NATIONAL STEEL CO
Form 6-K
August 29, 2012

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

For the month of August, 2012
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)

Av. Brigadeiro Faria Lima 3400, 20º andar
São Paulo, SP, Brazil
04538-132
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F. Form 20-F ___X___ Form 40-F _______

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes _______ No ___X____

(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR — Quarterly Financial Information - June 30, 2012 – CIA SIDERURGICA NACIONAL

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Company Information / Capital Breakdown

Number of Shares	**Current Quarter**
(Units)	**06/30/2012**
Paid-in Capital	
Common	1,457,970,108
Preferred	0
Total	1,457,970,108
Treasury Shares	
Common	0
Preferred	0
Total	0

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Company Information / Cash Dividends

Event	**Approval**	**Dividends**	**Inition Payment**	**Type of share**	**Class of share**	**Dividends per common share (R$/ share)**
Annual General Meeting	04/27/2012	Dividends	05/31/2012	Ordinary		0.82306

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Parent Company Statements / Balance Sheet - Assets
(R$ thousand)

Code	Description	Current Quarter 6/30/2012	YTD Previous Year 12/31/2011
1	Total assets	45,403,296	45,582,817
1.01	Current assets	7,665,896	8,886,953
1.01.01	Cash and cash equivalents	2,566,569	2,073,244
1.01.03	Trade receivables	1,841,469	3,516,800
1.01.04	Inventories	2,835,952	2,885,617
1.01.08	Other current assets	421,906	411,292
1.02	Non-current Assets	37,737,400	36,695,864
1.02.01	Long-term receivables	4,981,439	3,852,937
1.02.01.03	Trade receivables	10,282	10,202
1.02.01.06	Deferred taxes	2,050,765	1,300,650
1.02.01.08	Receivables from related parties	521,049	125,843
1.02.01.09	Other non- current assets	2,399,343	2,416,242
1.02.02	Investments	21,684,420	22,573,890
1.02.03	Property, plant and equipment	11,051,623	10,247,845
1.02.04	Intangible assets	19,918	21,192

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Version: 1

Parent Company Statements / Balance Sheet - Liabilities
(R$ thousand)

Code	Description	Current Quarter 6/30/2012	YTD Previous Year 12/31/2011
2	Total liabilities	45,403,296	45,582,817
2.01	Current liabilities	6,256,949	7,351,509
2.01.01	Payroll and related taxes	137,378	123,839
2.01.02	Trade payables	761,812	678,504
2.01.03	Taxes payable	34,341	122,648
2.01.04	Borrowings and financing	3,552,926	4,330,141
2.01.05	Other payables	1,533,961	1,862,247
2.01.06	Provisions	236,531	234,130
2.01.06.01	Provisions for tax, social security, labor and civil risks	228,730	225,997
2.01.06.02	Other provisions	7,801	8,133
2.01.06.02.03	Provisions for environmental liabilities and asset decommissioning	7,801	8,133
2.02	Non-current liabilities	31,692,822	30,245,487
2.02.01	Borrowings and financing	20,127,840	19,091,277
2.02.02	Other payables	9,572,860	9,633,194
2.02.04	Provisions	1,992,122	1,521,016
2.02.04.01	Provisions for tax, social security, labor and civil risks	385,147	262,432
2.02.04.01.01	Tax provisions	335,667	216,046
2.02.04.01.02	Social security and labor provisions	42,574	39,480
2.02.04.01.04	Civil provisions	6,906	6,906
2.02.04.02	Other provisions	1,606,975	1,258,584
2.02.04.02.03	Provisions for environmental liabilities and asset decommissioning	347,559	313,094
2.02.04.02.04	Pension and healthcare plan	469,027	469,027
2.02.04.02.05	Provision for losses on investments	790,389	476,463
2.03	Equity	7,453,525	7,985,821
2.03.01	Issued capital	4,540,000	1,680,947
2.03.02	Capital reserves	30	30

2.03.04	Earnings reserves	4,539,075	7,671,620
2.03.04.01	Legal reserve	336,190	336,190
2.03.04.02	Statutory reserve	3,426,337	5,717,390
2.03.04.08	Additional dividends proposed	0	273,492
2.03.04.10	Investment reserve	776,548	1,344,548
2.03.05	Retained earnings/accumulated losses	(1,159,644)	0
2.03.08	Other comprehensive income	(465,936)	(1,366,776)

ITR — Quarterly Financial Information - June 30, 2012 – CIA SIDERURGICA NACIONAL

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Parent Company Statements / Statement of Income (R$ thousand)

Code	Description	Current Quarter 4/1/2012 to 6/30/2012	Accumulated in the Current Year 1/1/2012 to 6/30/2012	Current Quarter of Previous Year 4/1/2011 to 6/30/2011	Accumulated in the Previous Year 1/1/2011 to 6/30/2011
3.01	Net revenue from sales and/or services	2,556,448	4,965,904	2,820,438	5,390,603
3.02	Cost of sales and/or services	(1,944,371)	(3,831,525)	(1,862,257)	(3,588,938)
3.03	Gross profit	612,077	1,134,379	958,181	1,801,665
3.04	Operating expenses/income	(1,284,355)	(1,310,015)	964,027	1,167,040
3.04.01	Selling expenses	(79,093)	(147,297)	(97,030)	(178,132)
3.04.02	General and administrative expenses	(90,182)	(167,533)	(111,874)	(185,747)
3.04.04	Other operating income	43,245	71,174	126,571	131,380
3.04.05	Other operating expenses	(1,477,880)	(1,573,480)	(81,690)	(225,273)
3.04.06	Share of profits of investees	319,555	507,121	1,128,050	1,624,812
3.05	Profit before finance income (costs) and taxes	(672,278)	(175,636)	1,922,208	2,968,705
3.06	Finance income (costs)	(1,174,465)	(1,675,694)	(532,475)	(1,003,404)
3.06.01	Finance income	76,409	123,196	49,570	110,996
3.06.02	Finance costs	(1,250,874)	(1,798,890)	(582,045)	(1,114,400)
3.06.02.01	Net exchange gains (losses) on financial instruments	(532,715)	(356,069)	302,830	462,462
3.06.02.02	Finance costs	(718,159)	(1,442,821)	(884,875)	(1,576,862)
3.07	Profit before taxes on income	(1,846,743)	(1,851,330)	1,389,733	1,965,301
3.08	Income tax and social contribution	814,383	929,664	(251,249)	(209,298)
3.09	Profit (loss) from continuing operations	(1,032,360)	(921,666)	1,138,484	1,756,003
3.11	Profit/loss for the period	(1,032,360)	(921,666)	1,138,484	1,756,003
3.99	Earnings per share - (R$/share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	(0.70808)	(0.63216)	0.78087	1.20442
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	(0.70808)	(0.63216)	0.78087	1.20442

ITR — Quarterly Financial Information - June 30, 2012 – CIA SIDERURGICA NACIONAL

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Parent Company Statements / Statement of Comprehensive Income (R$ thousand)

Code	Description	Current Quarter 4/1/2012 to 6/30/2012	Accumulated in the Current Year 1/1/2012 to 6/30/2012	Current Quarter of Previous Year 4/1/2011 to 6/30/2011	Accumulated in the Previous Year 1/1/2011 to 6/30/2011
4.01	Profit for the period	(1,032,360)	(921,666)	1,138,484	1,756,003
4.02	Other comprehensive income	670,653	900,840	(1,000,888)	(880,224)
4.02.01	Exchange differences arising on translating foreign operations	163,423	133,401	(47,081)	(57,933)
4.02.03	Net change in the fair value on available-for-sale financial assets	507,230	767,439	(255,643)	(124,127)
4.02.04	Sale of available-for-sale assets	0	0	(698,164)	(698,164)
4.03	Comprehensive income for the period	(361,707)	(20,826)	137,596	875,779

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Parent Company Statements / Statement of Cash Flows - Indirect Method (R$ thousand)

Code	Description	Accumulated in the Current Year 1/1/2012 to 6/30/2012	Accumulated in the Previous Year 1/1/2011 to 6/30/2011
6.01	Net cash generated by operating activities	1,492,938	1,402,906
6.01.01	Cash flows from operating activities	1,207,145	1,286,748
6.01.01.01	Profit for the period	(921,666)	1,756,003
6.01.01.02	Accrued charges on borrowings and financing	1,269,671	1,240,027
6.01.01.03	Depreciation/ depletion / amortization	449,223	375,783
6.01.01.04	Loss on equity interests	(507,121)	(1,624,812)
6.01.01.05	Deferred income tax and social contribution	(929,664)	191,408
6.01.01.06	Allowance for losses on receivables	0	(116,335)
6.01.01.07	Provisions for tax, social security, labor and civil risks	166,427	45,976
6.01.01.08	Inflation adjustment and exchange differences, net	356,069	(613,664)
6.01.01.09	Gain on derivative transactions	5,907	10,871
6.01.01.11	Impairment of available-for-sale security	1,245,024	0
6.01.01.14	Other provisions	73,275	21,491
6.01.02	Changes in assets and liabilities	285,793	116,158
6.01.02.01	Trade receivables – third parties	141,721	(73,524)
6.01.02.02	Intercompany receivables	1,303,157	(311,048)
6.01.02.03	Inventories	16,198	94,965
6.01.02.04	Receivables from jointly controlled entities	145,121	1,223,957
6.01.02.05	Taxes available for offset	(15,728)	321
6.01.02.06	Judicial deposits	(15,308)	(5,324)
6.01.02.07	Dividends received from subsidiaries	15,728	5,437
6.01.02.10	Trade payables	104,783	(32,008)
6.01.02.11	Payroll and related taxes	(51,467)	(88,889)
6.01.02.12	Taxes	(72,856)	137,955
6.01.02.13	Taxes in installments - REFIS	(192,775)	(110,404)

6.01.02.14	Trade payables - Subsidiaries	618	(6,174)
6.01.02.15	Tax, social security, labor and civil risks liabilities	(6,514)	135,387
6.01.02.16	Interest paid - third parties	(1,077,697)	(721,300)
6.01.02.17	Interest on swap paid	(6,764)	(10,949)
6.01.02.18	Other	(2,424)	(122,244)
6.02	Net cash used in investing activities	597,875	(1,848,790)
6.02.01	Investments/advances for future capital increase	(531,768)	(1,089,043)
6.02.02	Property, plant and equipment	(725,615)	(760,777)
6.02.03	Cash from acquisition of subsidiaries	0	1,030
6.02.04	Capital reduction in subsidiary	1,855,258	0
6.03	Net cash generated by (used in) financing activities	(1,597,488)	1,640,030
6.03.01	Borrowings and financing raised - third parties	1,065,128	3,805,272
6.03.02	Borrowings and financing raised - intercompany	0	251,209
6.03.03	Repayments of principal - third parties	(1,218,247)	(401,885)
6.03.04	Repayments of principal - intercompany	(244,701)	(158,239)
6.03.05	Dividends and interest on capital paid	(1,199,668)	(1,856,327)
6.04	Changes in cash and cash equivalents	0	(88)
6.05	Increase (decrease) in cash and securities	493,325	1,194,058
6.05.01	Cash and cash equivalents at the beginning of the period	2,073,244	108,297
6.05.02	Cash and cash equivalents (except derivative assets) at the end of the period	2,566,569	1,302,355

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Parent Company Statements / Statement of Changes in Shareholders´ Equity - 1/1/2012 to 6/30/2012

(R$ thousand)

Code	Description	Paid-in capital	Capital reserve, granted options and treasury shares	Earnings reserve	Retained earnings/accumulated losses	Other comprehensive income	Equity
5.01	Opening balances	1,680,947	30	7,671,620	0	(1,366,776)	7,985,821
5.03	Adjusted opening balances	1,680,947	30	7,671,620	0	(1,366,776)	7,985,821
5.04	Capital transactions with owners	2,859,053	0	(3,132,545)	(237,978)	0	(511,470)
5.04.01	Capital increases	2,859,053	0	(2,859,053)	0	0	0
5.04.07	Interest on Capital	0	0	0	(237,978)	0	(237,978)
5.04.08	Approval of prior year's proposed dividends	0	0	(273,492)	0	0	(273,492)
5.05	Total comprehensive income	0	0	0	(921,666)	900,840	(20,826)
5.05.01	Profit for the period	0	0	0	(921,666)	0	(921,666)
5.05.02	Other comprehensive income	0	0	0	0	900,840	900,840
5.05.02.04	Translation adjustments for the period	0	0	0	0	133,401	133,401
5.05.02.09	Net change in the fair value on available-for-sale financial assets	0	0	0	0	767,439	767,439
5.07	Closing balances	4,540,000	30	4,539,075	(1,159,644)	(465,936)	7,453,525

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Parent Company Statements / Statement of Changes in Shareholders´ Equity - 1/1/2011 to 6/30/2011
(R$ thousand)

Code	Description	Paid-in capital	Capital reserve, granted options and treasury shares	Earnings reserve	Retained earnings/accumulated losses	Other comprehensive income	Equity
5.01	Opening balances	1,680,947	30	6,119,798	0	(168,015)	7,632,760
5.03	Adjusted opening balances	1,680,947	30	6,119,798	0	(168,015)	7,632,760
5.04	Capital transactions with owners	0	0	(1,227,703)	(218,681)	0	(1,446,384)
5.04.07	Interest on Capital	0	0	0	(218,681)	0	(218,681)
5.04.08	Approval of prior year's proposed dividends	0	0	(1,227,703)	0	0	(1,227,703)
5.05	Total comprehensive income	0	0	0	1,756,003	(880,224)	875,779
5.05.01	Profit for the period	0	0	0	1,756,003	0	1,756,003
5.05.02	Other comprehensive income	0	0	0	0	(880,224)	(880,224)
5.05.02.04	Translation adjustments for the period	0	0	0	0	(57,933)	(57,933)
5.05.02.08	Net change in the fair value on available-for-sale financial assets	0	0	0	0	(124,127)	(124,127)
5.05.02.09	Sale of available-for-sale assets	0	0	0	0	(698,164)	(698,164)
5.07	Closing balances	1,680,947	30	4,892,095	1,537,322	(1,048,239)	7,062,155

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Parent Company Statements / Statement of Value Added
(R$ thousand)

Code	Description	Accumulated in the Current Year 1/1/2012 to 6/30/2012	Accumulated in the Previous Year 1/1/2011 to 6/30/2011
7.01	Revenues	6,201,874	6,750,982
7.01.01	Sales of products and services	6,195,677	6,760,882
7.01.04	Recognition/reversal of allowance for doubtful debts	6,197	(9,900)
7.02	Inputs purchased from third parties	(5,574,552)	(3,923,904)
7.02.01	Costs of sales and services	(3,770,290)	(3,533,710)
7.02.02	Materials, electric. power, outside services and other	(542,595)	(380,953)
7.02.03	Impairment/recovery of assets	(1,261,667)	(9,241)
7.03	Gross value added	627,322	2,827,078
7.04	Retentions	(449,223)	(375,783)
7.04.01	Depreciation, amortization and depletion	(449,223)	(375,783)
7.05	Wealth created	178,099	2,451,295
7.06	Value added received as transfer	913,386	1,732,088
7.06.01	Share of profits (losses) of investees	507,121	1,624,812
7.06.02	Finance income/exchange gains	406,559	105,467
7.06.03	Other	(294)	1,809
7.07	Wealth for distribution	1,091,485	4,183,383
7.08	Wealth distributed	1,091,485	4,183,383
7.08.01	Personnel	307,780	466,459
7.08.01.01	Salaries and wages	237,791	366,526
7.08.01.02	Benefits	47,872	77,903
7.08.01.03	Severance pay fund (FGTS)	22,117	22,030
7.08.02	Taxes and contributions	(378,727)	852,288
7.08.02.01	Federal	(473,370)	703,661
7.08.02.02	State	77,723	133,846
7.08.02.03	Municipal	16,920	14,781
7.08.03	Lenders and lessors	2,084,098	1,108,633
7.08.03.01	Interest	2,081,837	1,108,019
7.08.03.02	Leases	2,261	614
7.08.04	Shareholders	(921,666)	1,756,003
7.08.04.01	Interest on capital	237,978	218,681
7.08.04.03	Retained earnings/(accumulated losses) for the year	(1,159,644)	1,537,322

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Consolidated Company Statements / Balance Sheet - Assets
(R$ thousand)

Code	Description	Current Quarter 6/30/2012	YTD Previous Year 12/31/2011
1	Total assets	47,455,273	46,869,702
1.01	Current assets	20,365,286	21,944,306
1.01.01	Cash and cash equivalents	13,690,478	15,417,393
1.01.03	Trade receivables	1,878,754	1,616,206
1.01.04	Inventories	3,693,270	3,734,984
1.01.08	Other current assets	1,102,784	1,175,723
1.02	Non-current assets	27,089,987	24,925,396
1.02.01	Long-term receivables	5,445,771	4,856,721
1.02.01.02	Financial assets measured at amortized cost	118,132	139,679
1.02.01.03	Trade receivables	1,863	10,043
1.02.01.06	Deferred taxes	2,490,751	1,840,773
1.02.01.09	Other non-current assets	2,835,025	2,866,226
1.02.02	Investments	1,218,532	2,088,225
1.02.03	Property, plant and equipment	19,611,088	17,377,076
1.02.04	Intangible assets	814,596	603,374

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Version: 1

Consolidated Company Statements / Balance Sheet - Liabilities
(R$ thousand)

Code	Description	Current Quarter 6/30/2012	YTD Previous Year 12/31/2011
2	Total liabilities	47,455,273	46,869,702
2.01	Current liabilities	5,674,534	6,496,947
2.01.01	Payroll and related taxes	231,295	202,469
2.01.02	Trade payables	1,517,224	1,232,075
2.01.03	Taxes payable	225,363	325,132
2.01.04	Borrowings and financing	2,431,577	2,702,083
2.01.05	Other payables	958,066	1,728,445
2.01.06	Provisions	311,009	306,743
2.01.06.01	Provisions for tax, social security, labor and civil risks	296,159	292,178
2.01.06.02	Other provisions	14,850	14,565
2.01.06.02.03	Provisions for environmental liabilities and asset decommissioning	14,850	14,565
2.02	Non-current liabilities	33,910,367	31,955,585
2.02.01	Borrowings and financing	26,863,528	25,186,505
2.02.02	Other payables	5,589,884	5,593,520
2.02.03	Deferred taxes	162,434	37,851
2.02.04	Provisions	1,294,521	1,137,709
2.02.04.01	Provisions for tax, social security, labor and civil risks	468,213	346,285
2.02.04.01.01	Tax provisions	362,166	244,295
2.02.04.01.02	Social security and labor provisions	83,095	79,941
2.02.04.01.04	Civil provisions	22,952	22,049
2.02.04.02	Other provisions	826,308	791,424
2.02.04.02.03	Provisions for environmental liabilities and asset decommissioning	357,258	322,374
2.02.04.02.04	Pension and healthcare plan	469,050	469,050
2.03	Equity	7,870,372	8,417,170
2.03.01	Issued capital	4,540,000	1,680,947
2.03.02	Capital reserves	30	30
2.03.04	Earnings reserves	4,539,075	7,671,620
2.03.04.01	Legal reserve	336,190	336,190
2.03.04.02	Statutory reserve	3,426,337	5,717,390

2.03.04.08	Additional dividends proposed	0	273,492
2.03.04.11	Investment reserve	776,548	1,344,548
2.03.05	Retained earnings/accumulated losses	(1,159,644)	0
2.03.08	Other comprehensive income	(465,936)	(1,366,776)
2.03.09	Non-controlling interests	416,847	431,349

ITR — Quarterly Financial Information - June 30, 2012 – CIA SIDERURGICA NACIONAL

Version: 1

Consolidated Company Statements / Statement of Income (R$ thousand)

Code	**Description**	**Current Quarter 4/1/2012 to 6/30/2012**	**Accumulated in the Current Year 1/1/2012 to 6/30/2012**	**Current Quarter of Previous Year 4/1/2011 to 6/30/2011**	**Accumulated in the Previous Year 1/1/2011 to 6/30/2011**
3.01	Net revenue from sales and/or services	4,136,827	8,032,566	4,323,192	8,112,200
3.02	Cost of sales and/or services	(2,981,047)	(5,733,653)	(2,487,472)	(4,720,300)
3.03	Gross profit	1,155,780	2,298,913	1,835,720	3,391,900
3.04	Operating expenses/income	(2,609,240)	(3,036,124)	300,211	(66,543)
3.04.01	Selling expenses	(178,504)	(359,499)	(145,767)	(265,769)
3.04.02	General and administrative expenses	(148,036)	(281,848)	(158,669)	(279,978)
3.04.04	Other operating income	44,570	57,254	720,985	736,570
3.04.05	Other operating expenses	(2,327,270)	(2,452,031)	(116,338)	(257,366)
3.05	Profit before finance income (costs) and taxes	(1,453,460)	(737,211)	2,135,931	3,325,357
3.06	Finance income (costs)	(317,938)	(946,099)	(649,664)	(1,168,100)
3.06.01	Finance income	89,721	197,306	189,828	328,910
3.06.02	Finance costs	(407,659)	(1,143,405)	(839,492)	(1,497,010)
3.06.02.01	Net exchange gains (losses) on financial instruments	269,559	216,738	(80,027)	(173,366)
3.06.02.02	Finance costs	(677,218)	(1,360,143)	(759,465)	(1,323,644)
3.07	Profit before taxes on income	(1,771,398)	(1,683,310)	1,486,267	2,157,257
3.08	Income tax and social contribution	722,957	727,504	(349,105)	(404,400)
3.09	Profit (loss) from continuing operations	(1,048,441)	(955,806)	1,137,162	1,752,857
3.11	Consolidated profit/loss for the period	(1,048,441)	(955,806)	1,137,162	1,752,857
3.11.01	Attributed to owners of the Company	(1,032,360)	(921,666)	1,138,484	1,756,003

3.11.02	Attributed to non-controlling interests	(16,081)	(34,140)	(1,322)	(3,146)
3.99	Earnings per share - (R$/share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	(0.70808)	(0.63216)	0.78087	1.20442
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	(0.70808)	(0.63216)	0.78087	1.20442

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Consolidated Company Statements / Statement of Comprehensive Income (R$ thousand)

Code	Description	Current Quarter 4/1/2012 to 6/30/2012	Accumulated in the Current Year 1/1/2012 to 6/30/2012	Current Quarter of Previous Year 4/1/2011 to 6/30/2011	Accumulated in the Previous Year 1/1/2011 to 6/30/2011
4.01	Profit for the period	(1,048,441)	(955,806)	1,137,162	1,752,857
4.02	Other comprehensive income	670,653	900,840	(1,000,888)	(880,224)
4.02.01	Exchange differences arising on translating foreign operations	163,423	133,401	(47,081)	(57,933)
4.02.03	Net change in the fair value on available-for-sale financial assets	507,230	767,439	(255,643)	(124,127)
4.02.04	Sale of available-for-sale assets	0	0	(698,164)	(698,164)
4.03	Comprehensive income for the period	(377,788)	(54,966)	136,274	872,633
4.03.01	Attributed to owners of the Company	(361,707)	(20,826)	137,596	875,779
4.03.02	Attributed to non-controlling interests	(16,081)	(34,140)	(1,322)	(3,146)

Consolidated Company Statements / Statement of Cash Flows - Indirect Method (R$ thousand)

Code	Description	Accumulated in the Current Year 1/1/2012 to 6/30/2012	Accumulated in the Previous Year 1/1/2011 to 6/30/2011
6.01	Net cash generated by operating activities	653,514	2,001,277
6.01.01	Cash flows from operating activities	2,038,469	2,936,294
6.01.01.01	Profit for the period	(955,806)	1,752,857
6.01.01.02	Accrued charges on borrowings and financing	1,176,418	1,126,274
6.01.01.03	Depreciation/ depletion / amortization	582,431	467,425
6.01.01.05	Deferred income tax and social contribution	(836,541)	294,153
6.01.01.07	Provisions for tax, social security, labor and civil risks	168,236	37,737
6.01.01.08	Inflation adjustment and exchange differences, net	(195,101)	(301,374)
6.01.01.09	Gain on derivative transactions	(15,730)	202,835
6.01.01.10	Impairment of available-for-sale security	2,022,793	0
6.01.01.12	Realization of available-for-sale security	0	(698,164)
6.01.01.16	Residual value of long-lived assets written off	3,400	0
6.01.01.17	Other provisions	88,369	54,551
6.01.02	Changes in assets and liabilities	(1,384,955)	(935,017)
6.01.02.01	Trade receivables	(42,852)	(97,614)
6.01.02.02	Inventories	99,451	(98,399)
6.01.02.03	Receivables from jointly controlled entities	(72,096)	473,977
6.01.02.04	Taxes available for offset	24,739	(10,279)
6.01.02.05	Judicial deposits	(24,785)	(10,505)
6.01.02.08	Trade payables	133,704	54,597
6.01.02.09	Payroll and related taxes	(49,432)	(89,092)
6.01.02.10	Taxes	(43,058)	78,235
6.01.02.11	Taxes in installments - REFIS	(193,076)	(110,948)
6.01.02.12	Tax, social security, labor and civil risks liabilities	(7,951)	79,395
6.01.02.13	Interest paid	(1,207,601)	(869,146)
6.01.02.14	Interest on swap paid	(34,490)	(208,913)
6.01.02.16	Other	32,492	(126,325)
6.02	Net cash used in investing activities	(1,958,687)	(1,694,634)
6.02.02	Investments/advances for future capital increase	(141,082)	(1,299,692)
6.02.03	Property, plant and equipment	(1,558,548)	(1,699,632)
6.02.04	Intangible assets	(562)	(395)
6.02.05	Cash from acquisition of subsidiaries	14,880	0
6.02.06	Disposal of investments	0	1,310,171
6.02.08	Acquisition of subsidiaries	(300,545)	0
6.02.09	Receipt/payment in derivative transactions	27,170	(5,086)
6.03	Net cash generated by (used in) financing activities	(1,399,409)	1,624,726

6.03.01	Borrowings and financing raised	1,842,696	3,977,670
6.03.02	Repayments of principal	(1,291,694)	(622,411)
6.03.03	Repayments of principal - acquisition of subsidiaries	(806,937)	0
6.03.04	Dividends and interest on capital paid	(1,199,668)	(1,856,327)
6.03.05	Capital contribution by non-controlling shareholders	56,194	125,794
6.04	Changes in cash and cash equivalents	977,667	(485,653)
6.05	Increase (decrease) in cash and securities	(1,726,915)	1,445,716
6.05.01	Cash and cash equivalents at the beginning of the period	15,417,393	10,239,278
6.05.02	Cash and cash equivalents (except derivative assets) at the end of the period	13,690,478	11,684,994

Consolidated Company Statements / Statement of Changes in Shareholders´ Equity - 1/1/2012 to 6/30/2012

(R$ thousand)

Code	Description	Paid-in capital	Capital reserve, granted options and treasury	Earnings reserve	Retained earnings/accumulated losses	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	1,680,947	30	7,671,620	0	(1,366,776)	7,985,821	431,349	8,417,170
5.03	Adjusted opening balances	1,680,947	30	7,671,620	0	(1,366,776)	7,985,821	431,349	8,417,170
5.04	Capital transactions with owners	2,859,053	0	(3,132,545)	(237,978)	0	(511,470)	0	(511,470)
5.04.01	Capital increases	2,859,053	0	(2,859,053)	0	0	0	0	0
5.04.07	Interest on Capital	0	0	0	(237,978)	0	(237,978)	0	(237,978)
5.04.08	Approval of prior year’s proposed dividends	0	0	(273,492)	0	0	(273,492)	0	(273,492)
5.05	Total comprehensive income	0	0	0	(921,666)	900,840	(20,826)	(34,140)	(54,966)
5.05.01	Profit for the period	0	0	0	(921,666)	0	(921,666)	(34,140)	(955,806)
5.05.02	Other comprehensive income	0	0	0	0	900,840	900,840	0	900,840
5.05.02.04	Translation adjustments for the period	0	0	0	0	133,401	133,401	0	133,401
5.05.02.09	Net change in the fair value on available-for-sale financial assets	0	0	0	0	767,439	767,439	0	767,439
5.06	Internal changes in equity	0	0	0	0	0	0	19,638	19,638
5.06.04	Non-controlling interests in subsidiaries	0	0	0	0	0	0	19,638	19,638
5.07	Closing balances	4,540,000	30	4,539,075	(1,159,644)	(465,936)	7,453,525	416,847	7,870,372

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Consolidated Company Statements / Statement of Changes in Shareholders´ Equity - 1/1/2011 to 6/30/2011 (R$ thousand)

Code	Description	Paid-in capital	Capital reserve, granted options and treasury shares	Earnings reserve	Retained earnings/accumulated losses	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	1,680,947	30	6,119,798	0	(168,015)	7,632,760	189,928	7,822,688
5.03	Adjusted opening balances	1,680,947	30	6,119,798	0	(168,015)	7,632,760	189,928	7,822,688
5.04	Capital transactions with owners	0	0	(1,227,703)	(218,681)	0	(1,446,384)	0	(1,446,384)
5.04.07	Interest on Capital	0	0	0	(218,681)	0	(218,681)	0	(218,681)
5.04.08	Approval of prior year's proposed dividends	0	0	(1,227,703)	0	0	(1,227,703)	0	(1,227,703)
5.05	Total comprehensive income	0	0	0	1,756,003	(880,224)	875,779	(3,146)	872,633
5.05.01	Profit for the period	0	0	0	1,756,003	0	1,756,003	(3,146)	1,752,857
5.05.02	Other comprehensive income	0	0	0	0	(880,224)	(880,224)	0	(880,224)
5.05.02.04	Translation adjustments for the period	0	0	0	0	(57,933)	(57,933)	0	(57,933)
5.05.02.08	Net change in the fair value on available-for-sale financial assets	0	0	0	0	(124,127)	(124,127)	0	(124,127)
5.05.02.09	Sale of available-for-sale assets	0	0	0	0	(698,164)	(698,164)	0	(698,164)
5.06	Internal changes in equity	0	0	0	0	0	0	(230)	(230)
5.06.04	Non-controlling interests in subsidiaries	0	0	0	0	0	0	(230)	(230)
5.07	Closing balances	1,680,947	30	4,892,095	1,537,322	(1,048,239)	7,062,155	186,552	7,248,707

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Consolidated Company Statements / Statement of Value Added
(R$ thousand)

Code	Description	Accumulated in the Current Year 1/1/2012 to 6/30/2012	Accumulated in the Previous Year 1/1/2011 to 6/30/2011
7.01	Revenues	9,413,167	10,309,337
7.01.01	Sales of products and services	9,409,219	9,628,961
7.01.02	Other revenues/expenses	51	690,728
7.01.04	Recognition/reversal of allowance for doubtful debts	3,897	(10,352)
7.02	Inputs purchased from third parties	(7,973,163)	(4,814,844)
7.02.01	Costs of sales and services	(5,022,891)	(4,181,697)
7.02.02	Materials, electric. power, outside services and other	(901,283)	(621,123)
7.02.03	Impairment/recovery of assets	(2,048,989)	(12,024)
7.03	Gross value added	1,440,004	5,494,493
7.04	Retentions	(582,431)	(467,425)
7.04.01	Depreciation, amortization and depletion	(582,431)	(467,425)
7.05	Wealth created	857,573	5,027,068
7.06	Value added received as transfer	1,090,071	328,690
7.06.02	Finance income/exchange gains	1,085,160	326,014
7.06.03	Other	4,911	2,676
7.07	Wealth for distribution	1,947,644	5,355,758
7.08	Wealth distributed	1,947,644	5,355,758
7.08.01	Personnel	691,067	730,958
7.08.01.01	Salaries and wages	535,410	574,627
7.08.01.02	Benefits	116,567	119,885
7.08.01.03	Severance pay fund (FGTS)	39,090	36,446
7.08.02	Taxes and contributions	176,559	1,374,737
7.08.02.01	Federal	(53,779)	1,097,985
7.08.02.02	State	217,835	257,346
7.08.02.03	Municipal	12,503	19,406
7.08.03	Lenders and lessors	2,035,824	1,497,206
7.08.03.01	Interest	2,030,843	1,493,259
7.08.03.02	Leases	4,981	3,947
7.08.04	Shareholders	(955,806)	1,752,857
7.08.04.01	Interest on capital	237,978	218,681
7.08.04.03	Retained earnings/(accumulated losses) for the year	(1,159,644)	1,537,322
7.08.04.04	Non-controlling interests	(34,140)	(3,146)

The outlook for the global economy remains of low growth, basically due to the prolongation of the European crisis, the economic slowdown in the emerging countries, including China, and a slower recovery in the United States. This deterioration in the economic global scenario led to a decline in commodity prices and weaker international trade, resulting in higher financial market volatility worldwide and increased risk aversion.

The International Monetary Fund (IMF) expects global economic growth of 3.5% this year, less than the 3.9% recorded in 2011.

USA

U.S. GDP growth came to 1.5% in 2Q12, versus 1.9% in 1Q12, with a 1.5% increase in personal consumption expenses and a 5.3% upturn in exports.

According to the FED, industrial production climbed by 1.4% in the second quarter, led by vehicle and auto parts output, which increased by 18.2%. Manufacturing Purchasing Managers Index (PMI) reached 49.8 points in July, in line with the previous month.

The FED’s Beige Book for July reported a level of activity between modest and moderate in all 12 districts. The country posted an external trade deficit of US$48.7 billion in May, less than the US$50.6 billion recorded in April.

FED’s forecast for annual GDP has deteriorated since April and it now expects a growth ranging from 1.9% to 2.4%, versus the previous 2.4% to 2.9%, accompanied by inflation from 1.2% to 1.7% and an unemployment rate from 8.0% to 8.2%.

Europe

The European crisis is currently the biggest challenge for the global economy, with all the uncertainties regarding the situation in Greece and fears that Spain as whole, and not just its banking sector, will require assistance. Although the leading Eurozone countries have approved a rescue package of up to €100 billion for the Spanish banks, the prevailing worries have not dissipated. In addition to Valencia, another six autonomous regions should seek help from the central government to finance their debts and the Spanish Central Bank expects a further 0.4% decline in economic activity in 2Q12.

Moody´s Investors Service downgraded Germany, the Netherlands and Luxemburg from a stable to a negative rating outlook due to growing uncertainty surrounding the debt crisis and increased fears of Greek insolvency and the country's possible exit from the Eurozone. The agency also stated that the German banking system is vulnerable to any worsening of the economic scenario in the Eurozone.

The measures announced at the European Summit can contribute towards the development of an independent banking union. The creation of single supervision system for Eurozone banks, called the European Stability Mechanism, will allow banks to be recapitalized directly.

Preliminary figures point to a 0.7% retraction in UK GDP in 2Q12, the third successive quarterly decline and the biggest retraction since 2009. The construction industry was chiefly responsible for this decline, although the production and services sectors also presented fragility. The Bank of England has cut its growth forecast to close to zero in 2012.

The Eurozone manufacturing PMI reached 44.0 points in July, less than the 45.1 recorded in June and the lowest figure for 37 months. The only country to record a modest upturn was Ireland, with 53.9 points. Nevertheless, industrial production fell by 0.6% in June over May.

Average unemployment in June remained at 11%, the same level recorded in May and equivalent to 17.8 million people out of work. Germany had one of the lowest rates (5.4%), while Spain was the most affected country in the region, with 24.8%. In June, annualized inflation reached 2.4%, flat when compared to May.

According to Eurostat, Eurozone GDP in 2Q12 fell by 0.2% over the previous quarter. For 2012, the European Central Bank forecasts a variation of Eurozone GDP between -0.5% to 0.3%.

Asia

The Chinese economy continues to present important expansion, although at lower rates. GDP growth was 7.6% in the second quarter, versus 8.1% in 1Q12, closing the first half at 7.8%. The Chinese Central Bank expects annual GDP growth of 7.5% in 2012, versus actual growth of 9.2% in 2011.

Manufacturing PMI in China reached 49.3 points in July, higher than the 48.2 recorded in June. Even though industrial production posted annualized growth of 10.5% in the first half of the year, there was a slowdown in 2Q12, whose 9.5% upturn was below the 11.4% recorded in 1Q12. Retail sales increased by 14.4% in the first six months of 2012.

Annualized inflation fell to 2.2% in June from 3.0% in May, giving a first-half average of 3.3%.

In Japan, the Central Bank's Regional Economic Report, published in July, pointed to an upturn in economic activity. For 2012, the IMF estimates Japanese GDP growth of 2.4%.

Brazil

The outlook for Brazil's economy is less positive than previously expected due to the deterioration of the global economy, which had a negative impact on business expectations, investments and credit. According to the Central Bank's latest FOCUS report, GDP should record growth of 1.81% in 2012, below the 3.3% expected at the beginning of the year, although the IMF is more optimistic, estimating a 2.5% growth.

According to the IBGE (Brazilian Institute of Geography and Statistics), 1Q12 GDP edged up by only 0.2% over 4Q11, chiefly due to weaker industrial activity and lower household consumption growth.

Industrial production fell by 3.8% year-on-year in the first half of the year, with all use categories recording negative performance. Following three successive months of decline, industrial production in June increased by 0.2% over May.

June’s consumer confidence index (ICC) of 123.5 points, measured by the Getulio Vargas Foundation (FGV), fell by 2.8% in relation to the 127.1 points recorded in May.

On the other hand, first-half exports posted the second-best result for the period, reaching US$117 billion, while imports also set a new record of US$110 billion, 4.6% up year-on-year, giving a period trade surplus of US$7.1 billion.

In June, inflation measured by the IPCA consumer price index edged up by 0.08%, impacted by the reduction in IPI (federal VAT) on vehicle prices as of May. In the first half, the index stood at 2.32%, below the 3.87% posted in the same period of 2011.

The Selic base rate, defined by the Monetary Policy Committee (COPOM), began 2012 at 11.00%, gradually being reduced until reaching 8.00% in mid-July, the lowest figure since 1997.

The banking system’s stock of credit totaled R$2.1 trillion in May, 1.7% up on the previous month and equivalent to 50.1% of GDP. Consumer default in the first semester of the year moved up by 19.1% year-on-year.

Also in the first half of 2012, the real depreciated by 7.2% against the U.S. dollar, reaching an exchange rate of R$2.02 on June 29, while foreign reserves closed June at US$373 billion.

Macroeconomic Projections

	2012	**2013**
IPCA (%)	5.11	5.50
Commercial dollar (final) – R$	2.00	2.00
SELIC (final - %)	7.25	8.50
GDP (%)	1.81	4.00
Industrial Production (%)	-1.00	4.30

Source: FOCUS BACEN Base: August 10, 2012

CSN recorded consolidated net revenue of R$4,137 million in 2Q12, 6% up on 1Q12, chiefly due to the increase in revenue from the steel business through its German subsidiary, SWT, whose results were fully consolidated in the second quarter, therefore increasing sales volume.

In 2Q12, consolidated COGS reached R$2,981 million, 8% up on the previous quarter, chiefly due to higher steel sales, partially offset by the lower volume sold in mining segment.

SG&A expenses totaled R$327 million in the second quarter, 4% more than in 1Q12, chiefly due to higher administrative provisions.

The “Other Operating Expenses” line was negative by R$2,283 million in 2Q12, versus a negative R$112 million in 1Q12, essentially due to the reclassification of CSN’s accumulated losses from its investments in Usiminas’ common (USIM3) and preferred (USIM5) shares, which were previously booked under other comprehensive income line in Shareholders’ Equity, in the total of R$1,599 million net of taxes, to the income statement, with the amount of R$2,023 million being booked under other operating expenses and R$423 million under deferred taxes.

Based on the prevailing legal and accounting rules, as well as on the Company’s investment policy, management perceived evidence of significant reduction in its investment in Usiminas' shares on June 30, 2012 and consequently decided on its accounting reclassification.

This reclassification had no impact on the Company’s cash flow.

Adjusted EBITDA comprises net income before the financial result, income and social contribution taxes, depreciation and amortization and other operating revenue (expenses), the latter item being excluded due to its non-recurring nature.

Adjusted EBITDA totaled R$1,120 million in 2Q12, 1% up on the R$1,113 million recorded in 1Q12, while the adjusted EBITDA margin reached 27%, down by 2 p.p. over 1Q12.

The 2Q12 net financial result was negative by R$318 million, chiefly due to the following factors:

§ Interest on loans and financing totaling R$581 million;

§ Expenses of R$43 million with monetary restatement of tax installments;

§ Other financial expenses totaling R$28 million.

These negative effects were partially offset by:

§ Monetary and exchange variations totaling R$269 million;

§ Returns on financial investments of R$65 million.

On June 30, 2012, consolidated net debt stood at R$15.6 billion, R$1.3 billion more than the R$14.3 billion recorded on March 31, 2012, essentially due to the following factors:

§ Payment of R$1.2 billion in dividends;

§ Investments of R$0.7 billion in fixed assets;

§ A R$0.6 billion effect from disbursements related to debt charges;

§ Other effects which increased net debt by R$0.1 billion.

These effects were partially offset by 2Q12 adjusted EBITDA of R$1.1 billion and the R$0.2 billion reduction in working capital.

The net debt/EBITDA ratio closed the second quarter at 2.89x, based on LTM adjusted EBITDA.

CSN posted a consolidated net loss of R$1.0 billion in 2Q12, basically due to the accounting reclassification described under "Other Operating Expenses". Excluding these effects, which had no cash impact, the Company would have recorded net income of R$551 million.

CSN invested R$775 million in 2Q12, R$365 million of which in subsidiaries or joint subsidiaries, allocated as follows:

ü Transnordestina Logística: R$259 million;

ü MRS Logística: R$65 million.

The remaining R$410 million went to the parent company, mostly in the following projects:

ü Expansion of the Casa de Pedra mine and Itaguaí Port: R$97 million;

ü Construction of the long steel plant: R$137 million;

ü Current investments: R$53 million.

Working capital closed 2Q12 at R$2,301 million, R$195 million down on the end-of-March balance, chiefly reflecting the improved management of the Company's receivables and payables. Comparing to the close of 1Q12, the average receivables period narrowed by three days, while the average supplier payment period increased by four days and the average inventory turnover period fell by three days, improving the cash conversion cycle by 10 days.

	1Q12	2Q12	Change 2Q12 x 1Q12
Assets	**4,424**	**4,372**	**(52)**
Accounts Receivable	**1,787**	**1,657**	**(130)**
Inventory (*)	**2,627**	**2,648**	**21**
Advances to Taxes	**10**	**67**	**57**
Liabilities	**1,928**	**2,071**	**143**
Suppliers	**1,335**	**1,517**	**182**
Salaries and Social Contribution	**202**	**231**	**29**
Taxes Payable	**357**	**294**	**(63)**
Advances from Clients	**34**	**29**	**(5)**
Working Capital	**2,496**	**2,301**	**(195)**

TURNOVER RATIO Average Periods	1Q12	2Q12	Change 2Q12 x 1Q12
Receivables	**34**	**31**	**(3)**
Supplier Payment	**44**	**48**	**4**
Inventory Turnover	**87**	**84**	**(3)**

Capex

Cash Conversion Cycle	**77**	**67**	**(10)**

(*) Inventory - includes "Advances to Suppliers" and does not include "Supplies".

The Company maintains integrated operations in five business segments: steel, mining, logistics, cement and energy. The main assets and/or companies comprising each segment are presented below:

Steel	**Mining**		**Cement**	**Energy**
Pres. Vargas Steel Mill	**Casa de Pedra**	**Railways:**	**Volta Redonda**	**CSN Energia**
Porto Real	**Namisa (60%)**	**- MRS**	**Arcos**	**Itasa**
Paraná	**Tecar**	**- Transnordestina**		
LLC	**ERSA**	**Port:**		
Lusosider		**- Sepetiba Tecon**		
Prada (Distribution and Packaging)				
Metalic				
SWT				

The information on CSN's five business segments is derived from the accounting data, together with allocations and the apportionment of costs among the segments. CSN's management uses adjusted EBITDA as an indicator to measure recurring net operating cash flow.

The charts below show the various segments' contribution to CSN's overall net revenue and adjusted EBITDA:

Net revenue by segment (R$ million)

Adjusted EBITDA by segment (R$ million)

(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

The Company’s consolidated results by business segment are presented below:

R$ million **2Q12**

Consolidated Results	Steel	Mining	Logistics (Port)	Logistics (Railways)	Energy	Cement	Eliminations /Corporate	Consolidated
Net Revenue	**2,652**	**1,143**	**35**	**263**	**57**	**94**	**(107)**	**4,137**
Domestic Market	1,968	187	35	263	57	94	(107)	2,497
Foreign Market	684	956	-	-	-	-	-	1,640
Cost of Goods Sold	(2,234)	(535)	(20)	(183)	(33)	(79)	104	(2,981)
Gross Profit	**418**	**608**	**15**	**80**	**24**	**15**	**(4)**	**1,156**
Selling, General and Administrative Exp	(136)	(48)	(5)	(24)	(5)	(18)	(90)	(327)
Depreciation	190	47	2	33	4	8	8	291
Adjusted EBITDA	**471**	**607**	**12**	**88**	**23**	**6**	**(86)**	**1,120**
Adjusted EBITDA Margin	**18%**	**53%**	**33%**	**34%**	**40%**	**6%**		**27%**

R$ million **1Q12**

Consolidated Results	Steel	Mining	Logistics (Port)	Logistics (Railways)	Energy	Cement	Eliminations /Corporate	Consolidated
Net Revenue	**2,399**	**1,194**	**33**	**248**	**55**	**87**	**(120)**	**3,896**
Domestic Market	1,935	144	33	248	55	87	(120)	2,382
Foreign Market	464	1,050	-	-	-	-	-	1,514
	(2,006)	(574)	(20)	(175)	(32)	(65)	120	(2,753)

Cost of Goods Sold								
Gross Profit	**393**	**620**	**13**	**73**	**22**	**21**	**0**	**1,143**
Selling, General and Administrative Exp	(116)	(76)	(5)	(22)	(6)	(19)	(72)	(315)
Depreciation	188	46	2	36	4	5	3	285
Adjusted EBITDA	**466**	**590**	**9**	**88**	**21**	**8**	**(68)**	**1,113**
Adjusted EBITDA Margin	**19%**	**49%**	**28%**	**35%**	**39%**	**9%**		**29%**

Scenario

According to the World Steel Association (WSA), global crude steel production totaled 767 million tonnes in the first half, 1% up on the same period last year, with China, responsible for 356 million tonnes, recording a similar growth rate. Existing global capacity use also increased slightly, inching up from 79.7% in May to 80.4% in June.

The WSA expects apparent steel consumption to increase by 3.6% in 2012, to 1.4 billion tonnes. For China, it expects growth of 4%, with apparent consumption of 649 million tonnes.

According to the Brazilian Steel Institute (IABr), domestic production in 2Q12 totaled 8.7 million tonnes of crude steel, stable over the previous quarter, and 3.9 million tonnes of rolled flat steel, up by 18% in the same period. Crude steel output reached 17.4 million tonnes in the first half, a reduction of 2.5% year-on-year.

The institute has lowered its annual forecast for 2012 and now expects crude steel output of around 36 million tonnes, versus its end-of-2011 estimate of 37.5 million, equivalent to annual growth of 2.2%.

Second-quarter domestic flat steel sales totaled 2.9 million tonnes, 4% more than in 1Q12, while exports totaled 0.5 million tonnes, up by 68%. First-half domestic sales of flat steel amounted to 5.7 million tonnes, with exports of 0.8 million tonnes, 3% and 36% down, respectively, on 1H11.

Apparent consumption of flat steel totaled 3.3 million tonnes in the second quarter, virtually flat over the 1Q12 figure, and 6.8 million tonnes in the first half, 1% down year-on-year.

Second-quarter flat steel imports came to 0.5 million tonnes, 19% less than in 1Q12, while first-half imports totaled 1.1 million tonnes.

Automotive

According to ANFAVEA (the Auto Manufacturers’ Association), vehicle production totaled 815,000 units in 2Q12, 10% up on 1Q12, and 1.55 million in the first half of the year, 9.4% less than in 1H11.

Vehicle sales totaled 898 thousand units in 2Q12, 10% more than in the previous quarter, and 1.72 million units in the first half, 1.2% down year-on-year. Exports fell by 9% in 2Q12 over 1Q12, to 111 thousand units, leading to a reduction of 12.2% in 1H12 over 1H11.

Given prospects of reduced GDP growth in 2012, FENABRAVE (the Vehicle Distributors' Association) has revised its auto market estimates and now expects annual sales of around 3.6 million units, including cars, light commercial vehicles, trucks and buses, a slight 0.5% reduction over 2011.

ANFAVEA, on the other hand, is maintaining its annual vehicle licensing growth estimate at between 4% and 5%, based on increased sales in June, influenced by the IPI tax reduction.

Construction

According to ABRAMAT (the Construction Material Manufacturers' Association), domestic sales of construction materials increased by 2.6% year-on-year in the first half of the year.

The annual real construction material revenue growth forecast was revised downwards in June, from 4.5% to 3.4%, while sales of materials such as cement and rebars are expected to grow by 3.0%, less than the previous 4.0% estimate, due to weaker retail sales and the construction segment slowdown in 1Q12. Retail sales were impacted by the postponement of purchases by final consumers in the expectation of lower interest rates. Despite the reduced forecasts, however, revenue should still exceed the R$112 billion recorded in 2011.

Home Appliances

The federal government has extended the reduction in IPI (federal VAT) on white goods (refrigerators, washing machines and stoves) announced in December until the end of August, in order to encourage the national industry.

According to Eletros (the Home Appliance and Consumer Electronics Manufacturers' Association), appliance sales recorded a year-on-year upturn in 1H12, with refrigerator, washing machine and stove sales climbing by 12%, 10% and 13%, respectively.

Also according to Eletros, the sector should post annual growth of between 10% and 15%.

Distribution

According to INDA (the Brazilian Steel Distributors' Association), domestic flat steel sales by distributors totaled approximately 2.2 million tonnes in 1H12, 2.8% more than in 1H11, while purchases by the associated network totaled 2.13 million tonnes, 1.1% more than in 1H11. As a result, inventories at the end of 1H12 were 19.7% lower than in 1H11, while inventory turnover was 2.8 months of sales, within normal historical parameters.

For 2012, INDA estimates annual growth of around 6% in distributors' sales over the 4.3 million tonnes sold in 2011.

Consolidated Sales Volume

CSN sold 1.4 million tonnes of steel products in 2Q12, 7% more than in 1Q12. Of this total, 74% was sold in the domestic market, 23% by overseas subsidiaries and 3% went to direct exports.

Domestic Sales Volume

Domestic sales totaled 1.0 million tonnes, in line with the 1Q12 figure.

Foreign Sales Volume

Foreign steel product sales totaled 372 thousand tonnes in 2Q12, 30% up on the previous quarter. Of this total, the Company's overseas subsidiaries sold 327 thousand tonnes, with SWT alone accounting for 210 thousand tonnes. On the other hand, direct exports totaled 45 thousand tonnes.

Prices

Net revenue per tonne averaged R$1,814 in 2Q12, stable when compared to the R$1,806 recorded in 1Q12.

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Consolidated Net Revenue

Net revenue from steel operations totaled R$2,652 million in the second quarter, an 11% improvement over 1Q12, chiefly due to SWT, whose results were fully consolidated in 2Q12, pushing up sales volume.

Consolidated cost of goods sold (COGS)

Steel segment COGS was R$2,234 million in 2Q12, 11% up on the 1Q12 figure, mainly because of the upturn in sales volume.

Consolidated Adjusted EBITDA

Adjusted steel segment EBITDA totaled R$471 million in 2Q12, 1% up on the R$466 million recorded in 1Q12, basically due to the effects described above, accompanied by an adjusted EBITDA margin of 18%.

Production

The Presidente Vargas Steelworks (UPV) produced 1.2 million tonnes of crude steel in 2Q12, the same volume produced in 1Q12, while rolled flat steel production totaled 1.2 million tonnes, up by 4%.

Production (in thousand t)	2Q11	1Q12	2Q12	Change	
				2Q12 x 2Q11	2Q12 x 1Q12

Crude Steel	1,243	1,200	1,213	**-2%**	**1%**
Total Rolled Products	1,212	1,114	1,164	**-4%**	**4%**

Production Costs (Parent Company)

In 2Q12, the Presidente Vargas Steelworks' total production costs came to R$1,559 million, 2% less than the R$1,597 million reported in 1Q12, due to:

Raw Materials: reduction of R$60 million, primarily related to the following inputs:

- Coal: decline of R$55 million due to lower acquisition costs.

- Other raw materials: reduction of R$5 million.

Labor: increase of R$7 million.

Other production costs: upturn of R$11 million.

Depreciation: increase of R$4 million.

Scenario

Global industrial production increased at a reduced pace throughout 2Q12, with emphasis on Chinese GDP growth slowdown which reached 7.6%. Global steel output began to decline as of March, but remained at high levels.

First-half Chinese iron ore imports increased by 10% over 1H11 to 367 million tonnes, since high-cost Chinese producers were keeping output low.

As a result, iron ore prices and the product quality premium have been declining gradually. The 62% CFR China iron ore price has fallen by 22% since March, closing July at US$117.50/dmt. The 1% Fe quality premium ended the same month at US$2.60/t, down from high levels of US$5.50/6.00/t in 2011.

Current prices should be tested as minimum levels, given that they make most Chinese production impractical.

The Chinese authorities have been introducing various measures to stimulate the economy, especially in regard to credit, and the first positive results are becoming apparent in the infrastructure and low-cost housing sectors.

Iron ore sales

In 2Q12, sales of finished iron ore products totaled 6.1 million tonnes[1], 9% less than in 1Q12. Of total sales, exports accounted for 5.9 million tonnes, with 3.8 million tonnes sold by Namisa . The Company’s own consumption totaled 1.5 million tonnes.

Considering CSN’s 60% interest in Namisa, sales reached 4.5 million tonnes in 2Q12, 13% down on 1Q12.

[1] *Sales volumes include 100% of the stake in NAMISA.*

Net Revenue

Net revenue from mining operations totaled R$1,143 million in 2Q12, 4% less than in 1Q12, due to the reduction in sales volume.

Cost of goods sold (COGS)

Mining COGS came to R$535 million in 2Q12, 7% down on 1Q12, also chiefly due to the reduction in sales volume.

Adjusted EBITDA

In 2Q12, adjusted EBITDA from mining operations totaled R$607 million, 3% more than in 1Q12, accompanied by an adjusted EBITDA margin of 53%, up by 4 p.p. on 1Q12.

Scenario

Railway logistics

Cargo transport by rail continues to consolidate itself in Brazil, having grown by around 88% in the last 15 years, according to the ANTF (National Rail Transport Association), from 253 million tonnes in 1997 to 475 million tonnes in 2011. Iron ore and coal had the best performances, with period growth of 88% each, followed by general cargo, which increased by 76%. Container transported by rail totaled 287 TEUs[1] in 2011, 24% up on the previous year, with further growth of 15% expected in 2012.

The rail concessionaires invested R$4.6 billion in 2011, 56% more than in 2010.

[1]TEU (Twenty-Foot Equivalent Unit) – transportation unit equivalent to a standard 20-feet intermodal container

Port Logistics

According to ANTAQ (National Waterway Transport Agency), Brazil's port installations (considering organized ports and private terminals) handled around 205 million gross tonnes in the first quarter of 2012, 2.2% up year-on-year, with organized ports accounting for 34% of the total handled.

Bulk solids handling totaled 116 million tonnes in 1Q12, 2.6% down on 1Q11, while bulk liquids totaled 55 million tonnes, up by 8.5%. Container handling amounted to 1.9 million TEUs, 8.0% more than in the same period last year.

The private terminals are expected to increase their handling leadership in Brazil's port sector, given that they will be responsible for R$21 billion of total sector investments of R$30 billion scheduled for the coming years.

The Brazilian ports are expected to be handling 2.2 billion tonnes of cargo per year by 2030.

Analysis of Results

Railway logistics

MRS and Transnordestina's individual second-quarter results had not yet been announced up to the publication of this release.

In 2Q12, net revenue from railway logistics totaled R$263 million, COGS stood at R$183 million and adjusted EBITDA amounted to R$88 million, accompanied by an EBITDA margin of 34%.

Port logistics

In 2Q12, net revenue from port logistics amounted to R$35 million, COGS totaled R$20 million and adjusted EBITDA stood at R$12 million, with an adjusted EBITDA margin of 33%.

Scenario

Preliminary figures from SNIC (the Cement Industry Association) indicate domestic cement sales of 33 million tonnes in the first half of 2012, 9.3% more than in the same period last year. LTM sales through June totaled 66.7 million tonnes, 8.4% up on the previous 12-month period.

Even though Brazilian economic growth has slowed, the outlook for the construction sector remains positive. The FGV is forecasting a 5.0% upturn in 2012, versus 3.6% in 2011, mainly due to the reduction in interest rates and the extension of mortgage payment periods to 35 years.

Analysis of Results

Cement sales totaled 465 thousand tonnes in 2Q12, net revenue reached R$94 million, COGS amounted to R$79 million and adjusted EBITDA was R$6 million, with an adjusted EBITDA margin of 6%.

Scenario

Brazilian electricity consumption increased by 4.2% year-on-year in the first half of 2012, led by the commercial and residential segments which recorded respective growth of 7.4% and 5.0%. The slowdown in industrial activity resulted in industrial energy consumption moving up by a modest 1.4% in the semester, while in the second quarter consumption only edged up 0.4% over 1Q12.

Given the current economic scenario and the high level of hydro plant reservoirs, an energy surplus is expected in the coming months, which could reduce contract renewal prices and result in the postponement of new generation projects.

Analysis of Results

In 2Q12, net revenue from the energy segment amounted to R$57 million, COGS totaled R$33 million and adjusted EBITDA reached R$23 million, with an adjusted EBITDA margin of 40%.

In 1H12, CSN's shares presented a devaluation of 20%, versus the 4% downturn recorded by the IBOVESPA in the same period. On the NYSE, CSN's ADRs fell by 27%, versus the Dow Jones' 5% appreciation in the semester.

Daily traded volume of CSN's shares on the BM&FBovespa averaged R$62.6 million in 1H12. On the NYSE, daily traded volume of CSN's ADRs averaged US$46.2 million.

Capital Markets - CSNA3 / SID / IBOVESPA / DOW JONES	1Q12	2Q12	1H12
N# of shares	**1,457,970,108**	**1,457,970,108**	**1,457,970,108**
Market Capitalization			
Closing price (R$/share)	17.22	11.38	11.38
Closing price (US$/share)	9.46	5.67	5.67
Market Capitalization (R$ million)	25,106	16,592	16,592
Market Capitalization (US$ million)	13,792	8,267	8,267
Total return including dividends and interest on equity			
CSNA3 (%)	15%	-31%	-20%
SID (%)	16%	-37%	-27%
Ibovespa	14%	-16%	-4%
Dow Jones	8%	-3%	5%
Volume			
Average daily (thousand shares)	3,958	3,914	3,936
Average daily (R$ Thousand)	70,391	54,893	62,642
Average daily (thousand ADRs)	5,486	5,078	5,280

Average daily (US$ Thousand)	55,710	36,782	46,170

Source: Economática

(CONVENIENCE TRANSLATION INTO ENGLISH FROM THE ORIGINAL PREVIOUSLY ISSUED IN PORTUGUESE)

ITR — Quarterly Financial Information - June 30, 2012 – CIA SIDERURGICA NACIONAL **Version: 1**

(Expressed In thousands of reais – R$, 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, its subsidiaries, associates and jointly controlled entities collectively referred to herein as "CSN" or the “Company”). The Company’s registered office social is located at Avenida Brigadeiro Faria Lima, 3400 – São Paulo, SP.

CSN has shares listed on the São Paulo Stock Exchange (BOVESPA) and the New York Stock Exchange (NYSE). Accordingly, it reports its information to the Brazilian Securities Commission (CVM) and the U.S. Securities and Exchange Commission (SEC).

The Company's main operating activities are divided into 5 (five) segments as follows:

- **Steel:**

The Company’s main industrial facility is the Presidente Vargas Steel Mill (“UPV”), located in the city of Volta Redonda, State of Rio de Janeiro. This segment consolidates the operations related to the production, distribution and sale of flat steel, long steel, metallic packaging and galvanized steel. In addition to the facilities in Brazil, CSN has operations in the United States, Portugal and Germany aimed at gaining markets and performing excellent services for final consumers. Its steels are used in the home appliances, civil construction and automobile industries.

- **Mining:**

The production of iron ore is developed in the city of Congonhas, in the State of Minas Gerais. It further mines tin in the State of Rondônia to supply the needs of UPV, with the excess of these raw materials being sold to subsidiaries and third parties. CSN holds the concession to operate TECAR, a solid bulk terminal, one of the 4 (four) terminals that comprise the Itaguaí Port, in Rio de Janeiro. Importations of coal and coke are carried out through this terminal.

- **Cement:**

The Company entered the cement market boosted by the synergy between this new activity and its already existing businesses. Next to the Presidente Vargas Steel Mill in Volta Redonda (RJ), it installed a new business unit: CSN Cimentos, which produces CP-III type cement by using slag produced by the UPV blast furnaces in Volta Redonda. It also explores limestone and dolomite at the Arches drive in the State of Minas Gerais, to supply the needs of UPV and of the cement plant.

- **Logistics**

Railroads:

CSN has equity interests in two railroad companies: MRS Logística, which manages the former Southeast Network of Rede Ferroviária Federal S.A. (RFFSA), and Transnordestina Logística, which operates the former Northeast Network of the RFFSA in the states of Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco and Alagoas.

Ports:

In the State of Rio de Janeiro, the Company operates the Container Terminal known as Sepetiba Tecon at the Itaguaí Port. Located in the Bay of Sepetiba, this port has privileged highway, railroad and maritime access.

Tecon handles the shipments of CSN steel products, movement of containers, as well as storage, consolidation and deconsolidation of cargo.

- **Energy:**

As energy is fundamental in its production process, the Company has invested in assets for generation of electric power to guarantee its self-sufficiency.

For further details on the Company's strategic investments and segments, see Note 26 - Business Segment Reporting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated interim financial statements have been prepared and are being presented in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards

Board (IASB) and the corresponding standards issued by the CPC (Accounting Pronouncements Committee) and the CVM (Brazilian Securities Commission) applicable to the preparation of the financial statements.

The individual interim financial statements have been prepared in accordance with the standards issued by the CPC (Accounting Pronouncements Committee) and the CVM (Brazilian Securities Commission) applicable to the preparation of the financial statements.

The preparation of interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated interim financial statements, are disclosed in the notes to this report and refer to the allowance for doubtful debts, provision for inventory losses, provision for labor, civil, tax, environmental and social security risks, depreciation, amortization, depletion, provision for impairment, deferred taxes, financial instruments and employee benefits. Actual results may differ from these estimates.

The interim financial statements are presented in thousands of reais (R$). Depending on the applicable IFRS standard, the measurement criterion used in preparing the interim financial statements considers the historical cost, net realizable value, fair value or recoverable amount. When both IFRSs and CPCs include the option between acquisition cost and any other measurement criterion (for example, systematic remeasurement), we used the cost criterion.

The individual and consolidated interim financial statements were approved by the Board of Directors and authorized for issue on August 14, 2012.

(b) Consolidated interim financial statements

The accounting policies have been consistently applied to all consolidated companies.

The consolidated interim financial statements for the period ended June 30, 2012 and the year ended December 31, 2011 include the following direct and indirect subsidiaries and jointly controlled entities, as well as the exclusive funds Diplic and Mugen:

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	Equity interests (%)		
Companies	**6/30/2012**	**12/31/2011**	**Main activities**
Direct interest: full consolidation			
CSN Islands VII Corp.	100.00	100.00	Financial transactions
CSN Islands VIII Corp.	100.00	100.00	Financial transactions
CSN Islands IX Corp.	100.00	100.00	Financial transactions
CSN Islands X Corp.	100.00	100.00	Financial transactions
CSN Islands XI Corp.	100.00	100.00	Financial transactions
CSN Islands XII Corp.	100.00	100.00	Financial transactions
Tangua Inc. (1)		100.00	Financial transactions
International Investment Fund	100.00	100.00	Equity interests and financial transactions
CSN Minerals S.L.U.	100.00	100.00	Equity interests
CSN Export Europe, S.L.U. (2)	100.00	100.00	Financial transactions and equity interests
CSN Metals S.L.U.	100.00	100.00	Equity interests and financial transactions
CSN Americas S.L.U.	100.00	100.00	Equity interests and financial transactions
CSN Steel S.L.U.	100.00	100.00	Equity interests and financial transactions
TdBB S.A	100.00	100.00	Dormant company
Sepetiba Tecon S.A.	99.99	99.99	Port services
Mineração Nacional S.A.	99.99	99.99	Mining and equity interests
Florestal Nacional S.A.	99.99	99.99	Reforestation
Estanho de Rondônia S.A.	99.99	99.99	Tin mining
Cia Metalic Nordeste	99.99	99.99	Manufacture of packaging and distribution of steel products
Companhia Metalúrgica Prada	99.99	99.99	Manufacture of packaging and distribution of steel products
CSN Cimentos S.A.	99.99	99.99	Cement manufacturing
CSN Gestão de Recursos Financeiros Ltda.	99.99	99.99	Dormant company
Congonhas Minérios S.A.	99.99	99.99	Mining and equity interests
CSN Energia S.A.	99.99	99.99	Sale of electric power

Transnordestina Logística S.A.	73.70	70.91	Railroad logistics
Indirect interest: full consolidation			
CSN Aceros S.A.	100.00	100.00	Equity interests
Companhia Siderúrgica Nacional LLC	100.00	100.00	Steel
CSN Europe Lda.	100.00	100.00	Financial transactions, product sales and equity interests
CSN Ibéria Lda.	100.00	100.00	Financial transactions, product sales and equity interests
CSN Portugal, Unipessoal Lda.	100.00	100.00	Financial transactions and product sales
Lusosider Projectos Siderúrgicos S.A.	100.00	100.00	Equity interests
Lusosider Aços Planos, S. A.	99.94	99.94	Steel and equity interests
CSN Acquisitions, Ltd.	100.00	100.00	Financial transactions and equity interests
CSN Resources S.A.	100.00	100.00	Financial transactions and equity interests
CSN Finance UK Ltd	100.00	100.00	Financial transactions and equity interests
CSN Holdings UK Ltd	100.00	100.00	Financial transactions and equity interests
CSN Handel GmbH (3)	100.00	100.00	Financial transactions, product sales and equity interests
Companhia Brasileira de Latas (4)	59.17	59.17	Sale of cans and containers in general and equity interests
Rimet Empreendimentos Industriais e Comerciais S. A. (4)	58.08	58.08	Production and sale of steel containers and forestry
Companhia de Embalagens Metálicas MMSA (4)	58.98	58.98	Production and sale of cans and related activities
Empresa de Embalagens Metálicas - LBM Ltda. (4)	58.98	58.98	Sales of containers and holding interests in other entities
Empresa de Embalagens Metálicas - MUD Ltda. (4)	58.98	58.98	Production and sale of household appliances and related products
Empresa de Embalagens Metálicas - MTM do Nordeste (4)	58.98	58.98	Production and sale of cans and related activities
Companhia de Embalagens Metálicas - MTM (4)	58.98	58.98	Production and sale of cans and related activities
CSN Steel Comercializadora, S.L.U. (5)	100.00		Financial transactions, product sales and equity interests
CSN Steel Holdings 1, S.L.U. (5)	100.00		Financial transactions, product sales and equity interests
CSN Steel Holdings 2, S.L.U. (5)	100.00		Financial transactions, product sales and equity interests
Stalhwerk Thüringen GmbH (5)	100.00		Production and sale of long steel and related activities
CSN Steel Sections UK Limited (5)	100.00		Financial transactions, product sales and equity interests
CSN Steel Sections GmbH (5)	100.00		Financial transactions, product sales and equity interests
Gallardo Sections Czech Republic s.r.o. (5)	100.00		Financial transactions, product sales and equity interests

CSN Steel Sections Polska Sp.Z.o.o (5)	100.00		Financial transactions, product sales and equity interests
Direct interest: proportionate consolidation			
Nacional Minérios S.A.	60.00	60.00	Mining and equity interests
Itá Energética S.A.	48.75	48.75	Electric power generation
MRS Logística S.A.	27.27	27.27	Railroad transportation
Consórcio da Usina Hidrelétrica de Igarapava	17.92	17.92	Electric power consortium
Aceros Del Orinoco S.A.	22.73	22.73	Dormant company
CBSI - Companhia Brasileira de Serviços de Infraestrutura (6)	50.00	50.00	Provision of services
Indirect interest: proportionate consolidation			
Namisa International Minérios SLU	60.00	60.00	Financial transactions, product sales and equity interests
Namisa Europe, Unipessoal Lda.	60.00	60.00	Equity interests and sales of products and minerals
Aloadus Handel GmbH (3)	60.00	60.00	Financial transactions, product sales and equity interests
MRS Logística S.A.	6.00	6.00	Railroad transportation
Aceros Del Orinoco S.A.	9.08	9.08	Dormant company

(1) Company liquidated in June 2012.

(2) New corporate name of CSN Export S.à.r.l., changed on August 9, 2011.

(3) Companies acquired on November 3, 2011;

(4) Interests acquired on July 12, 2011;

(5) Companies acquired on January 31, 2012;

(6) Equity interest acquired on December 5, 2011.

- **Exclusive funds**

	Equity interests (%)		
Exclusive funds	**6/30/2012**	**12/31/2011**	**Main activities**
Direct interest: full consolidation			
DIPLIC - Balanced mutual fund	100.00	100.00	Investment fund
Mugen -Balanced mutual fund	100.00	100.00	Investment fund

In preparing the consolidated interim financial statements the following consolidation procedures have been applied:

Unrealized gains on transactions with subsidiaries and jointly controlled entities are eliminated to the extent of CSN's equity interests in the related entity in the consolidation process. Unrealized losses are eliminated in the same manner as unrealized gains, although only to the extent that there are indications of impairment. The base date of the interim financial statements of the subsidiaries and jointly controlled entities is the same as that of the Company, and their accounting policies are in line with the policies adopted by the Company.

- **Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to determine the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are actually exercisable or convertible are taken into consideration when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date when control is transferred to the Company and are deconsolidated from the date when such control ceases.

- **Joint controlled entities**

The financial statements of jointly controlled entities are included in the consolidated financial statements from the date when shared control starts through the date when shared control ceases to exist. Jointly controlled entities are proportionately consolidated.

- **Transactions and non-controlling interests**

The Company treats transactions with non-controlling interests as transactions with owners of Company equity. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recognized directly in equity, in line item “Valuation adjustments to equity”.

When the Company no longer holds control, any retained interest in the entity is remeasured to its fair value, with the change in the carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest in an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(c) Individual interim financial statements

In the individual interim financial statements, interests in subsidiaries and jointly controlled entities are accounted for by the equity method of accounting. The same adjustments are made both to the individual financial statements and the consolidated interim financial statements. In the case of CSN, the accounting practices adopted in Brazil, applied to the individual interim financial statements, differ from IFRS applicable to the separate financial statements only with respect to the measurement of investments in subsidiaries and associates by the equity method of accounting, which under IFRSs must be measured at cost or fair value.

(d) Foreign currencies

i. Functional and presentation currency

Items included in the interim financial statements of each one of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ("functional currency"). The consolidated interim financial statements are presented in Brazilian reais (R$), which is the Company's functional currency and the Group's presentation currency.

ii. Balances and transactions

Transactions in foreign currencies are translated into the functional currency using the exchange rates in effect at the dates of the transactions or valuation on which items are remeasured. Foreign exchange gains and losses resulting from the settlement of these transactions and from the translation at exchange rates in effect as of June 30, 2012 of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when they are recognized in equity as qualifying cash flow hedges and qualifying net investment hedges.

The asset and liability balances are translated at the exchange rate in effect at the end of the reporting period. As of June 30, 2012, US$1 is equivalent to R$2.0213 (R$1.8758 as of December 31, 2011), EUR 1 is equivalent to R$2.5606 (R$2.4342 as of December 31, 2011), and JPY 1 is equivalent R$0.02533 (R$0.02431 as of December 31, 2011).

All other foreign exchange gains and losses, including foreign exchange gains and losses related to loans and cash and cash equivalents, are presented in the income statement as finance income or costs.

Changes in the fair value of monetary securities denominated in foreign currency, classified as available-for-sale, are segregated into translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Exchange differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in equity.

Exchange differences on non-monetary financial assets and liabilities classified as measured at fair value through profit or loss are recognized in profit or loss as part of the gain or loss on the fair value. Exchange differences on non-monetary financial assets, such as investments in shares classified as available-for-sale, are included in comprehensive income in equity.

Starting 2012, in view of the changes in operations of the subsidiary Namisa Europe, its functional currency changed from the US dollar to the Brazilian real.

iii. Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the reporting currency are translated into the reporting currency as follows:

• Assets and liabilities in each balance sheet presented have been translated at the exchange rate prevailing at the end of the reporting period.

• Income and expenses of each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates in effect at the transaction dates, in which case income and expenses are translated at the rate in effect at the transaction dates); and

• All resulting exchange differences are recognized as a separate component in other comprehensive income.

On consolidation, exchange differences resulting from the translation of monetary items with characteristics of net investment in foreign operations are recognized in equity. When a foreign operation is partly disposed of or sold, exchange differences previously recorded in other comprehensive income are recognized in the income statement as part of the gain or loss on sale.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks and other short-term highly liquid investments redeemable within 90 days from the end of the reporting period, readily convertible into a known amount of cash and subject to an insignificant risk of change in value. Certificates of deposit that can be redeemed at any time without penalties are considered as cash equivalents.

(f) Trade receivables

Trade receivables are initially recognized at fair value, including the related taxes and expenses. Foreign currency-denominated trade receivables are adjusted at the exchange rate in effect at the end of the reporting period. The allowance for doubtful debts was recognized in an amount considered sufficient to cover any losses. Management's assessment takes into consideration the customer's history and financial position, as well as the opinion of our legal counsel regarding the collection of these receivables for recognizing the allowance.

(g) Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the weighted average cost method on the acquisition of raw materials. The costs of finished products and work in process comprise raw materials, labor and other direct costs (based on the normal production capacity). Net realizable value represents the estimated selling price in the normal course of business, less estimated costs of completion and costs necessary to make the sale. Losses for slow-moving or obsolete inventories are recognized when considered appropriate.

Stockpiled inventories are accounted for as processed when removed from the mine. The cost of finished products comprises all direct costs necessary to transform stockpiled inventories into finished products.

(h) Investments

Investments in subsidiaries, jointly controlled entities and associates are accounted for by the equity method of accounting and are initially recognized at cost. The gains or losses are recognized in profit or loss as operating revenue (or expenses) in the individual interim financial statements. In the case of foreign exchange differences arising on translating foreign investments that have a functional currency different from the Company's, changes in investments due exclusively to foreign exchange differences, as well as adjustments to pension plans and available-for-sale investments that impact the subsidiaries' equity, are recognized in line item "Cumulative translation adjustments", in the Company's equity, and are only recognized in profit or loss when the investment is disposed of or written off due to impairment loss. Other investments are recognized and maintained at cost or fair value.

When necessary, the accounting policies of subsidiaries and jointly controlled entities are changed to ensure consistency and uniformity of criteria with the policies adopted by the Company.

(i) Business combination

The acquisition method is used to account for each business combination conducted by the Company. The consideration transferred for acquiring a subsidiary is the fair value of the assets transferred, liabilities incurred and equity instruments issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, where applicable. Acquisition-related costs are recognized in profit or loss, as incurred. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Company recognizes non-controlling interests in the acquiree according to the proportional non-controlling interest held in the fair value of the acquiree's new assets (see note 3).

(j) Property, plant and equipment

Property, plant and equipment are carried at cost of acquisition, formation or construction, less accumulated depreciation or depletion and any impairment loss. Depreciation is calculated under the straight-line method based on the remaining economic useful economic lives of assets, as mentioned in note 12. The depletion of mines is calculated based on the quantity of ore mined. Land is not depreciated since their useful life is considered indefinite. However, if the tangible assets are mine-specific, they are depreciated over the economic useful lives for such assets. The Company recognizes in the carrying amount of property, plant and equipment the cost of replacement, reducing the carrying amount of the part that it is replacing if it is probable that future economic benefits embodied therein will revert to the Company, and if the cost of the asset can be reliably measured. All other disbursements are expensed as incurred. Borrowing costs related to funds obtained for construction in progress are capitalized until these projects are completed.

If some components of property, plant and equipment have different useful lives, these components are separately recognized as property, plant and equipment items.

Gains and losses on disposal are determined by comparing the sale value less the residual value and are recognized in ‘Other operating income (expenses)’.

Mineral rights acquired are classified as other assets in property, plant and equipment.

Exploration expenditures are recognized as expenses until the viability of mining activities is established; after this period subsequent development costs are capitalized. Exploration and valuation expenditures include:

- Research and analysis of exploration area historical data;
- Topographic, geological, geochemical and geophysical studies;
- Determine the mineral asset’s volume and quality/grade of deposits;
- Examine and test the extraction processes and methods;

- Topographic surveys of transportation and infrastructure needs;
- Market studies and financial studies.

The costs for the development of new mineral deposits or capacity expansion in mines in operations are capitalized and amortized using the produced (extracted) units method based on the probable and proven ore quantities.

The development stage includes:

- Drillings to define the ore body;
- Access and draining plans;
- Advance removal of overburden (top soil and waste material removed prior to initial mining of the ore body) and waste material (non-economic material that is intermingled with the ore body).

Stripping costs (the costs associated with the removal of overburdened and other waste materials) incurred during the development of a mine, before production commences, are capitalized as part of the depreciable cost of developing the property. Such costs are subsequently amortized over the useful life of the mine based on proven and probable reserves.

Post-production stripping costs are included in the cost of the inventory produced (that is extracted), at each mine individually during the period that stripping costs are incurred.

The Company holds spare parts that will be used to replace parts of property, plant and equipment and that will increase the asset's useful life and the useful life of which exceeds 12 months. These parts are classified in property, plant and equipment and not in inventories.

(k) Intangible assets

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

These assets are recognized at cost of acquisition or formation, less amortization calculated on a straight-line basis based on the exploration or recovery periods.

Intangible assets with indefinite useful lives and goodwill based on expected future profitability are not amortized.

- **Goodwill**

Goodwill represents the positive difference between the amount paid and/or payable for the acquisition of a business and the net fair values of the assets and liabilities of the acquiree. Goodwill on acquisitions of subsidiaries is recognized as ‘Intangible assets’ in the consolidated financial statements. In the individual balance sheet, goodwill is included in investments. Negative goodwill is recognized as a gain in profit for the period at the acquisition date. Goodwill is annually tested for impairment. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a Cash-Generating Unit (CGU) include the carrying amount of goodwill related to the CGU sold.

Goodwill is allocated to CGUs for impairment testing purposes. The allocation is made to Cash-Generating Units or groups of Cash-Generating Units that are expected to benefit from the business combination from which the goodwill arose, and the unit is not greater than the operating segment.

- **Software**

Software licenses purchased are capitalized based on the costs incurred to purchase the software and make it ready for use. These costs are amortized on a straight-line basis over the estimated economic useful lives of 1 to 5 years.

(l) Impairment of non-financial assets

Assets with infinite useful lives, such as goodwill, are not subject to amortization and are annually tested for impairment. Assets subject to amortization are tested for impairment when whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized at the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and its value in use. For impairment testing purposes, assets are grouped at their lowest levels for which there are separately identifiable cash flows (Cash Generating Units, or CGUs). Non-financial assets, except goodwill, that are considered impaired are subsequently reviewed for possible reversal of the impairment at the reporting date.

(m) Employee benefits

i. Employee benefits

Defined contribution plans

A defined contribution plan is as a post-employment benefit plan whereby an entity pays fixed contributions to a separate entity (pension fund) and will not have any legal or constructive obligation to pay additional amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefit expenses in the income statement for the periods during which services are provided by employees. Contributions paid in advance are recognized as an asset on condition that either cash reimbursement or reduction in future payments is available. Contributions to a defined contribution plan that is expected to mature twelve (12) months after the end of the period in which the employee provides services are discounted to their present values.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation regarding defined pension benefit plans is calculated individually for each plan by estimating the value of the future benefit that the employees accrue as return for services provided in the current period and in prior periods; such benefit is discounted to its present value. Any unrecognized costs of past services and the fair values of any plan assets are deducted. The discount rate is the yield presented at the end of the reporting period for top line debt securities whose maturity dates approximate the terms and conditions of the Company's obligations and which are denominated in the same currency as the one in which it is expected that the benefits will be paid. The calculation is made annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit for the Company, the asset to be recognized is limited to the total amount of any unrecognized costs of past services and the present value of the economic benefits available in the form of future plan reimbursements or reduction in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any Company plan. An economic benefit is available to the Company if it is realizable during the life of the plan or upon settlement of the plan's liabilities.

The Company and some of its subsidiaries entities offered a postretirement healthcare benefit to its employees. The right to these benefits is usually contingent to their remaining in employment until the retirement age and the completion of the minimum length of service. The expected costs of these benefits are accumulated during the employment period, and were calculated using the same accounting method used for defined benefit pension plans. These obligations are annually evaluated by qualified independent actuaries.

When the benefits of a plan are increased, the portion of the increased benefit related to past services of employees is recognized on a straight-line basis over the average period until the benefits become vested. When the benefits become immediately vested, the expense is recognized in profit or loss.

The Company has chosen to recognize all the actuarial gains and losses resulting from defined benefit plans immediately in other comprehensive income and only registered in the income statements if the plan is extinguished.

ii. Profit sharing and bonus

Employee profit sharing and executives' variable compensation are linked to the achievement of operating and financial targets. The Company recognizes a liability and an expense substantially allocated to production cost and, where applicable, to general and administrative expenses when such goals are met.

(n) Provisions

Provisions are recognized when: (i) the Company has a present legal or constructive obligation as a result of past events, (ii) it is probable that an outflow of resources will be required to settle a present obligation, and (iii) the amount can be reliably measured. Provisions are determined discounting the expected future cash flows based on a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the specific risks of the liability.

(o) Concessions

The Company has government concessions and their payments are classified as operating leases.

(p) Share capital

Common shares are classified in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of taxes.

When any Group company buys Company shares (treasury shares), the amount paid, including any directly attributable additional costs (net of income tax), is deducted from equity attributable to owners of the Company until the shares are canceled or reissued. When these shares are subsequently reissued, any amount received, net of any directly attributable additional transaction costs and the related income tax and social contribution effects, is included in equity attributable to owners of the Company.

(q) Revenue recognition

Operating revenue from the sale of goods in the normal course of business is measured at the fair value of the consideration received or receivable. Revenue is recognized when there is convincing evidence that the most significant risks and rewards of ownership of goods have been transferred to the buyer, it is probable that future economic benefits will flow to the entity, the associated costs and possible return of goods can be reliably estimated, there is no continued involvement with the goods sold, and the amount of the operating revenue can be reliably measured. If it is probable that discounts will be granted and the value thereof can be reliably measured, then the discount is recognized as a reduction of the operating revenue as sales are recognized. Revenue from services provided is recognized as it is realized.

The appropriate timing for transfer of risks and rewards varies depending on the individual terms and conditions of the sales contract. For international sales, this timing depends on the type of term of the contract.

(r) Finance income and finance costs

Finance income includes interest income from funds invested (including available-for-sale financial assets), dividend income (except for dividends received from investees accounted for under the equity method in Company), gains on disposal of available-for-sale financial assets, changes in the fair value of financial assets measured at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized in profit or loss under the effective interest method. Dividend income is recognized in profit or loss when the Company’s right to receive payment has been established. Distributions received from investees accounted for by the equity method reduce the investment value.

Finance costs comprise interest expenses on borrowings, net of the discount to present value of the provisions, dividends on preferred shares classified as liabilities, losses in the fair value of financial instruments measured at fair value through profit or loss, impairment losses recognized in financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are measured through profit or loss under the effective interest method.

Foreign exchange gains and losses are reported on a net basis.

(s) Income tax and social contribution

Current and deferred income tax and social contribution are calculated based on the tax law enacted or substantially enacted by the end of the reporting period, including in the countries where the Group entities operate and generate taxable profit. Management periodically assesses the positions assumed in the tax calculations with respect to situations where applicable tax regulations are open to interpretations. The Company recognizes provisions, when appropriate, based on the estimated payments to tax authorities.

The income tax and social contribution expense comprises current and deferred taxes. The current and deferred taxes are recognized in profit or loss unless they are related to business combinations or items directly recognized in equity.

Current tax is the expected tax payable or receivable on taxable profit or loss for the period at tax rates that have been enacted or substantially enacted by the end of the reporting period and any adjustment to taxes payable in relation to prior years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is not recognized for the following temporary differences: initial recognition of assets and liabilities in a transaction that is not a business combination and does not affect either the accounting or taxable profit or loss, and differences associated with investments in subsidiaries and controlled entities when it is probable that they will not reverse in the foreseeable future. Moreover, a deferred tax liability is not recognized for taxable temporary differences resulting in the initial recognition of goodwill. The deferred tax is measured at the rates that are expected to be applied on temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the end of the reporting period.

Current income tax and social contribution are carried at their net amounts by the taxpayer, in liabilities when there are amounts payable or in assets when prepaid amounts exceed the total amount due at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same entity subject to taxation.

A deferred income tax and social contribution asset is recognized for all tax losses, tax credits, and deductible temporary differences to the extent that it is probable that taxable profits will be available against which those tax losses, tax credits, and deductible temporary differences can be utilized.

Deferred income tax and social contribution assets are reviewed at the end of each reporting period and reduced to the extent that their realization is no longer probable.

(t) Earnings per share

Basic earnings per share are calculated by means of the profit for the period attributable to owners of the Company and the weighted average number of common shares outstanding in the related period. Diluted earnings per share are calculated by means of the average number of shares outstanding, adjusted by instruments potentially convertible into shares, with diluting effect, in the reported periods. The Company does not have any instruments potentially convertible into shares and, accordingly, diluted earnings per share are equal to basic earnings per share.

(u) Environmental and restoration costs

The Company recognizes a provision for the costs of recovery of areas and fines when a loss is probable and the amounts of the related costs can be reliably measured. Generally, the period for providing for the amount to be used in recovery coincides with the end of a feasibility study or the commitment to adopt a formal action plan.

Expenses related to compliance with environmental regulations are charged to profit or loss or capitalized, as appropriate. Capitalization is considered appropriate when the expenses refer to items that will continue to benefit the Company and that are basically related to the acquisition and installation of equipment to control and/or prevent pollution.

(v) Research and development

All these costs are recognized in the income statement when incurred, except when they meet the criteria for capitalization. Expenditures on research and development of new products for the period ended June 30, 2012 amounted to R$2,861 (R$3,130 for the period ended June 30, 2011).

(w) Financial instruments

i) Financial assets

Financial assets are classified into following categories: measured at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for- sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets of the time of initial recognition.

- **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for active and frequent trading. Derivatives are also categorized as held for trading and, accordingly, are classified in this category unless they have been designated as cash flow hedging instruments. Assets in this category are classified in current assets.

- **Loans and receivables**

This category includes loans and receivables that are non-derivative financial assets with fixed or determinable payments not quoted in an active market. They are included in current assets, except those with maturity of more than 12 months after the end of the reporting period (which are classified as non-current assets). Loans and receivables include loans to associates, trade receivables and cash and cash equivalents, except short-term investments. Cash and cash equivalents are recognized at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

- **Held-to-maturity assets**

These are basically financial assets acquired with the positive intent and ability to hold to maturity. Held-to-maturity investments are initially recognized at their value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment loss.

- **Available-for-sale financial assets**

These are non-derivative financial assets, designated as available-for-sale, that are not classified in any other category. They are included in non-current assets when they are strategic investments of the Company, unless Management intends to dispose of the investment within up to 12 months from the end of the reporting period. Available-for-sale financial assets are recognized at fair value.

- **Recognition and measurement**

Regular purchases and sales of financial assets are recognized at the trading date - the date on which the Company undertakes to buy or sell the asset. Investments are initially recognized at their fair value, plus transaction costs for all financial assets not classified as at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at their fair value and the transaction costs are charged to the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred, in the latter case, provided that the Company has transferred significantly all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses resulting from changes in the fair value of financial assets at fair value through profit or loss are presented in the income statement under “finance income” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other finance income when the Company’s right to receive the dividends has been established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are segregated into translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Exchange differences on monetary securities are recognized in profit or loss, while exchange differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income and are only recognized in profit or loss when the investment is sold or written off as a loss.

Interest on available-for-sale securities, calculated under the effective interest method, is recognized in the income statement as part of other income. Dividends from available-for-sale equity instruments, such as shares, are recognized in the income statement as part of other finance income when the Company's right to receive payments has been established.

The fair values of publicly quoted investments are based on current purchase prices. If the market for a financial asset (and for instruments not listed on a stock exchange) is not active, the Company establishes the fair value by using valuation techniques. These techniques include the use of recent transactions contracted with third parties, reference to other instruments that are substantially similar, analysis of discounted cash flows, and pricing models that make maximum use of market inputs and relies as little as possible on entity-specific inputs.

ii) Impairment of financial assets

The Company assesses of the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

- **Assets measured at amortized cost**

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and such loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria used by CSN to determine whether there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or counterparty;

- a breach of contract, such as default or delinquency in interest or principal payments;

- the issuer, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise consider;

- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

- the disappearance of an active market for that financial asset because of financial difficulties; or

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of such assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment status of borrowers in the portfolio;

- national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate to measure an impairment loss is the current effective interest rate determined pursuant to the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed and recognized in the consolidated income statement.

- **Assets classified as available-for-sale**

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. Determining what is considered a "significant" or "prolonged" decline requires judgment. For this judgment we assess, among other factors, the historical changes in the equity prices, the duration and proportion in which the fair value of the investment is lower than its cost, and the financial health and short-term prospects of the business for the investee, including factors such as: industry and segment performance, changes in technology, and operating and financial cash flows. If there is any of this evidence of impairment of available-for-sale financial assets, the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recorded in profit or loss—is reclassified from equity and recognized in the income statement. Impairment losses recognized in the income statement as available-for-sale instruments are not reversed through the income statement.

CSN tested for impairment its available-for-sale investment in Usiminas shares (see note 15).

iii) Financial liabilities

Financial liabilities are classified into the following categories: measured at fair value through profit or loss and other financial liabilities. Management determines the classification of its financial liabilities of the time of initial recognition.

- **Financial liabilities measured at fair value through profit or loss**

Financial liabilities at fair value through profit or loss are financial liabilities held for trading or designated as at fair value through profit or loss.

Derivatives are also classified as trading securities, unless they have been designated as effective hedging instruments.

- **Other financial liabilities**

Other financial liabilities are measured at amortized cost using the effective interest method.

The Company holds the following non-derivative financial liabilities: borrowings, financing and debentures, and trade payables.

- **Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off recognized amounts and the intention to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

iv) Derivative instruments and hedging activities

- **Derivatives measured at fair value through profit or loss**

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are immediately recognized in the income statement under "Other gains (losses), net". Even though the Company uses derivatives for hedging purposes, it does not apply hedge accounting.

- **Foreign exchange gains or losses on foreign operations**

Any gain or loss on the instrument related to the effective portion is recognized in equity. The gain or loss related to the ineffective portion is immediately recognized in the income statement under "Other gains (losses), net".

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

(x) Segment information

An operating segment is a component of the Group committed to the business activities from which it can obtain revenues and incur expenses, including revenues and expenses related to transactions with any other components of the Group. All the operating results of operating segments are reviewed regularly by the Executive Officers of CSN to make decisions regarding funds to be allocated to the segment and assessment of its performance, and for which there is distinct financial information available (see Note 26).

(y) Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received, when they will be recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs the grants are intended to compensate.

The Company has state tax incentives in the North and Northeast regions that are recognized in profit or loss as a reduction of the corresponding costs, expenses and taxes.

(z) New standards and interpretations issued and not yet adopted

The information on the recently issued accounting standards and interpretations did not change significantly as compared to the one disclosed in note 2 to the financial statements for the year ended December 31, 2011.

3. BUSINESS COMBINATION

- **Companhia Brasileira de Latas (“CBL”)**

On July 12, 2011, CSN conducted, through its wholly-owned subsidiary “Prada”, a capital increase in Companhia Brasileira de Latas (“CBL”) through the capitalization of receivables. As a result, the Company became the holder of CBL’s control, with an equity interest equivalent to 59.17% of its voting capital, represented by 784,055,451 common shares (“Acquisition”).

The acquisition of CBL's control will generate operating and administrative synergies that will result in a decrease in production costs, logistics costs, and administrative costs.

As mentioned in note 2(i), the acquisition method was used to account for identifiable assets acquired, liabilities assumed, and non-controlling interests. Non-controlling interests in CBL equivalent to 40.83% were proportionately determined, based on the fair value of identifiable assets acquired and liabilities assumed. Some of the non-controlling shareholders are in the corporate structure of CSN's parent group.

The purchase price of R$43,316 was allocated between identified assets acquired and liabilities assumed, measured at fair value. The asset and liability identification process considered the intangible assets that were not recognized in the acquirees' books. The transaction costs are represented by consulting services and lawyers' fees totaling R$485, which have been allocated to profit or loss as incurred.

The tables below show the allocation of identifiable assets acquired and liabilities assumed recognized at the acquisition date, the purchase price considered on the acquisition of CBL's control, and the calculation of the resulting goodwill.

Assets acquired and liabilities assumed	**Carrying amounts**	**Fair value adjustments**	**Total fair value**
Current assets	62,182	(7,465)	54,717
Non-current assets (*)	44,718	89,449	134,167
Current liabilities	(144,225)	10,522	(133,703)
Non-current liabilities (**)	(567,469)	351,035	(216,434)
Total assets acquired and liabilities assumed	**(604,794)**	**443,541**	**(161,253)**

(*) Comprising mainly the fair value adjustment to property, plant and equipment amounting to R$90,572. Total fair value of property, plant and equipment was measured at R$123,518.

(*) Comprising mainly the fair value adjustment to receivables from CSN amounting to R$388,640.

The fair value adjustments made based on the corporate balance sheet to prepare the opening balance sheet were adjusted after the completion of the valuation report in December 2011.

Goodwill arising on acquisition	
(-) Book value of CBL	(604,794)
(+) Fair value of assets acquired and liabilities assumed	443,541
(=) Total fair value of assets acquired and liabilities assumed	**(161,253)**
Purchase price considered	**43,316**
Goodwill arising on acquisition	**204,569**

Goodwill arising on the acquisition comprises mainly the expected synergies generated by the business combination of Prada Embalagens with CBL.

The business combination with Companhia Brasileira de Latas, which took place on July 12, 2011, is under review of Conselho Administrativo de Defesa Econômica, or CADE, (Brazilian antitrust agency).

- **Stahlwerk Thüringen GmbH ("SWT") and Gallardo Sections**

On January 31, 2012, through its wholly-owned subsidiary CSN Steel S.L., CSN completed the acquisition of all the shares ("Shares") of the Spanish companies (a) Dankerena Guipúzcoa, S.L. (currently named CSN Steel Holdings 2, S.L.U.) and Grupo Alfonso Gallardo Thüringen, S.L.U. (currently named CSN Steel Holdings 1, S.L.U.), holding companies that together hold 100% of the capital of the German company Stahlwerk Thüringen GmbH ("SWT"), a producer of long steel located in Unterwellenborn, Germany, specialized in the production of shapes and with installed capacity of 1.1 million metric tons of steel/year; and (b) Gallardo Sections S.L.U. (currently named CSN Steel Comercializadora, S.L.U.), a trader of SWT products, all previously held by Grupo Alfonso Gallardo, S.L.U. ("AG Group").

This acquisition helps CSN to strengthen its role in the long steel segment, by strengthening its portfolio of world class assets.

As mentioned in Note 2(i), the acquisition method was used to account for identifiable assets acquired and liabilities assumed.

The purchase price of R$300,545 (€130,939) was allocated between identified assets acquired and liabilities assumed, measured at fair value. In the purchase price identification process, the Company considered the adjustments presented below and the starting point was the transaction amount of R$1,107,482 (€482,500):

	Amounts in R$
Transaction price	1,107,482
Net debt	(860,743)
Provisions	(11,833)
Tax credits	13,555
Working capital	52,084
(=) Purchase price considered	**300,545**

The purchase price adjustments considered are preliminary and can be changed after the completion of the final price adjustment.

The transaction costs are represented by consulting services and lawyers' fees totaling R$18,895, which have been included in the income statement, in general and administrative expenses, as incurred.

The tables below show the allocation of identifiable assets acquired and liabilities assumed recognized at the acquisition date, the purchase price considered in the acquisition of SWT and Gallardo Sections, and the calculation of the resulting goodwill.

Assets acquired	**Carrying amounts**	**Fair value adjustments**	**Total fair value**
Current assets	402,121	2,536	404,657
Non-current assets (*)	192,788	731,161	923,949
Current liabilities	(263,338)		(263,338)
Non-current liabilities (**)	(846,175)	(110,055)	(956,230)
Total assets acquired	**(514,604)**	**623,642**	**109,038**

(*) Comprising mainly the fair value adjustment to property, plant and equipment.

(**) Refers to the deferred income tax on the fair value adjustments.

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The fair value adjustments made based on the corporate balance sheet to prepare the opening balance sheet are preliminary and can be changed after the completion of the valuation report estimated for the second half of 2012.

Goodwill arising on acquisition	
(+) Purchase price considered	300,545
(-) Fair value of assets acquired and liabilities assumed	109,038
(=) Goodwill arising on acquisition	**191,507**

Goodwill arising on the acquisition was mainly based on expected future earnings, as described in note 13.

4. RELATED-PARTY BALANCES AND TRANSACTIONS

a) Transactions with Holding Company

Vicunha Siderurgia S.A. is a holding company set up for the purpose of holding equity interests in other companies and is the Company's main shareholder, with 47.86% of the voting shares.

Rio Iaco Participações S.A. holds 3.99% of CSN.

- **Liabilities**

	Proposed			Paid	
Companies	**Dividends**	**Interest on capital**	**Total**	**Dividends**	**Interest on capital**
Vicunha Siderurgia		113,885	**113,885**	574,267	

Rio Iaco		9,499	**9,499**	47,897	
Total at 6/30/2012		**123,384**	**123,384**	**622,164**	
Total at 12/31/2011	**622,164**		**622,164**	**777,706**	**184,987**

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

Vicunha Aços S.A. – holds 99.99% of Vicunha Siderurgia S.A.

Vicunha Steel S.A. – holds 66.96% of Vicunha Aços S.A.

National Steel S.A. – holds 33.04% of Vicunha Aços S.A.

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

Rio Purus Participações S.A. – holds 60% of National Steel S.A., 59.99% of Vicunha Steel S.A. and 99.80% of Rio Iaco Participações S.A.

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b) Transactions with subsidiaries and exclusive funds

- **Assets**

Companies	Trade receivables	Short-term and other investments (1)	Intercompany loans (2)	Dividends receivable	Advance for future capital increase	Derivative financial instruments (3)	Total
CSN Islands VIII Corp.						357,327	357,327
CSN Portugal, Unipessoal Lda.	22,024						22,024
CSN Europe Lda.	9,920						9,920
CSN Handel GmbH	102,530						102,530
Companhia Metalúrgica Prada	246,700				29,000		275,700
CSN Cimentos S.A.	6,885				34,825		41,710
Transnordestina Logística S.A.	44		94,821		180,205		275,070
Florestal Nacional S.A.			175,128		8,522		183,650
Sepetiba Tecon S.A.	117			8,840			8,957
CSN Energia S.A.					3,000		3,000
Estanho de Rondônia S.A.				3,625			3,625
Fundos Exclusivos		671,588					671,588
Mineração Nacional S.A.							