was equivalent to approximately ten years, considering 40 years-term for the perpetual bonds issued in July 2005.

Capital Expenditures and Investments

In 2009, our capital expenditures were US$930 million used in acquisitions of equipment, of which US$214 million was used in the Casa de Pedra mine expansion, US$23 million in projects relating to the Itaguaí Port expansion and US$245 million in maintenance.

In 2010, we plan to make capital expenditures of up to US$2,305 million, compared to US$930 million in 2009, of which US$502 million will be used in the Casa de Pedra mine expansion, US$352 million in projects relating to the Itaguaí Port expansion and US$178 million in running capex. We also plan to invest US$1,325 million in subsidiaries, of which US$808 million in Transnordestina S.A, US$284 million in CSN Long Steel, US$155 million in CSN Cement and US$78 million in other subsidiaries.

Total planned investments for the period between 2010 and 2016 amount to US$18.8 billion, of which: US$6.2 billion are planned for our mining business (Casa de Pedra capacity expansion to 50 mtpy; Namisa capacity expansion to 39 mtpy; TECAR capacity expansion to 84 mtpy); US$4.8 billion are planned for our steel business (increase in long steel capacity of 1.5 mtpy with 3 plants; expansion of flat steel of 1.5 mt; and other projects focused on improving our operational return, such as a coke battery revamp); US$1 billion are planned for our cement business (3 plants of 1 mt each, Arcos Integrated Plant of 0.6 mt and Volta Redonda Expansion to 2.4 mt); US$3.4 billion are planned for logistics (Transnordestina Extension and Berth 301 in TECON); and US$3.4 billion for our maintenance and programs to improve our performance.

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We expect to meet our liquidity requirements from cash generated from operations, and, if needed, the issuance of debt securities.

Company Debt and Derivative Instruments

At December 31, 2008 and 2009, total debt (composed of current portion of long-term debt, accrued finance charges, mark-to-market adjustments on derivative instruments, and long-term debt and debentures) aggregated US$5,525 million and US$8,034 million, respectively, equal to 167% and 192% of the stockholders' equity at December 31, 2008 and 2009, respectively. At December 31, 2009, our short-term debt (composed of current portion of long-term debt, mark-to-market adjustments on derivative instruments, and including accrued finance charges) totaled US$715 million and our long-term debt (composed of long-term debt and debentures) totaled US$7,319 million. The foregoing amounts do not include debt of others for which we are contingently liable. See "Item 5E. Off-Balance Sheet Arrangements."

At December 31, 2009, approximately 41% of our debt was denominated in *reais* and substantially all of the remaining balance was denominated in U.S. dollars.

Our current policy is to protect ourselves against foreign exchange losses and interest rate losses on our debt and currently our exposure is protected through foreign exchange derivative products, including futures, swaps, and FRA-Forward Rate Agreement. For a description of our derivative instruments, see Note 21 to our consolidated financial statements contained in "Item 18. Financial Statements." Also see "Non-operating Expenses (Income), Net under "Item 5A. Operating Results—Results of Operations—Year 2009 Compared to Year 2008—Non-operating Expenses (Income), Net" and "Item 5A. Operating Results—Results of Operations—Year 2008 Compared to Year 2007—Non-operating Expenses (Income), Net."

The major components of US$452 million of our consolidated current portion of long-term debt outstanding at December 31, 2009 were:

- US$94 million of trade-related transactions;
- US$124 million of advances on export contracts;
- US$127 million of BNDES-Finame;
- US$101 million of pre export financing; and
- US$6 million of other financings.

The major components of US$7,319 million of our consolidated long-term debt outstanding at December 31, 2009 were (amounts are reflected in long-term debt):

- US$345 million in a local debenture;
- US$1,046 million of export pre-payments and trade-related transactions;
- US$1,700 million of Euronotes;
- US$819 million of BNDES-Finame;
- US$750 million in perpetual bonds;
- US$1,432 million of pre export financing; and
- US$1,227 million of other financings.

The local debenture is a real-denominated debt instrument, issued in February 2006, of R$600 million six-year debentures bearing interest at a rate of 103.6% of the CDI rate per annum.

Eurodollar and Euronotes issued in accordance with Rule 144A and Regulation S under the Securities Act reflect senior unsecured debt instruments issued by the parent company and its offshore subsidiaries, including the issuance in 2005 of US$750 million, 9.5% per annum coupon perpetual notes. They also include (i) the US$300 million bonds, 10% per annum coupon, and the US$300 million notes, 8.25% per annum coupon, issued in 1997 with final maturity in 2047; (ii) the US$550 million notes, 9.75% per annum coupon, issued in December 2003 and January 2004 with final maturity in 2013; (iii) the US$400 million notes, 10% per annum coupon, issued in September 2004 and January 2005 with final maturity in 2015, and (iv) the US$750 million notes, 6.875% per annum coupon, issued in September 2009 with maturity in 2019.

Pre-export agreements include the four series of the export receivables securitization program launched in June 2003 as well as other trade-related transactions outside the program. The first series, issued in June 2003 in the amount of US$142 million has a seven-year maturity and bears interest at a rate of 7.28% per annum, with a two-year grace period for payment of principal. The second series, issued in August 2003, in the amount of US$125 million has a three-year maturity and bears interest at Libor plus 1.55% per annum. The third series, issued in June 2004, in the amount of US$162 million has an eight-year maturity and bears interest at a rate of 7.43% per annum with a three-year grace period. In May 2005, a fourth series was issued in the amount of US$250 million having a ten-year maturity and bearing interest at 6.15% per annum with a three-year grace period. A portion of the proceeds of the fourth series was used to repay the second series.

Our export receivables securitization program launched in June 2003 currently includes three series of senior secured notes outstanding, issued in July 2003, June 2004 and July 2005. On July 2, 2009, we notified the creditors of the July 2003 tranche notes on our irrevocable intention of performing the early redemption of such notes, settlement of which occurred on August 5, 2009 at the principal amount of US$35.5 million. Also on July 2, 2009 we began a consent solicitation process with creditors related to the June 2004 and July 2005 tranche notes in order to obtain their consent or waiver in relation to the following matters: (i) inclusion of iron ore receivables in the program; (ii) adoption of flexible dates for the performance of early redemption of notes; (iii) change in a few export coverage ratios provided for in the program; and (iv) waive certain accumulation events occurred in the 21st and 23rd quarters of the program, for possible characterization purposes of an early amortization event. On August 5, 2009, the trustee for the program confirmed to have received the creditors' consents for both tranches in sufficient amount to approve all these matters.

We issued export credit notes, or NCEs: (i) on April 11, 2008, in the amount of R$100 million in favor of Banco do Brasil S.A., due 2013; (ii) on September 30, 2009, in the amount of R$1.0 billion, in favor of Banco do Brasil S.A., due 2014; and (iii) on September 30, 2009, in the amount of R$300 million, in favor of Banco Nossa Caixa S.A., due 2014.

On August 18, 2009 we contracted a credit facility from Caixa Econômica Federal, or CEF, under its special credit for large companies, in the form of a bank credit bill, or CCB, in the amount of R$2.0 billion and to be amortized in 36 months.

On February 9, 2010 we contracted an additional credit facility from CEF under its special credit for large companies, in the form of a CCB, in the amount of R$1.0 billion and to be amortized in 36 month.

On May 21, 2010, our subsidiary Congonhas Minérios S.A. issued an NCE in the amount of R$2.0 billion in favor of Banco do Brasil S.A. The NCE will be amortized over eight years and is guaranteed by us.

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Maturity Profile

The following table sets forth the maturity profile of our long-term debt at December 31, 2009:

Maturity in	Principal Amount
	(In millions of US$)
2011	1,112
2012	2,104
2013	1,250
2014	601
2015 and thereafter	1,502
Perpetual securities	750
Total	7,319

5C. Research and Development, Patents and Licenses, etc.

Our research and development center works closely with our customers. One of the features of this unit is the integrated technical assistance services, where CSN customers receive from our engineers guidance and recommendations to help them make better use of our steel products. This unit works closely with the sales sector, focusing on product development that will meet our customers' needs.

Another feature are the workshops focusing on product development, applications, simultaneous engineering for cost reduction and parameters adjustment on CSN steel products and customers' final products on automotive, home appliances, steel packaging and civil construction segments.

Our investment in research and development projects and activities in 2009 totaled US$22.8 million. New products recently developed under our research and development program include: (i) dual phase steels to reduce overall weight of automobiles; (ii) extra deep draw quality (EDDQ) steel for inner and exposal parts of automobiles; (iii) bake hardening ultra low carbon steel for exposal parts of automobiles; (iv) extra tin cold rolled steel "CSN Extra Fino ®" for home appliance and furniture applications, (v) electrical steel as cold-rolled used for energy saving in refrigerator compressors and electric motors; (vi) special steel grades for thickness reduction on tin plate products for two-piece cans; (vii) special tin plate steel for expanded three-piece cans; (viii) innovation on the three pieces cans and launching new design and shape in the market; (ix) pre-painted steel for automotive fuel thanks replacing plastic in Brazilian automobile market; (x) pre-painted steel for home appliances refrigerator cabinets; (xi) high-strength low-alloy hot-rolled steels used for automobile parts; and (xii) galvalume used for civil construction.

5D. Trend Information

Overview

For 2010 and the following years, the combination of gradual global economic recovery and the positive outlook of domestic consumption in Brazil provide a favorable scenario for our business.

We expect that investments will benefit from this favorable economic scenario, rewarding our decision to continue to implement our investment projects during the global economic and financial crisis in 2008 and 2009.

In addition to organic growth projects, we routinely review potential acquisition opportunities and strategic alliances in all segments in which we operate in Brazil and abroad, in order to accelerate our expansion and value generation.

We have consistently presented sound financial results, and comfortable indebtedness level. Our comfortable current cash situation provides support for organic growth portfolio, finances possible acquisitions and at the same time maintains a special policy of dividends distribution for our shareholders, being in a competitive and favorable position in relation to other groups of the sector.

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Steel

Despite the slight recovery of global steel production and a more positive outlook for Brazil, idle capacity is still above historical average levels and the worldwide high values of capex demands compatible incentive prices in order to render new projects feasible.

According to the IABr, domestic steel product consumption is expected to increase by 23.3% in 2010 to 22.9 million tons, while exports are expected to increase by 23.4% to 11 million tons, alongside a 25.1% increase in production to 33.2 million tons. Due to the continuous rising urbanization in developing countries and also world population growth, steel consumption is forecast to continue to increase beyond 2014 and therefore raw materials will be needed to support the production growth.

In this context, we are assessing alternatives and growing arrangements for our flat steel industrial facilities, with a view towards potential growth of our steel production, that currently operates at a 5.1 mtpy pace of rolling steel.

We increased our interest in the automotive market and have projects under implementation that will allow growth in segments of higher added value, to optimize results per produced ton.

Also in the flat steel market, in 2010 and 2011, we will diversify our supply of greater added value products. Including the service center expansion directed at the automotive segment and the expansion of the pre painted line for home appliance and civil construction.

Continuing with the goal of diversifying and investing in the growth expectation of the civil construction in the domestic market, our 500 Kta capacity plant of long steel, including iron bar and wire rods in our portfolio, is under advanced stage of construction works, estimated to enter into operation by the first quarter of 2011. In the long steel segment, we are considering the implementation of two new plants in Brazil, of 500 kta capacity each, in addition to a cold rolled unit in order to offer a more complete product portfolio to the market.

Iron Ore

We expect for 2010 and upcoming years a growth in consumption and further increase of exports to China, which overcame local production for the first time in 2009.

The global outlook projects a substantial price increase for 2010. The current difference between “spot” market prices and benchmark is of approximately 90%. Low inventories in China, together with supply close to demand , with a slight tendency to shortage, support this trend.

In 2010, we expect to achieve an important landmark in our expansion in mining and will gain a pace of production of 40 million tons per year at our Casa de Pedra unit. For the following years, expansion projects, already with high percentages of hiring, will raise production level to 50 million tons per year.

In addition, Namisa continues with its expansion leading to an expected sales level of 39 million tons per year, relying on projects of concentration and pelletizing in advanced stage of development.

To ensure the production outflow, we expect the Itaguaí Port will reach an 84 mtpy shipment capacity, achieving 45 million tons per year still in 2010.

This combined increase of production and shipment benefits from a favorable window of opportunity to the overseas iron ore market.

At the same time, we continue our studies for the segregation of assets related to the iron ore business and correlated logistics, through the transfer to a new subsidiary, in order to capture the full value of the mining business. Based on the studies’ results and on market conditions, we may be able to carry out a public offering in Brazil of shares or the combination of these businesses with third parties.

Considering the changes in the sales model and the iron ore pricing in the overseas market, we have been developing studies in the shipping area, in order to adjust in a competitive way to this new reality.

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In addition to these projects, which are already being implemented, we are analyzing further expansions, such as Casa de Pedra reaching 70 mtpy and TECAR to reach 130 mtpy, other brownfield and greenfield opportunities and acquisitions options.

Cement

Total cement sales in Brazil in 2009 totaled 51.3 million tons, a decrease of 0.8% as compared to 2008, despite an increase in domestic sales of 0.1%. The Brazilian Cement Manufacturers' Association, or SNIC, is projecting a growth of approximately 6% for 2010.

After successfully finishing the enhancement of the new plant, we estimate that in 2010 the unit operates at a 1.0 million tons per year capacity.

Our product and brand have had excellent acceptance, overcoming initial estimates. With the conclusion of the clinker production project and the gradual increase in the use of own slag we expect to be able to significantly reduce our costs. Distribution centers and logistics optimization projects, currently under studies, should also contribute to the increase of our cement business.

We are considering alternatives for organic growth in order to take advantage of our crushing capacity (2.8 million tons per year) through the increase of clinker production. Our goal is to produce approximately 4.0 million tons per year in Brazil as of 2013, to capture the strong growth expected in the market due to the World Cup and the Olympic Games, in addition to the strong pace of construction of new housing and commercial units, as well as infrastructure projects. See "Item 4. Information on the Company —A. History and Development of the Company—Planned Investments."

5E. Off-Balance Sheet Arrangements

In addition to the debt that is reflected on our balance sheet, we are contingently liable for the off-balance concession payments related to the activities of TECON. The following table summarizes all of the off-balance sheet obligations for which we are contingently liable and which are not reflected under liabilities in our consolidated financial statements:

Contingent Liability with Respect to Consolidated and Non-Consolidated Entities as of December 31, 2009

	Aggregate Amount	Maturity
	(In millions of US$)	
Guarantees of Debt:		
Transnordestina	173	2009-2020
Contingent Liability for Concession Payments[1] :		
Sepetiba Tecon	174	2025
Transnordestina	56	2027
Solid Bulks Terminal - TECAR	13	2022
Total	**243**	
"Take-or-Pay" Contractual Obligations		
MRS Logística S.A.	843	2016
White Martins Gases Industriais Ltda.	385	2016
Companhia Estadual de Gás do Rio de Janeiro – CEG Rio	444	2012
Ferrovia Centro Atlântica – FCA	152	2013
Vale S/A	350	2014
Companhia Paranaense de Gás - COMPAGÁS	102	2024
Companhia Paranaense de Energia - COPEL	55	2021
Total	**2,331**	
Total Contingent Liability with Respect to Consolidated and Non-consolidated Entities:	**2,747**	

(1) Other consortia members are also jointly and severally liable for these payments.

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Guarantees

We guarantee the loans BNDES has granted to Transnordestina in May and December 2005, and in January 2006, all of which mature by November 2020, adjusted based on the TJLP plus 1.5% per annum. The total outstanding amount of the debt as of December 31, 2009 was US$173 million.

Concessions

Sepetiba Tecon

We own 99.99% of Sepetiba Tecon S.A., or TECON, which holds a concession to operate, for a 25-year term (renewable for additional 25 years), the container terminal at the Itaguaí Port. As of December 31, 2009, US$174 million (R$303 million) of the cost of the concession was outstanding and payable over the next 18 years of the lease. For more information see "Item 4. Information on the Company —A. History and Development of the Company—Planned Investments—Itaguaí CSN Logistics Platform Project."

Transnordestina

As of December 31, 2009, we held 84.34% of the capital stock of Transnordestina S.A., which has a 30-year concession granted in 1998 to operate Brazil's Northeastern railway system. The Northeastern railway system covers 4,238 km of track and operates in the states of Maranhão, Piauí, Ceará, Paraíba, Pernambuco, Alagoas and Rio Grande do Norte. It also connects with the region's leading ports, thereby offering an important competitive advantage through opportunities for intermodal transportation solutions and made-to-measure logistics projects. As of December 31, 2009, US$56 million was outstanding over the remaining 17-year term of the concession.

Solid Bulks Terminal

We hold the concession to operate TECAR, a solid bulks terminal, one of four terminals that form the Itaguaí Port, located in the State of Rio de Janeiro, for a term expiring in 2022 and renewable for another 25 years. Itaguaí Port, in turn, is connected to the Presidente Vargas steelworks, Casa de Pedra and CFM by the southeastern railway system. Our imports of coal and coke are made through this terminal. Under the terms of the concession, we undertook to load and unload at least 3.0 million tons of bulk cargo annually. Among the approved investments that we announced is the development and expansion of the solid bulks terminal at the Itaguaí Port to also handle up to 84 million tons of iron ore per year.

Contractual Obligations

Namisa

Port Services

On December 30, 2008, we received approximately US$2.2 billion as prepayment under an agreement with Namisa with a term of 34 years. Under this agreement, we are required to render port services to Namisa, which consists of transporting from 17.1 million tons to 39.0 million tons of iron ore annually. The price of these port services is annually reviewed and prospectively adjusted considering the changes in price of iron ore. The contract is set to expire in 2042.

High Silica ROM

On December 30, 2008, we received approximately US$665 million as prepayment for a take-or-pay agreement with Namisa with a term of 30 years. Under this agreement, we are required to provide high silica crude iron ore ROM to Namisa in a volume that ranges from 42.0 million tons to 54.0 million tons per year. Depending on the market price for high silica crude iron ore ROM, we may receive additional amounts under this agreement, which is set to expire in 2038.

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Low Silica ROM

On December 30, 2008, we received approximately US$177 million as prepayment for a take-or-pay agreement with Namisa with a term of 35 years. Under this agreement, we are required to provide low silica crude iron ore ROM to Namisa in a volume that ranges from 5.0 million tons to 2.8 million tons per year. Depending on the market price for low silica crude iron ore ROM, we may receive additional amounts under this agreement, which is set to expire in 2043.

"Take-or-Pay" Contractual Obligations

MRS Logística S.A.

Transportation of Iron Ore, Coal and Coke to Volta Redonda

The volume set for iron ore and pellets is 8,280,000 tons per year and for coal, coke and other reduction products is 3,600,000 tons per year. It is accepted variation up to 10%, with a guarantee of payment of at least 90%, but the compromise is for each item individually. MRS, on the other hand, is required to transport at least 80% of the volume established by the agreement. The agreement expires on September 12, 2012.

Transportation of Iron Ore for Export from Itaguaí

The volume set is 8,000,000 tons per year. It is accepted variation of up to approximately 5% of the volume set, with a guarantee of payment of at least 80%. We may increase or decrease the volume set in the agreement every year up to 10%, taking into consideration the volume actually transported in the previous year. The agreement expires on May 31, 2016.

Transportation of Steel Product

It accepts a reduction of up to 20% of volume for the quarter forecast, with a guarantee of payment of at least 80% of the volume agreed with "the accounts meeting." We have established quarterly flexibility to renegotiate the Take or Pay if the volume is not reached. Our supplier is required to commit at least 90% of the monthly volume agreed in the agreement. The agreement expired on December 27, 2009.

For all the three contracts we have flexibility to renegotiate the Take or Pay if the volume is not reached. As we are a shareholder of MRS, the minimum amounts to be paid under the contract terms are calculated by a tariff model that assure competitive prices.

Cement Transportation - CSN CIMENTOS

We and MRS are negotiating new values for this contract.

White Martins Gases Industriais Ltda.

To secure gas supply (oxygen, nitrogen and argon), in 1994 we signed a 22-year "take-or-pay" agreement with White Martins Gases Industriais, by which we are committed to acquire at least 90% of the gas volume guaranteed in the agreement with White Martins' plant. Under the terms of the agreement, we are not required to advance funds raised against future processing charges if White Martins is unable to meet its financial obligations.

Companhia Estadual de Gás do Rio de Janeiro

To secure natural gas supply, in 2007 we have signed a five-year "take-or-pay" agreement with CEG Rio, by which we are committed to acquire at least 70% of the gas volume guaranteed in the agreement with CEG Rio. Under the terms of the agreement, we are not required to advance funds raised against future processing charges if CEG Rio is unable to meet its financial obligations. In addition, if we do not acquire the minimum volume agreed, the amount paid which relates to that difference may be compensated in future years, including one year after the contract expiration.

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Ferrovia Centro Atlântica - FCA

This agreement covers transportation of reduction products from the city of Arcos to the city of Volta Redonda. Volume set for reduction products is 1,900,000 tons per year, which may vary up or down by 5%. The agreement will expire on August 31, 2013.

Vale S.A.

To secure pellets supply, in 2009 we signed a 5-year "take-or-pay" agreement with Vale, by which we are committed to acquire at least 90% of the pellets volume guaranteed in an agreement with Vale. Under the terms of the agreement, we are not required to advance funds raised against future processing charges if Vale is unable to meet its financial obligations.

***Companhia Paranaense de Gás* - COMPAGÁS**

We and Companhia Paranaense de Gás entered into a 20-year contract to secure natural gas supply. According to the "take or pay" clause, we are committed to acquire at least 80% of the annual natural gas volume contracted from Companhia Paranaense de Gás.

***Companhia Paranaense de Energia* – COPEL**

To secure energy supply, we entered into a 20-year agreement with Companhia Paranaense de Energia. According to the "take or pay" clause, we are committed to acquire at least 80% of the annual energy volume contracted from Companhia Paranaense de Energia.

5F. Tabular Disclosure of Contractual Obligations

The following table represents our long-term contractual obligations as of December 31, 2009:

Contractual obligations	Payment due by period (In millions of US$)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term accrued finance charges(1)	2,389	608	963	387	431
Taxes payable in installments	475	315	160	-	-
Long-term debt	4,732	1,296	1,304	913	1,219
"Take-or-Pay" contracts	2,330	501	1,260	493	76
Concession agreements(5)	243	15	30	30	168
Unrecognized tax benefits(6)	724	-	-	-	-
Purchase obligations:					
Raw materials(2)	1,097	748	349	0	0
Maintenance(3)	185	101	69	15	0
Utilities/Fuel(4)	2,377	474	942	417	544
Total	**3,659**	**1,323**	**1,360**	**432**	**544**

(1) These accrued finance charges refer to the cash outflow related to the contractual interest expense of our long-term debt and were calculated using the contractual interest rates taken forward to the maturity dates of each contract.
(2) Refer mainly to purchases of coal, tin, aluminum and zinc, which comprise part of the raw materials for steel manufacturing and take-or-pay contracts.
(3) We have outstanding contracts with several contractors in order to maintain our plants in good operation conditions; due to the strong demand for specialized maintenance service, the term of some contracts is for more than one year.
(4) Refer mainly to natural gas, power supply and cryogenics, which are provided by limited suppliers; and with some of which we maintain long-term contracts.
(5) Refers to TECON, TECAR and Transnordestina's concessions agreements since MRS is not consolidated for U.S. GAAP purposes.
(6) Due to the uncertainties of the expected timing of cash payments, if any, associated with the unrecognized tax benefits, its total amount of US$724 million has been excluded from the tabular disclosure table above.

5G. Safe Harbor

See "Forward-Looking Statements."

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Item 6. Directors, Senior Management and Employees

6A. Directors and Senior Management

General

We are managed by our Board of Directors (*Conselho de Administração*), which consists of seven to eleven members, and our Board of Executive Officers (*Diretoria Executiva*), which consists of two to nine Executive Officers with no specific designation (one of which is the Chief Executive Officer). In accordance with our bylaws (*Estatuto Social*), each Director is elected for a term of one year by our shareholders at an annual shareholders' meeting. Our bylaws require our employees to be represented by one Director on the Board of Directors. The members of the Board of Executive Officers are appointed by the Board of Directors for a two-year term.

Our Board of Directors is responsible for the formulation of business plans and policies and our Board of Executive Officers is responsible for the implementation of specific operating decisions. As of the date of this annual report, our Board of Directors was comprised of one Chairman, one Vice Chairman and five members, and our Board of Executive Officers was comprised of our Chief Executive Officer, our Chief Financial Officer and three Executive Officers.

Our Directors and Executive Officers as of the date of this annual report are:

Name	Position	First Elected to our Board on	Last Elected to our Board on
Board of Directors			
Benjamin Steinbruch	Chairman	April 23, 1993	April 30, 2010
Jacks Rabinovich	Vice Chairman	April 23, 1993	April 30, 2010
Fernando Perrone	Member	September 26, 2002	April 30, 2010
Dionísio Dias Carneiro Netto	Member	April 30, 2002	April 30, 2010
Antonio Francisco dos Santos	Member	December 23, 1997	April 30, 2010
Yoshiaki Nakano	Member	April 29, 2004	April 30, 2010
Gilberto Sayão da Silva	Member	April 30, 2009	April 30, 2010
Board of Executive Officers			
Benjamin Steinbruch	Chief Executive Officer	April 30, 2002	August 06, 2009
Paulo Penido Pinto Marques	Chief Financial Officer	May 7, 2009	May 12, 2009
Enéas Garcia Diniz	Executive Officer	June 21, 2005	August 06, 2009
Alberto Monteiro de Queiroz Netto	Executive Officer	September 1, 2009	September 1, 2009
José Taragano	Executive Officer	December 15, 2009	December 15, 2009

The next election for our Board of Directors is expected to take place on April 30, 2011, and we are unable to anticipate when the next election for our Board of Executive Officers is expected to take place.

Board of Directors

Benjamin Steinbruch. Mr. Steinbruch was born on June 28, 1953 and has been Chairman of our Board of Directors since April 28, 1995 and Chief Executive Officer since April 30, 2002. Mr. Steinbruch is also Chief Executive Officer of Vicunha Siderurgia, our controlling shareholder.

Jacks Rabinovich. Mr. Rabinovich was born on September 20, 1929 and has been a member of our Board of Directors since April 23, 1993 and Vice Chairman since April 24, 2001.

Fernando Perrone. Mr. Perrone was born on May 6, 1947 and has been a member of our Board of Directors since September 26, 2002 and a member of our Audit Committee since June 24, 2005. He was our Infrastructure and Energy Executive Officer from July 10, 2002 to October 2, 2002. Previously, Mr. Perrone occupied the position of Chief Executive Officer of Empresa Brasileira de Infra-Estrutura Aeroportuária – INFRAERO and was an officer of BNDES.

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Dionísio Dias Carneiro Netto. Mr. Carneiro Netto was born on September 23, 1945 and has been a member of our Board of Directors since April 30, 2002 and a member of our Audit Committee since June 24, 2005. Mr. Carneiro Netto has been a professor at *Pontifícia Universidade Católica do Rio de Janeiro*, at *UnB* and at *EPGE/FGV* and currently teaches at *Instituto de Gestão de Riscos Financeiros e Atuariais da Pontifícia Universidade Católica do Rio de Janeiro.* He was also a Vice-President of FINEP from 1979 to 1980 and has been a member of Boards of Directors in several companies. Mr. Carneiro Netto was a member of the Advisory Board of the African Economic Research Council and of the Committee for Development Planning at United Nations. He is an officer-parter of Galanto Consultoria, officer of the Instituto de Estudos de Política Econômica da Casa das Garças and member of the Executive Committee of Instituto de Gestão de Riscos Financeiros e Atuariais at *Pontifícia Universidade Católica do Rio de Janeiro*. He writes a fortnightly column in the newspaper *O Estado de Sao Paulo*.

Antonio Francisco dos Santos. Mr. Santos was born on December 6, 1950 and has been a member of our Board of Directors since November 25, 1997. Mr. Santos was Coordinator of Industrial Engineering, Chief of Industrial Engineering and Chief of Production Planning and a member of the Board of Directors of *Caixa Beneficente dos Empregados* of CSN, or CBS, our pension plan until 2008. He is currently Chairman and Chief Executive Officer of the Board of the CSN Employee Investment Club (*Clube de Investimento CSN*).

Yoshiaki Nakano. Mr. Nakano was born on August 30, 1944 and has been a member of our Board of Directors since April 29, 2004 and a member of our Audit Committee since June 24, 2005. From 1995 to 2001, Mr. Nakano was Treasury Secretary of the State of São Paulo. Since 2001, he has been Chief of the Economics Department at FGV in São Paulo. Mr. Nakano is also a member of the Board of Directors of the Fundação de Amparo à Pesquisa do Estado de São Paulo - FAPESP, of the Conselho Superior de Economia, of the FIESP/IRS, and a member of the Consulting Board of the Grupo Pão de Açúcar.

Gilberto Sayão da Silva. Mr. Sayão has been a member of our Board of Directors since April 30, 2009. Mr. Sayão also currently acts as the Chief Executive Officer of UBS Pactual Alternative Investments, a subsidiary of UBS Pactual Asset Management.

Board of Executive Officers

In addition to Mr. Steinbruch, the following persons were members of our Board of Executive Officers as of the date of this annual report:

Paulo Penido Pinto Marques. Mr. Marques was elected our Chief Financial Officer on May 12, 2009. Prior to joining CSN, Mr. Marques was Finance, Investor Relations and Information Technology Vice-President of Usinas Siderúrgicas de Minas Gerais S.A. - USIMINAS, Financial Officer of Usiminas Mecânicas S.A., member of the State Board of *Associação Brasileira das Companhias Abertas*, Financial Officer of the Companhia Siderúrgica Paulista - COSIPA, Officer of Mineração J. Mendes, Officer of Controle da Fasal S.A. and Officer of Consórcio Siderurgia Amazonia Ltd. (controller of Sidor - Venezuela). Mr. Marques has also participated in the Board of Executive Officers or the Board of Directors of Usiparts - automotive systems, Unigal, Rio Negro - steel trade and industrialization. He was also Vice-President at Financing Area, Credit and Risk of Morgan Guaranty Trust Co. of New York, Officer of Relationship with companies and Financial Institutions Area of BankBoston, Officer of Investments of Corporate Banking of Citibank.

Enéas Garcia Diniz. Mr. Diniz was born on January 1, 1960 and was originally elected Executive Officer in charge of Production on June 21, 2005. He has been serving CSN since 1985, acting as General Manager of Hot Rolling, General Manager of Maintenance, Metallurgy Director and General Director of the Presidente Vargas steelworks.

Alberto Monteiro de Queiroz Netto, Mr. Queiroz was born on November 30, 1967 and was elected Executive Officer of the Treasury on September 01, 2009. He was a career employee of the Bank of Brazil for twenty-five years, was chief financial conglomerate Bank of Brazil, President of BB DTVM - Asset Management, where he worked for nine years, and also at the same time, vice president of the National Association Investment Bank's (ANBID) and Chairman of Best Practices for Marketing Industry Investment Funds. He was Director of the Board of BB Securities in London, and the Bank of Brazil Broker Dealer in New York.

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José Taragano, Mr. Taragano was born on August 09, 1954 and was elected Executive Officer of Projects on December 15, 2009. He was employed by Brenco as COO - Executive VP of Operations, Executive Director of Klabin SA, worked for 24 years at Alcoa, a large and diverse operations in the General Direction of the business of Aluminium, Alumina and Chemicals, and various locations in Engineering, Production, Quality and Customer Satisfaction, EHS, HR, Logistics & Purchasing and Start-Ups large in Brazil and abroad.

There are no family relationships between any of the persons named above. The address for all of our directors and executive officers is Av. Brigadeiro Faria Lima, 3400, 20th floor, Itaim Bibi, city of São Paulo, State of São Paulo, Brazil (telephone number 55-11-3049-7100).

Indemnification of Officers and Directors

There is no provision for or prohibition against the indemnification of officers and directors in Brazilian law or in our bylaws. Officers are generally not individually liable for acts within the course of their duties. We either indemnify, or maintain directors and officers liability insurance insuring our Directors, our Chief Executive Officer, our Chief Financial Officer and our other Executive Officers and certain key employees against liabilities incurred in connection with their respective positions with us.

6B. Compensation

For the year ended December 31, 2009, the aggregate compensation paid by us to all members of our Board of Directors and the members of our Board of Executive Officers for services in all capacities was US$11 million (R$22 million), which includes salaries, bonuses, profit sharing arrangements and benefits, such as medical assistance, pension plan and life insurance among others. See "—Item 6D. Employees" for a brief description of our profit sharing arrangements.

We are the principal sponsor of CBS, our employee pension plan. CBS had an excess of plan assets over pension benefit obligations of US$245 million in 2009. The fair value of the resources of CBS, totaled US$1,245 million as of December 31, 2009, and projected benefit obligations were US$1,000 million. See "Item 3D-Risk Factors. We are exposed to valuation of our shares as result of certain equity swap agreements and our pension plan assets" and Note 15 to our consolidated financial statements contained in "Item 18. Financial Statements."

6C. Board Practices

Fiscal Committee and Audit Committee

Under Brazilian Corporate Law, shareholders may request the appointment of a Fiscal Committee (Conselho Fiscal), which is a corporate body independent of management and our external auditors. The primary responsibility of the Fiscal Committee is to review management's activities and the financial statements, and report its findings to the shareholders. Our shareholders did not request the installation of a Fiscal Committee at the Annual Shareholders' Meeting held on April 30, 2010.

In June 2005 an Audit Committee (Comitê de Auditoria) was appointed in compliance with SEC's rules, which is composed of three independent members of our Board of Directors.

The Audit Committee is responsible for recommending to the Board of Directors the appointment of the independent auditors, reporting on our auditing policies and our annual auditing plan prepared by our internal auditing team, as well as monitoring and evaluating the activities of the external auditors. Our Audit Committee has also been tasked with identifying, prioritizing and submitting actions to be implemented by our Executive Officers, and analyzing the annual report, and our financial statements and making recommendations to our Board of Directors.

The Audit Committee is currently composed of Mr. Perrone, Mr. Carneiro Netto and Mr. Nakano and is constantly assisted by an outside consultant.

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For information on the date of election and term of office of the members of our Board of Directors and Board of Executive Officers, see "Item 6A. Directors and Senior Management."

Service Contracts

We permit our directors to continue to participate in our employee pension plan after ceasing to be a director of our Company.

6D. Employees

As of December 31, 2007, 2008 and 2009, we had 14.274, 15.104 and 16.492 employees, respectively. As of December 31, 2009, approximately 2.475 of our employees were members of the steelworkers' union of Volta Redonda and region, which is affiliated with the Central Única dos Trabalhadores, or CUT, a national union. We believe we have a good relationship with CUT. We have collective bargaining agreements, renewable annually every May 1. Moreover, we have members affiliated to other unions, such as the Engineer Union with 55 members, the Accountant Union with 7 members and the Workers Unions from Arcos, Casa de Pedra and Araucária, with a total of 352 members. On the others company's controlled by CSN, as Prada, Ersa and Metalic, we have a total of 1.046 members.

In March 1997, we established an employee profit sharing plan. All employees participate in the plan, and earn bonuses based on our reaching certain goals for each year, including a minimum EBITDA margin, as well as other measures such as sales, cost control, productivity and inventory levels, as appropriate for each sector based on its nature.

6E. Share Ownership

The Steinbruch family, which includes Mr. Benjamin Steinbruch, our Chairman and Chief Executive Officer holds an indirect majority ownership interest in Vicunha Siderurgia, our controlling shareholder.

All our Executive Officers and members of our Board of Directors held an aggregate of 0.0001% of our outstanding common shares as of March 31, 2010.

Item 7. Major Shareholders and Related Party Transactions

7A. Major Shareholders

On March 31, 2010 our capital stock was composed of 1,510,359,220 common shares, including 52,389,112 common shares held in treasury. On March 25, 2010 a two-for-one stock split that took place, whereby each common share of our capital stock as of that date became represented by two common shares.

The following table sets forth, as of March 31, 2010, the number of our common shares owned by all persons known to us that own more than 5% of our outstanding common shares as of such date:

	Common Shares	
Name of Person or Group	**Shares Owned**	**Percent of Outstanding Shares(2)**
Vicunha Siderurgia S.A.(1)	697,719,990	47.86%

(1) Owned indirectly by the Steinbruch family, which includes Mr Benjamin Steinbruch, Chairman of our Board of Directors, and other members of his family.

(2) It does not include common shares held in treasury.

7B. Related Party Transactions

From time to time we conduct transactions with companies directly or indirectly owned by our principal shareholders or members of our Board of Directors. See "Item 4. Information on the Company —A. History and Development of the Company—Acquisitions and Dispositions," "Item 4B. Business Overview," "Item 4. Information on the Company —A. History and Development of the Company —Planned Investments," "Item 6A. Directors and Senior Management" and "Item 7A. Major Shareholders" and Note 20 to the consolidated financial statements included in "Item 18. Financial Statements."

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During 2008, we, through one of our subsidiaries, exported US$36 million of steel products to our subsidiary Lusosider, in Portugal. These export transactions were made using a third party, and have been eliminated in our consolidated financial statements.

Item 8. Financial Information

8A. Consolidated Statements and Other Financial Information

See "Item 3. Key Information—Selected Financial Data" and "Item 18. Financial Statements" for our consolidated financial statements.

Legal Proceedings

We record provisions for contingencies relating to legal proceedings with respect to which we deem the likelihood of an unfavorable outcome to be probable and the loss can be reasonably estimated. This determination is made based on the legal opinion of our internal and external legal counsel. We believe these contingencies are properly recognized in our financial statements in accordance with SFAS No. 5. Those contingencies related to income taxes and social contribution are accounted for based on the "more-likely-than-not" concept in accordance with FIN 48. We are also involved in judicial and administrative proceedings that are aimed at obtaining or defending our legal rights with respect to taxes that we believe to be unconstitutional or otherwise not required to be paid by us. We believe that these proceedings will ultimately result in the realization of contingent tax credits or benefits that can be used to settle direct and indirect tax obligations owed to the Brazilian federal or state governments. We do not recognize these contingent tax credits or benefits in our financial statements until realization of such gain contingencies has been resolved. This occurs when a final irrevocable judgment is rendered by the courts in Brazil. When we use contingent tax credits or benefits based on favorable temporary court orders that are still subject to appeal to offset current direct or indirect tax obligations, we maintain the legal obligation accrued in our financial statements until a final irrevocable judicial judgment on those contingent tax credits or benefits is rendered. The accrual for the legal obligation related to the current direct or indirect tax obligations offset is not reversed until such time as the utilization of the contingent tax credits or benefits is ultimately realized. The accounting for the contingent tax credits is in accordance with accounting for contingent assets under SFAS No. 5. Our accruals include interest on the tax obligations that we may offset with contingent tax credits or benefits at the interest rate defined in the relevant tax law.

We classify an accrual as short-term when it expects the liability to be settled in 360 days or less. As of December 31, 2009, US$109 million had been classified as short-term accrual for contingencies (US$69 million as of December 31, 2008). This usually occurs when a final, unappealable and irrevocable judgment has been rendered and is being enforced. Given the complexity of the Brazilian legal system, we are unable to anticipate when final judgments will be rendered on most of the claims. Consequently, these claims are classified as long-term liabilities.

The deposits for contingencies and disputed taxes payable are generally based on (i) accruals recorded in connection with lawsuits, (ii) court orders issued in connection with lawsuits and (iii) guarantees in connection with judicial foreclosure proceedings. Such deposits are classified as long-term assets, and the release of such deposits is conditioned upon court order. When such a court order is granted in our favor, the deposit is forfeited and returned to us in cash and the deposit account is appropriately offset. When such a court order is granted in a manner unfavorable to us, the deposit is used to offset the related liability and the deposit account is appropriately offset.

We are party to a number of legal proceedings arising from our ordinary course of business, including tax, civil and labor claims. As of December 31, 2009, we recorded aggregate long-term provisions of US$941 million relating to these claims, for which we had deposited US$807 million in judicial escrow accounts. See Note 17 to our consolidated financial statements contained in "Item 18. Financial Statements" in this annual report.

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Labor Contingencies

As of December 31, 2009, total accrual relating to probable losses for these contingencies was US$88 million (US$50 million in 2008). Our legal counselors periodically review accruals based on their judgment, as well as the recent track records of these disputes. Most of the lawsuits are related to alleged joint liability between us and our independent contractors, wage equalization, differences of 40% fine on the FGTS deposits due to inflation purge, additional payments for unhealthy and hazardous activities, overtime and profit sharing differences from 1997 to 1999 and from 2001 to 2003. The lawsuits related to the alleged joint liability between us and our independent contractors represent a significant portion of the total labor suits against us, and refer to non-payment of labor charges by our independent contractors to their employees, for which we may be found jointly liable.

Civil Contingencies

These are mainly claims for indemnities within the civil judicial processes in which we are involved. Such proceedings, in general, are a result of occupational accidents and diseases related to our industrial activities. In 2009, our legal counsel revised estimated losses based on their own judgment and recent precedents for these disputes. As of December 31,2009, the amount of the relating to probable losses for these contingencies was . US$26 million (US$20 million as of December 31, 2008).

Other Tax Contingencies

In addition to the tax contingencies described in “Item 5A. Operating Results—Results of Operations—2009 Compared to 2008—Disputed Taxes Payable,” we are party to other judicial and administrative proceedings not described in the notes to our consolidated financial statements, involving a total of approximately US$2.6 billion as of December 31, 2009 (US$2.5 billion as of December 31, 2008). Our external legal counsel deemed that the risk of loss arising from these lawsuits are possible, as opposed to probable. Therefore, we did not record accruals for contingencies with respect to these lawsuits.

Other tax contingencies relate to a variety of disputes for which we have recorded provisions for probable losses. No single group of similar claims constitutes more than 5% of total contingencies.

Legal Disputes with Vale

Until 2001, we held an ownership interest in Vale, Latin America’s largest mining company and the largest producer and exporter of iron ore in the world, through Valepar. Pursuant to an agreement entered into on December 31, 2000, we sold our ownership interest in Valepar to certain companies and pension funds, including Bradespar S.A. and Litel Participações S.A. In connection with the sale of our then controlling stake at Valepar to Bradespar S.A. and Litel Participações S.A., and the subsequent sale of Valia’s (Vale’s pension fund) 10.3% ownership interest in our company in 2003, Vale obtained a 30-year right of first refusal to match all the conditions, including price, quality and tenor, obtained by us in contracts with third parties to purchase iron ore produced at Casa de Pedra in excess of our and our affiliates’ needs.

In view of certain acquisitions made by Vale in 1995, CADE issued a decision in August 2005 pursuant to which Vale would have to choose between its ownership interest in Ferteco Mineração S.A., or Ferteco, or its rights of first refusal mentioned above. Such decision was challenged by Vale before the Brazilian courts. We filed with CADE a statement of compliance with the administrative order that requires the parties to refrain from exercising the rights of first refusal of Vale related to Casa de Pedra mine. This statement of compliance was publicly announced through a notice to the market (*fato relevante*) on January 17, 2008.

Several disputes between us and Vale arose from the transactions described in the two preceding paragraphs, including those (i) related to alleged indemnification or compensation rights arising from the exclusion of the “preference rights” relative to the acquisition of surplus iron ore produced by the Casa de Pedra mine, as well as to the Casa de Pedra mine itself, (ii) arising from obligations envisaged in the agreements related to the elimination of crossed shareholdings between Vale and CSN, occurred in December 2000; and (iii) related to other pending matters in regard to these issues.

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On April 27, 2009, we and Vale entered into a settlement agreement for the purpose of terminating all these pending lawsuits between the two companies. The settlement agreement, which has already been ratified by our and Vale's shareholders, also encompassed the revision and/or the termination of certain terms and conditions included in certain commercial contracts entered into between us and Vale.

Dividend Policy

General

Subject to certain exceptions set forth in Brazilian Corporate Law, our bylaws require that we pay a yearly minimum dividend equal to 25% of adjusted net profits, calculated in accordance with Brazilian Corporate Law. Proposals to declare and pay dividends in excess of the statutory minimum are generally made at the recommendation of our Board of Directors and approval by the vote of our shareholders. Any such proposal will be dependent upon our results of operations, financial condition, cash requirements for our business, future prospects and other factors deemed relevant by our Board of Directors. Until December 2000, it had been our policy to pay dividends on our outstanding common shares not less than the amount of our required distributions for any particular fiscal year, subject to any determination by our Board of Directors that such distributions would be inadvisable in view of our financial condition. In December 2000, our Board of Directors decided to adopt a policy of paying dividends equal to all legally available net profits, after taking into consideration the following priorities: (i) our business strategy; (ii) the performance of our obligations; (iii) the accomplishment of our required investments; and (iv) the maintenance of our good financial status.

Pursuant to a change in Brazilian tax law effective January 1, 1996, Brazilian companies are also permitted to pay limited amounts of interest on stockholders' equity to holders of equity securities and to treat these payments as an expense for Brazilian income tax purposes. These payments may be counted in determining if the statutory minimum dividend requirement has been met, subject to shareholder approval.

For dividends declared during the past five years, see "Item 3A. Selected Financial Data."

At our Annual Shareholders' Meeting of April 30, 2009, our shareholders approved the payment of dividends and interest on shareholders' equity relating to 2008, in the total amount of US$868.6 million (US$738.2 million as dividends and US$130.4 million as interest on shareholders' equity).

The total amount of approved dividends include dividends paid in advance on November 27, 2008, in the amount of US$70.6 million, that had already been approved by our Board of Directors on August 12, 2008, and dividends that had already been approved by our Board of Directors on March 24, 2009 in the amount of US$667.6 million.

Soon after the announcement of the payment of such dividends in the amount of US$667.6 million, a court order was issued by a trial state tax court in the State of Rio de Janeiro in connection with tax claims related to IPI premium credits on exports that we have recorded, in order to block US$354.2 million of our funds, which were later converted into a court deposit. For this reason, we paid our shareholders on April 2, 2009 the amount of funds that had not been blocked of US$313.4 million. Nevertheless, aiming at the preservation of our shareholders' rights, we paid on June 26, 2009, the remaining dividends of US$354.2 million. Following our adhesion to the REFIS the US$313.4 million which had been blocked were used to settle our tax liabilities under the special settlement and installment payment system under REFIS.

The US$130.4 million as interest on shareholders' equity were paid on May 11, 2009.

At our Annual Shareholders' Meeting of April 30, 2010, our shareholders approved the payment of dividends and interest on shareholders' equity relating to 2009, in the total amount of US$1,050.7 million (US$866.8 million as dividends and US$183.9 million as interest on shareholders' equity).

The distribution of the US$183.9 million as interest on shareholders' equity had already been approved by our Board of Directors, on December 17, 2009, and was paid in two installments. The first payment of US$143.5 million was on December 29, 2009 and the second one of US$40.4 million was on April 30, 2010.

The dividends of US$866.8 million are expected to be paid on June 25, 2010.

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For further information, see "Item 5. Operating and Financial Review and Prospects - Item 5A. Operating Results—Results of Operations—2007 Compared to 2006—Disputed Taxes Payable"

Amounts Available for Distribution

At each Annual Shareholders' Meeting, our Board of Directors is required to recommend how our earnings for the preceding fiscal year are to be allocated. For purposes of Brazilian Corporate Law, a company's net income after income tax and social contribution for any one fiscal year, net of any accumulated losses from prior fiscal years and amounts allocated to employees' and management's participation in earnings, represents its "net profits" for that fiscal year.

In accordance with Brazilian Corporate Law, an amount equal to our net profits as further (i) reduced by amounts allocated to the legal reserve; (ii) reduced by amounts allocated to the contingency reserve; and (iii) increased by reversion of the contingency reserves constituted in prior years, will be available for distribution to shareholders, or the Distributable Amount, in any particular year.

Legal Reserve. Under Brazilian Corporate Law, we are required to maintain a "legal reserve" to which web must allocate 5% of our "net profits" for each fiscal year until the amount of the reserve equals 20% of our paid-in capital. However, we are not required to make any allocations to our legal reserve in a year in which the legal reserve, when added to our other established capital reserves, exceeds 30% of our capital stock. Any net losses may be offset with the amounts allocated to the legal reserve. The amounts allocated to such reserve must be approved by our shareholders in the Annual Shareholders' Meeting, and may be used to increase our capital stock or to offset losses and, therefore, they are not available for the payment of dividends.

Discretionary (or Statutory) Reserves. Under Brazilian Corporate Law, any corporation may provide in its by-laws for additional reserves, provided that the maximum amount that may be allocated, the purpose and allocation criteria of the reserve are specified. These reserves may not be allocated for if such reserve affects the payment of the Mandatory Dividend (as defined bellow). Our by-laws currently do not provide for this reserve.

Contingency Reserve. Under Brazilian Corporate Law, a percentage of our "net profits" may be allocated to a contingency reserve for estimable losses that are considered probable in future years. Any amount so allocated in a prior year must either be reserved in the fiscal year in which the loss had been anticipated if the loss does not occur as projected or be written off in the event that the anticipated loss occurs.

Tax Incentive Reserve. Our shareholders in a shareholders' meeting may, as proposed by management, allocate to the tax incentive reserve part of our "net profits" resulting from donations or governmental grants for investments, which may be excluded from the taxable basis of a Mandatory Dividend (as defined bellow). Our by-laws currently do not provide for such reserve.

Unrealized Income Reserve. Under Brazilian Corporate Law, the amount by which the distributable amount exceeds realized net income in a given fiscal year may be allocated to unrealized profits reserves. Brazilian Corporate Law defines realized "net profits" for the period as the amount by which our "net profits" exceeds the sum of (i) positive equity results and (ii) the profits, gains or returns that will be received by us after the end of the subsequent fiscal year. "Net profits" allocated to the unrealized profits reserves must be added to the next mandatory dividend distribution after those profits have been realized, if they have not been used to absorb losses in subsequent periods.

Retained Earnings Reserve. Under Brazilian Corporate Law, our shareholders may decide at a general shareholders' meeting to retain a portion of our net income that is provided for in a previously approved capital expenditure budget. No allocation of net income may be made to the retained earnings reserve in case such allocation affects the payment of a mandatory dividend.

The balance of our profit reserves, except those for contingencies, tax incentives and unrealized profits, shall not be greater than our capital stock. If such reserves reach this limit, the manner in which such surplus is used will be decided at a shareholders' meeting.

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For purposes of determining reserve amounts, the calculation of "net profits" and allocations to reserves for any fiscal year are determined on the basis of financial statements prepared in accordance with Brazilian Corporate Law. The consolidated financial statements included herein have been prepared in accordance with U.S. GAAP and, although our allocations to reserves and dividends will be reflected in the financial statements, investors will not be able to calculate the allocations or required dividend amounts from the consolidated financial statements.

Capital Reserve. Under Brazilian Corporate Law, the capital reserve consists of premium from the issuance of shares, goodwill reserves from mergers, sales of founders' shares, sales of warrants, premium from the issuance of debentures, tax and fiscal incentives and gifts. Amounts allocated to our capital reserve are not taken into consideration for purposes of determining Mandatory Dividends (as defined bellow). Our capital stock is not currently represented by founders' shares. In addition, the remaining balance in the capital reserve may only be used to increase our capital stock, to absorb losses that surpass accumulated profits and the profit reserves or to redeem, reimburse or purchase shares.

Mandatory Dividend

Under our bylaws, we are required to distribute to shareholders as dividends in respect of each fiscal year ending on December 31, to the extent profits are available for distribution, an amount equal to at least 25% of the Distributable Amount (the "Mandatory Dividend") in any particular year (the amount of which shall include any interest paid on capital during that year). See "Additional Payments on Shareholders' Equity" below. In addition to the Mandatory Dividend, our Board of Directors may recommend that shareholders receive an additional payment of dividends from other funds legally available therefore. Any payment of interim dividends will be netted against the amount of the Mandatory Dividend for that fiscal year. Under Brazilian Corporate Law, if the Board of Directors determines prior to the Annual Shareholders' Meeting that payment of the Mandatory Dividend for the preceding fiscal year would be inadvisable in view of our financial condition, the Mandatory Dividend need not be paid. That type of determination must be reviewed by the Fiscal Council, if one exists, and reported, together with the appropriate explanations, to the shareholders and to the CVM.

Payment of Dividends

We are required to hold Annual Shareholders' Meetings within the first four months after the end of our fiscal year at which an annual dividend may be declared. Additionally, our Board of Directors may declare interim dividends. Under Brazilian Corporate Law, dividends are generally required to be paid to the holder of record on a dividend declaration date within 60 days following the date the dividend was declared, unless a shareholders' resolution sets forth another date of payment, which, in either case, must occur prior to the end of the fiscal year in which the dividend was declared. A shareholder has a three-year period from the dividend payment date to claim dividends (or interest on shareholders' equity as described under "Additional Payments on Shareholders' Equity" below) in respect of its shares, after which we will no longer be liable for the dividend payments.

Our payments of cash distributions on common shares underlying the ADSs will be made in Brazilian currency to our ADR custodian on behalf of our ADR depositary, which will then convert the proceeds into U.S. dollars and will cause the U.S. dollars to be delivered to our ADR depositary for distribution to holders of ADSs.

Additional Payments on Shareholders' Equity

Since January 1, 1996, Brazilian companies have been permitted to pay interest on shareholders' equity to holders of equity securities and to treat those payments as deductible expense for Brazilian income tax purposes. The amount of interest payable on capital is calculated based on the TJLP, as determined by the Central Bank, applied to each shareholder's portion of net equity. Brazilian Corporate Law establishes that current earnings are not included as part of the net equity.

The TJLP is determined by the Central Bank on a quarterly basis. The TJLP is based on the annual profitability average of Brazilian public internal and external debt. The TJLP rate for the fourth quarter of 2009 was 6%.

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Interest on shareholders' equity is deductible to the extent it does not exceed 50% of either of the following amounts: (i) net income, as determined for accounting purposes, for the current period of interest payment before the provision for income tax and the deduction of the amount of interest; or (ii) accumulated earnings from prior years.

8B. Significant Changes

None

Item 9. The Offer and Listing

9A. Offer and Listing Details

Our capital stock is comprised of common shares without par value (*ações ordinárias*). On January 22, 2008, our shareholders approved a one-for-three split of our common shares. As a result of this stock split, each common share of our capital stock as of January 22, 2008 became represented by three common shares after the split. The same ratio of one common share for each ADS was maintained.

On March 25, 2010, our shareholders approved a two-for-one split of our common shares. As a result of this stock split, each common share of our capital stock as of March 25, 2010 became represented by two common shares after the split. The same ratio of one common share for each ADS was maintained. See "Item 10.B. Memorandum and Articles of Association."

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The following table sets forth information concerning the high and low closing sale prices and the average daily trading volume of our common shares on the BM&FBOVESPA (per common share) and the ADSs on the NYSE for the periods indicated.

	Common Shares(1)			American Depositary Shares(1)		
	US$ per Share(2)		Volume	US$ per ADS		Volume
	High	Low	*(In thousands)*	High	Low	*(In thousands)*
2005:						
Year end	4.49	2.45	5,771	4.47	2.47	5,095
2006:						
Year end	6.27	3.46	4,216	6.29	3.49	5,605
2007:						
Year end	15.00	4.58	5,330	15.35	4.58	6,980
2008:						
First quarter	20.93	11.88	5,171	20.99	12.16	8,521
Second quarter	26.21	17.76	4,617	26.23	17.75	6,895
Third quarter	21.87	8.24	6,323	21.78	9.21	11,038
Fourth quarter	10.51	4.07	6,887	10.41	3.93	10,390
Year end	26.21	4.07	5,761	26.23	3.93	9,219
2009:						
First quarter	9.27	6.03	5,967	9.30	5.92	9,217
Second quarter	13.29	7.31	5,039	13.25	7.27	7,088
Third quarter	15.45	9.83	4,573	15.53	9.73	6,226
Fourth quarter	19.20	14.57	4,145	19.07	14.47	6,417
Year end	19.20	6.03	4,930	19.07	5.92	7,214
2010:						
First quarter	20.03	14.25	4,739	20.00	14.46	6,578
Month Ended:						
November 30, 2009	17.76	16.66	3,997	18.12	16.65	6,534
December 31, 2009	17.67	15.07	4,603	18.08	15.57	6,017
January 31, 2010	16.91	14.25	4,556	17.15	14.52	6,425
February 29, 2010	16.33	14.48	5,426	16.48	14.46	6,615
March 31, 2010	20.03	16.69	5,082	20.00	16.75	6,670
April 30, 2010	20.81	18.34	3,508	20.76	18.42	4,779

Source: Economática.

(1) Prices and volumes of our common shares and ADSs have been adjusted to reflect the two-for-one stock split occurred in March 2010 whereby each common share of our capital stock on March 25, 2010 became represented by two common shares. See "Item 10.B. Memorandum and Articles of Association."

(2) U.S. dollar amounts have been translated from *reais* at the exchange rates in effect on the respective dates of the quotations for the common shares set forth above. These U.S. dollar amounts may reflect exchange rate fluctuations and may not correspond to changes in nominal *reais* prices over time.

As of May 26, 2010, the closing sale price (i) per common share on the BM&FBOVESPA was US$14.11 and (ii) per ADS on the NYSE was US$14.31. The ADSs are issued under a deposit agreement and JPMorgan Chase Bank serves as depositary under that agreement.

As of March 31, 2010, approximately 343.9 million, or approximately 23.6%, of our outstanding common shares were held through ADSs. Substantially all of these ADSs were held of record by The Depository Trust Company. In addition, our records indicate that on that date there were approximately 440 record holders (other than our ADR depositary) with addresses in the U.S., holding an aggregate of approximately 129.5 million common shares, representing 8.8% of our outstanding common shares.

9B. Plan of Distribution

Not applicable.

9C. Markets

The principal trading market for our common shares is the BM&FBOVESPA. Our ADSs trade on the NYSE under the symbol "SID."

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Trading on the BM&FBOVESPA

In 2000, the BM&FBOVESPA was reorganized through the execution of memoranda of understanding by the Brazilian stock exchanges. Under the memoranda, all securities in Brazil are now traded only on the BM&FBOVESPA, with the exception of electronically traded public debt securities and privatization auctions, which are traded on the Rio de Janeiro Stock Exchange.

When shareholders trade in common and preferred shares on the BM&FBOVESPA, the trade is settled in three business days after the trade date without adjustment of the purchase price for inflation. The seller is ordinarily required to deliver the shares to the exchange on the third business day following the trade date. Delivery of and payment for shares are made through the facilities of the clearinghouse, *Companhia Brasileira de Liquidação e Custódia,* or CBLC, a subsidiary of the BM&FBOVESPA.

The BM&FBOVESPA was a nonprofit entity owned by its member brokerage firms until August 2007. Since then, Bovespa Holding S.A. became a public company with shares negotiated on the BM&FBOVESPA. Trading on the BM&FBOVESPA is conducted through an electronic trading system called Megabolsa from 10:00 a.m. to 5:00 p.m., or from 11:00 a.m. to 6:00 p.m., São Paulo time, during daylight savings time in Brazil, for all securities traded on all markets. This system is a computerized system that links electronically with the seven smaller regional exchanges. The BM&FBOVESPA also permits trading from 5:45 p.m. to 7:00 p.m., or from 6:45 p.m. to 7:30 p.m., São Paulo time, during daylight savings time in Brazil, on an online system connected to traditional and internet brokers called the "after market." Trading on the after market is subject to regulatory limits on price volatility and on the volume of shares transacted through internet brokers. There are no specialists or officially recognized market makers for our shares in Brazil.

In order to better control volatility, the BM&FBOVESPA adopted a "circuit breaker" system pursuant to which trading sessions may be suspended for a period of 30 minutes, one hour or for a period to be determined by BM&FBOVESPA whenever the BM&FBOVESPA's index, or Ibovespa index, falls below the limits of 10%, 15% or 20%, respectively, in relation to the index registered in the previous trading session.

The BM&FBOVESPA is significantly less liquid than the NYSE or other major exchanges in the world. As of December 2009, the aggregate market capitalization of the BM&FBOVESPA was equivalent to R$2.3 trillion (or US$1.3 trillion). In contrast, as of December 2009, the aggregate market capitalization of the NYSE was US$12.9 trillion. The average daily trading volume of the BM&FBOVESPA and NYSE for December 2009 was approximately R$6.7 billion (or US$3.8 billion) and US$55.8 billion, respectively. Although any of the outstanding shares of a listed company may trade on the BM&FBOVESPA, in most cases fewer than half of the listed shares are actually available for trading by the public, since the remaining shares are generally being held by small groups of controlling persons, by government entities or by one principal shareholder. See "Item 3. Risk Factors—Risks Relating to the ADSs and Our Common Shares—The relative volatility and illiquidity of the Brazilian securities markets may substantially limit the ability of holders of our common shares or ADSs to sell the common shares underlying the ADSs at the time and price they desire."

As of December 31, 2009, we accounted for approximately 1.75% of the market capitalization of all listed companies on the BM&FBOVESPA.

The following table reflects the fluctuations in the Ibovespa index during the periods indicated:

Ibovespa Index

	High	Low	Close
2005	33,629	23,610	33,456
2006	44,674	32,057	44,473
2007	65,790	41,179	63,886
2008	73,516	29,435	37,550
2009	69,349	36,234	68,588
2010 (through March 31)	70,729	62,762	70,371

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The IBOVESPA index closed at 69,386 on March 31, 2010. Trading on the BM&FBOVESPA by nonresidents of Brazil is subject to certain limitations under Brazilian foreign investment legislation. See "Item 10D. Exchange Controls."

Regulation of the Brazilian Securities Markets

The Brazilian securities markets are regulated by the CVM, which has authority over stock exchanges and the securities markets generally, and by the Central Bank, which has, among other powers, licensing authority over brokerage firms and regulates foreign investment and foreign exchange transactions. The Brazilian securities market is governed by Law No. 6,385 dated December 7, 1976, as amended, or the Brazilian Securities Law, and Brazilian Corporate Law and regulations issued by the CVM.

Under Brazilian Corporate Law, a company is either public, a *companhia aberta*, such as us, or private, a *companhia fechada*. All public companies are registered with the CVM and are subject to reporting and regulatory requirements.

Trading in securities on the BM&FBOVESPA may be suspended at the request of a company in anticipation of a material announcement. The company should also suspend its trading on international stock exchanges where its securities are traded. Trading may also be suspended on the initiative of the BM&FBOVESPA or the CVM, among other reasons, based on or due to a belief that a company has provided inadequate information regarding a material event or has provided inadequate responses to the inquires by the CVM or the BM&FBOVESPA.

The Brazilian Securities Law and the regulations issued by the CVM provide for, among other things, disclosure requirements, restrictions on insider trading and price manipulation, as well as protection of minority shareholders. However, the Brazilian securities markets are not as highly regulated and supervised as the United States securities markets or markets in certain other jurisdictions.

Disclosure Requirements

According to Law No 6,385, a publicly held company must submit to the CVM and BM&FBOVESPA certain periodic information, including annual and quarterly reports prepared by management and independent auditors. This legislation also requires us to file with the CVM our shareholders' agreements, notices of shareholders' meetings and copies of the related minutes.

Pursuant to the CVM Resolution No. 358, of January 3, 2002, the CVM revised and consolidated the requirements regarding the disclosure and use of information related to material facts and acts of publicly held companies, including the disclosure of information in the trading and acquisition of securities issued by publicly held companies.

Such requirements include provisions that:

- establish the concept of a material fact that gives rise to reporting requirements. Material facts include decisions made by the controlling shareholders, resolutions of the shareholders at a shareholders' meeting and of management of the company, or any other facts related to the company's business (whether occurring within the company or otherwise somehow related thereto) that may influence the price of its publicly traded securities, or the decision of investors to trade such securities or to exercise any of such securities' underlying rights;
- specify examples of facts that are considered to be material, which include, among others, the execution of agreements providing for the transfer of control, the entry or withdrawal of shareholders that maintain any managing, financial, technological or administrative function with or contribution to the company, and any corporate restructuring undertaken among related companies;
- oblige the officer of investor relations, controlling shareholders, other officers, directors, members of the audit committee and other advisory boards to disclose material facts;

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- require simultaneous disclosure of material facts to all markets in which the corporation's securities are admitted for trading;
- require the acquirer of a controlling stake in a corporation to publish material facts, including its intentions as to whether or not to de-list the corporation's shares, within one year;
- establish rules regarding disclosure requirements in the acquisition and disposal of a material ownership interest; and
- forbid trading on the basis of material non-public information;

Pursuant to the CVM Rule No. 480 of December 7, 2009, the CVM expand the quantity and improve the quality of information reported by issuers in Brazil. This Rule represents a significant step forward in providing the market with greater transparency over securities issuers. For that purpose, the Annual Information Report (*IAN*) was replaced by a more comprehensive and opinative reference form (*Formulário de Referência*), which comprised the information requested by *IAN* and added several other data required under CVM Rule No. 400 of December 29, 2003 that were only subject to disclosure upon a public offering.

The reference form (*Formulário de Referência*) is in line with the Shelf Registration System recommended by the International Organization Securities Commission (IOSCO) and adopted in other countries (England and the United States, among others), by means of which the information regarding an specific issuer is consolidated into one document and is subject to periodic update (the "Shelf Document"). This mechanism offers the investor the possibility to analyze one single document for relevant information about the issuer.

CVM Rule No. 480 also created two groups of issuers per type of securities traded. Group A issuers are authorized to trade in any securities, whereas Group B issuers must not trade in stocks, depositary receipts (BDRs, Units) and securities convertible or exchangeable into stocks or depositary receipts. The greater extend of Group A authorization is followed by more stringent disclosure and reporting requirements. We, as issuers of stocks, are part of Group A.

CVM has also enacted Rule No. 481 of December 17, 2009 to regulate two key issues involving general meetings of shareholders in publicly held companies: (i) the extent of information and documents to be provided in support of call notices (subject to prior disclosure to shareholders); and (ii) proxy solicitation for exercise of voting rights.

CVM Rule No. 481 is intended to (i) improve the quality of information disclosure by publicly held companies to shareholders and to the market in general, favoring the use of Internet as a vehicle to that end; (ii) make the exercise of voting rights less costly and foster the participation of shareholders in general meetings, specially for companies with widely dispersed capital; and, consequently (iii) facilitate the oversight of corporate businesses.

9D. Selling Shareholders

Not applicable.

9E. Dilution

Not applicable.

9F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

10A. Share Capital

Not applicable.

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10B. Memorandum and Articles of Association

Registration and Corporate Purpose

We are registered with the Department of Trade Registration under number 15,910. Our corporate purpose, as set forth in Article 2 of our bylaws, is to manufacture, transform, market, import and export steel products and steel derived by-products from the manufacturing plant, as well as to explore other activities that are directly or indirectly related to our corporate purpose, including: mining, cement and carbochemical business activities, the manufacture and assembly of metallic structures, construction, transportation, navigation and port activities.

Directors' Powers

Pursuant to our bylaws, a director may not vote on a proposal, arrangement or contract in which the director's interests conflict with our interests. In addition, our shareholders must approve the total compensation of our management and our Board of Directors is responsible for allocating individual amounts of management compensation. There is no mandatory retirement age for our directors. Brazilian Corporate Law requires that a director must be a shareholder of the company, but there is no minimum amount of shares required. A detailed description of the general duties and powers of our Board of Directors may be found in "Item 6A. Directors and Senior Management."

Description of Capital Stock

Set forth below is certain information concerning our capital stock and a brief summary of certain significant provisions of our bylaws and Brazilian Corporate Law applicable to our capital stock. This description does not purport to be complete and is qualified by reference to our bylaws and to Brazilian law. For further information, see our bylaws, which have been filed as an exhibit to this annual report.

Capital Stock

On January 22, 2008, our shareholders approved a one-for-three split of our common shares and the cancellation of 4,000,000 treasury shares (equivalent to 12,000,000 common shares after the split) . As a result of this stock split, each common share of our capital stock as of January 22, 2008 became represented by three common shares after the split. The same ratio of one common share for each ADS was maintained.

On December 31, 2009 our capital stock was composed of 755,179,610 common shares, including 26,194,556 common shares held in treasury.

On March 2010 a two-for-one stock split that took place, whereby each common share of our capital stock as of March 25, 2010 became represented by two common shares. On March 31, 2010 our capital stock was composed by 1,510,359,220 common shares including 52,389,112 common shares held in treasury. Our bylaws authorize the Board of Directors to increase the capital stock up to 2,400,000,000 common shares without an amendment to our bylaws by means of a vote at our shareholders' meeting. There are currently no classes or series of preferred shares issued or outstanding. We may purchase our own shares for purposes of cancellation or to hold them in treasury subject to certain limits and conditions established by the CVM and Brazilian Corporate Law. See "Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers."

Liability for Further Capital Calls

Pursuant to Brazilian Corporate Law, a shareholder's liability is generally limited to the issue price of the subscribed or purchased shares. There is no obligation of a shareholder to participate in additional capital calls.

Voting Rights

Each common share entitles the holder to one vote at our shareholders' meetings. According to a CVM ruling, shareholders that represent at least 5% of our common shares may request cumulative voting in an election of our Board of Directors. Pursuant to Brazilian Corporate Law, shareholders holding at least 15% of our common shares have the right to appoint a member of our Board of Directors.

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Shareholders' Meetings

Pursuant to Brazilian Corporate Law, the shareholders present at an annual or extraordinary shareholders' meeting, convened and held in accordance with Brazilian Corporate Law and our bylaws are empowered to decide all matters relating to our corporate purpose and to pass any resolutions they deem necessary for our protection and well-being.

In order to participate in a shareholders' meeting, a shareholder must be a record owner of the share on the day the meeting is held, and may be represented by a proxy.

Shareholders' meetings are called, convened and presided over by the Chairman or Vice-Chairman of our Board of Directors. Brazilian Corporate Law requires that our shareholders' meeting be convened by publication of a notice in the *Diário Oficial do Estado do Rio de Janeiro*, the official government publication of the State of Rio de Janeiro, and in a newspaper of general circulation in Brazil and in the city in which our principal place of business is located, currently the Jornal Valor Econômico, at least 15 days prior to the scheduled meeting date and no fewer than three times. We have changed to the Jornal Valor Econômico as our main means of disclosing legal notices after our shareholders approved by unanimous vote such change at our shareholders' meeting held on April 30, 2009. Both notices must contain the agenda for the meeting and, in the case of an amendment to our bylaws, an indication of the subject matter.

In order for a shareholders' meeting to be held, shareholders representing a quorum of at least one-fourth of the voting capital must be present. A shareholder may be represented at a shareholders' meeting by means of a proxy, appointed not more than one year before the meeting, who must be a either a shareholder, a company officer or a lawyer. For public companies, such as we are, the proxy may also be a financial institution. If no quorum is present, notice must be given in the manner described above, no fewer than eight days prior to the scheduled meeting date. On second notice, the meeting may be convened without a specific quorum requirement, subject to the minimum quorum and voting requirements for certain matters, described below. A holder of shares with no voting rights may attend a shareholders' meeting and take part in the discussion of matters submitted for consideration.

Except as otherwise provided by law, resolutions passed at a shareholders' meeting require a simple majority vote, abstentions not considered. Pursuant to Brazilian Corporate Law, the approval of shareholders representing at least one-half of the issued and outstanding voting shares is required for the following actions: (i) to change a priority, preference, right, privilege or condition of redemption or amortization of any class of preferred shares or creation of any class of non-voting preferred shares that has a priority, preference, right, condition or redemption or amortization superior to an existing class of shares (in this case, a majority of issued and outstanding shares of the affected class is required); (ii) to reduce the mandatory dividend; (iii) to change our corporate purpose; (iv) to merge into or consolidate with another company or to spin-off our assets; (v) to dissolve or liquidate our Company; (vi) to cancel any liquidation procedure; (vii) to create founders' shares; and (viii) to participate in a centralized group of companies as defined under Brazilian Corporate Law.

Pursuant to Brazilian Corporate Law, shareholders voting at a shareholders' meeting have the power to: (i) amend our bylaws; (ii) elect or dismiss members of our Board of Directors (and members of the Fiscal Council) at any time; (iii) receive and approve the annual management accounts, including the allocation of net profits and the distributable amounts for payment of the mandatory dividends and allocation to the various reserve accounts; (iv) authorize the issuance of debentures in general; (v) suspend the rights of a shareholder who has violated Brazilian Corporate Law or our bylaws; (vi) accept or reject the valuation of assets contributed by a shareholder in consideration of the subscription of shares in our capital stock; (vii) authorize the issuance of founders' shares; (viii) pass resolutions to reorganize the legal form of, merge, consolidate or split the company, to dissolve and liquidate the company, to elect and dismiss its liquidators and to examine their accounts; and (ix) authorize management to declare the company insolvent and to request a *recuperação judicial* or *recuperação extrajudicial* (a procedure involving protection from creditors similar in nature to reorganization under the U.S. Bankruptcy Code), among others.

Redemption Rights

Our common shares are not redeemable, except that a dissenting and adversely affected shareholder is entitled, under Brazilian Corporate Law, to obtain redemption upon a decision made at a shareholders' meeting by shareholders representing at least one half of the issued and outstanding voting shares to: (i) create a new class of preferred shares or to disproportionately increase an existing class of preferred shares relative to the other classes of preferred shares (unless these actions are provided for or authorized by our bylaws); (ii) modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or to create a new class with greater privileges than an existing class of preferred shares; (iii) reduce the mandatory distribution of dividends; (iv) change our corporate purpose; (v) merge us with another company or consolidate us; (vi) transfer all of our shares to another company in order to make us a wholly-owned subsidiary of that company (*incorporação*); (vii) approve the acquisition of control of another company at a price that exceeds certain limits set forth under Brazilian Corporate Law; (viii) approve our participation in a centralized group of companies as defined under Brazilian Corporate Law; (ix) conduct a spin-off that results in (a) a change of corporate purpose, (b) a reduction of the mandatory dividend or (c) any participation in a group of companies as defined under Brazilian Corporate Law; or (x) in the event that the entity resulting from (a) a merger or consolidation, (b) an *incorporação* as described above or (c) a spin-off of a listed company fails to become a listed company within 120 days of the shareholders' meeting at which the decision was taken. The right of redemption lapses 30 days after publication of the minutes of the relevant shareholders' meeting. We would be entitled to reconsider any action giving rise to redemption rights within 10 days following the expiration of those rights, if the redemption of shares of dissenting shareholders would jeopardize our financial stability. Law No. 9,457 dated May 5, 1997, which amended Brazilian Corporate Law, contains provisions which, among others, restrict redemption rights in certain cases and allow companies to redeem their shares at their market value, subject to certain requirements. According to our bylaws, the reimbursement value of the common shares must equal the market value, determined by a valuation report in accordance with Brazilian Corporate Law, of our capital stock divided by the total number of shares issued by us, excluding treasury shares.

Preemptive Rights

Except as provided for in Brazilian Corporate Law (such as, mergers and public offerings), our bylaws allow each of our shareholders a general preemptive right to subscribe to shares in any capital increase, in proportion to his or her ownership interest. A minimum period of 30 days following the publication of notice of a capital increase is allowed for the exercise of the right and the right is negotiable. In the event of a capital increase that would maintain or increase the proportion of capital represented by common shares, holders of ADSs will have preemptive rights to subscribe only to newly issued common shares. In the event of a capital increase that would reduce the proportion of capital represented by common shares, holders of ADSs will have preemptive rights to subscribe for common shares, in proportion to their ownership interest, only to the extent necessary to prevent dilution of their interest in us.

Form and Transfer

As our common shares are in registered form, the transfer of shares is governed by the rules of Article 31, paragraph 3, of Brazilian Corporate Law, which provides that a transfer of shares is effected by a transfer recorded in a company's share transfer records upon presentation of valid share transfer instructions to the company by a transferor or its representative. When common shares are acquired or sold on a Brazilian stock exchange, the transfer is effected on the company's records by a representative of a brokerage firm or the stock exchange's clearing system. Transfers of shares by a non-Brazilian shareholder are made in the same way and are executed by that shareholders' local agent.

The BM&FBOVESPA operates a central clearing system. A holder of our common shares may choose, at its discretion, to participate in this system and all shares elected to be put into this system will be deposited in the custody of the BM&FBOVESPA (through a Brazilian institution duly authorized to operate by the Central Bank and having a clearing account with the BM&FBOVESPA). The fact that those common shares are held in the custody of the BM&FBOVESPA will be reflected in our register of shareholders. Each participating shareholder will, in turn, be registered in our register of beneficial shareholders maintained by the BM&FBOVESPA and will be treated in the same way as registered shareholders.

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Limitations on Ownership and Voting Rights by non-Brazilians Shareholders

There are no restrictions on ownership or voting of our common shares by individuals or legal entities domiciled outside Brazil. However, the right to convert dividend payments and proceeds from the sale of common shares into foreign currency and to remit those amounts outside Brazil is subject to exchange control restrictions and foreign investment legislation which generally require, among other things, obtaining a Certificate of Registration under the Brazilian National Monetary Council's Resolution No. 2,689 or its direct foreign investment regulations. See "Item 10D. Exchange Controls."

Share Ownership Disclosure

There are no provisions in our bylaws governing the ownership threshold above which shareholder ownership must be disclosed. CVM regulations require the disclosure of the acquisition of (i) 5% of the voting stock of a listed company, (ii) additional acquisitions by a controlling shareholder and (iii) shares by members of the Board of Executive Officers, members of the Fiscal Council (if any) and certain relatives of those persons.

10C. Material Contracts

In 2008, our subsidiary CSN Madeira Lda. (CSN Madeira) entered into a derivative transaction known in the market as Total Return Equity Swap with Goldman Sachs International (GSI), with the scope of exchanging the return on assets (swap). Pursuant to the terms of the transaction, CSN Madeira would owe GSI a LIBOR-based interest rate on a notional amount corresponding to the average price of approximately 29.7 million American Depositary Receipts ("ADRs") representing common stock of CSN ("Notional Amount"), and GSI would owe CSN Madeira an amount corresponding to the appreciation of the ADRs forming the Notional Amount and to the dividends allocated to such ADRs. On August 13, 2009, this equity swap agreement was closed out and the settlement price was calculated based upon the weighted average price of CSN's shares on the BM&FBOVESPA on each trading day during a 30 consecutive trading day period ending on and including August 12, 2009 (Settlement Price), as authorized by the CVM. In addition, CSN acquired the 29,684,400 ADRs currently held by GSI through a private transaction and paid the Settlement Price to GSI, as per the CVM authorization. The ADRs acquired by us were converted into shares of CSN held in treasury and cancelled on September 14, 2009. From the close out date on, we are no longer exposed to the devaluation of our shares as a result of equity swap agreements.

10D. Exchange Controls

There are no restrictions on ownership or voting of our common shares by individuals or legal entities domiciled outside Brazil. However, the right to convert dividend payments and proceeds from the sale of common shares into foreign currency and to remit those amounts outside Brazil is subject to exchange control restrictions and foreign investment legislation which generally require, among other things, obtaining a Certificate of Registration under the Brazilian National Monetary Council's Resolution No. 2,689 or its direct foreign investment regulations. Resolution No. 2,689 dated March 31, 2000, introduced new rules to facilitate foreign investment in Brazil. The principal changes for foreign investors entering the Brazilian market include:

- the removal of restrictions on investments by portfolio composition (e.g., equities, fixed income and derivatives); and
- permission for foreign individuals and corporations to invest in the Brazilian market, in addition to foreign institutional investors.

Prior to Resolution No. 2,689, foreign investors had to leave and reenter the country in order to switch their investments from equity to fixed income. Now foreign investors can freely switch their investments without leaving the local market. Foreign investors registered with the CVM and acting through authorized custody accounts and a legal representative may buy and sell any local financial product traded on the local exchanges and registered on the local clearing systems, including shares on the BM&FBOVESPA, without obtaining separate Certificates of Registration for each transaction. Pursuant to Resolution No. 2,689, as amended, investors are also generally entitled to favorable tax treatment. See "Item 10E. Taxation—Brazilian Tax Considerations."

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A Certificate of Registration has been issued in the name of JPMorgan Chase Bank, as our ADR depositary, and is maintained by the *Itaú Corretora de Valores S.A.*, our ADR custodian, on behalf of our ADR depositary. Pursuant to the Certificate, our ADR custodian and our ADR depositary are able to convert dividends and other distributions with respect to the common shares represented by ADSs into foreign currency and remit the proceeds outside Brazil. In the event that a holder of ADSs surrenders its ADSs for common shares, that holder will be entitled to continue to rely on our ADR depositary's Certificate of Registration for only five business days after the surrender, following which the holder must obtain its own Certificate of Registration. Thereafter, unless the common shares are held pursuant to Resolution No. 2,689 or direct foreign investment regulations, the holder may not be able to convert into foreign currency and remit outside Brazil the proceeds from the disposition of, or distributions with respect to, those common shares, and the holder generally will be subject to less favorable Brazilian tax treatment than a holder of ADSs. See "Item 10E. Taxation—Brazilian Tax Considerations."

A non-Brazilian holder of common shares may experience delays in obtaining a Certificate of Registration, which may delay remittances abroad. This kind of delay may adversely affect the amount, in U.S. dollars, received by the non-Brazilian holder.

Under current Brazilian legislation, the Brazilian government may impose temporary restrictions on remittances of foreign capital abroad in the event of a serious imbalance or an anticipated serious imbalance of Brazil's balance of payments. For approximately nine months in 1989 and early 1990, the Brazilian government froze all dividend and capital repatriations held by the Central Bank that were owed to foreign equity investors in order to conserve Brazil's foreign currency reserves. These amounts were subsequently released in accordance with Brazilian government directives. See "Item 3D. Risk Factors—Risks Relating to our Common Shares and ADSs—If holders of ADSs exchange the ADSs for common shares, they risk losing the ability to remit foreign currency abroad and Brazilian tax advantages."

For a description of the foreign exchange markets in Brazil, see "Item 3A. Selected Financial Data– Exchange Rates."

10E. Taxation

The following is a summary of certain U.S. federal income and Brazilian tax consequences of the acquisition, ownership and disposition of our common shares or ADSs by an investor that holds the common shares or ADSs. This summary does not purport to address all material tax consequences of the acquisition, ownership and disposition of our common shares or ADSs, does not take into account the specific circumstances of any particular investors and does not address certain investors that may be subject to special tax rules.

This summary is based on the tax laws of the United States (including the Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing and proposed Treasury regulations thereunder, published rulings and court decisions) and Brazil as in effect on the date hereof, which are subject to change (or changes in interpretation), possibly with retroactive effect. In addition, this summary is based in part upon the representations of our ADR depositary and the assumption that each obligation in our deposit agreement and any related agreement will be performed in accordance with its terms.

Although there is, at present, no income tax treaty between Brazil and the United States, the tax authorities of the two countries have had discussions that may result in such a treaty. Both countries have been accepting the offset of income taxes paid in one country against the income tax due in the other based on reciprocity. No assurance can be given, however, as to whether or when an income tax treaty will enter into force or how it will affect the U.S. Holders, as defined below, of common shares or ADSs.

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The discussion does not address any aspects of U.S. taxation (such as estate tax, gift tax and Medicare tax on net investment income) other than federal income taxation or any aspects of Brazilian taxation other than income, gift, inheritance and capital taxation. Prospective investors are urged to consult their own tax advisors regarding the U.S. federal, state and local and regarding Brazilian and other tax consequences of the acquisition, ownership and disposition of our common shares and ADSs.

Brazilian Tax Considerations

The following discussion summarizes the principal Brazilian tax consequences of the acquisition, ownership and disposition of common shares or ADSs by a holder that is not domiciled in Brazil for purposes of Brazilian taxation (a "Non-Resident Holder"). It is based on Brazilian law as currently in effect. Any change in such law may change the consequences described below, possibly with retroactive effect. This discussion does not specifically address all of the Brazilian tax considerations applicable to any particular Non-Resident Holder. Each Non-Resident Holder of common shares or ADSs should consult their own tax advisor concerning the Brazilian tax consequences of an investment in common shares or ADSs.

A Non-Resident Holder of ADSs may withdraw them in exchange for common shares in Brazil. Pursuant to Brazilian law, the Non-Resident Holder may invest in common shares under Resolution 2,689, of January 26, 2000, of the National Monetary Council, or a 2,689 Holder.

Taxation of Dividends and Interest on Shareholders' Equity

Dividends, including stock dividends and other dividends, paid by us (i) to our ADR depositary in respect of the common shares underlying the ADSs or (ii) to a Non-Resident Holder in respect of common shares are currently not subject to Brazilian withholding income tax, as far as such amounts are related to profits generated on or after January 1, 1996. Dividends relating to profits generated prior to January 1, 1996 may be subject to Brazilian withholding income tax at varying rates, depending on the year the profits have been generated.

Since 1996, Brazilian companies have been permitted to pay limited amounts of interest on shareholders' equity to holders of equity securities and to treat those payments as a deductible expense for purposes of its Brazilian income tax and social contribution on net profits tax basis. For tax purposes, this interest is limited to the daily pro rata variation of the Brazilian Federal Government's Long-Term Interest Rate ("TJLP"), as determined by the Central Bank from time to time, multiplied by the net equity value of the Brazilian company, and the amount of the deduction may not exceed the greater of (i) 50% of the net income (before taking into account the amounts attributable to shareholders as interest on shareholders' equity and the provision of corporate income tax but after the deduction of the provision of the social contribution on net profits) related to period in respect of which the payment is made; or (ii) 50% of the sum of retained profits and profits reserves as of the date of the beginning of the fiscal year in respect of which the payment is made. Payments of interest on shareholders' equity are decided by the shareholders on the basis of the recommendations of our Board of Directors.

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Payment of interest on shareholders' equity to a Non-Resident Holder is subject to withholding income tax at the rate of 15%, or 25% if the Non-Resident Holder is domiciled in a tax haven. For this purpose, a "tax haven" is a country or location (1) that does not impose income tax, (2) where the income tax rate is lower than 20% or (3) where the local legislation imposes restrictions on disclosing the shareholding composition or ownership of the investment ("Tax Haven Jurisdiction"). These payments of interest on shareholders' equity may be included, at their net value, as part of any mandatory dividend. To the extent payment of interest on shareholders' equity is so included, the corporation is required to distribute to shareholders an additional amount to ensure that the net amount received by them, after payment of the applicable Brazilian withholding income tax, plus the amount of declared dividends is at least equal to the mandatory dividend.

In addition, Law No. 11,727, of June 23, 2008, or Law No. 11,727, introduced a broader concept of tax haven jurisdiction applicable to transactions subject to Brazilian transfer pricing rules, with the creation of the privileged tax regime concept (which came into effect on January 1, 2009).

Due to the recent enactment of this Law and the lack of relevant regulation issued by the Brazilian tax authorities, we are not able to ascertain if this privileged tax regime concept will also be applied to non-resident investors such as a Non-Resident Holder. We recommend prospective investors to consult their own tax advisors from time to time about the changes implemented by Law 11,727 and by any Brazilian tax law or regulation with respect to the concept of tax haven jurisdiction. If the tax authorities determine that payments of interest on shareholders' equity made to a Non-Resident Holder will benefit from a privileged tax regime, the withholding income tax rate applicable to such payments could be of 25%.

No assurance can be given that our board of directors will not recommend that future distributions of income should be made by means of interest on shareholders' equity instead of dividends.

Taxation of Gains

According to Law No. 10,833/03, the gains recognized on a disposition of assets located in Brazil, such as our common shares, by a Non-Resident Holder, are subject to withholding income tax in Brazil. This rule is applicable regardless of whether the disposition is conducted in Brazil or abroad and/or if the disposition is or is not made to an individual or entity resident or domiciled in Brazil.

As a general rule, capital gains realized as a result of a disposition transaction are the positive difference between the amount realized on the disposition of the common shares and the respective acquisition cost.

Capital gains realized by Non-Resident Holders on the disposition of common shares sold on the Brazilian stock exchange (which includes the transactions carried out on the organized over-the-counter market):

- are exempt, when realized by a Non-Resident Holder that (i) is a 2,689 Holder and (ii) is not resident or domiciled in a Tax Haven Jurisdiction; and
- are subject to income tax at a rate of 15% in case of gains realized by (A) a Non-Resident Holder that (i) is not a 2,689 Holder and (ii) is not resident or domiciled in a Tax Haven Jurisdiction; or (B) a Non-Resident Holder that (i) is a 2,689 Holder and (ii) is resident or domiciled in a Tax Haven Jurisdiction;
- are subject to income tax at a rate of up to 25% in case of gains realized by a Non-Resident Holder that (i) is not a 2,689 Holder and (ii) is resident or domiciled in a Tax Haven Jurisdiction.

A withholding income tax of 0.005% will apply and can be offset against any income tax due on the capital gain. Such withholding does not apply to a 2,689 Holder that is not resident or domiciled in a Tax Haven Jurisdiction.

Any other gains realized on the disposition of common shares that are not carried out on the Brazilian stock exchange:

- are subject to income tax at a rate of 15% when realized by any Non-Resident Holder that is not resident or domiciled in a Tax Haven Jurisdiction, whether or not such holder is a 2,689 Holder; and

- are subject to income tax at a rate of up to 25% when realized by a Non-Resident Holder that is resident or domiciled in a Tax Haven Jurisdiction, whether or not such holder is a 2,689 Holder.

In the cases described above, if the gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation, the withholding income tax of 0.005% will also apply and can be offset against any income tax due on the capital gain.

Any exercise of preemptive rights relating to common shares will not be subject to Brazilian withholding income tax. Gains realized by a Non-Resident Holder on the disposition of preemptive rights will be subject to Brazilian income tax according to the same rules applicable to disposition of common shares.

In the case of a redemption of common shares or a capital reduction, the positive difference between the amount received by the Non-Resident Holder and the acquisition cost of the common shares redeemed in reais is treated as capital gain derived from the sale or exchange of shares not carried out on a Brazilian stock exchange market and is therefore subject to income tax at the rate of 15%, or 25%, as the case may be.

Sale of ADSs by U.S. Holders to Other Non-Residents in Brazil

As discussed above, pursuant to Law No. 10,833, the sale of assets located in Brazil involving Non-Resident Holders is subject to Brazilian withholding income tax. We believe that the ADSs do not fall within the definition of assets located in Brazil for the purposes of Law No. 10,833, and, thus, should not be subject to the Brazilian withholding tax. However, due to the lack of any administrative or judicial guidance, there is no assurance that such position would prevail.

Gains on the Exchange of ADSs for Common Shares

The withdrawal of ADSs in exchange for common shares is not subject to Brazilian income tax, assuming compliance with applicable regulation regarding the registration of the investment with Brazilian Central Bank.

Gains on the Exchange of Common Shares for ADSs

The deposit of common shares in exchange for the ADSs may be subject to Brazilian withholding income tax on capital gains if the amount previously registered with the Central Bank as a foreign investment in common shares or, in the case of other market investors under Resolution No. 2,689, the acquisition cost of the common shares, as the case may be, is lower than:

- the average price per common share on the Brazilian stock exchange on which the greatest number of such common shares were sold on the day of deposit; or

- if no common shares were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of common shares were sold during the 15 preceding trading sessions.

The difference between the amount previously registered, or the acquisition cost, as the case may be, and the average price of the common shares, calculated as set forth above, is considered a capital gain subject to income tax at a rate of 15%, or 25% if the Non-Resident Holder is resident or domiciled in a Tax Haven Jurisdiction.

Tax on Financial Transactions

The Tax on Financial Transactions (*Imposto sobre Operações de Crédito, Câmbio e Seguro ou relativas a Títulos ou Valores Mobiliários*), or "IOF", is imposed on foreign exchange, securities, credit and insurance transactions.

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IOF on Foreign Exchange Transactions

Tax on foreign exchange transactions, or "IOF/Exchange", may be levied on foreign exchange transactions (conversion of foreign currency in reais and conversion of reais into foreign currency), affecting either or both the inflow or outflow of investments. Currently, the IOF/Exchange rate applicable to most foreign currency exchange transactions is 0.38%.

However, foreign exchange transactions entered into as of October 20, 2009 by foreign investors in connection with inflows of proceeds to Brazil related to investments carried out in the Brazilian financial and capital markets by investors which register their investment under Resolution No. 2,689 is subject to the IOF/Exchange at a rate of 2% (outflow related to the return of such investment is subject to a zero percent rate). This zero percent rate applies to payments of dividends and interest on shareholders' equity received by foreign investors with respect to investments in the Brazilian financial and capital markets, such as investments made by 2,689 Holders.

The Brazilian Government may increase the rate of the IOF/Exchange to a maximum rate of 25% of the amount of the foreign exchange transactions at any time, but such an increase will only apply in respect to future foreign exchange transactions.

IOF on Bonds and Securities Transactions

IOF may also be levied on transactions involving bonds and securities, or "IOF/Securities", including those carried out on a Brazilian stock, futures or commodities exchanges. The IOF/Securities levies at a rate of 1.5% on transfer of shares traded on the Brazilian stock exchange with the specific purpose of enabling the issuance of depositary receipts to be traded outside Brazil starting November 19, 2009.

The rate of the IOF/Securities applicable to most transactions involving common shares is currently zero percent. In particular, the IOF/Securities levies at a rate of 1.5% on the transfer of shares traded in the Brazilian stock exchange with the purpose of the issuance of depositary receipts to be traded outside Brazil. The Brazilian Government may increase the rate of the IOF/Exchange up to 1.5% per day at any time, but such an increase will only apply in respect of future transactions.

Other Brazilian Taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of common shares or ADSs by a non-Brazilian holder, except for gift and inheritance taxes which are levied by some states of Brazil on gifts made or inheritances bestowed by individuals or entities not resident or domiciled in Brazil to individuals or entities resident or domiciled within that state in Brazil. There are no Brazilian stamp, issue, registration or similar taxes or duties payable by holders of common shares or ADSs.

U.S. Federal Income Tax Considerations

The summary discussion below is applicable to you only if you are a “U.S. Holder” (as defined below) that is not domiciled in Brazil (or domiciled or resident in a tax haven jurisdiction) for purposes of Brazilian taxation and, in the case of a holder of common shares, that has registered its investment in common shares with the Central Bank as a U.S. dollar investment.

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For purposes of this discussion, a U.S. Holder is any beneficial owner of common shares or ADSs that is (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if a U.S. court is able to exercise primary supervision over administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust or if the trust validly elects under applicable Treasury regulations to be taxed as a U.S. person. A "Non-U.S. Holder" is any beneficial owner of common shares or ADSs that is an individual, corporation, estate or trust who is neither a U.S. Holder nor a partnership for U.S. federal income tax purposes.

If a partnership holds our common shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A prospective investor who is a partner of a partnership holding our shares should consult its own tax advisor.

In general, and taking into account the earlier assumptions, for U.S. federal income tax purposes, holders of ADRs evidencing ADSs will be treated as the owners of the common shares represented by those ADSs, and exchanges of common shares for ADSs, and ADSs for common shares, will not be subject to U.S. federal income tax.

Taxation of Dividends

U.S. Holders

Under the U.S. federal income tax laws, and subject to the passive foreign investment company ("PFIC") rules discussed below, U.S. Holders will include in gross income, as dividend income, the gross amount of any distribution paid by us (including payments considered "interest" in respect of stockholders' equity under Brazilian law) (before reduction for Brazilian withholding taxes) out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) when the distribution is actually or constructively received by the U.S. Holder, in the case of common shares, or by our ADR Depositary, in the case of ADSs. Distributions in excess of current and accumulated earnings and profits, as determined under U.S. federal income tax principles, will be treated as a return of capital to the extent of the U.S. Holder's adjusted tax basis in the common shares or ADSs and thereafter as capital gain, which will be either long-term or short-term capital gain depending on whether the U.S. holder held the common shares or ADSs for more than one year. We do not intend to maintain calculations of our earnings and profits under U.S. federal income tax principles and, unless and until such calculations are made, U.S. Holders should assume all distributions are made out of earnings and profits and constitute dividend income.

The dividend income will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. Subject to certain exceptions for short-term and hedged positions certain non-corporate U.S. Holders (including individuals) may qualify for a maximum 15% rate of tax in respect of "qualified dividend income" received before January 1, 2011. Dividend income with respect to the ADSs will be qualified dividend income, provided that, in the year that a non-corporate U.S. Holder receives the dividend, the ADSs are readily tradable on an established securities market in the United States, and we were not in the year prior to the year in which the dividend was paid, and are not in the year in which the dividend is paid, a PFIC. Based on existing Internal Revenue Service ("IRS") guidance, it is not entirely clear whether dividends received with respect to the common shares will be treated as qualified dividend income, because the common shares are not themselves listed on a U.S. exchange.

The amount of the dividend distribution includible in gross income of a U.S. Holder will be the U.S. dollar value of the *real* payments made, determined at the spot *real*/U.S. dollar rate on the date such dividend distribution is includible in the gross income of the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in gross income to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss from sources within the United States and will not be eligible for the special tax rate applicable to qualified dividend income.

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Dividends received by most U.S. holders will constitute foreign source "passive income" for foreign tax credit purposes. Subject to limitations under U.S. federal income tax law concerning credits or deductions for foreign income taxes and certain exceptions for short-term and hedged positions, any Brazilian income tax withheld from dividends paid by us would be treated as a foreign income tax eligible for credit against a U.S. Holder's U.S. federal income tax liability (or at a U.S. Holder's election, may be deducted in computing taxable income if the U.S. Holder has elected to deduct all foreign income taxes paid or accrued for the relevant taxable year). The rules with respect to foreign tax credits are complex and U.S. Holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

The U.S. Treasury Department has expressed concern that intermediaries in connection with depositary arrangements may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. persons who are holders of depositary shares. Accordingly, investors should be aware that the discussion above regarding the availability of foreign tax credits for Brazilian income tax withheld from dividends paid with respect to common shares represented by ADSs could be affected by future action taken by the U.S. Treasury Department.

Distributions of additional common shares to U.S. Holders with respect to their common shares or ADSs that are made as part of a pro rata distribution to all our stockholders generally will not be subject to U.S. federal income tax.

Non-U.S. Holders

Dividends paid to a Non-U.S. Holder in respect of common shares or ADSs will not be subject to U.S. federal income tax unless those dividends are effectively connected with the conduct of a trade or business within the United States by the Non-U.S. Holder (and are attributable to a permanent establishment maintained in the United States by the Non-U.S. Holder, if an applicable income tax treaty so requires as a condition for the Non-U.S. Holder to be subject to U.S. taxation on a net income basis in respect of income from common shares or ADSs), in which case the Non-U.S. Holder generally will be subject to U.S. federal income tax in respect of the dividends in the same manner as a U.S. Holder. Any such effectively connected dividends received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional "branch profits tax" (at a 30% rate or at a reduced rate as may be specified by an applicable income tax treaty).

Taxation of Capital Gains

U.S. Holders

Subject to the PFIC rules discussed below, upon a sale, redemption or other taxable disposition of common shares or ADSs, a U.S. Holder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized (before deduction of any Brazilian tax) and the U.S. Holder's adjusted tax basis (determined in U.S. dollars) in the common shares or ADSs. Generally, the U.S. Holder's gain or loss will be capital gain or loss. Capital gain of a non-corporate U.S. Holder that is recognized before January 1, 2011 is generally taxed at a maximum rate of 15% where the property is held for more than one year. The deductibility of capital losses is subject to limitations under the Code.

If a Brazilian income tax is withheld on the sale, exchange or other taxable disposition of common shares or ADSs, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale, exchange or other taxable disposition before deduction of the Brazilian tax. Capital gain or loss, if any realized by a U.S. Holder on the sale, exchange or other taxable disposition of common shares or ADSs generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of a gain from the disposition of a share or ADS that is subject to Brazilian income tax (see "Taxation – Brazilian Tax Considerations – Taxation of Gains"), the U.S. Holder may not be able to benefit from the foreign tax credit for that Brazilian income tax (i.e., because the gain from the disposition would be U.S. source income), unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. Alternatively, the U.S. Holder may take a deduction for the Brazilian income tax if it does not elect to claim a foreign income tax credit for any foreign taxes paid or accrued during the taxable year.

Non-U.S. Holders. A Non-U.S. Holder will not be subject to U.S. federal income tax in respect of gain recognized on a sale, exchange or other taxable disposition of common shares or ADSs unless:

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• the gain is effectively connected with a trade or business of the Non-U.S. Holder in the United States (and is attributable to a permanent establishment maintained in the United States by that Non-U.S. Holder, if an applicable income tax treaty so requires as a condition for that Non-U.S. Holder to be subject to U.S. taxation on a net income basis in respect of gain from the sale or other disposition of the common shares or ADSs); or

• in the case of a Non-U.S. Holder who is an individual, that Non-U.S. Holder is present in the United States for 183 or more days in the taxable year of the sale and certain other conditions apply.

Effectively connected gains realized by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional branch profits tax (at a 30% rate or at a reduced rate as may be specified by an applicable income tax treaty).

Passive Foreign Investment Companies

Based on current estimates of our gross income, gross assets and the nature of our business, we believe that our common shares and ADSs should not be treated as stock of a PFIC for U.S. federal income tax purposes. There can be no assurances in this regard, however, because the application of the relevant rules is complex and involves some uncertainty. The PFIC determination is made annually and is based on the portion of our assets and income that is characterized as passive under the PFIC rules. Moreover, our business plans may change, which may affect the PFIC determination in future years.

In general, we will be a PFIC with respect to a U.S. Holder if, for any taxable year in which the U.S. Holder held our ADSs or common shares, either (i) at least 75% of our gross income for the taxable year is passive income or (ii) at least 50% of the value (determined on the basis of a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income generally includes, among other things, dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If we are treated as a PFIC, a U.S. Holder that did not make a "mark-to-market election" or "QEF election," each as described below, would be subject to special rules with respect to (a) any gain realized on the sale or other disposition of common shares or ADSs and (b) any "excess distribution" by CSN to the U.S. Holder (generally, any distributions to the U.S. Holder in respect of the common shares or ADSs during a single taxable year that are greater than 125% of the average annual distributions received by the U.S. Holder with respect to the common shares or ADSs during the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the common shares or ADSs). Under these rules, (i) the gain or excess distribution would be allocated ratably over the U.S. Holder's holding period for the common shares or ADSs, (ii) the amount allocated to the taxable year in which the gain or excess distribution was realized would be taxable as ordinary income, (iii) the amount allocated to each prior year, with certain exceptions, would be subject to tax at the highest tax rate in effect for that year and (iv) the interest charge generally applicable to underpayments of tax would be imposed in respect of the tax attributable to each such prior year.

If we are treated as a PFIC and, at any time, we invest in non-U.S. corporations that are classified as PFICs (each, a "Subsidiary PFIC"), U.S. Holders generally will be deemed to own, and also would be subject to the PFIC rules with respect to, their indirect ownership interest in that Subsidiary PFIC. If we are treated as a PFIC, a U.S. Holder could incur liability for the deferred tax and interest charge described above if either (1) we receive a distribution from, or dispose of all or part of our interest in, the Subsidiary PFIC or (2) the U.S. Holder disposes of all or part of its common shares or ADSs.

The special PFIC tax rules described above will not apply to a U.S. Holder if the U.S. Holder makes an election (i) to "mark-to-market" with respect to the common shares or ADSs (a "mark-to-market election") or (ii) to have us treated as a "qualified electing fund" (a "QEF election"). The QEF election is not available to holders unless we agree to comply with certain reporting requirements and provide the required annual information statements. The QEF and mark-to-market elections only apply to taxable years in which the U.S. Holder's common shares or ADSs are treated as stock of a PFIC. Our ADR Depositary has agreed to distribute the necessary information to registered holders of ADSs.

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A U.S. Holder may make a mark-to-market election, if the common shares or ADSs are regularly traded on a "qualified exchange." Under applicable U.S. Treasury regulations, a "qualified exchange" includes a national securities exchange, such as the New York Stock Exchange, that is registered with the SEC or the national market system established under the Exchange Act. Also, under applicable Treasury Regulations, PFIC securities traded on a qualified exchange are regularly traded on such exchange for any calendar year during which such stock is traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. We cannot assure you that the common shares or ADSs will be eligible for a mark-to-market election.

A U.S. Holder that makes a mark-to-market election must include for each taxable year in which the U.S. Holder's common shares or ADSs are treated as shares of a PFIC, as ordinary income, an amount equal to the excess of the fair market value of the common shares or ADSs at the close of the taxable year over the U.S. Holder's adjusted tax basis in the common shares or ADSs, and is allowed an ordinary loss for the excess, if any, of the adjusted tax basis over the fair market value of the common shares or ADSs at the close of the taxable year, but only to the extent of the amount of previously included mark-to-market inclusions (not offset by prior mark-to-market losses). These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. A U.S. Holder's tax basis in the common shares or ADSs will be adjusted to reflect any such income or loss amounts. Although a U.S. Holder may be eligible to make a mark-to-market election with respect to its common shares or ADSs, no such election may be made with respect to the stock of any Subsidiary PFIC that such U.S. Holder is treated as owning, because such Subsidiary PFIC stock is not marketable. Thus, the mark-to-market election will not be effective to avoid all of the adverse tax consequences described above with respect to any Subsidiary PFICs. U.S. Holders should consult their own tax advisors regarding the availability and advisability of making a mark-to-market election with respect to their common shares of ADSs based on their particular circumstances.

A U.S. Holder that makes a QEF election will be currently taxable on its pro rata share of our ordinary earnings and net capital gain (at ordinary income and capital gain rates, respectively) for each of our taxable years, regardless of whether we distributed the income and gain. The U.S. Holder's basis in the common shares or ADSs will be increased to reflect taxed but undistributed income. Distributions of income that had previously been taxed will result in a corresponding reduction of tax basis in the common shares or ADSs and will not be taxed again as a distribution to the U.S. Holder.

In addition, notwithstanding any election that a U.S. Holder makes with regard to the common shares or ADSs, dividends that a non-corporate U.S. Holder receives from us will not constitute qualified dividend income if we are a PFIC either in the taxable year of the distribution or the preceding taxable year.

Special rules apply with respect to the calculation of the amount of the foreign tax credit with respect to excess distributions by a PFIC or, in certain cases, QEF inclusions.

A U.S. Holder who owns common shares or ADSs during any year that we are a PFIC must file IRS Form 8621.

Backup Withholding and Information Reporting

U.S. Holders

Dividends paid on, and proceeds from the sale, redemption or other taxable disposition of common shares or ADSs to a U.S. Holder generally will be subject to information reporting and backup withholding, unless, in the case of backup withholding, the U.S. Holder provides an accurate taxpayer identification number or in either case otherwise establishes and exemption. The amount of any backup withholding collected from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that certain required information is timely furnished to the IRS.

Recently enacted legislation requires certain U.S. Holders to report information with respect to their investment in certain "foreign financial assets," which would include an investment in our common shares, not held through a custodial account with a U.S. financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in our common shares.

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Non-U.S. Holders

If common shares are held by a Non-U.S. Holder through the non-U.S. office of a non-U.S. related broker or financial institution, backup withholding and information reporting generally would not be required. Information reporting, and possibly backup withholding, may apply if the common shares are held by a Non-U.S. Holder through a U.S., or U.S.-related, broker or financial institution, or the U.S. office of a non-U.S. broker or financial institution and the Non-U.S. Holder fails to provide appropriate information. Information reporting and backup withholding generally will apply with respect to ADSs if the Non-U.S. Holder fails to timely provide appropriate information. Non-U.S. Holders should consult their tax advisors regarding the application of these rules.

10F. Dividends and Paying Agents

Not applicable.

10G. Statement by Experts

Not applicable.

10H. Documents on Display

We are subject to the information requirements of the Exchange Act and accordingly file reports and other information with the SEC. Reports and other information filed by us with the SEC may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can obtain further information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available to the public from the SEC's website at http://www.sec.gov. You may also inspect our reports and other information at the offices of the NYSE, 11 Wall Street , New York, New York 10005, on which our ADSs are listed. For further information on obtaining copies of our public filings at the NYSE, you should call (212) 656-5060. We also file financial statements and other periodic reports with the CVM.

10I. Subsidiary Information

Not required.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a number of different market risks arising from our normal business activities. Market risk is the possibility that changes in interest rates, currency exchange rates, commodities prices will adversely affect the value of financial assets, liabilities, expected future cash flows or earnings. We developed policies aimed at managing the volatility inherent to certain of these natural business *exposures*. We use financial instruments, such as derivatives, in order to achieve the main goals established by our Board of Directors to minimize the cost of capital and maximize the returns on financial assets, while observing, as determined by our Board of Directors, parameters of credit and risk. Derivatives are contracts whose value is derived from one or more underlying financial instruments, indices or prices defined in the contract. Only well-understood, conventional derivative instruments are used for these purposes. These include futures and options traded on regulated exchanges and "over-the-counter" swaps, options and forward contracts.

Market Risk Exposures and Market Risk Management

Our treasury department is responsible for managing our market risk exposures. We use some internal controls in order to:

- help us understand market risks;

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- reduce the likelihood of financial losses; and
- diminish the volatility of financial results.

The principal tools used by our treasury department are:

- "Sensitivity Analysis," which measures the impact that movements in the price of different market variables such as interest rates and exchange rates will have in our earnings and cash flows.
- "Stress Testing," which measures the worst possible loss from a set of consistent scenarios to which probabilities are not assigned. The scenarios are deliberately chosen to include extreme changes in interest and currency exchange rates.

Following is a discussion of the primary market risk exposures that we face together with an analysis of the exposure to each one of them.

Interest Rate Risk

We are exposed to interest rate risk on short- and long-term instruments and as a result of refinancing of fixed-rate instruments included in our consolidated debt. Consequently, as well as managing the currency and maturity of debt, we manage interest costs through a balance between lower-cost floating rate debt, which has inherently higher risk, and more expensive, but lower risk, fixed-rate debt. We can use swaps, options and other derivatives to achieve the desired ratio between floating-rate debt and fixed-rate debt. The desired ratio varies according to market conditions: if interest rates are relatively low, we will shift towards fixed rate debt.

We are basically exposed to the following floating interest rates:

- U.S. dollar LIBOR, due to our floating rate U.S. dollar-denominated debt (usually trade-finance related), to our cash position held offshore in U.S. dollars, which is invested in short-term instruments, and
- TJLP (Long Term Interest Rate), due to *real*-denominated debt indexed to this interest rate,
- CDI (benchmark Brazilian real overnight rate), due to our cash held in Brazil (onshore cash) and to our CDI indexed debt.

Exposure as of December 2008* (amortization)	**Notional**	2009	2010	2011	2012	2013	**Thereafter**
US dollar LIBOR	619	47	56	177	204	N/A	134
US dollar fixed rate	3,287	1,155	197	73	54	N/A	1,808
Euro fixed rate	2	0	0	0	0	N/A	0
CDI	324	0	0	36	257	N/A	43
IGPM	29	4	4	4	4	N/A	11
TJLP	432	87	69	66	77	N/A	133

Exposure as of December 2009* (amortization)	**Notional**	2010	2011	2012	2013	2014	**Thereafter**
US dollar LIBOR	1,538	105	515	550	187	181	0
US dollar fixed rate	3,000	209	82	67	606	46	1,990
Euro fixed rate	0	0	0	0	0	0	0
CDI	2,297	0	383	1,359	306	249	0

IGPM	0	0	0	0	0	0	0
TJLP	791	115	115	135	139	23	264

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* All figures in U.S. dollars. Because we primarily use Brazilian GAAP controls, the numbers shown in the table do not add up to 100% of our debt and might differ, within some margin, from the numbers shown in this report.

Our cash and cash equivalent instruments were as follows:

	December 2008	December 2009	Exposure
Cash in *reais*:	698	2,131	CDI
Cash in U.S. dollars:	2,844	1,850	LIBOR

The table below shows the average interest rate and the average life of our debt.

	December 2008		December 2009	
	Average rate %	Average life	Average rate %	Average life
U.S. dollar LIBOR*	1.35	3.28	2.52	2.36
U.S. dollar fixed rate	7.83	11.43 (with perpetual bond)	8.27	15.81 (with perpetual bond)
Euro fixed rate	5.74	2.54	N/A	N/A
UMBNDES*	4.55	0,72	N/A	N/A
CDI	103.83 of CDI	3.21	112.53 of CDI	2.46
IGPM*	7.11	3.71	N/A	N/A
TJLP*	2.54	3.07	3.00	5.57

* In these cases, figures shown in the table represents the average spread.

During 2008, our decision was to hedge part of our U.S. dollar fixed-rate exposure due to the volatility of U.S. interest rates. We maintained our policy from the previous year of keeping most of our position in OTC swaps, thus avoiding margin requirements and rollover transaction costs at BM&F, the Brazilian derivatives exchange. The duration of our U.S. dollar fixed-rate derivatives decreased from 103 days as of December 31, 2008 to 40 days as of December 31, 2009 (see tables below).

As of December 2009	Notional (in U.S. dollar million, unless otherwise indicated)	Average interest rate (U.S. dollar)	Average maturity (days)
Swaps (U.S. dollar fixed - rate versus CDI)	1,520	0.8823%	40

As of December 2008	Notional (in U.S. dollar million, unless otherwise indicated)	Average interest rate (U.S. dollar)	Average maturity (days)
Swaps (U.S. dollar fixed - rate versus CDI)	1,530	3.4948%	103

* daily reset

Foreign Currency Exchange Rate Risk

Fluctuations in exchange rates can have significant effects on our operating results, which in filings with the SEC are presented in U.S. dollars. Therefore, exchange rate fluctuations affect the values of our *real*-denominated assets, the carrying and repayment costs of our *real*-denominated financial liabilities, our *real*-denominated production costs, the cost of *real*-denominated capital items and the prices we receive in the Brazilian market for our finished steel products. We attempt to manage our net foreign exchange rate exposures, trying to balance our non-*real* denominated assets with our non-*real* denominated liabilities. We use derivative instruments to match our non-*real* denominated assets to our non-*real* denominated liabilities, but at any given time we may still have significant foreign currency exchange rate risk exposure.

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Our exposure to U.S. dollar is due to the following contract categories:

- U.S. dollar-denominated debt;
- offshore cash;
- currency derivatives (in the case of options, we use the delta as a measure of exposure);
- U.S. dollar indexed accounts payable and receivable (usually related to international trade, i.e., imports and exports); and
- offshore investments: assets that we bought offshore and that are denominated in U.S. dollars on our balance sheet.

	December 2008	December 2009
U.S. dollar Liabilities	4,460	4,660
loans and financing	3,906	4,597
trade accounts payable	554	32
other	-	31
U.S. dollar Assets	4,434	4,530
offshore cash and cash equivalents	2,844	1,908
derivatives (swaps and NDFs)	1,530	2,170
trade accounts receivable	60	107
offshore investments (net of cash)	-	184
other	-	161
Total U.S. dollar Exposure	**26**	**131**

Offshore investments

We have capitalized our offshore subsidiaries domiciled in U.S. dollar-based countries with equity investments, and those investments are accounted as U.S. dollar investments. The result is that they work as assets indexed to U.S. dollar from an earnings perspective.

Commodity Price Risk

Fluctuations in the price of steel and some of the commodities used in producing steel, such as zinc, aluminum, tin, coal, coke and energy, can have an impact on our earnings. Currently, we are not hedging our exposure to commodity prices. Our biggest commodity price exposure is the price of steel and coal, but there are no liquid instruments that provide an effective hedge against their price fluctuations.

Equity Risk

In 2003, we entered into certain equity swap agreements referenced to our shares. These agreements were originally entered into with POBT Bank and Trust Limited (an affiliate of Banco Pactual), which later assigned the agreements to UBS Symmetry Fund, UBS Strategy Fund and Fruhling Fund. In 2008, these agreements were assigned to Goldman Sachs International. Our last equity swap agreement with Goldman Sachs International had a termination date of September 10, 2009. The agreements set that the counterparty would pay us the cash dividends and final price return, if positive, on 29,684,400 CSN ADRs (equivalent to 59,368,800 ADRs after the stock split of March 25, 2010) and we would pay the counterparty a rate of USD three-month Libor plus 0.75% per annum on the initial price of this number of ADRs and the final price return, if negative, on the number of ADRs. The rationale for these transactions was that equities historically had yielded higher long-term returns than fixed-income securities, hence tending to offset our long-term debt servicing costs. On August 13, 2009, we pre-settled the total return equity swap operation contracted on September 5, 2008, as approved by our board of directors on July 8, 2009. The guarantee margin with the counterpart in the amount of US$593 million was released on the operation settlement date. During 2009 the operation generated a gain of US$515 million, which was recorded as financial income in the statement of income. We are no longer exposed to equity risk. See “Item 10C. Material Contracts,” “Item 5A—Operating Results” and Note 21(c) to our consolidated financial statements contained in “Item 18. Financial Statements.”

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Sensitivity analysis

The economic environment in which we operate determines the main factors taken into consideration to establish risk scenarios. In the Brazilian economic environment exchange rate variation is the most notable market risk.

The *real* exchange rate has significant volatility. Between 1999 and 2008 the *real* exchange rate had an average annual volatility of 22% and in four years during this period volatility was of approximately 50%, including 2008.

To develop our sensitivity analysis we analyze three different scenarios of exchange rate variation. The first scenario reflects our projection, at the end of the fiscal year, and is the scenario we consider more likely. The second scenario reflects a moderate adverse variation based on historic figures and the third scenario provides for a significantly adverse scenario based on exceptional but plausible economic shocks.

Based on the foreign exchange rate of December 31, 2009 of R$1.7412 per US$1.00, adjustments to the swap agreement amounts were estimated for three scenarios: scenario 1: rate of R$1.7536 per US$1.00; scenario 2: (25% depreciation) rate of R$1.3059 per US$1.00; scenario 3: (50% depreciation) rate of R$0.8706 per US$1.00.

December 31, 2009 *(In thousand of US$, except for exchange rates)*	**Risk**	**Scenario**	**Reference Value**	**Exchange Rates**	**Additional Results**
			1,519,500	1.7412	
		1		1.7536	10,803
Foreign Exchange swaps	Dollar devaluation	2		1.3059	(379,875)
		3		0.8706	(759,750)
			(1,254)	1.7412	
Interest Swap CDI x Libor	Dollar devaluation	1		1.7536	(9)
		2		1.3059	314
		3		0.8706	627
			649,500	1.7412	
		1		1.7536	4,618
Exchange rate future agreements	Dollar devaluation	2		1.3059	(162,375)
		3		0.8706	(324,750)

(*) Source: Future Dollar closing rate on February 2010 in December 31, 2009.

The scenarios of devaluation of the real versus the U.S. Dollar would increase both losses in derivative transactions and offsetting gains in the underlying hedged exposure, as expected.

Item 12. Description of Securities Other Than Equity Securities

American Depositary Shares

JPMorgan Chase Bank serves as the depositary for our ADSs. ADR holders are required to pay various fees to the depositary, and the depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid.

ADR holders are required to pay the depositary amounts in respect of expenses incurred by the depositary or its agents on behalf of ADR holders, including expenses arising from compliance with applicable law, taxes or other governmental charges, facsimile transmission or conversion of foreign currency into U.S. dollars. In this case, the depositary may decide in its sole discretion to seek payment by either billing holders or by deducting the fee from one or more cash dividends or other cash distributions.

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ADR holders are also required to pay additional fees for certain services provided by the depositary, as set forth in the table below.

Depositary service	Fee payable by ADR holders
Issuance and delivery of ADRs, including in connection with share distributions, stock splits	USD 5.00 for each 100 ADSs (or portion thereof)
Distribution of dividends	USD 5.00 for each 100 ADSs
Deposit of securities, including in respect of share, rights and other distributions	USD 5.00 for each 100 ADSs (or portion thereof)
Withdrawal of deposited securities	USD 5.00 for each 100 ADSs (or portion thereof)

Direct and indirect payments by the depositary

The depositary reimburses us for certain expenses we incur in connection with the ADR program, subject to a ceiling agreed between us and the depositary from time to time. These reimbursable expenses currently include legal and accounting fees, listing fees, investor relations expenses and fees payable to service providers for the distribution of material to ADR holders. For the year ended December 31, 2009, such reimbursements totaled US$0.6 million.

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modification to the Rights of Security Holders and Use of Proceeds

None.

PART II

Item 15. Controls and Procedures

Disclosure Controls and Procedures

We have carried out an evaluation under the supervision of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that we file and submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) collected and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure as of the end of our most recent fiscal year.

Management’s annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and presentation of published financial statements in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect material misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009 based on the criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations – COSO – of the Treadway Commission.

Based on the assessment, management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2009. For a copy of our management's report, dated May 28, 2010, on the effectiveness of our internal control over financial reporting as of December 31, 2009, see Exhibit 15.1 to this annual report.

Attestation Report of the Independent Registered Public Accounting Firm

For the report of KPMG Auditores Independentes, our independent registered public accounting firm, dated May 28, 2010, on the effectiveness of our internal control over financial reporting as of December 31, 2009, see "Item 18. Financial Statements".

Changes in internal control over financial reporting

Except as disclosed in the following paragraphs, there was no change in our internal control over financial reporting that occurred in the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

In order to prevent the occurrence of deficiencies in the process of identification, accounting and disclosure of four offshore dormant subsidiaries identified in 2008, during fiscal year 2009, our management took the necessary remediation measures to ensure accuracy and effectiveness of our monitoring controls over the process of identification, accounting and disclosure of subsidiaries. These measures included:

- definition of policies (including corporate approvals) concerning the incorporation, acquisitions of interests, modifications in the capital structure, operations and liquidation of branches and subsidiaries. These policies establish parameters for the analysis, approval and consolidation and flow of information regarding these entities.;
- centralization in the International Accounting Department of the reconciliation, consolidation and reporting activities regarding the subsidiaries;
- liquidation of dormant companies; and
- implementation of the Financial Accounting (FI) and Materials Managements (MM) SAP System Modules for integrated subsidiaries (i.e. entities that operate as an extension of the parent company).

This material weakness identified for the year ended December 31, 2008 concerning the process of identification, accounting and disclosure of four offshore dormant subsidiaries, mentioned above, was remediated during 2009 and no longer is a material weakness.

Item 16. [Reserved]

16A. Audit Committee Financial Expert

After reviewing the qualifications of the members of our Audit Committee, our Board of Directors has determined that all three members of our Audit Committee qualify as an "audit committee financial expert," as defined by the SEC. In addition, all of the members of out Audit Committee meet the applicable independence requirements both under Brazilian Corporate Law and under the NYSE rules.

Our Audit Committee is permanently assisted by a consultant, who renders financial and consulting services, among others, to the members of our Audit Committee.

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16B. Code of Ethics

We have adopted a Code of Ethics in 1998, reinforcing our ethical standards and values that apply to all of our employees, including executive officers and directors.

Given its importance, copies of the Code of Ethics were distributed to each employee of the organization, to our Board of Directors and our Audit Committee members, who have signed a Commitment Letter, which reinforces the compromise with the established values.

There was no amendment to or waiver from any provision of our Code of Ethics in 2009. Our Code of Ethics is in compliance with the SEC requirements for codes of ethics for senior financial officers. A copy of our Code of Ethics is available on our websites www.csn.com.br or www.csn.com.br/ir.

16C. Principal Accountant Fees and Services

Our interaction with our independent auditors with respect to the contracting of services unrelated to the external audit is based on principles that preserve the independence of the auditors and are otherwise permissible under applicable rules and regulations. For the fiscal years ending December 31, 2008 and 2009, KPMG Auditores Independentes acted as our independent auditors.

The following table describes the services rendered and the related fees.

	Year ending December 31,	
	2008	**2009**
	(In thousands of US$)	
Audit fees	1,809	2,582
Audit – related fees	251	112
Tax fees	81	83
Other	-	-
Total	2,141	2,777

Audit fees

Audit fees in 2008 and 2009 consisted of the aggregate fees billed and billable by KPMG Auditores Independentes for the audits of our consolidated financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

Audit-related fees

Audit-related fees in 2008 and 2009 are fees billed by KPMG Auditores Independentes for services that are reasonably related to the performance of the audit or review of our financial statements. In 2008 and 2009, audit-related fees refer mainly to due diligence services.

Tax Fees

Fees billed in 2008 and 2009 for professional services rendered by KPMG Auditores Independentes are for tax compliance services.

Other Fees

Fees disclosed under the category "Other" refer mainly to out of pocket expenses. The services to be provided by the external auditors not directly related to the auditing of our financial statements are previously submitted to the audit committee in order to ensure that they do not infringe the auditor's independence.

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Pre-approval Policies and Procedures

Board approval is required before engaging independent auditors to provide any audit or permitted non-audit services to us or our subsidiaries. Pursuant to this policy, our Board of Directors pre-approves all audit and non-audit services provided by our independent auditors.

16D. Exemptions from the Listing Standards for Audit Committees

We are in full compliance with the listing standards for audit committee pursuant to Exchange Act Rule 10A- 3. For a discussion on our audit committee, see "Item 6. Directors, Senior Management and Employees—Board Practices—Fiscal Committee and Audit Committee."

16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Since the beginning of 2004, in accordance with the limits and provisions of CVM's Instruction No. 10/80, our Board of Directors approved a number of share buyback programs.

The following table sets forth our purchases of our equity securities in 2009:

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share(1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Program
August 13, 2009	59,368,800 (2)	12.40(2)	-	-

(1) Our board of directors approved the acquisition, through a private operation, of 29,684,400 ADRs (before the stock split occurred on March 25,2010) previously held by Goldman Sachs due to an operation called "Total Return Equity Swap Transaction", for the settlement price that was defined based on the weighted average of the price of the Company's shares in the 30 floors sessions prior to the settlement date, translated into U.S. dollars by using the spot dollar translation rate of the business day immediately prior to the settlement date, as per the CVM Board's decision – Proceeding RJ2009/5962. On August 13, the operation was settled and the ADRs were repurchased, converted into common shares and subsequently cancelled (See Item - 14 Stockholders Equity).

(2) Prices and volumes of our common shares and ADS above have been adjusted to reflect the stock split that occurred on March 25, 2010.

No shares were acquired under the buyback program in 2009.

From January to February 2009, our Board of Directors approved two buyback programs, authorizing us to acquire, in each one, up to 9,720,000 of our shares (before the stock split occurred on March 25, 2010), to be held in treasury for subsequent sale or cancellation. No shares were acquired through any of these two buyback programs.

On December 18, 2009, our Board of Directors approved a new buyback program, authorizing us to acquire up to 14,437,405 of our shares (before the stock split occurred on March 25, 2010), to be held in treasury for subsequent sale or cancellation. No shares were acquired through this buyback program.

On May 6, 2010, our Board of Directors approved a new share buyback program, authorizing us to acquire up to 28,874,810 of our shares. As of the date of this annual report no shares were acquired through this buyback program.

16F. Change in Registrant's Certifying Accountant

None.

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16G. Corporate Governance

Significant Differences between our Corporate Governance Practice and NYSE Corporate Governance Standards

We are subject to the NYSE corporate governance listing standards. As a foreign private issuer, the standards applicable to us are considerably different than the standards applied to U.S. listed companies. Under the NYSE rules, we are required only to: (i) have an audit committee or audit board, pursuant to an applicable exemption available to foreign private issuers, that meets certain requirements, as discussed below, (ii) provide prompt certification by our Chief Executive Officer of any material non-compliance with any corporate governance rules, and (iii) provide a brief description of the significant differences between our corporate governance practices and the NYSE corporate governance practice required to be followed by U.S. listed companies. The discussion of the significant differences between our corporate governance practices and those required of U.S. listed companies follows below.

Majority of Independent Directors

The NYSE rules require that a majority of the board of directors must consist of independent directors. Independence is defined by various criteria, including the absence of a material relationship between the director and the listed company. Brazilian law does not have a similar requirement. Under Brazilian law, neither our board of directors nor our management is required to test the independence of directors before their election to the board. However, both Brazilian Corporate Law and the CVM have established rules that require directors to meet certain qualification requirements and that address the compensation and duties and responsibilities of, as well as the restrictions applicable to, a company's executive officers and directors. While our directors meet the qualification requirements of Brazilian Corporate Law and the CVM, we do not believe that a majority of our directors would be considered independent under the NYSE test for director independence. Brazilian Corporate Law requires that our directors be elected by our shareholders at an annual shareholders' meeting.

Executive Sessions

NYSE rules require that the non-management directors must meet at regularly scheduled executive sessions without management present. Brazilian Corporate Law does not have a similar provision. According to Brazilian Corporate Law, up to one-third of the members of the board of directors can be elected from management. Mr. Benjamin Steinbruch, our Chief Executive Officer, is also the Chairman of our Board of Directors. There is no requirement that non-management directors meet regularly without management. As a result, the non-management directors on our Board of Directors do not typically meet in executive session.

Nominating and Corporate Governance Committee

NYSE rules require that listed companies have a nominating and corporate governance committee composed entirely of independent directors and governed by a written charter addressing the committee's required purpose and detailing its required responsibilities, which include, among other things, identifying and selecting qualified board member nominees and developing a set of corporate governance principles applicable to the company. We are not required under Brazilian Corporate Law to have, and currently we do not have, a nominating and a corporate governance committee.

Compensation Committee

NYSE rules require that listed companies have a compensation committee composed entirely of independent directors and governed by a written charter addressing the committee's required purpose and detailing its required responsibilities, which include, among other things, reviewing corporate goals relevant to the chief executive officer's compensation, evaluating the chief executive officer's performance, approving the chief executive officer's compensation levels and recommending to the board non-chief executive officer compensation, incentive-compensation and equity-based plans. We are not required under applicable Brazilian law to have, and currently do not have, a compensation committee. Under Brazilian Corporate Law, the total amount available for compensation of our directors and executive officers and for profit-sharing payments to our executive officers is established by our shareholders at the annual shareholders' meeting. The board of directors is then responsible for determining the individual compensation and profit-sharing of each executive officer, as well as the compensation of our board and committee members.

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Audit Committee

NYSE rules require that listed companies have an audit committee that (i) is composed of a minimum of three independent directors who are all financially literate, (ii) meets the SEC rules regarding audit committees for listed companies, (iii) has at least one member who has accounting or financial management expertise and (iv) is governed by a written charter addressing the committee's required purpose and detailing its required responsibilities. However, as a foreign private issuer, we need only to comply with the requirement that the audit committee meet the SEC rules regarding audit committees for listed companies to the extent compatible with Brazilian corporate law. We have established an Audit Committee, which is equivalent to a U.S. audit committee, provides assistance to our Board of Directors in matters involving our accounting, internal controls, financial reporting and compliance. Our Audit Committee recommends the appointment of our independent auditors to our Board of Directors and reviews the compensation of, and coordinates with, our independent auditors. They also reports on our auditing policies and our annual auditing plan prepared by our internal auditing team, Our Audit Committee also evaluates the effectiveness of our internal financial and legal compliance controls, and is comprised of up to three members elected by our Board of Directors for a one-year term of office. The current members of our Audit Committee are Dionísio Dias Carneiro Netto, Fernando Perrone and Yoshiaki Nakano. All members of our Audit Committee satisfy the audit committee membership independence requirements set forth by the SEC and the NYSE. All members of our Audit Committee have been determined by our Board of Directors to qualify as an "audit committee financial expert" within the meaning of the rules adopted by the SEC relating to the disclosure of financial experts on audit committees in periodic filings pursuant to the Exchange Act. For further information on our Audit Committee, see "Item 6. Directors, Senior Management and Employees—Board Practices—Fiscal Committee and Audit Committee."

Code of Business Conduct and Ethics

NYSE rules require that listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. Applicable Brazilian law does not have a similar requirement. We have adopted a Code of Ethics applicable to all our employees, including our executive officers and directors. We believe this code addresses the matters required to be addressed pursuant to the NYSE rules. For a further discussion of our Code of Ethics, see "Item 16B. Code of Ethics."

Shareholder Approval of Equity Compensation Plans

NYSE rules require that shareholders be given the opportunity to vote on all equity compensation plans and material revisions thereto, with limited exceptions. We currently do not have any such plan and, pursuant to our bylaws, we would require shareholder approval to adopt an equity compensation plan. Shareholder approval may be required, however, if an equity compensation plan would require an increase in our authorized capital to be implemented.

Corporate Governance Guidelines

NYSE rules require that listed companies adopt and disclose corporate governance guidelines. We have adopted the following corporate governance guidelines, either based on Brazilian law, our Code of Ethics or institutional handbook:

- insider trading policy for securities issued by us;
- disclosure of material facts;
- disclosure of annual financial reports;
- confidential policies and procedures; and
- Sarbanes-Oxley Disclosure Committee's duties and activities.

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Item 17. Financial Statements

We have responded to Item 18 in lieu of responding to this item. See “Item 18. Financial Statements.”

PART III

Item 18. Financial Statements

The following consolidated financial statements of the Registrant, together with the report of KPMG Auditores Independentes thereon, are filed as part of this annual report.

The following consolidated financial statements of Namisa, together with the report of KPMG Auditores Independentes thereon, are filed as part of this annual report.

Item 19. Exhibits

Exhibit Number	Description
1.1+	Bylaws of CSN, as amended to date.
2.1	Amended and Restated Deposit Agreement, dated as of November 1, 1997, and as further amended as of November 13, 1997 and as of June 10, 2004, among CSN, JPMorgan Chase Bank, as depositary, and the registered holders from time to time of the American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to the Registration Statement on Form F- 6 relating to the ADSs (File n° 333-115078) filed with the SEC on April 30, 2004).
8.1+	List of subsidiaries
10.1*	Equity Swap Agreement, originally dated as of July 11, 2008 between CSN Madeira Ltda. and Goldman Sachs International. (incorporated by reference from the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on June 30, 2009).
10.2*	Share Purchase Agreement, dated October 21, 2008, among CSN, Big Jump Energy Participações S.A., Itochu Corporation, JFE Steel Corporation, Nippon Steel Corporation, Sumitomo Metal Industries, Ltd., Kobe Steel, Ltd., Nishin Steel Co., Ltd., and Posco. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18,

	2010)
10.3*	Shareholders Agreement of Nacional Minérios S.A., dated October 21, 2008, between CSN and Big Jump Energy Participações S.A. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)
10.4*	High Silica ROM Iron Ore Supply Contract, dated October 21, 2008, between CSN and Nacional Minérios S.A. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)
10.5*	Low Silica ROM Iron Ore Supply Contract, dated October 21, 2008, between CSN and Nacional Minérios S.A. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)
10.6*	Iron Ore Supply Contract, dated October 21, 2008, between CSN and Nacional Minérios S.A. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)
10.7*	Port Operating Services Agreement, dated October 21, 2008, between CSN and Nacional Minérios S.A. (incorporated by reference from Amendment No. 1 to the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on March 18, 2010)
12.1+	Section 302 Certification of Chief Executive Officer.
12.2+	Section 302 Certification of Chief Financial Officer.
13.1+	Section 906 Certification of Chief Executive Officer.
13.2+	Section 906 Certification of Chief Financial Officer.
15.1+	Management's report dated May 28, 2010, on the effectiveness of our internal control over financial reporting as of December 31, 2009.
15.2	Consent of Golder Associates S.A. (incorporated by reference from the Annual Report on Form 20-F for the year ended December 31, 2008, filed with the SEC on June 30, 2009).

* Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission as part of an application for confidential treatment pursuant to the Securities Exchange Act of 1934, as amended.

\+ Filed herewith.

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SIGNATURE

The registrant hereby certifies that it meets all the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

May 28, 2010	Companhia Siderúrgica Nacional
	By: /s/ Benjamin Steinbruch
	Name: Benjamin Steinbruch
	Title: Chief Executive Officer
	By: /s/ Paulo Penido Pinto Marques
	Name: Paulo Penido Pinto Marques
	Title: Chief Financial Officer

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Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Financial Statements
For the Years Ended December 31, 2007, 2008 and 2009
And Reports of Independent Registered Public Accounting Firm

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Companhia Siderúrgica Nacional:

We have audited Companhia Siderúrgica Nacional's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Companhia Siderúrgica Nacional's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Companhia Siderúrgica Nacional maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Companhia Siderúrgica Nacional and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2009, and our report dated May 28, 2010 expressed an unqualified opinion on those consolidated financial statements.

KPMG Auditores Independentes

São Paulo, SP – Brazil
May 28, 2010

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Companhia Siderúrgica Nacional:

We have audited the accompanying consolidated balance sheets of Companhia Siderúrgica Nacional and subsidiaries ("the Company") as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income, and cash flows for each of the years in the three−year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Companhia Siderúrgica Nacional and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three−year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Companhia Siderúrgica Nacional's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated May 28, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG Auditores Independentes

São Paulo, SP – Brazil
May 28, 2010

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Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Balance Sheets
Expressed in millions of United States dollars

Assets	**As of December 31,**	
	2008	**2009**
Current assets		
Cash and cash equivalents	3,542	3,981
Derivative assets	127	-
Financial instruments guarantee margin	1,059	28
Trade accounts receivable		
Related parties	78	19
Other	409	489
Inventories	1,165	1,325
Recoverable taxes	160	411
Deferred income taxes	317	314
Receivables from related parties	63	124
Other accounts receivable	270	54
Other	117	96
	7,307	**6,841**
Property, plant and equipment, net	**3,543**	**5,616**
Investments in affiliated companies and other investments	**2,588**	**4,216**
Goodwill	**127**	**168**
Other assets		
Restricted deposits for legal proceedings	893	807
Receivables from related parties	659	842
Deferred income taxes	336	152
Prepaid pension cost	-	245
Recoverable taxes	82	86
Other accounts receivable	46	135
Other	128	80
	2,144	**2,347**
	15,709	**19,188**

The accompanying notes are an integral part of these consolidated financial statements

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Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Balance Sheets
Expressed in millions of United States dollars

Liabilities and stockholders' equity	**As of December 31,**	
	2008	**2009**
Current liabilities		
Trade accounts payable		
Related parties	81	17
Other	739	247
Payroll and related charges	68	108
Taxes payable	82	104
Taxes payable in installments	101	315
Dividends and Interest on stockholders' equity	432	220
Current portion of long-term debt	1,296	452
Accrued finance charges		
Related parties	-	114
Other	107	130
Derivative liabilities	686	26
Other accounts payable	131	157
Other	90	201
	3,813	**2,091**
Long-term liabilities		
Accrued pension cost	60	-
Long-term debt and debentures	3,436	7,319
Due to related parties	3,079	4,281
Accrual for contingencies and disputed taxes payable	1,618	941
Taxes payable in installments	270	160
Deferred income taxes	14	4
Other	103	128
	8,580	**12,833**
Stockholders' equity		
Common stock – 2,400,000,000 shares (no par value) authorized – 1,586,807,676 (post split) at December 31, 2008 and 1,510,359,220 (post split) at December 31, 2009	2,447	2,447
Capital surplus	53	53
Treasury stock – 69,468,768 shares (post split) at December 31, 2008 and 52,389,112 shares (post split) at December 31, 2009	(326)	(649)
Retained earnings (loss)		
Appropriated	1,920	3,134
Unappropriated	692	(841)
Accumulated other comprehensive (loss) income	(1,470)	72
Total Companhia Siderúrgica Nacional stockholders' equity	**3,316**	**4,216**
Noncontrolling interests	-	48
Total stockholders' equity	**3,316**	**4,264**

	15,709	**19,188**

The accompanying notes are an integral part of these consolidated financial statements

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Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Statements of Income
Expressed in millions of United States dollars, except share and per share data

	Years ended December 31,		
	2007	**2008**	**2009**
Operating revenues			
Domestic sales	5,283	7,377	5,204
Export sales	1,695	1,830	1,137
	6,978	**9,207**	**6,341**
Sales taxes	(1,305)	(1,835)	(1,257)
Discounts, returns and allowances	(156)	(185)	(70)
Net operating revenues	**5,517**	**7,187**	**5,014**
Cost of products sold	**(3,076)**	**(3,602)**	**(3,250)**
Gross profit	**2,441**	**3,585**	**1,764**
Operating expenses			
Selling (includes allowance for doubtful accounts of US$3 in 2007, US$51 in 2008 and US$74 in 2009)	(310)	(412)	(345)
General and administrative	(185)	(219)	(208)
Other income (expense)	(85)	(110)	(47)
	(580)	**(741)**	**(600)**
Operating income	**1,861**	**2,844**	**1,164**
Non-operating income (expenses), net			
Financial income (expenses), net	(219)	(380)	(871)
Foreign exchange and monetary gain (loss), net	438	(1,265)	422
Gain on dilution of interest in subsidiary	-	1,667	-
Other	81	75	(26)
	300	**97**	**(475)**
Income before income taxes and equity in results of affiliated companies	**2,161**	**2,941**	**689**
Income tax benefit (expense)			
Current	(619)	(615)	(167)
Deferred	85	201	(52)
	(534)	**(414)**	**(219)**
Equity in results of affiliated companies	**76**	**127**	**809**
Net income	**1,703**	**2,654**	**1,279**
Net loss attributable to noncontrolling interest	-	-	**2**
Net income attributable to Companhia Siderúrgica Nacional	**1,703**	**2,654**	**1,281**
Basic and diluted earnings per common share	**1.11**	**1.73**	**0.86**

Weighted average number of common shares outstanding (in thousands)	**1,539,489**	**1,534,067**	**1,492,453**

The accompanying notes are an integral part of these consolidated financial statements

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Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Statements of Cash Flows
Expressed in millions of United States dollars

	Years ended December 31,		
	2007	**2008**	**2009**
Cash flows from operating activities			
Net income for the year	1,703	2,654	1,281
Adjustments to reconcile net income for the year to net cash provided by (used in) operating activities			
Depreciation and amortization	397	341	343
Foreign exchange and monetary loss (gain), net	(438)	1,265	(422)
Federal tax repayment program (“Refis”) gain	-	-	(255)
Interest accrued	246	345	415
Accrual for contingencies and disputed taxes payable	47	48	46
Accrual for derivatives	(415)	294	(45)
Gain on sale of short-term investments	(65)	-	-
Gain on dilution of interest in Namisa	-	(1,667)	-
Deferred income tax expense (benefit)	(85)	(201)	52
Equity in results of affiliated companies	(76)	(127)	(809)
Allowance for doubtful accounts	3	51	74
Other	(24)	(166)	145
Decrease (increase) in operating assets			
Trade accounts receivable	152	(137)	99
Inventories	97	(8)	267
Recoverable taxes	49	(134)	(139)
Other	(137)	71	363
Increase (decrease) in operating liabilities			
Trade accounts payable	(54)	336	(728)
Payroll and related charges	11	6	15
Taxes payable	64	(229)	101
Interest paid	(381)	(393)	(809)
Other	170	118	46
Net cash provided by (used in) operating activities	**1,264**	**2,067**	**40**

The accompanying notes are an integral part of these consolidated financial statements

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Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Statements of Cash Flows
Expressed in millions of United States dollars

	Years ended December 31,		
	2007	**2008**	**2009**
Cash flows from investing activities			
Additions to property, plant and equipment	(632)	(886)	(930)
Additions to investments	-	-	(143)
Purchase of short-term investments and debt securities	437	-	-
Restricted deposits from legal proceedings	(561)	(176)	(367)
Business acquisitions, net of cash acquired	(348)	-	-
Proceeds received from insurance claims	134	160	-
Proceeds (payments) from settlement of derivative instruments	-	1,006	(161)
Financial instruments guarantee margin	-	(1,347)	565
Loans to related parties	(121)	(49)	207
Net cash used in investing activities	**(1,091)**	**(1,292)**	**(829)**
Cash flows from financing activities			
Proceeds from prepayment agreements	-	3,041	-
Intercompany loan	-	(500)	-
Long-term debt			
Proceeds	1,659	1,630	4,053
Repayments	(1,397)	(919)	(1,428)
Purchase of Treasury stock	(32)	(147)	(736)
Dividends and interest on stockholders' equity	(352)	(1,238)	(1,017)
Net cash (used in) provided by financing activities	**(122)**	**1,867**	**872**
Effects of changes in exchange rates on cash and cash equivalents	203	(313)	356
Increase in cash and cash equivalents	**254**	**2,329**	**439**
Cash and cash equivalents, beginning of year	959	1,213	3,542
Cash and cash equivalents, end of year	**1,213**	**3,542**	**3,981**

The accompanying notes are an integral part of these consolidated financial statements

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Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Statements of Cash Flows
Expressed in millions of United States dollars

	Years ended December 31,		
	2007	2008	2009
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	381	393	809
Income taxes	821	446	375
Business acquisitions:			
Fair value of assets acquired	475	-	-
Fair value of liabilities assumed	(35)	-	-
Total purchase price	440	-	-
Amount payable	(90)	-	-
Cash acquired	(2)	-	-
Purchase price, net of cash acquired	348	-	-
Supplemental noncash financing and investing activities:			
Interest on stockholders' equity and dividends unpaid in the year	298	432	220
Stock cancellation	-	109	413
Effects of FASB Statement No. 158, net of taxes, recognized as accumulated other comprehensive income	234	(239)	204
Changes in fair value of available-for-sale securities, net of taxes, recognized as accumulated other comprehensive income	(30)	4	23

The accompanying notes are an integral part of these consolidated financial statements

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Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income
Expressed in millions of United States dollars, except for share data

	Years ended December 31,		
	2007	**2008**	**2009**
Movement of outstanding Common Shares (quantities):			
Balance, beginning of year	1,544,480,676	1,538,938,908	1,517,338,908
Treasury stock acquisition	(5,541,768)	(21,600,000)	(59,368,800)
Balance, end of year	**1,538,938,908**	**1,517,338,908**	**1,457,970,108**
Common stock			
Balance, beginning and end of year	**2,447**	**2,447**	**2,447**
Capital surplus			
Balance, beginning and end of year	**53**	**53**	**53**
Treasury stock			
Balance, beginning of year	(256)	(288)	(326)
Stock acquisition	(32)	(147)	(736)
Stock cancellation	-	109	413
Balance, end of year	**(288)**	**(326)**	**(649)**

The accompanying notes are an integral part of these consolidated financial statements

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Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income
Expressed in millions of United States dollars, except for share data

	Years ended December 31,		
	2007	**2008**	**2009**
Retained earnings			
Appropriated			
Investment reserve			
Balance, beginning of year	317	998	1,776
Transfer from unappropriated retained earnings	681	778	1,165
Balance, end of year	**998**	**1,776**	**2,941**
Legal reserve			
Balance, beginning of year	157	190	144
Transfer from (to) unappropriated retained earnings	33	(46)	49
Balance, end of year	**190**	**144**	**193**
Total balance, end of year	**1,188**	**1,920**	**3,134**
Unappropriated retained earnings (losses)			
Balance, beginning of year	(146)	293	692
Net income	1,703	2,654	1,281
Dividends and interest on stockholders' equity (US$0.36, US$0.93 and US$0.81 per share, in 2007, 2008 and 2009, respectively)	(550)	(1,414)	(1,187)
Stock cancellation	-	(109)	(413)
Appropriation to reserves, net	(714)	(732)	(1,214)
Balance, end of year	**293**	**692**	**(841)**
Total retained earnings	**1,481**	**2,612**	**2,293**
Accumulated other comprehensive loss			
Adoption of FASB Statement N$^{o.}$ 158			
Balance, beginning of year	38	272	33
Change in the year, net of deferred tax benefit (expense) US$(124) in 2007, US$123 in 2008 and US$(105) in 2009	234	(239)	204
Balance, end of year	272	33	237
Unrealized gain (loss) on available-for-sale securities			
Balance, beginning of year	24	(6)	(2)
Change in the year, net of deferred tax benefit (expense) US$15 in 2007, US$(2) in 2008 and US$(8) in 2009	(30)	4	23
Balance, end of year	(6)	(2)	21
Cumulative translation adjustment			

Balance, beginning of year	(1,587)	(1,271)	(1,501)

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Companhia Siderúrgica Nacional and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income
Expressed in millions of United States dollars, except for share data

Change in the year	316	(230)	1,315
Balance, end of year	(1,271)	(1,501)	(186)
Total accumulated other comprehensive (loss) income	**(1,005)**	**(1,470)**	**72**
Noncontrolling interest			
Balance, beginning of year	-	-	-
Change in the year	-	-	48
Balance, end of year	-	-	48
Total Noncontrolling interest	**-**	**-**	**48**
Total stockholders' equity	**2,688**	**3,316**	**4,264**
Comprehensive income:			
Net income for the year	1,703	2,654	1,281
Effect of Statement 158, net of taxes	234	(239)	204
Changes in fair value of available-for-sale securities, net of taxes	(30)	4	23
Foreign exchange (loss) gain of long-term investment nature, net of deferred tax benefit (expense) US$194 in 2008 and US$(137) in 2009	-	(376)	407
Translation adjustments for the year	316	146	908
Total comprehensive income	**2,223**	**2,189**	**2,823**

The accompanying notes are an integral part of these consolidated financial statements

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Companhia Siderúrgica Nacional and Subsidiaries
Notes to the Consolidated Financial Statements
Expressed in millions of United States dollars, unless otherwise stated

1 Description of business

Companhia Siderúrgica Nacional is a publicly-held company incorporated on April 9, 1941 under the laws of the Federative Republic of Brazil (Companhia Siderúrgica Nacional and its subsidiaries are collectively referred to herein as "CSN" or "the Company").

a) Consolidation process

CSN is a vertically integrated company that produces a wide range of value-added steel products, such as hot-dip galvanized sheets and tin mill products, and is Brazil's sole tinplate producer. CSN also runs its own iron ore, limestone and dolomite mines in the State of Minas Gerais, which supply all the needs of its Presidente Vargas Steelworks in the State of Rio de Janeiro. As a complement to its activities, the Company has also made strategic investments in cement production, railroads and power supply companies, among others. Abroad, the Company has rolling mills in Portugal and in the United States of America. The Company's consolidated subsidiaries are:

	Direct and Indirect Ownership interest (%)		Main activities
Companies	2008	2009	
Full consolidation			
CSN Energy S.à r.l.	100.00	100.00	Holding Company
CSN Export S.à r.l.	100.00	100.00	Financial operations, trading and holding company
CSN Islands VII Corp.	100.00	100.00	Financial operations
CSN Islands VIII Corp.	100.00	100.00	Financial operations
CSN Islands IX Corp.	100.00	100.00	Financial operations
CSN Islands X Corp.	100.00	100.00	Financial operations
CSN Islands XI Corp.	100.00	100.00	Financial operations
CSN Islands XII Corp. (2)	-	100.00	Financial operations
CSN Overseas S.à r.l.	100.00	100.00	Financial operations and holding company
CSN Panama S.à r.l.	100.00	100.00	Financial operations and holding company
CSN Steel S.à r.l.	100.00	100.00	Financial operations and holding company
Sepetiba Tecon S.A.	99.99	99.99	Maritime port services
Estanho de Rondônia S.A.- ERSA	99.99	99.99	Mining
Cia. Metalic Nordeste	99.99	99.99	Package production
CSN Cimentos S.A.	99.99	99.99	Cement production
Inal Nordeste S.A. - INOR	99.99	99.99	Steel products service center
CSN Energia S.A.	100.00	100.00	Trading of electricity
CSN Aceros S.A.	100.00	100.00	Holding company
CSN Cayman Ltd.	100.00	100.00	Financial operations, trading and holding company
CSN Iron S.A.	100.00	100.00	Financial operations
CSN LLC	100.00	100.00	Steel industry
CSN LLC Holdings Corp (1)	100.00	-	Holding company
CSN Partner LLC (1)	100.00	-	Holding company
Energy I Corp. Ltd.	100.00	100.00	Holding company
Tangua Inc.	100.00	100.00	Financial operations
CSN Madeira Ltd.	100.00	100.00	Financial operations, trading and holding company
Cinnabar Com. de Prod. Siderúrgicos Ltd. (1)	100.00	-	Financial operations and holding company
Hickory Com. Intern. Serv.Ltd	100.00	100.00	Financial operations and trading
Lusosider Projectos Siderúrgicos S.A.	100.00	100.00	Holding company
Lusosider Aços Planos S.A.	99.94	99.94	Steel industry and holding company
CSN Finance Ltd.	100.00	100.00	Financial operations and holding company
CSN Holdings Ltd.	100.00	100.00	Financial operations and holding company
Cia. Metalúrgica Prada - Prada	99.99	99.99	Package production

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Companhia Siderúrgica Nacional and Subsidiaries
Notes to the Consolidated Financial Statements
Expressed in millions of United States dollars, except share and per share data and unless otherwise stated

GalvaSud S.A.	99.99	99.99	Steel industry
Mineração Nacional S.A. (3)	99.99	99.99	Mining and holding company
CSN Aços Longos S.A.	99.99	99.99	Steel and metal products industry and trading
Itaguaí Logística S.A. (4)	99.99	99.99	Logistics
CSN Gestão de Recursos Financeiros Ltda	99.99	99.99	Dormant Company
Congonhas Minérios S.A.	99.99	99.99	Mining and holding company
CSN Acquisitions Ltd.	100.00	100.00	Financial operations and holding company
CSN Finance B.V. (7)	100.00	-	Financial operations and holding company
International Investment Fund - IIF	100.00	100.00	Financial operations and holding company
Itamambuca Participações S.A.	99.93	99.99	Mining and holding company
Arame Corporation (7)	100.00	-	Dormant company
TdBB S.A.	100.00	100.00	Dormant company
International Charitable Corporation (7)	100.00	-	Dormant company
Transnordestina Logística S.A.	-	84.34	Railroad transportation
CSN Cement S.à r.l.(2)	-	100.00	Financial operations and holding company
CSN Ibéria Lda. (2)	-	100.00	Financial operations and holding company
Sociedade em Conta de Participação – SCP	100.00	100.00	Holding company
Not consolidated			
Nacional Minérios S.A. - Namisa	59.99	59.99	Mining and holding company
Pelotização Nacional	59.99	59.99	Mining and holding company
MG Minérios S.A.	59.99	59.99	Mining and holding company
Namisa Europe Lda (6)	60.00	60.00	Financial operations, trading and holding company
Namisa Internacional Minérios SLU (5)	60.00	60.00	Financial operations, trading and holding company
Itá Energética S.A. - Itasa	48.75	48.75	Electricity Generation
Transnordestina Logística S.A.	84.50	-	Railroad transportation
MRS Logística S.A - MRS	33.27	33.27	Railroad transportation
Riversdale Mining Ltd. (2)	-	14.99	Mining
Aceros Del Orinoco S.A.	31.81	31.81	Dormant Company
Consórcio da Usina Hidrelétrica de Igarapava	17.92	17.92	Electricity Consortium
Exclusive investment funds consolidated			
Mugen – Fundo de Investimento Multimercado	100.00	100.00	Investment funds
Diplic – Fundo de Investimento Multimercado	100.00	100.00	Investment funds

(1) Companies merged during 2009.
(2) Company incorporated during 2009.
(3) Former Minas Pelotização
(4) Former Nacional Siderurgia
(5) Former Inversiones CSN Espanha
(6) Former NMSA Madeira
(7) Companies dissolved during 2009.

2 Summary of significant accounting policies and practices

In preparing the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes.

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(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with US GAAP, which differ in certain respects from the statutory financial statements prepared in accordance with the accounting practices derived from the Brazilian Corporation Law, rules and regulations of the Comissão de Valores Mobiliários – the Brazilian Securities Commission or CVM.

The U.S. dollar amounts for the periods presented have been translated from the Brazilian real, the Company's primary functional currency, into U.S. dollars, the Company's reporting currency, in accordance with the criteria set forth in Statement of Financial Accounting Standards No. 52 "Foreign Currency Translation" ("SFAS 52") – Topic 830. Accordingly, the Company has translated all assets and liabilities into U.S. dollars at the exchange rate of R$2.3370 and R$1.7412 to US$1.00 at December 31, 2008 and December 31, 2009, respectively, and all accounts in the statements of income and cash flows (including amounts relative to local currency indexation and exchange variances on assets and liabilities denominated in foreign currency) at the average rates prevailing during the applicable periods. Treasury stock transactions and dividends are translated using the exchange rate as of the date of the transaction. The translation gain or loss resulting from this translation process is included as a component of accumulated other comprehensive loss in stockholders' equity. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the Brazilian real are included in the results of operations as incurred. Certain consolidated foreign subsidiaries have the U.S. dollar as their functional currency since their primary economic environment and cash flows are generated in this currency. Accordingly, these foreign subsidiaries do not generate gains and losses from exchange rate fluctuations when translating the Company's consolidated financial statements into the reporting currency U.S. dollar.

Stockholders' equity included in the financial statements presented herein differs from that included in the Company's statutory accounting records as a result of differences between the variations in the U.S. dollar exchange rate and in the indices mandated, until June 30, 1997, when Brazil was considered to have a highly inflationary economy, for indexation of the statutory financial statements and adjustments made to reflect the requirements of US GAAP.

Beginning in 2008, significant changes are being made to Brazilian corporate law to permit Brazilian GAAP to converge with International Financial Reporting Standards ("IFRS"). Pursuant to CVM regulations, we are required to report our financial statements in IFRS beginning with the year ending December 31, 2010. We are currently expecting to discontinue U.S. GAAP reporting for the year ended December 31, 2010.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; allowances for doubtful accounts and sales returns; the valuation of derivatives, deferred tax assets, fixed assets, inventory, investments, notes receivable, reserves for employee benefit obligations, environmental liabilities, mineral quantities to be recovered, income tax uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of CSN and its majority owned subsidiaries except for our non-consolidated majority-owned subsidiary Namisa, which we deconsolidated as from December 30, 2008 upon Big Jump Energy Participações S.A. (Big Jump) acquisition and dilution of our interest in Namisa, as further detailed in Note 10.

All significant intercompany balances and transactions have been eliminated in consolidation. The financial statements of all subsidiaries have been prepared in accordance with US GAAP.

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(d) Cash and cash equivalents

Cash equivalents are considered to be all highly liquid temporary cash investments, mainly time deposits, with original maturity dates of three months or less, and certificates of deposits which may be withdrawn at any time at the discretion of the Company without penalty.

(e) Short-term investments

Securities for which the Company has positive intent and ability to hold to maturity are classified as held-to-maturity and measured at amortized cost. Securities that are not classified as held-to-maturity or as trading securities are classified as available-for-sale, which are recorded at fair value with the changes recognized as a component of accumulated other comprehensive loss.

(f) Trade accounts receivable

Accounts receivable are stated at estimated realizable values. Allowance is provided, when necessary, in an amount considered by management to be sufficient to meet probable future losses related to uncollectible accounts.

(g) Inventories

Inventories are stated at the lower of average cost or replacement or realizable value. Cost is determined using the average cost method. Cost of production in process and finished goods include the purchase costs of raw materials and conversion costs such as direct labor and an allocation of fixed and variable production overheads. Raw materials and spare parts are valued at cost including freight, shipping and handling costs. Losses for slow-moving or obsolete inventories are recorded when considered appropriate. The Company holds spare parts that will be used within its operating cycle which are classified as other current assets rather than inventories.

(h) Investments in affiliated companies and other investments

The Company uses the equity method of accounting for all long-term investments for which it owns at least 20% of the investee's outstanding voting stock or has the ability to exercise significant influence over operating and financial policies of the investee. Investments in which the Company has a majority interest, but, through stockholders' agreements, does not have effective management control are also accounted for under the equity method. The equity method requires periodic adjustments to the investment account to recognize the Company's proportionate share in the investee's results, reduced by receipt of investee dividends and interest from stockholders' equity.

(i) Property, plant and equipment

Property, plant and equipment are recorded at cost, including capitalized interest incurred during the construction period of major new facilities. Interest capitalized in foreign currency borrowings excludes the effect of foreign exchange gain and losses. Depreciation is computed under the straight-line method at rates which take into consideration the useful lives of the related assets, as follows (average): buildings - 25 years; equipment - 15 years; furniture and fixtures - 10 years; hardware and vehicles - 5 years. Assets under construction are not depreciated until placed into service.

Costs of developing iron ore and other mines or expanding the capacity of operating mines are capitalized and charged to operations on the units-of-production method based on the total quantity to be recovered. These costs have not been material for the years presented.

Maintenance and repair expenses, including those related to programmed maintenance of the Company's blast furnaces, are charged to the cost of production as incurred. Any gain or loss on the disposal of property, plant and equipment are recognized on disposal.

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(j) Recoverability of long lived assets

Management reviews long-lived assets to be held and used in the Company's business activities, for the purpose of determining and measuring impairment on a recurring basis or when events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. Write-down of the carrying value of assets or groups of assets is made if and when appropriate in accordance with FASB ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, (FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived*. In accordance with SFAS 144 - FASB ASC Subtopic 360-10, the carrying value of long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the assets. Fair value is determined primarily by using a discounted cash flow analysis. No impairment losses have been recorded for any of the periods presented.

(k) Goodwill

Goodwill represents the cost of investments in excess of the fair value of the net identifiable assets acquired and liabilities assumed. The Company adopts FASB ASC Topic 350, *Intangibles - Goodwill and Other* (Statement No. 142, *Goodwill and Other Intangible Assets*), under which goodwill is no longer amortized but is tested for impairment at least annually, using a two-step approach that involves identification of reporting units and estimates of fair values. No impairment losses have been recorded for any of the periods presented.

(l) Revenues and expenses

Revenues and expenses are recognized on the accrual basis. Revenues from the sale of goods are recognized upon delivery to customers, when title is transferred and the client has assumed the significant risks and rewards of ownership in accordance with the contractual terms. Revenue is not recognized if there are significant uncertainties as to its realization. The Company reflects value-added taxes as a reduction of gross operating revenues.

Handling and shipping expenses are classified in the income statement as selling expenses. For the years ended December 31, 2007, 2008 and 2009 those expenses amounted to US$228, US$264 and US$184, respectively.

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(m) Asset retirement obligations

Retirement of long-lived assets is accounted for in accordance with FASB ASC Topic 410-20 – *Asset Retirement Obligations* - SFAS 143- "*Accounting for Asset Retirement Obligations*." Our retirement obligations consist primarily of estimated closure costs, the initial measurement of which is recognized as a liability discounted to present values and subsequently accreted through earnings. An asset retirement cost equal to the initial liability is capitalized as part of the related asset's carrying value and depreciated over the asset's useful life. The liability amounted to US$6 as of December 31, 2008 and US$9 as of December 31, 2009.

(n) Environmental and remediation costs

The Company provides for remediation costs and penalties when a loss is probable and the amount of associated costs is reasonably determinable. Generally, the timing of remediation accruals coincides with completion of a feasibility study or the commitment to a formal plan of action.

Expenditures relating to ongoing compliance with environmental regulations are charged to earnings or capitalized, as appropriate. Capitalization is considered appropriate when the expenditures relate to items that will continue to provide benefits to the Company and primarily pertain to the acquisition and installation of equipment for pollution control and/or prevention. These ongoing programs are designed to minimize the environmental impact of the Company's operations and are also expected to reduce costs that might otherwise be incurred on cessation of mining activities.

(o) Research and development costs

Expenditures for research and development of new products for the year ended December 31, 2009 were US$12 (US$17 in 2008 and US$19 in 2007). All such costs are expensed as incurred.

(p) Accrued/ Prepaid pension cost

The Company participates in a defined contribution pension plan that provides pension benefits for its employees. Expense is recognized as the amount of the required contribution for the period and is recorded on the accrual basis.

Accrued pension costs are determined in accordance with SFAS No. 87 "Employers Accounting for Pensions, FASB ASC Subtopic 715-20 – *Defined Benefit Plans – General*. The Company provides disclosures related to its employee pension and post-retirement benefits in accordance with SFAS No. 132 "Employers' Disclosure About Pensions and Other Post-retirement Benefits" and SFAS No. 132 (revised 2003) "Employers' Disclosure About Pensions and Other Post-retirement Benefits, an amendment of FASB Statements No. 87, 88 and 106" ("SFAS 132R"), included in FASB ASC Subtopic 715-60 – *Defined Benefit Plans – Other Postretirement.*

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R)" ("SFAS 158"), included in ASC Subtopic 715-20, *Compensation - Retirement Benefits - Defined Benefit Plans -General*. SFAS 158 requires an entity to recognize in its statement of financial position the overfunded or underfunded status of its defined benefit employee pension and postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation. SFAS 158 also requires an entity to recognize changes in the funded status of a defined benefit employee pension or postretirement plan within accumulated other comprehensive income, net of tax, to the extent such changes are not recognized in earnings as components of periodic net benefit cost. The Company adopted the aforementioned provisions of SFAS 158 on December 31, 2006. The impact of adopting SFAS 158 on the Company's consolidated financial position is discussed further in Note 15. Additionally, SFAS 158 requires companies to measure plan assets and benefit obligations at their year-end balance sheet date. This requirement, which is effective for fiscal years ending after December 15, 2008, has no effect on the Company since its employee pension or postretirement medical plan assets and liabilities are already measured as of December 31, its year-end balance sheet date.

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(q) Accrual for contingencies and disputed taxes payable

The Company accounts for contingencies in accordance with SFAS 5 "Accounting for Contingencies", included in ASC Topic 450, *Contingencies*. The Company's contingencies were estimated by management and were substantially based upon known facts and circumstances, management's experience and the opinions of the Company's tax and legal advisors. The Company records accruals for contingencies for lawsuits which the Company classifies as probable losses. Legal costs are expensed as incurred. Additionally, the Company has (i) certain tax liabilities for which the Company is disputing payment with the applicable taxing authorities, and (ii) certain tax liabilities for which the Company is asserting a right to use certain tax credits to offset such tax liabilities. These items are referred to as disputed taxes payable. Accruals for contingencies, disputed taxes payable and the related legal deposits requested by the courts for those disputes are updated by the interest rate charged by the Brazilian government (the SELIC rate) and inflation, when applicable.

(r) Employee profit participation plan

The parent company sponsors an employee profit participation plan for all parent company employees, which is based on annual EBITDA (earnings before interest, income taxes, depreciation and amortization) determined on the basis of the Company's statutory financial statements. The plan establishes the distribution of up to a maximum of twice the normal payroll paid in the month of December, provided the EBITDA margin (EBITDA as a percentage of revenues) is equal to or greater than 40% (in 2007 it was limited to one month's salary per employee plus a specified amount. In 2008 and 2009, each employee was paid two month salary. Expenses related to the employee profit participation plan in cost of sales, general and administrative expenses and selling expenses amounted to US$30, US$30 and US$42 in 2007, 2008 and 2009, respectively.

(s) Compensated absences

Compensated absences are accrued over the vesting period.

(t) Income taxes

The Company accounts for income taxes in accordance with SFAS No. 109 "Accounting for Income Taxes", included in ASC Subtopic 740-10, *Income Taxes – Overall,* as of January 1, 2009,, which requires the application of the assets and liability method of accounting for income taxes. The effects of US GAAP adjustments, as well as differences between the tax basis of assets and liabilities and the amounts included in these financial statements, have been recognized as temporary differences for the purpose of recording deferred income taxes. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the years in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of changes in tax rates is recognized in income in the period that includes enactment date. A valuation allowance is recorded when management believes it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Beginning with the adoption of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), included in ASC Subtopic 740-10, *Income Taxes – Overall,* as of January 1, 2009, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Prior to the adoption of FIN 48, the Company recognized the effect of income tax positions only if such positions were probable of being sustained.

The Company records interest and penalties related to unrecognized tax benefits in interest expense (financial income (expense), net) in the consolidated statements of income.

(u) Statements of cash flows

Short-term investments that have a ready market and original maturity, when purchased, of 90 days or less, and certificates of deposits which may be withdrawn at any time at the discretion of the Company without penalty are considered to be cash equivalents.

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(v) Earnings per share

The Company presents its earnings per share in accordance with SFAS No. 128 "Earnings Per Share" " included in ASC Subtopic 260-10, *Earnings Per Share – Overall*. Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed in a manner consistent with that of basic earnings per share while giving effect to all potentially dilutive common shares that were outstanding during the year. The Company does not have any potentially dilutive common shares outstanding and, accordingly, diluted earnings per share is equal to basic earnings per share.

(w) Concentration of credit risk

Financial instruments that potentially subject CSN to concentrations of credit risk are cash and cash equivalents, trade accounts receivable and derivatives. CSN limits its credit risk associated with cash and cash equivalents and derivatives by placing its investments with (1) highly-rated financial institutions in short-term investments and (2) Brazilian government notes. With respect to trade accounts receivable, CSN limits its credit risk by performing ongoing credit evaluations and, depending on the results of the evaluation, requiring letters of credit, guarantees or collateral. CSN's products are utilized in a wide variety of industry segments, therefore accounts receivable and sales are not concentrated in one single industry and, accordingly, management does not believe significant concentration of credit risk with respect to any one industry exists.

(x) Comprehensive income

SFAS No. 130 "Reporting Comprehensive Income" ("SFAS 130"), included in ASC Topic 220, *Comprehensive Income,* requires that companies report changes in the equity of a business enterprise during a period resulting from transactions and other events and circumstances from non-owner sources. The Company has adopted SFAS 130 for all years presented and has included comprehensive income as part of the consolidated statements of changes in stockholders' equity.

(y) Interest attributed to stockholders

As from January 1, 1996, Brazilian corporations are allowed to attribute interest on stockholders' equity. The calculation is based on the stockholders' equity amounts as stated in the statutory accounting records and the interest rate applied may not exceed the long-term interest rate ("TJLP") determined by the Brazilian Central Bank (approximately 6.4%, 6.3% and 6.1% for the years 2007, 2008 and 2009 respectively). Also, such interest may not exceed the greater of 50% of net income for the year or 50% of retained earnings plus accumulated net income and unrealized income reserves, determined in each case on the basis of the statutory financial statements. The amount of interest attributed to stockholders is deductible for income tax purposes. Accordingly, the benefit to the Company, as opposed to making a dividend payment, is a reduction in income tax charge equivalent to the statutory rate applied to such amount. Income tax is imposed on interest payments at the rate of 15%. The Company opted to pay both dividends and such tax-deductible interest to its stockholders, and has therefore accrued the amounts due as of December 31, 2009 and 2008 with a direct charge to stockholders' equity.

(z) Treasury stock

Treasury stock consists of the Company's own stock which has been issued and subsequently reacquired by the Company and has not been reissued or cancelled. Such treasury stock is carried at cost of acquisition.

(aa) Segment information

SFAS No. 131 "Disclosures about Segments of Enterprise and Related Information" ("SFAS 131") , included in ASC Topic 280, *Segment Reporting,* requires that a business enterprise supplementally disclose certain financial information about its various and distinct operating activities. Such information is to be presented from the point of view of how operating and financial decisions are made for each business sector. The Company has adopted SFAS 131 for all years presented, as further disclosed in Note 19.

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(ab) Derivative financial instruments

The Company accounts for derivative financial instruments pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" - FASB ASC Topic 815, as amended. This standard requires that all derivative instruments be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative instruments are recognized periodically in income as the Company recognizes all derivative financial instruments as non-hedge transactions. Gain and losses are classified as financial income and expense in the statements of income. See Note 21 for additional information.

(ac) Concessions

The Company holds certain governamental concessions which are accounted for in accordance with SFAS 13 -"Accounting for Leases" , included in ASC Subtopic 840 – 10 *Leases - Overall*. Accordingly, the contracts are classified as operating leases or capital leases dependent upon whether certain criteria are met. The Company's port facilities concession of Tecon is classified as an operating lease.

3 Recently issued accounting pronouncements

The following new accounting standards have been issued and were adopted by the Company as of December 31, 2009:

SFAS No. 157, "Fair Value Measurements" (SFAS No. 157), included in FASB ASC Subtopic 310-10. In September 2006, the FASB issued SFAS No. 157, which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements. For us, SFAS No. 157 was effective as of January 1, 2008. The adoption of SFAS No. 157 did not have any material impact on our consolidated results of operations, cash flows or financial position. In February 2008, the FASB approved FSP FAS 157-2, which grants a one-year deferral of SFAS 157's fair value measurement requirements for nonfinancial assets and liabilities, except for items that are required to be recognized or disclosed at fair value. In October 2008, the FASB issued FSP No. FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" ("FSP FAS 157-3"), which clarifies the application of FASB Statement No. 157, "Fair Value Measurements" ("FAS 157") in an inactive market. The intent of this FSP is to provide guidance on how the fair value of a financial asset is to be determined when the market for that financial asset is inactive. FSP FAS 157-3 states that determining fair value in an inactive market depends on the facts and circumstances, requires the use of significant judgment and in some cases, observable inputs may require significant adjustment based on unobservable data. Regardless of the valuation technique used, an entity must include appropriate risk adjustments that market participants would make for nonperformance and liquidity risks when determining fair value of an asset in an inactive market. FSP FAS 157-3 was effective upon issuance. The Company has no financial assets in inactive markets.

SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS No. 159), included in FASB ASC Subtopic 820-10. In February 2007, the FASB issued SFAS No. 159, which permits entities to choose to measure many financial instruments and certain other items at fair value. For us, SFAS No. 159 was effective as of January 1, 2008 and had no impact on amounts presented for periods prior to the effective date. We chose not to measure items subject to SFAS No. 159 at fair value, unless required by other standards.

SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment to ARB No. 51 –Accounting Standards Update No. 2010-02, *Consolidation: Accounting and Reporting for Decreases in Ownership of a Subsidiary - a Scope Clarification ,* included in FASB ASC Subtopic 810-10. In December 2007, FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment to ARB No. 51," which clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Earlier adoption is prohibited. The effective date of this statement is the same as that of the related Statement No. 141(R). This statement shall be applied prospectively as of the beginning of the fiscal year in which this statement is initially applied, except for the presentation and disclosure requirements. The presentation and disclosure requirements shall be applied retrospectively for all periods presented. SFAS No. 160 was adopted by the Company.

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SFAS No. 162, *"The Hierarchy of Generally Accepted Accounting Principles" (SFAS No. 162)* , included in FASB ASC Subtopic 105-10. In May 2008, the FASB issued SFAS No. 162, which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States (US GAAP). This Statement shall be effective 60 (sixty) days following the SEC's approval of the Public Company Accounting Oversight Board ("PCAOB") amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles".

Accounting Standards Update No. 2009-01, Topic 105 - *Generally Accepted Accounting Principles -amendments based on Statement of Financial Accounting Standards No. 168 - The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles* (Statement 168). The ASU 2009-01 (Statement 168) divides nongovernmental U.S. GAAP into the authoritative Codification and guidance that is nonauthoritative. The contents of the Codification will carry the same level of authority, eliminating the four-level GAAP hierarchy previously set forth in Statement 162, *The Hierarchy of Generally Accepted Accounting Principles*, which has been superseded by ASU 2009-01 (Statement 168). The Codification supersedes all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification is now nonauthoritative. Defining Issues 09-30 provides guidance and information on the structure and content of the Codification, issuance of new accounting pronouncements from the FASB after the release of the Codification, researching the Codification, and references to authoritative GAAP in financial statements. The FASB Accounting Standards Codification™ is the exclusive authoritative reference for nongovernmental U.S. GAAP for use in financial statements issued for interim and annual periods ending after September 15, 2009, except for SEC rules and interpretive releases, which are also authoritative GAAP for SEC registrants. The Codification did not have any material impact on our consolidated results of operations, cash flows or financial position.

In December 2007, the FASB issued SFAS No. 141"Business Combination,", included in FASB ASC Subtopic 805-10, which replaces FASB Statement No. 141, Business Combinations. This Statement retains the fundamental requirements in Statement No. 141 that the acquisition method of accounting (which Statement No. 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This statement defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. Statement 141 did not define the acquirer, although it included guidance on identifying the acquirer, as does this statement. This statement's scope is broader than that of Statement No. 141, which applied only to business combinations in which control was obtained by transferring consideration. The result of applying Statement No. 141's guidance on recognizing and measuring assets and liabilities in a step acquisition was to measure them at a blend of historical costs and fair values, a practice that provided less relevant, representationally faithful, and comparable information than will result from applying this statement. In addition, this statement's requirement to measure the noncontrolling interest in the acquiree at fair value will result in recognizing the goodwill attributable to the noncontrolling interest in addition to that attributable to the acquirer, which improves the completeness of the resulting information and makes it more comparable across entities. By applying the same method of accounting, the acquisition method to all transactions and other events in which one entity obtains control over one or more other businesses, this statement improves the comparability of the information about business combinations provided in financial reports. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. The effective date of this statement is the same as that of the related FASB Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements." The Company will apply such pronouncement on a prospective basis for each new business combination.

SFAS No. 161, *"Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS No. 161),* included in FASB ASC subtopic 815-10. In March 2008, the FASB issued SFAS No. 161, which requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The adoption of SFAS No. 161 did not have a material impact on our consolidated results of operations, cash flows or financial position.

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In April 2008, the FASB issued FSP FAS 142-3, "*Determination of the Useful Life of Intangible Assets",* included in FASB ASC subtopic 350-10. FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under Statement No. 142, "*Goodwill and Other Intangible Assets"*. For a recognized intangible asset, an entity shall disclose information that enables financial statement users to assess the extent to which the expected future cash flows associated with the asset are affected by the entity's intent and/or ability to renew or extend the arrangement. FSP FAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The adoption of FSP FAS No. 142-3 did not have a material impact on our consolidated results of operations, cash flows or financial position.

In June 2008, the EITF reached a consensus on Issue No. 07-5, "*Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock*", included in FASB ASC subtopic 815-40. EITF 07-5 provides guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock, which is the first part of the scope exception in paragraph 11 (a) of Statement 133. If an instrument that has the characteristics of a derivative instrument is indexed to an entity's own stock, it is necessary to evaluate whether it is or would be classified in stockholders's equity. EITF 07-5 applies to ant freestanding financial instrument or embedded feature that has all the characteristics of a derivative in accordance with Statement 133. Accordingly, the company must use two-step approach in order to make this evaluation as follows: (a) evaluate the instrument's contingent exercise provisions, if any; and (b) evaluate the instrument's settlement provisions. This Issue is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Earlier application by an entity that has previously adopted an alternative accounting policy is not permitted. The adoption of EITF No. 07-5 did not have a material impact on our consolidated results of operations, cash flows or financial position.

In September 2008, the EITF reached a consensus on Issue No. 08-5, *"Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement",* included in FASB ASC Subtopic 820-10. EITF 08-5 requires issuers of liability instruments with third-party credit enhancements to exclude the effect of the credit enhancement when measuring the liability's fair value. The effect of initially adopting the requirements is included in the change in the instrument's fair value in the period of adoption. Entities are required to disclose the valuation technique used to measure the liabilities and to discuss any changes in the valuation techniques used to measure those liabilities in prior periods. Entities will also need to disclose the existence of a third-party credit enhancement on the entity's issued debt. EITF 08-5 is effective for the reporting period beginning after December 15, 2008. Early adoption is permitted. The adoption of EITF No. 08-5 did not have material impact on our consolidated results of operations, cash flows or financial position.

In September 2008, the FASB issued FSP FAS 133-1 and FIN 45-4, "*Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161"* , included in FASB ASC Section 815-10- 50. FSP FAS 133-1 and FIN 45-4 amends Statement No. 133, "*Accounting for Derivative Instruments and Hedging Activities"*, and FIN 45, "*Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others"*, and clarifies Statement No. 161, "*Disclosures about Derivative Instruments and Hedging Activities"*. This FSP amends Statement No. 133 to require disclosures by sellers of credit derivatives, including credit derivatives embedded in a hybrid instrument. This FSP also amends FIN 45 to require an additional disclosure about the current status of the payment/performance risk of a guarantee. Further, FSP FAS 133-1 and FIN 45-4 clarifies the FASB's intent that the disclosures required by Statement No. 161 should be provided for any reporting period (annual or interim) beginning after November 15, 2008. The provisions of this FSP that amend Statement No. 133 and FIN 45 are effective for reporting periods (annual or interim) ending after November 15, 2008. Early adoption is encouraged. The adoption of FSP FAS 133-1 and FIN 45-4 did not have material impact on our consolidated results of operations, cash flows or financial position.

In April 2009 the FASB issued FSP FAS 141(R)-1 *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies.* FSP FAS 141(R)-1 amends the provisions in Statement No. 141(R), *Business Combinations,* included in FASB ASC Subtopic 805-10, for the initial recognition and measurement, subsequent measurement and accounting, and disclosures for assets and liabilities arising from contingencies in business combinations. No subsequent accounting guidance is provided in the FSP, and the FASB expects an acquirer to develop a systematic and rational basis for subsequently measuring and accounting for acquired contingencies depending on their nature. FSP FAS

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141(R)-1 is effective for contingent assets or contingent liabilities acquired in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. This is the same effective date as Statement No. 141(R). The Company will apply such pronouncement on a prospective basis for each new business combination.

In May 2009 the FASB issued SFAS No. 165, "*Subsequent Events* - Accounting Standards Update No. 2010-09,

Subsequent Events - Amendments to Certain Recognition and Disclosure Requirements, included in FASB ASC Subtopic 855-10, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS 165 becomes effective to interim or annual financial periods ending after June 15, 2009. The adoption of SFAS 165 did not have a material impact on our consolidated results of operations, cash flows or financial position

In November 2008, the EITF reached consensus on Issue No. 08-6, *"Equity Method Investment Accounting Considerations"* ("EITF 08-6") *,* included in FASB ASC Subtopic 323-10, which clarifies the accounting for certain transactions and impairment considerations involving equity method investments. The intent of EITF 08-6 is to provide guidance on (i) determining the initial carrying value of an equity method investment, (ii) performing an impairment assessment of an underlying indefinite-lived intangible asset of an equity method investment, (iii) accounting for an equity method investee's issuance of shares, and (iv) accounting for a change in an investment from the equity method to the cost method. EITF 08-6 is effective for our fiscal year beginning January 1, 2009 and is to be applied prospectively. The adoption of EITF No. 08-6 did not have a material impact on our consolidated results of operations, cash flows or financial position.

In December 2008, the FASB issued FSP No. FAS 132(R)-1 *"Employers' Disclosures about Post-Retirement Benefit Plan Assets"* ("FSP FAS 132(R)-1") *,* included in FASB ASC paragraphs 715-20-50-1 and 50-5 and 715-20-55-16 and 55-17, which amends FASB Statement No. 132 "Employers' Disclosures about Pensions and Other Post-Retirement Benefits" ("FAS 132"), to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other post-retirement plan. The objective of FSP FAS 132(R)-1 is to require more detailed disclosures about employers' plan assets, including employers' investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets. FSP FAS 132(R)-1 is effective for our fiscal year beginning January 1, 2009. The disclosure requirements are effective for years ending after December 15, 2009. Upon initial application, the provisions of this FSP are not required for earlier periods that are presented for comparative purposes. The adoption of FSP No. FAS 132(R)-1 did not have a material impact on our consolidated results of operations, cash flows or financial position. SFAS No. 132(R)-1 was adopted by the Company.

In April 2009, the FASB issued FSP FAS 157-4, "*Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly"* , included in *FASB ASC* Subtopic 820-10. FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with Statement No. 157, "*Fair Value Measurements"*, when the volume and level of activity for the asset or liability have significantly decreased and provides additional guidance on the Statement No. 157 disclosure requirements. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and should be applied prospectively. Early adoption is permitted for periods ending after March 15, 2009. Earlier adoption for periods ending before March 15, 2009 is not permitted. If a reporting entity elects to adopt early either FSP FAS 115-2 and FSP FAS 124-2, "*Recognition and Presentation of Other-Than-Temporary Impairment"*, or FSP FAS 107-1 and APB 28-1, "*Interim Disclosures about Fair Value of Financial Instruments"*, the reporting entity also is required to adopt early this FSP. Additionally, if the reporting entity elects to adopt early this Statement, FSP FAS 115-2 and FSP FAS 124-2 also must be adopted early. This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. FSP FAS 157-4 (included in ASC Topic 820) is effective for interim and annual reporting periods ending after June 15, 2009, and should be applied prospectively. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption. The adoption of FSP FAS 157-4 did not have a material impact on our consolidated results of operations, cash flows or financial position.

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The following new accounting standards have been issued, but have not yet been adopted by the Company as of December 31, 2009.

In June 2009, the FASB issued SFAS No. 166, "*Accounting for Transfers of Financial Assets – an amendment of Statement No. 140*" , included in Accounting Standards Update 2009-16, Transferes and Servicing (FASB ASC Subtopic 860-10), which improves the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. This Statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This Statement must be applied to transfers occurring on or after the effective date. The adoption of SFAS No. 166 is not expected to have a material impact on our consolidated results of operations, cash flows or financial position.

In June 2009, the FASB issued SFAS No. 167, "*Amendments to FASB Interpretation No. 46(R)*", included in Accounting Standards Update 2009-17, Consolidation (FASB ASC Subtopic 860-10), which improves financial reporting by enterprises involved with variable interest entities. The Board developed this pronouncement to address (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), "*Consolidation of Variable Interest Entities*", as a result of the elimination of the qualifying special-purpose entity concept in FASB Statement No. 166, "Accounting for Transfers of Financial Assets", and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. This Statement shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The adoption of SFAS No. 167 is not expected to have a material impact on our consolidated results of operations, cash flows or financial position.

Accounting Standards Update No. 2009-05 *"Fair Value Measurements and Disclosures: Measuring Liabilities at Fair Value (*FASB ASC Subtopic 820-10) which determining the fair value of a liability may use the perspective of an investor that holds the related obligation as an asset, according to ASU 2009-05 that amends FASB ASC Topic 820, *Fair Value Measurements* (FASB Statement No. 157, *Fair Value Measurements*). The update addresses practice difficulties caused by the tension between fair-value measurements based on the price that would be paid to transfer a liability to a new obligor and contractual or legal requirements that prevent such transfers from taking place. We are currently evaluating the impact of adoption of Accounting Standards Update No. 2009-05 on our consolidated financial position or results of operations.

Accounting Standards Update No. 2010-06 "*Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements"*(FASB ASC Subtopic 820-10), which provides additional disclosures for transfers in and out of Levels I and II and for activity in Level III. This ASU also clarifies certain other existing disclosure requirements including level of desegregation and disclosures around inputs and valuation techniques. The final amendments to the Accounting Standards Codification will be effective for annual or interim reporting periods beginning after December 15, 2009, except for the requirement to provide the Level 3 activity for purchases, sales, issuances, and settlements on a gross basis. That requirement will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.. Early adoption is permitted. The amendments in the Update do not require disclosures for earlier periods presented for comparative purposes at initial adoption. Adoption of ASU 2010-06, except for the Level 3 activity described above, is required in annual financial statements as of March 31, 2010 for SEC registrants and other entities that provide interim (quarterly) reports. Other entities with a March 31 fiscal year-end must adopt the provisions of ASU 2010-06 in the year ending March 31, 2011 and may elect to early adopt ASU 2010-06. Refer to Section III, Subtopic 820-10. We are currently evaluating the impact of adoption of Accounting Standards Update No. 2010-06 on our consolidated financial position or results of operations.

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Accounting Standards Update No. 2010-08, "*Technical Corrections to Various Topics*" (FASB ASC Subtopic 815-15 and 852-740), which provides technical corrections to several topics of the FASB Codification, including the guidance about embedded derivatives and hedging (Subtopic 815-15) and accounting for income taxes in a reorganization (Subtopic 852-740). The amendments are not expected to result in pervasive changes to accounting practices. However, because the clarified guidance about embedded derivatives and hedging may cause a change in the application of the related Subtopics, the FASB provided special transition provisions for those amendments. The clarifications of the guidance about embedded derivatives and hedging are effective for fiscal years beginning after December 15, 2009. The amendments to the guidance about accounting for income taxes in reorganization apply to reorganizations for which the date of the reorganization is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. All other amendments are effective as of the first reporting period (including interim periods) beginning after the date this ASU was issued (February 2, 2010). The Company will apply such pronouncement on a prospective basis.

4 Insurance claim

On January 22, 2006, we were affected by an accident involving equipment adjacent to Blast Furnace No. 3, mainly impacting our powder collecting system. As a result of this accident the equipment production was interrupted until the end of the first semester of 2006. The cause of the accident was expressly covered by the terms of the insurance policy, as formally confirmed by the insurance company. The total losses resulting from this accident were estimated in approximately US$650, of which we received payment of US$360 during 2006.

Based on preliminary reports issued by independent consultants and on the confirmation of the insurance coverage by the insurance company, we recognized up to December 31, 2006, the amount of US$342 (R$730 million) related to costs incurred to purchase slabs from third-party sources and fixed expenses as an offset to cost of sales and US$9 (R$18 million) as an offset to cost of sales corresponding to the income in the write-off of damaged assets (net book value of approximately US$81 (R$174 million).

At December 31, 2008, we reached a final agreement with the reinsurance companies to recover US$520 (R$1,031 million) of our losses. Accordingly, we received the outstanding balance as of December 31, 2007 of US$105 (R$186 million) and an additional amount of US$55 (R$183 million), recorded as other operating income in 2008.

5 Business acquisitions

CFM (Cia. de Fomento Mineral)

In order to strengthen the Company´s position as a player in the iron ore market, in 2007 the Company acquired 100% of the capital of Companhia de Fomento Mineral e Participações ("CFM"), a mining company located in the State of Minas Gerais, for US$400 and additional US$40 in case no contingent liabilities were raised. In October 2008, the Company was released from paying this latter installment of US$40 since potential labor contingencies were discovered. The Company accounted for this acquisition using Statement of Financial Accounting Standards No. 141 - *Business Combinations* ("SFAS 141"), included in FASB ASC Subtopic 805-10 and Statement of Financial Accounting Standards No. 142 –*Goodwill and Other Intangible Assets* ("SFAS 142"), , included in FASB ASC Subtopic 805-20. Accordingly, the results of operations for the acquired business are included in the accompanying consolidated statements of income beginning June 2007, the closing date of the acquisition, and the related assets and liabilities were recorded based upon their fair values as of the acquisition date.

Management's allocation of the purchase price at the acquisition date, based on the valuation of the acquired assets and liabilities performed by an unrelated third-party appraiser, was as follows:

Current assets	
Cash and cash equivalents	2
Trade accounts receivable	3
Inventories	13
Prepaids and other assets	9
Property, plant and equipment	667
Current liabilities	(35)

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Deferred taxes liabilities	(219)
Initial purchase price	**440**
Contingent consideration resolved	**(40)**
Final purchase price	**400**

The unaudited financial information in the table below summarizes the combined results of operations of the Company and CFM, on a pro-forma basis, as though the companies had been combined as of January 1, 2007. The pro-forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at January 1, 2007. The unaudited pro-forma financial information combines the historical results for CSN for 2007, which include the results of CFM as from July 1, 2007 and the historical results of CFM for the period from January 1, 2007 to June 30, 2007, date of the acquisition. The following table summarizes the pro-forma financial information, unaudited:

	Year ended December, 31
Accounts	**2007**
Gross operating revenues	7,042
Net operating revenues	5,575
Costs of products sold and operating expenses	(3,723)
Income before income taxes and equity in results of affiliated companies	2,153
Income taxes	(531)
Net income	1,697
Basic and diluted earnings per share	1.11
Weighted number of shares (in thousands) (post split)	1,539,498

6 Income taxes

Income taxes in Brazil comprise federal income tax and social contribution (which is an additional federal income tax). The statutory rates applicable for each of the three years presented herein are: 25% for federal income tax and 9% for social contribution. The amounts reported as income tax expense in the financial statements are reconciled to the statutory rates as follows:

	Years ended December 31,				
	2007	**2008**	**2009**		
			Brazil	**Foreign**	**Total**
Income (loss) before income taxes and equity in results of affiliated companies	**2,161**	**2,941**	**1,039**	**(350)**	**689**
Federal income tax and social contribution at statutory rates	(735)	(1,001)	(353)	119	(234)
Adjustments to derive effective tax rate					
Interest on stockholders' equity	40	39	55	-	55
Nontaxable foreign exchange gain (loss) from subsidiaries or taxed at different rates	159	(95)	-	(65)	(65)
Nontaxable gain on dilution of interest in Namisa		567	-		-
Reductions (additions) to valuation allowance	(12)	(21)	(47)	(25)	(72)
Federal Tax Repayment Program ("Refis")					

adjustments	-	-	126	-	126
Tax incentives	10	5	5	-	5
Transfer Pricing adjustment	-	-	(8)	-	(8)
Non deductable expenses	3	19	(20)	-	(20)
Other permanent differences	1	73	21	(27)	(6)
Income tax expense per consolidated statements of income	**(534)**	**(414)**	**(221)**	**2**	**(219)**

Income tax expense for the years ended December 31, 2007, 2008 and 2009 consist of:

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	2007			2008			2009		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
Brazil	(551)	72	(479)	(609)	192	(417)	(165)	(56)	(221)
Foreign	(68)	13	(55)	(6)	9	3	(2)	4	2
Total	**(619)**	**85**	**(534)**	**(615)**	**201**	**(414)**	**(167)**	**(52)**	**(219)**

For the years ended December 31, 2007, 2008 and 2009, income (loss) before income taxes and equity in results of affiliated companies consists of the following:

	Years ended December 31,		
	2007	**2008**	**2009**
Brazil	1,562	3,225	1,039
Foreign	599	(284)	(350)
Total	**2,161**	**2,941**	**689**

The major components of deferred income tax assets and liabilities in the consolidated balance sheets are as follows:

	As of December 31,	
	2008	**2009**
Current assets		
Tax loss carryforwards	143	114
Inventories – basis difference	16	25
Expenses deductible when paid	144	81
Other	56	94
Current deferred tax assets	**359**	**314**
Non-current assets		
Tax loss carryforwards	93	225
Deferred charges – basis difference	6	7
Provision for contingencies	186	34
Expenses deductible when paid	67	205
Prepaid pension cost	-	(83)
Accrued pension cost	12	-
Other	-	(23)
Total non-current deferred tax assets	**364**	**365**
Total deferred tax assets	**723**	**679**
Valuation allowance		
Balance, beginning of year	(48)	(70)
Additions	(22)	(151)
Reductions	1	-

Translation adjustment	(1)	8
Balance, end of the year	**(70)**	**(213)**
Non-current deferred tax liability		
Property, plant and equipment – basis difference	(14)	(4)
Total non-current deferred tax liabilities	**(14)**	**(4)**
Net deferred tax asset	**639**	**462**

The tax loss carryforwards and social contribution negative basis, in the amount of US$1,030 as of December 31, 2009 will expire as follows:

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Expiration dates	Amount
December 31, 2010	-
December 31, 2011	38
December 31, 2012	-
December 31, 2013	23
December 31, 2014	2
December 31, 2015	66
2025 and thereafter	109
Indefinite	792
Total tax loss carryforwards	1,030

The valuation allowance for deferred tax assets as of December 31, 2009 was US$213 (US$70 as of December 31, 2008). The net change in the total valuation allowance during 2009 was an increase of US$143 (an increase of US$22 in 2008). The valuation allowance at December 31, 2008 and 2009 was related to tax loss carryforwards generated by certain subsidiaries that, in the judgment of management are not more likely than not to be realized in the near future. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2009. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. The Company's deferred tax assets, net of valuation allowance, are expected to be realized based on actual levels of our past taxable income and our expectation of sustaining similar levels of profitability in the short, medium and long-terms.

	Pretax book income	Taxable income
2007	2,161	1,795
2008	2,941	564
2009	691	465

As of December 31, 2009, the undistributed earnings of the Company's foreign subsidiaries have been invested and will continue to be indefinitely invested in their operations. These undistributed earnings of the Company´s foreign subsidiaries amounted to US$1,019 as of December 31, 2009. If circumstances change and the Company decides to repatriate these undistributed earnings, the tax liability related thereto will amount to US$485.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" (FIN 48), included in ASC Subtopic 740-10. FIN 48 provides guidance on recognition, classification and disclosure concerning uncertain income tax liabilities. The evaluation of a tax position requires recognition of a tax benefit if it is more likely than not it will be sustained upon examination.

A reconciliation of the unrecognized tax benefits (principal) is as follows:

	2007	2008	2009
Balance, beginning of year	311	444	370

Additions for tax positions of current year	63	42	-
Translation adjustments	70	(116)	126
Balance, end of year	444	370	496

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The balance of total unrecognized tax benefits above at December, 31 2009 contains potential benefits of US$496 (US$370 in 2008) that, if recognized, would affect the effective rate on income from continuing operations.

In addition to the amounts above, interest on unrecognized tax benefits as of December 31, 2008 and 2009, amounts to US$134 and US$228, respectively, which were included in accrual for contingencies in the balance sheet and US$50 and US$42 accrued during 2008 and 2009, respectively, were included in financial income (expense), net in the consolidated statement of income.

The Company does not expect that these unrecognized tax benefits will change significantly within the next twelve months.

The Company's major tax jurisdiction is Brazil. The Brazilian tax returns are open to examination by the respective tax authorities for the years beginning in 2004.

7 Cash and cash equivalents

	As of December 31,	
	2008	**2009**
Cash in hand and bank deposits		
Local currency	98	80
Bank and short-term investments		
U.S. dollars	2,844	1,850
Local currency	600	2,051
Total	**3,542**	**3,981**

Management has been investing surplus cash in time deposits, bank and short-term investments with maturities of three months or less when purchased, and certificates of deposits which may be withdrawn at any time at the discretion of the Company without penalty.

8 Trade accounts receivable

	As of December 31,	
	2008	**2009**
Domestic	521	572
Export primarily denominated in U.S. dollars	60	135
	581	707
Allowance for doubtful accounts	(94)	(199)
Total	**487**	**508**

Supplementary information – valuation account for accounts receivable:

	Allowance for Doubtful Accounts
Balance as of December 31, 2007	(64)
Additions – charged to selling expenses	(51)
Amounts written-off	6
Translation adjustment	15

Balance as of December 31, 2008	**(94)**
Additions – charged to selling expenses	(74)
Amounts written-off	1

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Translation adjustment	(32)
Balance as of December 31, 2009	**(199)**

9 Inventories

	As of December 31,	
	2008	**2009**
Finished goods	256	285
Products in process	302	290
Raw material	484	383
Maintenance supplies	121	353
Other	2	14
Total	**1,165**	**1,325**

10 Investments in affiliated companies and other investments

	As of and for the years ended December 31						
	Direct/Indirect Ownership		Investments		Equity in results of affiliated companies		
	2008	2009					
Investments	**Total**	**Total**	**2008**	**2009**	**2007**	**2008**	**2009**
Logistic Segment							
MRS Logística.	33.27%	33.27%	243	348	73	120	100
Transnordestina	84.50%	84.34%	104	-	-	(7)	-
Itá Energética	48.75%	48.75%	114	168	11	14	15
Sub-total			461	516	84	127	115
Mining Segment							
Namisa (1)	59.99%	59.99%	2,127	3,516	-	-	694
Riversdale (2)	-	14.99%	-	184	-	-	-
Total			**2,588**	**4,216**	**84**	**127**	**809**
Provision for loss on investments							
Logistic segment							
Transnordestina	84.50%	-	-	-	(8)	-	-
Total					**76**	**127**	**809**

(1) On December 30, 2008, our ownership interest in Namisa was decreased from 100% to 59.99%, and through a shareholders agreement we no longer controlled Namisa. Accordingly, Namisa's results have been consolidated until the date of sale. In 2007, Namisa was fully consolidated.
(2) The Company, through its subsidiary CSN Madeira, has an indirect interest in Riversdale Mining Limited, a publicy-held company listed on the Australian Stock Exchange, with a 14.99% interest on December 31, 2009, corresponding to 28,750,598 capital stock shares.

MRS Logística ("MRS")

The interest in this railroad network was acquired through participation in a consortia which obtained, in privatization auctions, the concessions to operate the railway networks of the Rede Ferroviária Federal. MRS provides the principal means of transporting the Company's raw materials to the Presidente Vargas Steelworks facility. As of December 31, 2009, the Company had direct ownership in MRS' capital of 22.93% and indirect ownership of 6% through Namisa and 4.34% through IIF, totaling 33.27% of MRS capital.

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Transnordestina Logística S.A. ("Transnordestina")

In the General Meeting held on May 12, 2008, Transnordestina Logística S.A. ("Transnordestina") became the name of former CFN, and at the same date CSN increased its ownership in Transnordestina to 71.24% through use of its advances for future capital increase in the amount of US$81 (R$136 million). Further, on November 17, 2008, CSN increased its ownership to 84.50% by capitalization of US$111 (R$254 million). In 2009, CSN's interest in Transnordestina decreased to 84.34%.

In association with the Brazilian Federal Government, the Company will invest R$2.1 billion in Transnordestina to lay 1,800 kilometers of track, creating the Nova Transnordestina Railway, which will have a transport capacity twenty times greater than at present and is expected to play an important role in the development of Brazil's Northeast region. Completion is scheduled for 2012. Transnordestina was jointly-controlled by us and Taquari Participações S.A., a related party Company, pursuant to a shareholder´s agreement dated November 27, 1997, as amended on May 6, 1999 and on November 7, 2003.

During 2009, the Company increased Transnordestina's capital which was subscribed and paid-up only by CSN upon the capitalization of advance for future capital increase not followed by Taquari Participações S.A.. Pursuant to a shareholders' agreement from December 2009, Taquari Participações decided not to follow the future capital increases, as well recompose its participation, giving up control over Transnordestina. Therefore, as from December 31, 2009, Transnordestina became a full controlled subsidiary of CSN, and has been consolidated since December 2009.

ITÁ Energética S.A. ("Itasa")

Itasa has an ownership of 60.5% in the Consortium Itá, created to explore the Itá Hydrelectric Plant, in accordance with the concession contract signed on December 28, 1995 and its addendum No.1 dated of July 31, 2000 celebrated between the National Agency of Electric Energy ("ANEEL") and the consorted companies Itasa and Tractebel Energia S.A. (former "Centrais Geradoras do Sul do Brasil – Gerasul").

We hold 48.75% of the subscribed capital and of the total common shares issued by Itasa, a special-purpose company formed for the purpose of owning and operating, under a 30-year concession, 60.5% of the Itá hydroelectric facility on the Uruguay river in Southern Brazil. One of its roles is to engage suppliers and contractors and obtain lines of credit and financings and negotiate adequate guarantees to the borrowings.

Nacional Minérios S.A. ("Namisa")

On December 30, 2008, we sold 2,271,825 shares of Namisa's voting capital, one of our mining subsidiaries and, subsequently, Namisa issued 187,749,249 new shares at a price of US$16.20 per share, subscribed and paid up by Big Jump Energy Participações S.A. ("Big Jump"), a company whose shareholders are Brazil Japan Iron Ore Corporation ("BJIOC") and Posco, increasing its ownership interest to 40%, diluting our voting and total interest in Namisa to 59.99% . BJIOC is a company incorporated by a consortium formed by the Japanese companies Itochu Corporation, JFE Steel Corporation, Nippon Steel Corporation, Sumitomo Metal Industries Ltd, Kobe Steel Ltd and Nisshin Steel Co Ltd, and the Korean company, Posco. Big Jump paid in cash for Namisa's shares the amount of US$3,041. Upon acquisition, the new corporate structure of Namisa by which Big Jump holds 40% and CSN holds 59.99% of Namisa's shares and also based on the Shareholders' Agreement signed by both parties, the Company's management concluded that Namisa's balance sheet should be deconsolidated on December 30, 2008; accordingly, Namisa's results have been consolidated until the date of sale and dilution. For deconsolidating Namisa, the Company analyzed and applied EITF No.96-16 – "Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights" ("EITF 96-16"), included in ASC Subtopic 810-10 with the purpose of determining whether the minority rights held by the minority shareholder overcome the presumption of SFAS 94 –"Consolidation of All Majority-Owned Subsidiaries" ("SFAS 94"), included in ASC Subtopic 810-10, that all majority-owned investees should be consolidated. Based on the analysis of EITF 96-16, it was concluded that the Asian consortium has effective and significant participation rights rather than protective rights. Substantive minority rights that provide the minority shareholder with the right to effectively participate in significant decisions that would be expected to be related to

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the investee's ordinary course of business, although also protective of the minority shareholder's investment, should overcome the presumption in SFAS 94 that the investor with a majority voting interest should consolidate its investee. Particularly with respect to our non-consolidated subsidiary Namisa, we may be required to reacquire all ownership interest of our Asian partners in the event of a dead-lock with respect to a material issue under our shareholders' agreement. We and Big Jump Energy Participações S.A. have entered into a shareholders' agreement in order to govern our joint-control of Namisa. Under certain situations provided for in the shareholders' agreement, a dead-lock resolution process may be established. This procedure requires us to initiate mediation with our partners and, if no solution is reached, the matter is then submitted to be addressed directly by the senior executives of the companies in dispute. In case the dead-lock remains, the shareholders' agreement provides for call and put options, which entitles Big Jump Energy Participações S.A. to elect to sell all its ownership interest in Namisa to CSN and CSN to elect to buy all ownership interest of Big Jump Energy Participações S.A. in Namisa, in each case for the fair market value of the respective shares.

The Company and Namisa have signed long-term contracts to ensure supply of iron ore ("run of mine") extracted from Casa de Pedra mine, and port services rendered by CSN. These contracts have been prepaid by the abovementioned consorted companies at the same amount of US$3,041, recorded as due to related parties in long-term liabilities. Namisa's operations are fully integrated and include rail transportation access guaranteed by a long-term contract signed with MRS. In this context, CSN capitalized Namisa by transfer of 10% of its ownership in MRS' capital.

Upon the sale of Namisa's shares and dilution, CSN adopted income statement recognition as its accounting policy and, accordingly, recorded a net non-operating gain on 40%-dilution of its interest in the amount of US$1,667, as detailed below:

	Amount	Percentage	Gain (loss)
Namisa's net equity before capital increase by Big Jump, represented by 287,303,436 shares	395	40%	(158)
Capital increase by Big Jump through issuance of 187,749,249 new shares (US$1.48 per share plus additional paid in capital of US$14.72 per share)	3,041	60%	1,825
Net non-taxable gain on dilution of interest in Namisa			1,667

The gain of US$1,667 abovementioned is non-taxable since a dilution of interest is not considered as a capital gain in accordance with Brazillian tax legislation.

Namisa's assets, liabilities and statements of income information as of December 31, 2008 and 2009, and for the portion of the years then ended after CSN's deconsolidation of Namisa, are presented as follows:

	Year ended December, 31	
Accounts	**2008**	**2009**
Current assets	811	1,456
Noncurrent assets	3,706	5,470
Current liabilities	(667)	(221)
Noncurrent liabilities	(306)	(846)
Stockholder's equity	(3,544)	(5,859)
Gross operating revenue	-	740
Net operating revenue	-	735
Costs of products sold and operating expenses	-	(622)
Non-operating income (expenses), net	-	513
Income before income taxes and equity in results of affiliated companies	-	626
Income taxes	-	(168)
Net income	-	458

On July 30, 2009, Big Jump was merged into Namisa and, as a result, Namisa's capital increased to US$591, represented by 475,067,405 shares, of which 285,040,443 shares are owned by CSN, 159,242,336 shares are owned by BJIOC and 30,784,626 shares are held by Posco. Upon the merger, which occurred without changing CSN's ownership interest, the Company adopted income statement recognition as its accounting policy following the same criteria used on the recognition of Namisa's gain abovementioned and, accordingly, recorded a net gain in the amount of US$419.

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The gain of US$419 abovementioned is non-taxable since is not considered as a capital gain in accordance with Brazilian tax legislation.

Riversdale Mining Limited ("Riversdale")

Incorporated in 1986, Riversdale Mining Limited is a mining company listed on the Australian Stock Exchange. Riversdale intends to develop a diversified mining company, focusing on growth by investing in mining opportunities. The company has a coal mine in South Africa, and a reserve in Mozambique, among other mines. In 2009, CSN acquired 14.99% of Riversdale's shares listed on the Australian Stock Exchange, at the purchase price of US$162. This investment is currently recorded as available for sale and the change in fair value is recorded within other comprehensive income (loss).

11 Goodwill

As of December 31, goodwill recognized from the business acquisitions of the Company are comprised as follows:

	2008	2009
Logistics		
MRS Logística	4	6
	4	**6**
Mining		
ERSA	32	43
	32	**43**
Steel		
GalvaSud	47	61
Prada	40	54
Lusosider Projectos Siderúrgicos	4	4
	91	**119**
	127	**168**

12 Property, plant and equipment

	As of December 31, 2008		
	Cost	Accumulated Depreciation	Net
Land	59	-	59
Buildings	335	(43)	292
Equipment	2,699	(489)	2,210
Furniture and fixtures	51	(38)	13
Mines and reserves	7	-	7
Other	138	(55)	83
	3,289	**(625)**	**2,664**
Construction in progress	879	-	879
	4,168	**(625)**	**3,543**

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	As of December 31, 2009		
	Cost	**Accumulated Depreciation**	**Net**
Land	74	-	74
Buildings	808	(111)	697
Equipment	4.504	(944)	3,560
Furniture and fixtures	64	(48)	16
Mines and reserves	9	-	9
Other	215	(85)	130
	5,674	**(1,188)**	**4,486**
Construction in progress	1,130	-	1,130
	6,804	**(1,188)**	**5,616**

Construction in progress consists principally of a group of investments in equipment in order to improve the productivity of the Company's production units and quality of its products. The main investments are in the area of environmental protection, cost reduction, infrastructure and automation, and information and telecommunication technologies. In 2007, 2008 and 2009, capitalized interest amounted to US$37, US$116 and US$48, respectively.

As of December 31, 2008 and 2009, the fixed assets securing financial obligations amounted to US$21 and US$28, respectively.

The Casa de Pedra mine is an asset that belongs to CSN, which has the exclusive right to explore such mine. Our mining activities of Casa de Pedra are based on the "Manifesto Mina", which confers to CSN full ownership over the mineral deposits existing within our property limits.

As of December 31, 2008 and 2009, the net fixed assets of Casa de Pedra were US$655 and US$626, respectively, mainly represented by US$453 and US$528 of construction in progress. As of December 31, 2008 and 2009, capitalized interest in Casa de Pedra assets amounted to US$20 and US$31, respectively.

13 Loans and financing

	As of December 31,							
	2008				2009			
	Current portion		Long-term		Current portion		Long-term	
	CSN	**Subsidiaries**	**CSN**	**Subsidiaries**	**CSN**	**Subsidiaries**	**CSN**	**Subsidiaries**
Foreign Currency								
Pre-export financing (e)	21	-	583	-	101	-	1,432	-
Securitized Receivables (c)	-	88	-	300	-	60	-	217
Euronotes (d)	-	-	-	950	-	-	-	1,700
Perpetual notes (b)	-	-	-	750	-	-	-	750
Financed imports	33	-	42	-	33	-	33	-
BNDES/Finame	4	-	43	3	10	1	39	4
Advances on export contracts (g)	973	-	100	-	124	-	-	-
Other	-	99	-	50	-	1	-	85
	1,031	**187**	**768**	**2,053**	**268**	**62**	**1,504**	**2,756**

Denominated in Brazilian Reais								
BNDES/Finame (f)	73	2	298	21	92	24	543	233
Debentures (a)	-	-	257	-	-	-	345	-
Financed imports	-	-	-	-	1	-	4	-
Pre-export financing (i)	-	-	-	-	-	-	792	-
Bank Credit (h)	-	-	-	-	-	-	1,135	-
Other	-	3	2	37	-	5	-	7
	73	**5**	**557**	**58**	**93**	**29**	**2,819**	**240**
	1,104	**192**	**1,325**	**2,111**	**361**	**91**	**4,323**	**2,996**

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Total of loans and financing	**1,296**	**3,436**	**452**	**7,319**

a. In December 2003, the Company issued R$900 million (US$312 translated using the exchange rate as of the date of the transaction) of real-denominated debentures in three tranches: a R$250 million (US$85.5 translated using the exchange rate as of the date of the transaction) tranche with a three-year maturity (liquidated in December 2006) and bearing interest at 106.5% of CDI (Interbank Certificate of Deposit), a R$400 million (US$136 translated using the exchange rate as of the date of the transaction) tranche with a three-year maturity (liquidated in December 2006) and bearing interest at 107% of CDI, and a R$250 million (US$190.5 translated at the exchange rate as of the date of the transaction) tranche with a five-year maturity, indexed to the IGP-M and bearing interest at 10% per annum.

As approved at the Board of Directors Meeting held on December 20, 2005 and ratified on April 24, 2006, the Company issued, on February 1, 2006, 60,000 non-convertible and unsecured debentures, in one single tranche, in the unit face value of R$10. Such debentures were issued in the total issuance value of R$600 million (US$257 translated at the December 31, 2008 exchange rate). Compensation interest is applied to the face value balance of these debentures, representing 103.6% of CDI, and the maturity of the face value is scheduled for February 2012, without early redemption option. The deeds for these issues contain certain restrictive covenants, which have been duly complied with.

b. In July 2005, the Company issued perpetual notes in the amount of US$750 that bear interest at 9.5% per annum. The notes have no maturity date; however, as from 2010, the Company has the right to settle the notes paying the outstanding amounts at that date. The interest payments on the perpetual notes are mandatory and have been paid quarterly since October 14, 2005.

c. In May 2003, June 2004 and June 2005, the Company received the proceeds of the notes issued by CSN Islands VI Corp. selling the rights of future exports (Securitization program), and such proceeds were transferred to CSN at the same interest rates and maturity dates. Such notes have original maturity periods of 7, 8 and 10 years, respectively, and will be repaid through export sales of CSN subsidiaries.

d. On July 24, 1997, CSN Iron issued Euronotes in the amount of US$600, with a maturity of 10 years, at an interest rate of 9.125% per annum., under the guarantee of CSN, represented by a Promissory Note. The interest is due semiannually. The Company has already paid a total amount of the US$521 up to December 31, 2006 and the outstanding amount of the Notes due in 2007 was settled during that year. In December 2003, the Company issued Bonds through its subsidiary CSN Islands VIII in the amount of US$550, which bear annual interest of 9.75% and have a maturity in 2013.

In March 2004, through the subsidiary CSN Islands VII, the Company issued bonds in the amount of US$275, which bear interest of 10.75% . These Bonds matured in September 2008, and were liquidated during 2008.

During 2005, the Company issued bonds through its subsidiary CSN Islands IX in the total amount of US$400, which bear annual interest of 10.5% and mature in 2015.

In September 2009, the Company issued bonds through its subsidiary CSN Islands XI in the total amount of US$ 750, which bear annual interest of 6.875% and mature in 2019.

e. Comprised of various bank loans which bear interest rates ranging between 1.50% and 6.25% per annum and have maturity dates from 2010 through 2014.

f. In January 2007, the Company entered into two new financing contracts of US$398 with BNDES which amounted to US$635 (including current and long-term portion) as of December 31, 2009, and bear annual interest of 8.7% and 9.7% with a maturity date in 2014. The proceeds will be used in certain mining and logistics projects.

In March and November 2009, the Company entered into new financing contracts of US$147 with BNDES which amounted to US$181 (long-term portion) as of December 31, 2009, and bear annual interest of 7.55% with a maturity date in 2027. The proceeds will be used in certain logistics projects.

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During 2008 and 2009, the Company, through its subsidiary Transnordestina, entered into financing contracts which amounted to US$196 (including current and long-term portion) as of December 31, 2009, and bear annual interest of 7.30% with maturity date in 2020. The proceeds will be used in certain logistics projects.

g. Consists primarily of U.S. dollar-denominated trade financing, mainly in the form of export sales advances with financial institutions. At December 31, 2009, the Company had US$124 outstanding short-term debt which bears interest rates between 4.35% and 4.98% per annum and matures at various dates through 2010. During 2009, many of the export sales advances were liquidated and the Company entered into new long-term Pre-export financings.

h. In August 2009, the Company entered into a new financing contract with "Caixa Econômica Federal" under its Special Credit for Large Companies, in the amount of US$1,135 which bears annual interest of 117.5% of CDI with a maturity date in 2012.

i. In December 2009, the Company entered into eight new pre-export financing contracts in the total amount of US$792 which bear interest rates between 104.8% and 109.5% of CDI per annum and mature at various dates between 2013 and 2014.

Loans and financing with certain agents contain restrictive clauses, with which the Company is in compliance as of December 31, 2009. Some of the main covenants are informed as follows:

Export and import financing operations

"The Company shall maintain all authorizations necessary to comply with the obligations established in the contract."

"The Company shall export products in an amount sufficient to cover the principal and interest accrued which are due on the respective payment dates."

Export credit notes issued in favor of Banco do Brasil S.A. and Banco Nossa Caixa S.A.

"The Company shall export steel products in general and/or iron ore in an amount sufficient to cover the principal of the operation."

BNDES financing

"The Company shall prove the investment of own funds established in the project."

"The Company shall promote acts or measures which may jeopardize or change the economic-financial equilibrium of the loan Beneficiary."

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Debentures

"The Company shall immediately notify the Fiduciary Agent on the announcement of any general debenture holders' meeting by the issuer."

The Company and its subsidiaries also assume specific covenants to certain contracts, but usual in operations of the same nature, which had also been complied with as of December 31, 2009, as follows:

Covenants of the Company and subsidiaries for Eurobonds issued by subsidiaries:

"In foreign currency and debt operations represented by securities traded on stock exchanges outside Brazil, the Company must not constitute guarantees on its assets, except for those allowed in the operation agreements, without simultaneously guaranteeing the notes."

CSN Islands IX Corp., CSN Islands X Corp. CSN Islands XI Corp. (Eurobonds):

"The issuer must not assume debts, except for those represented by the notes, or debts representing commissions, costs or indemnifications due in accordance with the established in the operation documentation."

Company's covenant in Bank Letter of Credit ("CCB") with Caixa Econômica Federal:

"The Company shall maintain in the collection account, at Caixa Econômica Federal, receivables in the amount of 25% of the operation's outstanding balance."

Restrictive covenants applicable to the Company's subsidiaries:

CSN Export S.à.r.l (Securitization)

"CSN Export must not assume debts except for those established in the operation documentation and debts resulting from law and which do not have a materially adverse effect."

On July 2, 2009, CSN (1) notified the creditors of 2003-1 tranche notes on its irrevocable intention of performing the early redemption of such notes, settlement of which occurred on August 5 and (2) started a consent solicitation process with creditors related to the 2004-1 and 2005-1 tranche notes of the Securitization program, in order to obtain from the latter consent or waiver in relation to the following matters: (i) inclusion of iron ore receivables in the Securitization program; (ii) adoption of flexible dates for the performance of early redemption of notes; (iii) change in a few export coverage ratios provided for in the program; and (iv) disregard of Accumulation Events occurred in the 21st and 23rd quarters of the program, for possible characterization purposes of early amortization event. On August 5, 2009, the Bank of New York Mellon confirmed to have received the creditors' consents for both tranches in sufficient amount to approve all the aforementioned matters. Notwithstanding having obtained said approvals, the Company's temporary fund allocation this quarter (up to the amount corresponding to twice the debt service) to an account managed by the custodian bank (Accumulation Event in the amount of R$70,829) due to the insufficient level of exposure to comply with certain export coverage ratios in the 23rd quarter of the program (ended on April 30, 2009) shall be maintained until the Company resumes compliance with the coverage ratios originally provided for in the securitization program agreements.

Transnordestina (BNDES financing)

"Transnordestina commits not to change, without prior and express authorization of BNDES, its share control."

At December 31, 2009, the current portion of long-term debt and long-term portion of the Company's indebtedness had annual interest rates as follows:

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	% per annum	CSN	Subsidiaries
Denominated in local currency			
Long-term interest rate ("TJLP")	TJLP plus 2.7 to 14.0	92	25
General price índex ("IGP-DI")	IGP-DI plus 8.01	1	-
Other	Zero to 7.96	-	4
		93	**29**
Denominated in foreign currency			
United States dollar	1.50 to 9.55	268	62
		361	**91**
		452	

	% per annum	CSN	Subsidiaries
Denominated in local currency			
Long-term interest rate ("TJLP")	TJLP plus 2.7 to 14.0	543	233
General price index ("IGP-DI")	IGP-DI plus 8.01	4	-
Interbank Certificate of Deposit ("CDI")	104.8 to 117.5% of CDI	2,272	-
Others	Zero to 7.96	-	7
		2,819	**240**
Denominated in foreign currency			
United States dollar	1.50 to 11.74	1,504	2,721
Euro	Zero to 3.89	-	3
Yen	4.19	-	32
		4,323	**2,996**
		7,319	

Indices (average) and foreign currency variation applied to debt in each year are as follows:

	%		
	2007	**2008**	**2009**
TJLP – Long-term interest rate	6.4	6.3	6.2
CDI – Interbank deposit certificate	11.7	12.3	9.8
IGPM – General index of market price	7.8	9.8	(1.7)
United States dollar exchange rate change	(17.2)	31.9	(25.5)
Euro exchange rate	(7.5)	24.1	(22.6)

The long-term portion of the Company's debt outstanding at December 31, 2009 becomes due as follows:

2011	1,112
2012	2,104
2013	1,250
2014	601
2015 and thereafter	1,502
Perpetual securities	750
Total	**7,319**

Security for the Company's debt outstanding at December 31, 2009 was as follows:

Property, plant and equipment	28
Corporate guarantees	43
Imports	24
Bank guarantee	118
Total	**213**

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14 Stockholders' equity

(a) Capital

On December 31, 2008 and 2009, shares issued were 1,586,807,676 and 1,510,359,220, respectively, common shares (post split) with no par value. Outstanding shares (post split) were 1,517,338,908 as of December 31, 2008 and 1,457,970,108 as of December 31, 2009. The decreases in the number of common and treasury shares in 2009 as compared to 2008 were caused by cancellations as described in item (b) below.

(b) Treasury stock

During 2009, the Board of Directors approved share buyback programs by the Company to hold in treasury for subsequent sale and/or cancellation, made in accordance with the limits and provisions of CVM's Instruction No. 10/80. As a result, on August 21, 2009, at the Extraordinary General Meeting the cancelation of 17,079,656 (post split) shares was approved and on August 13, 2009, 59,368,800 (post split) shares were repurchased. On September 14, 2009 at the Extraordinary General Meeting the cancelation of 59,368,800 (post split) shares was approved of which 6,979,688 (post split) were repurchased in August 13, 2009.

The Board of Directors approved the acquisition by the Company, through a private operation, of 29,684,400 ADRs previously held by Goldman Sachs due to an operation called "Total Return Equity Swap Transaction", for the settlement price that was defined based on the weighted average of the price of the Company's shares in the 30 floor sessions prior to the settlement date, translated into U.S. dollars by using the spot dollar translation rate of the business day immediately prior to the settlement date, as per the CVM Board's decision – Proceeding RJ2009/5962. On August 13, 2009, the operation was settled and the ADRs were repurchased, converted into common shares and subsequently cancelled.

On December 18, 2009, the Board of Directors authorized the opening of a new share buyback program, authorizing the Company to acquire up to 28,874,810 shares (post split) issued by the Company itself, to be held in treasury for subsequent sale or cancellation. As of May 28, 2010, the Company had not repurchased any shares under this program.

Treasury stock as of December 31, 2009 was as follows:

Number of Shares (*)	Amount Paid for Shares	Per Share Cost (in US$) Average
52,389,112 (post split)	649	12.40

(*) Retroactively adjusted as per the stock split approved in March 2010 (see note 25 (f)).

While maintained in treasury, these shares are not entitled to receive dividends and have no property or voting rights. As of December 31, 2009, the market value of the shares held in treasury amounted to US$842 (US$426 as of December 31, 2008).

(c) Appropriated retained earnings

Brazilian laws and CSN's By-laws require that certain appropriations be made from retained earnings to reserve accounts on an annual basis. The purpose and basis of appropriation to such reserve accounts are described below:

- Investment reserve - this is a general reserve for future expansion of CSN's activities.
- Legal reserve - this reserve is a requirement for all Brazilian corporations and represents the annual appropriation of 5% of net income up to a limit of 20% of capital stock, as determined in the Brazilian Corporate Law. This reserve may be used to increase capital or to absorb losses, but may not be distributed as cash dividends.

(d) Dividends and interest on stockholders' equity

The Company's By-laws guarantee a minimum annual dividend equal to 25% of the adjusted net income for the year, as required by the Brazilian Corporate Law, which comprises net income after deduction of legal reserve. Interest on stockholders' equity since January 1, 1996 is considered part of the minimum dividend. Brazilian law permits the payment of cash dividends only from retained earnings as stated in the Company's statutory accounting records. At December 31, 2008 and 2009, retained earnings as stated in the statutory accounting records was fully transferred to reserves or distributed as dividends. In addition, in accordance with the statutory accounting records, appropriated retained earnings at

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December 31, 2008 included the amount of US$1,776 related to the investment reserve, which could be transferred to unappropriated retained earnings and paid as dividends and interest on stockholders' equity, if approved by the stockholders. As of December 31, 2009, the minimum annual dividend amounted to approximately US$220 which will be paid during 2010.

15 Pension plan

(a) Description of the plans

The Company has pension plans which cover substantially all employees. The plans are administered by the Board of Directors of a foundation named *Caixa Beneficente dos Empregados da CSN* ("CBS"), a private non-profit pension fund established in July 1960, which has as its members employees (and ex-employees) of the parent company and certain of its subsidiaries that joined the fund by agreement, and CBS's own employees. The Board of Directors of CBS is comprised of its president and ten members, six of whom are chosen by CSN, the principal sponsor of CBS, and four of whom are chosen by the participants.

Until January 1996, CBS had only a defined benefit plan with benefits based on years of service, salary and social security benefits. On December 27, 1995, the *Secretaria de Previdência Complementar* (the Brazilian Government's Secretary for Supplementary Social Security or the "SPC") approved the implementation of a new benefit plan as of January 1996, called the *Plano Misto de Benefício Suplementar* (the "Hybrid Plan"), structured in the form of a defined contribution plan. Employees hired after that date can only join the new hybrid plan. Additionally, all active employees who were participants in the old defined benefit plan were offered the opportunity to switch to the new hybrid plan. As of December 31, 2009, CBS had 28,419 participants, of whom 22,056 were contributors (28,201 and 22,721, respectively, at December 31, 2008) enrolled in the benefit plans, including 12,884 active (12,406 at December 31, 2008) and 15,535 beneficiaries (15,795 at December 31, 2008) employees. Of the total participants at December, 31 2009, 14,669 belong to the defined benefit plan and 13,750 to the hybrid plan.

CBS's assets comprise principally shares of CSN, government securities and properties. At December 31, 2009, CBS owned 70,981,734 (post split) common shares of CSN (70,981,734 (post split) common shares at December 31, 2008). During 2009, CBS received US$0.77 per share (post split) of dividends and interest on stockholders' equity from these shares. No shares were sold during 2009. Pension assets totaled R$2.3 billion (US$1 billion) and R$3.5 billion (US$2 billion) at December 31, 2008 and 2009, respectively. CBS's fund managers seek to match the plan assets with benefit obligations over the long-term. Brazilian pension funds are subject to certain restrictions relating to their ability to invest in foreign assets and consequently, the funds primarily invest in Brazilian securities.

(b) Investment policy

The investment policy establishes principles and guidlines that must be followed in the investment process of the resources received, with the objective of promoting assurance, liquidity, and profitability levels needed to meet the balance between assets and liabilities of the plan.

The investment plan is revised annually and approved by the Deliberative Board. This investment policy formalizes the targets and limits of implementation and management of the portfolio investment entity, and establishes guidelines for resources allocation and for assessment and risk control.

The investment criteria and limits established are based on Resolution No. 3,792/09 issued by the National Monetary Council ("CMN").

(c) Expected long-term rate of return on assets

The expected long-term rate of return on assets of each benefit plan was determined by CBS based on the return expectancy for each asset category, as well as the target allocation of assets between those categories specified in CBS's investment policy and budget for year 2009. For purposes of determining the expected long-term rate of return on plan

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assets the Company considered short and long-term scenarios for each category of assets. The resultant rates are shown in the table below:

	Assets Allocation (%)			
Asset Category	**December 31, 2008**	**December 31, 2009**	**Target**	**Weighted-Average Expected Long-Term Rate of Return (%)**
Debt Securities	48.5	61.5	68.4	9.5
Equity Securities	44.0	33.8	23.3	12.3
Real Estate	3.2	1.9	4.2	9.7
Loans	4.3	2.8	4.1	16.0
Total	**100.00**	**100.00**	**100.00**	**10.3**

The table below demonstrates how the resources can be allocated:

	Assets Allocation (%)		
Asset Category	**Minimum**	**Maximum**	**Target**
Debt Securities	30	100	68.4
Equity Securities	-	70	23.3
Real Estate	-	8	4.2
Loans	-	15	4.1
Structure Investments	-	10	-
Foreign Investments	-	10	-

(d) Defined benefit plan

The Company applies its defined benefit plan actuarial assumptions using December 31 of each year as the measurement date. Information with respect to the Company's defined benefit plan as of December 31 is as follows.

	2008	**2009**
Projected benefit obligation at beginning of year	**887**	**609**
Service cost	1	2
Interest cost on PBO	84	88
Actual benefits payments	(75)	(75)
Change in assumptions	(149)	134
Effect of exchange rate changes	(197)	232
Actuarial loss	58	10
Projected benefit obligation at end of year	**609**	**1,000**

Change in plan assets

	2008	**2009**
Fair value of plan assets at beginning of year	**1,025**	**525**
Actual return on plan assets	(283)	511
Employer contributions	36	35
Employee contributions	1	1
Actual benefits payments	(75)	(75)

Effect of exchange rate changes	(179)	248
Fair value of plan assets at end of year	**525**	**1,245**

Accrued pension cost asset (liability)

	2008	**2009**
Funded status, excess (shortfall) of plan assets over projected benefit obligation	(84)	245
Unrecognized actuarial gain	-	-
	(84)	**245**
Prepaid pension cost – non-current assets	**-**	245
Accrued pension cost – current liabilities	**(24)**	-
Accrued pension cost – non-current liabilities	**(60)**	-

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Changes recognized in accumulated other comprehensive (loss) income before tax

	2009
Transition asset not yet recognized in net periodic pension cost	1
Prior service credit not yet recognized in net periodic pension cost	11
Prior service credit recognized in net periodic pension cost during the period	(1)
Net actuarial gain arising in the period	331
Gain not yet recognized in net periodic pension cost at beginning of period	16
Gain recognized in net periodic pension cost	1
Total	**359**
Deferred tax effect	**(122)**
Total recognized in accumulated other comprehensive income	**237**

Net periodic pension cost includes the following components for the years presented:

	2007	**2008**	**2009**
Service cost	1	1	1
Interest cost on projected benefit obligation	83	84	88
Expected return on plan assets	(84)	(100)	(77)
Amortization gain	-	(55)	2
Net amortization and deferral	(1)	(1)	(2)
	(1)	**(71)**	**12**
Employee contributions	(1)	(1)	(1)
Net periodic pension (credit) cost	**(2)**	**(72)**	**11**

The expected net periodic pension cost, calculated in accordance with SFAS 87**,** included in FASB ASC Subtopic 715-10 and SFAS 158, included in FASB ASC Subtopic 715-20 for the year ending December 31, 2010, amounts to R$(75) million (US$(43) translated at the December 31, 2009 exchange rate) for the defined benefit plan as shown in the table below:

Service cost	2
Interest cost	107
Expected return on assets	(91)
Net amortization and deferral	(59)
Periodic post retirement benefit (credit)	**(41)**
Expected employee contributions	(2)
Net periodic pension cost	**(43)**

Actuarial assumptions used for the calculations were:

	2007	**2008**	**2009**
Discount rates	Inflation plus 6%	Inflation plus 8.5%	Inflation plus 6.7%
Rates of increase in compensation levels	Inflation plus 1%	Inflation plus 1%	Inflation plus 1%
Expected long-term rate of return on assets	10.7%	13.1%	10.3%
Mortality	AT-83 Table	AT-83 Table	AT-2000 Table

	segregated by sex (1)	segregated by sex (1)	segregated by sex (1)
Disability	Mercer disability multiplied by two	Mercer disability multiplied by two	Mercer disability multiplied by two
Disabled mortality	Winklevoss	Winklevoss	Winklevoss
Turnover	2% per year	2% per year	2% per year
Retirement age	100% when first eligible for a retirement benefit	100% when first eligible for a retirement benefit	100% when first eligible for a retirement benefit

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(1) The increase in life expectancy of the general Brazilian population, as well as the life expectancy of the population covered by private pension plans have been discussed in the past few years. Life expectancy both in Brazil and around the world have increased due to a series of events, such as the technological development in medicine, the public health care policies and disease prevention resulting from quality of life programs.

During 2006, the Brazilian government defined that post retirement benefit plans liabilities should be valued considering at least the life expectancies obtained through AT83 mortality table, which were considered to be the mortality tables that best reflect the life expectancy in Brazil. For 2009, the mortality table adopted for measuring the actuarial liabilities related to the post retirement benefits presented in these financial statements was amended from AT83 to AT-2000, segregated by sex.

The projected annual inflation rate adopted was 4.2% for all years presented.

The discount rates and expected long-term rate of return on assets have changed for 2009, as management believes the rates more adequately reflect CBS's earnings and Brazil's projected economic scenario.

Accumulated benefit obligation

	2008	**2009**
Actuarial present value of:		
Vested benefit obligation	607	998
Non-vested benefit obligation	2	2
Total accumulated benefit obligation	**609**	**1,000**

(e) Expected contributions

Defined benefit plan

The Company's expected contributions for 2010, amounting to R$61.6 million (US$35.4 translated at the December 31, 2009 exchange rate), are estimated based on the actual cost for each valued plan as of the valuation date. The expected benefit payments for 2010, amounting to R$135.9 million (US$78.0 translated at the December 31, 2009 exchange rate), are estimated based on the projected benefit payroll as of the valuation date.

The estimated future benefit payments, translated at the December 31, 2009 exchange rate, are as follows:

2010	78
2011	80
2012	83
2013	85
2014	88
2015 to 2019	472

Hybrid plan

The Company does not expect to make contributions for the defined benefits in 2010 for the hybrid plan. The Company's expected contributions in 2010 for the defined contribution portion amounts to R$21.4 million (US$12.3 translated at the December 31, 2009 exchange rate).

The estimated future benefit payments, translated at the December 31, 2009 exchange rate, are as follows:

2010	10
2011	11
2012	11
2013	11
2014	12
2015 to 2019	59

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(f) Defined contribution plan

The defined contribution plan is funded through contributions by the Company and the participants to the plan. CSN has committed to contribute to the plan a percentage of the salary of each participant, ranging from 3% to 5%. The Company's contributions to the plan during 2007, 2008 and 2009 amounted to US$10.1, US$8.6 and US$12.3, respectively.

(g) Fair value measurements of plan assets by major categories

	Fair value measurements on plan assets at December 31, 2009			
	Total	**Level 1**	**Level 2**	**Level 3**
Debt Securities	755	-	755	-
Equity Securities	1,157	1,157	-	-
Real Estate	43	-	43	-
Loans	57	-	57	-
Other	1	1	-	-
	2,013	**1,158**	**855**	**--**
Funds related to the defined contribution plan (Hybrid plan)	(768)			
Fair Value of plan assets at end of year	**1,245**			

Level 2:

Debt Securities are mainly comprised of debentures, Interbank Certificate of Deposit ("CDI") and National Treasury Notes ("NTN-B").

Loans are related to loans to participants that must follow the rules approved by the CBS's Council and the maximum limit of 15% of total resources, established in Resolution No. 3,792/09 issued by the National Monetary Council ("CMN").

Real estate assets were valued by a specialized asset Appraisal Company.

16 Employee benefits

In addition to the pension fund, the Company makes monthly contributions based on the amount of payroll for government pension, social security and severance indemnity plans, and such payments are expensed as incurred. Also, certain severance payments are due upon dismissal of employees, consisting principally of one month's salary and a severance payment calculated at 40% plus 10% (according to Supplementary Law No. 110/2001) of the accumulated contributions made to the government severance indemnity plan on behalf of the employee. The amounts paid on dismissal totaled US$8, US$6 and US$8 for the years ended December 31, 2007, 2008 and 2009, respectively. Based on current operating plans, management does not expect that amounts of future severance indemnities will be material.

17 Commitments and contingencies

(a) Accruals and deposits

The accrual for contingencies, disputed taxes payable and the related legal deposit balances are as follows:

	As of December 31, 2008		As of December 31, 2009	
	Deposits	**Accrual**	**Deposits**	**Accrual**
Short-term				
Labor		49		84
Civil		20		25

		69		**109**
Long-term				
Labor	22	1	43	4
Civil	10	-	19	1

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Disputed taxes payables				
IPI	512	953	297	-
Income tax and social contribution	333	504	314	724
Other taxes	16	100	91	113
Environmental	-	31	-	67
Other	-	29	43	32
	893	**1,618**	**807**	**941**

The provisions for contingencies relate to legal proceedings with respect to which CSN deems the likelihood of an unfavorable outcome to be probable and the loss reasonably estimable. This determination is made based on the legal opinion of CSN's internal and external legal counsel. CSN believes these contingencies are properly recognized in our financial statements in accordance with Statements of Financial Accounting Standards No. 5 (SFAS No. 5), included in ASC Topic 450, *Contingencies*. Those contingencies related to income taxes and social contributions are accounted for based on the "more-likely-than-not" concept in accordance with FIN 48, included in ASC Subtopic 740-10. CSN is also involved in judicial and administrative proceedings that are aimed at obtaining or defending CSN's legal rights with respect to taxes that CSN believes to be unconstitutional or otherwise not required to be paid by CSN. The Company believes that these proceedings will ultimately result in the realization of contingent tax credits or benefits that can be used to settle direct and indirect tax obligations owed to the Brazilian Federal or State Governments. CSN does not recognize these contingent tax credits or benefits in our financial statements until realization of such gain contingencies has been resolved. This occurs when a final irrevocable decision is rendered by the Courts in Brazil. When CSN uses contingent tax credits or benefits based on favorable temporary court decisions that are still subject to appeal to offset current direct or indirect tax obligations, CSN maintains the legal obligation accrued in the Company's financial statements until a final irrevocable judicial decision on those contingent tax credits or benefits is rendered. The accrual for the legal obligation related to the current direct or indirect tax obligations offset is not reversed until such time as the utilization of the contingent tax credits or benefits is ultimately realized. The accounting for the contingent tax credits is in accordance with accounting for contingent assets under SFAS No. 5. The Company's accruals include interest on the tax obligations that CSN may offset with contingent tax credits or benefits at the interest rate defined in the relevant tax law.

CSN classifies an accrual as short-term when it expects the liability to be settled in 365 days or less. As of December 31, 2009, US$109 has been classified as a short-term accrual for contingencies (US$69 as of December 31, 2008). This usually occurs when a final, unappealable and irrevocable judgment has been rendered and the legal processes are in the execution phase. Given the complexity of the Brazilian legal system and the intricacies of some claims, it is impracticable for Brazilian companies to predict the time period in which final decisions will be reached for such claims. Consequently, these claims are classified as long-term liabilities.

The deposits for contingencies and disputed taxes payable are generally based on (i) accruals recorded in connection with lawsuits, (ii) judicial orders issued in connection with lawsuits and (iii) guarantees in connection with judicial foreclosure proceedings. Such deposits are classified as long-term assets, and the release of such deposits is conditioned upon judicial order. When such a judicial order is granted in CSN´s favor, the deposit is forfeited and returned to us in cash and the deposit account is appropriately offset. When such a judicial order is granted in a manner unfavorable to us, the deposit is used to offset the related liability and the deposit account is appropriately offset.

On November 26, 2009, CSN and its subsidiaries adhered to the Federal Tax Repayment Program (REFIS) introduced by Law 11,941/09 and Provisional Measure 470/09, in order to settle their tax and social security liabilities through a special settlement and installment payment system. Management's decision took into consideration the economic benefits provided by the REFIS, such as discounts and fines exemptions, as well as the high costs of maintaining its pending lawsuits.

As a result, in 2009, the Company recorded the adjustments necessary to be made in the provisions, as well as reductions in debts, including debts offset against IPI premium credit over export and sundry debts, which amounted to US$2.9 billion, including interest and related charges. Adherence to the special tax programs reduced the amount previously due in fines, interest and legal charges, generating a positive impact on the Company's pre-tax income of US$255, recorded in other income (expense), net in the statement of income.

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The new amount of the debts following the reductions stipulated by the tax program of Law 11,941/09 was offset with court deposits and the residual amount will be settled in 180 installments as of the ratification of the debts by the authorities, which is expected to take place in mid-2010. The debts due under Provisional Measure 470/09 are being settled in 12 installments beginning in November 2009. On December 31, 2009, taxes payable in installments from Refis were US$475.

Labor contingencies

As of December 31, 2009, total accrual relating to probable losses for these contingencies was US$88 (US$50 in 2008). Our legal counselors periodically review accruals based on their judgment, as well as the recent track records of these disputes. Most of the lawsuits are related to alleged joint liability between us and our independent contractors, wage equalization, differences of 40% fine on the FGTS deposits due to inflation purge, additional payments for unhealthy and hazardous activities, overtime and profit sharing differences from 1997 to 1999 and from 2001 to 2003. The lawsuits related to the alleged joint liability between us and our independent contractors represent a significant portion of the total labor suits against us, and refer to non-payment of labor charges by our independent contractors to their employees, for which we may be found jointly liable.

Civil contingencies

These are mainly claims for indemnities within the civil judicial processes in which we are involved. Such proceedings, in general, are a result of occupational accidents and diseases related to our industrial activities. Our legal counselors periodically revise the accruals based on their judgment and the recent track record on these disputes. As of December 31, 2009, the amount of the accrual relating to probable losses for these contingencies was US$26 (US$20 as of December 31, 2008).

Disputed taxes payable

• *Imposto sobre produto industrializado - IPI* (Excise Tax) presumed credit on inputs

The Company has accrued a liability for certain tax liabilities that were offset against credits related to IPI excise tax. The accrual is necessary to offset the contingent gain resulting from the use of IPI excise tax credits. The IPI excise tax credits are similar to value added tax credits related to the purchase of goods used in the production process. Brazilian law prevents companies from recognizing IPI excise tax credits on the acquisition of certain goods. CSN has always believed that this prohibition is unconstitutional since it is not consistent with general value added tax principles, the reason why it challenged this prohibition in the Brazilian courts. In May 2003, we sought and obtained a favorable preliminary order from a Brazilian court authorizing us to compensate federal tax liabilities with IPI excise tax credits under dispute. CSN was awaiting the decision of a Brazilian court of first instance. After such a decision is rendered, CSN expects the decision will be subject to several stages of appellate review before a final unappealable judgment is obtained. The IPI excise tax credit accrual recorded by CSN as of December 31, 2008 represented CSN’s statutory obligation to pay taxes that were offset with IPI excise tax credits.

CSN has noted that several other Brazilian companies have challenged the same prohibition and these companies have received both favorable and unfavorable judgments at different stages of the judicial process. For example, the Federal Supreme Court issued a final, unappealable and irrevocable decision on June 25, 2007 against a given taxpayer, denying the use of these credits. On August 27, 2007 the proceeding had an unfavorable decision for the Company, whose amount of US$519 with the Federal Revenue of Brazil was being paid in installments and transferred the liability to the accounts of taxes payable in installments. From the unfavorable aforementioned decision, an appeal was filed by the Company.

In light of the above, on November 26, 2009, CSN adhered, the abovementioned cases to the Federeal Tax Repayment Program (REFIS) introduced by Law 11,941/09 and Executive Order 470/09, and as a result the amount payable in installments was reduced to US$284 as of December 31, 2009 (US$369 as of December 31, 2008).

• *IPI premium credit over exports*

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The Company has accrued a liability for certain tax liabilities that were offset against IPI premium tax credits. The accrual is necessary to offset the contingent gain resulting from the use of IPI premium tax credits and represents the statutory obligation to pay taxes that were offset against these credits. The IPI premium tax credits relate to export sales made during 1992 to 2002. Tax legislation allowed Brazilian companies to recognize IPI premium tax credits until 1983, when an act of the executive branch of the Brazilian government cancelled such benefits and prohibited companies from recognizing these credits. CSN has challenged the constitutionality of the executive branch's action since only a law enacted by the Brazilian legislature could cancel or repeal benefits duly enacted by prior legislation. In August 2003, CSN sought and obtained a favorable decision from a Brazilian court of first instance that authorized the use of IPI premium tax credits.

The Brazilian National Treasury filed an appeal against such decision and got a favorable decision from Brazilian court of appeals. CSN filed appeals against such decision before both the Brazilian Superior Court of Justice and the Brazilian Federal Supreme Court and is still awaiting for decisions from such courts. In September 2006, the National Treasury filed five tax foreclosures against CSN to require payments in the total amount of approximately R$1 billion, referring to the collection of taxes which were offset against the use of IPI premium tax credits.

During 2007, in view of these executions, the distribution of dividends and the payment of interest on shareholders' equity expected to take place on April 30, 2007 were suspended and the amount allocated for such purpose was blocked by court decision. On August 29, 2007, the Company offered assets in lien represented by treasury shares in the amount of US$ 270 million (R$536 million translated using the exchange rate as of the date of the transaction). 25% of this amount was substituted by judicial deposits in monthly installments performed up to December 31, 2007 and as these substitutions took place, the equivalent in shares was released from the lien at the share price determined at the closing price of the day prior to the deposit. In view of these events, the Company's current accounts were unblocked, the court decision to suspend the dividends distribution on this date was revoked, and dividends were paid to shareholders as from September 4, 2007.

In March 2009, Letters of Guarantee were also offered in the amount of US$ 477 million (R$830 million), which aimed to replace the levy of execution upon securities carried out as of the disclosure of dividend payment. The prevalence of guarantee in treasury shares, bank surety or cash to be deposited judicially has not yet been decided by the Regional Federal Court.

On August 13, 2009, the Federal Supreme Court issued a decision with effects of general repercussion establishing that the IPI Premium Credit was only effective up to October 1990. Thus, the credits determined after 1990 were not recognized, and, in view of this court decision, the Company's Board of Directors approved the adhesion of such debts to the federal tax repayment programs (REFIS) set forth in Provisional Measure 470/09 and Law 11,941/09, according to which the debts may be paid with the reduction of fines, interest and legal charges.

The Company had provisioned the amount of credits already offset, increased by default charges up to September 30, 2009 (as of December 31, 2008, the IPI premium credit accrual represented the accumulated IPI tax credits used of US$953). The new balance after the application of reductions set forth in the program of Law 11,941/09, was offset with court deposits related to referred operations, resulting in an excess deposits amounting to US$297 after application of REFIS reductions, which may be offset by other debts discussed in court by the taxpayer or converted into cash. Such debts are yet subject to ratification by the proper authorities, which is expected to take place in mid-2010. Debts registered pursuant to Provisional Measure 470/09 are being paid in 12 installments as of November 2009.

• Income tax and social contribution

As disclosed in Note 6, the Company accounts for the uncertainties in income tax and social contribution in accordance with FIN 48 beginning on January 1, 2007.

"Plano Verão"

The Company claims recognition of the financial and tax effects on the calculation of income tax and social contribution on net income, related to Consumer Price Index – IPC understated inflation, which occurred in January and February 1989, by a percentage of 51.87% ("Plano Verão"). In 2004, the proceeding was concluded and judgment was made final and

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unappealable, granting to CSN the right to apply the index of 42.72% (Jan/89), of which the 12.15% already applied should be deducted. The application of 10.14% (Feb/89) was granted. The proceeding is currently under accounting investigation.

At December 31, 2009, the Company has US$195 million (US$144 million in 2008) as judicial deposit and a provision of US$12 million (US$9 million in 2008), which represents the portion not recognized by the courts.

Social Contribution on Income from Export Revenues

The Company filed a lawsuit challenging the assessment of Social Contribution on Income on export revenues, based on Constitutional Amendment #33/01 and in March 2004, we obtained an initial decision authorizing the exclusion of these revenues from referred calculation basis, as well as the offsetting of amounts paid as from 2001. The lower court decision was favorable and the proceeding is waiting for trial of the appeal filed by the Federal Government in the Regional Federal Court. At December 31, 2009, the amount of suspended liability and the offset credits based on the referred proceedings was US$712 (US$495 at December 31, 2008), already adjusted by the SELIC - Brazilian base interest.

The debts related to the offsetting of amounts paid as from 2001, as well as the debts related to the exclusion of export revenues from taxable basis were included in the Federal Tax Repayment Program (REFIS) introduced by Law 11.941/09. Such debts included in the Tax Repayment Program will be subject to ratification by the proper authorities in mid-2010. CSN still claims for the exclusion of profits derived from exports from the calculation basis of the Social Contribution, according to the initial decision obtained by the Company.

• PIS/COFINS–Law No. 9,718/98

PIS and COFINS are taxes assessed on revenues. In 1998, new tax legislation was enacted which required Brazilian companies to pay PIS and COFINS on revenues resulting from financial investments. Prior to 1998, the Brazilian constitution dictated that Brazilian companies were only required to pay PIS and COFINS taxes on revenues from operational activities. CSN challenged the constitutionality of the assessment of PIS and COFINS from financial investments since, in order to expand the PIS and COFINS tax calculation basis, the Brazilian legislature was required to observe a constitutionally mandated waiting period prior to enacting the legislation. In addition, at the time the new tax legislation was enacted, the Brazilian constitution did not allow such taxes to be assessed on revenues from financial investments. In February 1999, a lower court confirmed this position. CSN sought and obtained a favorable preliminary order in March 2000. In April 2000, the Brazilian tax authorities appealed to Brazilian court of appeals. On March 6, 2006, Brazilian court of appeals issued a decision unfavorable to CSN. On March 10, 2006, CSN appealed against such decision before both the Superior Court of Justice and the Supreme Court. Until the resolution of these appeals, CSN's rights under the initial favorable decision were still in effect. The PIS/COFINS accrual represents CSN's statutory obligation to pay PIS/COFINS taxes due. CSN has noted that some Brazilian companies obtained favorable final and unappealable judgments in 2005 regarding similar PIS/COFINS legal challenges. Those companies have accordingly reversed some or most of their related disputed tax payment provisions. However, another company did not obtain a favorable decision and was required to pay the related tax obligation.

On May 31, 2007, a decision in our favor was made final and unappealable. Such decision was published in the Official Gazette of Justice, on June 16, 2007, when in view we reversed the provision existing on that date. The reversal of the provision increased our operating results of 2007 by US$179.

Other non-income tax contingencies

We are party to other judicial and administrative proceedings not described in the notes to CSN's consolidated financial statements, involving a total of approximately US$2.5 billion as of December 31, 2009 (US$2.5 billion as of December 31, 2008), of which U$$1.7 billion is related to tax proceedings (US$1.9 billion as of December 31, 2008), US$0.2 billion to civil judicial processes (US$0.2 billion as of December 31, 2008) and US$0.6 billion to labor lawsuits (US$0.4 billion as of December 31, 2008). Most of these other proceedings are comprised of tax assessments received related to fines and penalties on credits used to offset legal and tax-related obligations that were previously considered as remote. The Company's external legal counsel deemed that the risk of loss arising from these lawsuits was only possible as opposed to probable. Therefore, we did not record accruals for contingencies with respect to these lawsuits.

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Other tax contingencies relate to a variety of disputes for which CSN has recorded provisions for probable losses. No single group of similar claims constitutes more than 5% of total contingencies.

(b) Other commitments and contingencies

• Environmental Regulation

The Company is subject to Brazilian federal, state and municipal environmental laws and regulations governing air emissions, waste water discharges, and solid and hazardous waste handling and disposal. The Company is committed to controlling the substantial environmental impact caused by our steelmaking, mining and logistics operations, in accordance with international standards and in compliance with environmental laws and regulations in Brazil. The Company believes that it is in substantial compliance with applicable environmental requirements.

The Company records accruals for remediation costs and environmental lawsuits when a loss is probable and the amount can be reasonably estimated. As of December 31, 2009, the Company has a provision for environmental regulation in the amount of US$67 (US$31 as of December 31, 2008) which is considered sufficient by management and its legal advisors to cover all probable losses. No changes in the present conditions and circumstances are expected for the near term which could impact our financial position, results for the year or cash flows.

The main accruals for environmental contingencies as of December 31, 2009 relates to cleaning-up obligations at former coal mines decommissioned by 1989; legal environmental compensation (Federal Law n$^{o.}$ 985/2000) projected for new ventures at Santa Catarina, Minas Gerais and Rio de Janeiro states; and cleaning-up obligations due to former operations of Presidente Vargas steelworks. The Company did not include in the accruals the environmental liabilities related to ERSA, since they are by contract the express accountability of the former owner (CESBRA/BRASCAN).

Additionally, we currently have no possible losses arising from environmental lawsuits or remediation costs to incur, that are presently deemed possible. No changes are expected in the near term for that situation.

Commitments

a) "Take-or-pay" contracts

- MRS Logística S.A.

The Company and MRS Logística S.A. entered into a 10-year contract for iron ore transport. According to the "take-or-pay" clause, the Company is committed to pay at least 80% of the tons agreed to be transported by MRS. The volume of iron ore transported by MRS in addition to the minimum agreed (take-or-pay) for a given month may be compensated with lower volumes transported in subsequent months. For the take-or-pay quantities, the Company will pay in accordance with the terms of the contract. The Company's total payments under the agreement were US$39 in 2007, US$168 in 2008 and US$139 in 2009. The future minimum amounts of required payments at December 31, 2009, translated at the exchange rate at December 31, 2009, are as follows:

	Amount (US$)
2010	97
2011	97
2012	97
2013	97
2014	97
2015 and thereafter	146
Total	631

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- **MRS Logística S.A**

The Company and MRS Logística S.A entered into a long-term contract for transportation of Iron Ore, Coal and Coke to Volta Redonda whose maturity is scheduled for 2012. The volume set for iron ore and pellets is 8,280,000 tons per year and for coal, coke and other reduction products is 3,600,000 tons per year. It is accepted a variation up to 10%, with a guarantee of payment of at least 90%. MRS, on the other hand, is required to transport at least 80% of the volume established by the agreement. The Company's total payments under the agreement were US$74 in 2007, US$93 in 2008 and US$71 in 2009. The future minimum amounts of required payments at December 31, 2009, translated at the exchange rate at December 31, 2009, are as follows:

	Amount (US$)
2010	77
2011	77
2012	57
Total	211

- **Ferrovia Centro-Atlântica S.A. ("FCA")**

The Company and FCA entered into a long-term contract for mining products transportation which maturity is scheduled for 2013. According to the "take-or-pay" clause, the Company is committed to ship the minimum of 1,900,000 tons per year. The contract also previews that if CSN's productive expansion occurs, the minimum volume may be increased up to 2,800,000 tons per year. The Company's total payments under the agreement were US$35 in 2007, US$39 in 2008 and US$29 in 2009. The future minimum amounts of required payments at December 31, 2009, translated at the exchange rate at December 31, 2009, are as follows:

	Amount (US$)
2010	38
2011	38
2012	38
2013	38
Total	152

- ALL – América Latina Logística do Brasil S.A.

The Company and ALL entered into a long-term contract for steel products transportation on the route from Água Branca to Araucária, renewable under terms and conditions agreeable to both parties. According to the "take-or-pay" clause, the Company is committed to ship a minimum volume per month of 30,000 tons and, in case the volume for the month exceeds the minimum, the Company will have the right to a discount in tariffs. Also, CSN may opt for transporting steel products on the return trip from Araucária to Água Branca at a maximum quantity of 600 shipments at a minimum of 50 tons per shipment. The tariffs may be adjusted once a year at each contract anniversary based on the changes in prices of fuel and cumulative inflation rates between anniversaries. For the take-or-pay quantities, the Company will pay in accordance with the terms of the contract. As of December 31, 2008, the outstanding balance of this take-or-pay contract was US$3. The contract expired during 2009 and was not renewed.

- White Martins Gases Industriais Ltda.

To secure gas supply (oxygen, nitrogen and argon), in 2005 the Company signed an addendum related to the 22-year "take-or-pay" agreement with White Martins Gases Industriais entered into in 1994, by which CSN is committed to acquire at least 90% of the annual gas volume contracted from White Martins. The Company's total payments under the agreement were US$62 in 2007, US$56 in 2008 and US$52 in 2009. The future minimum amounts of required payments at December 31, 2009, translated at the exchange rate at December 31, 2009, are as follows:

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	Amount (US$)
2010	55
2011	55
2012	55
2013	55
2014	55
2015 and thereafter	110
Total	385

- Companhia Estadual de Gás do Rio de Janeiro - CEG RIO

To secure natural gas supply, in 2007 the Company signed a 5-year “take-or-pay” agreement with CEG RIO, by which CSN is committed to acquire at least 286,160,000 m^3 of natural gas, which represents 70% of the annual gas volume contracted from CEG RIO. The Company’s total payments under the agreement were US$130 in 2008 and US$180 in 2009. The future minimum amounts of required payments at December 31, 2009, translated at the exchange rate at December 31, 2009, are as follows:

	Amount (US$)
2010	148
2011	148
2012	148
Total	444

In addition, if the Company does not acquire the minimum volume agreed, the amount paid which relates to that difference may be compensated in future years, including one year after the contract expiration.

- Vale S.A.

To secure pellets supply, in 2009 the Company signed a 5-year "take-or-pay" agreement with Vale S/A, by which CSN is committed to acquire at least 90% of the pellets volume guaranteed in the agreement with Vale S/A. Under the terms of the agreement, we are not required to advance funds raised against future processing charges if Vale S/A is unable to meet its financial obligations. The Company’s total payments under the agreement were US$11 in 2009. The future minimum amounts of required payments at December 31, 2009, translated at the exchange rate at December 31, 2009, are as follows:

	Amount (US$)
2010	75
2011	75
2012	75
2013	75
2014	50
Total	350

- Companhia Paranaense de Gás – COMPAGÁS

The Company and Companhia Paranaense de Gás entered into a 20-year contract to secure natural gas supply. According to the “take or pay” clause, the Company is committed to acquire at least 80% of the annual natural gas volume contracted from Companhia Paranaense de

Gás. The Company's total payments under the agreement were US$4 in 2008 and US$6 in 2009. The future minimum amounts of required payments at December 31, 2009, translated at the exchange rate at December 31, 2009, are as follows:

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	Amount (US$)
2010	7
2011	7
2012	7
2013	7
2014	7
2015 and thereafter	67
Total	102

- Companhia Paranaense de Energia - COPEL

To secure energy supply, the Company entered into a 20-year agreement with Companhia Paranaense de Energia. According to the "take or pay" clause, the Company is committed to acquire at least 80% of the annual energy volume contracted from Companhia Paranaense de Energia. The Company's total payments under the agreement were US$4 in 2007, US$5 in 2008 and US$5 in 2009. The future minimum amounts of required payments at December 31, 2009, translated at the exchange rate at December 31, 2009, are as follows:

	Amount (US$)
2010	5
2011	5
2012	5
2013	5
2014	5
2015 and thereafter	30
Total	55

b) Steelmaking (Slab Mills) and Long Steel Production

The Company initiated its long steel products brownfield project in Volta Redonda, in the State of Rio de Janeiro, which will be developed inside its main steelmaking facility. In this plant CSN intend to produce 500,000 tons per year of long steel products, such as rod bar (400,000 tons per year) and wire rod. The Company expects to benefit from the existing infrastructure and utilities used to support a blast furnace and a former foundry. The total investment in long steel products production will be of approximately US$340 in installations, including expanding and upgrading a 30-ton electric furnace. The facility will use surplus pig iron and low value added slabs as raw materials. In addition to this plant, CSN is developing in Brazil two greenfield long steel projects with 500,000 tons per year each. The Company's forecast is that these two plants will start production by the end of 2013. CSN is developing a flat steel project with a projected capacity of 1.5 Mtpy in a location to be confirmed.

c) Iron Ore Project

CSN's iron ore business comprises the expansion of its mining activities and its seaport facilities, the construction of pellet plants and, to a lesser extent, the trading of iron ore produced by other companies through its own logistics network. CSN expects to produce 89 Mtpy of iron ore products until 2014, 50 Mtpy in Casa de Pedra and 39 Mtpy in Namisa site. We expect to finance these investments with the National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico Social*-BNDES), export credit agencies, the proceeds from offerings of securities and with the free cash flow from its current operations.

CSN is also investing in the expansion of the seaport Solid Bulks Terminal in Itaguaí, or TECAR, to enable annual exports of 84 million tons of iron ore. The current annual export capacity is equivalent to 30 million tons.

In addition to these projects, which are already being implemented, the Company analyzing other brownfield and greenfield opportunities and acquisitions options.

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d) Cement Project

The Company is investing approximately US$410 to build a greenfield grinding mill and clinker furnace, with capacity of 2.3 million tons and 820,000 tons, respectively. This project represented CSN's entry into the cement market, taking advantage of the slag generated by its blast furnaces and of its limestone reserves, located in Arcos, Minas Gerais. The limestone, which is transformed into clinker, and the slag, accounts for approximately 95% of the production cost to produce cement. In 2009 its cement sales reached 338,000 tons, all from the grinding mill, and we expect to reach full production capacity by 2011. These investments will be financed by BNDES, which has already approved a seven-year credit line of up to US$81 indexed partially on the long-term interest rate (Taxa de Juros de Longo-Prazo), or TJLP, and partially on US dollars, as well as the use of free cash flow from its current operations. In addition to this plant, the Company is developing other projects, such as the installation of an integrated cement plant in Arcos, state of Minas Gerais, taking advantage of its calcareous mine, with capacity of 600,000 tons per year. CSN intends to build three new integrated plants (cement and clinker) in Brazil until 2013, each with a projected capacity of 1 million tons per year. Taken together these projects are expected to have a production capacity of 6.4 million tons of cement until 2013.

e) MRS

The Brazilian Southeastern railway system, covering 1,674 km of track, serves the São Paulo – Rio de Janeiro – Belo Horizonte industrial triangle in Southeast Brazil, and links its mines located in the State of Minas Gerais to the ports located in the states of São Paulo and Rio de Janeiro and to the steel mills of CSN, Companhia Siderúrgica Paulista, or Cosipa, and Gerdau Açominas. In addition to serving other customers, the line transports iron ore from its mines at Casa de Pedra in the State of Minas Gerais and coke and coal from the Itaguaí Port in the State of Rio de Janeiro to the Presidente Vargas steelworks and transports its exports to the ports of Itaguaí and Rio de Janeiro. The railway system connects the Presidente Vargas steelworks to the container terminal at Itaguaí Port, which handles most of its steel exports. Its transport volumes represent approximately 28% of the Brazilian Southeastern railway system's total volume. As of December 31, 2009, US$1,964 (R$3,420) were outstanding and payable by MRS to the Brazilian government federal agencies within the next 17 years, of which US$1,899 (R$3,306) are treated as an off-balance sheet item (See "Item 5E. Off-Balance Sheet Arrangements"). While CSN is jointly and severally liable with the other principal MRS shareholders for the full payment of the outstanding amount, CSN expects that MRS will make the lease payments through internally generated funds and proceeds from financing.

f) CFN/ Transnordestina

In August 2006, in order to enable the implementation of a major infrastructure project led by the Brazilian federal government, CSN's Board of Directors approved a transaction to merge Transnordestina S.A., a company that at the time was state-owned, into and with Companhia Ferroviária do Nordeste – CFN, an affiliate of CSN that holds a 30-year concession granted in 1998 to operate the Northeastern Railroad of the RFFSA with 4,238 km of railway track. The Nova Transnordestina Project includes an additional 1,728 km of large gauge, state-of-the-art railway track. The Company expects the investments will allow the company to increase the transportation of various products, such as iron ore, limestone, soy beans, cotton, sugar cane, fertilizers, oil and fuels. The investments will be financed through several agencies, such as FINOR – Northeastern Investment Fund, SUDENE - the Northeastern Development Federal Agency and BNDES. The Company has obtained certain of the required environmental permits, purchased parts of the equipments and services and implementation is advanced in certain regions.

The Company guarantees Transnordestina's borrowings from BNDES which amount to US$173 at December 31, 2009. Those borrowings are for purposes of financing the investments in infrastructure of Transnordestina. The maximum amount for future payments the guarantor may be required to make under the guarantee is US$104.

As of December 31, 2009, CSN holds 84.34% of the capital stock of Transnordestina S.A., which has a 30-year concession granted in 1998 to operate Brazil's Northeastern railway system. The Northeastern railway system covers 4,238 km of track and operates in the states of Maranhão, Piauí, Ceará, Paraíba, Pernambuco, Alagoas and Rio Grande do Norte. It also connects with the region's leading ports, thereby offering an important competitive advantage through opportunities for intermodal transportation solutions and made-to-measure logistics projects. As of December 31, 2009, US$56 million was outstanding over the remaining 17-year term of the concession. CSN is jointly and severally liable for the full payment of the outstanding amount.

The future minimum rental payments, as of December 31, 2009, are due as follows:

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	Amount (US$)
2010	3
2011	3
2012	3
2013	3
2014	3
2015 and thereafter	41
Total	**56**

g) Itaguaí CSN Logistics Platform Project

The Company holds the concession to operate TECAR, a solid bulks terminal, one of four terminals that form the Itaguaí Port, located in the State of Rio de Janeiro, for a term expiring in 2022 and renewable for another 25 years. Itaguaí Port, in turn, is connected to the Presidente Vargas steelworks, Casa de Pedra and Namisa by the southeastern railway system. The Company's imports of coal and coke are made through this terminal. Under the terms of the concession, CSN undertook to unload at least 3.4 million tons of coal and coke from CSN's suppliers through the terminal annually, as well as shipments from third parties. Among the approved investments that CSN announced is the development and expansion of the solid bulks terminal at Itaguaí to also handle up to 130 million tons of iron ore per year.

The future minimum rental payments, as of December 31, 2009, are due as follows:

	Amount (US$)
2010	1
2011	1
2012	1
2013	1
2014	1
2015 and thereafter	8
Total	**13**

h) Sepetiba Tecon Concession

We own 99.99% of Sepetiba Tecon S.A., or Tecon, which has a concession to operate, for a 25-year term that is renewable for another 25 years, the container terminal at Itaguaí Port. As of December 31, 2009, US$174 (R$303 million) of the cost of the concession remained payable over the next 18 years of the lease.

The future minimum rental payments, as of December 31, 2009, are due as follows:

	Amount (US$)
2010	11
2011	11
2012	11
2013	11
2014	11
2015 and thereafter	119
Total	**174**

i) Iron ore supply agreement with Namisa

The Company entered into long-term agreements at the full amount of U$S3,041 with its non-consolidated subsidiary Namisa to supply iron ore from the Casa de Pedra mine, with maturity scheduled for 2041 as further described below:

Port Operating Service Agreement

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On December 30, 2008, CSN received approximately US$2.2 billion as prepayment under an agreement with Namisa with a term of 34 years. Under this agreement, we are required to render port services to Namisa, which consists of transporting from 17.1 million tons to 39.0 million tons of iron ore annually. The price of these port services is annually reviewed and prospectively adjusted considering the changes in price of iron ore. The contract is set to expire in 2042.

High Silica ROM

On December 30, 2008, CSN received approximately US$665 as prepayment for a take-or-pay agreement with Namisa with a term of 30 years. Under this agreement, we are required to provide high silica crude iron ore ROM to Namisa in a volume that ranges from 42.0 million tons to 54.0 million tons per year. Depending on the market price for high silica crude iron ore ROM, we may receive additional amounts under this agreement, which is set to expire in 2038.

Low Silica ROM

On December 30, 2008, CSN received approximately US$177 as prepayment for a take-or-pay agreement with Namisa with a term of 35 years. Under this agreement, we are required to provide low silica crude iron ore ROM to Namisa in a volume that ranges from 5.0 million tons to 2.8 million tons per year. Depending on the market price for low silica crude iron ore ROM, we may receive additional amounts under this agreement, which is set to expire in 2043.

j) Covenants

Certain long-term debt instruments contain financial covenants by which the Company is required to maintain levels of leverage, liquidity and ratio indices, such as debt to EBITDA and interest coverage. As of December 31, 2009, the Company was fully compliant with its financial covenants.

18 Guarantees

The Parent Company provides guarantees on obligations of its subsidiaries to third parties. The Parent Company has also provided unconditional and irrevocable guarantees for obligations of certain of its affiliates as follows:

	Currency	Notional (in US$ Millions)	Expiration Date	Conditions
Transnordestina [(2)]	R$	145.3	Apr 11, 2010 to Nov 15, 2020	BNDES loan guarantee
Transnordestina	R$	25.8	May 21, 2010	BNB FNE loan guarantee
Transnordestina	R$	1.6	Dec 9, 2010	To guarantee the responsibility of the use permit agreement between Transnordestina and Temmar.
CSN Cimentos	R$	15.5	Indeterminate	Collateral signature in guarantee contract for write of summons, pledge, appraisal and registration
CSN Cimentos	R$	15.0	Indeterminate	Collateral signature in guarantee contract for tax foreclosure
Prada	R$	5.7	Indeterminate	Collateral signature in guarantee contract for tax foreclosure
Prada	R$	0.2	Indeterminate	To guarantee the warrantee's responsibility regarding ICMS
Prada	R$	0.2	Jan 3, 2012	To guarantee the warrantee's responsibility regarding the purchase and sale of electric power

Prada [3]	R$	0.7	Mar 10, 2010	To guarantee the Private Instrument of Termination and acknowledgment of indebtedness.
CSN Energia	R$	0.6	Indeterminate	Collateral signature in guarantee contract for tax foreclosure

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CSN Energia (3)	R$	1.9	Mar 22, 2010	To guarantee interest in aeolian energy auction
Itá Energética	R$	53.8	Sep 15, 2013	BNDES loan guarantee
Sepetiba Tecon	R$	2.9	Jun 1, 2010	To guarantee the warrantee's responsibility regarding infraction notes
Sepetiba Tecon	R$	1.1	Jan 15, 2012	BNDES loan guarantee
Sepetiba Tecon	R$	35.3	Sep 26, 2011	Surety in Commercial Note 40/00048-6
Sepetiba Tecon	R$	8.6	May 5, 2011	Collateral by CSN to issue the Export Credit Note
CSN Islands VIII (1)	US$	550.0	Dec 16, 2013	Guarantee in Bond issuance
CSN Islands IX (1)	US$	400.0	Jan 15, 2015	Guarantee in Bond issuance
CSN Islands X (1)	US$	750.0	Perpetual	Guarantee in Bond issuance
CSN Islands XI (1)	US$	750.0	Sep 21, 2019	Guarantee in Bond issuance
Nacional Minérios S.A. (3)	US$	20.0	Dec 31, 2009	Guarantee in agreement for the rendering of oexternal guarantee
Aços Longos	US$	8.7	Dec 31, 2011	Letter of Credit for equipment acquisition
CSN Cimentos (2)	US$	0.2	Mar 30, 2010	Letter of Credit for equipment acquisition

(1) Finance subsidiaries 100% owned by the Company which, fully and unconditionally, guarantees the installments.
(2) Expired on the maturity date mentioned above and renewed after the expiration date.
(3) Expired on the maturity date mentioned above and not renewed.

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19 Segment and geographical information

The Company has adopted SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" - FASB ASC Topic 280 with respect to the information it presents about its operating segments. SFAS 131 - FASB ASC Topic 280 introduces a "management approach" concept for reporting segment information, whereby financial information is required to be reported on the same basis that the chief operating decision maker uses such information internally for evaluating segment performance and deciding how to allocate resources to segments. Accordingly, we analyze our segment information as follows:

Steel – comprises our steel manufacturing and sales activities;

Mining – comprises iron ore and tin mining by our mining subsidiaries, as well as mining operations of the Casa de Pedra mine;

Logistics – comprises our infrastructure as a whole, with our transportation systems as they pertain to the operations of our port as well as our investments in railroad investees. Also, we consider in this segment our energy subsidiaries; and

Cement – comprises operations under development of our cement subsidiary, which started up activities in May 2009.

The information presented to top management with respect to the performance of each segment is generally derived directly from the accounting records together with certain intersegment allocations. Corporate transactions, such as loans and financing and cash surplus investments, are allocated within our steel segment.

Sales by geographic area are determined based on the location of the customers. On a consolidated basis, domestic sales are represented by revenues from customers located in Brazil and export sales represent revenues from customers located outside of Brazil.

The majority of the Company's long-lived assets are located in Brazil.

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	Year ended December 31, 2007					
	Steel	**Mining**	**Logistics**	**Cement**	**Eliminations**	**Consolidated**
Results						
Revenues						
Domestic sales	5,090	49	160		(16)	5,283
Export sales	1,477	218				1,695
Sales taxes	(1,053)	(187)	(65)			(1,305)
Discounts, returns and allowances	(156)					(156)
Cost and operating expenses	(3,130)	(347)	(189)	(6)	16	(3,656)
Financial income (expenses), net	(568)	319	30			(219)
Foreign exchange and monetary loss	447	(14)	5			438
Other non-operating income	81					81
Income taxes	(522)	(7)	(5)			(534)
Equity in results of affiliated companies	(12)	(4)	92			76
Net income (loss)	1,654	27	28	(6)	-	1,703
Other information						
Total assets	**7,255**	**3,975**	**744**	**91**		**12,065**
Capital expenditures and other investments	362	192	29	49		632
Investments in affiliated companies			399			399
Goodwill	117	43	6			166
Depreciation and amortization expenses	(221)	(147)	(26)	(3)		(397)
Sales by geographic area						
Asia	48	7				55
North America	665	99				764
Latin America	96	14				110
Europe	614	90				704
Others	54	8				62
Export sales	1,477	218				1,695
Domestic sales	5,090	49	160	-	(16)	5,283
Total	**6,567**	**267**	**160**	**-**	**(16)**	**6,978**

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	Year ended December 31, 2008					
	Steel	**Mining**	**Logistics**	**Cement**	**Eliminations**	**Consolidated**
Results						
Revenues						
Domestic sales	6,934	402	223		(182)	7,377
Export sales	850	980	-			1,830
Sales taxes	(1,734)	(53)	(48)			(1,835)
Discounts, returns and allowances	(185)					(185)
Cost and operating expenses	(3,765)	(562)	(194)	(4)	182	(4,343)
Financial income (expenses), net	(383)	(11)	14			(380)
Foreign exchange and monetary loss	(1,186)	(65)	(14)			(1,265)
Other non-operating income	77	(2)				75
Gain on dilution of interest in subsidiary	-	1,667	-	-		1,667
Income taxes	(469)	56	(1)			(414)
Equity in results of affiliated companies	-	-	127			127
Net income (loss)	139	2,412	107	(4)	-	2,654
Other information						
Total assets	**10,385**	**4,545**	**603**	**176**		**15,709**
Capital expenditures	716	14	40	116		886
Investments in affiliated companies and other investments		2,127	461			2,588
Goodwill	89	32	6			127
Depreciation and amortization expenses	(298)	(38)	(4)	(1)		(341)
Sales by geographic area						
Asia	20	826				846
North America	312	-				312
Latin America	112	-				112
Europe	381	148				529
Others	25	6				31
Export sales	850	980				1,830
Domestic sales	6,934	402	223		(182	7,377
Total	**7,784**	**1,382**	**223**		**(182**	**9,207**

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	Year ended December 31, 2009					
	Steel	Mining	Logistics	Cement	Eliminations	Consolidated
Results						
Revenues						
Domestic sales	4,766	132	306	44	(44)	5,204
Export sales	579	558	-	-		1,137
Sales taxes	(1,178)	(21)	(45)	(13)		(1,257)
Discounts, returns and allowances	(68)	(2)	-	-		(70)
Cost and operating expenses	(3,221)	(453)	(176)	(44)	44	(3,850)
Financial income (expenses), net	(385)	(469)	(14)	(3)		(871)
Foreign exchange and monetary loss	382	29	9	2		422
Other non-operating income	(26)	-	-	-		(26)
Gain on dilution of interest in subsidiary	-	-	-	-		-
Income taxes	(125)	(62)	(32)	-		(219)
Equity in results of affiliated companies		694	115	-		809
Net loss attributable to noncontrolling interest			2			2
Net income (loss)	724	406	165	(14)	-	1,281
Other information						
Total assets	**12,057**	**5,285**	**1,495**	**351**		**19,188**
Capital expenditures	479	238	129	84		930
Investments in affiliated companies and other investments		3,699	517	-		4,216
Goodwill	119	43	6	-		168
Depreciation and amortization expenses	(287)	(40)	(14)	(2)		(343)
Sales by geographic area						
Asia	125	462				587
North America	162	12				174
Latin America	61	2				63
Europe	213	82				295
Others	18					18
Export sales	579	558				1,137
Domestic sales	4,766	132	306	44	(44)	5,204
Total	**5,345**	**690**	**306**	**44**	**(44)**	**6,341**

Intersegment sales in 2007 occurred from logistics to steel segments, in 2008, US$11 was from logistics to steel and US$171 was from mining to steel segment. In 2009, US$1 was from logistics to cement, US$11 was from steel to cement, US$ 11 was from mining to steel and US$21 was from logistics to steel.

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20 Transactions with related parties

The transactions with related parties, relating primarily to purchases and sales in the ordinary course of business and other intercompany operations, resulted in the following balance sheet and income statement amounts.

The balances at December 31, 2007, 2008 and 2009 and transactions for the years ended December 31, 2007, 2008 and 2009 with related parties are as follows:

	2007			
	Assets	Liabilities	Revenues	Expenses
MRS Logística	48	8		139
Ita Energética	2	6		59
CFN/Transnordestina	151		8	
CBS – prepaid pension cost	138			2
Fundação CSN				7
Total	**339**	**14**	**8**	**207**

	2008			
	Assets	Liabilities	Revenues	Expenses
MRS Logística	16	1		259
Ita Energética	1	5		67
CFN/Transnordestina	3		8	
Nacional Minérios	241	3,154		
NMSA Madeira	500			
CSN Islands VI	39			
CBS – accrued pension cost		84		61
Fundação CSN				2
Total	**800**	**3,244**	**8**	**389**

	2009			
	Assets	Liabilities	Revenues	Expenses
MRS Logística	18	6		182
Ita Energética	3	8		68
Nacional Minérios	961	4,393	308	511 (1)
Namisa Europe	3	5		
CBS – prepaid pension cost	245			49
Fundação CSN				1
Total	**1,230**	**4,412**	**308**	**811**

(1) US$450 of the total amount refers to interest on the prepayment agreements for port services and iron ore supplies entered into at the end of 2008, which was recorded in financial income (expense), net in the statements of income, and US$61 refers to sales of products, which was recorded in costs of goods sold in the statements of income.

21 Derivatives and financial instruments

21.1 General description and accounting practices

Most of the Company's revenues are denominated in Brazilian *reais*. As of December 31, 2008 and 2009, US$4,039 and US$4,590, respectively, of the Company's debt was denominated in foreign currencies, which includes short and long-term debt and accrued finance charges. Accordingly, the Company is exposed to market risk from changes in foreign exchange rates and interest rates. The Company manages risk arising from fluctuations in currency exchange rates, which affect the amount of Brazilian *reais* necessary to pay foreign currency denominated obligations, by using derivative financial instruments, primarily cross-currency swaps with financial institutions.

While such instruments reduce the Company's foreign exchange risks, they do not eliminate them. The credit risk exposure is managed by restricting the counterparties on such derivative instruments to major financial institutions with high credit quality. Therefore, the Company's management believes that the risk of nonperformance by the counterparties is remote.

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The Company's contracts do not meet the accounting criteria to qualify as hedges of an exposure to foreign currency or interest rate risk. Therefore, the Company has accounted for the derivative transactions by calculating the unrealized gain or loss at each balance sheet date, and changes in the fair value of all derivatives are recorded in the statements of income.

As of December 31, 2009, the consolidated position of outstanding derivative agreements was as follows:

	Agreement		Market value
	Maturity	Notional Amount	
Foreign exchange arrangements			
Foreign Exchange swaps (contracted by exclusive funds)	From Jan 4 to March 5, 2010	US$1,520	(US$25)
Exchange rate futures agreements (*real* x U.S. dollar)	Feb, 2010	US$650	-
Interest rate arrangements			
Interest swaps Libor x CDI (registered with CETIP)	Feb 12, 2010	US$150	(US$1)

21.2 Detailed transactions

a) Foreign exchange arrangements

Foreign exchange swap agreements (U.S. dollars)

The Company entered into cross-currency swap agreements (intended to protect the Company from the effect that a devaluation of the *real* would have in its liabilities denominated in foreign currency). Basically, the Company swapped its indebtedness index from the U.S. dollar to the interbank deposit certificate-CDI. The gains and losses from these contracts are directly related to exchange (dollar) and CDI fluctuations. These transactions are related to operations in the Brazilian over-the-counter market, primarily having first-tier financial institutions as counterparts, contracted within exclusive investment funds. The notional amount of these swaps aggregated as of December 31, 2009 was US$1,520 (US$1,530 as of December 31, 2008). The contracts outstanding at December 31, 2007, 2008 and 2009 were as follows:

	Maturity		Market Value	
Issued date	date	2007	2008	2009
05/16/07	01/02/08	(58.8)		
05/16/07	01/02/08	(15.2)		
05/16/07	01/02/08	(7.3)		
05/16/07	01/02/08	(7.3)		
05/16/07	01/02/08	(29.4)		
09/03/07	01/02/08	(6.0)		
09/03/07	01/02/08	(5.8)		
09/24/07	01/02/08	(13.1)		
03/18/08	03/16/09		4.7	
07/29/08	07/24/09		18.8	
07/30/08	07/27/09		9.4	
08/05/08	07/31/09		6.2	
08/08/08	08/03/09		2.9	
08/18/08	08/13/09		28.8	
08/19/08	08/14/09		27.0	
08/29/08	08/24/09		14.5	
10/01/08	07/24/09		18.7	
10/24/08	04/20/09		0.3	
11/21/08	11/16/09		(1.5)	
11/27/08	11/19/09		0.6	
11/28/08	12/11/09		0.1	

12/01/08	01/02/09		(1.1)	
12/03/08	12/11/09		(0.3)	
12/08/08	11/30/09		(1.7)	
12/16/08	12/11/09		(0.1)	
12/01/09 and 03/12/09	01/04/10 and 05/03/10			(21.0)
11/27/09 and 12/01/09	01/04/10			(2.7)
11/30/09 and 12/01/09	01/04/10			(1.3)
12/01/09	01/04/10			(0.4)
		(142.9)	**127.3**	(25.4)

Expressed in millions of United States dollars, except share and per share data and unless otherwise stated

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The changes in the fair value of the aforementioned contracts were recorded in financial income (expense), net in the statement of income.

Exchange rate futures agreements (*real* x U.S. dollar)

The Company entered into future currency agreements (intended to protect the Company from the effect that a devaluation of the *real* would have in its liabilities denominated in foreign currency). The Company may purchase or sell commercial U.S. dollar futures contracts on the Commodities and Futures Exchange (BM&F) to mitigate the foreign exchange exposure of its liabilities in U.S. dollar. The specifications of the *real* to U.S. dollar exchange rate futures contract, including detailed explanation on the contracts' characteristics and calculation of daily adjustments, are published by BM&F. As of December 31, 2009, the Company had a long position in its exclusive investment fund in the amount of US$649. During the period, the Company paid US$701 and received US$585, resulting in a loss of US$116. Gains and losses from these agreements were directly related to foreign exchange fluctuation and were recorded in financial income (expense), net in the statement of income.

b) Interest rate arrangements

Interest swaps arrangements (Libor x CDI)

The purpose of these transactions is to hedge liabilities indexed to US Dollar Libor from Brazilian interest rate fluctuations. The Company has basically executed swaps of its liabilities indexed to Libor, in which it receives interest of 1.25% p.a. on the notional value in dollar (long position) and pays 96% of the Interbank Deposit Certificate – CDI on the notional value in Reais on the date of the contracting (short position). The notional value of these swaps as of December 31, 2009 was US$150,000 thousand, hedging an export pre-payment operation in the same amount. The gains and losses from these contracts are directly related to exchange (dollar), Libor and CDI fluctuations, and were recorded in financial income (expense), net in the statement of income. They are related to operations in the Brazilian over-the-counter market, in general, having first-tier financial institutions as counterparts.

c) Other arrangements

Equity swap agreements

The contracts outstanding at December 31, 2007 which were settled in September 2008 were as follows:

Issued date	Maturity date	Notional amount	Receivable	Payable	Market value
04/07/03	09/05/08	35.8	644.9	(52.6)	591.5
04/09/03	09/05/08	5.6	100.5	(8.3)	92.2
04/10/03	09/05/08	2.0	36.1	(2.9)	33.2
04/11/03	09/05/08	1.0	18.6	(1.5)	17.1
04/28/03	09/05/08	1.1	17.8	(1.6)	16.2
04/30/03	09/05/08	0.1	1.3	(0.1)	1.2
05/14/03	09/05/08	0.2	3.3	(0.3)	3.0
05/15/03	09/05/08	0.4	7.5	(0.6)	6.9
05/19/03	09/05/08	1.0	19.0	(1.5)	17.5
05/20/03	09/05/08	0.3	4.9	(0.4)	4.5
05/21/03	09/05/08	0.4	8.1	(0.6)	7.5
05/22/03	09/05/08	0.3	6.4	(0.5)	5.9
05/28/03	09/05/08	0.4	8.3	(0.6)	7.7
05/29/03	09/05/08	0.4	7.8	(0.6)	7.2
06/05/03	09/05/08	0.1	1.8	(0.1)	1.7
Total		**49.1**	**886.3**	**(72.2)**	**813.3**

These swap agreements were related to 59,368,800 (post split) of the Company's ADRs and were intended to enhance the return of CSN's financial assets by adding exposure to equity securities that historically yield higher long-term returns than fixed income assets, hence diminishing the impact of the cost of carry of CSN's long-term debt in the net consolidated financial expenses. The maturity of these agreements was on September 5, 2008 and the financial settlement was on September 8, 2008 resulting in proceeds of US$1,006.

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On September 5, 2008, the Company entered into a new total return equity swap agreement. The agreement outstanding at December 31, 2008, was as follows:

Issued date	Maturity date	Notional amount	Receivable	Payable	Market value
09/05/08	09/10/09	1,050.8	380.2	(1,065.4)	(685.1)

This swap agreement, which was entered into without cash and having as counterparty Goldman Sachs International, was pegged to 59,368,800 (post split) American Depositary Receipts ("ADR") of Companhia Siderúrgica Nacional (purchased) and Libor of 3 months + spread of 0.75% p.a. (sold). The gains and losses from this agreement were directly related to foreign exchange fluctuations, the Company's ADRs and Libor quotation. The fair value of this agreement was recorded in derivative liabilities in the balance sheet, and the change in fair value was recorded in financial income (expense), net in the statement of income.

In addition to the loss on this agreement between September 5 and December 31, 2008, in the amount of US$685, the Company recorded a gain in the previous agreement, throughout 2008, in the amount of US$155, resulting in a net loss of US$530.

The Company was required to maintain a deposit related to the guarantee margin with the counterparty and, at December 31, 2008, this margin totaled US$1,059 and was daily remunerated by the FedFund rate. Due to the temporary restriction as to withdrawal of this deposit, this amount had not been included as cash and cash equivalents.

On August 13, 2009, the Company pre-settled the total return equity swap operation contracted as of September 5, 2008, as approved by the Board of Directors on July 8, 2009. The contracts outstanding at December 31, 2008 which were settled in August 2009 were as follows:

Issued date	Maturity date	Notional amount	Receivable	Payable	Market value
09/05/08	09/10/09	1,050.8	684.6	(970.5)	(285.9)

Despite this operation's accumulated losses from September 5, 2008 up to the date of its settlement, in the amount of US$286 (R$570), during 2009 the operation generated a gain totaling US$515 (R$1,026), which was recorded in financial income (expense), net in the statement of income.

The gains and losses from this contract were directly related to foreign exchange fluctuations, the Company's ADRs and Libor quotation. The fair value of this agreement was recorded in derivative liabilities in the balance sheet, and the change in fair value was recorded in financial income (expense), net in the statement of income. The guarantee margin with the counterpart in the amount of US$593 was released on the operation settlement date.

Metals swap agreements

Throughout 2007, the Company contracted Zinc swaps to set the price of part of its Zinc needs. Up to December 31, 2007, the Company maintained 5,000 tonnes of Zinc with settlement based on average Zinc prices from September to December 2007. The price used for the settlement of each agreement is the average price during the calendar month prior to the date of its settlement. They are generally agreements in the Brazilian over-the-counter market with first-tier financial institutions as counterparties. All agreements were settled in January 2008 with a realized gain of US$ 35 thousand (R$62 thousand).

21.3 Fair value of financial instruments, other than derivatives

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Excluding the financial instruments presented in the table below, the Company considers that the carrying amount of its financial instruments generally approximates fair market value due to the short-term maturity or frequent repricing of these instruments, and the fact that non-indexed instruments are stated at present value.

The financial instruments recorded in the Company's balance sheets as of December 31, 2008 and 2009, in which fair value differs from the book value, are as follows:

	Book Value		**Fair Value**	
	2008	**2009**	**2008**	**2009**
Loans and financing (current portion and long- term)	4,732	7.771	4,627	7.966

The amounts presented as "fair value" were calculated according to the conditions that were used in local and foreign markets at December 31, 2009, for financial transactions with identical features, such as: volume and term of the transaction and maturity dates. Mathematical methods are used presuming there is no arbitrage between the markets and the financial assets. Finally, all the transactions carried out in non-organized markets (over-the-counter market) are contracted with financial institutions previously approved by the Company's Board of Directors.

(a) Exchange rate risk

Although most of the Company's revenues are in Brazilian *reais*, as of December 31, 2009, US$4,590 of the Company's consolidated loans and financing were denominated in foreign currency (US$4,039 as of December 31, 2008). As a result, the Company is subject to changes in exchange rates and manages the risk of these rate fluctuations to the value in Brazilian *reais* that will be necessary to pay the liabilities in foreign currency, using derivative financial instruments, mainly futures contracts, swaps and forward contracts and foreign exchange option agreement, as well as investing of a major part of its cash and funds available in securities remunerated based on U.S. dollar exchange variation.

(b) Credit risk

The credit risk exposure with financial instruments is managed through the restriction of counterparties in derivative instruments to large financial institutions with high quality of credit. Thus, management believes that the risk of non-compliance by the counterparties is not significant. The selection of customers as well as the diversification of its accounts receivable and the control on sales financing terms by business segment are procedures that CSN adopts to minimize occasional problems with its trade partners. Since part of the Company's funds available is invested in the Brazilian government bonds, there is exposure to the credit risk with the government.

22 Fair value measurement

SFAS 157, Fair Value Measurements - FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 - FASB ASC Topic 820 are described below:

Level 1

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2

Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3

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Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by SFAS 157 - FASB ASC Topic 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement

	Fair value at December 31, 2008			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	-	3,444	-	3,444
Derivatives	-	127	-	127
	-	3,571	-	3,571
Liabilities				
Derivatives	-	686	-	686

	Fair value at December 31, 2009			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	-	3,901	-	3,901
Long-term investments	184	-	-	184
	184	3,901	-	4,085
Liabilities				
Derivatives	-	26	-	26

The Company's cash equivalent instruments are classified within Level 2 of the fair value hierarchy because they are related essentially to banks and short-term investments with maturity of three months and CDB (Bank Certificates of Deposit), with post fixed interest rates and no penalty in case of withdrawal.

The long-term investments are classified within Level 1 of the fair value hierarchy because they are related to an investment in Riversdale Mining Limited, a mining company with shares listed on the Australia Stock Exchange.

Our derivative instruments are comprised of foreign exchange swaps, equity swaps and interest swaps and all are classified within Level 2 of the fair value hierarchy since, even though we may obtain all the variables from official external sources, fair value measurement needs to be composed using pricing models generally used to value similar instruments. Where possible, the Company verifies the values produced by its pricing models to market prices. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, risk-free interest rates, credit spreads, measures of volatility, and correlations of such inputs. Our derivatives trade in liquid markets and, as such, model inputs can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value measurement.

The Company manages its nonperformance risk by restricting the counterparties to prime and major institutions with high credit quality. Accordingly, the Company believes its nonperformance risk is remote.

From the Company's perspective, as the retail market is the principal market in which the Company transacts its financial instruments, in the case the Company transfers its rights and obligations, it would do so with financial institutions in that market. In that case, the transactions price represent the fair value to the Company at initial recognition, that is, the price that the Company would receive or pay to sell or transfer the financial instruments in transactions with the financial institutions in the retail market (exit price). For post-measurement purposes, the fair value of the financial instruments is the price that the Company would receive or pay to sell or transfer the financial instruments in transactions with the financial institutions in the retail market (exit price) dealt at the balance sheet date.

23 Financial income (expenses), net

The breakdown of the financial results, for the years ended December 31, 2007, 2008 and 2009, are represented below:

	2007	2008	2009
Derivatives	416	125	(44)
Interest Income	79	100	256

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Companhia Siderúrgica Nacional and Subsidiaries
Notes to the Consolidated Financial Statements
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Interest Expense	(680)	(550)	(934)
Other financial income (expenses), net	(34)	(55)	(149)
	(219)	**(380)**	**(871)**

Derivatives include contracts not held for trading purposes which upon settlement are presented on a net basis. Management considers the facts and circumstances of these contracts and applies EITF 03-11 – "*Reporting Realized Gains and Losses on Derivative Instruments That Are Subject to FASB Statement No. 133 and Not "Held for Trading Purposes" as Defined in Issue No. 02-3",* included in ASC Subtopic 815-10 to determine the basis of presentation for these instruments.

24 Insurance coverage

Aiming to properly mitigation risk and in view of the nature of its operations, the Company and its subsidiaries took out several different types of insurance policies. The policies are taken out in line with the Risk Management policy and are similar to insurance taken out by other companies operating in the same segment as CSN and its subsidiaries. The coverage of these policies include: National Transportation, International Transportation, Carrier Civil Responsibility, Import, Export, Life and Personal Accidents Insurance, Health, Vehicle Fleet, D&O (Administrator Civil Responsibility Insurace), General Civil Responsibility, Engineering Risks, Sundry Risks, Export Credit, Guarantee Insurance and Port Operator Civil Responsibility.

The Company also renewed the Property Damage and Business Interuption insurance to its entities and subsidiaries with the following exceptions: Usina Presidente Vargas, Casa de Pedra, Mineração Arcos, CSN Paraná, Terminal de Carvão TECAR (it has Property Damage), which are under negotiation with insurance and reinsurance companies in Brazil and abroad in order to obtain, place and pay these other insurance policies.

The risk assumptions adopted, given their nature, are not part of the scope of a financial statements audit, and, consequently, they were not audited by our independent auditors.

25 Subsequent events

The Company has evaluated subsequent events from the date of the balance sheet through the date at which the financial statements are issued, and determined there are no other items to disclose in addition to the following items:

(a) Additional acquisition of minority interest in Panatlântica S.A.

On January 6, 2010, the Company acquired a minority interest in the capital stock of Panatlântica S.A., a listed corporation whose main activity is the manufacturing, sale, import, export and processing of steel and metals.

This acquisition comprised the purchase of eight hundred two thousand, sixty-nine (802,069) common shares representing 9.3963% of Panatlântica's total capital stock.

(b) Merger of subsidiary GalvaSud S.A

On January 29, 2010, CSN merged subsidiary GalvaSud S.A., given the resemblance between the activities performed by both companies. The equity merger resulted in the optimization of processes and maximization of results, by concentrating both companies' selling, operating and administrative activities in one single organizational structure.

(c) Public offering for the Acquisition of Cimpor – Cimentos de Portugal, SGPS, S.A.

On December 18, 2009, the Company disclosed a preliminary announcement of the launching of a direct or indirect acquisition public offering by CSN of shares issued by Cimpor – Cimentos de Portugal, SGPS, S.A. ("CIMPOR"), whose shares are traded on Euronext Lisboa ("Offering"). The Offering was registered and its corresponding launching announcement was disclosed on January 27, 2010 and, on February 12, 2010, the amendment of certain conditions of the Offering was announced.

On February 23, 2010, at a special Euronext Lisboa session, it was stated that, having established at the offering prospect an effectiveness condition based on the acquisition of, at least, 1/3 of Cimpor's shares plus one, and, having not met such condition, no securities were acquired in the Offering.

(d) Acquisition of minority interest in Riversdale Mining Limited

On January 8, 2010, the Australian authorities allowed the Company to conclude the second stage of acquisition of 2,482,729 capital stock shares of Riversdale Mining Limited ("Riversdale"), for the price of six Australian dollars and ten cents (A$6.10) per share. The second acquisition stage was concluded on January 13, 2010, and CSN reached, indirectly, the total interest of 16.29%, corresponding to 31,233,327 shares of Riversdale's capital stock.

(e) Stock split

During the Extraordinary General Meeting held on March 25, 2010, the stockholders approved the split of the number of shares representing the Company's capital stock, and accordingly each share of the capital stock became 2 shares after the split. Accordingly, the shares and basic and diluted earnings per share have been adjusted retrospectively for all periods presented to reflect that change in the capital structure. The maintenance of the ratio share/ADR (American Depositary Receipt) at 1/1 was approved, and each ADR will continue to be represented by one share.

(f) Securitization program accumulation event

CSN Export S.à.r.l., a whole owned subsidiary of CSN, recorded in the 26^{th} quarter of its securitization program, insufficient export level to meet certain coverage indicators provided for export contracts in the program (coverage ratios), which resulted in an accumulation event. This fact was due to the sharp reduction in sales margins for steel products in foreign markets in relation to the margins observed in the internal market, and certain measures (such as the inclusion of receivables from the export of iron ore in the Securitization Program) are now being taken by Company to remedy the situation in the near term. The accumulation event is merely a temporary routing resource (up to an amount equivalent to twice the debt service) to an account administered by the custodian bank until such event is remedied. This is not characterized, therefore, as an event of default and generates no consequences for other contracts of the Company and it's financial position as of December 31, 2009.

(g) New Financing Contracted

On February 9, 2010, the Company contracted a new financing from Caixa Econômica Federal under its Special Credit for Large Companies, in the form of a bank credit bill amounting to US$529 (R$1 billion translated at the exchange rate as of the date of the transaction) to be amortized in 36 (thirty-six) months and bear interest of 113.5% per annum of CDI with a maturity date in 2013.

(h) New Financing Contracted

On May 21, 2010, the Company entered into a new export financing contract from Banco do Brasil S.A. in the total amount of US$1.1 billion (R$2 billion translated at the exchange rate as of date of the transaction) which bear interest rate 110,79% of CDI per annum with a maturity date in 2018.

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Nacional Minérios S.A.

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Independent auditors' report

To the Board of Directors of
Nacional Minérios S.A.

We have audited the accompanying consolidated balance sheets of Nacional Minérios S.A. ("Company") and its subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nacional Minerios S.A. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG Auditores Independentes

São Paulo, SP - Brazil

May 21, 2010

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Nacional Minérios S.A.

Consolidated balance sheets

As of December 31, 2009 and 2008

(In thousand of Reais, unless otherwise indicated)

Assets	**Note**	**2009**	**2008**
Current assets			
Cash and cash equivalents	5	1,579,171	1,325,978
Trade accounts receivable			
Related parties	6 e 13	60,499	3,272
Other	6	165,668	129,038
Inventories	7	187,335	246,541
Taxes recoverable		44,007	-
Due from related parties	13	186,729	90,831
Deferred income taxes	4	284,037	51,731
Other	13	28,537	47,492
Total current assets		2,535,983	1,894,883
Noncurrent assets			
Long-term investments	8	171,760	171,760
Property, plant and equipment	9	1,169,751	1,175,453
Other assets			
Due from related parties	13	7,511,130	7,274,958
Deferred income taxes	4	651,224	-
Other		20,337	40,038
Total noncurrent assets		9,524,202	8,662,209

Liabilities and shareholders' equity	**Note**	**2009**	**2008**
Current liabilities			
Trade accounts payable			
Related parties		42,719	188,201
Other		21,414	34,019
Payroll and related charges		7,180	2,874
Taxes payable		26,525	1,772
Due to related parties	13	37,616	1,176,686
Dividends payable		217,818	49,783
Advances from customers		21,448	49,347
Contractual obligations	11	2,129	44,135
Other		7,087	12,578
Total current liabilities		383,936	1,559,395
Noncurrent liabilities			
Accrual for tax contingencies	11	5,109	5,109
Deferred income taxes	4	-	344,156
Due to related parties	13	1,465,945	359,898
Other		2,710	5,104
Total noncurrent liabilities		1,473,764	714,267
Shareholders' equity			
Common shares	10		
Common stock - 475,067,405 shares authorized, issued and outstanding at December 31, 2009 (475,052,685 at December 31, 2008), with no par value		1,173,954	1,173,692
Additional paid-in capital	10	8,099,745	6,707,886
Retained earnings			
Appropriated	10	588,577	130,013
Unappropriated	10	373,847	185,464
Accumulated other comprehensive (loss) income		(33,638)	86,375

			Total shareholders’ equity	10,202,485	8,283,430
Total assets	12,060,185	10,557,092	Total liabilities and shareholders’ equity	12,060,185	10,557,092

The accompanying notes are an integral part of these consolidated financial statements

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Nacional Minérios S.A.

Consolidated statements of income

For the Years ended December 31, 2009 and 2008

(In thousand of Reais)

	Note	2009	2008
Operating revenues			
Domestic sales		43,973	35,704
Export sales		1,430,636	1,034,134
		1,474,609	1,069,838
Sales taxes		(7,633)	(7,501)
Discounts, returns and allowances		(1,649)	(420)
Net operating revenues		1,465,327	1,061,917
Cost of goods sold		(951,645)	(562,074)
Gross profit		513,682	499,843
Operating income (expenses)			
Selling expenses	14	(332,538)	(114,959)
General and administrative	14	(27,246)	(10,291)
Other income (expenses), net	14	71,647	(43,145)
		(288,137)	(168,395)
Operating income		225,545	331,448
Financial income	15	1,017,588	1,732
Financial expenses	15	(132,899)	(21,624)
Foreign exchange and monetary gain (loss), net		138,519	(138,853)
		1,023,208	(158,745)
Income from continuing operations before income taxes		1,248,753	172,703
Income taxes			
Current	4	(170,019)	(20)
Deferred	4	(164,185)	110,330
		(334,204)	110,310
Net income		914,549	283,013

The accompanying notes are an integral part of these consolidated financial statements.

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Nacional Minérios S.A.

Consolidated statements of changes in shareholders' equity

For the Years ended December 31, 2009 and 2008

(In thousand of Reais, except for share data)

	2009	2008
Changes in common shares (number of shares)		
Balance, beginning of period	475,052,685	30,000
Issuance of common shares	14,720	475,022,685
Balance, end of period	475,067,405	475,052,685
Common share		
Balance, beginning of period	1,173,692	30,000
Paid-in capital	262	1,143,692
Balance, end of period	1,173,954	1,173,692
Additional paid-in capital		
Balance, beginning of period	6,707,886	
Change in the period	1,391,859	6,707,886
Balance, end of period	8,099,745	6,707,886
Retained earnings		
Appropriated		
Investment reserve		
Balance, beginning of period	118,050	29,025
Transfer from unappropriated retained earnings	412,708	89,025
Balance, end of period	530,758	118,050
Legal reserve		
Balance, beginning of period	11,963	2,037
Transfer from unappropriated retained earnings	45,856	9,926
Balance, end of period	57,819	11,963
Unappropriated		
Balance, beginning of period	185,464	51,185
Net income for the period	914,548	283,013
Dividends distribution (R$0.5633 per share in 2009 and R$0.1048 per share in 2008)	(267,601)	(49,783)
Appropriation to reserves	(458,564)	(98,951)
Balance, end of period	373,847	185,464
Total retained earnings	962,424	315,477
Accumulated other comprehensive income (loss)		
Cumulative translation adjustment		
Balance, beginning of period	86,375	
Change in the period	(120,013)	86,375

Balance, end of period	(33,638)	86,375
Total accumulated other comprehensive income (loss)	(33,638)	86,375
Total shareholders' equity	10,202,485	8,283,430
Comprehensive income		
Net income for the period	914,548	283,013
Translation adjustments for the period	(120,013)	86,375
Total comprehensive income	794,535	369,388

The accompanying notes are an integral part of these consolidated financial statements.

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Nacional Minérios S.A.

Consolidated statements of cash flows

For the Years ended December 31, 2009 and 2008

(In thousand of Reais)

	2009	2008
Cash flows from operating activities		
Net income for the period	914,548	283,013
Adjustments to reconcile net income for the period to net cash provided by (used in) operating activities		
Depreciation and amortization	70,788	69,671
Foreign exchange and monetary (gain) loss, net	(215,549)	138,853
Interest accrued	(776,210)	19,495
Deferred income taxes	164,185	(110,330)
Other	(45,635)	19,929
(Increase) decrease in operating assets		
Trade accounts receivable	(92,368)	(99,477)
Inventories	73,667	(202,344)
Due from related parties	23,224	(7,344,521)
Interest received	279,528	-
Other	17,498	(60,047)
Increase (decrease) in operating liabilities		
Trade accounts payable	98,336	175,180
Taxes payable	2,568	(3,386)
Other	(52,795)	36,814
Net cash provided by (used in) operating activities	461,785	(7,077,150)
Cash flows from investing activities		
Net assets merged	105	-
Additions to property, plant and equipment	(67,217)	(26,126)
Net cash used in investing activities	(67,112)	(26,126)
Cash flows from financing activities		
Due to related parties - intercompany loans	1,197,800	1,158,067
Capital increase	157	578,268
Additional paid-in capital	-	6,707,886
Repayments	(1,171,784)	-
Interest paid	(68,088)	(18,966)
Dividends paid	(99,565)	-
Net cash provided by (used in) financing activities	(141,480)	8,425,255
Increase in cash and cash equivalents	253,193	1,321,979
Cash and cash equivalents, beginning of period	1,325,978	3,999
Cash and cash equivalents, end of period	1,579,171	1,325,978
Cash paid during for the period		
Interest	68,088	18,966

Income taxes	107,909	-
Supplemental cash flow information:		
Dividends used for capital increase		9,674
Ownership interest in MRS contributed by CSN to Namisa		171,760
Tax credit from BJE merger	1,391,859	
Interest receivable used for offsetting accounts payable	266,318	
Dividends payable	217,818	49,783

The accompanying notes are an integral part of these consolidated financial statements

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Nacional Minérios S.A.

Notes to the consolidated financial statements

As of December 31, 2009 and for the two-year period then ended

(In thousand of Reais, unless otherwise stated)

1 The Company and its operations

Nacional Minérios S.A. (“Namisa” or “the Company”) was incorporated in November 2006 for the purpose of selling iron ore extracted from its own mines as well as acquired from third parties. Its sales are mainly directed to the foreign market and its operations are developed in the Municipalities of Congonhas, Ouro Preto, Itabirito, Rio Acima and Nova Lima, in the State of Minas Gerais, and in Itaguaí, in the State of Rio de Janeiro.

In July 2007, Namisa acquired 100% of Companhia de Fomento Mineral e Participações S.A. (“CFM”), a mining company located in the State of Minas Gerais with an annual capacity of production of 6 million tons of iron ore. On March 30, 2008, CFM’s net equity was merged into Namisa.

In April 2008, Namisa acquired at book value from a related party,100% of Namisa International SL, former Inversiones CSN Espanha SL, which controls Namisa Europe Lda., former NMSA Madeira Lda. (“NMSA”). NMSA’s activities are sales of iron ore, financial operations and participation in other companies. These entities did not have any material assets or liabilities at the time of the acquisition.

In November 2008, Namisa’s shareholder, Companhia Siderúrgica Nacional (“CSN”), contributed 10% of its ownership in MRS Logística’s non-convertible preferred shares Class A in the amount of R$171,760 to the Company, in accordance with a Bonus of Subscription and Assessment Report on the shares issued by MRS.

In December 2008, CSN sold 2,271,825 shares of Namisa’s voting capital to Big Jump Energy Participações S.A. (“Big Jump” or “BJE”), whose shareholders are Brazil Japan Iron Ore Corporation (“BJIOC”) and Pohang Iron and Steel Company (“Posco”). Subsequently, Namisa issued new shares which were fully subscribed and paid-up in cash by Big Jump, in the amount of US$3,041,473 thousand, equivalent to R$7,286,154, of which R$578,268 refers to a capital increase and R$6,707,886 refers to premium on the issuance of new shares (additional paid-in capital).

On July 30, 2009 Big Jump was merged into Namisa and as a result, Namisa’s capital increased to R$1,173,954, represented by 475,067,405 shares, of which 285,040,443 shares are owned by CSN, 159,242,336 shares are owned by BJIOC and 30,784,626 shares are held by Posco. As a result of the BJE merger, the goodwill of R$4,093,703 recognized by BJE upon its acquisition of Namisa on December 30, 2008 generated a tax credit of R$1,391,859 to be realized in 60 months, beginning August 2009. This tax credit was considered to be a capital transaction and, accordingly, an additional paid-in capital of an equal amount was recognized at the date of the merger. The tax credit started being realized in August 2009 and as of December 31, 2009, R$115,988 had been realized against income as a deferred tax expense offset in a current income tax of the period for an equal amount; accordingly, no net effect in the statement of income arose from the tax credit recognized by Namisa upon the BJE merger.

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Consolidation process

The Company's consolidated subsidiaries are:

Investees	2009	2008	Main activities
Direct ownership:			
MG Minérios S.A.	99.99%	99.99%	Mining and holding company
Pelotização Nacional S.A.	99.99%	99.99%	Mining and holding company
Namisa International SL (former Inversiones CSN Espanha SL)	100%	100%	Financial operations, product sales and holding company
Indirect ownership:			
Namisa Europe Lda. (former NMSA Madeira Lda.)	100%	100%	Iron ore and steel products sales, financial operations and holding company

2 Summary of significant accounting policies and practices

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The Company prepared its first set of financial statements under US GAAP as of and for the year ended December 31, 2008.

In preparing the consolidated financial statements in accordance with US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. The Company's consolidated financial statements therefore include various estimates concerning the selection of useful lives of property, plant and equipment, impairment of long-lived assets, allowance for doubtful accounts receivable, computation of fair value of assets and liabilities of Companies acquired and of derivative instruments, contingencies and environmental liabilities and other similar evaluations. Although these estimates are based on the Company's knowledge of current events and actions that the Company may undertake in the future, actual results may vary from these estimates.

The Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ("FASB") established the *FASB Accounting Standards Codification* ("ASC") as the single source of authoritative GAAP to be applied by nongovernmental entities. The ASC is a new structure which took existing accounting pronouncements and organized them by accounting topic. Relevant authoritative literature issued by the Securities and Exchange Commission ("SEC") and select SEC staff interpretations and administrative literature was also included in the ASC. All other accounting guidance not included in the ASC is non-authoritative. The ASC was effective for the Company's interim quarterly period beginning July 1, 2009. The adoption of the ASC did not have an impact on the Company's consolidated financial position, results of operations or cash flows.

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a. Basis of presentation

The consolidated financial statements have been prepared in accordance with US GAAP, which differ in certain respects from the statutory financial statements prepared in accordance with accounting practices adopted in Brazil.

The Company's primary functional currency is the *Real*; also, the Company used as reporting currency the *Real*. The translation gain or loss to Brazilian Reais resulting from transactions of its offshore subsidiary Namisa Europe Lda., which the functional currency was considered to be the U.S. dollar, was included as a component of accumulated other comprehensive income (loss) in shareholders' equity; its balance sheet was translated into Reais at the exchange rate prevailing on December 31, 2009 of US$1.00 to R$1.7412 (US$1.00 to R$2.3370 on December 31, 2008) and all accounts in the statement of income at the average exchange rates prevailing during the applicable periods. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the Brazilian real are included in the results of operations as incurred.

Shareholders' equity and net income included in the financial statements presented herein differs from that included in the Company's statutory accounting records as a result of adjustments made to reflect the requirements of US GAAP.

b. Basis of consolidation

The consolidated financial statements include the financial statements of Nacional Minérios S.A. ("Namisa") and its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The financial information of all subsidiaries has been prepared in accordance with US GAAP.

c. Cash and cash equivalents

Cash equivalents are comprised of highly liquid temporary cash investments, mainly time deposits, with original maturity dates of three months or less, and certificates of deposits which may be withdrawn at any time at the discretion of the Company without penalty.

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d. Trade accounts receivable

Accounts receivable are stated at estimated realizable values. Allowance for doubtful accounts is recorded, when necessary, in an amount considered by management to be sufficient to cover probable future losses related to uncollectible accounts.

e. Inventories

Inventories are stated at the lower of average cost or replacement or realizable value. Cost is determined using the average cost method. Cost of finished products include the purchase cost of raw material and conversion costs such as direct labor and an allocation of fixed and variable overhead. Losses for slow-moving or obsolete inventories are recorded when considered appropriate.

f. Long-term investments

The Company accounts for long-term investments comprised of its participation in an investee's outstanding voting stock classified as available-for-sale at cost.

The Company uses the cost method of accounting for long-term investments for which the Company holds less than 20% of the outstanding voting stock and has no ability to exercise significant influence over operating and financial policies of the investee.

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g. Property, plant and equipment

Property, plant and equipment are recorded at cost, including capitalized interest incurred during the construction period of major new facilities. Interest capitalized in foreign currency borrowings excludes the effect of foreign exchange gain and losses. Depreciation is computed under the straight-line method at rates which take into consideration the useful lives of the related assets, as follows (average): buildings - 13 years; machinery and equipment – 6 years; furniture and fixtures - 7 years; and computer and peripherals - 4 years. Mining reserves are amortized based on the volume of iron ore extracted. Assets under construction are not depreciated until placed into service.

Costs of developing iron ore and other mines or expanding the capacity of operating mines are capitalized and charged to operations based on the units-of-production method which considers the total quantity to be recovered. These costs have not been material for the two-year period presented herein.

Maintenance and repair expenses are charged to the cost of production as incurred. Any gain or loss on the disposal of property, plant and equipment are recognized on disposal.

h. Impairment of long-lived assets

Management reviews long-lived assets to be held and used in the Company’s business activities for the purpose of determining and measuring impairment on a recurring basis or when events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. Write-down of the carrying value of assets or groups of assets is made if and when considered appropriate. The carrying value of long-lived assets is considered impaired when the anticipated undiscounted cash flow from such asset is less than its carrying value.

In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the assets. Fair value is determined primarily by using a discounted cash flow analysis. No impairment losses have been recorded for the periods presented.

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i. Revenues and expenses

Revenues and expenses are recognized on the accrual basis. Revenues from the sale of goods are recognized upon delivery to customers, when title is transferred and the customer has assumed the significant risks and rewards of ownership in accordance with the contractual terms. Revenue is not recognized if there are significant uncertainties as to its realization. The Company reflects sales taxes as a reduction of gross operating revenues.

Handling and shipping expenses are classified in the statement of income as selling expenses. For the year ended December 31, 2009 those expenses amounted to R$318,411 (R$ 91,831 for the year ended December 31, 2008).

j. Environmental and remediation costs

The Company provides for remediation costs and penalties when a loss is probable and the amount of associated costs is reasonably determinable. Generally, the timing of remediation accrual coincides with completion of a feasibility study or the commitment to a formal plan of action.

Expenditures relating to ongoing compliance with environmental regulations are charged to earnings or capitalized, as appropriate. Capitalization is considered appropriate when the expenditures relate to items that will continue to provide benefits to the Company and primarily pertain to the acquisition and installation of equipment for pollution control and/or prevention. These ongoing programs are designed to minimize the environmental impact of the Company’s operations and are also expected to reduce costs that might otherwise be incurred on cessation of mining activities.

k. Accrual for contingencies

The Company's contingencies were estimated by management and were substantially based upon known facts and circumstances, management's experience and the opinions of the Company's tax and legal advisors. The Company records accruals for contingencies for lawsuits which the Company classifies as probable risk of losses and the amount from the lawsuit can be reasonably estimated.

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l. Income taxes

Income taxes are accounted for under the asset and liability method. The effects of temporary differences between the tax basis of assets and liabilities and the amounts included in these financial statements have been recognized as deferred income taxes. Deferred taxes assets and liabilities are measured using enacted tax rates in effect for the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in income in the period of the enactment date. Net operating loss carryforwards are recognized as deferred tax assets, and a valuation allowance is recorded when management believes it is not more likely than not that deferred tax assets will be fully recovered in the future.

In accordance with FASB ASC 740-10, the Company recognizes the effect of uncertain income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company recognizes interest and penalties related to unrecognized tax benefits in interest expenses in the statement of income.

m. Statement of cash flows

Short-term investments that have a ready market and original maturity, when purchased, of 90 days or less and certificates of deposits which may be withdrawn at any time at the discretion of the Company without penalty are considered to be cash equivalents.

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n. Earnings per share

The Company presents its earnings per share in accordance with FASB ASC 260. Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share are computed in a manner consistent with that of basic earnings per share giving effect to all potentially dilutive common shares that were outstanding during the year. The Company does not have any potentially dilutive common shares outstanding and, accordingly, diluted earnings per share are equal to basic earnings per share.

o. Concentration of credit risk

Financial instruments that potentially subject Namisa to concentrations of credit risk are cash and cash equivalents and trade accounts receivable. Namisa limits its credit risk associated with cash and cash equivalents by placing its investments with highly-rated financial institutions. With respect to trade accounts receivable, Namisa limits its credit risk by performing ongoing credit evaluations and, depending on the results of the evaluation, requiring letters of credit, guarantees or collateral. Namisa's iron ore is utilized in a wide variety of industry segments; however, accounts receivable and sales are primarily concentrated in the steel industry.

p. Comprehensive income

Reporting comprehensive income requires that companies report changes in the equity of a business enterprise during a period resulting from transactions and other events and circumstances from non-owner sources. The Company has reported comprehensive income for the period presented herein and has included a comprehensive income statement as part of the consolidated statements of changes in shareholders' equity.

q. Segment and geographic information

FASB ASC 280 requires that a business enterprise supplementally disclose certain financial information about its various and distinct operating activities. Such information is to be presented from the point of view of how operating and financial decisions are made for each business sector. The Company operates in a single segment, which is the mining activity.

r. Asset retirement obligations

Retirement of long-lived assets is accounted for in accordance with the establishments of FASB ASC 410. Our retirement obligations consist primarily of estimated closure costs, the initial measurement of which is recognized as a liability discounted to present values and subsequently accreted through earnings. An asset retirement cost equal to the initial liability is capitalized as part of the related asset's carrying value and depreciated over the asset's useful life. As of December 31, 2009, we had recognized R$1,023 (R$1,746 in 2008) as asset retirement obligations related to our operations in the Fernandinho and Engenho mines.

s. Fair value measurements

In accordance with FASB ASC 820, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Also, a framework is established for measuring fair value and expands disclosures about fair value measurements (Note 15). We have not applied the provisions of FASB ASC 820 as of December 31, 2009 since we did not have nonfinancial assets and nonfinancial liabilities that were recognized or disclosed at fair value on a nonrecurring basis.

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t. Fair value option

Effective January 1, 2008, the Company adopted the provisions of FASB ASC 825-10-25. It gives the Company the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. Fair value option has not been elected for any of the Company's financial assets and liabilities.

3 Recent accounting pronouncements

a) Newly issued accounting pronouncements

Accounting Standards Update (ASU) number 2010-06 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. This update provides amendments to Subtopic 820-10 and are expected to provide more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The Company will adopt this update in 2010 and does not expect relevant impacts on fair value information currently disclosed.

In June 2009, the Financial Accounting Standards Board ("FASB") issued an amendment to Interpretation No. 46(R) on the accounting and disclosure requirements for the consolidation of variable interest entities ("VIEs"). Subsequently, in December 2009, the Accounting Standards Update (ASU) number 2009-17 Amendments to FASB Interpretation No. 46(R) was issued. The amendments replace the quantitative based risks and rewards calculation, for determining which reporting entity has a controlling financial interest in a VIE, with a qualitative analysis when determining whether or not it must consolidate a VIE. The newly required approach is focused on identifying which reporting entity has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. The amendments also require an enterprise to continuously reassess whether it must consolidate a VIE. Additionally, the amendments eliminated the scope exception on qualifying special-purpose entities ("QSPE") and require enhanced disclosures about: involvement with VIEs, significant changes in risk exposures, impacts on the financial statements, and, significant judgments and assumptions used to determine whether or not to consolidate a VIE. The Company will adopt these amendments in 2010. We are currently assessing the potential impacts of this pronouncement and do not expect major changes to the reported financial information.

In June 2009, the "FASB" issued an amendment to the accounting and disclosure requirements for transfers of financial assets. Subsequently, in December 2009, the Accounting Standards Update (ASU) number 2009-16 Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140 was issued. The amendments improve financial reporting requiring greater transparency and additional disclosures for transfers of financial assets and the entity's continuing involvement with them and also change the requirements for derecognizing financial assets. In addition, the amendments eliminate the exceptions for QSPE from the consolidation guidance and the exception that permitted sale accounting for certain mortgage securitizations when a transferor has not surrendered control over the transferred financial assets. The Company will adopt the amendments in 2010 and do not expect major effect to its financial statements.

Accounting Standards Update (ASU) number 2009-08 Earning per share issued by the FASB provides additional guidance related to calculation of earnings per share. This guidance amends ASC 260.

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The Company understands that the other recently issued accounting pronouncements that are not effective as of and for the year ended December 31, 2009 are not expected to be relevant for its consolidated financial statements.

b) Accounting standards adopted in 2009

Accounting Standards Update (ASU) number 2009-05 Fair value measurements and disclosures issued by the FASB provides additional guidance related to address the lack of observable market information to measure the fair value of a liability. This guidance amends ASC 820. It is effective after the issuance. The Company already adopts this statement.

In June 2009, the FASB issued the FASB Accounting Standards Codification (Codification). The Codification became the single source for all authoritative GAAP recognized by the FASB to be applied for financial statements issued for periods ending after September 15, 2009. The Codification does not change GAAP and does not have an effect on our financial position, results of operations or liquidity.

In June 2009, we adopted a newly issued accounting standard for accounting and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, this statement sets forth (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The standard is effective for interim or annual periods ending after June 15, 2009. The Company already adopts this statement.

In June 2009, we adopted a newly issued accounting standard for fair value of financial instruments which requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This standard also requires these disclosures in summarized financial information at interim reporting periods. This standard became effective for interim reporting periods ending after June 15, 2009, and we have not opted for early adoption of this standard for the three-month period ended March 31, 2009. The application of this standard expanded the Company’s disclosures regarding the use of fair value. The required information is disclosed in Note 15.

In January 2009, we adopted a newly issued accounting standard regarding disclosure of derivative instruments and hedging activities. As such, entities must now provide qualitative disclosure about objectives and strategies for using derivatives, quantitative disclosures about fair value gain and losses on derivative instruments and disclosures about credit-risk related contingent features in derivative agreements on a quarterly basis regarding how and why the entity uses derivatives, how derivatives and related hedged items are accounted for under the new standard and how derivatives and related hedged items affect the entity's financial position, performance and cash flows. The required information is disclosed in Note 16.

In January 2009, we adopted a newly issued accounting standard that applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

4 Income taxes

Income taxes in Brazil comprise federal income and social contribution taxes (which is an additional federal income tax). The statutory rates applicable for the years presented herein are 25% for federal income tax and 9% for social contribution. The amounts reported as income tax expense in the consolidated financial statements for the two-year periods ended December 31, 2009 and 2008 are reconciled to the statutory rates as follows:

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	December 31, 2009		
	Brazil	Abroad	Total
Income before income taxes	1,178,312	70,440	1,248,752
Federal income and social contribution taxes at statutory rates (34%)	(400,626)	(23,950)	(424,576)
Adjustments to derive effective tax rate:			
Nontaxable results from subsidiaries or taxed at different rates	-	23,950	23,950
Dividends received from investments at cost	18,521	-	18,521
Tax benefit from amortization of goodwill recognized for tax purposes	47,208	-	47,208
Other permanent differences	693	-	693
Income taxes benefit (expense)	(334,204)	-	(334,204)

	December 31, 2008		
	Brazil	Abroad	Total
Income before income taxes	(200,210)	372,913	172,703
Federal income and social contribution taxes at statutory rates (34%)	68,071	(126,790)	(58,719)
Adjustments to derive effective tax rate:			
Nontaxable results from subsidiaries or taxed at different rates	-	126,790	126,790
Tax benefit from amortization of goodwill recognized for tax purposes	39,340	-	39,340
Other permanent differences	2,899	-	2,899
Income taxes benefit (expense)	110,310	-	110,310

Income taxes benefit (expense) for the two-year periods ended December 31, 2009 and 2008 consists of:

	2009			2008		
	Current	Deferred	Total	Current	Deferred	Total
Brazil	(170,019)	(164,185)	(334,204)	(20)	110,330	110,310
Abroad	-	-	-	-	-	-
Total	(170,019)	(164,185)	(334,204)	(20)	110,330	110,310

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For the period ended December 31, 2009, income from continuing operations before income taxes consists of the following:

Brazil	1,178,312
Foreign	70,440
Total	1,248,752

The major components of deferred income tax accounts in the balance sheet as of December 31, 2009 and 2008 are as follows:

Current assets	**2009**	**2008**
Tax loss carryforwards	-	25,129
Expenses deductible when paid	5,665	18,282
Tax credit from amortization of BJE goodwill	278,372	
Unrealized foreign exchange loss	-	8,320
Current deferred tax assets	284,037	51,731
Noncurrent assets		
Accrual for contingencies	1,087	1,087
Expenses deductible when paid	6,877	6,877
Tax credit from amortization of BJE goodwill	997,499	23,597
Noncurrent deferred tax assets	1,005,463	31,561
Total deferred tax assets	1,289,500	83,292
Noncurrent deferred tax liability		
Property, plant and equipment	354,239	375,717
Total noncurrent deferred tax liability	354,239	375,717

As of December 31, 2009, the Company had fully realized its tax loss carryforwards and social contribution negative basis.

No valuation allowance for deferred tax assets as of December 31, 2009 and 2008 was recognized since, in the judgment of management, tax credits are more likely than not to be realized in the near future. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The amount of taxable income necessary to be generated in order to fully realize the deferred tax asset recorded as of December 31, 2009 is approximate R$3,800,000 which is expected to be achieved by the end of 2013 (unaudited). In 2009, taxable income was of R$505,733. In future years the Company expects to generate higher taxable income due to the completion of the expansion projects and start-up of new industrial facilities as from 2011.

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FASB ASC 740 provides guidance on recognition, classification and disclosure concerning uncertain income tax liabilities. The evaluation of a tax position requires recognition of a tax benefit if it is more likely than not it will be sustained upon examination. The Company adopted those provisions on January 1, 2007. The adoption of those provisions did not have a material impact on Namisa's consolidated financial statements.

Beginning with the adoption of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes,* included in FASB ASC Subtopic 740-10 - *Income Taxes - Overall*, as of January 1, 2009, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Prior to the adoption of Interpretation 48, the Company recognized the effect of income tax positions only if such positions were probable of being sustained.

The Company records interest and penalties related to unrecognized tax benefits in interest expense.

There were no unrecognized tax benefits at beginning, during or end of the two-year period ended December 31, 2009 and the Company does not expect this situation will change significantly within the next twelve months.

The Company and its subsidiaries file income tax returns in Brazil and in certain foreign jurisdictions. The Brazilian and Foreign tax returns are open to examination by the respective tax authorities since inception of the Company and its subsidiaries and will remain open to examination for a period of five years after the end of each fiscal year. Accordingly, tax years still open to examination by tax authorities are the fiscal years ending December 31, 2006 (year of incorporation of the Company), December 31, 2007, December 31, 2008 and December 31, 2009.

As of December 31, 2009, the undistributed earnings of the Company's foreign subsidiaries have been invested and will continue to be invested in their operations, having no presumption that they will be remitted to the parent company in the foreseeable future. These undistributed earnings of the Company's foreign subsidiaries amounted to R$443,353 as of December 31, 2009 (R$372,913 as of December 31, 2008). If circumstances change and the Company decides to repatriate these undistributed earnings, the tax liability in lieu thereof will be generated in Spain at the rate of 15% and will amount to R$66,503.

5 Cash and cash equivalents

Cash and cash equivalents as of December 31, 2009 and 2008 were composed as follows:

	2009	2008
Cash in hand and bank deposits		
In Reais	867	3,169
In Euros	1,136	-
Certificate of deposits and time deposits		
In Reais	1,527,156	44,120
In Euros	50,012	1,278,689
Total	1,579,171	1,325,978

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Management has been investing surplus cash in time deposits with maturities of three months or less when purchased. Also the certificate of deposits may be withdrawn at any time at the discretion of the Company without penalty.

6 Trade accounts receivable

	2009	2008
Domestic	36	1,042
Export - Primarily denominated in U.S. Dollars	226,131	131,268
Total	226,167	132,310

7 Inventories

	2009	2008
Finished goods	181,305	241,887
Maintenance supplies	5,237	4,652
Other	793	2
Total	187,335	246,541

8 Long-term investments

The Company holds 10% of MRS Logística's capital which has been accounted for at cost . The fair value of the investment was not estimated since there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment and it is not practicable to estimate the fair value since MRS's shares are not quoted publicly and there is no other reasonable source of quotation to reliably determine its market value.

9 Property, plant and equipment

	As of December 31, 2009		
	Cost	Accumulated depreciation	Net
Land	2,850	-	2,850
Buildings	18,357	(2,959)	15,398
Machinery and equipment	81,472	(25,062)	56,410

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Furniture and fixtures	834	(380)	454
Computers and peripherals	1,667	(847)	820
Mines and reserves	1,195,391	(152,632)	1,042,759
Other	136	(18)	118
	1,300,707	(181,898)	1,118,809
Construction in progress	50,942	-	50,942
Total	1,351,649	(181,898)	1,169,751

As of December 31, 2008

	Cost	Accumulated depreciation	Net
Land	2,850	-	2,850
Buildings	13,292	(1,924)	11,368
Machinery and equipment	54,228	(16,669)	37,559
Furniture and fixtures	699	(268)	431
Computers and peripherals	1,095	(671)	424
Mines and reserves	1,196,115	(91,541)	1,104,574
	1,268,279	(111,073)	1,157,206
Construction in progress	18,247	-	18,247
Total	1,286,526	(111,073)	1,175,453

Construction in progress consists principally of a group of investments for the purpose of improving the Company’s productivity and quality of its products. The main investments are in the area of environmental protection, cost reduction, infrastructure and automation, and information technologies.

10 Shareholders’ equity

a. Capital

During 2008, Namisa’s capital was increased through the consummation of the following transactions: (i) previous advances for future capital increase were capitalized by CSN in the amount of R$383,990 in accordance with the General Meeting held on July 25, 2008; (ii) dividends declared in the General Meeting held on July 25, 2008 in the amount of R$9,674 were contributed to Namisa by CSN; (iii) contribution of 10% ownership in MRS’ preferred shares by CSN in the amount of R$171,760; and (iv) new shares issued and fully subscribed and paid up by Big Jump in the amount of R$578,268 on December 30, 2008.

On July 30, 2009, Big Jump was merged into Namisa and as a result Namisa’s capital increased by R$262 to R$1,173,954, represented by 475,067,405 shares as of December 31, 2009.

b. Additional paid-in capital

Additional paid-in capital as of December 31, 2009 amounted to R$8,099,745 (R$6,707,886 in 2008), of which R$6,707,886 was generated on December 30, 2008 as a result of the premium on issuance of 187,749,249 common shares, with no par value, subscribed and paid-up by Big Jump, and R$1,391,859 relating to the tax credit on goodwill generated by Big Jump upon Namisa’s acquisition in 2008 and merged in July 30, 2009, as further described in Note 1.

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c. Appropriated retained earnings

Brazilian laws and Namisa's By-laws require that certain appropriations be made from retained earnings to reserve accounts on an annual basis. The purpose and basis of appropriation to such reserve accounts are described below:

i. Investment reserve - This is a general reserve for future expansion of the Company's activities.

ii. Legal reserve - This reserve is a requirement for all Brazilian corporations and represents the annual appropriation of 5% of net income up to a limit of 20% of capital stock, as determined in the Brazilian Corporate Law. This reserve may be used to increase capital or to absorb losses, but may not be distributed as cash dividends.

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d. Dividends and interest on shareholders' equity

The Company's By-laws guarantee a minimum annual dividend equal to 25% of the adjusted net income for the year, as required by the Brazilian Corporate Law, which comprises net income determined in accordance with accounting practices adopted in Brazil after deduction of legal reserve. Interest on shareholders' equity since January 1, 1996 is considered part of the minimum dividend. Brazilian law permits the payment of cash dividends only from retained earnings as stated in the Company's statutory accounting records. In addition, in accordance with the statutory accounting records, appropriated retained earnings at December 31, 2008 included the amount of R$118,050 related to the investment reserve, which could be transferred to unappropriated retained earnings and paid as dividends and interest on shareholders' equity, if approved by the shareholders. As of December 31, 2009, the 25% minimum annual dividend as required by the Company's By-laws amounted to R$217,818, as well as additional R$240,746, which together represent 50% of the consolidated net income for the year 2009, which will be paid during 2010.

11 Commitments and accrual for contingencies

(a) Accrual for contingencies

	December 31, 2009		December 31, 2008	
	Deposits	Accrual	Deposits	Accrual
Labor	-	9	-	12
Civil	-	-	-	87
Total current	-	9	-	99
Labor	103	-	3	-
Tax	16	5,109	-	5,109
Total non-current	119	5,109	3	5,109

The provisions for contingencies relate to legal proceedings for which Namisa deems the likelihood of an unfavorable outcome to be probable and the loss reasonably estimated. This determination is made based on the legal opinion of Namisa's internal and external legal counsel. Namisa believes these contingencies are properly recognized in our financial statements in accordance with FASB ASC 450-20.

Court deposits relating to contingencies and disputed taxes payable are generally based on (i) accruals recorded in connection with lawsuits, (ii) judicial orders issued in connection with lawsuits and (iii) guarantees in connection with judicial foreclosure proceedings. Such deposits are classified as long-term assets and the release of such deposits is conditioned upon judicial order. When such a judicial order is granted in Namisa's favor, the deposit is forfeited and returned to us in cash. When such a judicial order is unfavorable to us, the deposit is used to offset the related liability and the deposit account is appropriately offset.

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The Company considers that the amounts currently provisioned are the best estimates for the losses which are probable of occurring and does not expect that future events will occur to change this situation.

The Company is party to other judicial and administrative proceedings for which the risk of losses was determined to be possible , involving a total of approximately R$3,771 as of December 31, 2009, of which R$837 refers to civil lawsuits and R$2,934 to labor lawsuits. The Company does not expect that future events will occur in the near-term causing additional losses to be recognized.

Labor contingencies

As of December 31, 2009, the amount of the accrual relating to probable risk of losses for these contingencies was R$9 (R$12 in 2008). Most of the lawsuits are related to additional payments for unhealthy and hazardous activities, overtime and disagreement between employees and the Brazilian government over the amount of severance payable by us. These contingencies are classified in the consolidated balance sheet as “other” in current liabilities.

The Company’s operating labor force is subject to collective bargaining agreements in Brazil entered into with the Miners Labor Union on a yearly basis. The operating labor force represents approximately 75% of the Company’s total labor force.

Accrual for tax contingencies

Tax contingencies relate to a variety of disputes for which Namisa has recorded provisions for probable losses. As of December 31, 2009 and 2008, the amount of the accrual relating to probable losses for these contingencies was R$5,109. These tax contingencies do not relate to income tax items.

Environmental contingencies

The Company is subject to Brazilian federal, state and municipal environmental laws and regulations governing air emissions, waste water discharges, and solid and hazardous waste handling and disposal. The Company is committed to controlling the substantial environmental impact caused by our mining and related logistics operations in accordance with international standards and in compliance with environmental laws and regulations in Brazil. The Company believes that it is in substantial compliance with applicable environmental requirements.

The Company provides accruals for remediation costs and environmental lawsuits when a loss is probable and the amount can be reasonably estimated. The Company records provisions for all environmental liabilities and obligations for which the Company is formally enforced by competent authorities. As of December 31, 2009 and 2008, the Company has not recognized any provision for environmental regulation.

We currently do not have environmental lawsuits and no changes are expected in the near term for our current situation.

(b) Commitments

i. Take-or-pay contract

The Company and MRS Logística S.A. entered into a ten-year contract for iron ore transport. According to the “take-or-pay” clause, in the case the volume transported is lower than the minimum contractually agreed, the Company is obliged to pay at least 80% of the volume committed to be transported by MRS. The volume of iron ore transported by MRS in addition to the minimum agreed (take-or-pay) for a given month may be compensated with lower volumes transported in subsequent months. For the take-or-pay quantities, the Company will pay in accordance with the terms of the contract. As Namisa is a shareholder of MRS, the minimum amounts to be paid under the contract terms are calculated by a tariff model which is designed to assure competitive prices. The future minimum amounts of required payments until maturity of the contract in 2014 is over R$1,200,000 with annual amounts over R$250,000. In 2009, the Company paid R$278,304 under this contract (R$179,856 in 2008).

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As of December 31, 2009, contractual obligations of R$2,129 in current liabilities relate to block rates payable to MRS (R$44,135 in 2008 relate to block rates and take-or-pay payable).

iii. Covenants

Long-term debt instruments (due to related parties) are not subject to covenants by which the Company is required to maintain levels of leverage, liquidity and ratio indices, such as debt to EBITDA and interest coverage.

12 Segment and geographical information

The Company operates in the mining segment.

The Company's net assets included in the consolidated balance sheet are primarily located in Brazil. Operational assets are in two separate locations.

Sales by geographic area are determined based on the location of the customers. The Company's export sales by geographic area for the years ended December 31, 2009 and 2008 are as follows:

	2009	**2008**
Asia		
Bahrein	98,747	114,331
China	172,064	391,522
Hong Kong	400,515	77,007
Japan	271,972	48,217
Singapore	33,934	64,822
South Korea	56,392	36,524
Taiwan	6,975	-
	1,040,599	**732,423**
Europe		
Germany	-	34,614
Luxembourg	61,722	78.827
Portugal	270,776	63,996
United Kingdom	57,539	114,067
	390,037	**291,504**
Others		
United States	-	10,207
	-	**10,207**
Total	**1,430,636**	**1,034,134**

The concentration of sales in Asia is due to the fact that the major steel manufacturers are in Japan. Also, China continues with a strong demand for iron ore. This concentration is expected to continue within the next twelve months.

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13 Related parties

Transactions with related parties, relating primarily to purchases and sales in the ordinary course of business and other intercompany operations, resulted in the following balance sheet and statement of income amounts.

The balances as of December 31, 2009 and 2008 and transactions for the years then ended with related parties are as follows:

			As of December 31, 2009	
Balance sheet	**CSN and Other Subsidiaries**	**MRS Logística**	**Asian Consortees**	**Total**
Current assets				
Trade accounts receivable	8,649	-	51,850	60,499
Due from related parties (1)	186,729	-	-	186,729
Other	9,681	18,189	-	27,870
	205,059	18,189	51,850	275,098
Noncurrent assets				
Due from related parties (1)	7,511,130	-	-	7,511,130
Total assets	**7,716,189**	**18,189**	**51,850**	**7,786,228**
Current liabilities				
Trade accounts payable	30,481	12,238	-	42,719
Due to related parties (2)	37,616	-	-	37,616
Dividends payable	130,691	-	87,127	217,818
Advances from customers	12,724	-	-	12,724
	211,512	12,238	87,127	310,877
Noncurrent liabilities				
Due to related parties (2)	1,465,945	-	-	1,465,945
Other	-	1,650	-	1,650
	1,465,945	1,650	-	1,467,595
Total liabilities	**1,677,457**	**13,888**	**87,127**	**1,778,472**

For the year ended December 31, 2009

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Statement of Income	CSN and Other Subsidiaries	MRS Logística	Asian Consortees	Total
Domestic sales				
CSN	19,560	-	-	19,560
Export sales				
CSN Madeira	271,034	-	-	271,034
Itochu Corp.	-	-	19,447	19,447
JFE Steel Corp.	-	-	88,197	88,197
Nippon Steel Corp.	-	-	108,892	108,892
Nisshin Steel Corp.	-	-	13,242	13,242
Sumitomo	-	-	22,868	22,868
Kobe Steel Ltd.	-	-	13,890	13,890
Posco	-	-	56,392	56,392
	271,034	-	322,928	593,962
Cost of goods sold	(508,779)	(231,316)	-	(740,095)
Selling expenses	(294,843)	(2,129)	-	(296,972)
Other income (expenses), net	-	70,297	-	70,297
General and Administrative	12,193	-	-	12,193
Financial income, net	778,363	-	-	778,363
Foreign exchange gain, net	92,383	-	-	92,383
	369,911	**(163,148)**	**322,928**	**529,691**

					As of December 31, 2008
Balance sheet	CSN and Other Subsidiaries	MRS Logística	Big Jump	CFM	Total
Current assets					
Trade accounts receivable	3,272	-	-	-	3,272
Due from related parties (1)	90,831	-	-	-	90,831
	94,103	-	-	-	94,103
Noncurrent assets					
Due from related parties (1)	7,274,958	-	-	-	7,274,958
Total assets	**7,369,061**	**-**	**-**	**-**	**7,369,061**
Current liabilities					
Trade accounts payable	180,978	7,223	-	-	188,201
Due to related parties (2)	1,176,686	-	-	-	1,176,686
Advances from customers	15,116	-	-	-	15,116
Dividends payable	29,870	-	19,913	-	49,783
	1,402,650	7,223	19,913	-	1,429,786
Noncurrent liabilities					
Due to related parties (2)	359,898	-	-	-	359,898

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Total liabilities	**1,762,249**	**7,223**	**19,913**	**-**	**1,789,385**

			For the year ended December 31, 2008		
Statement of Income	**CSN and Other Subsidiaries**	**MRS Logística**	**Big Jump**	**CFM**	**Total**
Cost of goods sold	(289,784)	-	-	(973)	(290,757)
Selling expenses	(78,722)	-	-	-	(78,722)
Other income (expenses), net	-	(44,135)	-	-	(44,135)
Financial income (expenses), net	(19,281)	-	-	92	(19,189)
Foreign exchange loss, net	(71,462)	-	-	-	(71,462)
	(459,249)	**(44,135)**	**-**	**(881)**	**(504,265)**

Prepayment agreement for port services and supply of iron ore in the amount of R$7,638,658, bearing annual interest rate of 12.5%; R$186,729 is classified in current assets and R$7,451,929 in non-current other assets which maturity date is in July 2042. The shareholder CSN provides iron ore and port services to Namisa which are monthly discounted from the balance of prepayments. As the prepayments are of long term nature, a portion of interest income accrued by Namisa is added to the balance of the prepayments and will be settled with iron ore supply and port services through 2042.

The outstanding balance of R$7,638,658 related to the prepayment agreements for port services and supply of iron ore will be receivable as follows:

Year	**Amount (R$)**
2010	186,729
2011	298,345
2012	366,211
2013	518,522
2014	536,806
2015 and thereafter	5,732,045
Total	7,638,658

Additionally, a loan agreement with CSN Madeira in the total amount of US$34 million corresponding to R$59,201 with annual interest rate of 5.37% and maturity dates from April 2009 through June 2015 is classified as long-term receivable.

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(1) These loans refer to:

(a) an agreement with CSN Export S.à.r.l. of US$100 million and annual interest rate of 6.5%. In August and October of 2008, the Company paid two installments in the total amount of US$40 million and renegotiated in December 2008 the remaining US$60 million for final maturity in March 2015.

(b) an agreement with CSN Madeira in the total amount of US$34 million with annual interest rate of 5.37% and maturity dates in June 2015.

(c) an agreement with CSN Ibéria of US$60 million with annual interest rate of 6.8%, renegotiated in December 2008 for final maturity in March 2015.

(d) an agreement with CSN of R$1,197,800 with annual interest rate of 12% and maturity date in January 2012.

14 Operating income (expenses)

	2009	2008
Operating expenses		
Selling Expenses		
Handling Port Services	(318,411)	(91,831)
Demurrage	(13,584)	(23,128)
Other distribution costs	(543)	-
	(332,538)	**(114,959)**
General and administrative	**(27,246)**	**(10,291)**
Other income (expenses)		
Take or Pay MRS (1)	15,823	(44,135)
Dividends received	54,474	-
Port performance reimbursement(2)	18,239	-
Provision for write-off in advance to suppliers	(11,765)	-
Other	(5,124)	990
	71,647	**(43,145)**
	(288,137)	**(168,395)**

(1) The take or pay provision with MRS recognized in 2008 was reduced based on renegotiations occurred with the suppliers during 2009.

(2) According to the Port Service Agreement, CSN is required to pay fines to Namisa when delays in shipments occur.

15 Financial income (expenses)

	2009	2008
Financial expenses		

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Nacional Minérios S.A.

Notes to the consolidated quarterly financial information

(In thousand of Reais, unless otherwise stated)

Interests on debt	(123,673)	(19,513)
Financial taxes	(354)	(959)
Interests	(7,669)	(49)
Others	(1,203)	(1,103)
Total	**(132,899)**	**(21,624)**
Financial income		
Interest income	1,013,036	-
Others	4,552	1,732
Total	**1,017,588**	**1,732**

16 Fair value accounting

A fair value hierarchy is established that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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Nacional Minérios S.A.

Notes to the consolidated quarterly financial information

(In thousand of Reais, unless otherwise stated)

Level 1

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2

Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3

Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	1,579,171	-	-	1.579,171

The Company's cash equivalent instruments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The cash instruments that are valued based on quoted market prices in active markets are primarily money market securities comprised of short-term time deposits, overnight liquidity securities and certificates of deposits which may be withdrawn at any time at the discretion of the Company without penalty.

17 Financial instruments

The Company considers that the carrying amount of its financial instruments generally approximates fair market value due to the short-term maturity or frequent repricing of these

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Notes to the consolidated quarterly financial information

(In thousand of Reais, unless otherwise stated)

instruments, and the fact that non-indexed instruments are stated at present value. During the years presented herein, the Company did not enter into derivative instruments.

Exchange rate risk

Most of the Company's revenues are U.S. dollar denominated and, as of December 31, 2009, a portion of the Company's consolidated loans and financing from related parties were U.S. dollar denominated. As a result, the Company is subject to changes in exchange rates.

Credit risk

The selection of customers as well as the diversification of its accounts receivable and the control on sales financing terms are procedures that Namisa adopts to minimize occasional risk of default of its trade partners. However, for the year ended December 31, 2009 our total sales were concentrated on two customers, Baosteel (13%) and Mineral Power (18%).

18 Insurance coverage

The Company maintains insurance policies with a major insurer company for protection against fire, explosions and events of force majeure in its operating locations. These insurance policies include loss damage up to the limit of R$53,000 and income stoppage up to a limit of R$50,000.

The risk premises adopted, due to their nature, are not part of the scope of an audit of the consolidated financial statements and, accordingly, have not been audited by our independent auditors.

19 Subsequent events

The Company has evaluated subsequent events from the balance sheet date through May 21, 2010, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.